FINANCIAL REPORT 2017

30 YEARS 1988-2018

cenit

CENIT Key Data 2013-2017

in million EUR	2017	2016	2015	2014	2013
Total revenue	151.70	123.77	121.47	123.39	118.92
EBITDA	15.27	14.06	12.69	11.66	10.63
EBIT	12.84	11.85	10.60	9.33	8.33
Net income	8.99	8.15	7.31	6.36	5.88
Earnings per share in EUR	1.07	0.97	0.87	0.76	0.70
Dividend per share in EUR	Proposal: 1.00	1.00	1.00	0.90	0.35
Equity ratio in %	46.8	56.2	59.6	58.8	59.5
Number of employees	764	615	628	659	671
Number of shares	8,367,758				

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PREFACE OF THE MANAGEMENT BOARD

Preface of the Management Board

Ladies and Gentlemen,

2017 was a strong, exciting and positive year for us. It was a year of great expectation that we would continue the success and the aspirations of the record year in 2016, setting new and distinctive milestones. We are proud to report that the CENIT team succeeded in meeting this self-posed challenge. Our enhanced position on the market, the continuous refinement of our expertise and our economic ratios bear testimony to this success.

In 2017, we improved even further on the impressive result from 2016. It was thus once again the most successful year in the history of CENIT AG. We increased the Group's sales by 23% to EUR 152 million. KEONYS, the software company acquired as of 1 July 2017, made a key contribution in this respect. EBIT rose once again by 8.3% to EUR 12,836 k. Disregarding the earnings contribution of the KEONYS Group, EBIT was on a par with the prior-year level and thus in line with expectations. CENIT benefited once again from an excellent product and service portfolio, displaying an outstanding performance again in 2017 after the record year in 2016.

The positive business performance in 2017 was reinforced not least by the successful contribution of the CENIT local companies, which contributed almost 39% to revenue for the first time. Accordingly, 61.2% (prior year: 71.4%) of sales was generated in Germany, 28.4% (prior year: 13.4%) in other EU countries (due to the acquisition of KEONYS) and 10.4% (prior year: 15.2%) in other countries.

The CENIT Group set a new benchmark for sales and earnings in 2017. Maintaining and extending this benchmark in the coming years will be an important and ambitious undertaking. But we are not driven merely by a motivation to grow our financial figures at all costs.

CENIT's strength, which has underpinned our success for 30 years, is much more fundamental, and thus more sustainable: We endeavor to improve our products, services and our expertise continuously. We want to be more than a service provider; we want to be a partner to our customers. A partner that meets them at eye level and leads them steadfastly to success – particularly in an era shaped by digital transformation, Industry 4.0 and global technological revolution. We also want to offer excellent software solutions and services that make a clear statement in the dynamic and challenging IT market. Last but not least, we want to be a reliable employer for our strong team, working together to get better and better all the time.

And so these are the true benchmarks against which we will measure ourselves in the months and years to come.

CENIT on a growth trajectory

There are many changes under way at CENIT, bold changes that we relish. In what was the most successful year to date in the history of the Company, we completed a hugely ambitious project, namely the acquisition of French software company KEONYS on 1 July 2017. KEONYS has been a successful provider of PLM and 3D design solutions for almost ten years, and is one of Europe's largest integrators and resellers for PLM solutions from Dassault Systèmes. The acquisition means that CENIT is now the world's largest value added reseller of Dassault Systèmes solutions.

Together with KEONYS we are a powerful No. 1, not only with respect to our market strength. Our combined industry and solution competence increases exponentially, and this is the motor for our further success and our future viability. The acquisition meant that we also acquired roughly 150 new employees, who represent a gain for the international nature, expertise and diversity of our CENIT team.

The majority interest in SynOpt GmbH, likewise acquired in July 2017, is another bonus in terms of specialist expertise. As a small, highly specialized company, SynOpt has relied on its strong consulting expertise to become a leading German simulation expert for structural analysis, metal shaping and chipping. Together with SynOpt we are rounding off our skills and the solution portfolio in the area of simulation solutions.

Our path to 2020

The mergers with KEONYS and SynOpt mean much more to us than milestones in the Group's history. They are clear evidence of our consistent steps towards the "CENIT 2020 strategy for the future", which aims to ensure CENIT's agility and innovative power and to safeguard the continuous improvement of our competitive strength for the long term – today, tomorrow and all over the globe.

To move forward successfully in all of these areas, our actions are informed by the three main core elements:

- exploiting opportunities and potential offered by organic growth and non-organic growth,
- raising the profile of and expanding our competency by refining our business models and the CENIT solution portfolio in a manner geared to the future and the market
- and realizing synergies from collaborative efforts and strategic partnerships.

Strategic and well-considered planning as well as a clear vision for the future are imperative for successful governance. However, as a down-to-earth company that is Swabian to its core, we measure the success of our actions particularly on whether we have actually achieved what we have set out to do at the end of the day – or year. In terms of the three core elements that inform our actions for the "CENIT 2020 strategy for the future", today we can say: "We're on the right path".

The initial proof can be seen in the acquisitions and equity investments already mentioned. Further proof is provided by our internal initiatives that focus on the customer gearing and innovative strength of our solutions. This is where we bundle the aspects "people", "strategy", "processes", "portfolio" and "marketing" into an integrated mindset that redefines our actions. This approach results in interdisciplinary teams of experts that bundle their competencies more tightly and can thus develop more customized solutions. These also involve new solution approaches like "smartPLM" and "Ready-to-grow", which help customers to become more efficient and competitive in an era of Industry 4.0 and digital transformation. It also involves the joint presence of our interdisciplinary teams at client-relevant events, trade fairs and symposiums, where we highlight the strength and depth of our expertise, and make this expertise accessible to customers. Last but not least, by stepping up research and development activities we aim to secure and extend the futureproof nature and competitiveness of our solutions. For this reason, CENIT raised its research and development expenses to EUR 9,206 k in the fiscal year 2017.

The third piece of evidence of our CENIT 2020 activities relates to our work to establish strong partnerships, with the aim of expanding our market, industry and specialist expertise further. We are proud to have won the Chinese company Risong as a new partner and are delighted in the trust that our long-standing customer MAHLE has shown in us by transitioning from a customer relationship to a strategic partnership. One of the objectives of these partnerships is to work together on progressing practice-based CENIT solutions in the respective industry and specialist environment of the customers.

But we don't take our success for granted: Every successful year is followed by a new year in which we have to prove ourselves all over again. As a result, we will rigorously pursue the goals of the CENIT 2020 strategy again in 2018.

Our company and our employees want to achieve a lot

To achieve something requires the necessary strength. Offering our employees the support they need is one of the most important goals of the Management Board and of CENIT's entire management team. In order to progress this objective, HR work in 2017 focused on expanding the existing benefits and health offerings, attracting new, highly qualified staff and continuing its executive development program.

On a day-to-day basis, the culture at CENIT is reflected in a collegial and open working environment. The values of "partnership", "entrepreneurial", "shaping the future" and "dynamic" have held true since CENIT was first founded and provide a solid foundation on which the Company is built. Practical examples include our joint effort to maintain short decision-making paths and the support of personal and professional initiatives as well as flexible working time arrangements that give employees more scope for their personal needs.

One integral component of CENIT's culture has been making us extremely proud for four years now: CENIT Cares, CENIT's social involvement initiative. We are proud because it is our employees who are the driving force behind this initiative. It is their suggestions for community projects and supportive measures that breathe life into CENIT Cares. The success of the initiative – almost 60 campaigns initiated and realized by the employees in ten countries, including Costa Rica, Romania, Tanzania and the USA – gave CENIT the impetus to take the next important step. Up until now, the scope of CENIT Cares extended to initiatives carried out by CENIT employees from Germany, but the Management Board of CENIT has decided to expand on this corporate social involvement and extend it to the Group as a whole. From 1 January 2018, employees throughout the entire CENIT Group will be given the opportunity to propose aid projects within the framework of the CENIT Cares initiative. In this way, CENIT will support the social involvement of all CENIT employees around the world.

We look to the future with optimism

In many ways, our world is in a period of transition, with the pace of global economic expansion accelerating noticeably in 2017. This economic upturn is forecast to continue in 2018 for many of the major national economies. The pace of activity in business and society is quickening – not least due to the ground-breaking influence of Industry 4.0, the Internet of Things, artificial intelligence and digital transformation.

In this environment, many companies need to reassess, adjust and enhance their position going forward. This poses a two-pronged challenge for CENIT. We wish to move forward as a strong company, and we also want to enable our customers to safeguard and improve their competitive strength at all times. With our strategic initiatives, the constant expansion of our expertise and our actions in the interest of CENIT's success and the success of our customers, we secure the foundations for further growth and strength on a daily basis. We look to the future with confidence and optimism.

2018 is a very special year for CENIT, as it marks the 30th anniversary of our company. We are proud and grateful to have stood alongside our customers for the past 30 years and to have the trust of an excellent team of employees and strong partners. We would like to thank our customers, our partners and the CENIT team for their loyalty and dedication in the interest of our shared success. We also thank our shareholders for the trust and appreciation they have showed us over the past 20 years, as May of this year also marks the 20th anniversary of CENIT's initial public offering. CENIT is well equipped to progress on its path. Let's continue the journey.

Yours sincerely,
The Management Board

Kurt Bengel	Matthias Schmidt
Spokesman, Management Board	Member, Management Board

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Dear Shareholders,

After the record year in 2016, 2017 was the most successful year in the history of CENIT. Also thanks to the acquisitions of the companies KEONYS SAS and SynOpt GmbH, it was possible to grow sales in the CENIT Group by 23 percent and to expand further on the Company's 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 meetings 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 Leypoldt, 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 2017. 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 24 March 2017 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 2016, 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 6 May 2016, 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 financial statements for 2016, 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 24 March 2017, the Supervisory Board approved the 2016 annual financial statements of CENIT Aktiengesellschaft and noted the 2016 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 24 March 2017, the Supervisory Board also considered the business situation during the first quarter of 2017. The meeting also focused on the planning and preparations for the General Meeting of Shareholders on 12 May 2017. In a presentation of the KEONYS Group, the business plan, the future organizational structure and the post-merger integration plan were introduced.

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 2017 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 2017.

The second ordinary meeting of the Supervisory Board in the fiscal year was held on 12 May 2017 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 2017. The meeting also focused on the status of the EIM business division as well as current M&A activities. In an extraordinary conference call on 20 June 2017, the Management Board informed us of the status of the acquisition of SynOpt GmbH, the outcome of the negotiations and the results of the due diligence review.

In a further extraordinary conference call on 10 August 2017, a new M&A activity was discussed. The third ordinary meeting of the Supervisory Board took place on 15 September 2017. The topics were the course of business of CENIT Aktiengesellschaft and the forecast for the third quarter of 2017. The meeting also considered scheduling matters for the year 2018 as well as the current status of M&A activities. The Management Board also reported on the current status of the KEONYS integration and on the new EU General Data Protection Regulation.

At the ordinary meeting of the Supervisory Board on 17 November 2017, 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 CENIT’s risk and compliance management as well as current developments relating to the integration of KEONYS and SynOpt GmbH.

At the three extraordinary meetings of the Supervisory Board on 7, 13 and 22 December 2017, new business opportunities were discussed in relation to Industry 4.0 and digital twin technology.

At the last ordinary meeting of the year, on 15 December 2017, the focus was on CENIT’s planning for the 2018 fiscal year as well as the updating and continuation of the strategic plans up to 2022. The Supervisory Board looked in detail at the planning of the Management Board for the 2018 fiscal year and at the Group’s medium-term gearing. The Supervisory Board was informed of the current status of the M&A projects. Another important topic at the meeting was the current situation surrounding the lease agreement for the offices at the Company’s headquarters in Stuttgart.

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 13 February 2017, 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 2018 on the annual and consolidated financial statements 2017

The accounting, the annual financial statements with the management report for the 2017 fiscal year, the consolidated financial statements with explanations and the group management report for the 2017 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 12 May 2017. 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 2017 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 2017 were fully compliant with statutory requirements.

During the balance sheet meeting on 29 March 2018, 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 29 March 2018, the Supervisory Board approved the annual financial statements prepared by the Management Board for CENIT Aktiengesellschaft for the 2017 fiscal year, thus ratifying the financial statements pursuant to Sec. 172 AktG. Likewise on 29 March 2018, the Supervisory Board approved the consolidated financial statements for the 2017 fiscal year.

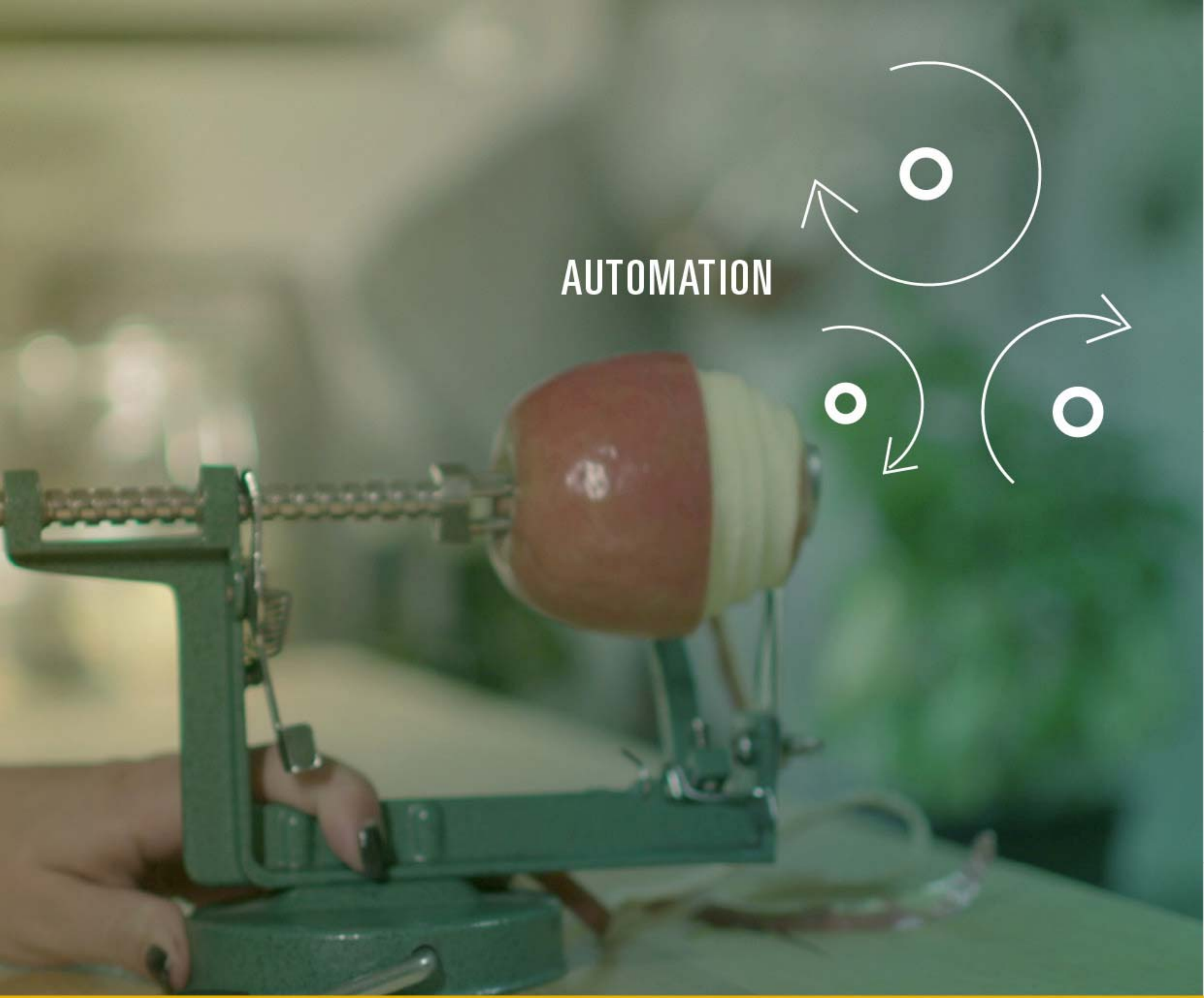
Upon review, the Supervisory Board approves the Management Board's proposal for the appropriation of profits.

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 exceptionally successful conclusion of the past fiscal year.

Stuttgart, March 2018
On behalf of the Supervisory Board

A. Schmidt

Dipl.-Ing. Andreas Schmidt
Chairperson of the Supervisory Board



MANAGEMENT REPORT

Combined Management Report of the CENIT Group and CENIT AG for the Fiscal Year from 1 January 2017 to 31 December 2017

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 Europe by acquiring KEONYS SAS., based in Paris. Through KEONYS, CENIT is also represented in the Netherlands and Belgium with its own local companies. CENIT has further locations in the USA, Switzerland, Romania, Japan and France. 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 sales, operating income and earnings before interest and taxes (in the following: 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 sales, 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 employee survey, which takes place every two years 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 research and development expenses (R&D) to EUR 9,206 k in the fiscal year 2017. 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 rise in innovation costs is planned once again in the fiscal year 2018.

Report on economic position

Overall economic conditions

The pace of global economic expansion accelerated noticeably in 2017.

Economic activity is on an upward trajectory in virtually all major national economies simultaneously. A 3.8% increase in global production was achieved in 2017, which meant that the forecast growth was even exceeded by 0.1%. For the next two years, most members of the German Council of Economic Experts expect global gross domestic product (GDP) to rise by 3.9% in 2018 and 3.6% in 2019.

The economic experts are attributing the powerful growth to expanding global trade, in particular foreign trade in Asia (especially China) and the improved situation in the emerging markets. For example, the International Monetary Fund (IMF) is predicting growth of 2.2% in 2017 for the US economy, with GDP in the fastest-growing national economy, China, set to even grow by 6.9%. The stronger spread of investment was another key factor contributing to the upswing in global trade.

While fears at the beginning of 2017 that the new US administration could severely hamper global economic development with a move towards protectionism have not yet been realized, there is still skepticism on the part of the US administration with regard to multilateral agreements and supranational organizations. Nevertheless the drive for an independent Catalonia in the fall highlighted that there are still major separatist forces at play in Europe, and the political balance of power after the Italian parliamentary elections in the spring of 2018 continues to be uncertain in light of the heavily fragmented party system there. There are also risks stemming from the financial environment. The normalization of monetary policy could lead to changes in the international flow of capital, which starkly hinder economic development in individual companies.

Germany

The Germany economy is enjoying a phase of strong economic activity. Economic growth reached 2.2% in the past year, the highest level since 2011. Gross domestic product was up for the ninth consecutive year already, with another big jump this year.

The key determinant for the positive development of the German economy was the return to a more favourable global economic environment, which helped to spur foreign trade and investment. The trade balance rose significantly towards the end of 2017, with exports up 4.7%. The increase was thus almost twice as high as predicted by economic experts. Further positive impetus stemmed from already-robust development of the domestic economy, demand for workers as well as low interest levels. This was also reflected in private consumption, which rose by 1.9% in 2017 and thus accounted for 53.2% of total economic output.

The strong position of the economy as a whole was particularly evident on the labor market. The number of persons employed in Germany was up 1.5% or around 640,000 persons on average in 2017, reaching a new all-time high of 44.3 million persons in employment. This growth is due especially to the higher number of employment relationships liable for social security, and employees' net wages and salaries also saw a renewed increase.

Most economic experts are predicting that the economic upswing will continue in 2018 and that GDP will climb further (2.4%). The marginal drop in growth is not a sign of dampening economic prospects. Instead, it is principally due to more scarcity in the supply of labor, which in turn could curb any increase in production. State spending will rise faster in 2018 than in the prior year as a consequence of the stronger growth in non-cash welfare benefits. Also in view of the high level of demand from abroad, exports will grow even more than in the prior year, both nominally and adjusted for inflation, despite the appreciation of the euro.

Europe

The economic upturn in the euro-zone is continuing this year and is proving more and more stable. The euro-zone economy grew by 1.9% in 2017, with similar growth expected for the current year. The overall mood is positive with consumers and businesses alike. Private spending will continue to drive growth, also thanks to the continuing rise in employment and despite higher inflation rates. Exports are likewise expected to propel growth, despite the stronger euro, and the dynamic development of the global economy could bring with it a further increase in export opportunities.

The fortuitous outcome of the elections in the Netherlands and in France have played their part in considerably easing political uncertainty. Nevertheless the global environment remains challenging, and this could dampen the pace of economic development. For example, the UK government is still lacking a clear direction, and there is also uncertainty surrounding potential re-elections in Italy.

USA

After comparatively weak prior-year growth, the US economy regained some tailwind in 2017. The International Monetary Fund (IMF) is reckoning with real GDP growth of 2.2% for the year as a whole and a similar rise for 2018. Consumers and businesses are optimistic about the country’s future economic development. This is expressing itself in a relatively robust level of private spending, which is currently the driver behind the US economy, making up almost 70% of GDP. Consumption is being fueled by a rise in employment on the labor market, albeit at a somewhat slower place. With an unemployment rate of 4.1%, the USA has practically reached full employment. In addition, assets, wages and income are continuing to rise. This is also reflected in the rise in corporate investment. Particularly the recovery of the oil and gas industry has contributed to speeding up growth, in spite of a brief interruption in production in the wake of the hurricanes that ripped through the south of the country in the third quarter. The economy has also so far been resilient to the slight tightening in monetary policy by the US Federal Reserve. However, the economic policy projects announced by the new President have not yet been implemented for the most part. Higher state spending as part of Trump’s announced infrastructure program are set to provide additional impetus, as is the comprehensive tax reform. A stronger global economy as well as the cheaper dollar since the beginning of the year also mean brighter prospects for export-based US companies.

Tax breaks for consumers and businesses in the coming year will fuel demand further. Together with low unemployment, this will lead to higher wage and price increases and thus push inflation upwards. The USA’s growing trade deficit is another factor causing uncertainty. Although exports rose in nominal terms, imports grew at an even higher level. Several countries have come under fire for their high surplus in the bilateral trade of goods with the USA, including Germany, which looks set to be the fifth most important trading partner again in 2017. The renegotiation of the North American Free Trade Agreement NAFTA with the partners Canada and Mexico is not progressing as hoped either, and is not expected to conclude until during the course of 2018. If the USA were to exit NAFTA, this could jeopardize the growth trajectory of the US economy and painfully disrupt established industrial supply chains.

Japan

The Japanese economy is growing and growing – now for the seventh quarter in a row. Japan’s GDP rose by 1.5% in 2017 on account of inflation. The biggest growth drivers in 2017 are higher consumer spending in Japan, which is responsible for two-thirds of GDP, and a rise in capital expenditure. The export business is stable again, and looks set to retain its sturdy growth for the time being. The unemployment rate fell just below the 3% mark, thus remaining at a very low level.

Forecasts are a little more cautious for the fiscal year 2018, but are still in the region of the 1% mark. After the new elections, Japan's moderate economic development is continuing under Prime Minister Shinzō Abe. In general, a shortage of workers, the need for automation, expansion into new business fields as well as projects linked directly or indirectly to the 2020 Olympic Games in Tokyo are cited as reasons for budget extensions. There is general uncertainty in relation to the dependence on raw materials and the ongoing outsourcing of production to other countries. Other worries for Japan include a growing mountain of debt from the new economic stimulus package as well as the country's declining population, which is attributable to its demographic problems.

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 3.3% in 2017 to EUR 3.2 trillion. Climbing 3.4% to EUR 1.4 trillion, the increase in IT was somewhat stronger than for telecommunications, which grew by 3.3% to EUR 1.8 trillion.

In an international comparison, the ITC markets in India (+9.0%) and China (+8.5%) are growing particularly quickly. The USA remained by far the world's largest ITC market, with sales up 3.0% to EUR 979 billion.

The business with ITC products and services is also regaining strength in the EU countries. Sales in Europe edged up 1.8% to EUR 683 billion in 2017 compared to the past year (up 1.3%). Within the European Union, it is Hungary that is experiencing the strongest growth, expected to reach 5.2%. The UK is also amongst the leaders – despite Brexit – with a 3.5% rise to EUR 140 billion. Performance is poorest in the crisis-shaken Greek market, which noted a decline of 1.0%.

According to BITKOM, German sales with ITC products and services rose 1.9% to EUR 160.8 billion in 2017. The industry association expects growth of 1.3% to EUR 162.9 billion in 2018 for the ITC market as a whole.

The main growth driver is still IT, which rose 3.4% to EUR 85.8 billion. In particular business by software providers saw above-average growth of 6.3% to EUR 23 billion. Sales with IT services, which strongly reflect orders from the digitalization of companies, also noted an increase of 2.3% to a market volume of EUR 39 billion. There was a 2.6% rise in sales of IT hardware to EUR 23.9 billion. Telecommunications is stabilizing compared to the prior year, expected to drop slightly by 0.1% to EUR 65.5 billion.

The sales growth in the ITC industry is having a knock-on effect on the labor market, with significantly more new jobs created in Germany in 2017 than initially expected. With 30,000 new jobs and a total of 1 million people employed in the ITC sector, it has become the largest industrial employer, ahead of leading industries such as mechanical engineering or automobile construction.

Apart from the positive news, BITKOM President Berg has warned with a view to the upcoming coalition negotiations that faster digital transformation is required. "In an international comparison, the German economy is still rather reticent when it comes to investing in digital technologies. The move towards a data-driven digital platform economy is a vital question for

Germany's future, and this question will be decided within the space of just a few years. Not only politicians but also managers must step up to the mark."

Summary of business development

2017 was once again the most successful year in the history of CENIT AG. The acquisition of the KEONYS Group helped to grow sales by 23% to EUR 152 million. However, it was not possible to achieve the planned growth (excluding KEONYS) of 2%, as the focus was on raising profitability. EBIT climbed once again by 8.3% to EUR 12,836 k; disregarding the earnings contribution of the KEONYS Group, EBIT stood at the prior-year level and was thus in line with expectations. CENIT benefited once again from an excellent product and service portfolio, displaying an outstanding performance again in 2017 after the record year in 2016. The EBIT margin slipped from 9.5% in 2016 to 8.5% in the past reporting period. This drop is attributable to the below-average earnings contribution of the KEONYS Group. KEONYS is active in the Dassault Systèmes reseller business. CENIT has virtually doubled its market in this area thanks to the acquisition.

PLM grew sales by 29.0% in the past year as a result of the KEONYS acquisition; without KEONYS, sales growth was 0.7% down on the prior-year level. EBIT in PLM improved by almost 8%.

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. The EBIT margin rose to 13.2% in 2017 (prior year: 10.9%). Sales declined on account of the focus on higher-end services. EBIT was up 10.5% in a year-on-year comparison.

Earnings per share improved by 10.3% to EUR 1.07 per share.

The business development at CENIT AG slowed slightly in terms of sales. It was not possible to compensate for waning sales in consulting with the sale of software. The net income for the year was increased substantially through dividends of the subsidiaries in the USA, Romania and in Switzerland.

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

Breakdown of sales by product/income type

in EUR k	2017	2016
Consulting and service	51,618	48,420
CENIT software	17,559	17,572
Third-party software	82,362	57,588
Merchandise	162	194
Total	**151,701**	**123,774**

Breakdown of sales by business segment

in EUR k	2017	2016
EIM sales	19,050	20,872
PLM sales	132.651	102,902
Total	**151,701**	**123,774**

61.2% (prior year: 71.4%) of sales was generated in Germany, 28.4% (prior year: 13.4%) in other EU countries and 10.4% (prior year: 15.2%) in other countries.

In the fiscal year 2017, the CENIT Group recorded revenue of EUR 151,701 k (prior year: EUR 123,774 k or 22.6%). Revenue from CENIT consulting and services rose marginally. Sales with third-party software increased by 43.0%, in particular because of the acquisition of the KEONYS Group. At EUR 17,559 k compared with EUR 17,572 k in the prior year, sales with CENIT's own software remained practically unchanged (down 0.1%). 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.

Sales were improved considerably by 30% in the PLM segment. This increase is attributable to the acquisition of the KEONYS Group in France, which was completed as of 30 June 2017. The KEONYS Group generated revenue of EUR 28,884 k in the second half of the year. In particular sales with third-party software were expanded on the back of the acquisition.

The EIM segment proved once again in 2017 that a focus on profitability is being implemented in a sustainable manner. EBIT increased at an above-average rate of 10.6% year on year. This was accompanied by an 8.7% decline in sales.

KPIs relating to the development of earnings

in EUR k	2017	2016
Gross profit	83,839	77,038
EBITDA	15,269	14,064
EBIT	12,836	11,849
Total financial result	-162	-12
Net income for the year	**8,988**	**8,145**

Gross profit (operating performance less cost of materials) totaled EUR 83,839 k (prior year: EUR 77,038 k), thus increasing by 8.8%. Without the acquisition, gross profit would have amounted to EUR 73,420 k. Gross profit margin as a percentage of operating performance declined from 61.7% to 54.7% on account of the larger share of third-party software. Personnel expenses rose year on year by EUR 4,180 k or 8.6% due to the increased headcount from the KEONYS transaction. Performance-based pay dropped to EUR 4,076 k (prior year: EUR 4,808 k). CENIT achieved EBITDA of EUR 15,269 k (prior year: EUR 14,064 k or 8.6%) and EBIT of EUR 12,836 k (prior year: EUR 11,849 k or 8.3%). The acquisition of the KEONYS Group contributed to the EBIT increase with an EBIT contribution of EUR 1,336 k in the second half of the year thanks to a strong fourth quarter. As a percentage of operating performance, the EBITDA margin slipped from 11.3% to 10.0%.

in EUR/share	2017	2016
EPS	1.07	0.97

Earnings per share (EPS) were up in a year-on-year comparison from EUR 0.97/share to EUR 1.07/share.

Development of orders

Order intake in the CENIT Group amounted to EUR 161,955 k in the past fiscal year 2017 (prior year: EUR 124,815 k). The order backlog as of 31 December 2017 amounted to EUR 45,477 k (prior year: EUR 35,223 k). EUR 6,212 k of this amount relates to the KEONYS Group.

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

Breakdown of sales by product/income type

In EUR k	2017	2016
CENIT software	15,357	15,078
Third-party software	43,933	43,835
CENIT consulting and service	37,916	39,818
Merchandise	137	189
Other revenue	384	257
Total	**97,727**	**99,177**

Breakdown of sales by business segment

in EUR k	2017	2016
EIM	16,983	18,745
PLM	80,744	80,432
Total	**97,727**	**99,177**

CENIT AG generated revenue of EUR 97,727 k in the fiscal year 2017 (prior year: 99,177 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 43,933 k (prior year: EUR 43,835 k), while sales of CENIT's own software climbed by 1.9% to EUR 15,357 k (prior year: EUR 15,078 k).

KPIs relating to the development of earnings at CENIT AG

in EUR k	2017	2016
Gross profit	56,950	59,152
EBITDA	7,794	8,907
EBIT	6,464	7,656
Total financial result	6,577	1,651
Net income for the year	**10,716**	**6,824**

The Company's gross profit amounted to EUR 56,950 k (prior year: EUR 59,152 k). The gross profit margin in relation to total performance stood at 57.8% (prior year: 59.8%).

CENIT AG achieved EBITDA of EUR 7,794 k after a figure of EUR 8,907 k in 2016 (down 12.5%). The EBITDA margin is 8.4%. EBIT stood at EUR 6,464 k compared to EUR 7,656 k in the prior year (down 15.6%). Amortization of intangible assets and depreciation of property, plant and equipment rose marginally by EUR 79 k to EUR 1,330 k.

In a year-on-year comparison, personnel expenses fell by EUR 1,037 k (down 2.8%). The average headcount dropped from 496 to 485 in a year-on-year comparison.

The financial result contains distributions of the subsidiaries in the USA amounting to EUR 4,912 k (prior year: EUR 0), in Switzerland amounting to EUR 1,185 k (prior year: EUR 1,400 k), in Romania amounting to EUR 340 k (prior year: EUR 270 k) and of Coristo amounting to EUR 153 k (prior year: EUR 0 k).

Development of orders

Order intake at CENIT AG amounted to EUR 103,883 k in the past fiscal year 2017 (prior year: EUR 95,695 k). As of 31 December 2017, the order backlog at CENIT AG amounted to EUR 33,025 k (prior year: EUR 26,869 k).

Financial position of the CENIT Group (IFRS)

The Group continues to have a comfortable level of cash and cash equivalents. The credit lines granted in the amount of EUR 4,806 k are currently used in the amount of EUR 3,152 k in the form of a short-term current account credit. 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. The acquisition of the KEONY Group of roughly EUR 6 million was financed in full from company funds.

KPIs from the statement of cash flows in the Group

in EUR k	2017	2016
Cash flow from operating activities	3,917	9,055
Capex (investments)	-7,744	-1,221
Free cash flow*	-3,827	7,834
Free cash flow per share in EUR	-0.46	0.94
Cash flow from financing activities	-8,515	-8,368
Financial resources as of the balance sheet date	20,540	33,606

*operating cash flow less capex

The cash flow from operating activities decreased on the prior year. The chief reason for the drop in operating cash flow was the reduction in liabilities of the KEONYS Group in the second half of the year combined with an increase in receivables of the KEONYS Group due to the end-of-year business. Both of these effects lead to capital being tied up, and are reflected in the reduced operating cash flow. The financial resources used for investing activities rose from EUR 1,221 k to EUR 7,744 k, with a net cash outflow of EUR 6,197 k stemming from purchases of shares in fully consolidated entities. Financial resources at the end of the reporting period thus total EUR 20,540 k, decreasing by a total of EUR 13,066 k.

Securing liquidity

Any liquidity surplus is used in a targeted manner for the financing of projects, software developments, investments and the expansion of local companies.

Both CENIT AG and its group entities were always able to meet their payment obligations in the fiscal year 2017.

Financial position of CENIT AG (in accordance with HGB)

The liquidity as of the balance sheet date fell from EUR 21,542 k in the prior year to EUR 15,072 k in the past fiscal year. The drop in cash position stems first and foremost from the purchase of KEONYS as of 30 June 2017. 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 18 May 2018 that a dividend of EUR 1.00 be distributed from the retained earnings of CENIT AG of EUR 10,741 k. 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 assets 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	2017	2016
Non-current assets	18,504	7,923
Current assets	68,760	64,298
Total assets	**87,264**	**72,221**
Equity ratio	46.8%	56.2%
Equity	40,855	40,578
Non-current liabilities	4,430	3,764
Current liabilities	41,979	27,878
Total equity and liabilities	**87,264**	**72,221**

As of the balance sheet date, equity came to EUR 40,855 k (prior year: EUR 40,578 k). The equity ratio stands at 46.8% (prior year: 56.2%). Bank balances and cash assets totaled EUR 23,692 k as of the balance sheet date (prior year: EUR 33,606 k). There are also overdrafts of EUR 3,152 k. There are still sufficient overdraft facilities amounting to EUR 4,806 k.

The rise in assets and liabilities is due first and foremost to the acquisition of KEONYS. The merger gave rise to additions to non-current assets of EUR 10,503 k, to current assets of EUR 17,942 k and to current liabilities of EUR 17,960 k.

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

in EUR k	2017	2016
Fixed assets	13,165	7,183
Inventories and receivables and other assets	22,903	19,211
Cash and cash equivalents	15,072	21,542
Prepaid expenses	4,095	4,074
Total assets	**55,235**	**52,011**
Equity ratio	62.4%	61.7%
Equity	34,457	32,108
Provisions	7,332	7,947
Liabilities	6,938	5,456
Deferred income	6,508	6,500
Total equity and liabilities	**55,235**	**52,011**

As of the balance sheet date, equity came to EUR 34,457 k (prior year: EUR 32,108 k). The equity ratio stands at 62.4% (prior year: 61.7%). Bank balances and liquid assets totaled EUR 15,072 k as of the balance sheet date (prior year: EUR 21,542 k). In addition to the cash and cash equivalents, the Company still has sufficient overdraft facilities amounting to EUR 1,833 k. At EUR 22,189 k (prior year: EUR 17,914 k), receivables rose at an above-average level due to a loan to KEONYS SAS. for EUR 4,000 k. At EUR 3,195 k (prior year: EUR 2,610 k), trade payables are in line with business development, as are prepaid expenses and deferred income. The rise in fixed assets is most of all attributable to the acquisition of the shares in KEONYS SAS in France.

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

Capital expenditure on property, plant and equipment generally plays 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 12,594 k in 2017 (prior year: EUR 3,611 k). Amortization of intangible assets and depreciation of property, plant and equipment came to EUR 2,433 k (prior year: EUR 2,215 k).

Investments break down by segment as follows:

Investments by business segment in the Group

in EUR k	2017	2016
EIM	200	194
PLM	12,394	3,417
Total	**12,594**	**3,611**

In CENIT AG, Germany (HGB)

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 1,219 k in 2017 (prior year: EUR 756 k). Amortization of intangible assets and depreciation of property, plant and equipment came to EUR 1,330 k (prior year: EUR 1,251 k).

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

in EUR k	2017	2016
EIM	195	194
PLM	1,024	562
Total	**1,219**	**756**

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

Financial assets noted a EUR 5,947 k increase stemming from the acquisition of KEONYS SAS.

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 risk 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 services came to EUR 69,325 k in the CENIT Group in 2017 (prior year: EUR 47,808 k) and to EUR 41,556 k (prior year: EUR 39,694 k) at CENIT AG, Germany. At EUR 87 k (prior year: EUR 396 k) in the CENIT Group as of year end, 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 improve them constantly 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 9001:2015 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 9001:2015 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 information events that take place at regular intervals. 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. 2017	31 Dec. 2016
CENIT AG	484	488
Coristo	6	6
SynOpt	3	0
CENIT NA	39	37
CENIT CH	18	19
CENIT F	21	22
CENIT RO	43	38
CENIT J	6	5
KEONYS F	128	0
KEONYS BE	9	0
KEONYS NL	7	0
CENIT Group	**764**	**615**

Employees

One of the focus areas for HR work in 2017 was on recruiting new staff and reducing employee turnover. There was also an emphasis on extending the existing benefits. For example, we included occupational disability insurance with employer-funded term life insurance in our offering. Other measures include additional sick pay for long-term illness as well as an option to lease a company bicycle. Another important component of HR work centered on continuing the executive development measures. Inspired by the program for executives, a development program for top employees (talent program) was introduced, which ten employees commenced in 2017.

The area of health management was extended further within the Group. In addition to healthy living days for the employees, which now take place regularly twice a year and involve a detailed health check as well as the option for all employees to register for free with the DKMS (German Bone Marrow Donor Registry), the first in-house health-related training measures for employees were carried out. Employees were also encouraged to take part in running events.

Once again in 2017, another focus area was on recruiting highly qualified staff for CENIT AG in Germany and around the world. Alongside standard tools, new ways were also tried out to recruit staff for CENIT. For example, we participated in several professional recruitment events and also organized two of our own in-house events for students. As part of the employer branding project, our interview rooms were redesigned and the career websites overhauled to make them more attractive.

To continue to establish CENIT as the "best place to work", the CENIT Lounge was also refurbished in order to create a space for employees with a cozy atmosphere for working and meeting colleagues. Additionally, we carried out the fourth employee survey "Your Feedback" at the end of 2017 in order to recognize potential for improvement and points of reference for the CENIT Group but also for the individual teams at an early stage and to thus raise employee satisfaction. The survey now takes place every two years.

The Group's total headcount as of 31 December 2017 stood at 764 (prior year: 615). CENIT AG, Germany, had 484 employees as of 31 December 2017 (prior year: 488). The majority of those employees have third-level qualifications. Employee turnover stood at around 8% (prior year: 9%). 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 44.

Personnel expenses in the reporting period came to EUR 53,060 k in the CENIT Group (prior year: EUR 48,880 k) and to EUR 36,449 k at CENIT AG (prior year: EUR 37,486 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 2017, CENIT AG in Germany had trained a total of 42 young people in various professions by the end of the year. There are plans to increase this number further in the coming years. The goal for 2018 is to increase the number of apprentices and students from the DHBW (Duale Hochschule Baden-Württemberg – University of Cooperation Education) by 100%. These efforts will focus more on technical courses of study, such as computer science, information systems or industrial engineering. In addition, the Group continuously hires working students as well as interns.

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 have since provided 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.

Up until now, the scope of CENIT Cares extended to initiatives carried out by CENIT employees from Germany. The success of the initiative – almost 60 campaigns initiated and realized by the employees in 10 countries, including Costa Rica, Romania, Tanzania and the USA – gave CENIT the impetus to take the next important step.

The Management Board of CENIT has decided to expand on this corporate social involvement and extend it to the Group as a whole. From 1 January 2018, employees throughout the entire CENIT Group will be given the opportunity to propose aid projects within the framework of the CENIT Cares initiative. CENIT will thus support the social involvement of all CENIT employees around the world. The CENIT Cares initiative will become international. The tried-and-tested procedure for agreeing and deciding on the projects to be implemented and funded is to be continued. This should ensure that the success of the initiative continues and increases.

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 2018

The German economy is forecast to grow by approximately 2.4% in 2018. According to BITKOM, the ITC industry itself is somewhat more cautious about 2018 and expects growth to amount to roughly 1.3%.

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

Expected results of operations

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

In the CENIT Group, the planning for the fiscal year 2018 assumes sales growth of 25% and unchanged EBIT.

For CENIT AG, the year 2018 is expected to yield a 4% sales increase. EBIT is expected to be at the 2017 level.

Because the scale of business in the UK is small, the Brexit negotiations will not impact on the business of CENIT.

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 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 once again in 2018. The employees of CENIT 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 2017, 2018 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 2018, 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

We consider CENIT's liquidity to be 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 financial assets in 2018 will be at a similar level to 2017. 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 2018.

Risks/Opportunities report

Risks/Opportunities management

With a group-wide opportunities and risk management system, the Group identifies any opportunities and risks at an early stage in order to assess them correctly and limit them or use 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 AG 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 AG 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.

We consider CENIT to be 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. CENIT makes consistent use of these opportunities to secure its market position. The Group's own software helps in particular in this regard, as it gives CENIT a unique selling proposition in relation to its competitors and increases customer loyalty. Existing opportunities are exploited to the full when the opportunities to create corresponding added value outweigh any risk. The Group implements this concept by regularly and continuously identifying, assessing and monitoring opportunities and risks in all material business transactions and processes. The functioning of the system is examined at regular intervals. A risk inventory is also carried out regularly. The 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.

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. CENIT regularly assesses the opportunities that the market offers in order to take appropriate action in this regard.

There is additional potential to increase the share of CENIT software further by continuing to extend international market coverage, e.g. through local sales partners.

To 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.

Opportunities / 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. All recognized risks were taken into account appropriately in the financial statements, and provisions were created as necessary. 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. There is also a risk in specializing with technology partners and the related dependence on their business development.

There is an opportunity to optimize the daily rates achievable by means of a high-quality service. This can only be implemented based on the sustained good level of training for our employees.

By raising its profile on the labor market in a contemporary manner, CENIT takes advantage of the opportunities on offer to recruit high-quality specialist staff.

There are significant market opportunities for CENIT in connection with the unique selling proposition that is offered by the long-term focus on its own software and the related services.

Alongside the risks described, ever-shorter innovation cycles open up the possibility to progress with the digitalization of our society and offer our business customers solutions with our own software products that will make them more competitive. Consequently our activities relating to innovation and product development are decisive when they involve recognizing and using opportunities and establishing them in the face of increasing competition. To safeguard this and to respond to the growing convergence of networks and IT, we have combined the functions of technology, innovation and IT in our new Technology and Innovation division.

The market expansion through the acquisition of KEONYS will be used to take advantage of the opportunities arising on the French market.

Internal control and risk management system in relation to the accounting and group financial reporting process, Sec. 315 (2) No. 4 HGB (CENIT AG: Sec. 289 (4) 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 corporate structure at CENIT AG 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 [“Übernahmerichtlinie-Umsetzungsgesetz”: German Takeover Directive Implementation Act]

Sec. 315a (1) No. 1 HGB (CENIT AG: Sec. 289a (1) 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. 315a (1) No. 6 HGB (CENIT AG: Sec. 289a (1) 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.

Other disclosures

Secs. 289f, 315d HGB – Corporate governance statement

The Management Board and Supervisory Board of the Company have issued the corporate governance statement for 2017 prescribed by Sec. 289f HGB and have made it available on the homepage at: http://www.CENIT.com/en_EN/investor-relations/corporate-governance.html.

Sec. 315c HGB – Non-financial group statement

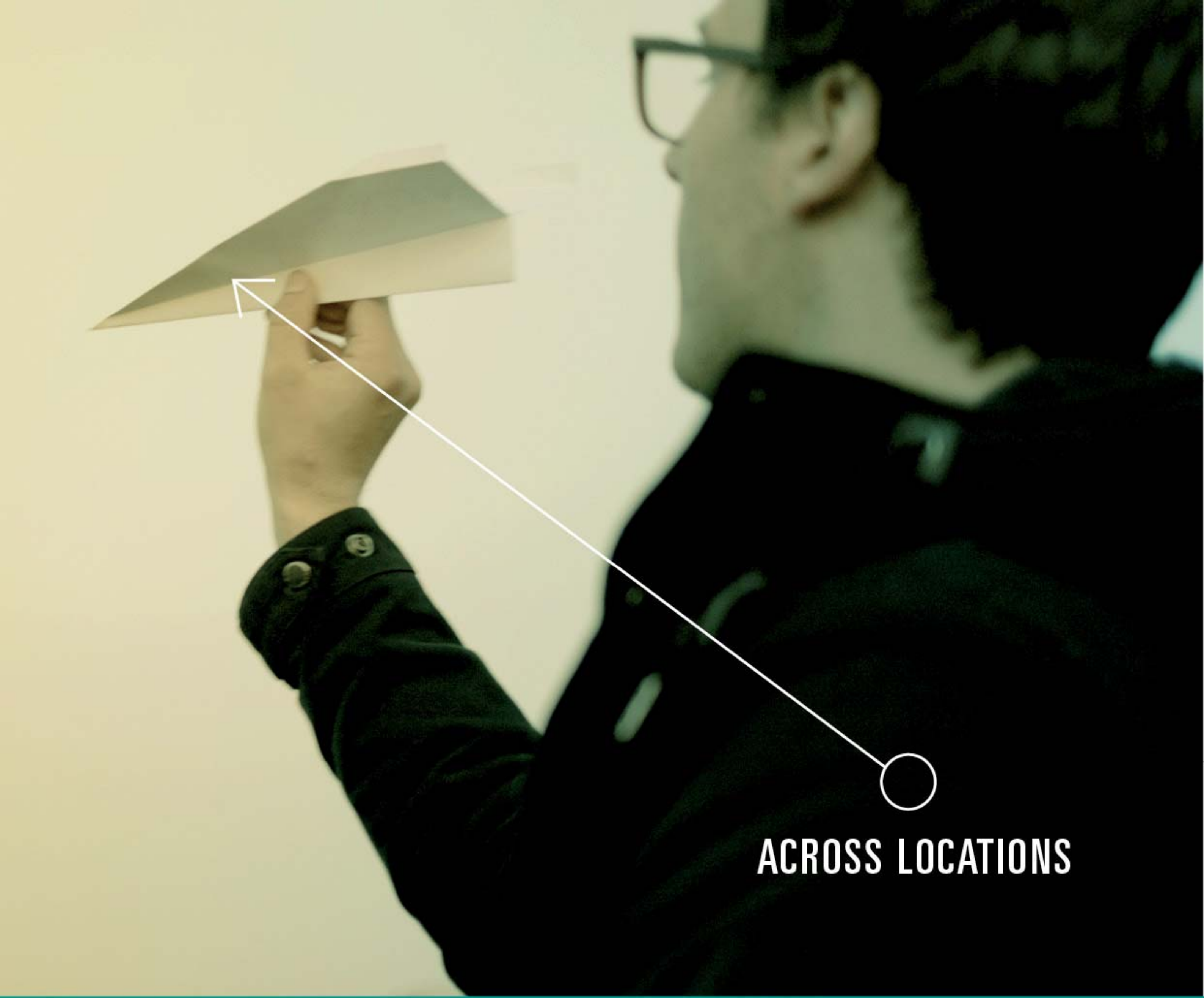
The Management Board will prepare the non-financial group statement prescribed by Sec. 315b HGB and make it available permanently on the homepage by 30 April 2018 at: http://www.CENIT.com/en_EN/investor-relations/corporate-governance.html.

Stuttgart, 9 March 2018

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel	Matthias Schmidt
Spokesman, Management Board	Member, Management Board



GROUP FINANCIAL STATEMENT

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

in EUR k		31 Dec. 2017	31 Dec. 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	F1	14,839	5,230
Property, plant and equipment	F2	2,711	2,208
Investments in joint ventures	F3	60	61
Income tax receivable	F9	0	0
Deferred tax assets	F4	894	424
NON-CURRENT ASSETS		**18,504**	**7,923**
CURRENT ASSETS			
Inventories	F5	87	396
Trade receivables	F6	28,551	19,631
Receivables from joint ventures	F6	2,975	3,292
Current income tax assets	F9	1,729	442
Other receivables	F7	2,384	209
Cash and cash equivalents	F10	23,692	33,606
Prepaid expenses	F11	9,342	6,722
CURRENT ASSETS		**68,760**	**64,298**
TOTAL ASSETS		**87,264**	**72,221**

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

in EUR k		31 Dec. 2017	31 Dec. 2016
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital	F12	8,368	8,368
Capital reserves	F12	1,058	1,058
Currency translation reserve	F12	801	1,279
Legal reserve	F12	418	418
Other revenue reserves	F12	13,242	13,099
Profit carryforward	F12	6.926	7.213
Net income of the Group for the year	F12	8.803	8.080
Equity attributable to shareholders of the parent company		**39,616**	**39,515**
Non-controlling interests		1,239	1,063
TOTAL EQUITY		**40,855**	**40,578**
NON-CURRENT LIABILITIES			
Other liabilities	F15	3,842	3,106
Deferred tax liabilities	F4	588	658
NON-CURRENT LIABILITIES		**4,430**	**3,764**
CURRENT LIABILITIES			
Overdrafts	F10	3,152	0
Trade payables	F14	7,922	3,679
Liabilities to joint ventures	F14	35	39
Other liabilities	F15	17,059	14,169
Current income tax liabilities	F13	460	416
Other provisions	F13	192	211
Deferred income	F16	13,159	9,365
CURRENT LIABILITIES		**41,979**	**27,879**
TOTAL EQUITY AND LIABILITIES		**87,264**	**72,221**

CENIT Aktiengesellschaft, Stuttgart CONSOLIDATED INCOME STATEMENT (in accordance with IFRS)				
in EUR k			**2017**	**2016**
1. **REVENUE**	**E1**		**151,701**	**123,774**
Total operating performance			**151,701**	**123,774**
2. Other income	E3		1,463	1,072
Operating performance			**153,164**	**124,846**
3. Cost of materials	E4	69,325		47,808
4. Personnel expenses	E5	53,060		48,880
5. Amortization of intangible assets and depreciation of property, plant and equipment	F1+F2	2,433		2,215
6. Other expenses	E7	15,510		14,094
			140,328	112,997
NET OPERATING INCOME (EBIT)			**12,836**	**11,849**
7. Other interest and similar income	E8	4		5
8. Interest and similar expenses	E8	166		24
9. Profit share of joint ventures accounted for using the equity method	E8	0		7
			-162	-12
NET PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES (EBT)			**12,674**	**11,837**
10. Income taxes	E9		3,686	3,692
NET INCOME OF THE GROUP FOR THE YEAR			**8,988**	**8,145**
thereof attributable to the shareholders of CENIT			8,803	8,080
thereof attributable to non-controlling interests			185	65
Earnings per share in EUR				
basic	E10		1.07	0.97
diluted	**E10**		**1.07**	**0.97**

CENIT Aktiengesellschaft, Stuttgart **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in accordance with IFRS)**			
in EUR k		**2017**	**2016**
Group net income for the year		**8,988**	**8,145**
Other comprehensive income			
Items that will be reclassified to the income statement in the future under certain circumstances			
Currency translation reserve of foreign subsidiaries	-478		183
Items that will not be reclassified to the income statement in the future			
Actuarial gains/losses from defined benefit obligations and similar obligations	198		-286
Deferred taxes recognized on other comprehensive income	-45		63
Other comprehensive income after tax		**-325**	**-40**
Total comprehensive income		**8,663**	**8,105**
thereof attributable to the shareholders of CENIT		8,478	8,040
thereof attributable to non-controlling interests		185	65

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in accordance with IFRS)

in EUR k	Equity attributable to shareholders of the parent company								
	Subs-cribed capital	Capital reserves	Currency translation reserve	Revenue reserves		Profit carry-forward	Net income of the Group for the year	Non-controlling interests	Total
				Legal reserve	Other reserves				
As of 31 December 2015	**8,368**	**1,058**	**1,096**	**418**	**14,807**	**6,780**	**7,316**	**0**	**39,843**
Reclassification of group earnings from prior year						7,316	-7,316	0	**0**
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**	**7,213**	**8,080**	**1,063**	**40,578**
Reclassification of group earnings from prior year						8,080	-8,080	0	**0**
Total comprehensive income			-478		153		8,803	185	8,663
Acquisition of a subsidiary					0			128	128
Purchase of additional shares by minority interests					-10			10	0
Dividend distribution						-8,368		-147	-8,515
As of 31 December 2017	**8,368**	**1,058**	**801**	**418**	**13,242**	**6,926**	**8,803**	**1,239**	**40,855**

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

in EUR k	2017	2016
Cash flow from operating activities		
Earnings before interest and taxes	12,836	11,849
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	2,433	2,215
Gains (-) and losses (+) on disposals of assets	12	-3
Earnings from joint ventures	1	-7
Increase/decrease in other non-current assets and liabilities and provisions	154	298
Interest paid	-166	-24
Interest received	4	5
Income tax paid	-3,268	-3,938
Cash flow before changes in net working capital	**12,006**	**10,395**
Increase/decrease in trade receivables and other current non-cash assets	-2,513	-3,688
Increase/decrease in inventories	386	-320
Increase/decrease in current liabilities and provisions	-5,962	2,668
Net cash flows from operating activities	**3,917**	**9,055**
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	-1,554	-875
Purchase of shares in fully consolidated entities (net cash outflow)	-6,197	-351
Income from the sale of property, plant and equipment	7	5
Net cash paid for investing activities	**-7,744**	**-1,221**
Cash flow from financing activities		
Dividends paid to shareholders	-8,368	-8,368
Dividends paid to minority interests	-147	0
Net cash paid for financing activities	**-8,515**	**-8,368**
Net decrease/increase in financial resources	**-12,342**	**-534**
Change in cash and cash equivalents due to foreign exchange differences	-724	199
Financial resources at the beginning of the reporting period	33,606	33,941
Financial resources at the end of the reporting period (F10)	**20,540**	**33,606**

See note G. for explanations in the company notes.

Notes to the consolidated financial statements of CENIT AKTIENGESELLSCHAFT for 2017

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 local 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. 315e (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 29 March 2018.

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 measured 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.

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

Compared with the consolidated financial statements as of 31 December 2016, 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 (AIP) – 2014 to 2016 cycle
- Amendments to IAS 12: Income Taxes
- Amendments to IAS 7: Statement of Cash Flows

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
IFRS 16 Leases	13 January 2016	31 October 2017	1 January 2019
Clarification to IFRS 15 Revenue from Contracts with Customers	12 April 2016	31 October 2017	1 January 2018
Amendments to IFRS 4: Application of IFRS 9 – Financial Instruments – together with IFRS 4 – Insurance Contracts	12 September 2016	3 November 2017	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. The core principle of IFRS 15 is that an entity should recognize income at the amount of consideration expected for the performance obligations assumed, i.e. the transfer of goods or the rendering of services. This core principle is implemented using a five-step model. IFRS 15 also contains rules for the presentation of the contract balances or performance obligations existing at contractual level. These are assets and liabilities from customer contracts that depend on the relationship between the entity's performance and the customer's payment. In addition, there is a considerable increase in notes disclosures. In addition to qualitative descriptions of significant judgments and uncertainties, the standard requires a disaggregation of revenue, the opening and closing balances of net contract assets and liabilities as well as specific disclosures on the performance obligations. The aim is to put users of consolidated financial statements in a position to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Any transitional effects resulting from first-time application are recognized cumulatively directly in revenue reserves at the beginning of the comparative period on 1 January 2018. Comparative figures from prior-year periods are not restated.

In this case, the entity must only apply the new rules from the date of first-time application to contracts that were not yet completed by the date of first-time application pursuant to the current financial reporting principles. CENIT assessed the effects of applying IFRS 15 in the Company's consolidated financial statements. After the group-specific analysis of the theoretical basis and requirements, all types of contracts are evaluated. The new rules relate to the following matters in particular:

As a result of this impact analysis, it was found that IFRS 15 does not require the identification of performance obligations that under the applicable rules are not already performance obligations to which revenue is allocated as part of a multiple element arrangement. At the same time, under the applicable rules, no performance obligations are identified that are not also performance obligations under IFRS 15.

The licensing of software does not include any obligations for CENIT in relation to software extensions with improved functionality; as a result, revenue recognition for this income still takes place on the date the software is delivered.

CENIT is currently monitoring the international considerations on the implementation of IFRS 15, especially the discussions surrounding revenue recognition in the software industry in terms of the question of when and under what circumstances application management services as well as integration and installation services can be identified as separate performance obligations.

When measuring progress towards complete satisfaction of a performance obligation, CENIT will generally use the output methods. If CENIT's customer contracts include an entitlement to consideration from customers that corresponds directly to the value of the service provided by the Company, sales are recognized at the amount that the Company is permitted to charge.

In relation to the provision of third-party software, CENIT assumes that it will still act as the principal, as CENIT generally has the right to instruct the software manufacturer to provide the software to the customer.

In a small number of cases, CENIT receives sales-based license fees. CENIT will recognize the revenue once the subsequent sale has been made and the performance obligation has been met. Otherwise there are generally no variable purchase price components in the Group.

CENIT only expects financing components as part of the transaction price and contract costs in a small number of individual cases, with a low impact in terms of figures.

Based on management's current assessment, CENIT does not expect the transition to have any material effect on the revenue reserves as of 1 January 2018.

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. Because impairments of financial instruments and hedge accounting are immaterial for CENIT, CENIT does not expect any material changes as a result of this standard.

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.

Total assets and total equity and liabilities will increase moderately on account of recognizing leased assets and the corresponding liabilities. On the whole, the CENIT Group does not expect any material effects from the transition to IFRS 16.

We also 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 July 2017, CENIT acquired 97.76% of KEONYS SAS, based in Paris. KEONYS SAS is 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. Following successful integration, CENIT will become the most important international partner of Dassault Systèmes and the European market leader in the field of Product Lifecycle Management.

The purchase price amounted to EUR 5,956 k. The cash outflow on account of this acquisition amounted to EUR 6,349 k to date and stemmed from the outflow through the payment of the fixed purchase price installment and the assumed bank liabilities of EUR 1,857 k as well as from the inflow of the acquired cash and cash equivalents of the KEONYS Group amounting to EUR 1,464 k. The ancillary costs incurred in connection with the acquisition (EUR 164 k) were recognized in other expenses.

The KEONYS Group recorded revenue of EUR 55,734 k in the 2017 reporting period, of which EUR 28,884 k relates to the period of belonging to the Group. It has generated a profit of EUR 866 k since belonging to the Group. The theoretical presentation of the profits and losses of the KEONYS Group during the reporting period as if the business combination had taken place at the beginning of the current reporting period is impracticable, as assets and liabilities were for the most part not remeasured as of 1 January 2017.

The fair values of the identified assets and liabilities of the KEONYS Group 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	4,880	685
Property, plant and equipment and financial assets	519	519
Deferred tax assets	1,752	1,836
Inventories	83	83
Trade receivables, other receivables	10,249	10,249
Prepaid expenses	2,898	2,898
Cash and cash equivalents	1,464	1,464
Total assets	**21,845**	**17,734**
Long-term provision	925	1,226
Overdraft liabilities	1,857	1,857
Trade payables, other liabilities and other provisions	10,264	10,264
Deferred tax liabilities	1,322	0
Deferred income	6,861	6,861
Total liabilities	**21,229**	**20,208**
Total net assets acquired (97.76%)	601	-2,474
Consideration (excluding ancillary costs)	5,956	
Goodwill arising from the acquisition	5,355	

The non-controlling interest was recognized at EUR 14 k as of the acquisition date, thus corresponding to 2.24% of net assets.

Because the purchase price exceeded net assets, the acquisition of the KEONYS Group resulted in goodwill. The consideration paid also includes amounts that take into account the benefits from expected synergies, revenue growth, future market development and the existing labor force of the KEONYS Group. These benefits are not disclosed separately from goodwill, as they do not meet the disclosure requirements for intangible 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.

As of 1 July 2017, CENIT also acquired 55% of SynOpt GmbH, based in Leinfelden-Echterdingen. As a small, highly specialized company, SynOpt has relied on its strong consulting expertise to become a leading German simulation expert for structural analysis, metal shaping and chipping. From a technical perspective, the expertise of SynOpt is based on SIMULA solutions from Dassault Systèmes as well as on DEFORMTM solutions from the Scientific Forming Technologies Corporation. CENIT has thus enhanced its position as a partner to the manufacturing industry in optimizing their digital product creation processes in the context of Industry 4.0. After the takeover of KEONYS SAS, the French market leader based on Dassault Systèmes SIMULA solutions, CENIT's equity investment in SynOpt GmbH is rigorously expanding its position on the growth market of simulation.

The purchase price amounted to EUR 140 k. Based on the cash and cash equivalents of SynOpt GmbH of EUR 292 k as of the takeover date, this transaction results in a cash inflow of EUR 152 k. The ancillary costs incurred in connection with the acquisition were recognized in other expenses.

SynOpt GmbH has recorded revenue of EUR 866 k and profits of EUR 57 k since belonging to the Group. Over the whole of the 2017 reporting period, SynOpt GmbH recorded revenue of EUR 1,761 k. The theoretical presentation of the profits and losses of SynOpt GmbH during the reporting period as if the business combination had taken place at the beginning of the current reporting period is impracticable, as assets and liabilities were for the most part not remeasured as of 1 January 2017.

The fair values of the identified assets and liabilities of SynOpt 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	268	3
Property, plant and equipment and financial assets	18	18
Trade receivables, other receivables	122	122
Prepaid expenses	549	549
Cash and cash equivalents	292	292
Total assets	**1,249**	**984**
Trade payables, other liabilities and other provisions	84	84
Deferred tax liabilities	80	0
Deferred income	830	830
Total liabilities	**994**	**914**
Total net assets acquired (55%)	140	70
Consideration (excluding ancillary costs)	140	

The non-controlling interest was recognized at EUR 115 k as of the acquisition date, thus corresponding to 45% of net assets.

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	Subscrib-ed capital LC k	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	51.0	1	25	1 January 2016
8	KEONYS SAS. Suresnes, France	EUR	97.76	1	155	1 July 2017
9	KEONYS Belgique SPRL Waterloo, Belgium	EUR	97.76	8	19	1 July 2017
10	KEONYS NL BV Houten, Netherlands	EUR	97.76	8	18	1 July 2017
11	SynOpt GmbH Leinfelden-Echterdingen, Germany	EUR	55.0	1	50	1 July 2017
12	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 total 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 any more.

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. 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 as 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 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. 2017	31 Dec. 2016	2017	2016
CHF	1.1702	1.0739	1.1116	1.0902
USD	1.1993	1.0541	1.1293	1.1069
RON	4.6585	4.5390	4.5689	4.4904
YEN	135.01	123.40	126.68	120.20

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 five to 12 years, ten years for software and one year for 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 except for goodwill.

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 income or other 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 an impairment loss recognised in previous years is recognised as a reversal of the impairment loss on the assets, with the exception of goodwill 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. Likewise, the pension payment that employers in France must pay when an employee enters retirement must be recognized as a defined benefit plan in accordance with IAS 19. 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. In the case of entities with a history of losses, profits are recognized only if it is very likely that they can be realized within three years.

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. Royalties from the granting of temporary and permanent licenses are recognized once the software has been provided in line with the terms of the agreement. Royalties from software maintenance is recognized pro rata over the term of rendering the service. Time-based usage fees are recognized on a straight-line basis over the term of the agreement.

Government grants

Government grants are recognized once there is reasonable assurance that the Group will meet the conditions tied to the grant and receive the grants materially. Income is recognized in the same way as expenses associated with the grants.

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 judgments, assumptions and estimates

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

- 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.
- 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.
- The customer relationships acquired in the course of the KEONYS acquisition were measured based on the multi-period excess earnings method. This method takes into account the present value of the expected net cash flows that the customer relationships generate, with the exception of all cash flows linked to supporting assets. The calculation was made based on planned sales in the area of software maintenance and using a growth rate of 1,0% from the year 2021 et seq. A useful life of 12 years was assumed for the valuation, with an assumed churn rate of 30% in the first three years and a rate of 10% for the subsequent years. Measurement was carried out based on the planned EBITDA margin; the discount rate is 9.25%. This results in a term-specific interest rate of 6.25% plus a risk premium of 3.0%.
- Determining the recoverable amount of the cash-generating units “SAP-PLM” and “KEONYS FR” for impairment testing 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.

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	2017	2016
CENIT consulting and service	51,618	48,420
CENIT software	17,559	17,572
Third-party software	82,362	57,588
Merchandise	162	194
Total	**151,701**	**123,774**

Revenue includes sales from construction contracts (PoC) totaling EUR 4,655 k (prior year: EUR 5,260 k). As of the reporting date, this includes total sales from ongoing projects of EUR 1,386 k (prior year: EUR 1,123 k). This income is subject to contract costs of EUR 606 k (prior year: EUR 689 k). This results in a profit from ongoing construction contracts of EUR 780 k (prior year: EUR 434 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 2017, all of the product development was non-project-related, which does not, however, meet the recognition criteria in IAS 38.57. The development costs incurred for the projects of EUR 9,206 k (prior year: EUR 8,436 k) were recognized as an expense in the reporting period.

3. Other income

Other income breaks down as follows:

in EUR k	2017	2016
Income from the cross-charging of marketing and administrative costs	210	202
Income from pre-school subsidy, investment subsidy	355	29
Income from sub-lets, including incidental costs	13	17
Income from insurance refunds/damages	66	110
Income from exchange differences	191	320
Income from the reversal of provisions	563	238
Income from receivables written off	52	28
Income from the sale of non-current assets	7	5
Other income	6	123
Total	**1,463**	**1,072**

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

In France, entities are granted two types of government grant: the R&D tax credit (CIR) and the tax credit for promoting employment and competitiveness (CICE).

The R&D tax credit amounts to 30% of the qualifying expenses. These include expenses for basic research, applied research and development costs. The tax credit is taken into account by crediting it to the corporate tax liability or – if it cannot be credited in full – by payment of the receivable. In 2017, KEONYS SAS reported income of EUR 676 k from this tax credit, of which EUR 326 k relates to the period of its belonging to the CENIT Group, in other income. The tax credit for promoting employment and competitiveness is reported in personnel expenses.

4. Cost of materials

This item contains the cost of purchased third-party software of EUR 62,943 k (prior year: EUR 41,971 k) and the cost of purchased services of EUR 6,382 k (prior year: EUR 5,837 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	2017	2016
Wages and salaries	43,889	41,687
Social security, pension and other benefit costs	9,171	7,193
Total	**53,060**	**48,880**

Pension costs mainly include employer contributions to statutory pension insurance. With the exception of Switzerland, the statutory pension insurance is organized as a defined contribution plan. CENIT also offers its employees in Germany 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 and the pension payments in France are designed as defined benefit plans in accordance with IAS 19. We refer to the comments in note F17.

An annual average (on a quarterly basis) of 682 (prior year: 620) persons were employed by the Group, plus 42 (prior year: 40) trainees.

The number of employees as of the end of the reporting period came to 764 (prior year: 615). 493 of those were employed in Germany, 208 in other EU countries and 63 in other countries.

Personnel expenses comprise termination benefits totaling EUR 259 k (prior year: EUR 99 k). EUR 200 k (prior year: EUR 17 k) are reported under liabilities and EUR 0 k (prior year: EUR 82 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 0 k from earlier reporting periods (prior year: EUR 4 k).

In France, entities are granted two types of government grant: the R&D tax credit (CIR) and the tax credit for promoting employment and competitiveness (CICE). The tax credit for promoting employment and competitiveness amounts to one percent of the gross remuneration paid out from 1 January 2013. The tax credit is taken into account by crediting it to the corporate tax liability or – if it cannot be credited in full – by payment of the receivable. Because the income is based on gross pay, this income was deducted from personnel expenses. In 2017, KEONYS SAS reported income of EUR 114 k from this tax credit, of which EUR 53 k relates to the period of its belonging to the CENIT Group, and CENIT FR recorded income of EUR 37 k (prior year: EUR 38 k). The R&D tax credit (CIR) is reported in other operating income.

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 expenses

in EUR k	2017	2016
Motor vehicle costs	1,252	1,215
Travel expenses	2,630	2,560
Advertising costs	1,788	1,664
Telecommunication and office supplies	831	690
Premises expenses	1,004	838
Rent and lease expenses	3,241	3,031
Exchange rate losses	177	314
Other personnel expenses	713	352
Legal and consulting fees	1,429	1,357
Commission	10	16
Training	451	319
Insurance	435	374
Repairs and maintenance	958	909
Payment of the Supervisory Board	72	72
Impairment losses and bad debts	75	21
Other	444	362
Total	**15,510**	**14,094**

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	2017	2016
Interest income from bank balances	3	5
Interest income from business taxes	1	0
Total interest income	**4**	**5**
Utilization of credit lines and guarantees	98	10
Interest expenses for business taxes	11	5
Interest expenses from unwinding of the discount on accrued liabilities	43	-3
Net interest from the measurement of pension obligations	14	5
Total interest expenses	**166**	**17**
Interest result	**-162**	**-12**

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	2017	2016
Current tax expense	3,943	4,193
Change in deferred taxes	-257	-501
Total	**3,686**	**3,692**

The current tax expense includes expenses of EUR 17 k relating to other periods (prior year: income of EUR 157 k).

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

in %	2017	2016
CENIT	31.00	31.00
CENIT CH	22.00	22.00
CENIT NA	24.00	37.00
CENIT RO	16.00	16.00
CENIT F	33.00	33.00
CENIT J	39.43	39.43
CORISTO	31.00	30.00
SYNOPT	31.00	0.00
KEONYS FR	28.00	0.00
KEONYS BE	33.99	0.00
KEONYS NL	25.00	0.00

The US Congress passed the tax reform bill “H.R. 1 – Tax Cuts and Jobs Act” and President Trump signed the bill on 22 December 2017, giving it legal effect. This meant that the corporate income tax rate was lowered from 35% to 21% as of 1 January 2018. Taking into account the additional state tax, this results in a local tax rate of 24% for CENIT NA from 1 January 2018.

The expected tax burden on the taxable profit is 31% as of the end of the reporting period (prior year: 31%) and is calculated as follows:

in %	2017	2016
Trade tax at a rate of 433.6% (prior year: 433.6%)	15.17	15.17
Corporate income tax	15.00	15.00
Solidarity surcharge (5.5% of corporate income tax)	0.83	0.83
Effective tax rate	**31.00**	**31.00**

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

in EUR k	2017	2016
Net profit or loss for the period before taxes (EBT)	12,674	11,837
Theoretical tax expense based on a tax rate of 31% (prior year: 31%)	-3,929	-3,669
Non-deductible expenses	-151	-97
Tax-free income	179	56
Use of unused tax losses	323	0
Income relating to other periods	-52	174
Effects of different tax rates within the Group and tax rate changes	-56	-152
Effects of the changed tax rate on deferred taxes of CENIT NA	23	0
Non-deductible/creditable taxes	-7	14
Other	-16	-18
Income tax expense according to the consolidated income statement	-3,686	-3,692
Tax rate	29.1%	31.2%

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	2017	2016
Net profit/loss attributable to ordinary shareholders of the parent	8,803	8,080
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 1.07 (prior year: EUR 0.97).

11. Dividends paid and proposed

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

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

The Management Board and Supervisory Board of CENIT AG will propose to the General Meeting of Shareholders on 18 May 2018 that a dividend of EUR 1.00 be distributed from the retained earnings of CENIT AG.

in EUR k	2017	2016
Final dividend for 2017: 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 2017:

in EUR k	Software and licenses	Customer base	Order backlog	Goodwill and other assets	Total
Cost					
As of 1 January 2017	**5,112**	**7,848**	**88**	**1,272**	**14,320**
Exchange difference	-17	-171	0	0	-188
Additions from business acquisition	1,689	4,987	0	5,633	12,309
Additions	621	0	0	0	621
Disposals	33	0	88	0	121
As of 31 December 2017	**7,372**	**12,664**	**0**	**6,905**	**26,940**
Accumulated amortization					
As of 1 January 2017	**3,072**	**5,930**	**88**	**0**	**9,090**
Exchange difference	-11	-171	0	0	-182
Additions from business acquisition	1,528		0	278	1,806
Additions	774	722	0	0	1,496
Disposals	21	0	88	0	109
As of 31 December 2017	**5,342**	**6,481**	**0**	**278**	**12,101**
Net carrying amounts	**2,030**	**6,182**	**0**	**6,627**	**14,839**
Cost					
As of 1 January 2016	**4,621**	**6,465**	**0**	**0**	**11,086**
Exchange difference	5	18	0	0	23
Additions from business acquisition	13	1,365	88	1,272	2,738
Additions	496	0	0	0	496
Disposals	23	0	0	0	23
As of 31 December 2016	**5,112**	**7,848**	**88**	**1,272**	**14,320**
Accumulated amortization					
As of 1 January 2016	**2,473**	**5,232**	**0**	**0**	**7,705**
Exchange difference	5	18	0	0	23
Additions from business acquisition	8	0	0	0	8
Additions	610	679	88	0	1,377
Disposals	23	0	0	0	23
As of 31 December 2016	**3,072**	**5,930**	**88**	**0**	**9,090**
Net carrying amounts	**2,040**	**1,918**	**0**	**1,272**	**5,230**

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 2 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 590 k. In addition, software acquired as part of the business combination was capitalized which has a residual carrying amount of EUR 53 k as of the end of the reporting period. The remaining amortization period also amounts to 2 years and 6 months.

The software from purchase accounting of SPI Numérique SARL has a net carrying amount of EUR 437 k as of the end of the reporting period. The remaining amortization period as of the end of the reporting period is 6 years and 3 months.

The customer base from purchase accounting of Coristo GmbH has a remaining amortization period of 3 years as of the end of the reporting period. The carrying amount is EUR 819 k as of 31 December 2017. The acquired goodwill of Coristo GmbH amounting to EUR 437 k was allocated to the cash-generating unit "PLM-SAP" to test for impairment, which also constitutes a reportable business segment.

As part of purchase accounting of the KEONYS Group, a customer base of KEONYS SAS was identified with an amortization period of 11 years and 6 months as of the end of the reporting period. The carrying amount is EUR 4,525 k as of the end of the reporting period. The goodwill of EUR 5,355 k acquired as part of the acquisition was allocated to the cash-generating unit "KEONYS FR" to test for impairment.

As part of purchase accounting of SynOpt GmbH, a customer base was identified with an amortization period of 7 years and 6 months as of the end of the reporting period. The carrying amount is EUR 248 k as of the end of the reporting period.

Impairment losses

The Group carried out an impairment test for goodwill.

The recoverable amounts of the cash-generating units "PLM-SAP" and "KEONYS FR" are 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 2017 reporting period.

2. Property, plant and equipment

Property, plant and equipment developed as follows in 2017:

in EUR k	Buildings including buildings on third-party land	Plant and machinery	Furniture and fixtures	Total
Cost				
As of 1 January 2017	**1,967**	**5,723**	**797**	**8,487**
Exchange difference	-17	-49	-21	-87
Additions from business acquisition	668	861	265	1,794
Additions	7	781	154	942
Disposals	6	118	67	191
As of 31 December 2017	**2,619**	**7,198**	**1,128**	**10,945**
Accumulated depreciation				
As of 1 January 2017	**1,154**	**4,491**	**634**	**6,279**
Exchange difference	-5	-40	-18	-63
Additions	105	673	159	937
Additions from business acquisition	354	710	193	1,257
Disposals	6	106	63	175
As of 31 December 2017	**1,602**	**5,728**	**905**	**8,235**
Net carrying amounts	**1,017**	**1,470**	**223**	**2,710**
Cost				
As of 1 January 2016	**1,953**	**5,500**	**740**	**8,193**
Exchange difference	4	12	4	20
Additions from business acquisition	0	11	24	35
Additions	10	254	115	379
Disposals	0	54	86	140
As of 31 December 2016	**1,967**	**5,723**	**797**	**8,487**
Accumulated depreciation				
As of 1 January 2016	**1,075**	**3,914**	**548**	**5,537**
Exchange difference	1	10	3	14
Additions	78	613	147	838
Additions from business acquisition	0	8	21	29
Disposals	0	54	85	139
As of 31 December 2016	**1,154**	**4,491**	**634**	**6,279**
Net carrying amounts	**813**	**1,232**	**163**	**2,208**

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 assets, liabilities and revenue of CenProCS AIRliance GmbH are as follows as of 31 December 2017:

in EUR k	2017	2016
Current assets (thereof cash: EUR 64 k (prior year: EUR 61 k))	5,949	6,477
Non-current assets	0	0
Current liabilities	-5,777	-6,304
Non-current liabilities	0	0
Net assets	**172**	**173**
Revenue	48	79
Total comprehensive income	-1	21
Carrying amount of the investment	**60**	**61**
Share of profit of the joint venture	0	7

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. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Deferred tax assets on unused tax losses	1,530	56	0	0
Property, plant and equipment	0	0	30	67
Intangible assets	0	0	1,796	598
General valuation allowances	0	0	63	67
Receivables from service agreements	0	0	154	140
Other provisions and accrued liabilities	245	169	0	0
IAS 19 pension obligations	579	386	0	0
Consolidation procedures	0	27	5	0
Total	**2,354**	**638**	**2,048**	**872**
Netting	-1,460	-214	-1,460	-214
Total	**894**	**424**	**588**	**658**

The change in deferred taxes on actuarial gains/losses from defined benefit obligations recognized in other comprehensive income of EUR 45 k (prior year: EUR 63 k) was recognized directly in equity. Deferred taxes of EUR 347 k (prior year: EUR 108 k) were reported as part of purchase accounting. 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 2017, 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 41 k (prior year: EUR 83 k).

As of the end of the reporting period, the Group had unused tax losses of EUR 7,820 k (prior year: EUR 141 k) for which deferred tax assets of EUR 1,530 k (prior year: EUR 56 k) were recognized. These relate to KEONYS FR and CENIT FR. KEONYS FR has unused tax losses of EUR 7,535 k. Because the entity has recorded losses in the past, the figure was recognized at the amount of taxable temporary differences of the entity (EUR 3,460 k) and for the planned future use of losses of EUR 1,950 k. The excess amount of EUR 2,410 k was not recognized. Recognition took place only to the extent that there is persuasive evidence that sufficient taxable profit will be available against which the unused tax losses can be offset. In the case of entities with a history of losses, profits are recognized only if it is very likely that they can be realized within three years.

5. Inventories

in EUR k	31 Dec. 2017	31 Dec. 2016
Merchandise (measured at cost)	0	47
Payments on account	87	349
Total	**87**	**396**

No write-downs to the net realizable value were recorded in the 2017 reporting period (prior year: EUR 0 k).

6. Receivables

Trade receivables totaling EUR 28,551 k (prior year: EUR 19,631 k) are due from third parties, as well as EUR 2,975 k (prior year: EUR 3,292 k) from joint ventures.

Receivables include receivables from construction contracts for ongoing projects totaling EUR 1,386 k (prior year: EUR 1,123 k). Payments on account relating to these projects amounted to EUR 2,151 k (prior year: EUR 1,786 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 45 k of trade receivables (prior year: EUR 7 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
2017	31,571	45	23,437	5,472	1,528	374	715
2016	22,930	7	15,202	5,076	1,455	282	908

The ten largest accounts receivable represent a receivables balance of EUR 9,376 k as of the end of the reporting period. This represents a share of 30%. 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 45 k of trade receivables was impaired (prior year: EUR 7 k). The allowance account developed as follows:

in EUR k	Individually determined to be impaired
As of 1 January 2016	18
Addition (+)/reversal (-)	-11
As of 31 December 2016	7
Addition from purchase accounting	12
Addition (+)/reversal (-)	26
As of 31 December 2017	**45**

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. 2017	31 Dec. 2016
Germany	16,883	16,376
Europe	11,444	3,314
Third countries	3,199	3,233
Total	**31,526**	**22,923**

7. Other receivables

Other receivables break down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
Receivables from staff	21	2
Receivables from deposits	1,904	91
Receivable from insurance refund	20	0
Repayment receivable	437	108
Other	2	8
Total	**2,384**	**209**

Other receivables are all short term, not past due and not impaired. As well as in the previous year there are no long-term receivables in the reporting period (prior year: EUR 0 k).

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

As in the previous year 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

There were no long-term income tax receivables either in the current reporting year or in the prior year.

The short-term current income tax receivables of EUR 1,729 k in total (prior year: EUR 442 k) relate to claims for prepayments for corporate income tax and trade tax of EUR 138 k in total (prior year: EUR 350 k), receivables from the VAT prepayment amounting to EUR 691 k (prior year: EUR 1 k) as well as the capitalization of a tax credit for research projects in France of EUR 902 k. The short-term portion of capitalized corporate income tax credits of EUR 91 k reported in the prior year was settled in the reporting period.

10. Cash and cash equivalents

Cash and cash equivalents break down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
Bank balances	23,687	33,600
Cash on hand	5	6
Cash in the statement of financial position	23,692	33,606
Overdrafts used via cash management	-3,152	0
Cash presented in the statement of cash flows	**20,540**	**33,606**

Bank balances earn interest at the floating rates based on daily bank deposit rates. The fair value of cash amounts to EUR 23,692 k (prior year: EUR 33,606 k).

The overdrafts of EUR 1,857 k resulted from the change in the basis of consolidation. These were increased by a further EUR 1,295 k in the further course of business.

The Group has credit lines of EUR 4,806 k as of the end of the reporting period (prior year: EUR 1,654 k). In addition to the overdrafts reported above, 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 667 k of this amount as a guarantee as of the end of the reporting period.

11. Deferred assets

Deferred assets break down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
Prepaid maintenance fees	8,365	5,780
Prepaid rights of use and car insurance	977	942
Total	**9,342**	**6,722**

The prepaid maintenance fees involve prepayments by the CENIT Group for the 2018 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 CENIT AG 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.

CENIT AG still holds no treasury shares.

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 2017 reporting period:

in EUR k	
As of 1 January 2017	856
Addition/disposal	-198
Deferred taxes	45
As of 31 December 2017	**703**

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 1,239 k in equity amounting to EUR 40,855 k.

13. Current income tax liabilities and other provisions

in EUR k	31 Dec. 2017	31 Dec. 2016
Current income tax liabilities	460	416
Other provisions	192	211
Total	**652**	**627**

The current income tax liabilities developed as follows:

in EUR k	
As of 1 January 2017	416
Utilization	310
Addition from changes in the basis of consolidation	76
Reversal	54
Addition	332
As of 31 December 2017	**460**

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	Outstanding sales credits	Personnel-related measures	Total
As of 1 January 2017	**80**	**80**	**0**	**82**	**242**
Utilization	78	49		82	209
Reversal	2	0	0	0	2
Addition from business acquisition			21	9	30
Addition	80	52	11	17	160
As of 31 December 2017	**80**	**83**	**32**	**26**	**221**
of which long-term	0	29	0	0	29
of which short-term	80	54	32	26	192

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. 2017	31 Dec. 2016
Trade payables	7,922	3,679
Liabilities to joint ventures	35	39
Total	**7,957**	**3,718**

Of the total liabilities, EUR 7,957 k is due within one year (prior year: EUR 3,718 k). These are not subject to interest.

15. Other liabilities

Other current liabilities break down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
VAT/wage tax payables	2,776	836
Liabilities for social security	618	98
Employer's liability insurance, compensatory levy in lieu of employing severely disabled persons	180	190
Vacation and bonus entitlements	4,901	4,264
Long-service awards	75	34
Personnel adjustment measures	774	17
Supervisory Board compensation	68	68
Outstanding purchase invoices	1,967	1,725
Payments on account received	4,011	5,028
Financial statements costs	151	98
Purchase price liability	510	999
Individual warranty cases	310	150
Other	718	812
Total	**17,059**	**14,169**

Other non-current liabilities break down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
Long-service awards	359	322
Pension obligations	2,378	1,753
Long-term Management Board remuneration	1,069	936
Other	36	95
Total	**3,842**	**3,106**

The long-service awards total EUR 434 k. Of this figure, EUR 359 k is reported in non-current and EUR 75 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. Deferred income

Deferred income breaks down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
Deferred maintenance income and royalties	**13,159**	**9,365**

The deferred maintenance fees involve prepayments by customers for the 2018 period that will not be recorded as income until later periods.

17. Pension plans

Defined contribution plans

The Group offers all employees in Germany with an unterminated 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 201 k for CENIT in the reporting period (prior year: EUR 200 k).

In addition, for all employees with the exception of CENIT CH, there is a defined contribution plan as part of statutory pension insurance. The employer has to pay the respective contributory rate applicable (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 taking into account deferred taxes.

In France, the statutory basic pension is supplemented by obligatory additional pensions which, like the basic pension, are financed using the cost sharing method. The 2010 pension reform act raised the statutory minimum pension age. If an employee decides to enter retirement, he or she receives a pension payment from the employer. The amount is variable, but is based on the number of years of service and amounts to between one and six months' salary.

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	2017	2016
Present value of the defined benefit obligation	6,783	6,728
Fair value of plan assets	4,405	4,975
Benefit liability	**2,378**	**1,753**

The net liability developed as follows:

in EUR k	2017	2016
Net liability as of 1 January	1,753	1,302
Addition from business acquisition	925	0
Net expense recognized	220	332
Contributions by the employer	-178	-181
Actuarial losses/gains	-198	286
Net foreign exchange difference	-144	14
Net liability as of 31 December	**2,378**	**1,753**

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

in EUR k	2017	2016
Present value of defined benefit obligation as of 1 January	6,728	5,574
Addition from business acquisition	925	0
Current service cost	370	317
Interest expense	38	58
Contributions by plan participants	169	172
Actuarial gains/losses	-213	199
Benefits paid/reimbursed	-523	340
Past service cost	-164	3
Net foreign exchange difference	-547	65
Present value of defined benefit obligation as of 31 December	**6,783**	**6,728**

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

in EUR k	2017	2016
Fair value of plan assets as of 1 January	4,975	4,272
Expected return on plan assets	24	46
Actuarial gains/losses	-15	-86
Contributions by the employer	178	181
Contributions by plan participants	169	172
Benefits paid	-523	340
Net foreign exchange difference	-403	50
Fair value of plan assets as of 31 December	**4,405**	**4,975**

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 6 k in total (prior year: loss of EUR 139 k).

in EUR k	2017	2016
Current service cost	370	317
Interest expense	38	58
Expected return on plan assets	-24	-46
Past service cost	-164	0
Net benefit expense	**220**	**329**

The Group expects to contribute EUR 170 k in total to its defined benefit pension plans in the 2018 reporting period.

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

%	2017	2016
Discount rate	0.5	0.5
Expected return on plan assets	1.0	1.0
Anticipated rate of salary increase	1.0	1.0

The following basic assumptions were made for the pension obligation of KEONYS FR.

%	2017
Discount rate	1.3
Anticipated rate of salary increase	1.0
Average rate of employee turnover	9

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

in EUR k	2017	2016	2015	2014	2013
Present value of the defined benefit obligation	6,783	6,728	5,574	5,187	4,463
Plan assets	4,405	4,975	4,272	3,968	3,889
Deficit	-2,378	-1,753	-1,302	-1,219	-574
Experience adjustments on plan liabilities	-271	119	-228	-107	-148
Experience adjustments on plan assets	-15	-86	71	-445	207

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.

In the case of the obligations of CENIT CH of EUR 5,845 k, if the discount rate were to go up by 0.5% or down by 0.5%, the obligation would decrease by 5.3% and increase by 6.0% respectively. If the rate of salary increase were to rise by 0.5% or drop by 0.5%, the obligation would increase by 0.4% or fall by 0.4% respectively.

In the case of the obligations of KEONYS FR of EUR 938 k, if the discount rate were to go up by 0.5% or down by 0.5%, the obligation would decrease by 5.8% and increase by 6.3% respectively. If the rate of salary increase were to rise by 0.5% or drop by 0.5%, the obligation would increase by 6.5% or fall by 6.0% respectively.

18. 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, 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 analyzed 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 326 k (prior year: EUR 158 k) with a total volume of USD 3,914 k (prior year: USD 1,665 k) and a change of +/- 10%. The risk from cash on hand is considered immaterial on the whole. The currency risk from bank balances of subsidiaries in the respective local currency mainly involves figures of CHF 453 k (prior year: CHF 2,999 k) and USD 3,139 k (prior year: USD 7,090 k) and amounts to EUR 300 k (prior year: EUR 952 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. Because the Group does not use any non-current financial liabilities, it only sees an interest rate risk from investing cash and cash equivalents. This risk is not deemed material.

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 maximize 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 2017 and 31 December 2016.

The Group monitors its capital in relation to total assets.

in EUR k	31 Dec. 2017	31 Dec. 2016
Total assets	87,264	72,221
Equity	40,855	40,578
Equity as a percentage of total assets (%)	**46.8**	**56.2**

19. 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 2017	Carrying amount 2016	Fair value 2017	Fair value 2016
Financial assets				
Cash and cash equivalents	23,692	33.606	23,692	33.606
Receivables	33,910	23,132	33,910	23,132
thereof:				
• Trade receivables	28,551	19,631	28,551	19,631
• Receivables from a joint venture	2,975	3.292	2,975	3.292
• Other receivables	2,384	209	2,384	209
	57,602	**56,738**	**57,602**	**56,738**

Financial liabilities				
• Overdrafts	3,152	0	3,152	0
• Trade payables	7,922	3,679	7,922	3,679
• **Liabilities to a joint venture**	**35**	**39**	**35**	**39**
• Other liabilities				
• Outstanding purchase invoices	1,967	1,725	1,967	1,725
• Purchase price liabilities	510	999	510	999
	13,586	**6,442**	**13,586**	**6,442**

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 (F10) provided they have an original maturity of less than three months, as well as overdrafts repayable on demand.

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 "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.

SEGMENT REPORTING BY BUSINESS UNIT (in accordance with IFRS)					
in EUR k		EIM	PLM	Reconcil-iation	Group
External revenue	2017	19,050	132,651	0	151,701
	2016	20,872	102,902	0	123,774
EBIT	2017	2,519	10,317	0	12,836
	2016	2,277	9,572	0	11,849
Share of profit of the joint venture	2017	0	0	0	0
	2016	0	7	0	7
Other interest result and financial result	2017	0	0	-162	-162
	2016	0	0	-19	-19
Income taxes	2017	0	0	3,686	3,686
	2016	0	0	3,692	3,692
Group earnings	2017	2,519	10,317	-3,848	8,988
	2016	2,277	9,572	-3,704	8,145
Non-current segment assets	2017	7,915	52,974	26,315	87,204
	2016	8,067	29,601	34,492	72,160
Investment in a joint venture	2017	0	60	0	60
	2016	0	61	0	61
Segment liabilities	2017	6,275	35,933	4,201	46,409
	2016	6,520	24,012	1,110	31,643
Investments in property, plant and equipment and intangible assets	2017	200	12,394	0	12,594
	2016	194	3,417	0	3,611
Amortization and depreciation	2017	521	1,912	0	2,433
	2016	520	1,696	0	2,216

EIM = Enterprise Information Management; PLM = Product Lifecycle Management

The segmentation by region is shown below:

in EUR k		Germany	Switzerland	North America	Romania	France	Belgium	Netherlands	Japan	Reconciliation	Consolidation	Group
External revenue	2017	92,742	11,089	14,641	2,106	25,867	2,202	1,203	1,850	0	0	151,701
	2016	90,311	12,978	16,281	1,965	567	0	0	1,672	0	0	123,774
Non-current segment assets	2017	14,865	40	160	67	5,192	6	1	11	894	-2,732	18,504
	2016	9,127	26	222	49	56	0	0	13	425	-1,995	7,923
Investment in a joint venture	2017	61	0	0	0	0	0	0	0	0	0	60
	2016	61	0	0	0	0	0	0	0	0	0	61
Investments in property, plant and equipment and intangible assets	2017	1,543	42	34	57	10,904	9	3	2	0	0	12,594
	2016	3,495	13	57	38	5	0	0	3	0	0	3,611

Die Überleitung des Segmentvermögens setzt sich wie folgt zusammen:

in EUR k	31 Dec. 2017	31 Dec. 2016
Deferred tax assets	894	424
Current income tax receivables	1,729	442
Other receivables	0	20
Cash position	23.692	33.606
Total	**26.315**	**34.492**

The reconciliation of segment liabilities breaks down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
Deferred tax liabilities	588	658
Current income tax liabilities	460	416
	3,152	0
Other liabilities	0	36
Total	**4,201**	**1,110**

The reconciliation of non-current segment assets breaks down as follows:

in EUR k	31 Dec. 2017	31 Dec. 2016
Deferred tax assets	894	424

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	2017	2016
Rental and lease obligations		
Due in less than 1 year	3,396	2,913
Due in 1 to 5 years	6,588	6,315
Due in more than 5 years	206	0
Total	**10,190**	**9,228**

Other financial obligations principally consist of tenancy obligations of EUR 5,978 k (prior year: EUR 5,873 k) entered into for the office buildings rented in Germany and vehicle lease agreements of EUR 1,507 k (prior year: EUR 1,439 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 18 k in the 2017 reporting period (prior year: EUR 17 k) due to CENIT and consulting expenses of EUR 2 k (prior year: EUR 1 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 9,691 k (prior year: EUR 10,067 k).

As of the end of the reporting period, there were liabilities to related parties of EUR 23 k (prior year: EUR 2 k). The receivables from and liabilities to 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

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

in EUR k	2017	2016
Kurt Bengel		
Fixed	242	242
Fringe benefits	25	25
Performance-based	191	176
Long-term incentive	194	180
Total Kurt Bengel	**652**	**623**
Matthias Schmidt		
Fixed	215	215
Fringe benefits	21	21
Performance-based	191	176
Long-term incentive	194	180
Total Matthias Schmidt	**621**	**592**
Total	**1,273**	**1,215**

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. No minimum remuneration has been agreed for performance-related remuneration and remuneration with a long-term incentive effect.

The fringe benefits relate to the provision of vehicles and subsidies for pension insurance.

For the reporting period, the paid out remuneration of the Management Board members was as follows:

in EUR k	2017	2016
Kurt Bengel		
Fixed	242	242
Fringe benefits	25	25
Performance-based	176	157
Long-term incentive from 2014/2013	126	127
Total Kurt Bengel	**569**	**551**
Matthias Schmidt		
Fixed	215	215
Fringe benefits	21	21
Performance-based	176	157
Long-term incentive from 2014/2013	130	117
Total Matthias Schmidt	**542**	**510**
Gesamt	**1.111**	**1.061**

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.

In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2017:

in EUR k	2017	2017	2016	2016
	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 2017 for Management Board members, Supervisory Board members as well as other executives. The premiums of EUR 51 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%). The Supervisory Board members held 91,392 shares, i.e. 1.09% of the Company's capital stock.

3. Notifications pursuant to Sec. 21, 22 ,25 WpHG

In a voluntary notification of voting rights as part of submitting an independence declaration of the parent company (LOYS AG), LOYS Investment S.A., Munsbach, Luxembourg, informed us on 2 June 2017 pursuant to Sec. 22a WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 13 April 2017 and amounted to 3.94% on that date (corresponding to 329,684 voting rights). The shares are contained in the portfolio of the following funds managed by LOYS Investment S.A.: LOYS FCP - LOYS GLOBAL L/S, LOYS EUROPA SYSTEM, LOYS Sicav - LOYS Global System.

Mr. Jos B. Peeters, born on 11 January 1948, informed us on 15 December 2017 pursuant to Sec. 26 (1) WpHG that his share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% on 30 November 2017 and amounted to 3.13% on that date (261,680 voting rights).

4. Group auditor's fees

in EUR k	2017	2016
Audit fees (annual financial statements and consolidated financial statements)	97	97
Fees for other services	14	3
Total	**111**	**100**

Other services relate to the early examination of selected facts of the purchase price allocation of KEONYS SAS and the preparation of expert opinions for the valuation of the anniversary provision. The anniversary provision has only an insignificant effect on the financial statements.

5. Events after the reporting period

There were no reportable subsequent events.

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 2017 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, 9 March 2018

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel
Spokesman, Management Board

Matthias Schmidt
Member, Management Board

Independent Auditors's Report

To CENIT Aktiengesellschaft, Stuttgart

Report on the audit of the consolidated financial statements and of the combined management report

Opinions

We have audited the consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January 2017 to 31 December 2017 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the CENIT Group and of CENIT AG for the fiscal year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the components of the combined management report listed under “Other information”.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the components of the combined management report listed under “Other information”.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report of the CENIT Group and of CENIT AG” section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenue recognition

2. Presentation of the acquisition of the shares in KEONYS SAS in the financial reporting

1. Revenue recognition

Background

The CENIT Group generates revenue from the sale of hardware, the licensing of software and the provision of consulting services for the planning, implementation and optimization of business and IT processes.

In addition to cash and cash equivalents, it is the assets resulting from the sales process and deferred revenue that make up the main asset items in the statement of financial position.

Because of the importance of the matter for the users' understanding of the financial statements as a whole, the audit of revenue recognition and deferred revenue required our special attention and was considered a key audit matter as part of our audit.

The disclosures on revenue recognition are contained in the notes to the consolidated financial statements in D. Accounting policies.

Auditor's response

We assessed the compliance of the accounting policies applied by CENIT Aktiengesellschaft ("CENIT") for the recognition of revenue with IAS 18.

We made a record of the internal control system in relation to revenue recognition. We assessed the structure and effectiveness of the main controls for recognizing revenue.

For a selection of the sales recognized, we also obtained an understanding of the transaction by examining the underlying contractual agreements and other related documents and from explanations by employees of CENIT Aktiengesellschaft from the accounting and sales departments, obtained transaction confirmations from selected customers, carried out cut-off audits for selected revenue and assessed whether the respective revenue recognition guidelines were applied appropriately in order to ensure that revenue is recognized in the correct period.

2. Presentation of the acquisition of the shares in KEONYS SAS in the financial reporting

Background

The Group acquired 97.76% of the shares in KEONYS SAS, Paris, in the fiscal year. The total purchase price for the acquisition came to EUR 6 million. Except for pension obligations and deferred taxes, the assets and liabilities acquired are stated at fair value as of the acquisition date. Because of the material effect overall of the amounts involved in the acquisition on the assets, liabilities, financial position and financial performance of the CENIT Group and the need for judgment in the measurement of assets and liabilities during the purchase price allocation, the purchase accounting of the entity acquired was a key audit matter.

The disclosures by CENIT Aktiengesellschaft regarding the acquisition are included in the notes to the consolidated financial statements in C.1. Consolidation principles and basis of consolidation.

Auditor's response

As part of the audit, we first reviewed and verified the contractual arrangements for the acquisition and reconciled the purchase price paid as consideration for the shares received with the documents provided to us. We assessed whether the acquisition was presented accurately and completely in the financial statements. For the assets and liabilities identified in the course of the purchase price allocation, we verified the respective calculation of fair value. To do this, we satisfied ourselves of the appropriateness of the measurement methods and tested the plausibility of required assumptions. We also verified through the use of checklists the completeness of the notes disclosures as required by IFRS 3.

Other information

The executive directors are responsible for the other information. The other information comprises:

- the non-financial statement published separately and referred to in the "Other information" section of the combined management report
- the corporate governance statement published separately and referred to in the "Other information" section of the combined management report

- the other parts of the annual report, with the exception of the audited annual financial statements and combined management report as well as our auditor's report

Our opinions on the consolidated financial statements and on the combined management report do not cover other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report of the CENIT Group and of CENIT AG or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the combined management report of the CENIT group and of CENIT AG

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report of the CENIT Group and of CENIT AG that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report of the CENIT group and of CENIT AG

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report of the CENIT Group and of CENIT AG as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU audit regulation

We were elected as auditor by the Annual General Meeting of Shareholders on 12 May 2017. We were engaged by the Supervisory Board on 5 December 2017. We have been the auditor of CENIT Aktiengesellschaft without interruption since fiscal year 2009.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the Supervisory Board pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mr. Boris Weber.

Stuttgart, 23 March 2018

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Steffen Walter Wirtschaftsprüfer [German Public Auditor]	signed Boris Weber Wirtschaftsprüfer [German Public Auditor]

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 the corporate 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 [“Aktiengesetz”: German Stock Corporation Act], and made it accessible on the Company’s homepage (www.cenit.com).

Declaration on Corporate Governance

For the year 2017, the Management and Supervisory Boards of the Company have issued the Declaration on Corporate Governance prescribed by Sec. 289f 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. 289f 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 conference calls. 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.

Again in 2017, the Management Board and Supervisory Board continued to speak 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. The Supervisory Board defined a target share of women of at least 0% for appointments to the Supervisory Board or Management Board and of at least 6% for executive positions. CENIT met these targets in the fiscal year.

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 2017:

in EUR k	2017	2017	2016	2016
	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**

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

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

in EUR k	2017	2016
Kurt Bengel		
Fixed	242	242
Fringe benefits	25	25
Performance-based	191	176
Long-term incentive	194	180
Total Kurt Bengel	**652**	**623**
Matthias Schmidt		
Fixed	215	215
Fringe benefits	21	21
Performance-based	191	176
Long-term incentive	194	180
Total Matthias Schmidt	**621**	**592**
Total	**1,273**	**1,215**

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. No minimum remuneration has been agreed for performance-related remuneration and remuneration with a long-term incentive effect.

The fringe benefits relate to the provision of vehicles and subsidies for pension insurance.

For the reporting period, the paid out remuneration of the Management Board members was as follows:

in EUR k	2017	2016
Kurt Bengel		
Fixed	242	242
Fringe benefits	25	25
Performance-based	176	157
Long-term incentive from 2014/2013	126	127
Total Kurt Bengel	**569**	**551**
Matthias Schmidt		
Fixed	215	215
Fringe benefits	21	21
Performance-based	176	157
Long-term incentive from 2014/2013	130	117
Total Matthias Schmidt	**542**	**510**
Gesamt	**1.111**	**1.061**

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 2017

Total number of shares: 8,367,758

Management Board:		**Supervisory Board:**	
Kurt Bengel:	6,000	Andreas Schmidt:	88,792
Matthias Schmidt:	1,670	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 Chairperson of 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 2017 (Source: wallstreet online CENIT Aktiengesellschaft, Stuttgart)

CENIT shares began the 2017 stock market year at a price of EUR 20.14 and ended the year at EUR 21.37. The 52 weeks of the year saw an average trading volume of 17,024 shares per day on all German stock markets (prior year: 15,273 shares per day). The annual average price of CENIT AG shares for 2017 was EUR 21.21, with an annual high of EUR 23.99 and an annual low of EUR 19.19. Around 3 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 2017

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	7 June 2017	329,684	3.94
Jos B. Peeters (Capricorn Venture Partners)	22 December 2017	261,680	3.13

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:

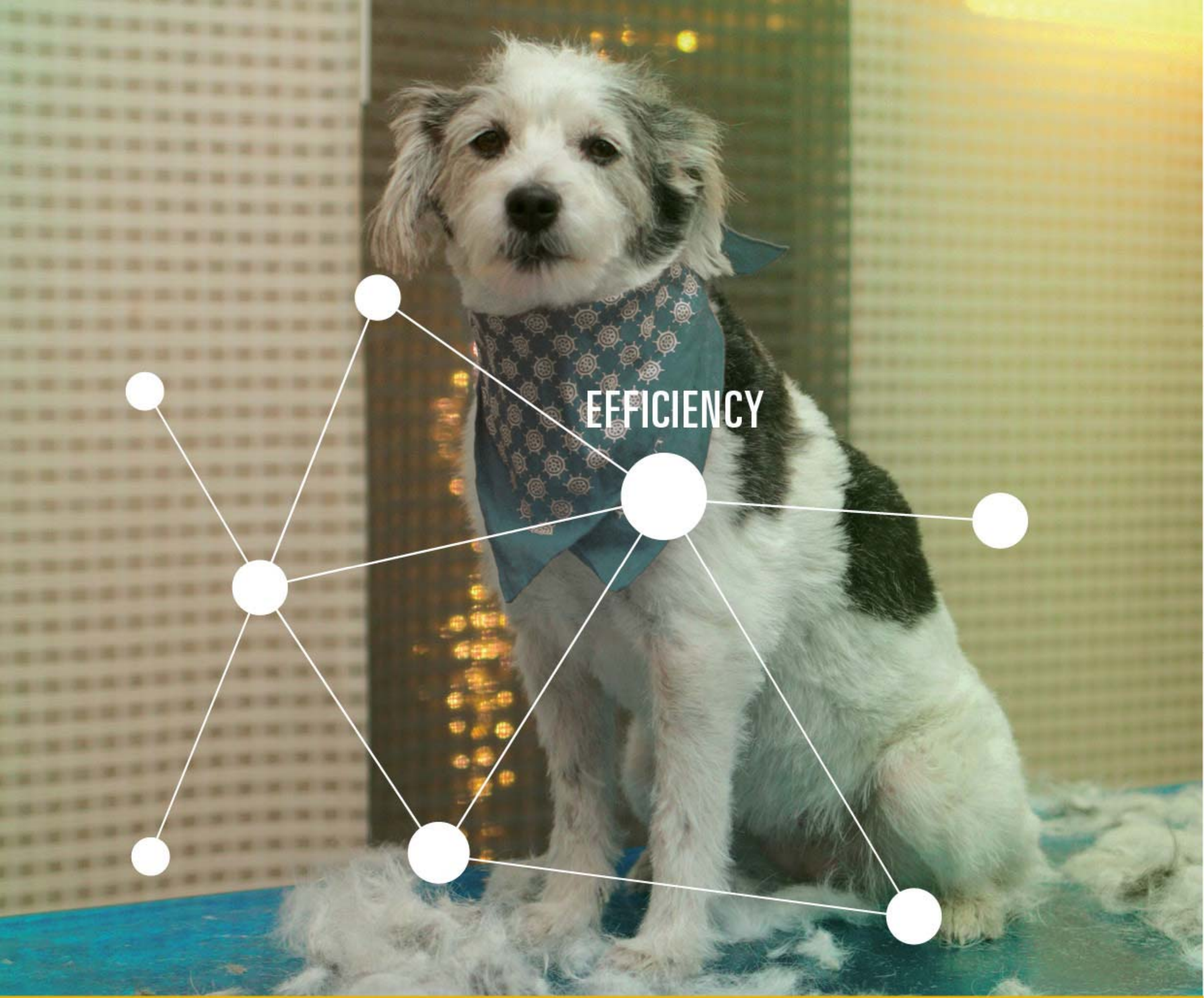
"To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development 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	Matthias Schmidt
Spokesman, Management Board	Member, Management Board



FINANCIAL STATEMENT AG

CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET

		31 Dec. 2017	**31 Dec. 2016**
ASSETS	EUR	EUR	EUR
A. FIXED ASSETS			
I. Intangible assets			
Franchises, industrial and similar rights and assets and licenses in such rights and assets		1,814,239.02	1,931,759.31
II. Property, plant and equipment			
1. Land and buildings, including buildings on third-party land	648,516.24		711,283.05
2. Plant and machinery	1,190,738.26		1,125,548.12
3. Other equipment, furniture and fixtures	73,354.78		72,858,86
		1,912,609.28	**1,909,690.03**
III. Financial assets			
1. Shares in affiliates	9,385,592.21		3,289,013.04
2. Equity investments	52,554.25		52,554.25
		9,438,146.46	**3,341,567.29**
B. CURRENT ASSETS			
I. Inventories			
1. Work in process	530,371,23		580,900.69
2. Payments on account	80,658.00		337,176.65
		611,029.23	**918,077.34**
II. Receivables and other assets			
1. Trade receivables	13,749,867.59		13,279,451.42
2. Receivables from affiliates	5,488,363.18		1,370,201.97
3. Receivables from other investees and investors	2,950,599.26		3,263,989.96
4. Other assets	103,286.35		379,849.44
		22,292,116.38	**18,293,492.79**
III. Cash on hand, bank balances		**15,071,571.31**	**21,542,438.29**
C. PREPAID EXPENSES			
		4,095,379.95	**4,074,430.61**
		55,235,091.63	**52,011,455.66**

CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET

			31 Dec. 2017	31 Dec. 2016
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	13,870,955.48
IV.	**Net retained profit**		10,741,476.79	8,393,203.61
			34,456,596.07	**32,108,322.89**
B.	**PROVISIONS**			
	1. Tax provisions	119,797.81		92,832.00
	2. Other provisions	7,212,508.59		7,854,122.43
			7,332,306.40	**7,946,954.43**
C.	**LIABILITIES**			
	1. Payments received on account of orders	1,687,935.41		1,703,947.29
	2. Trade payables	3,195,080.08		2,610,000.06
	3. Liabilities to affiliates	309,341.43		183,192.46
	4. Liabilities to other investees and investors	35,116.53		38,933.24
	5. Other liabilities	1,710,455.80		919,755.12
	thereof for social security: EUR 0.00 (prior year: EUR 0 k)			
	thereof for taxes: EUR 1,509,634.63 (prior year: EUR 531 k)			
			6,937,929.25	**5,455,828.17**
D.	**DEFERRED INCOME**			
			6,508,259.91	**6,500,350.17**
			55,235,091.63	**52,011,455.66**

CENIT Aktiengesellschaft, Stuttgart
INCOME STATEMENT

			2017	2016
		EUR	EUR	EUR
1.	Revenue	97,727,374.95		99,177,182.51
2.	Decrease in inventories of work in process	-50,529.46		-1,258,898.86
3.	Other operating income	828,500.83		927,300.44
	thereof income from currency translation: EUR 92,099.97 (prior year: EUR 194 k)			
	Total operating performance		**98,505,346.32**	**98,845,584.09**
4.	Cost of materials			
a.	Cost of raw materials, consumables and supplies and of received merchandise	33,901,705.65		32,430,478.57
b.	Cost of purchased services	7,653,896.67		7,263,037.91
			41,555,602.32	39,693,516.48
5.	Personnel expenses			
a.	Salaries	31,148,208.09		32,269,144.31
b.	Social security and pension costs	5,300,594.23		5,216,919.81
			36,448,802.32	37,486,064.12
6.	Amortization of intangible assets and depreciation of property, plant and equipment	1,330,042.62		1,250,878.93
7.	Other operating expenses	12,707,092.54		12,758,794.23
	thereof from currency translation: EUR 213,787.39 (prior year: EUR 187 k)			
	Operating result		**6,463,806.52**	**7,656,330.33**
8.	Income from equity investments		6,589,602.55	1,670,423.60
	thereof from affiliates: EUR 6,589,602.55 (prior year: EUR 1,670 k)			
9.	Other interest and similar income		32,379.53	23,830.62
	thereof from affiliates: EUR 29,061.11 (prior year: EUR 19 k)			
10.	Interest and similar expenses		44,832.90	42,782.36
	thereof from unwinding of the discount on provisions: EUR 26,013.22 (prior year: EUR 33 k)			
11.	Income taxes		2,274,036.73	2,427,992.66
12.	**Earnings after taxes**		**10,766,918.97**	**6,879,809.53**
13.	Other taxes		50,887.79	56,043.62
14.	**Net income for the year**		**10,716,031.18**	**6,823,765.91**

Notes to the financial statements for 2017

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.

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.

Provisions account for all foreseeable risks and contingent liabilities and are recognized at the settlement value deemed necessary according to prudent business judgment. 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 122 k was recognized in the fiscal year for individual cases of warranty (prior year: EUR 118 k).

Liabilities are recorded at the settlement value.

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 software 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 short-term 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) for software licensing payable is reported on the date of obtaining control and the annual license charge (ALC) for software maintenance and support 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 (see page 128 and 129).

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	1,235	485
2	CENIT North America Inc. Auburn Hills, USA	USD	100.0	25	2,188	2,121
3	CENIT SRL Iasi, Romania	RON	100.0	344	3,382	2,082
4	CENIT France SARL Toulouse, France	EUR	100.0	10	1	-72
5	CENIT Japan K.K. Tokyo, Japan	YEN	100.0	34,000	37,978	21,352
6	KEONYS SAS Suresnes, France	EUR	97.76	155	-1,305	348
7	Coristo GmbH Mannheim, Germany	EUR	51.0	25	1,573	468
8	SynOpt GmbH Leinfelden-Echterdingen, Germany	EUR	55.0	50	140	131
9	CenProCS AIRliance GmbH Stuttgart, Germany	EUR	33.3	150	172	-1

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) and of EUR 4,000 k from granting a loan to KEONYS SAS (prior year: EUR 0 k). The remaining receivables from affiliates of EUR 738 k (prior year: EUR 620 k) and the **receivables from other investees and investors** valued at EUR 2,951 k (prior year: EUR 3,264 k) stem from trade and are due in less than one year.

Other assets primarily consist of EUR 31 k relating to trade tax refund claims for 2017 (prior year: EUR 254 k relating to tax refund claims from corporate income tax, solidarity surcharge and trade tax), receivables from deposits of EUR 33 k (prior year: EUR 18 k) and receivables from insurance indemnification of EUR 20 k (prior year: EUR 0 k).

4. Prepaid expenses

in EUR k	31 Dec. 2017	31 Dec. 2016
Accrued rights of use for licenses	3,399	3,614
Other prepaid expenses	696	460
Total	**4,095**	**4,074**

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 not to capitalize these deferred tax assets was exercised.

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

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.

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

Other revenue reserves of EUR 13,871 k did not change since the prior year.

10. Net retained profit

Net retained profit developed as follows:

in EUR k	2017	2016
Net income for the year	**10,716**	**6,824**
Net retained earnings in the prior year	8,393	8,437
Dividend	-8,368	-8,368
Profit carryforward from the prior year	**25**	**69**
Withdrawals from the revenue reserves	0	1,500
Net retained profit	**10,741**	**8,393**

11. Provisions

Other provisions essentially comprise provisions for personnel expenses of EUR 3,898 k (prior year: EUR 3,993 k), and provisions for outstanding supplier invoices of EUR 1,384 k (prior year: EUR 1,585 k.

12. Liabilities

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

Liabilities to affiliates relate entirely to trade payables of EUR 309 k (prior year: EUR 183 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 35 k (prior year: EUR 39 k). As in the prior year, the corresponding liabilities are due within one year.

Other liabilities include deferred items of EUR 124 k (prior year: EUR 157 k). As in the prior year, these amounts related in full to deferred rent.

EUR 1,620 k (prior year: EUR 688 k) of other liabilities is due within one year, while EUR 90 k (prior year: EUR 232 k) is due in more than one year. As in the prior year, liabilities due in more than one year do not include any liabilities due in more than five years.

II. Income statement

1. Revenue

in EUR k	2017	2016
CENIT software	15,357	15,078
Third-party software	43,933	43,835
CENIT consulting and service	37,916	39,818
Merchandise	138	189
Other revenue	383	257
Total	**97,727**	**99,177**

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

2. Other operating income

Other operating income includes income relating to other periods from the reversal of provisions of EUR 450 k (prior year: EUR 179 k).

Other operating income also includes income from cross-charged salary and other costs of EUR 172 k (prior year: EUR 203 k), insurance refunds of EUR 24 k (prior year: EUR 0 k), rental income from subletting of EUR 13 k (prior year: EUR 17 k), marketing and sales subsidies from partner companies of EUR 48 k (prior year: EUR 95 k) and exchange gains of EUR 92 k (prior year: EUR 194 k).

3. Personnel expenses

in EUR k	2017	2016
Salaries	31,148	32,269
Social security contributions	5,301	5,217
Total	**36,449**	**37,486**

Social security contributions include pension costs of EUR 201 k (prior year: EUR 200 k).

4. Other operating expenses

At EUR 12,707 k, total other operating expenses are down marginally compared to the prior year (EUR 12,759 k). Other operating expenses essentially relate to premises expenses of EUR 2,076 k (prior year: EUR 2,336 k), vehicle costs of EUR 2,055 k (prior year: EUR 2,132 k), travel expenses of EUR 1,536 k (prior year: EUR 1,570 k), marketing costs of EUR 1,266 k (prior year: EUR 1,336 k) and exchange losses of EUR 214 k (prior year: EUR 187 k).

Other operating expenses also include an extraordinary expense from the merger of KEONYS Deutschland GmbH into CENIT AG of EUR 411 k.

5. Financial and interest result

The financial and interest result breaks down as follows:

in EUR k	2017	2016
Income from equity investments		
Dividend CENIT (Schweiz) AG, Switzerland	1,185	1,400
Dividend CENIT SRL, Romania	340	270
Dividend CENIT North America Inc., USA	4,912	0
Dividend Coristo GmbH, Mannheim, Germany	153	0
Total	**6,590**	**1,670**

in EUR k	2017	2016
Other interest and similar income		
Bank interest and interest from securities	0	0
Interest on loans granted to subsidiary	29	19
Income from the tax moratorium	3	5
Interest income for business taxes	0	0
Total	**32**	**24**

in EUR k	2017	2016
Interest and similar expenses		
Guarantee commission	8	10
Interest expense from unwinding the discount on provisions/liabilities	26	33
Interest expenses for business taxes	11	0
Total	**45**	**43**

6. Income taxes

in EUR k	2017	2016
Current corporate income tax expense	1,082	1,107
Current solidarity surcharge expense	60	61
Current trade tax expense	1,128	1,200
Withholding tax	3	60
Taxes in prior years	1	0
Total	**2,274**	**2,428**

Taxes mainly include corporate income tax and the solidarity surcharge of EUR 1,142 k (prior year: EUR 1,168 k) as well as trade tax of EUR 1,128 k (prior year: EUR 1,200 k) on the taxable income for the fiscal year 2017.

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	10,741
Dividend distribution (EUR 1.00 per 8,367,758 participating no-par value shares)	8,368
Profit carryforward	**2,373**

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 485 (prior year: 496) members of staff were employed during the fiscal year, plus 42 (prior year: 40) 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	2017	2016
Rental and lease obligations		
Due in less than 1 year	2,629	2,608
Due in 1 to 5 years	5,546	5,675
Due in more than 5 years	192	0
Total	**8,367**	**8,283**

Other financial obligations chiefly comprise the rent agreements entered into for leased office buildings of EUR 5,978 k (prior year: EUR 5,873 k) as well as vehicle leases of EUR 1,507 k (prior year: EUR 1,438 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 Leypoldt (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 reporting year.

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

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

in EUR k	2017	2016
Kurt Bengel		
Fixed	242	242
Fringe benefits	25	25
Performance-based	191	176
Long-term incentive	194	180
Total Kurt Bengel	**652**	**623**
Matthias Schmidt		
Fixed	215	215
Fringe benefits	21	21
Performance-based	191	176
Long-term incentive	194	180
Total Matthias Schmidt	**621**	**592**
Total	**1,273**	**1,215**

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. No minimum remuneration has been agreed for performance-related remuneration and remuneration with a long-term incentive effect.

The fringe benefits relate to the provision of vehicles and subsidies for pension insurance.

For the reporting period, the paid out remuneration of the Management Board members was as follows:

in EUR k	2017	2016
Kurt Bengel		
Fixed	242	242
Fringe benefits	25	25
Performance-based	176	157
Long-term incentive from 2014/2013	126	127
Total Kurt Bengel	**569**	**551**
Matthias Schmidt		
Fixed	215	215
Fringe benefits	21	21
Performance-based	176	157
Long-term incentive from 2014/2013	130	117
Total Matthias Schmidt	**542**	**510**
Gesamt	**1.111**	**1.061**

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.

In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2017:

in EUR k	2017	2017	2016	2016
	Fixed remuneration	Performance-based remuneration	Fixed remuneration	Performance-based 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 amount	**67.5**	**0**	**67.5**	**0**

The D&O insurance was continued in 2017 for Management Board members and Supervisory Board members as well as other executives. The premiums of EUR 51 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 91,392 shares, i.e. 1.09% of the Company's capital stock.

4. Changes at shareholder level

In a voluntary notification of voting rights as part of submitting an independence declaration of the parent company (LOYS AG), LOYS Investment S.A., Munsbach, Luxembourg, informed us on 2 June 2017 pursuant to Sec. 22a WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 13 April 2017 and amounted to 3.94% on that date (corresponding to 329,684 voting rights). The shares are contained in the portfolio of the following funds managed by LOYS Investment S.A.: LOYS FCP - LOYS GLOBAL L/S, LOYS EUROPA SYSTEM, LOYS Sicav - LOYS Global System.

Mr. Jos B. Peeters, born on 11 January 1948, informed us on 15 December 2017 pursuant to Sec. 26 (1) WpHG that his share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% on 30 November 2017 and amounted to 3.13% on that date (261,680 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

There were no reportable subsequent events.

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 2017 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 2018

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel
Spokesman, Management Board

Matthias Schmidt
Member, Management Board

Independent Auditor's Report

To CENIT Aktiengesellschaft, Stuttgart

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of CENIT Aktiengesellschaft, Stuttgart, which comprise the balance sheet as at 31 December 2017, the income statement for the fiscal year from 1 January 2017 to 31 December 2017 and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of the CENIT Group and of CENIT AG for the fiscal year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the components of the combined management report listed under "Other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January 2017 to 31 December 2017 in compliance with German legally required accounting principles, and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the components of the combined management report listed under "Other information".

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the combined management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Revenue recognition

Background

The Company generates revenue from the sale of hardware, the licensing of software and the provision of consulting services for the planning, implementation and optimization of business and IT processes.

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 short-term 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 for provision of the software is reported on the date of obtaining control and the annual license charge (ALC) for software maintenance and support is reported as revenue pro rata temporis.

In addition to cash and cash equivalents, it is the assets resulting from the sales process and deferred revenue that make up the main asset items in the statement of financial position. The audit of revenue recognition and deferred revenue therefore required our special attention and was considered a key audit matter as part of our audit.

The disclosures on revenue recognition are included on page 2 of the notes to the financial statements in B.

Auditor's response

We assessed the compliance of the recognition and measurement policies applied by CENIT Aktiengesellschaft for the recognition of revenue with the requirements of German commercial law.

We made a record of the internal control system in relation to revenue recognition. We assessed the structure and effectiveness of the main controls for recognizing revenue.

For a selection of the sales recognized, we also obtained an understanding of the transaction by examining the underlying contractual agreements and other related documents and from explanations by employees of the Company from the accounting and sales departments, and we assessed the correct presentation in the annual financial statements. We also obtained transaction confirmations from selected customers, carried out cut-off audits for selected revenue and assessed whether the respective revenue recognition guidelines were applied appropriately in order to ensure that revenue is recognized in the correct period.

Other information

The executive directors are responsible for the other information. The other information comprises:

- the non-financial statement published separately and referred to in the non-financial statement section of the combined management report
- the corporate governance statement published separately and referred to in the corporate governance statement section of the combined management report
- the other parts of the annual report, with the exception of the audited annual financial statements and combined management report as well as our auditor's report

Our opinions on the annual financial statements and on the combined management report do not cover other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If we conclude, based on the work carried out by us, that this other information is materially misstated, we are obliged to report this fact. We do not have anything to report in this regard.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the combined management report of the CENIT group and of CENIT AG

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal controls as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's responsibilities for the audit of the annual financial statements and of the statements and of the combined management report of the CENIT group and of CENIT AG

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of

our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to art. 10 of the EU audit regulation

We were elected as auditor by the Annual General Meeting of Shareholders on 12 May 2017. We were engaged by the Supervisory Board on 5 December 2017. We have been the auditor of CENIT Aktiengesellschaft without interruption since fiscal year 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mr. Boris Weber.

Stuttgart, 23 March 2018

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Steffen Walter	signed Boris Weber
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

CENIT Aktiengesellschaft, Stuttgart
STATEMENT OF CHANGES IN FIXED ASSETS

	Acquisition and production cost				
in EUR	As of 1 Jan. 2017	Additions	Additions from merger	Disposals	As of 31 Dec. 2017
I. Intangible assets					
Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets	4,641,477.45	515,777.09	0.00	23,463.99	5,133,790.55
Total	**4,641,477.45**	**515,777.09**	0.00	**23,463.99**	**5,133,790.55**
II. Property, plant and equipment					
1. Land and buildings including buildings on third-party land	1,808,569.02	1,850.00	0.00	0.00	1,810,419.02
2. Plant and machinery	5,243,876.13	621,848.75	18,330.03	90,012,85	5,794,042.06
3. Other equipment, furniture and fixtures	367,433.54	80,417.60	28,293.08	47,851.67	428,292.55
Total	**7,419,878.69**	**704,116.35**	46,623.11	**137,864.52**	**8,032,753.63**
III. Financial assets					
1. Shares in affiliates	3,289,013.04	6,096,580.17	0.00	1.00	9,385,592.21
2. Equity investments	52,554.25	0.00	0.00	0.00	52,554.25
Total	**3,341,567.29**	**6,096,580.17**	0.00	**1.00**	**9,438,146.46**
Fixed assets - total -	**15,402,923.43**	**7,316,473.61**	46,623.11	**161,329.51**	**22,604,690.64**

	Accumulated amortization, depreciation and write-downs				Net book values	
As of 1 Jan. 2017	Additions	Additions from merger	Disposals	As of 31 Dec. 2017	As of 31 Dec. 2017	As of 31 Dec. 2016
2,709,718.14	631,664.73	0.00	21,831.34	3,319,551.53	1,814,239.02	1,931,759.31
2,709,718.14	**631,664.73**	0.00	**21,831.34**	**3,319,551.53**	**1,814,239.02**	**1,931,759.31**
1,097,285.97	64,616.81	0.00	0.00	1,161,902.78	648,516.24	711,283.05
4,118,328.01	552,318.50	10,859.53	78,202.24	4,603,303.80	1,190,738.26	1,125,548.12
294,574.68	81,442.58	23,339.05	44,418.54	354,937.77	73,354.78	72,858.86
5,510,188.66	**698,377.89**	**34,198.58**	**122,620.78**	**6,120,144.35**	**1,912,609.28**	**1,909,690.03**
0.00	0.00	0.00	0.00	0.00	9,385,592.21	3,289,013.04
0.00	0.00	0.00	0.00	0.00	52,554.25	52,554.25
0.00	**0.00**	0.00	**0.00**	**0.00**	**9,438,146.46**	**3,341,567.29**
8,219,906.80	**1,330,042.62**	**34,198.58**	**144,452.12**	**9,439,695.88**	**13,164,994.76**	**7,183,016.63**

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

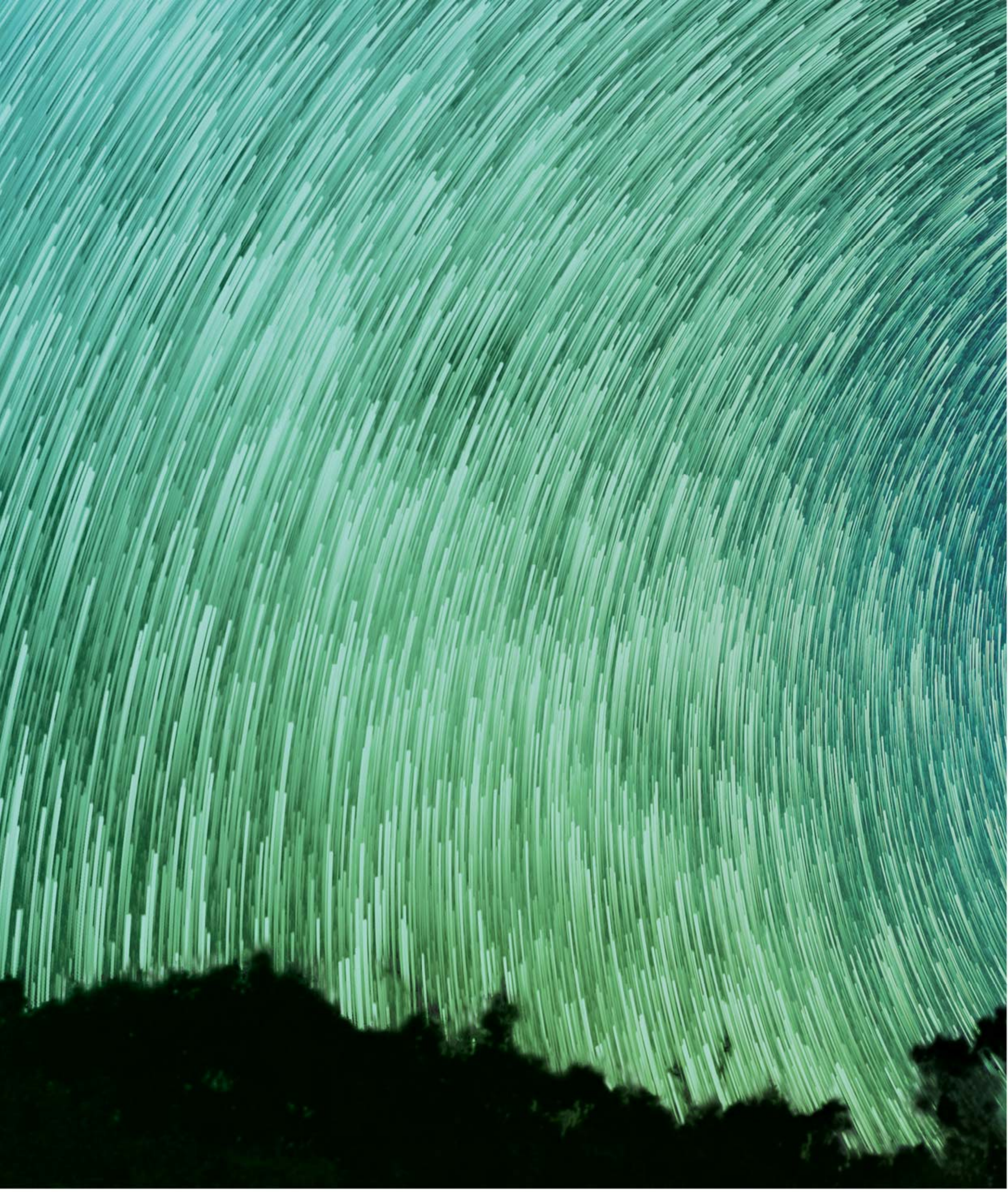
Matthias Schmidt
Member, Management Board

Glossary

AMS	Abbreviation for Application Management Services Application Management Services is a variant of outsourcing in which the license and infrastructure remain with user, while the service provider performs services such as development, implementation, support, or migration of the application. These services are provided on the basis of detailed Service Level Agreements (SLAs). Outtasking extends this definition to infrastructure- and/or application-related tasks.
BI	Abbreviation for Business Intelligence Business intelligence denotes procedures and processes aimed at a systematic analysis (collation, evaluation and presentation) of data electronic form.
CATIA	PLM solution by Dassault Systèmes 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.
DELMIA	PLM solution by Dassault Systèmes DELMIA offers manufacturers the means to digitally plan, develop, monitor and control manufacturing and service processes.
Digital factory	Three-dimensional graphic simulation of a factory by way of digitally integrated systems (e.g. DELMIA).
Digital manufacturing	Planning and simulation of manufacturing processes via networking of digitally integrated systems (e.g. DELMIA). Developed for purposes of optimizing production costs, ergonomics, assembly line arrangement, productivity, and scheduling.
ECM	Abbreviation for Enterprise Content Management ECM permits an enterprise to not only store all relevant information, but to also manage and reuse it. This reduces down-times and simultaneously increases the quality of products and services.
EIM	Abbreviation for Enterprise Information Management 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. 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.
Knowledgeware	Tools which support an enterprise by facilitating the gathering, exchange and reuse of knowledge. By way of a consistent reuse of valuable, already available information, enterprises can optimize Product Lifecycle Management and facilitate automated construction.
NC	Abbreviation for Numerical Control 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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