PLM

EIM

BOA

AMS

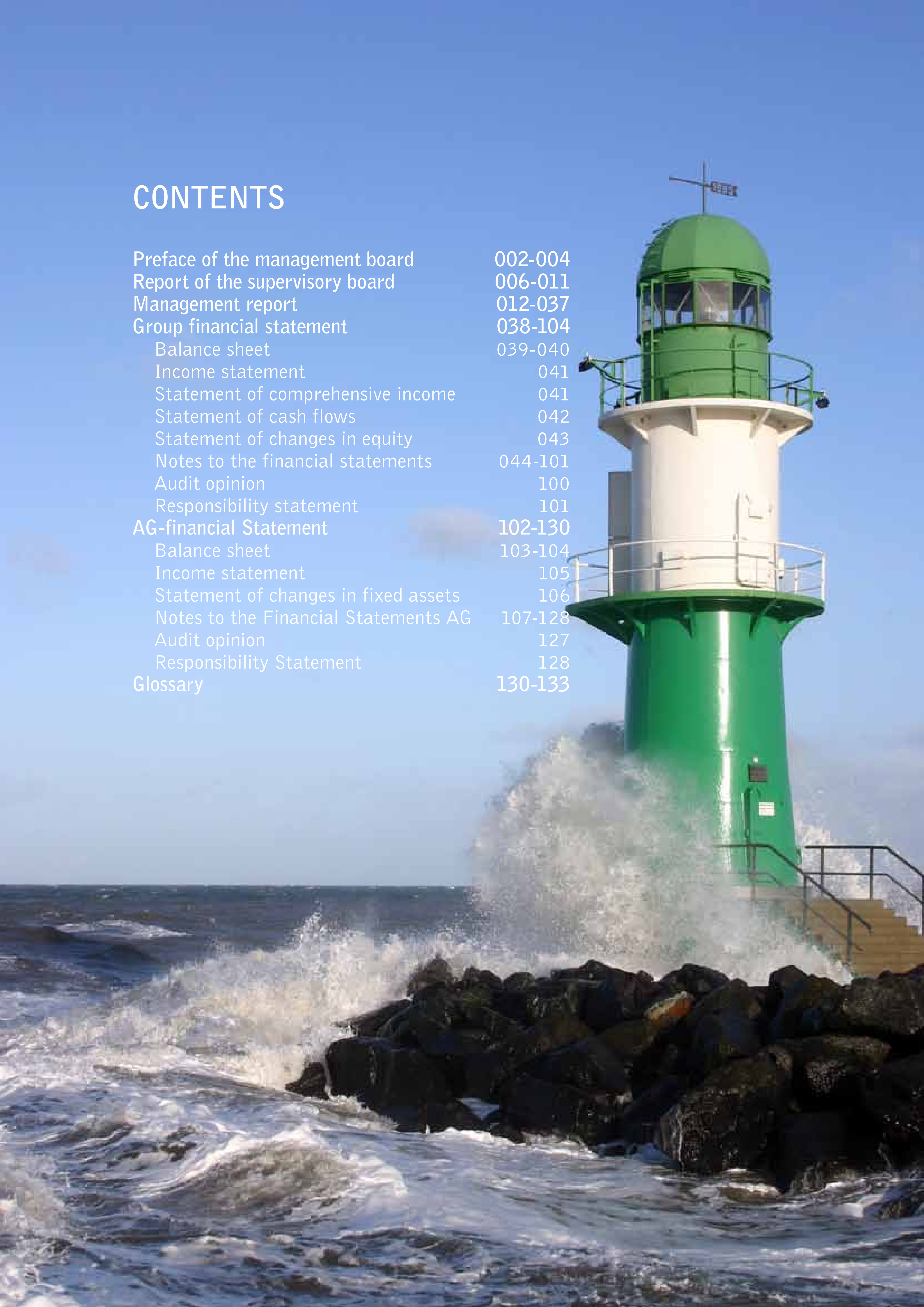
cenit

CENIT AG

FINANCIAL REPORT 2010

CENIT KEY DATA 2006 - 2010

in million EUR	2010	2009	2008	2007	2006
					increase of capital Stock split 1:2
Number of Shares	8,367,758	8,367,758	8,367,758	8,367,758	8,367,758
Total Revenue	93.17	86.49	83.36	77.06	82.36
EBITDA	5.74	5.29	6.19	9.45	11.14
EBIT	3.97	3.89	4.78	8.36	10.19
Net Income	3.01	2.72	3.33	6.1	8.4
EPS in EUR	0.36	0.33	0.40	0.73	1.00
Dividend per Share in EUR	Proposal: 0.15	0,30	-	0.50	0.5
Equity ratio in %	58	64	64.0	72	62



CONTENTS

4

PREFACE OF THE MANAGEMENT BOARD

PREFACE OF THE MANAGEMENT BOARD

LADIES AND GENTLEMEN,

The 2010 business year was on the whole a good year for CENIT. After several globally troubled years, we have discerned a growing willingness among our customers to invest in IT projects again, particularly towards the end of the year.

Our experiences reflect the development of Germany's economy at large. Gross domestic product grew significantly in 2010, and the economic research institutes expect continued growth for 2011. With these trends, Germany compares very favorably to most other European countries – the Euro zone is only recovering slowly, and in the US low consumer confidence and poor job market figures exert negative influences on the country's economic growth.

We at CENIT are dependent on how our customers assess the current economic situation. Based on the positive developments of 2010 and the stable overall trend in Germany, we too were able to post a sales increase. We achieved particularly high growth in the software segment, especially with non-proprietary software. But we also posted on-year sales growth for CENIT's proprietary software and see further potential for development in this field.

Another goal for the 2011 business year will be the continued expansion of our services business. Here particular attention will focus on process consulting in the Enterprise Information Management as well as the Product Lifecycle Management.

Our most recent acquisition will contribute its part to this strategy. In mid-2010, CENIT announced the acquisition of conunit GmbH. The enterprise has now been fully incorporated into CENIT Group. The acquisition means expanding our portfolio to the promising Business Intelligence and Analytics field.

In defining our growth targets, we focus on continued organic growth, i.e. growth under our own steam. One important facet of this is our focus on in-house training of young talent, as reflected in our high training quotas. Furthermore, we plan to continue boosting our target attainment by making further acquisitions. Here we will follow two principal approaches: to seek acquisitions that contribute new technologies and/or know-how to the enterprise and thereby expand our business scope, and/or such acquisitions that offer a means of increasing market shares in our traditional segments. The most important consideration, however, will always be that acquisitions must be controllable and successful and thus pose no threat to our core business.

CENIT has the necessary financing flexibility to be able to act quickly and independently. We plan to maintain this independence so as to be able seize opportunities as they arise.

Confidence in Germany's stable economic situation has grown steadily since mid-2010; businesses are taking a more positive view of the future and are again making long-term investments. In as much as this trend continues, we expect stable growth for CENIT in 2011 and over the subsequent years.

We are certain that we are on the right path with our products and our know-how, and we wish to express our gratitude to you – our shareholders and customers – for the trust you have expressed in us throughout the past business year. Together with the Supervisory Board, we would also like to take this opportunity to express our thanks and appreciation to our dedicated staff members for their hard work.

Your
Managing Board of CENIT AG

Christian Pusch

Kurt Bengel

8

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

During the 2010 business year, the Supervisory Board performed the duties to which it is bound by law and the Articles of Association. We supervised the administration of the Corporation and advised the Managing Board in its management of the enterprise. The Supervisory Board was involved in all decisions of fundamental importance to the enterprise. Within the scope of our supervisory and consulting duties, we received regular, prompt and comprehensive reports from the Managing Board, both oral and written. The Managing Board informed us as to the course of business and the economic and financial development of CENIT. Further focal points of reporting were the risk situation and risk management, compliance issues, as well as fundamental matters of enterprise strategy. On the basis of reporting by the Managing Board, the Supervisory Board sessions engaged in detailed discussions on business development, as well as on decisions and occurrences significant to the enterprise. In addition, we addressed the Managing Board's plans for the 2011 business year and medium-term plans, as well as deviations of the actual course of business from business planning. During intersessional periods, the Managing Board additionally informed the Supervisory Board by way of monthly reports on key important business figures, and duly presented matters requiring Supervisory Board approval for decision-making. The reports by the Managing Board on the state of business and presentations on special topics were supplemented by written presentations and documents which were duly sent to each Supervisory Board member for preparation before the respective session.

During the previous year, the Supervisory Board met in five ordinary sessions and several telephone conferences to address in detail the economic situation, the continued strategic development, and the long-term positioning of CENIT Group. All members of the Supervisory Board were in attendance at all of these meetings. By its own estimation, the Supervisory Board is composed of a sufficient number of members, none of whom maintain business or personal relations with the enterprise or members of the Managing Board as could constitute a conflict of interest. As during the previous year, the Supervisory Board did not consider it necessary to create committees in view of the small number of Supervisory Board members. Conflicts of interest on the part of Supervisory Board members did not arise during the reporting period.

MATTERS ADDRESSED AT THE MEETINGS OF THE SUPERVISORY BOARD

In all meetings held by the Supervisory Board during the 2010 reporting period, the Managing Board provided information on the development of sales and results within the Group. The Managing Board further illustrated the course of business in the individual business segments and reported on the asset, financial and sales situation. In this context, we directed a particular focus at the potential consequences for the risk and liquidity situation.

FINANCIAL REPORTS/AUDITS

In its Annual Report Session of 5 March 2010, attended by the Auditor of Annual Accounts/Auditor of Group Annual Accounts, the Supervisory Board considered the CENIT Annual Report. The Annual Report of CENIT AG Systemhaus and the Group Annual Report for the 2009 business year, as prepared by the Managing Board, were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Leonberg, who were selected as Annual Auditors at the ordinary annual shareholders' meeting on 29 May 2009. The accounting department assisted in the audit, which also referred to the status report and the Group status report. In detailed discussions with the Managing Board and the auditors, the Supervisory Board conducted a detailed review of both the submitted Annual Report and the Group Annual Report, and in this context also discussed the underlying balance-sheet policy. In addition, the Supervisory Board reviewed the results of the annual audit on the basis of the auditor's reports and individual discussions. The Supervisory Board is satisfied that the audit and the auditors' reports fulfill the requirements of §§ 317, 321 HGB [Commercial Code]. The Annual Reports for 2009, prepared by the Managing Board, received unconditional certification by the auditor and were conclusively discussed at the Annual Report Session. The 2009 Annual Report of CENIT AG was adopted by the Supervisory Board on 17 March 2010, and the 2009 Group Annual Report was noted with approval. Upon review, the Supervisory Board concurred with the Managing Board's proposal regarding the appropriation of accumulated profits.

At the session of 5 March, we also directed special attention to matters of CENIT Group strategy. On the basis of a detailed presentation by the Managing Board, we addressed the strategic orientation of CENIT and its various business segments. Further topics addressed at this session were the preparation of the general meeting of shareholders on 28 May 2010 and the approval of the new tenancy agreement for the premises of the head office in Stuttgart, extending from 1 November 2011 for the duration of 10 years.

FURTHER TOPICS CONSIDERED IN SESSIONS AND TELEPHONE CONFERENCES

Over the course of the year, the Supervisory Board was continually informed of periodic financial results. The 2010 Semi-Annual Report and the interim Quarterly Reports were discussed in detail with the Managing Board. The discussions focused particularly on results and sales projections for 2010.

In a series of telephone conferences and at the ordinary session of 28 May 2010, the Supervisory Board focused on two specific matters: for one, the restructuring of the PLM segment, for another, the decision on a company acquisition and opportunities for further acquisitions of this nature.

In its session of 6 August 2010, the first since the acquisition of conunit GmbH, the Supervisory Board considered the status of this acquisition and its integration into CENIT AG. With respect to the course of business, discussions focused particularly on the 2010 Semi-Annual Report as well as on planning and outlook for the second half of the year.

The implementation of the Act on the Appropriateness of Management Board Compensation (VorstAG) by way of a new remuneration system and a restriction of Board member compensation were discussed at the session of 5 November 2010. Additionally, the meeting evaluated the report on the audit of the internal control system at CENIT AG. The discussions also addressed further opportunities for company acquisitions or participations.

CENIT planning for the 2011 business year was the most important item on the agenda of the year's final ordinary session on 3 December 2010. The Supervisory Board also considered an outlook on the results of the ending business year and continued its ongoing discussions on activities in the field of mergers & acquisitions.

RISK MANAGEMENT

The Group's risk management was an important topic discussed at several sessions. The Managing Board reported on major risks and on the corporation's risk monitoring system. Following a series of discussions with the Managing Board and several meetings with the auditor, the Supervisory Board was satisfied of the effectiveness of the risk management systems in place.

CORPORATE GOVERNANCE

On an ongoing basis, the Supervisory Board discussed individual aspects of corporate governance within CENIT Group, such as the amendments to the German Corporate Governance Code adopted by the Government Commission. We are of the conviction that good corporate governance is a core aspect of CENIT's success, reputation and self-image. For this reason, the Supervisory Board has kept a constant eye on the continued development of corporate governance standards as well as their implementation within the enterprise. Among other activities, this included regular reviews of the efficiency of the Supervisory Board's own activities. In particular – and also in discussions with the auditor – the review assessed the consistent lawfulness of business management and the efficiency of organization within the enterprise. A corporate ethic of responsible and lawful behavior at all times, and the awareness that this ethic is of fundamental importance to the enterprise, are well entrenched at CENIT and within its managing bodies. In their Corporate Governance Report, the Managing Board and the Supervisory Board report on corporate governance at CENIT in accordance with No. 3.10 of the German Corporate Governance Code. At its August 2010 session, the Supervisory Board issued its 2010 Declaration of Conformity in accordance with § 161 AktG [Public Companies Act] and with the German Corporate Governance Code as amended on 26 May 2010. The Declaration has been made permanently available to shareholders on the CENIT website.

EXTENSION OF SUPERVISORY BOARD CONTRACT

At its November 2010 session, the Supervisory Board approved the reappointment of Mr. Kurt Bengel effective 1 January 2011, for a further five years until 31 December 2015.

2011 ANNUAL REPORT SESSION ON THE 2010 ANNUAL AND GROUP REPORTS

CENIT's accounting, as well as the Annual Report together with the status report for the 2010 business year, the Group Annual Report incl. commentary, and the Group status report for 2010 were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Leonberg, who were selected as Annual Auditors and Group Annual Auditors at the annual shareholders' meeting on 28 May 2010. In accordance with its duties, the Supervisory Board reviewed the qualification, independence and efficiency of the auditor.

The auditor unconditionally certified the 2010 CENIT Annual Report and Group Annual Report including status report and Group status report, as prepared by the Managing Board. The Annual Report of CENIT AG was prepared in accordance with the principles of commercial law; the Group Annual Report complies with the International Financial Reporting Standards (IFRS). Annual Report documentation and audit reports were submitted to all members of the Supervisory Board in full and on time. The Supervisory Board discussed the submitted documents and the auditor's reports in detail with the Managing Board and the auditor so as to be satisfied of their correctness; the Supervisory Board is satisfied that the audit reports for 2010 fulfill all statutory requirements.

In addition, detailed reports by the Managing Board and excerpts from CENIT documents, particularly accounting documentation, were provided to the Supervisory Board in advance of its sessions. On the basis of these, as well as further information requested by the Supervisory Board during and between sessions, the Supervisory Board was able to exercise its supervisory duties properly and promptly.

At the Annual Report session of 4 March 2011, the auditor reported on the key results of the audit of the individual Annual Report of CENIT AG in Germany and was available to furnish additional information and respond to queries. All Supervisory Board members were thus able to satisfy themselves that the audit conformed to statutory requirements and was conducted properly.

As the concluding result of its own audit pursuant to § 171 Aktiengesetz [Public Companies Act], the Supervisory Board determined that no objections were to be raised.

At its session of 11 March 2011, the Supervisory Board endorsed the Annual Report prepared by the Managing Board for CENIT AG for the 2010 business year and thereby issued its approval in accordance with § 172 Aktiengesetz. Also on 11 March 2011, the Supervisory Board approved the Group Annual Report for the 2010 business year.

Following review, the Supervisory Board approves the Managing Board's proposal for the appropriation of the balance sheet profit.

We thank the Managing Board and all employees for their work during the past year. CENIT AG owes its good results for the business year to your steady commitment.

Stuttgart, March 2011

For the Supervisory Board

A. Schmidt

Dipl.-Ing. Andreas Schmidt
Chairman, Supervisory Board

MANAGEMENT REPORT

MANAGEMENT REPORT ON THE SITUATION OF THE CENIT GROUP AND THE COMPANY IN 2010

The CENIT AG Group is managed globally as an operating company by the parent company, CENIT AG. The Group's economic position is shaped by the economic position of the parent company (AG). For this reason, the Management Board of CENIT AG combines the Group management report and the management report of the parent company in a single report.

OVERALL ECONOMIC CONDITIONS

GERMANY

In all, 2010 was a good year for the German economy. Various economic institutes upwardly revised their forecasts a number of times during the year. Following the economic slumps in recent years, current estimates point to vigorous growth in Germany. According to the Ifo Institute for Economic Research, [Institut für Wirtschaftsforschung e.V],the impetus for this growth mainly originated in Germany. Current estimates predict a 3.7% rise in the gross domestic product (GDP) for 2010. The GDP for 2010 is expected to come in at EUR 2,498 billion. Following a 4.7% decrease in 2009, GDP growth in 2010 corresponds approximately to the level achieved at the end of 2008. The German economy is expected to grow further in 2011, although at a somewhat lower pace. In its economic forecast of December 2010, the Ifo institute predicts German GDP growth of approximately 2.4% for 2011, while the International Monetary Fund (IMF) expects a growth rate of 2.0%.

Germany's GDP growth would thus significantly exceed the growth rates of other industrialized countries and that of the eurozone. The IMF expects the GDP of the eurozone to grow by 1.7% in 2010, and by 1.5% in 2011. The German economy, which, for many years, had often reported the lowest growth rate of the eurozone countries, presently contributes above-average growth rates.

Growth of the German economy is driven by increased domestic demand, in particular. Foreign trade accounts for only about one quarter of the economic growth in 2010. Historically low interest rates supported investments in Germany; according to the ifo institute, this is attributable to the higher risk associated with foreign investments. Domestic investments became more attractive, and lending terms also eased accordingly in this context. This, in turn, boosted the domestic economy.

The favorable economic situation also has a positive impact on the labor market. The Ifo Institute forecasts an improved employment market situation and predicts an unemployment rate of 7.0%.

In all, the growth rate will moderate and the impetus provided by the global economy will weaken in 2011. Economic experts see the reason for this development in the fact that the counter-measures taken in response to the global economic slump have largely been concluded and that global growth as a whole will be lower. Following the economic crisis, the German economy finds itself in the midst of an economic catch-up process. The outlook for 2011 is also very positive.

EUROPE

According to estimates of the IMF, the expected eurozone GDP growth rates of 1.7% and 1.5% for 2010 and 2011, respectively, lag significantly behind the growth rates of the other developed economies. Germany is one of the few exceptions. Moreover, the debt and confidence crises prevailing in some eurozone countries has not yet been overcome. Considerable risks are noted with respect to the banking industry and the financial sector, in particular, due to overstatements on the real estate and capital markets. According to the Ifo Institute, fears of high debt levels in industrialized nations and associated doubts concerning the solvency of some countries are determining economic activities. Further developments in this area also have a strong influence on future economic development in Germany.

USA

The US economy does not grow as fast as was forecast at the beginning of 2010. The US Federal Reserve Bank revised its growth expectations for 2010 downwards; the GDP is now expected to have grown between 2.4% and 2.5% in 2010. According to the experts, economic growth will continue to decelerate in 2011. The GDP rate is expected to increase between 3.0% and 3.6% in 2011. The European Central Bank (ECB) believes that the only moderately increasing consumer spending is attributable to low consumer confidence and weak labor market conditions, in particular. Present growth is driven by private investments of companies and an increase in government spending. According to the US Federal Reserve Bank, the unemployment rate will only gradually drop to pre-crisis levels. It is expected that it will still take at least another five to six years for the growth rates, unemployment rate and inflation rate to normalize.

INDUSTRY-SPECIFIC ECONOMIC CONDITIONS

The market mood in the ICT sector is good. This is also confirmed by the BITKOM index, which, in the fourth quarter of 2010, reached its highest value since it was introduced in 2001. Most companies expect higher sales revenues for 2011. The European Information Technology Observatory (EITO) also sees an increasing demand for IT products and services. Accordingly, companies are now catching up with the IT investments that they had postponed during the period of crisis. According to the current EITO forecast, sales revenues generated from IT products and services as well as from telecommunications and consumer electronics in the EU will increase by 1.5% to around EUR 715 billion in 2011. Already in 2010, this industry developed better than expected. At the beginning of 2010, the EITO forecast a minus of 0.6%, while it calculated a growth rate of 1.2% at the year-end. The EITO predicts that the IT market (IT hardware, software, IT services) will grow by 3.9% in the EU countries in 2011.

The industry association BITKOM expects that 2011 will be a good year. IT investments are being made in all industries. However, there are also significant differences. Financial services providers and the trade sector are initially expected to exercise restraint with regard to investing activities. BITKOM sees particularly strong growth in the utilities, health care and public administration sectors. Accordingly, high growth rates are projected with respect to IT investments. The strong economy is also affecting the labor market. According to BITKOM, software companies and IT service providers, in particular, are looking for new employees, which, in turn, intensifies the lack of skilled professionals in 2011.

The weak domestic and export demand has improved considerably in recent months. The manufacturing industry increased its demand for IT services. These industry sectors were hit particularly hard by the crisis and are now catching up on investments.

POSITIONING OF CENIT

CENIT is active in the product lifecycle management (PLM) sector and offers enterprise information management (EIM) solutions. Application management services (AMS) complete the range of services on offer. By taking over the shares in conunit GmbH, services in business optimization & analytics (BOA) were newly added to our range of services. By means of its complete range of services, the Group offers customers crucial added value with regard to innovation and process optimization. CENIT is a specialist for customers' core processes with a focus on the manufacturing industry and the financial services sector. The CENIT Group's consulting, service, and software portfolio combines CENIT's own solutions with the standard products of our software partners on which those solutions are based. Leading software providers, such as Dassault Systèmes, IBM, and SAP, are our partners. CENIT Group employees have a great understanding of the processes and technologies used by the target industries and we are thus in a position provide our customers with support that is specifically tailored to the planning, implementation and optimization of their business and IT processes. In order that customers can concentrate on their core competencies, the CENIT Group also assumes management of the applications and related IT infrastructures. Our overriding objective is to improve our profitability while achieving sustainable growth in revenues.

At the last Annual General Meeting on May 28, 2010, a resolution was passed rename CENIT Aktiengesellschaft Systemhaus as CENIT Aktiengesellschaft. The name change was carried out due to an adjustment in CENIT's content-related positioning. In recent years, an increasing number of consultancy services and own solutions were added to the Company's business activities, while trading operations continued to decrease.

EQUITY INVESTMENTS/ SUBSIDIARIES

CENIT has its registered office in Germany (Stuttgart), where it is represented in the most important urban centers. Moreover, the American market is served by a branch in the vicinity of Detroit. CENIT is also present in Switzerland and in Romania. With the founding of a subsidiary in Toulouse, we are underscoring our reputation in the aerospace industry. The domestic and foreign subsidiaries included in the consolidated financial statements are consolidated according to the accounting policies uniformly applicable within the CENIT Group. The accounting policies applied by the German parent company also form the basis for the preparation of the financial statements of subsidiaries. The subsidiaries specialize in services and software. In addition, CENIT holds one third of the shares in the joint venture, CenProCS AIRliance GmbH. The joint ventures provide consultancy and other services to the common key customer, EADS.

CENIT (SCHWEIZ) AG, FRAUENFELD, SWITZERLAND

CENIT (Schweiz) AG generated sales revenues of EUR 3.8 million (2009: EUR 3.3 million) in the 2010 financial year, while the EBIT stood at EUR 0.45 million (2009: EUR 0.76 million). Business activities in Switzerland are focused on PLM solutions from Dassault Systèmes and EIM solutions from IBM. In total, five employees look after customers primarily in the manufacturing industry and financial services sector. CENIT Switzerland is a wholly owned subsidiary of CENIT AG.

CENIT NORTH AMERICA INC., AUBURN HILLS, USA

CENIT North America Inc. generated sales revenues of EUR 6.7 million (2009: EUR 6.2 million), while the EBIT stood at EUR 0.23 million (2009: EUR -0.2 million). In the US, the focus is on marketing CENIT software products in the PLM segment. In this context, services are mainly provided to customers in the aerospace industry and in the manufacturing industry. 27 employees are allocated to service and sales units.

CENIT SRL, IASI, ROMANIA

CENIT SRL generated sales revenues of EUR 0.5 million (2009: EUR 0.5 million), while the EBIT amounted to EUR 0.03 million (2009: EUR 0.1 million). The company's 17 employees render services and promote software developments. Since the second half of 2010, CENIT has also been listed as a valued-added reseller (VAR) for Dassault Systèmes in Romania, where it sells PLM solutions.

CENIT FRANCE SARL, TOULOUSE, FRANCE

CENIT France SARL generated sales revenues of EUR 0.67 million (2009: EUR 0.47 million) and reported an EBIT of EUR 0.07 million (2009: EUR 0.06 million). Six employees mainly look after our customer EADS Airbus in Toulouse in project consulting and bidding processes.

CENPROCS AIRLIANCE GMBH, STUTTGART, GERMANY

The CS Communication & Systèmes, CENIT AG and PROSTEP AG joint venture was founded in 2008. It puts well-established know-how and expert knowledge at the disposal of the key customer, EADS, while involving only one contractual partner. CENIT AG holds one third of the shares in the joint venture. This shareholding is stated in the consolidated financial statements using the equity method. CenProCS AIRliance GmbH publishes individual financial statements.

RESULTS FOR THE YEAR

SUMMARIZED BUSINESS PERFORMANCE

The year 2010 was still largely affected by the impact of the financial market crisis and the global economic crisis, especially in the first six months of the year. CENIT's major sales markets, i.e. financial services providers and manufacturing companies, were hit very hard by the crisis and recovered only very slowly. Moreover, our business is counter-cyclical. Just as the Group felt the slump only months later, the economic recovery and increase in demand only percolated through to us with a delay. CENIT is doing its utmost to decrease its dependency on the economic environment and to further expand its range of services and products offered. An important step in that direction was the acquisition of conunit GmbH in the summer of 2010. The expertise of our employees in the business optimization & analytics segment opens up new market opportunities for us. In addition, the range of software solutions provided by CENIT is being expanded and will continue to be aligned with the market in the future.

Capacity utilization (CENIT Services and Consultancy) in the service segment was at the previous year's level. On an annual average, capacity utilization amounted to 80% at CENIT AG and also at the Group. Moreover, the staff level was adjusted in line with the changed orders situation. An increased readiness to invest was particularly noted in the last few months of the year, which had a positive impact on comprehensive income reported in the individual financial statements and the consolidated financial statements.

CONUNIT GMBH, NEU-ISENBURG, RATINGEN

CENIT acquired conunit GmbH as of July 1, 2010. The merger of the two companies was concluded on August 20, 2010 and was entered in the commercial register on September 20, 2010. The merger took place with retroactive effect from January 1, 2010.

In this context, CENIT wishes to point out that conunit GmbH, a wholly owned subsidiary of CENIT Aktiengesellschaft and the transferor company, was merged with CENIT AG, the transferee company, in accordance with the provisions of the Reorganization and Transformation Act (UmwG) based on a merger agreement under dissolution without liquidation. Consequently, conunit GmbH is now included in the balance sheet of CENIT AG in Germany.

RESULTS OF OPERATIONS

CENIT GROUP'S RESULTS OF OPERATIONS (PURSUANT TO IFRS)

BREAKDOWN OF REVENUES BY PRODUCT/REVENUE TYPE

in EUR million	2010	2009
CENIT software	9.90	9.71
Third-party software	31.92	24.65
CENIT consultancy & services	50.62	51.26
Merchandise	0.73	0.87
Total	**93.17**	**86.49**

BREAKDOWN OF REVENUES BY BUSINESS SEGMENT

in EUR million	2010	2009
EIM	27.66	25.85
PLM	65.51	60.64
Total	**93.17**	**86.49**

89% (2009: 90%) of the Company's sales revenues were generated in Germany, 4% (2009: 3%) in Europe outside Germany, and 7% (2009: 7%) in other countries.

The CENIT Group generated sales revenues of EUR 93.17 million (2009: EUR 86.49 million) in financial year 2010. In this context, revenues achieved from third-party software increased significantly by around 30%. This increase was attributable to the value-added reseller business of our partner, Dassault Systèmes. Sales revenues achieved from CENIT software climbed from EUR 9.71 million to EUR 9.90 million (2.0%). In particular, the software products FileNet System Monitor, Ecliso in the EIM segment, and FASTSUITE and cenitCONNECT in the PLM segment, were successfully sold to end customers. Sales revenues achieved in the CENIT consultancy and services segment remained largely unchanged from the previous year's level. In the first six months of 2010, industrial companies exercised great restraint regarding their investing activities, which affected the services segment, in particular.

KEY INDICATORS CONCERNING EARNINGS DEVELOPMENT		
in EUR million	2010	2009
Gross profit	61.15	59.40
EBITDA	5.74	5.29
EBIT	3.97	3.89
Financial result	0.16	0.20
Consolidated net income for the year	3.01	2.73
EPS	0.36	0.33

Gross profit (operating performance less cost of materials) amounted to EUR 61.15 million (2009: EUR 59.40 million). While sales revenues climbed by 7.7% year-on-year, gross profit rose only slightly by 2.9%, since sales revenues generated from third-party software reflect a higher input ratio in relation to other product segments. Personnel expenses increased by EUR 108 thousand compared to the previous year while the average staff level decreased slightly (-1%) in the year under review. Profit-based compensation in the amount of EUR 2.7 million (2009: EUR 2.0 million) had a particularly income-reducing effect. CENIT achieved an EBITDA of EUR 5.74 million (2009: EUR 5.29 million; up 8%) and an EBIT of EUR 3.97 million (2009: EUR 3.89 million; up 2%).

Earnings per share (EPS) rose from EUR 0.33/per share to EUR 0.36/per share year-on-year, corresponding to an increase of approximately 9%.

RESULTS OF OPERATIONS STATED IN THE CENIT INDIVIDUAL FINANCIAL STATEMENTS (PURSUANT TO HGB)

BREAKDOWN OF REVENUES BY PRODUCT/REVENUE TYPE		
in EUR million	2010	2009
CENIT software	9.32	8.24
Third-party software	29.83	23.00
CENIT consultancy and services	48.87	49.48
Merchandise	0.73	0.87
Total	88.75	81.59

BREAKDOWN OF REVENUES BY BUSINESS SEGMENT		
in EUR million	2010	2009
EIM	28.00	23.50
PLM	60.75	58.09
Total	**88.75**	**81.59**

CENIT AG generated sales revenues of EUR 88.75 million (2009: EUR 81.59 million) in financial year 2010. Sales revenues generated from third-party software amounted EUR 29.83 million, while revenues generated from CENIT's own software rose to EUR 9.32 million (2009: EUR 8.24 million). Our customers' increased readiness to invest was noted in the fourth quarter, in particular, with the result that revenues from third-party software rose significantly. Moreover, new maintenance customers were acquired by Dassault Systèmes, which is reflected in a considerable improvement in maintenance and licensing business. Our hotline and our support unit offer customers significant added value.

Sales revenues generated in the services segment declined slightly by around 1% compared to the previous year. In the first six months of 2010, industrial companies exercised great restraint with respect to their investing activities, which particularly affected the services segment. In contrast, services were expanded in the EIM segment. The acquisition of conunit GmbH also contributed to this expansion.

KEY INDICATORS CONCERNING CENIT AG EARNINGS DEVELOPMENT		
in EUR million	2010	2009
Gross profit	57.89	55.49
EBITDA	5.09	4.44
EBIT	3.86	3.33
Financial result	0.58	2.29
Net income for the year	0.69	3.81

The Company's gross profit amounted to EUR 57.89 million (2009: EUR 55.49 million). In contrast, the gross profit margin decreased slightly from 67.4% to 64.1% in year-on-year terms. This decrease is mainly due to higher sales of third-party software.

CENIT AG achieved an EBITDA of EUR 5.09 million (2009: EUR 4.44 million; +15%), and an EBIT of EUR 3.86 million (2009: EUR 3.33 million; +16%). Amortization of intangible assets and depreciation of property, plant and equipment were almost unchanged from the previous year's levels. Personnel expenses increased by EUR 783 thousand compared to the previous year, while the average staff level decreased slightly (-2%) in the year under review. Profit-based compensation in the amount of EUR 2.5 million (2009: EUR 1.8 million), in particular, had an income-reducing effect.

The financial result includes dividend distributions of our subsidiaries in Switzerland and in Romania. Dividend distributions decreased in absolute terms since business was subdued in 2009 as a result of the financial crisis. Interest income of EUR 64 thousand (PY: EUR 0 thousand) was generated from bearer bonds stated under fixed assets.

A non-recurring merger loss of around EUR 2.46 million was incurred as a result of the merger of conunit GmbH with CENIT. Despite the sharp drop in earnings before taxes as a result of the merger loss, taxes on income remained almost unchanged from the previous year since the above-mentioned merger loss is not tax-deductible.

NET ASSETS

CENIT GROUP'S NET ASSETS (PURSUANT TO IFRS)

in EUR million	2010	2009
Non-current assets	10.02	6.08
Current assets	39.71	37.53
Total assets	**49.73**	**43.61**
Equity capital ratio	58%	64%
Equity capital	29.04	28.08
Non-current liabilities	1.53	0.48
Current liabilities	19.16	15.05
Total assets	**49.73**	**43.61**

The increase in non-current assets is mainly attributable to intangible assets identified in connection with the acquisition of conunit GmbH. Moreover, EUR 1.0 million was invested in bearer bonds in the 2010 financial year. Equity capital amounted to EUR 29.04 million (2009: EUR 28.08 million) as of the balance sheet date, while the equity capital ratio stood at 58% (2009: 64%). Bank balances and liquid assets amounted to EUR 13.30 million (2009: EUR 18.60 million) as of the balance sheet date. In addition liquid assets, the Company also has sufficient overdraft facilities of EUR 2.4 million at its disposal.

Both trade receivables ofEUR 20.35 million (2009: EUR 14.68 million) and trade payables of EUR 4.68 million (2009: EUR 4.24 million) reflect the course of business. In particular, the successful last quarter of the financial year contributed to the increase in receivables and thus to financial resources being tied up. The cash flow from operating activity amounted to EUR 2.0 million (2009: EUR 9.3 million). In 2010, the cash flow from operating activity was influenced by the dividend payment made to shareholders in the amount of EUR 2.5 million, and by the investment in conunit GmbH in the amount of EUR 2.7 million.

NET ASSETS STATED IN THE CENIT INDIVIDUAL FINANCIAL STATEMENTS (PURSUANT TO HGB)		
in EUR million	2010	2009
Non-current assets	5.84	5.01
Current assets	19.00	15.40
Liquid assets and securities	12.38	17.21
Prepaid expenses	2.93	1.62
Total assets	40.15	39.24
Equity capital ratio	57%	63%
Equity capital	22.90	24.72
Provisions	6.34	6.03
Liabilities	8.97	6.89
Deferred income	1.94	1.60
Total assets	40.15	39.24

Non-current assets increased as a result of investments made, in particular, in intangible assets. Moreover, liquid assets in the amount of EUR 1.0 million were invested in bearer bonds.

Equity capital amounted to EUR 22.9 million (2009: EUR 24.7 million) as of the balance sheet date. The equity capital ratio came to 57% (2009: 63%). Bank balances and liquid assets amounted to EUR 11.41 million (2009: EUR 16.31 million) as of the balance sheet date. In addition to liquid assets, the Company also has sufficient overdraft facilities of EUR 2.4 million at its disposal. Both trade receivables of EUR 16.7 million (2009: EUR 13.3 million) and trade payables of EUR 4.40 million (2009: EUR 4.11 million) reflect the course of business. Trade receivables saw a year-on-year increase since the Group succeeded in generating a correspondingly higher sales volume in the last quarter of the 2010 financial year as a result of customers' heightened readiness to invest.

Such financial independence enables CENIT to finance itself internally in keeping with the course of business; this constitutes a competitive advantage for CENIT in the future and provides our customers with the necessary security for their investments.

FINANCIAL POSITION

Neither current nor non-current liabilities to banks exist. Granted credit lines in the amount of EUR 2.4 million are currently not being utilized. Liquid assets temporarily not required to finance operating activities are invested over the short-term, and, at times, the medium-term range with an appropriate yield/risk ratio. Investments in property, plant and equipment and financial assets were fully funded from the Company's own resources in the year under review. The good financial situation permits sustainable internal financing.

KEY INDICATORS CONCERNING THE CONSOLIDATED CASH FLOW STATEMENT (PURSUANT TO IFRS)		
in Mio. EUR	2010	2009
Cash flow from operating activity	2.0	9.3
Capex (investments)	-4.8	-3.0
Free cash flow*	-2.8	6.3
Free cash flow per share (in EUR)	-0.33	0.76
Cash flow from financing activity	-2.5	0
Cash and cash equivalents as of the balance sheet date	13.3	18.6

*cash flow from operating activity less Capex

Despite the slight rise in consolidated net income for the year before taxes (EBT), cash flow from operating activity decreased compared to the previous year. This is mainly attributable to an increase in business activities in the last quarter of the year. As a consequence, net current assets rose and the volume of tied up capital increased correspondingly. The year-on-year rise in investments was largely due to the acquisition of conunit GmbH. Cash and cash equivalents decreased by a total of EUR 5.3 million to EUR 13.3 million as of the end of the financial year.

FINANCIAL POSITION OF CENIT AG (PURSUANT TO HGB)

The Company's liquid assets as of the balance sheet dated dropped from EUR 16.31 million in the previous year to EUR 11.41 million in the financial year under review. Cash and cash equivalents decreased mainly as a result of cash outflows due to acquisitions and also as a result of dividend payments made in 2010 for the 2009 financial year.

PROPOSED DIVIDEND

The Management Board and the Supervisory Board will propose to the Annual General meeting on May 26, 2011, that a dividend of EUR 0.15 per share be distributed to shareholders from the unappropriated retained earnings of EUR 1.39 million. We continue to expect stable economic development for the coming months. Experience has shown that the long-term securing of liquidity and maintaining financial independence are essential in times of crisis. Ultimately, CENIT's good financial situation also constitutes a crucial advantage over competitors in the awarding of orders as it provides the necessary security concerning the investment plans of our customers with respect to the CENIT Group's services and software products, among other things. In the interests of the Company and its shareholders and to the extent that this seems appropriate, other liquid assets are to enable CENIT to benefit from future growth in our target markets. This includes the expansion of service and software activities, for example. Interesting acquisitions are therefore being examined and analyzed on an ongoing basis. However, capital is also required to further develop technology with regard to new business fields and software developments.

Against this backdrop, our financial strategy will continue to be focused on ensuring a good, long-term credit standing while accounting for the shareholders' interests in a dividend payment.

ORDERS DEVELOPMENT

The Group's incoming orders involved a volume of EUR 103.4 million in financial year 2010 (2009: EUR 84.0 million). The order backlog as of December 31, 2010 amounted to EUR 38.3 million (2009: EUR 27.7 million).

With respect to Germany, incoming orders involved a volume of EUR 97.9 million in financial year 2010 (2009: EUR 77.9 million). The order backlog of CENIT AG as of December 31, 2010 amounted to EUR 34.1 million (2009: EUR 24.5 million). In particular the automotive and manufacturing industries regained confidence in the global economy. As a consequence, the Company succeeded in concluding excellent contracts in the fourth quarter of 2010, which also extend into the year 2011.

SECURING LIQUIDITY

In addition to financial planning, CENIT also makes use of monthly liquidity projections. Excess liquidity is systematically used for financing projects, software developments, investments and the expansion of subsidiaries.

In the 2010 financial year, CENIT AG and its Group companies succeeded in meeting payment obligations at all times.

INVESTMENTS

CENIT's investments in property, plant and equipment usually play a subordinate role. The investments mainly concern operating and business equipment for the sales offices and the administrative center. The major portion of investments is attributable to replacement investments in the technical infrastructure. In addition to operating and business equipment, investments in mergers and acquisitions also accounted for a major portion of capital expenditure in 2010.

AT THE CENIT GROUP (PURSUANT TO IFRS)

The Group's investments in property, plant and equipment and intangible assets amounted to EUR 4.54 million in 2010 (2009: EUR 0.96 million). Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 1.78 million in the year under review (2009: EUR 1.40 million).

Investments, including effects from initial consolidation (intangible assets and property, plant and equipment), broken down by segment:

INVESTMENTS BY SEGMENT		
in EUR million	2010	2009
EIM	3.81	0.36
PLM	0.73	0.60
Total	4.54	0.96

AT CENIT AG (PURSUANT TO HGB)

The Company's investments in property, plant and equipment and intangible assets amounted to EUR 1.08 million in 2010 (2009: EUR 0.77 million). Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 1.23 million in the year under review (2009: EUR 1.11 million).

Investments (intangible assets and property, plant and equipment) broken down by segment:

INVESTMENTS BY SEGMENT		
in EUR million	2010	2009
EIM	0.41	0.36
PLM	0.67	0.41
Total	1.08	0.77

All investments were fully financed from the cash flow from operating activity.

FOREIGN EXCHANGE MANAGEMENT

The high volatility on foreign exchange markets and the pertaining uncertainty about the development of foreign exchange rates affect CENIT only to a very small degree. The CENIT Group's business activities also involve payment transactions denominated in US dollars (USD), and in Swiss francs (CHF). This exposes CENIT to a certain degree of currency risk, even though only a relatively small portion of the Group's revenues and sales is denominated in those foreign currencies. Our risk management system monitors and assesses the respective exchange rate fluctuations and ensures prompt hedging of exposures, as required. However, the Company mainly issues invoices denominated in euro (EUR).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM BASED ON THE ACCOUNTING PROCESS ACCORDING TO SECTION 315 (2) NO. 5 HGB (CENIT AG: SECTION 289 (5) HGB)

The significant characteristics of CENIT's internal control system and risk management system in connection with the Group accounting process can be described as follows:
The Company has implemented a clear management and corporate structure. The functions of the

departments primarily involved in the accounting process - i.e. accounting and taxes, consolidation and controlling as well as investor relations - are clearly segregated. The areas of responsibility have been clearly allocated.

The financial systems employed are protected against unauthorized access by means of corresponding safeguards implemented in the data processing area. Wherever possible, standard software is used in the finance segment. An adequate guideline system ensures uniform treatment in the Company/Group and is continually updated.

The departments and areas involved in the accounting process are suitably equipped with regard to quantitative and qualitative aspects. Received or forwarded bookkeeping data are continually reviewed with regard to completeness and correctness, e.g. through random sampling tests. Programmed plausibility checks are performed through the software used.

The principle of dual control is consistently applied to all processes that are relevant to accounting. Corresponding monitoring bodies (Supervisory Board) have been implemented with a view to assuring the appropriateness and reliability of internal and external accounting.

The internal control and risk management system relating to the accounting process - regarding which the significant characteristics have been described above - ensures that business-related facts are always correctly recorded, processed, and assessed within the scope of financial reporting and are included in financial accounting. Suitable personnel, the use of adequate software and clear legal guidelines and the Company's internal specifications form the basis for an orderly, uniform and continuous accounting process. The clear definition of areas of responsibility and various control and monitoring mechanisms ensure specific and responsible financial accounting. In detail, this ensures that business transactions are recorded, processed and documented in accordance with the statutory provisions, Articles of Incorporation and internal guidelines, and that they are promptly and correctly entered in the bookkeeping system. At the same time, this ensures that assets and liabilities are accurately recognized, disclosed, and measured in the annual financial statements and in the consolidated financial statements and that reliable and relevant information is provided promptly and in full.

DISCLOSURES PURSUANT TO THE GERMAN TAKEOVER DIRECTIVE-IMPLEMENTATION ACT (ÜBERNAHMERICHTLINIE-UMSETZUNGSGESETZ)

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

Since entry in the Commercial Register on August 14, 2006, the Company's share capital has amounted to EUR 8,367,758.00 and has been fully paid in. It is split 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 obligations associated with ownership of common shares arise from the German stock corporation law (AktG).

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

The appointment and dismissal of members of the Management Board are regulated in Section 84 AktG. Moreover, Section 7 Nos. 1 and 2 of the articles of incorporation specifies that the Supervisory Board shall appoint members of the Board of Management and determine their number. Pursuant to Section 7 No. 1 of the Articles of Incorporation, the Management Board must consist of at least two persons.

The provisions concerning amendment to the articles of incorporation are governed by Sections 133 and 179 AktG. In addition to this, Section 21 No. 1 of the Articles of Incorporation stipulates that resolutions of the Annual General Meeting must be adopted by a simple majority of votes, unless a capital majority is required or legal requirements or the Articles of Incorporation prescribe otherwise. Pursuant to Section 16 of the Articles of Incorporation, the Supervisory Board is authorized to effect changes in the Articles of Incorporation that solely concern the wording.

Re: Section 315 (4) No. 7 HGB (CENIT AG: Section 289 (4) No. 7 HGB)

Authorization to acquire and resell treasury shares

Superseding the authorization to acquire treasury shares from May 29, 2009, the Management Board was authorized, subject to approval by the Supervisory Board, to acquire treasury shares (no-par value common shares) of the Company on one or several occasions until May 27, 2015 with a view to redeeming them for the Company. Redemption does not require another resolution by the Annual General Meeting.

The Management Board was also authorized, subject to approval by the Supervisory Board, to acquire treasury shares (no-par value common shares) of the Company on one or several occasions until May 27, 2015 with a view to reselling them for the Company. With regard to resale of the treasury shares, which requires the consent of the Supervisory Board, the Management Board is authorized to take the following measures:

- Resale of treasury shares via the stock exchange, while Section 71 (1) No. 8 Sentence 2 AktG remains unaffected;

- Transfer of shares as a consideration for the acquisition of companies or equity investments in companies, if the business purpose of the target company largely corresponds to the Company's business purpose pursuant to Section 2 (1) of the Articles of Incorporation; in this context, the Management Board may, subject to approval by the Supervisory Board, preclude the shareholders' statutory subscription rights.

The unit price (excluding ancillary sales costs) at which the treasury shares are sold may not be substantially lower than the average stock market price of the Company's common stock traded on the Frankfurter Wertpapierbörse (Frankfurt stock exchange) during the last five trading days prior to conclusion of the agreement on the acquisition of a given company or concerning an equity investment

in a respective company. The average stock market price is determined on the basis of the arithmetical mean of the closing prices of the Company's common stock quoted on the XETRA platform (or a functionally comparable successor system replacing the XETRA platform).
As a result of the above-mentioned authorization, the maximum number of treasury shares that may be acquired - together with other shares that the Company has already acquired or which it still holds - shall not exceed 10% of the Company's capital stock. The equivalent amount for one share (excluding incidental acquisition costs) shall not be more than 10% above or below the stock market price. The relevant stock market price is derived from the average stock market price of the Company's common share traded on the Frankfurt stock exchange during the last five trading days prior to acquisition of the shares. The average stock market price is determined on the basis of the arithmetical mean of the closing prices of the Company's common stock quoted on the XETRA platform (or a functionally comparable successor system replacing the XETRA platform). In the event of a redemption of treasury shares, the Supervisory Board is authorized to amend the wording of the Articles of Incorporation in accordance with the scope of the decrease in capital.

Authorized capital

The Management Board is also authorized, subject to the approval of the Supervisory Board, to increase the share capital of the Company in one or in several instalments by up to a total of EUR 4,183,879.00 (authorized capital) until midnight, June 13, 2011, by issuing up to 4,183,879 new no-par value bearer shares in return for contribution in cash or in kind.

The shareholders must be granted subscription rights in any such issue. The new shares may also be offered to one or several credit institutions and to one or several companies operating pursuant to Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) KWG (German Banking Act) with the obligation to offer them to the shareholders for acquisition (indirect subscription right).

Subject to approval by the Supervisory Board, the Board of Management is however authorized to preclude the shareholders' statutory subscription rights

- for a partial amount totaling up to EUR 1,945,600.00 in the event of capital increases in return for contributions in kind for the purpose of acquiring companies or equity investments in companies. Companies or equity investments in companies may only be acquired if the business purpose of the target company essentially corresponds to the Company's business purpose pursuant to Section 2 (1) of the articles of incorporation;

- for a partial amount totaling up to EUR 836,775.00 in the event of capital increases in return for contributions in cash with a view to issuing the new shares at an issue price that is not substantially lower than the stock market price (Section 186 (3) Sentence 4 AktG).

If the Management Board does not make use of the above-mentioned authorizations to preclude subscription rights, shareholders' subscription rights may only be precluded for fractional amounts. The Management Board is authorized, with the consent of the Supervisory Board, to determine further details concerning the performing of capital increases from authorized capital, in particular respecting the further content and terms and conditions of the issue of shares.

After an increase in share capital has been carried out in part or in full in line with the respective utilization of authorized capital, and if the authorized capital has not been used, or not used in full, by the end of June 13, 2011, the Supervisory Board is then authorized to adjust the wording of Article 5 of the Articles of Incorporation after expiry of the period of authorization.

SECTION 289A HGB - DECLARATION ON CORPORATE GOVERNANCE

The Company's Management Board and Supervisory Board have issued the required Corporate Governance Declaration pursuant to Section 289a HGB for 2010 and have made it permanently available on the Company's website under the following link: http://www.cenit.de/de/corporate/investor-relations/corporate-governance.html.

RISK REPORT

Our Group-wide opportunities and risks management system allows us to identify possible risks at an early stage in order to assess them properly and limit their impact as much as possible. By continuously monitoring risks, we can systematically and promptly assess the suspected overall risk status at all times, as well as judge the effectiveness of corresponding countermeasures to a greater degree. In the process, we include operating as well as financial, economic, and market-related risks. Opportunities arise from the complementary view of the operating and functional risk structure in all risk areas.

We set up risk provisions at an early stage for risks that are identifiable and which can be recognized in the balance sheet. We systematically monitor currency and default risk on the basis of guidelines that include the general strategy, the regulations pertaining to the organizational and operational structure and the determination of competencies.

CENIT AG's Management Board has implemented a systematic risk management system. Operational risk management involves the early detection, communication and long-term management of risks. Risk reporting requires that the heads of business units continually inform the Management Board about the current risk situation. Moreover, risks that occur suddenly and risks affecting the entire Group - provided that they require urgent attention - are reported directly to the responsible risk managers at CENIT AG irrespective of the customary reporting channels. In accordance with statutory provisions, the Management Board and Supervisory Board of CENIT AG are provided with detailed reports on the risk situation in the various business segments. These reports are supplemented by current notifications as soon as risks change, no longer apply, or in the event that new risks emerge. This ensures that the Management Board and the Supervisory Board are kept informed on an ongoing basis. Compliance of the Group companies with the risk management system and the respective risk control processes are assessed by means of internal quality audits. Information thus obtained is used to further improve the early detection and management of risks.

CENIT is well positioned in its target markets. CENIT has a strong market position in product lifecycle management (PLM) and enterprise information management (EIM) with respect to medium-sized and large customers. The risk policy is based on the concept of using existing opportunities to the extent possible, and of only taking the risks associated with the respective business activity if the opportunities for creating corresponding added value outweigh the risks. CENIT observes this concept by regularly and continuously identifying, assessing and monitoring risks associated with all substantial business transactions and processes within the Group. The risk management department is a component of corporate governance and reports directly to the Management Board. Risk management falls within the scope of management systems. The risk management system in place lays the foundation for monitoring and assessing risks and, if necessary, for implementing corrective measures. The effectiveness of the risk management system is examined at regular intervals. Instead of evaluating whether recognized risks were assessed correctly, the focus is on verifying whether the system is capable of identifying risks promptly. A risk stock-taking is performed on a regular basis. Semi-annual and annual risk reporting documents and assesses any risks that may have arisen. An ad-hoc risk report is also available to ensure countermeasures can be taken rapidly and without bureaucratic restraint. A detailed report on the status of material risks subject to monitoring documents the assessment already implemented and planned measures, as well as the persons in charge.

The Management Board examines classified risks in collaboration with the department heads and the responsible managers in the business units. The Supervisory Board is also regularly informed about the Company‵s risk situation.

The receivables portfolio may bear risks with respect to the recoverability of receivables (default risk). CENIT addresses such risks through strict receivables management, advance invoices and the classification of risks at an early stage.

The Company is not dependent on financing by banks. Consequently, the Management Board does not see any liquidity risk. Credit lines were neither established nor required for the subsidiaries in the US, Switzerland, France, and Romania.

In order to safeguard and strengthen the competences and commitment of executive staff, CENIT will continue to position itself as an attractive employer and work towards retaining the executive staff with the Company on a long-term basis. Consistent management development involves providing prospects, offering support and consulting services that are tailored to target groups, the early identification and promotion of talent, as well attractive management incentive programs. CENIT employs specialists with many years of experience in all business units.

The expansion and retention of business is subject to entrepreneurial risks. However, since expansion of the Company‵s business is achieved by means of organic growth, these risks are manageable and controllable.

RISK MONITORING

Monitoring risks is the responsibility of the local and central risk management functions. To this end, early warning indicators are defined by the local risk managers with respect to crucial performance indicators. The task of the central risk management function is to monitor the predefined early warning indicators. As soon as the predefined threshold values are reached, the local risk manager prepares a risk report, i.e. a prediction of the anticipated consequences for CENIT should the risk materialize. These predictions should ideally be supported by scenario analyses that take into account various data constellations. Based on this information and the countermeasures proposed by the local risk manager and central risk management, the Management Board decides if, and to what extent, measures are to be implemented to counteract the risk, or whether it might even be necessary to adjust the Company's targets. The monitoring of early warning indicators and corresponding threshold values and the performance of scenario analyses are the responsibilities of the local risk management function.

In conclusion, the following should be noted: The Company uses numerous management and control systems for measuring, monitoring and controlling risks. These systems are enhanced on a continuous basis. They include a uniform Company-wide strategy and a planning and budgeting process that mainly deals with operational opportunities and risks. The risks identified and the risk management measures defined within the strategy, planning and budgeting process are subject to monitoring. The monitoring and management of risks has already met with success as is reflected in the change request process for achieving reliability with respect to deadlines and security regarding technical risks, for example. Contract reliability is verified in conjunction with major projects, in particular.

Further growth and thus long-term economic success largely depend on the economic risks prevailing on the global markets, and the successful marketing of CENIT solutions as well as our consulting and IT services. Among other things, the Company aims to achieve the above by expanding its own sales and consultancy know-how and by entering into strategic business partnerships. Two thirds of our customers are in the manufacturing industry. Economic fluctuations in the manufacturing industry could have an impact on business development. The Company has taken out insurance policies to cover potential losses and liability risks and to ensure that the financial consequences of any potential risks are contained. The insurance coverage is regularly reviewed and adjusted, as required. Also, with respect to the required IT security, CENIT has implemented comprehensive provisions for covering risks and improves them on a permanent basis.

RISKS RELATING TO FUTURE DEVELOPMENT

A review of the current risk situation has revealed that, in the reporting period, the Company was not exposed to any risks that could have jeopardized its continued existence as a going concern, and that currently there are no indications of risks that could threaten the Company's continued existence as a going concern in the future either. Provisions were recorded for all recognized risks. Furthermore, there were no risks identified as of the balance sheet date that would likely have a significant impact on the Company's net assets, financial position or results of operations. The implemented risk management and early warning system for risks enables transparent corporate governance and the early detection of risks. Due to the fact that the majority of purchase and sales contracts are settled in euro and in view of the current financing structure, financial derivatives are presently not being used for hedging currency risks.

When viewing the overall risk, it becomes apparent that CENIT is mainly subject to market risks. Market risks concern in particular price and volume-related economic developments and the Company's dependence on the performance of important customers and industries. The Company is also dependent on the general economic situation, which, at present, is heavily shaped by the developments in the financial and banking sector. An additional risk arises from the Company's focus on its technology partners and the associated dependency on their business development.

PROCUREMENT STRATEGY AND PURCHASING POLICY

We place trust in our partners and suppliers and expect fair and long-term cooperation. Performance and counter-performance and the associated risks stand in a balanced relationship to each other. We expect our partner and suppliers to support us in recognizing cost savings potential. CENIT therefore pursues a procurement strategy that is tailored to the specific requirements of a respective project.

Our procurement officers have accumulated comprehensive experience in the procurement of merchandise and services for our customer projects. With respect to our procurement activities, we cooperate with reputable partners that are market or industry leaders in their particular product line. There are practically no currency risks associated with our sourcing activities since most of our purchases are made on the European market. The CENIT Group's expenses in 2010 for merchandise and purchased services amounted to EUR 32.69 million (2009: EUR 27.49 million), while for CENIT AG, Germany, these expenses amounted to EUR 32.39 million (2009: EUR 26.80 million). Owing to project-specific procurement, the value of inventories - and thus the amount of capital tied up - is kept at a low level, amounting to EUR 0.63 million for the CENIT Group as at the end of the financial year (2009: EUR 0.90 million), and EUR 0.39 million with respect to CENIT AG (2009: EUR 0.30 million). This allows us to react flexibly to market needs. The risk of an obsolescent inventory is insignificant.

QUALITY ASSURANCE

We aim to satisfy our customers by providing them with high-quality and cost-effective solutions in the field of business process consulting. By taking over operating activities for customers or by our activities on site, we aim at increasing the efficiency of the processes taken over.This also applies with respect to our software solutions. We aim to exceed customers' expectations. Ongoing monitoring and improvement thus form the basis of our quality management system. With a view to achieving this objective, we have structured our processes in line with those requirements. All employees are encouraged to implement these processes and to continuously improve them on the basis of a systematically defined procedure. Customer satisfaction translates into success for everyone.

The members of the CENIT AG Management Board are jointly responsible for management of the Group. One Management Board member is responsible for quality management. This ensures that the Management Board can directly influence and control the Group's quality management system and that any mismanagement can be recognized and remedied immediately. The Management Board defines the Group policy, strategy, and objectives and ensures that these are communicated and implemented across every level of the Company. Moreover, the Management Board defines the organizational structure and areas of responsibility and provides the necessary financial and human resources. Each year, management defines the detailed goals and objectives for the following year, and also for the next three years, which serve for orientation purposes. Annual objectives are then transferred to the level of the individual employees. Goals that serve to monitor the continuous improvement of processes and of the entire Group are laid down in the respective process descriptions. The Management Board verifies whether the agreed objectives are being met or not - or even exceeded - and whether the process descriptions, laws and standards are being complied with.

Continuous improvement forms the basis of our quality management system. Every employee is requested to participate in quality management. The continuous improvement process reveals and assesses any potential for improvement and implements any such potential identified. The progress of the continuous improvement process is recorded and documented within the scope of regular internal quality audits. The measures, and the persons responsible for their implementation, are recorded in the audit report. CENIT has laid down quality management regulations in a management manual, which takes the ISO 9001:2000 standard into account. Furthermore, CENIT has defined and put into effect important process descriptions that apply throughout the entire Group. The process descriptions are supplemented by laws and standards that the Company is obliged to observe and comply with. The employees are kept informed about current developments at the Company during quarterly staff information events. Necessary cross-departmental training pertaining to the process-oriented management system is also provided at those events. The information needed for daily operations is communicated at regular meetings or within the scope of individual discussions. The Company places great emphasis on open dialog.

A systems audit was performed by Deutsche Gesellschaft zur Zertifizierung von Managementsystemen (DQS) in 2010. The audit was successful and CENIT was awarded DIN EN ISO 9001:2000 certification. CENIT has been successfully certified under the internationally recognized ISO/IEC 27001:2005 standard. ISO 27001:2005 is a standard issued by the International Organization for Standardization (ISO) and is now the internationally applicable standard and recognized successor of the British BS 7799-2:2002 standard. The standard incorporates all aspects of corporate, IT, and data security as well as the statutory framework.

EMPLOYEES

BREAKDOWN OF EMPLOYEES BY SUBSIDIARY

	31.12.2010	31.12.2009
CENIT DE	579	592
CENIT USA	27	25
CENIT CH	5	5
CENIT F	6	4
CENIT RO	17	21
CENIT Group	**634**	**647**

The 2009 staff numbers were corrected in accordance with Sections 267 (5) and 285 No. 7 HGB. As a consequence, the number of staff reported for the previous year decreased by 48 employees and mainly concerns apprentices and students, which do not have to be accounted for, according to the German Commercial Code (HGB).

The implementation of a new competence model was one of the focal points of human resources activities in 2010. Annual appraisal interviews constituted another focal point. During those appraisal interviews, current tasks and activities of employees are recorded, and goals and personal career development opportunities are discussed.

The Group employed a staff of 634 as of December 31, 2010 (2009: 647). CENIT Aktiengesellschaft, Germany, employed a staff of 579 as of December 31, 2010 (2009: 592). During the period under review, the Group's personnel expenses came to EUR 40.74 million (2009: EUR 40.63 million), while CENIT AG's personnel expenses amounted to EUR 38.19 million (2009: EUR 37.41 million). More than 75% of the employees have obtained a college or university degree. Employee turnover was around 7.9% (2009: 6.5%). We once again recorded a very low number of sick days. The average length of employment with our Company was six and a half years, while the average age was about 39 years.

CENIT has been successfully providing training for years. The trainees include students from the Baden-Wuerttemberg Cooperative State University (DHBW) and apprentices in the IT segment. We also continually hire college graduates and students who are currently writing their diploma, masters, or bachelor thesis, as well as interns. We consider this to be part of our responsibility towards society. We consider it important to make it easier for young people to start their professional careers through qualified training. As of the 2010 year-end, CENIT trained a total of 43 young people in Germany in various professions.

EMPLOYEE TRAINING

In order to prepare employees for the ever-increasing demands placed on them by innovations and market competition and in order to raise their qualification level, CENIT offers a comprehensive, professional development program. In the year under review, many of our employees took advantage of a variety of training events and attended courses and seminars to improve their professional qualifications. Quality management, project management, certifications for the products provided by our strategic software partners and training events for executives formed the focus of our training activities.

REMUNERATION / SHARING CORPORATE SUCCESS

In addition to performance based career opportunities and the early assignment of responsibilities, CENIT offers all of its employees an attractive remuneration policy. In addition to a fixed salary, which is stipulated in the individual employment contracts, there are also remuneration components that are oriented towards the Company's performance and share price. By issuing stock options to selected executive staff, a further tool has been added to the Company's performance-related remuneration policy.

The remuneration of CENIT AG's Management Board consists of both fixed and performance-related components. The performance-based component is based on the Group's operative result for the year.

In this context, we refer to the information provided in the notes to the consolidated and annual financial statements. Furthermore, stock option rights for a total of 39,000 stock options have been issued to Management Board members as a long-term incentive.
In accordance with the articles of incorporation, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives fixed compensation in the amount of EUR 15,000.00, payable after the end of the respective financial year. The Chairman of the Supervisory Board receives twice this amount and the Vice Chairman one and a half times this amount.

RESEARCH AND DEVELOPMENT

Our goal is further improve our innovative power. To this end, CENIT increased its research and development (R&D) expenses to EUR 5.3 million in financial year 2010. CENIT's business units focus their research and development activities on the next generation of products and solutions and prepare their successful market launch. Close cooperation with the business units that are closely associated with the product and customers and an intensive exchange of information enable CENIT to offer technical, customer-oriented solutions.

In addition to the sale of standard software, the CENIT Group develops own programs for supplementing and expanding standard software. The Group's software solutions are based on products supplied by Dassault Systèmes, such as the PLM software CATIA or DELMIA, or IT solutions supplied by IBM/FileNet and SAP. CENIT solutions supplement this standard software with important functions that translate into higher productivity and improved data quality for our customers. Some products permit the homogeneous design of business processes, consistent data storage and early simulation of process stages. Overall, the CENIT Group offers more than 20 solutions from its business segments.

Innovation means progress. Consequently, research and development are of key importance to us with a view to further development and for achieving our defined objectives. Our research and development activities are continuously being expanded. At the same time, this reinforces our positioning among our competitors. A slight increase in expenses for innovations is also expected for the 2011 financial year.

SUPPLEMENTARY REPORT AND SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

At the time of preparation of this report there were no significant events that could have a substantial impact on the Company's and the Group's net assets, financial position and results of operations.

FORECAST REPORT

In 2010, the German economy grew faster than expected and reached approximately the level reported at the end of 2008. According to the industry association BITKOM, the market sentiment is at its highest level in ten years. Economic experts confirm this trend and also predict further growth for 2011, albeit at a slower pace than in 2010. Companies are starting the year 2011 with positive expectations. The Ifo Business Climate Index published by the Ifo Institute for Economic Research increased continuously throughout the year 2010 and also edged up higher towards the end of 2010.

This growth is driven by the continued rise in export activity. Domestic demand is also expected to continue its positive trend in 2010. These expectations result in the following outlook for CENIT:

EXPECTED RESULTS OF OPERATIONS

Due to the good basis established in recent years, we managed to emerge from the years of crisis sound and in a stable position. Despite difficult economic times, we succeeded in generating sound results. Even if the economy is again on the upturn, we will continue to pursue our corporate strategy that is focused on sustainability. However, we will also invest in inorganic growth, if the situation should permit it.

CENIT aims to achieve profitable growth in all business segments. In view of the economic upturn, the preconditions for achieving this growth are in place. Following a sound 2010 financial year, we expect that CENIT will experience further growth in 2011. From today's perspective, we assume that sales and revenues (adjusted for special items) reported in the consolidated financial statements and in the single-entity financial statements will grow by approximately 10% in financial year 2011. Similar growth rates are forecast for the 2012 financial year. However, on a cautionary note, we would like to point out that the predicted growth is strongly dependent on the further economic development in Germany and in the global target markets as well as on our customers' readiness to invest.

Our products and solutions cover a currently important market. Developments have to be implemented at an ever increasing pace, and existing processes need to be optimized on an ongoing basis. That is exactly where we provide support for our customers. Our products are competitive and we will continue to enhance them. CENIT's employees are very competent with respect to content-related issues and also with regard to knowledge of the various industries. Owing to their know-how and customer-oriented behavior, they are crucial for CENIT's success.

Through the acquisition of conunit GmbH in the summer of 2010, we have expanded our portfolio by important elements. It enables us to offer our customers services in the promising business intelligence (BI) segment. There is a great need for companies and our customers to concern themselves with this subject. Major analysts, such as Gartner, PAC, Forrester, and IDC, consider business intelligence to be one of the most important IT subjects in the coming years also. We therefore expect to further expand this business segment in the coming years.

The following factors are to contribute to achieving our sales and earnings targets: We will continue to pursue our business activities in Europe and in the US, and also explore business opportunities in the Pacific and East Asia region. In addition to the acquisition of new customers, we focus in particular on achieving growth in the market segments relevant to us. We will continue our collaboration with our business partners, Dassault Systèmes, IBM, and SAP over the long term, in order to position ourselves as a permanent strategic partner in those market segments. These business partnerships enable us not only to maintain our position in the PLM market, but also to expand it further. With respect to the EIM segment, the partnerships open up business opportunities in the growing public sector, the administrative sector, and also with regard to financial services providers.

EMPLOYEES

Personnel-related expenses are adjusted in line with the economic development. We will search for qualified specialists for our various business segments in 2011 also, if the need should arise. CENIT has been successfully providing training for years and the training of young professions continues to be very important to us. The provision of professional training constitutes a component of our long-term human resources policy. Consequently, we will also maintain the high level of training in the coming years. We are somewhat concerned about being able to find personnel with the desired qualifications. It is particularly difficult to find suitable young employees when it comes to apprentices and students.

EXPECTED FINANCIAL AND LIQUIDITY POSITION

CENIT's liquidity position is very sound, as is reflected in the single-entity financial statements and in the consolidated financial statements. With respect to requests relating to proposals and the awarding of contracts, the Group's financial position represents a competitive advantage since it provides our customers with the necessary security concerning their investment decisions.

The CENIT Group's financing is on a sound footing. Maintaining a good credit standing over the longer term and providing sufficient liquidity in the short and medium term with a view to the positive development of the Company reflect the conservative nature of our financial policy, which we have been pursuing for many years. Investments in financial year 2011 are expected to remain at a similar level as in 2010. The investments are financed from the cash flow from operating activity.

The liquidity outflow resulting from dividend payments can be financed from available cash and cash equivalents and/or from the expected cash flow from operating activity in 2011.

Stuttgart, February 2011

CENIT Aktiengesellschaft
The Board of Management

Christian Pusch

Kurt Bengel

GROUP FINANCIAL STATEMENT

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED BALANCE SHEET (pursuant to IFRS)
as of December 31, 2010

in EUR k	12/31/2010	12/31/2009
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	4,320	1,221
Property, plant and equipment	1,953	2,285
Investment in an associated company	54	50
Income tax receivables	478	520
Other financial assets measured and recognized at fair value through profit or loss	3,000	2,000
Trade receivables	194	0
Deferred tax assets	19	0
NON-CURRENT ASSETS	10,018	6,076
CURRENT ASSETS		
Inventories	634	925
Trade receivables	15,291	10,517
Receivables from associated companies	4,865	4,161
Current income tax assets	699	386
Other receivables	159	205
Other financial assets measured and recgonized at fair value through profit or loss	966	910
Cash and cash equivalents	13,306	18,599
Prepaid expenses	3,790	1,832
CURRENT ASSETS	39,710	37,535
TOTAL ASSETS	49,728	43,611

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED BALANCE SHEET (pursuant to IFRS)
as of December 31, 2010

in EUR k	12/31/2010	12/31/2009
EQUITY AND LIABILITIES		
EQUITY		
Issued capital	8,368	8,368
Additional paid-in capital	1,058	1,058
Currency translation reserve	154	-309
Legal revenue reserve	418	418
Other revenue reserves	11,740	11,040
Unappropriated retained earnings	7,299	7,500
TOTAL EQUITY CAPITAL	29,037	28,075
NON-CURRENT LIABILITIES		
Other liabilities	267	0
Deferred tax liabilities	1,267	488
	1,534	488
CURRENT LIABILITIES		
Trade payables	4,684	4,241
Liabilities to associated companies	0	38
Other liabilities	12,198	8,429
Current income tax liabilities	64	422
Other provisions	177	322
Deferred income	2,034	1,596
	19,157	15,048
TOTAL ASSETS	49,728	43,611

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED INCOME STATEMENT (pursuant to IFRS)
for the Period from January 1 to December 31, 2010

in EUR k		2010	2009
1. SALES REVENUES		93,174	86,488
2. Decrease in the work in progress		-15	-600
Gross performance		93,159	85,888
3. Other operating income		683	1,005
Operating performance		93,842	86,893
4. Cost of materials	32,690		27,492
5. Personnel expenses	40,742		40,634
6. Amortization/depreciation of intangible assets and of property, plant and equipment	1,776		1,407
7. Other operating expenses	14,669		13,472
		89,877	83,005
OPERATING RESULT		3,965	3,888
8. Other interest and similar income	176		267
9. Interest and similar expenses	74		19
10. Result of financial instruments measured and recognized at fair value through profit or loss	56		-50
11. Share in profit/loss of associated companies	4		-1
		162	197
RESULT OF ORDINARY ACTIVITIES		4,127	4,085
12. Income taxes		1,118	1,357
13. NET INCOME OF THE GROUP FOR THE YEAR		3,009	2,728
14. thereof attributable to CENIT AG shareholders		3,009	2,728
Earnings per share in EUR			
basic		0,36	0,33
diluted		0,36	0,33

CENIT Aktiengesellschaft, Stuttgart
STATEMENT OF COMPREHENSIVE INCOME (pursuant to IFRS)

in EUR k		12/31/2010	12/31/2009
1. Net income of the group for the year		3,009	2,728
2. Other comprehensive income			
Currency translation differences	463		-17
Other comprehensive income		463	-17
3. Total comprehensive income		**3,472**	**2,711**
4. thereof attributable to CENIT AG shareholders		3,472	2,711

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED CASH FLOW STATEMENT (pursuant to IFRS)
for the Period from January 1 to December 31, 2010

in EUR k	2010	2009
Cash flow from operating activity		
Earnings before income taxes and interest result	4,025	3,837
Adjusted for:		
Amortization/depreciation of intangible assets and property, plant and equipment	1,776	1,407
Losses from the disposal of non-current assets	0	6
Income from the disposal of non-current assets	-2	0
Profit/loss from associated companies	-4	1
Incidental acquisition costs concerning shares in fully consolidated companies	45	0
Other non-cash expenses and income	-9	40
Change in fair value of other financial assets measured at fair value through profit or loss	-56	50
Increase/decrease in other non-current assets and liabilities or provisions	115	0
Interest paid	-74	-19
Interest received	176	267
Income taxes paid	-1,832	-1,767
Operating result before changes in (net) working capital	4,160	3,822
Increase /decrease in trade receivables and other current and non-monetary asset	-7,313	3,372
Decrease in inventories	291	204
Increase in current liabilities and provisions	4,835	1,896
Net cash from operating activity	1,973	9,294
Cash flow from investing activity		
Acquisition of property, plant and equipment and of intangible asset	-1,088	-960
Acquisition of shares in fully consolidated companies	-2,682	0
Income from the sale of property, plant and equipment	14	0
Change in other financial assets not attributable to cash and cash equivalents	-1,000	-2,000
Net cash used for investments	-4,756	-2,960
Cash flow from financing activity		
Dividends paid to shareholders	-2,510	0
Net cash used for financing activity	-2,510	0
Net decrease/increase in cash and cash equivalents	-5,293	6,334
Cash and cash equivalents at the beginning of the reporting period	18,599	12,265
Cash and cash equivalents at the end of the reporting period	13,306	18,599

CENIT Aktiengesellschaft, Stuttgart
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (pursuant to IFRS)
as of December 31, 2010

in EUR k	Issued capital	Additional paid-in capital	Currency translation reserve	Revenue reserves		Unappro-priated retained earnings	Total
				Legal reserve	Other reser-ves		
As of 12/31/2008	8,368	1,058	-292	418	8,140	7,672	25,364
Total comprehensive income for the period			-17			2,728	2,711
Allocations to other revenue reserves					2,900	-2,900	0
As of 12/31/2009	8,368	1,058	-309	418	11,040	7,500	28,075
Total comprehensive income for the period			463			3,009	3,472
Allocations to other revenue reserves					1,300	-1,300	
Withdrawals from other reve-nue reserves					-600	600	
Dividend pay-out						-2,510	-2,510
As of 12/31/2010	8,368	1,058	154	418	11,740	7,299	29,037

CENIT AKTIENGESELLSCHAFT, STUTTGART

CONSOLIDATED FINANCIAL STATEMENTS - FINANCIAL YEAR 2010

A. Commercial Register and Objective of the Company

The Group parent company, CENIT Aktiengesellschaft, has its headquarters at Industriestrasse 52-54, 70565 Stuttgart, Germany, and is registered in the Commercial Register, Dept. B under No. 19117 at the Stuttgart local court. The shares of CENIT AG are publicly traded.

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

B. Accounting Policies

The consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, were prepared and published in accordance with international financial reporting standards (IFRS) as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code]. The consolidated financial statements are passed on by the Management Board to the Supervisory Board for approval. Upon approval the consolidated financial statements are released for publication.

The consolidated financial statements are presented in euros. For reasons of transparency, the presentation is, unless otherwise indicated, in thousands of euros (EUR k). The reporting date is December 31 of a given year.

For the purpose of balance sheet classification, a distinction is made between current and non-current assets and liabilities; assets and liabilities are disclosed in the notes to the financial statements (Notes) with details concerning terms to maturity. The income statement has been presented using the nature-of-expense method.

The consolidated financial statements were prepared on the historical cost basis (acquisition cost principle), with the exception of financial assets held for trading purposes which are classified upon 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 subsidiaries included in the consolidated financial statements are prepared for the same reporting period as that of the parent company, using uniform accounting policies.

Amended or new IFRS published by the EU and the resulting changes in recognition, disclosure, and measurement

Compared to the consolidated financial statements as of December 31, 2009, application of the following standards and interpretations was mandatory. From today's viewpoint this was irrelevant for the CENIT Group, however:

- Revised IFRS 1 "First Time Adoption of IFRS"
- Amendments to IFRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to IFRS 2 "Group Cash-settled Share-based Payment Transactions"
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"
- IFRIC 12 "Service Concession Arrangements
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-Cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"

Application of the following standards, which are of relevance for the CENIT Group, is mandatory for the first time. The standards have been implemented. Reference to any resulting impact is stated in the respective section in the Notes.

Revised IFRS 3 "Business Combinations" and Amendments to IAS 27 "Consolidated and Separate Financial Statements"

The amended version of IFRS 3 and the changes concerning IAS 27 were published on January 10, 2008, adopted by the EU on June 3, 2009, and are to be applied for the first time for financial years beginning on or after June 30, 2009. Changes include, inter alia, extension of the scope of application concerning business combinations of mutual companies and those without return services. Costs associated with a corporate acquisition concerning the issue of debt or equity instruments are now to be recorded pursuant to IAS 39 or IAS 32; all other acquisition-related expenses are recorded in profit or loss. In addition, the option concerning the "Full Goodwill method" was introduced. Within the scope of successive acquisition, the determination of goodwill and the revaluation of net assets takes place at the date of control.

Improvements to IFRS (Issued April 2009)

On April 16, 2009 the IASB published the Annual Improvements 2007-2009, which were adopted by the EU on March 24, 2010. In all, they provide for changes to ten IFRS and two interpretations (IFRIC). Most of the changes take effect in reporting years beginning on or after January 1, 2010.

Outlook concerning IFRS Changes in 2011

The following IFRS's, which have been adopted by the EU, were published by the balance sheet date but are only mandatory during later reporting periods. With respect to the standards and interpretations that are mandatory during later reporting periods, the CENIT Group has decided not to make use of any possible options for earlier application. At present, any possible effects resulting from these changes are being examined by the Group.

OUTLOOK CONCERNING IFRS CHANGES IN 2011

Change / Standard	Date of publication	Date of adoption by the EU	Application date
Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters	Jan 28, 10	June 30, 10	Financial years beginning on or after June 31, 2010
Revised IAS 24 Related Party Disclosures	Nov 4, 09	19 Jul 10	Financial years beginning on or after Dec. 31, 2010
Amendment to IAS 32 Classification of Rights Issues	Oct 8, 09	Dec 23, 09	Financial years beginning on or after Febr. 1, 2010
Improvements to IFRS (issued May 2010)	May 6,10	expected Q1/2011	Diverse; at the earliest for financial years beginning on or after July 1, 2010
Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement	Nov 26, 09	July 19, 09	Financial years beginning on or after Dec. 31, 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Nov 26, 09	July 23, 10	Financial years beginning on or after June 31, 2010.

Changes in the Presentation in the Consolidated Financial Statements

The accounting policies applied in the annual financial statements have remained unchanged in comparison with the previous year.

C. Consolidation principles

1. Consolidation Principles and Scope of the Consolidated Group

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

Subsidiaries are fully consolidated from the effective date of acquisition, i.e. from the date when the Group achieved control. Consolidation ends when control by the parent company no longer exists.

CENIT AG acquired 100% of the voting shares in conunit GmbH as at July 1, 2010. Through the acquisition of conunit GmbH, with head office in Neu-Isenburg, Ratingen, we extended our portfolio by important elements, which enable us to offer our customers services in the promising Business Intelligence (BI) business. Acquisition costs amount to EUR k 3,162 including incidental acquisition costs of EUR k 45.

The fair value of identifiable assets and liabilities of conunit GmbH as at the acquisition date and the respective carrying amounts directly before the acquisition date are as follows:

FAIR VALUE OF IDENTIFIABLE ASSETS AND LIABILITIES OF CONUNIT GMBH

in EUR k	Fair value at acquisition date	Previous carrying amount
Intangible assets	3,412	0
Property, plant and equipment	44	44
Trade receivables, Other receivables and prepaid expenses	1,141	1,141
Cash and cash equivalents	480	480
	5,077	1,665
Trade payables, Other liabilities and provisions	825	825
Current income tax liabilities	112	112
Deferred tax liabilities	1,023	0
	1,960	937
Sum total of acquired net assets	3,117	728
Consideration (excl. incidental costs)	3,117	

The outflow of cash resulting from this corporate acquisition amounted to EUR k 2,682 and results from the payment of acquisition costs (EUR k 3,162) and acquired cash and cash equivalents of conunit GmbH in the amount of EUR k 480.

conunit GmbH generated sales revenue of EUR 4.0 million in financial year 2010 as a whole, and EBIT of EUR k 151. Thereof, sales of EUR 1.5 million and EBIT of EUR k 28 are attributable to the period of Group affiliation.

The Group's shares in the associated company are accounted for at equity.

Intercompany sales, expenses, and income as well as all receivables and liabilities among consolidated entities were eliminated.

The following companies are included in the consolidated financial statements of CENIT AG, in accordance with IAS 27 and IAS 28, respectively:

ENTITIES

No.	Company	Currency	%	von	Subsc. capital TLC	Date of initial consolidation
1	CENIT AG, Stuttgart/Germany	EUR	-	-	8.368	Parent company
2	CENIT (Schweiz) AG Frauenfeld/Switerland	CHF	100.0	1	500	October 26, 1999
3	CENIT NORTH AMERICA INC., Auburn Hills/USA	USD	100.0	1	25	November 29, 2001
4	CENIT SRL Iasi/Romania	RON	100.0	1	344	May 22, 2006
5	CENIT FRANCE SARL Toulouse/France	EUR	100.0	1	10	April 26, 2007
6	CenProCS AIRliance GmbH Stuttgart/Germany	EUR	33.3	1	150	November 16, 2007

2. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost of a business combination is measured at the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus any costs directly attributable to the corporate acquisition.

The goodwill that arises in the acquisition of a subsidiary or a company under joint control is initially measured at the acquisition cost based on the surplus of acquisition costs of the business combination over the Group's share in the fair values of the identifiable assets, liabilities, and contingent liabilities of the acquired company. In subsequent periods, the goodwill is assessed at cost, net of all accumulated impairment expenses. If the acquirer's share in the total of the fair values of recognized identifiable assets, liabilities, and contingent liabilities exceeds the acquisition costs of the business combination, the remaining surplus is immediately recognized in profit or loss after reassessment. There is no goodwill recognised in the consolidated financial statements.

3. Shares in an Associated Company

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

The CENIT Group accounts for its investment in CenProCS using the equity method. According to the equity method, the investment in CenProCS is carried on the balance sheet at cost, plus post-acquisition changes in the CENIT Group's share of net assets of CenProCS. Within the scope of establishing the entity, CENIT AG made a cash contribution of EUR k 50.

The income statement reflects the CENIT Group's share in the profit/loss of CenProCS. Any changes in the Group's share are disclosed directly in equity and are presented in the statement of changes in equity. Gains and losses from transactions between the Group and the associated company are eliminated relative to the share in CenProCS.

The annual financial statements of CenProCS are prepared as of the same balance sheet date as the financial statements of the parent company. Where necessary, adjustments are made to comply with the Group's uniform accounting policies.

With regard to the investment which the CENIT Group holds in CenProCS, using the equity method, the parent company determines whether or not it is necessary to recognize an additional impairment loss for this investment. Within this scope the Group determines at each balance sheet date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the difference between the fair value of the share in CenProCS and the acquisition costs is recognized as an impairment loss in the income statement.

4. Foreign Currency Translation

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

The difference resulting from translation of the individual financial statements is set off directly against equity with neutral effect on profits or losses. In the event of the disposal of subsidiaries, currency differences recognized in equity are released to profit or loss.

Transactions in foreign currencies are generally translated at the current rate prevailing on the transaction date. At the end of the financial year, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at reporting date rates. Non-monetary items that were measured at their historical acquisition or production cost are translated at the rate valid at the transaction date, while non-monetary items that were measured at fair value are converted at the rate applicable at the time the fair value was determined. The differences arising from currency translation at reporting date rates are recognized in profit or loss.

The following rates were used for foreign currency translation:

FOREIGN CURRENCY TRANSLATION IN EUR

	Reporting date rate		Annual average rate	
	12/31/2010	12/31/2009	2010	2009
CHF	1.2504	1.4836	1.3803	1.5100
USD	1.3362	1.4406	1.3257	1.3948
RON	4.2620	4.2363	4.2122	4.2399

D. Accounting Policies

Acquired intangible assets are stated at amortized cost, including incidental acquisition costs. They are reduced by scheduled amortization under the straight-line method over the expected economic useful lives, which as a rule is three years.

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

As of both balance sheet dates, the balance sheet did not include any intangible assets with an indefinite useful life.

Internally generated intangible assets are not capitalized due to non-fulfillment of the cumulative criteria in IAS 38.57. Non-capitalized development costs were recorded under other operating expenses.

Property, plant and equipment are recognized at cost net of accumulated straight line depreciation and/or accumulated impairment expenses. Maintenance and repair costs are recorded directly as expense. Items of property, plant and equipment are depreciated according to the respective estimated useful life. The useful life of other equipment is three to five years, and for operating and office equipment, five to ten years. Buildings on the Companies own land are written down over a period of 33 years, land improvements over 8 to 15 years. Buildings on third-party land (leasehold improvements) are written down over the terms of the lease agreements. No significant residual values were to be considered when determining depreciation.

Residual values, depreciation and amortization methods and the useful life of property, plant and equipment and intangible assets are reviewed annually and adjusted if appropriate. The necessary changes are generally considered prospectively as changes in estimates.

Intangible assets and property, plant and equipment are derecognized if sold or if no benefit is expected from continued use or sale of the asset. Gains or losses resulting from derecognition are calculated as the difference between the net realizable value and the asset's carrying amount and are recorded in other operating income or other operating expenses in the income statement in the period when the asset is derecognized.

An **impairment** test is performed at the end of each financial year for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss for items of property, plant and equipment and intangible assets carried at cost. The recoverable amount is the higher of an asset's net realizable value and its value in use. The net realizable value is the amount that can be achieved within the scope of a transaction between competent parties that are willing to sell/purchase net of selling costs. The achievable amount is determined on the basis of market prices, measurement multipliers, and other available indicators. The value in use is the present value of estimated future cash flows expected to arise from continued use of an asset and from disposal at the end of its useful life. In assessing value in use, estimated future cash flows are discounted using a pre-tax discount rate which reflects current market expectations with respect to the interest effect and the risks specific to the asset, discounted to their present values. The recoverable amount is estimated for each asset or, it this is not possible, for the cash-generating unit.

A reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The reversal is posted as income and recognized in the income statement. The amount of the reversal may not exceed the amount that would have been determined, net of amortization or depreciation, if no impairment loss had been recognized for the asset in previous years.

Leases

Whether an arrangement is or contains a lease is determined on the basis of the economic substance of the arrangement and requires an assessment of whether fulfillment of the contractual agreement is contingent on the use of a certain asset or certain assets, and whether the arrangement grants a right to use the asset.

Reassessing whether an arrangement contains a lease after commencement of the leasing relationship is required only if one of the following conditions is met:

a) A change is made to the contractual terms, provided that the change only relates to renewal or extension of the agreement,

b) A renewal option is exercised or an extension is granted, unless the renewal or extension was initially included in the term of the lease,

c) There is a change in the determination of whether fulfillment is contingent on a specific asset, or

d) The asset has undergone significant change.

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

In the event of letters a), c) or d), from the time when the change in circumstances gave rise to the reassessment,

In the event of letter b), from the beginning of the renewal or extension period.

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

Financial instruments

Pursuant to IAS 39, a financial Instrument is a contract which, at the same time, gives rise to a financial asset for one entity and, for another entity, causes a financial liability or an equity Instrument. Financial assets include cash and cash equivalents, trade receivables and other loans and receivables, investments held to maturity, as well as non-derivative and derivative financial assets held for trading purposes. Financial liabilities generally give rise to the right to receive settlement in cash, or another financial asset. Financial Instruments are recognized as soon as the CENIT Group becomes party to the contractual provisions of the financial instrument.

Financial investments and other financial assets

Financial assets as defined by IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets. When financial assets are initially recognized, they are measured at fair value, plus, in the case of financial investments that are not measured at fair value through profit or loss, any directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and, where allowed and appropriate, reassess this designation at each financial year-end.

Classification depends upon the type and purpose of the financial asset and is determined when the respective asset is acquired.

The designation of financial assets in measurement categories follows their initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the financial year.

Purchases and sales of financial assets at usual market conditions are accounted for as of the transaction day, i.e. the date on which the company entered into the obligation to purchase the asset ("trade date accounting"). Purchases and sales of financial assets at usual market conditions relate to purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace.

Financial assets fair value through profit or loss

The financial assets at fair value through profit or loss includes financial assets held for trading, and financial assets that are 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 being sold 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. Income or losses from financial assets that are held for trading are recognized in profit or loss. The recorded net profit or loss includes any dividends or interest pertaining to the financial asset.

Held to maturity financial investments

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 assets up to maturity.

Financial investments intended to be held for an indefinite period are not included in this category. Other non-current financial investments that are intended to be held to maturity are measured at amortized cost. Amortized cost is the amount at which a financial asset was measured upon initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount determined, using the effective interest method. This calculation includes all fees and considerations paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Income and losses from financial assets recognized at amortized cost are recognized in the period result if the financial investment is derecognized or impaired and within the scope of amortization.

Loans and receivables

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

Available for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in one of the three categories above. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and any income or losses are recognized in a separate item under equity. When the financial investment is derecognized or when impairment in the value of the financial investment has been determined, any cumulative income or loss that had previously been recognized at fair value through profit or loss.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to bid prices quoted on the stock exchange as at the balance sheet date. The fair value of financial investments for which no active market exists is determined on the basis of generally accepted valuation models used by the Company's banks. The respective procedures are applied on the basis of market conditions underlying recent transactions or the current market value of another, similar instrument, or the analysis of discounted cash flows, or option pricing models.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from a financial asset have expired or if the financial asset is transferred and all the risks and rewards of ownership have largely been transferred to a third party. If the Group does not largely transfer all the risks and rewards of ownership and still retains same, and continues to have control over the transferred asset, the Group records its share in the remaining assets and corresponding liabilities in the possibly payable amount. In the event that the Group largely retains all the risks and rewards of ownership of transferred financial assets and retains use, the Group continues to recognize the financial asset and a collateralized loan for the consideration received.

Financial liabilities are derecognized when the contractual obligations are settled, cancelled or expired. When an existing financial liability is replaced by another financial liability from the same lender at substantially different contract terms or when the terms of such a liability are modified to a significant extent, such replacement or modification is treated as derecognition of the original liability and recognized as a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

Impairment of financial assets

At each balance sheet date the Group assesses whether there is impairment to a financial asset or a group of financial assets. Any impairment losses which result from the fair value falling short of the carrying amount are recognized in profit or loss.

Assets recognized at amortized cost

If there is objective evidence that an impairment loss on loans and receivables recognized at amortized cost has been incurred, the amount of the loss is stated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (with the exception of future credit default), 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 a value adjustment account. The amount of the loss is recognized in profit or loss.

If, in any of the subsequent reporting periods, the amount of the value adjustment loss decreases and the decrease is attributable to an event occurring after the impairment was recognized, the previously recognized impairment is reversed. Subsequent reinstatement of the original value is recognized in profit and loss unless the asset’s carrying amount exceeds the amortized cost at the date of reinstatement.

Trade receivables, which, as a general rule, are due in between 30-90 days, are recognized at the original invoice amount less an allowance for any uncollectable amounts. An adjustment is made when there is clear evidence that the Group will not be able to collect the receivables. Receivables are derecognized as soon as they become uncollectible. Credit risks are taken into account through adequate individual value adjustments.

Assets recognized at cost

If there is clear evidence that an impairment loss has been incurred respecting a non-listed equity instrument that is not stated at fair value because its fair value cannot be reliably measured, or, in the event of a derivative asset that is linked to a non-listed equity instrument and can only be settled by delivery, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flow 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 the respective cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that asset previously recognized in profit or loss. Reversals of impairment losses on equity instruments classified as available-for-sale are not recognized in the period result. Reversals of impairment losses on debt instruments are recognized in profit or loss if the increase in the instrument's fair value can be clearly 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 recognized at fair value upon conclusion of the respective contract and thereafter are remeasured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

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

Inventories are generally stated at the lower of cost or net realizable value. Production costs are determined on the basis of full production-related costs. The net realizable value is the estimated selling price, less the estimated expenses that are necessary for completion and sale.

Cash and short-term deposits in the balance sheet comprise of cash in hand, bank balances and short-term deposits with original maturity of 3 months or less.

Pensions and similar obligations result from obligations to employees. The amounts payable in connection with defined contribution plans are expensed as soon as the payment obligation arises and are reported as personnel expenses. Advance payments regarding contributions are capitalized if they will result in a reimbursement or the reduction of future payments. There are no obligations arising from defined benefit plans.

Financial liabilities

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

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

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

Other financial liabilities are initially recognized at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

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 settlement of the obligations will lead to an outflow of resources and the amount of the obligations can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, provided reimbursement is virtually certain. Expense relating to any provision is presented in the income statement net of any reimbursement. Provisions are discounted where the effect of discounting is material. The discount rate chosen is a pre-tax rate that reflects the risks specific to the liability. Discount rate adjustments are recorded as interest expense.

Liabilities which result from a possible obligation due to a past event and the existence of which is caused as a consequence of the occurrence or non-occurrence of one or several uncertain future events, which cannot be fully controlled by the entity, are disclosed in the Notes as **contingent liabilities**. Contingent liabilities may also arise from a present obligation, based on past events which were not recorded because

- an outflow of resources embodying economic benefit upon fulfillment of this obligation is unlikely, or
- the amount of the obligation cannot be estimated with sufficient reliability.

If an outflow of resources embodying economic benefit to the company is unlikely, no contingent liability is disclosed.

Pursuant to IAS 20, "Accounting for government grants and disclosure of government assistance", **government grants** are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to a grant, and that the grant will be received. Expense-related grants are recorded as income over the period required setting them off against the expenses that are to be compensated for. Grants relating to personnel costs are deducted from expenses in the period during which they were paid.

Current tax assets and tax liabilities

Current tax assets and liabilities for the current period and for prior periods are measured at the amount expected as a refund from the tax authorities, or at the amount to be paid to the tax authorities. Current tax expense is determined on the basis of taxable income for the year. Taxable income differs from the net income for the year as reported in the consolidated income statement since it excludes expenses and income that are never taxable or tax deductible in later years. The amount is calculated on the basis of tax rates and tax laws applicable at the balance sheet date.

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

Deferred tax liabilities are recognized to account for all taxable temporary differences. The following exceptions apply, however:

- The deferred tax liability which arises from initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the period result nor the taxable income, may not be recognized.

- Deferred tax liabilities from taxable temporary differences associated with equity interests in subsidiaries, associated companies and shares in joint ventures, may not be recognized if the timing of the reversal of the temporary differences can be controlled by the entity and if it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Deferred tax assets relating to the deductible temporary difference that arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the period result nor the taxable income or loss may not be recognized.

- Tax claims from deductible temporary differences associated with equity investments in subsidiaries, associates, and joint ventures may not be recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that sufficient taxable profit will be available, against which the temporary differences can be utilized.

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

Deferred taxes on temporary differences are calculated at the Group-wide tax rate that is expected to apply for 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 applicable as at the balance sheet date. All future changes in tax law are taken into account to the extent that the preconditions for effectiveness within the scope of the legislative procedure are fulfilled.

Deferred tax assets are only recognized on unused tax losses to the extent that it is probable that future taxable income will be available for offsetting. The carrying amount of the deferred tax assets is reviewed with regard to impairment as of every balance sheet date. and is reduced by the amount for which sufficient tax profits are no longer likely to be available.

Income tax implications related to the items posted directly to equity are also recognized directly in equity.

Deferred tax assets and deferred tax liabilities are offset against one another when the Group has an enforceable right to offset current tax assets against current tax liabilities, and these assets and liabilities relate to income taxes levied by the same tax authority for the same taxable entity.

Value added tax

Sales revenues, expenses and assets are recorded after deduction of value added tax (VAT). However, the following exceptions apply:

- In the event that VAT incurred in the context of the purchase of goods and services cannot be claimed from the fiscal authorities, VAT is recognized as part of the asset's acquisition costs or as part of the expenses incurred, and;

- Receivables and payables are stated, including the pertaining VAT amount.

The VAT amount which is refunded by or paid to the fiscal authorities is stated under receivables or liabilities in the balance sheet.

Revenue recognition

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

Sale of goods and products as well as provision of services

Sales revenues are disclosed excluding VAT and after deduction of discounts or rebates granted. Sales are recorded as revenue at the date of delivery to the customer. Income from the provision of services is recognized in accordance with the provisions under IAS 11: Construction Contracts.

Multi-component contracts

If several products are sold to customers or if services are provided, income is realized on the basis of relative prices taken from current price lists. In financial year 2010, no multi-component contracts were recorded.

Construction contracts

If the result of a construction contract can be reliably estimated, contract revenue and contract costs connected with this construction contract are recognized in accordance with the stage of completion at the balance sheet date as part of the contract costs incurred for the work performed in proportion to the expected contract costs. Changes in contract work, claims, and incentive bonuses are included to the extent to which they were agreed upon with the customer. If the result of manufacturing contracts cannot be reliably determined, the contract revenue is only recognized to the extent that contract costs are incurred which are expected to be recoverable. Contract costs are recognized as accrued. If is it probable that the entire contract costs will exceed total contract revenues, the expected loss is immediately recognized as expense.

Royalties

Revenue is recognized on an accrual basis in accordance with the provisions of the underlying contract. Royalties on a temporal basis are recognized as revenue on a straight-line-basis over the period covered by the agreement.

Dividends and interest income

Dividend income is recognized when the Group’s right to receive payment is established.
Revenue is recognized when interest rates are established (using the effective interest method, i.e. the discount rate, estimated future payment flows over the expected life of the financial instrument are included in the net book value of the financial Instruments). Interest paid or received is disclosed as interest income and interest expenses.

Significant accounting decisions and estimates

According to the opinion of the Management Board, the following discretionary decisions impacted significantly on the amounts reported in the consolidated financial statements.

- Research costs may not be recognized as assets. Development costs are capitalized when all of the conditions for recognition pursuant to IAS 38.57 are met, if the research phase can be clearly distinguished from the development phase, and if material expenditure can be allocated to the individual project phases without overlapping. Due to numerous interdependencies within development projects and uncertainly as to whether products will reach market maturity, some of the conditions for recognition pursuant to IAS 38 are currently not satisfied. Consequently, development costs are not capitalized.

- The determination of the stage of completion is, with a certain degree of discretion, subject to the determination of contract costs incurred. The assessment was made, to the best of our knowledge and belief, at the balance sheet date.

- Investments involving variable interest rates are classified and measured at fair value and credited to income. Please see section F 8 for details.

- In determining provisions, a number of assumptions are made about the probability of occurrence of resource outflows. These assumptions are based on the best estimates of the actual situation. However, they are subject to some uncertainty due to the necessary application of assumptions. The determination of provisions also requires that assumptions be made respecting the amount of the possible outflow of resources. Consequently, changes in the assumptions made may impact on the amount of the provision, and the use of assumptions may involve uncertainties in such cases also.

Decisions based on estimates mainly relate to provisions for which the best possible estimate of the amount expected to meet the obligation is carried as a liability; they also relate to impaired receivables. For more details, please see F 6 and F 13.

Share-based Remuneration

Selected employees (including the Management Board) of the Group are paid share-based remuneration under the 2002/06 stock option plan. In this context, employees receive equity instruments as remuneration for their services ("equity-settled share-based payments").

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

If the contract terms of an equity-settled remuneration agreement are modified, as a minimum, expenses are recognized that would have been incurred if the terms had not been modified. Additional expense is recognized for any modification which increases the total fair value of the share-based remuneration agreement or that is otherwise beneficial to the employee as measured at the date of modification.

Virtual stock options were granted to a limited group of employees in financial year 2010, specifically stock appreciation rights that can only be settled in cash (transactions with cash settlement). These virtual stock options represent a special form of performance-based remuneration that is not contingent on the result for the year but is linked to the stock price development.

Costs arising from transactions with cash settlement were measured at fair value as at the grant date using a measurement model. The fair value is spread over the period up to the date of the first exercise option and is recognized in profit or loss, including a corresponding liability. The liability is remeasured at every balance sheet date. Fair value changes are reported in expenses for employee benefits. The respective liability is disclosed under accrued liabilities.

E. Income Statement

1. Sales Revenues

Sales revenues are allocated to business segments and regions as shown in segment reporting under H. The sales revenues presented result from ordinary activities

SALES REVENUES

in EUR k	2010	2009
CENIT software	9,901	9,706
External software	31,915	24,646
CENIT consulting and service	50,625	51,262
Merchandise hardware	733	874
Total	**93,174**	**86,488**

Sales revenues include sales from construction contracts in the amount of EUR k 1,348 (PY: EUR k 644). These revenues include contract costs in the amount of EUR k 510 (PY: EUR k 364). Consequently, profit in the amount of EUR k 838 (PY: EUR k 280) results from construction contracts.

2. Research and Development Costs

Pursuant to IAS 38, non-project related development costs, provided that they are not incurred for basic research or are not related to orders, are capitalized if the conditions of IAS 38.57 are met.

In 2010, only non-project related product development was conducted. Development costs were expensed as incurred and amount to EUR k 5,268 (PY: EUR k 4,759) in the reporting period.

3. Other Operating Income

Other operating income consists of the following:

OTHER OPERATING INCOME		
in EUR k	2010	2009
Income from costs passed on, marketing and administration costs	47	151
Income, kindergarten allowance, investment grant	45	177
Income from sub-leases including incidental costs	294	280
Income from insurance refunds	114	118
Income from currency differences	94	131
Other income	89	148
Total	683	1.005

Income from currency differences resulted, in particular, from the translation of US$ and Swiss Francs.

4. Cost of Materials

This item includes cost of purchased merchandise EUR k 22,933 (PY: EUR k 17,739) and cost of purchased services EUR k 9,757 (PY: EUR k 9,753).

5. Personnel Expenses

The disclosure mainly concerns salaries, voluntary social benefits, additions to the provision for holidays not taken, profit sharing bonuses and Management Board bonuses as well as social expenditure and retirement pension expenses.

PERSONNEL EXPENSES

in EUR k	2010	2009
Wages and salaries	34,642	34,699
Social security and other pension costs	6,100	5,935
Total	**40,742**	**40,634**

The former employer-funded pension provisioning at cad scheffler GmbH was replaced by an employee-funded scheme. As a result, the expenses for pensions largely correspond to the employer shares for the statutory pension fund, which is structured as a contribution-based plan in Germany. Pension expenses include EUR k 264 (PY; EUR k 179), which relate to contributions to the pension fund of a large German insurance company.

With respect to the employee-funded pension, the Group company provides its employees with a defined contribution plan. In this defined contribution plan, the employer avoids entering into any obligations over and above the payment of contributions to an external pension fund (pension fund direct insurance). The amount of future pension payments is oriented exclusively to the amounts which the employer has paid to the external pension provider for employees, including income from the investment of these amounts.

On an annual average, 637 (PY: 641) people were employed in addition to 49 (PY: 62) trainees.

As at the December 31, 2010 balance sheet date, the number of employees was 634 (PY: 695), thereof 579 employees in Germany, 23 in other European Union member states, and 32 employees in other countries.

Personnel expenses include expenses amounting to EUR k 421 (PY: EUR k 458) arising from the termination of employment contracts. Thereof, EUR k 58 are disclosed under provisions and EUR k 148 (PY: EUR k 402) under liabilities as at the balance sheet date as they have not yet become due for payment.

Personnel expenses include expense-reducing public subsidies in the form of short-time working money in the amount of EUR k 289 (PY: EUR k 189).

6. Amortization/Depreciation of Intangible Assets and of Property, Plant and Equipment

The structure of amortization/depreciation is reflected in the schedule of fixed assets, presented in F 1 and F 2.

7. Other Operating Expenses

OTHER OPERATING EXPENSES		
in EUR k	2010	2009
Vehicle costs	1,623	1,446
Travel costs	2,350	2,245
Advertising costs	1,395	1,222
Telecommunications and office supplies	836	1,175
Cost of premises	869	776
Rental and lease expenses	3,941	3,892
Expenses from currency losses	162	101
Other personnel-related costs	240	204
Legal and consulting costs	1,244	805
Commission	162	316
Training	348	360
Insurance	296	289
Maintenance and repair	463	285
Supervisory Board compensation	71	71
Impairment of receivables and losses on receivables	160	45
Other	509	240
Total	14,669	13,472

8. Interest Result

Overall interest income and interest expenses concerning financial assets and financial liabilities not recognised at fair value through profit or loss are as follows:

NET INTEREST		
in EUR k	2010	2009
Interest income from bank credit balances	102	198
Interest income from other financial assets	74	42
Other interest income	0	27
Total interest income	176	267
Utilization of credits and guarantee credits	11	7
Interest expenses business taxes	48	12
Interest expenses from added interest on deferred debt	15	0
Total interest expenses	74	19

9. Profit/Loss from Financial Instruments Measured at Fair Value through Profit or Loss

PROFIT/LOSS FROM FINANCIAL INSTRUMENTS		
in EUR k	2010	2009
Value changes of other financial assets	56	-50
Total	56	-50

Net profit from securities recognized at fair value amounts to EUR k 130 (PY: EUR k -8).

10. Taxes on Income

Income taxes include domestic corporation tax, including solidarity surcharge and trade tax. Comparable taxes of foreign subsidiaries are also disclosed under this item.

The Corporation Tax Reform Act 2008 resulted in a significant decline in nominal business tax rates for German companies. In the 2008 assessment period, the corporation tax rate was reduced from 25% to 15%. The trade tax factor was reduced from 5% to 3.5%. However, the possibility to deduct trade tax as operating expenses no longer applies.

Income tax expense consists of the following:

INCOME TAX		
in EUR k	2010	2009
Current tax expense	1,387	1,389
Change in deferred tax	-269	-32
Total	1,118	1,357

Current tax expense includes further off-period income of EUR k 4 (PY: expenses of EUR k 2).

Deferred tax is determined applying a tax rate of 30.95% (PY: 30.99%).

With respect to the change in deferred taxes, reference is made to the explanations under F 4. The expected tax rate on taxable income is 30.95% (PY: 30.99%) at the reporting date. It is calculated as follows:

IMPUTED TAX EXPENSE		
in %	2010	2009
Trade tax with a municipal factor of 432.037% (PY: 433.221%)	15.12	15.16
Corporation tax 15.0%; PY: 15.0% (before profit after trade tax)	15.00	15.00
Solidarity surcharge (5.5% of corporation tax)	0.83	0.83
Tax scale-based total	**30.95**	**30.99**

The difference between actual tax expense and notional tax expense that would result when applying a CENIT AG tax rate of 30.95% (PY: 30.99%) is as follows:

EXPECTED TAX BURDEN		
in EUR k	2010	2009
Period result before taxes	**4,127**	**4,085**
Theoretic tax expense given a tax rate of 30.95% (PY: 30.99%)	1,277	1,266
Non-tax deductible expenses	79	259
Tax-free income	38	-8
Impact of different tax rates within the Group and tax rate changes	-230	-144
Other	-46	-16
Income tax expense according to consolidated income statement	**1,118**	**1,357**

Tax free income of EUR k 38 in the financial year relates to conunit income for the first half year.

11. Earnings per Share

Earnings per share are determined in compliance with IAS 33 provisions ("Earnings per Share") by dividing the consolidated result with the average weighted number of shares issued during the financial year. The undiluted earnings per share do not take options into account and are determined by subdividing the net earnings attributable to the shares, after third party shares, through the average number of shares. Diluted earnings per share exist when, in addition to common shares, equity capital instruments are issued from the share capital, which may lead to an increase in the number of shares. Options or warrants are taken into account to the extent that the average market price of the common shares exceeds the exercise price of the options or warrants during the reporting period. This effect is determined and stated accordingly.

The following table includes the amounts underlying the calculation of the undiluted and diluted earnings per share:

UNDILUTED AND DILUTED EARNINGS PER SHARE		
in EUR k	2010	2009
Earnings attributable to holders of common shares of stock of the parent company	3,009	2,728
Weighted average number of shares used for calculating the undiluted earnings per share	8,367,758	8,367,758

As the agreed upon performance targets were not met at the balance sheet date, no dilution effect applies.

No treasury stock (own shares) was held as at the balance sheet date.

No transactions with common shares or potential common shares were performed in the period between the balance sheet date and preparation of the consolidated financial statements. In accordance with IAS 33 par. 49, earnings per share (diluted and undiluted) stand at EUR 0.36 (PY: EUR 0.33).

12. Dividend Paid and Proposed

Resolved on and distributed in the financial year:

DIVIDEND PAID		
in EUR k	2010	2009
Dividend on common shares		
Final dividend for 2009: EUR 0.30 (2008: EUR 0)	2,510	0

The following is proposed for approval at the Annual General Meeting (not recorded as debt on December 31):

DIVIDEND PROPOSED		
in EUR k	2010	2009
Dividend on common shares		
Final dividend for 2010: EUR 0.15 (2009: EUR 0.30)	1,255	2,510

No tax consequences result for CENIT AG from the distribution of dividends to shareholders.

F. Balance Sheet

1. Intangible Assets

The intangible assets portfolio developed as follows in 2010:

INTANGIBLE ASSETS

in EUR k	Software and licenses re such rights and assets	Customer base	Orders on hand	Total
Acquisition/production costs				
As at 1/1/2010	1,641	1,391	0	3,032
Currency translation difference	7	0	0	7
Initial consolidation 07/01/010	273	3,020	119	3,412
Additions	474	0	0	474
Disposals	55	0	0	55
As at 12/31/2010	2,340	4,411	119	6,870
Acc. amortization/depreciation				
As at 1/1/2010	1,413	398	0	1,811
Currency translation difference	7	0	0	7
Additions	319	350	119	787
Disposals	55	0	0	55
As at 12/31/2010	1,684	747	119	2,550
Residual book values	**656**	**3,664**	**0**	**4,320**
Acquisition/manufacturing costs				
As at 1/1/2009	1,518	1,391	35	2,944
Currency translation difference	0	0	0	0
Additions	123	0	0	123
Disposals	0	0	35	35
As at 12/31/2009	1,641	1,391	0	3,032
Acc. amortization/depreciation				
As at 1/1/2009	1,205	199	35	1,439
Currency translation difference	10	0	0	10
Additions	218	199	0	417
Disposals	0	0	35	35
As at 12/31/2009	1,413	398	0	1,811
Residual book values	**228**	**994**	**0**	**1,221**

Scheduled amortization/depreciation was disclosed in the income statement under the item: Amortization/depreciation of intangible assets and of property, plant and equipment.

The amortization period respecting the customer base from initial consolidation of CAD Scheffler is four years as at the balance sheet date. The residual book value is EUR k 795 as at the balance sheet date.

A customer base involving the amount of EUR k 3,020 was identified and recognized within the scope of the conunit GmbH acquisition. This customer base is subject to an amortization period of ten years: The residual book value amounts to EUR k 2,869 as at the balance sheet date. Moreover, software amounting to EUR k 273, which is also amortized over a period of ten years, was capitalized within the scope of the business combination. Following prorated scheduled amortization using the straight line method, the residual book value stands at EUR k 259 as at the balance sheet date. The remaining amortization period for both assets is 9.5 years as at the balance sheet date.

Orders on hand from initial consolidation were fully amortized in the financial year.

2. Property, Plant and Equipment

Property, plant and equipment developed as follows in the year 2010:

PROPERTY, PLANT AND EQUIPMENT				
in EUR k	Buildings on own and on third party land	Technical equipment, machines	Operating and office equipment	Total
Acquisition/production costs				
As at 1/1/2010	1,633	7,084	1,037	9,754
Currency translation difference	6	45	15	66
Initial consolidation 07/01/2010	0	21	23	44
Additions	24	521	69	614
Disposals	0	179	43	222
As at 12/31/2010	1,663	7,492	1,101	10,256
Accumulated amortization/depreciation				
As at 1/1/2010	733	6,069	667	7,469
Currency translation difference	4	40	11	55
Additions	136	665	188	989
Disposals	0	178	32	210
As at 12/31/2010	873	6,596	834	8,303
Residual book values	790	896	267	1,953
Acquisition/manufacturing costs				
As at 1/1/2009	1,463	6,944	883	9,290
Currency translation difference	-1	-4	-5	-10
Additions	171	522	178	871
Disposals	0	378	19	397
As at 12/31/2009	1,633	7,084	1,037	9,754
Accumulated amortization/depreciation				
As at 1/1/2009	601	5,695	545	6,841
Currency translation difference	0	-5	-1	-6
Additions	132	721	136	989
Disposals	0	342	13	355
As at 12/31/2009	733	6,069	667	7,469
Residual book values	900	1,015	370	2,285

3. Shares in an Associated Company

CENIT AG holds a 33.3% stake in CenProCS AIRliance GmbH, a Stuttgart-based company which specializes in the summarized provision of IT services and in the coordination and marketing of these services.

The share in the assets, liabilities, income and profit/loss of the associated company that is attributable to the Group as was follows on December 31, 2010:

SHARES IN AN ASSOCIATED COMPANY

in EUR k	2010	2009
Current assets	2,928	2,831
Non-current assets	0	0
Current debt	-2,877	-2,784
Non-current debt	0	0
Prorated net assets	51	47
Income	8,800	9,085
Profit/loss	4	-1
Carrying amount of the investment	54	50

CenProCS AIRliance GmbH discloses net income amounting to EUR k 12 (PY; EUR k -4) as at December 31, 2010.

4. Deferred Taxes

The recognition and measurement differences between the profits in the tax and commercial balance sheets as well as adjustments to the commercial balance sheets of the consolidated companies in order to comply with IFRS led to deferred taxes in the following positions:

DEFERRED TAXES

in EUR k	Deferred tax assets		Deferred tax liabilities	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Taxes on profits of subsidiaries not yet transferred	0	0	0	43
Depreciation property, plant and equipment	29	16	74	26
Intangible assets	0	0	1,134	308
General valuation allowances	0	0	49	50
Receivables from service agreements	0	0	197	87
Other provisions and deferred debt	178	107	0	97
Total	207	123	1,454	611
Netted	188	-123	-188	123
Total	**19**	**0**	**1,267**	**488**

Deferred taxes from initial consolidation of conunit GmbH in financial year 2010 were recorded with neutral effect on earnings at the amount of EUR k 1,023. The other changes in deferred tax assets and deferred tax liabilities were recognized under profit/loss in the reporting year and in the previous year, with the exception of insignificant currency translation effects.

As at December 31, 2010 no deferred income liabilities tax on profits not transferred (outside basis differences) were recorded (PY: EUR k 43). These amount to EUR k 39 as at the balance sheet date. As at the balance sheet date, the Group had no tax loss carryforwards that can be used for deferred taxes.

5. Inventories

INVENTORIES

in EUR k	12/31/2010	12/31/2009
Work in progress	86	94
Merchandise (valued at acquisition costs)	548	641
Prepayments made	0	190
Total inventories	**634**	**925**

No impairment on the net realizable value was recorded in financial year 2010 or in the preceding year. With respect to the inventories recorded as expense in the financial year, reference is made to the inventory changes disclosed in the income statement.

6. Receivables

Trade receivables from third parties were recorded at the amount of EUR k 15,485 (PY: EUR k 10,517), and from associated companies at the amount of EUR k 4,865 (PY: EUR k 4,161).

The receivables include receivables amounting to EUR k 1,348 (PY: EUR k 644) from construction contracts (PoC). Contract costs relating to these receivables amount to EUR k 510 (PY: EUR k 364). Consequently, profit in the amount of EUR k 838 (PY: EUR k 280) is attributable to production contracts. Prepayments received in the amount of EUR k 245 (PY: EUR k 24) are attributable to receivables from construction contracts. They are disclosed as other liabilities in the balance sheet.

Customers are usually allowed a 30- to 60-day payment period for payment. No interest was charged. Irrespective of the payment terms, individual value adjustments are recorded in the event that an actual default risk is known (settlement, insolvency). Trade receivables were subject to individual value adjustments amounting to EUR k 46 (PY: EUR k 0) as at the balance sheet date.

The age structure of trade receivables and receivables from associated companies was as follows at the financial year end:

RECEIVABLES

in EUR k	Total	Thereof: neither value-adjusted nor due on the reporting date	Thereof: not value adjusted at the reporting date and due within the following time bands			
			Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days
2010	20,396	16,437	3,077	538	198	100
2009	14,678	12,652	1,709	317	0	0

The credit quality of receivables as at the balance sheet date that are neither due nor value adjusted can be considered as adequate. There are no indications of impairment. The debtors' credit standing is continuously monitored.

Trade receivables in the amount of EUR k 46 (PY: EUR k 0) were value adjusted as at the balance sheet date. The value adjustment account developed as follows:

IMPAIRMENT OF RECEIVABLES	
in EUR k	Individual value adjustment
As at 1/1/2009	7
Addition (+)/release (-)	-7
As at 12/31/2009	0
Addition (+)/release (-)	46
As at 12/31/2010	**46**

Determination of the recoverability of trade receivables takes into account all changes in customers' credit standing from the payment target grant date to the balance sheet date. There is no appreciable concentration of the credit risk due to a diversified customer structure and the fact that no correlations exist.

One trade receivable of EUR k 194 is due in more than one year and is disclosed under non-current assets.

The receivables structure broken down by countries is as follows:

RECEIVABLES BY COUNTRIES		
in EUR k	12/31/2010	12/31/2009
Germany	16,589	13,314
Europe	2,203	542
Other countries, including USA	1,604	822
Total	**20,396**	**14,678**

7. Other Receivables

Other receivables consist of the following:

OTHER RECEIVABLES		
in EUR k	12/31/2010	12/31/2009
Receivables from employees	34	68
Receivables from deposits	42	32
Receivables from the Official Labour Exchange	34	49
Receivable from refunds	26	19
Interest deferrals	13	4
Other	10	33
Total	**159**	**205**

Other receivables are current receivables. They are not due and have not been value adjusted.

8. Other Financial Assets Measured at Fair Value through Profit or Loss

Other financial assets include the following:

OTHER FINANCIAL ASSETS		
in EUR k	12/31/2010	12/31/2009
BW Bank securities	966	910

On March 8, 2007, CENIT invested EUR k 1,000 in floating-rate bearing bearer bonds issued by a bank with an excellent credit rating. The interest rate is the 3-month EURIBOR +0.3%. This financial asset was classified as being held for trade purposes upon initial recognition.

In addition, bonds involving the amount of EUR k 3,000 were disclosed under non-current assets. These were measured and categorized at fair value upon acquisition.

All financial instruments were measured and recognized at fair value through profit or loss. Gains or losses were also recognized in profit or loss.

As at the balance sheet date, no material default risks were identifiable. The maximum possible credit risk consists of the amount of the disclosed carrying amount.

9. Current Income Tax Claims

Non-current income tax claims relate to the capitalized corporation tax credit which is stated at present value. A discounting rate of 4% was applied in the determination of present value.

Current tax refund claims totaling EUR k 699 (PY: EUR k 386) mainly include claims relating to prepaid corporation tax and trade tax in the total amount of EUR k 606 (PY: EUR k 296), and income tax claims from dual taxation treaties of EUR k 2 (PY: EUR k 3) as well as the short term proportion of the capitalized corporation tax credit of EUR k 91 (PY: EUR k 87).

10. Cash (Liquid Funds)

Cash consists of the following:

CASH		
in EUR k	12/31/2010	12/31/2009
Bank balances	13,302	18,591
Cash in hand	4	8
Total	**13,306**	**18,599**

Bank credit balances due on demand bear variable interest rates. The fair value of cash and cash equivalents amounts to EUR k 13,306 (PY: EUR k 18,599).

The credit lines not made use of by the Group as at the balance sheet date amount to EUR k 2,409 (PY: EUR k 2,409).

Cash is a component of cash and cash equivalents pursuant to IAS 7. The structure of cash and cash equivalents is reflected in section G.

11. Prepaid Expenses

Prepaid expenses consist of the following:

PREPAID EXPENSES

in EUR k	12/31/2010	12/31/2009
Amount accrued from license arrangement	3,403	1,633
Amount accrued for rights of use and vehicle insurance	387	199
Total	**3,790**	**1,832**

Accrued license payments include prepayments made by the CENIT Group that relate to the service period 011, and which will be charged to expenditure in the following year.

12. Equity

Share Capital

Since entry in the Commercial Register on August 14, 2006 the Company's share capital has amounted to EUR 8,367,758.00. It is fully paid in. The share capital is split up into 8,367,758 shares of stock at EUR 1.00 each (PY: 8,367,758 shares of stock at EUR 1.00 each). The shares are made out to the bearer and are all no-par value common shares.

As before, the Company does not hold own shares.

Authorized Capital

The Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital once or in several installments by a total amount of EUR 4,183,879.00 until June 13, 2011 by issuing up to 4,183,879 new no-par bearer shares in return for contributions in cash or in kind (authorized capital).

The shareholders are to be granted subscription rights. The new shares may also be offered to one or several credit institutions as well as to one or more credit institutions operating pursuant to Section 53 (1) sent. 1 or Section 53b (1) sent. 1 or (7) KWG (German Banking Act) with the obligation of offering them for sale to the shareholders (indirect subscription right).

However, the Management Board is authorized, with the approval of the Supervisory Board, to preclude the shareholders' statutory subscription rights, as follows:

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

- For a part amount totaling up to EUR 836,775.00 in the event of capital increases in return for contributions in cash to issue the new shares at an issue price not significantly lower than the stock market price (Section 186 (3) sent. 4 AktG (Stock Corporation Act)).

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

After an increase in share capital utilizing the authorized capital in full or in part, and if the authorized capital has not been used, or not used in full, by the end of June 13, 2011, the Supervisory Board is then authorized to adjust Article 5 of the Articles of Incorporation and bylaws accordingly after expiry of the period of authorization.

Conditional Capital

Conditional capital comprises the following as of the balance sheet date:

CONDITIONAL CAPITAL

	12/31/2010 Share	12/31/2009 Share	12/31/2010 EUR	12/31/2009 EUR
Stock option plan 2002/2006	520,000	520,000	520,000	520,000

Stock Option Plan 2002/2006

By resolution of the shareholders' meeting on June 13, 2006, the Company conditionally increased its share capital by up to EUR 520,000.00 through the issuance of up to a total of 520,000 individual no-par bearer shares (common stock). The conditional capital increase is aimed at granting shares to bearers of options, which the Management Board was authorized to issue on the basis of the resolution by the shareholders' meeting on June 19, 2002 as passed in the shareholders resolution of June 13, 2006. The conditional capital increase is only to be carried out to the extent that the bearers of the options exercise their rights, which were granted on the basis of authorization by the shareholders meeting on June 19, 2002 as passed in the shareholders resolution of June 13, 2006. The new shares participate in profits from the beginning of the financial year in which they are created through the exercising of the subscription rights. The Management Board is authorized, with the approval of the Supervisory Board, to decide on further details of the conditional capital increase and its implementation.

Terms and Conditions of Stock Option Plan 2002 as Amended by the Resolution Passed by the Annual General Meeting on June 13, 2006

The subscription rights may only be offered for acquisition to certain CENIT Group employees, consisting of CENIT Aktiengesellschaft Management Board members (group 1), employees of CENIT Aktiengesellschaft (group 2), members of the executive bodies of affiliated companies as defined by Section 15 et seqq. AktG (group 3), and employees of affiliated companies as defined by Sections 15 et seqq., AktG (group 4).

A total of up to 20% of the subscription rights may be issued to group 1, up to 50% to group 2, up to 10% to group 3 and up to 20% to group 4. The subscription rights may only be exercised in full after expiry of a 2-year period from the date of issue and can be "converted" into shares in return for payment of a subscription price if one of the performance targets has been reached.

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

- the average closing price of the common share on the Frankfurt Stock Exchange, during the last five trading days before the beginning of the exercise period (adjusted for possible capital measures meanwhile taken by the Company), amounts to at least 135 percent of the Company's share price on the date of the decision taken by the Management Board or the Supervisory Board to issue the subscription rights. or,

- the performance of the CENIT share, adjusted for any dividend payments, subscription rights, and other special rights having occurred in the meantime, is at least 15% higher than the development of the technology all share index over the same period of time between issuance of the subscription rights and the exercising of the subscription rights.

After expiry of the vesting period, the exercising of subscription rights and the sale of the shares acquired by exercising subscription rights, may only take place on the 4th bank working day and during the next 14 bank working days following publication of a quarterly report, Interim report or annual financial statements of the Company.

Decisive for the determination of the CENIT share value at the time of issuance of the subscription rights is the closing price of the Company's common stock in the XETRA (electronic trading platform of Deutsche Börse AG) - or a comparable successor system in place of XETRA - Technology All Share Index on the day of the Management Board's or Supervisory Board's decision concerning the issue.

The subscription rights are not transferable and can only be exercised by the entitled persons. However, in the event of death, the entitled person's statutory heirs may inherit the subscription rights.

The subscription rights have a term to maturity of 6 years. If the subscription rights cannot be exercised before the end of their term, they automatically expire at the end of their term without the necessity of a corresponding agreement or declaration of expiry on the part of the Company.

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

In the event of a procedure pursuant to Section 327a et seqq., AktG respecting non-exercised subscription rights under this stock option plan, the subscription rights are treated in accordance with the provisions of Section 327a et seqq. AktG subject to the following condition:

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

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

AVERAGE EXERCISE PRICE (WAEP)

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Management Board	39,000	11.10	39,000	11.10
Employees	168,000	11.10	168,000	11.10
Options expired	18,000	11.10	8,000	11.10
Total	**189,000**	**11.10**	**199,000**	**11.10**

In financial year 2010 no further stock options were issued to employees from this stock option. A total of 10,000 stock option expired as one employee left the Company in 2010.

As at the balance sheet date, 0 options (PY: 0) were exercisable since the exercise criteria were not fulfilled.

The weighted average remaining term of the contract concerning outstanding stock options as of December 31, 2010 is 1 year (2009: 2 years).

The weighted average fair value of options granted amounted to EUR k 640 (previous year: EUR k 640) and was recognized over the vesting period of 2 years as an increase in the additional paid-in capital.

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

BLACK-SCHOLES-OPTION PRICING MODEL

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

The anticipated term of the options is based on historical data and may deviate from the actual exercise patterns of the eligible persons. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also deviate from the actual outcome.

No other factors associated with the issue of options were taken into account in the determination of fair value.

Notes concerning Equity Components

The additional paid-in capital contains the share premium realized from issuing shares of the parent company in excess of their nominal value. If, pursuant to Section 272 (2) No 1 to 3 HGB, the statutory reserve and the additional paid-in capital together do not exceed one tenth of the capital stock or the higher amount stipulated in the articles of incorporation, in accordance with Section 150 AktG they may only be used to offset a net loss for the year or a loss carried forward from the previous year that is not covered by net income for the year, or profit brought forward from the previous year, and cannot be offset by releasing other revenue reserves. The additional paid-in capital was most recently increased by the amount of EUR k 195 in financial year 2007 on the basis of a prorated posting of the stock options granted under stock option plan 2002/2006.

Other revenue reserves and the statutory reserve pursuant to Section 150 AktG contain the profits transferred to reserves.

The currency translation reserve contains the net differences resulting from translation of the subsidiaries` financial statements that are offset with neutral effect on profit or loss.

No minority interests in equity were reported as at the balance sheet date.

13. Current Income Tax Liabilities and other Provisions

CURRENT INCOME TAX LIABILITIES AND OTHER PROVISIONS

in EUR k	12/31/2010	12/31/2009
Current income tax liabilities	64	422
Other provisions	177	322
Total	**241**	**744**

Other provisions include expenses of EUR k 95 (PY: EUR k 150) relating to the Annual General Meeting, and payment obligations amounting to EUR k 82 (PY: EUR k 147) from the return of leased vehicles. The provisions were measured using the best estimate of the amount necessary for settlement. The estimates contain some uncertainty as to the amount of the actual cash outflow.

Current income tax liabilities developed as follows:

CURRENT INCOME TAX LIABILITIES	
in EUR k	
As at 1/1/2010	422
Utilization	422
Addition	64
As at 12/31/2010	**64**

Other provisions cover all recognizable obligations vis à vis third parties in accordance with IAS 37. They developed as follows:

OTHER PROVISIONS			
in EUR k	Annual general meeting	Other	Total
As at 1/1/2010	150	172	322
Utilization	150	39	189
Reversal	0	115	115
Addition	95	64	159
As at 12/31/2010	**95**	**82**	**177**

The provisions are utilized in the following reporting period.

14. Liabilities

Liabilities are subject to customary retention of title to the delivered goods.

LIABILITIES		
in EUR k	12/31/2010	12/31/2009
Trade payables to third parties	4,684	4,241
Liabilities to associated companies	0	38
Total	**4,684**	**4,279**

Of the total amount of liabilities, EUR k 4,684 (PY: EUR k 4,279) are due within one year. They are not interest bearing

15. Other Liabilities

Other liabilities consist of the following:

OTHER LIABILITIES		
in EUR k	12/31/2010	12/31/2009
Liabilities from VAT and wage tax	2,906	1,588
Liabilities concerning social security	16	51
Deferred liabilities	3,617	2,979
Other	5,659	3,811
Total	12,198	8,429

The other liabilities mainly include incoming invoices not yet received and booked in the amount of EUR k 2,559 (PY: EUR k 1,819), prepayments received amounting to EUR k 2,123 (PY: EUR k 1,362), future payment obligations from virtual stock options of EUR k 19 (PY: 0) and other current liabilities.

Future payment obligations arising from virtual stock options result from the issue of virtual subscription rights of 10,000 CENIT AG shares, respectively (a total of 30,000) at a subscription price of EUR 4.00 or EUR 5.50, to a selected group of persons. The exercising of options is subject to a three-year vesting period. The total term of the options is five years. In addition, options can be exercised only if the market price of EUR 6.99 or EUR 8.00 is exceeded. The fair value was determined using a simplified Black-Merton-Scholes model. According to this model, expected future dividends and additional exercise terms cannot be shaped. Owing to the amount of the fair value, this is considered to be acceptable, however. Fair value determination was based on an expected volatility of around 33% which corresponds to the historical volatility. An interest rate of around 1.35% at matching maturities was applied as a risk-free interest rate. The fair value of the virtual subscription rights totals aroud EUR k 40. This amount is accrued on a pro rata temporis basis over the vesting period and posted as personnel expense.

Deferred liabilities are as follows:

DEFERRED LIABILITIES		
in EUR k	12/31/2010	12/31/2009
Employers' liability insurance, levy from the law relating to disabled persons	188	155
Holidays not taken and bonus claims	2,722	1,837
Long service awards	36	192
Personnel adjustment measures	160	402
Supervisory Board compensation	68	68
Other	443	325
Total	3,617	2,979

Long service awards (jubilee awards) total EUR k 303. Of this amount, EUR k 267 are disclosed under non-current liabilities, and EUR k 36 under current liabilities. There are no written commitments to employees concerning long service awards. Owing to the payment pattern and the resulting business practice, a liability has been recognised in the previous year for the first time. A calculation error occurred in the previous year. The pertaining effect of around EUR k 100 has been identified within the scope of an expert opinion as at the current balance sheet date. This amount was added in the financial year and is reflected in the income statement. A correction in terms of IAS 8 was not made due to insignificance.

16. Financial Risk Management - Objectives and Methods

In accordance with IFRS 7, the disclosures required to be made in the notes to the financial statements (Notes) are aimed at providing decision-relevant information about the amount, point in time, and probability of future cash flows that result from financial instruments, and an estimation of the risks resulting from financial Instruments.

A financial Instrument is a contract that leads to a financial asset at a given entity and to a financial liability or equity instrument at another entity. In addition to liquid funds, financial assets primarily include non-securitized receivables and trade receivables, loan and receivables as well as securitized receivables such as cheques, bills of exchange or bonds. Financial assets may also include financial investments held to maturity and derivatives held for trading purposes. Financial liabilities, by contrast, usually form the basis for a contractual obligation to return liquid funds or other financial assets. This includes, in particular, trade liabilities, liabilities to banks, bonds, liabilities from the acceptance of bills issued and drawn, written options and derivative financial instruments with negative fair value.

The major financial instruments used by the Group — with the exception of derivative financial instruments — include bank loans and overdraft facilities and trade payables. The main purpose of these financial instruments is the financing of the Group's activities. The Group has various financial assets on hand such as trade receivables, securities and cash and current deposits that directly result from its activities.

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

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

The general regulations concerning a Group-wide risk policy are included in the Group guidelines. The Group wide-risk policy also provides for the use of derivative financial instruments. Corresponding financial transactions are only concluded with counterparties with excellent credit ratings.

Market Risk

Market risks involve a risk that the fair value or future cash flows of an instrument deviate due to market price changes. There are three types of market risks: Currency risk, interest rate risk, and other price risks such as the share price risk. The Company does not envisage any considerable market price risk. We refer to the following information with respect to the other market risks mentioned above.

Credit and Default Risk

Credit and default risks result from the possibility that business partners may fail to meet their obligations in the scope of a transaction involving financial instruments, and that this may cause financial losses.
Before accepting a new customer, the Group uses an external credit investigation in order to evaluate the credit standing of potential customers and define respective limits.

Credit ratings are performed using the services of Creditreform e.V.. For new and existing clients, the credit risk is reduced, inter alia, on the basis of customer prepayments. With respect to existing customers, the payment pattern is continuously analyzed. Moreover, credit risks are controlled on the basis of individual limits for each contracting party; these limits are examined annually.

No credit rating is carried out for contracts acquired by our contracting partners as the analysis was already been performed at contracting partner level.

In addition, we monitor receivable balances an ongoing basis, with the result that the Group is not exposed to any significant risk of default.

As we do not conclude any general netting agreements with customers, the sum total of amounts reported under assets also represents the maximum credit risk. There is no identifiable concentration of default risks from business relationships with individual debtors or groups of debtors. With respect to the other financial assets of the Group, which comprise cash and cash equivalents, the Group's maximum credit risk exposure, which arises from counterparty default, corresponds to the carrying amount of these instruments.

In addition to usual title retentions, the Group does not have securities or other credit improvement measures that could minimize this credit risk.

Currency Risk

The currency risk exposure mainly arises in the event of receivables or liabilities denominated in currencies other than the local currency of the Company within the scope of regular business operations.

Foreign currency receivables and liabilities which could give rise to currency risks are not material for the Group.

In addition, there are currency risks from cash denominated in USD. With cash amounting to TUSD 23 (previous year: TUSD 59) as well as a change of +/- 10%, the risk exposure amounts to EUR k 2 (previous year: EUR k 6). This risk is considered insignificant. There are no other risks from foreign currencies.

Interest Rate Risk

The Group is generally not exposed to any risk from fluctuating market interest rates since no long-term financial liabilities involving variable interest rates are utilized. An interest rate risk is only seen by the Group with respect to liquid fund investments. This risk is considered to be immaterial, however. With average cash holdings of EUR k 15,368, the impact on earnings would be +/- EUR k 153 if the achievable interest rate fluctuated by +/- 1%.

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

At both balance sheet dates, there were no derivative financial instruments in place to hedge against interest rate risks.

Liquidity Risk

The Group requires sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may be unable to fulfill their obligations within the scope of the regular course of their business. The Group controls liquidity risks by holding appropriate reserves, credits facilities at banks, and through continuous monitoring of predicted and actual cash flows in addition to reconciling the maturity profiles of financial assets and liabilities. The Group's credit standing enables the procurement of sufficient liquid assets. Moreover, the Group has unutilized credit lines of EUR k 2,409 (PY: EUR k 2,409).

Due to the high inventory of liquid funds and marketable securities, there are currently no liquidity or refinancing risks at Group level.

All financial liabilities are 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 maximum equity ratio in order to support the business activities and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in consideration of changes in general economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or return capital to shareholders or issue new shares. No changes were made to the objectives, policies, and processes as of December 31, 2010 and December 31, 2009. The Group monitors its capital in relation to total assets. Equity includes the equity attributable to the parent company's shareholders. Total assets comprise the total assets reported in the consolidated balance sheet (in accordance with IFRS):

TOTAL ASSETS		
in EUR k	12/31/2010	12/31/2009
Total assets	49,728	43,611
Equity attributable to the Parent Company‘ shareholders	29,037	28,075
Equity to total assets ratio (in %)	**58.4**	**64.4**

17. Financial Instruments

The following table reflects the carrying amounts and fair values of all financial instruments included in the consolidated financial statements:

CARRYING AMOUNT AND FAIR VALUE OF ALL FINANCIAL INSTRUMENTS DISCLOSED IN THE CONSOLIDATED FINANCIAL STATEMENTS				
in EUR k	Carrying amount	Carrying amount	Fair value	Fair value
	2010	2009	2010	2009
Financial assets				
Cash, cash equivalents	13,306	18,599	13,306	18,599
Other financial assets measured and recognized in profit or loss	3,966	2,910	3,966	2,910
Loans and receivables	20,510	14,883	20,510	14,883
Thereof:				
• Trade receivables	15,486	10,517	15,486	10,517
• Receivables from an associated company	4,865	4,161	4,865	4,161
• Other receivables	159	205	159	205
	37,782	**36,392**	**37,782**	**36,392**
Financial liabilities				
Other financial liabilities	13,960	11,068	13,960	11,068
Thereof:				
• Trade payables	4,684	4,241	4,684	4,241
• Liabilities to an associated company	0	38	0	38
• Deferred liabilities	3,617	2,839	3,617	2,839
• Other liabilities	5,659	3,950	5,659	3,950
	13,960	**11,068**	**13,960**	**11,068**

The fair value of the financial assets and liabilities corresponds to the carrying amount, as these are exclusively current assets and liabilities. The fair value of financial assets is derived from market prices.

G. Cash Flow Statement

The cash flow statement indicates the changes in the CENIT Group's cash and cash equivalents resulting from in- and outflows of cash. In accordance with IAS 7, cash flows were allocated to operating activity, investing activity, and financing activity. As a general rule, the amounts disclosed by foreign companies are translated at annual average rates. Deviating from this, liquidity is stated at reporting date rates in accordance with the balance sheet presentation. The impact of currency fluctuations on cash and cash equivalents is shown separately, to the extent that this impact is material. Changes relating to adjustments to deferred tax assets and deferred tax liabilities are disclosed separately.

The cash flows from investing and financing activities are determined on a payment basis. The cash flow from operating activities is indirectly derived from the Group's result for the year. Within the scope of indirect determination, the changes to balance sheet items in connection with operating activities are adjusted for effects from currency translations and from changes in the consolidated group. Differences arise here relative to the changes concerning the respective balance sheet items in the consolidated balance sheet.

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

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

Cash and cash equivalents include only those assets that can be converted into cash at any time without any significant deductions, and which are subject to only insignificant fluctuations.

All cash and cash equivalents are disclosed in the balance sheet to the extent their original maturity is less than three months. Cash and cash equivalents were structured as follows as at the balance sheet date:

CASH AND CASH EQUIVALENTS

in EUR k	12/31/2010	12/31/2009
Cash and cash equivalents		
Bank balances	13,302	18,591
Cash in hand	4	8
Cash and cash equivalents	**13,306**	**18,599**

Deferred tax assets increased from EUR k 0 in the previous year to the current EUR k 19. Deferred tax liabilities also increased by EUR k 779 from EUR k 488 to EUR k 1,267.

H. Segment Reporting

In accordance with IFRS 8, business segments are to be separated on the basis of internal reporting from Group divisions which are examined regularly by the Company's major decision-making bodies with respect to decisions concerning the allocation of resources to these segments and the evaluation of their profitability.
For the purpose of company control, the Group is organized on the basis of business units according to products and services and it has the following two operating segments which require reporting:

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

The presentation is based on internal reporting.

The Product Lifecycle Management (PLM) segment focuses on industrial customers and corresponding technologies. Its industry focus is on the automotive, aerospace, mechanical engineering, and shipbuilding industries. Special emphasis is placed on products and services (such as CATIA from Dassault Systèmes or SAP.

The EIM (Enterprise Information Management) segment focuses on the customer segment of trade and commerce, banks, insurance firms, utilities, and logistics companies. The range of services covers solutions for imaging, workflow, document and content management with FileNet, Groupware solutions based on Lotus Notes/Domino, effective systems management with TIVOLI, and IT outsourcing for IT infrastructures and applications.

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

Segmentation by region is based on the location of the Group's assets. Sales to external customers that are stated in the geographical segments are allocated to the individual segments based on the geographical location of the customers.

In financial year 2010, 18% of sales were generated with one customer (PY: 22%). These sales are mainly attributable to the PLM business segment.

Segment reporting according to business divisions is as follows:

SEGMENT REPORTING BY BUSINESS UNIT (IFRS) FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010

in EUR k		EIM	PLM	not allocated	Group
External revenue	Q1-Q4 2010	27,660	65,514	0	93,174
	Q1-Q4 2009	25,851	60,637	0	86,488
EBIT	Q1-Q4 2010	1,712	2,253	0	3,965
	Q1-Q4 2009	2,497	1,391	0	3,888
Share of profit of an associated entity	Q1-Q4 2010	0	4	0	4
	Q1-Q4 2009	0	-1	0	-1
Other interest result and financial result	Q1-Q4 2010	0	0	158	158
	Q1-Q4 2009	0	0	198	198
Income taxes	Q1-Q4 2010	0	0	1,118	1,118
	Q1-Q4 2009	0	0	1,357	1,357
Net income of the Group for the year	Q1-Q4 2010	1,712	2,253	-956	3,009
	Q1-Q4 2009	2,499	1,389	-1,160	2,728
Segment assets	Q1-Q4 2010	11,351	19,855	18,468	49,674
	Q1-Q4 2009	3,760	17,386	22,415	43,561
Investment in an associate	Q1-Q4 2010	0	54	0	54
	Q1-Q4 2009	0	50	0	50
Segment liabilities	Q1-Q4 2010	7,554	11,807	1,331	20,692
	Q1-Q4 2009	4,177	10,449	910	15,536
Investments in property, plant & equipment and intangible assets	Q1-Q4 2010	3,814	730	0	4,544
	Q1-Q4 2009	362	598	0	960
Amortization % depreciation	Q1-Q4 2010	670	1,106	0	1,776
	Q1-Q4 2009	284	1,123	0	1,407

EIM = Enterprise Information Management, PLM= Product Lifecycle Management

Segment reporting by regions:

SEGMENT REPORTING BY COUNTRY (IFRS) FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010									
in EUR k		Germany	Switzer-land	Nort Amerika	Romania	France	not allocated	Consoli-dation	Group
Internal revenue	Q1-Q4 2010	4,030	18	387	403	622	0	-5,460	0
	Q1-Q4 2009	4,078	547	319	473	465	0	-5,882	0
External revenue	Q1-Q4 2010	82,622	3,794	6,560	145	53	0	0	93,174
	Q1-Q4 2009	78,147	2,794	5,544	2	1	0	0	86,488
Segment assets	Q1-Q4 2010	28,339	1,567	2,199	143	153	18,468	-1,195	49,674
	Q1-Q4 2009	20,632	447	867	81	31	22,415	-912	43,561
Investment in an associate	Q1-Q4 2010	54	0	0	0	0	0	0	54
	Q1-Q4 2009	50	0	0	0	0	0	0	50
Investments in property, plant &	Q1-Q4 2010	4,482	0	42	16	4	0	0	4,544
equipment and intangible assets	Q1-Q4 2009	899	4	5	23	29	0	0	960

Non-allocated segment assets are structured as follows:

NON-ALLOCATED SEGMENT ASSETS		
in EUR k	12/31/2010	12/31/2009
Deferred tax assets	19	0
Long-term income tax receivable	478	520
Deferred income tax claims	699	386
Other financial assets (current and non-current)	3,966	2,910
Liquid funds	13,306	18,599
Total	18,468	22,415

Non-allocated segment debt is structured as follows:

NON-ALLOCATED SEGMENT DEBT		
in EUR k	12/31/2010	12/31/2009
Deferred tax liabilities	1,267	488
Current income tax liabilities	64	422
Total	1,331	910

No significant non-cash expenses were recorded in the reporting year and in the previous year, with the exception of amortization/depreciation and additions to provisions.

I. Other Disclosures

1. Contingencies and other Financial Obligations

There were no contingent liabilities as at the balance sheet date that are to be reported in the balance sheet or in the Notes.

The Company has other financial obligations connected with rental and lease agreements. The resulting financial obligations are reflected in the following overview:

RENTAL AND LEASE OBLIGATIONS

in EUR k	2010	2009
Residual term up to 1 year	3,461	3,626
Residual term, 1 - 5 years	4,162	2,983
Residual term, more than 5 years	824	0
Total	8,447	6,609

This item consists mainly of other financial obligations from rental relationships concerning leased office buildings in Germany that amount to EUR k 6,237 (PY: EUR k 4,498), and vehicle lease agreements of EUR k 1,589 (PY: EUR k 1,700). The usual extension options and price adjustment clauses apply.

No use is currently made of the option to extend the lease term concerning the head office's rental relationship beyond the basic term. A new rental agreement for new buildings was concluded, which involves a term of ten years and a termination option after five years. In the event of termination after five years a compensation payment of EUR k 740 must be made. From a current perspective, this termination option will probably not be exercised.

New offices were rented for a rental period of 10 years in order to retain liquidity in the Company. Company cars and communicating equipment are also rented on the basis of lease agreements in order to ensure state-of-the-art technology and avoid non-availability of liquidity. Cash flows that are included in the above listing will result from these agreements in future periods.

Income from sub-leases is expected to be incurred in future periods as follows:

INCOME FROM SUB-LEASES

in EUR k	2010	2009
within 1 year	193	191
1 - 5 years	0	147
Total	193	338

2. Relationships with Related Parties

Related parties of the CENIT Group in terms of IAS 24 include only management board, supervisory boards, their dependents and associated companies.

Transactions with related parties concern transactions performed by CENIT AG with a Supervisory Board member. Consulting expenses in the amount of EUR k 34 resulted from this in financial year 2010 (PY: EUR k 32) vis á vis CENIT AG, and consulting expenses of EUR k 1.8 vis à vis an associated company. The business relations were based on usual market conditions. Furthermore, CENIT AG generated sales of EUR k 16,779 from transactions with associated companies.

As at the balance sheet date liabilities to related parties totalled EUR k 7 (PY: EUR k 2); these liabilities were settled in the first days of January. Receivables from an associated company are disclosed separately in the balance sheet.

The Management Board members in the financial year were:

- Dipl.-Wirt.-Ing. Christian Pusch, Waldachtal, spokesman for the CENIT AG Management Board. Field of responsibility: finance, organization, personnel, marketing, investor relations

- Dipl.-Ing. Kurt Bengel, Waiblingen, field of responsibility: Operative business

The Supervisory Board includes the following members:

- Dipl.-Ing. Andreas Schmidt, (Independent management consultant), Ahrensburg, Chairman as from May 30, 2008

- Dipl.-Kfm. Hubert Leypoldt, (Independent auditor, tax advisor, legal counsel), Dettingen/ Erms, Vice Chairman as from May 30, 2008

- Dipl.-Ing. Andreas Karrer, Leinfelden-Echterdingen, (Employee representative as from May 30, 2008)

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

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS		
in EUR k	2010	2009
Christian Pusch		
Fixed remuneration	245	248
Performance-based remuneration thereof off-period	44 4	36 0
long-term incentive	0	0
Kurt Bengel		
Fixed remuneration	224	224
Performance-based remuneration thereof off-period	44 4	36 0
long-term incentive	0	0
Total	**557**	**544**

This item mainly includes short-term remuneration for activities performed during the financial year.

Under the stock option plan, the commitment of 24,000 stock options for Mr. Christian Pusch remains unchanged. For Mr. Kurt Bengel, the commitment of 15,000 stock options remains unchanged. In the reporting year, the expense came to EUR k 0 (previous year EUR k 0).

The Supervisory Board and the Management Board renegotiated the employment contracts of Management Board members in December 2010, taking into account the statutory provisions of the VorstAG. The new regulations are effective as from January 1, 2011. In particular, annual total remuneration was limited to EUR 500,000.00 in the individual case. The employment contract of Mr. Kurt Bengel was extended and fixed until December 31, 2015.

The employment contracts of Mr. Pusch and Mr. Bengel contain compensation payments pursuant to Section 74 HGB for the term of a one-year, a no-competition clause, as well as continued remuneration for six months to be paid to their surviving dependents in the event of death.

No further pension obligations or benefits were promised in the event of termination of service. In the event, the company terminates the contract without substantial reasons the management board member receives as a maximum a two year payment of his fixed remuneration stated in the contract as compensation for the residual term of the contract. In any case, only the remaining period is remunerated.

Compensation for the Supervisory Board pursuant to Article 14 of the articles of incorporation is as follows:

REMUNERATION OF THE SUPERVISORY BOARD				
in EUR k	2010	2010	2009	2009
	Fixed compensation	Performance-based compensation	Fixed compensation	Performance-based compensation
Andreas Schmidt	30.0	0	30.0	0
Hubert Leypoldt	22.5	0	22.5	0
Andreas Karrer	15.0	0	15.0	0
Total	67.5	0	67.5	0

The D&O insurance was continued in financial 2010 for Management Board members, Supervisory Board members and other executives. The premiums of EUR k 25 (PY: EUR k 25) were borne by the Company.

Supervisory Board members held 193,293 shares, or 2.31% of the Company's share capital.

3. Changes at Shareholder Level

In a letter dated February 21, 2007 the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte announced that their voting powers exceeded the threshold of 3%. The communication, in compliance with § 21 (1) of the German Securities Trading Act («WpHG»), reads as follows:

"Ladies and Gentlemen,

We are writing to notify you that the share of voting rights held by the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Gartenstrasse 63, 72074 Tübingen in CENIT AG, Industriestrasse 52 - 54, 70565 Stuttgart, exceeded the threshold of 3% on February 20, 2007 and now stands at 3.94% (330,000 voting rights). Of this, 2.99% of the voting rights of the Baden-Württembergische Investmentgesellschaft mbH, Stuttgart and 0.95% from the Universal Investmentgesellschaft mbH, Frankfurt are to be attributed to us according to Section 22 (1) No. 2 of the German Securities Trading Act ("WpHG") .

Yours sincerely

Dr. Hepp

Deputy Managing Director"

In a letter dated November 13, 2008, Highclere International Investors Limited, London, announced that their voting powers exceeded 5%. The information pursuant to Section 21 (1) WpHG reads as follows:

"Dear Sir/Madam,

Highclere International Investors Limited off 2, Manchester Square, London, UK, herewith gives the following notice: Notification pursuant to Sec. 21 (1), 22 WpHG.

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

CENIT AG Systemhaus, Industriestrasse 52 - 54, D-70565, Stuttgart, Germany

We hereby give notice, pursuant to sec. 21 para. 1 of the WpHG, that on 12 November, 2008 our voting interest in CENIT AG Systemhaus exceeded the threshold of 5% and amounts to 5.21% (436,268 voting rights in relation to the total of 8,367,758) on this day. All voting rights are attributable to us in accordance with sec. 22 para. 1 Sent. 1 No. 6 of the WpHG. Voting rights are attributed to us by The Highclere International Investors Smaller Companies Fund and The Highclere (Jersey) International Smaller Companies Fund.

Yours faithfully,

Fergus Gilmour

Chief Operating Officer"

In a letter dated November 2, 2009, Allianz Global Investors Kapitalanlagegesellschaft mbH announced that their voting rights were below the threshold of 5%. The announcement pursuant to Section 21 (1) WpHG reads as follows:

"We hereby give notice pursuant to Section. 21 (1) sent. 1 WpHG that, on 27 October 2009, our voting interest in CENIT AG Systemhaus, Industriestrasse 52 – 54, 70565 Stuttgart was below the threshold of 5% on October 27, 2009 and on this day amounts to 4.91% of the total voting rights in this company (which corresponds to 410,548 of a total of 8,367,758 voting rights).

We hold 1.22% of the total voting rights (corresponding to 102,109 of the total of 8,367,758 voting rights) pursuant to Section 22 (1) sent. 1 No. 6 WpHG.

Mark Geitzenauer   Ulrich Lind"

During financial year 2010 several notifications pursuant to 21 (1) WpHG from Axxion S.A. were received. The most recent notification is dated May 12, 2010 and reads as follows:

"Ladies and Gentlemen,

We hereby notify you in accordance with Section 21 (1) WpHG that our share of voting rights in CE-NIT AG Systemhaus (ISIN: DE0005407100) exceeded the threshold of 3% on May 7, 2010 and now amounts to 3.18%.

Axxion S.A. stock	266,356 shares (DE0005407100)
Total stock in circulation:	8,367,758 shares

Yours faithfully,
Axxion S.A.

Heiko Hector
Risk Management"

During financial year 2010 several notifications pursuant to Section 21 (1) WpHG were received from PRODYNA AG. The most recent notification is dated December 17, 2010 and reads as follows:

" Ladies and Gentlemen,

We hereby notify you in accordance with Section 21 (1) WpHG that our share of voting rights in CENIT AG, Industriestrasse 52-54, D-70565 Stuttgart (ISIN: DE 0005407100) exceeded the threshold of 5% on December 17, 2010 and now amounts to 5.26%.

Stock as at December 17, 2010

PRODYNA AG: 440,000 shares
Total shares
in circulation: 8,367,758 shares

Yours faithfully,
PRODYNA AG
Hüseyin Cifci"

4. Audit and consulting fees of the auditor

AUDIT AND CONSULTING FEES OF THE AUDITION		
in EUR k	2010	2009
Audit free respecting the annual and consolidated financial statements	104	101
Thereof, off-period	(0)	(3)
Fee respecting other services	165	0
Total	**269**	**98**

5. Events after the balance sheet date

No events with a significant impact on the Group's net assets, financial position and results of operations have occurred after the balance sheet date.

6. Declaration pursuant to Section 161 AktG - Corporate Governance Code

The Company's Management Board and Supervisory Board have issued the declaration required under Section 161 AktG for the year 2010 and have made the declaration accessible on the Company's homepage (www.cenit.de).

Stuttgart, March 1, 2011

CENIT Aktiengesellschaft

The Management Board

Christian Pusch
(Spokesman of the Management Board)

Kurt Bengel

AUDIT OPINION

We have audited the consolidated financial statements prepared by the CENIT Aktiengesellschaft, Stuttgart, comprising the balance sheet, the statement of comprehensive income, the income statement, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the management report of the CENIT-group and the company for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the management report of the CENIT-group and the company in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law to sec. 315a para. 1 HGB ["Handelsgesetzbuch": German Commercial Code] and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the management report of the CENIT-group and the company based on our audit.

We conducted our audit of the consolidated financial statements in accordance with sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the management report of the CENIT-group and the company are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report of the CENIT-group and the company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities to be included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report of the CENIT-group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The management report of the CENIT-group and the company is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Stuttgart/Leonberg, March 3, 2011

BDO AG Wirtschaftsprüfungsgesellschaft

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

RESPONSIBILITY STATEMENT IN THE ANNUAL FINANCIAL REPORT
(GROUP FIANANCIAL REPORT)

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

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

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

The Management Board

Christian Pusch
(Spokesman of the Management Board)

Kurt Bengel

FINANCIAL STATEMENT AG

CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET as of December 31, 2010

		12/31/2010	12/31/2009
ASSETS	EUR	EUR	EUR
A. NON-CURRENT ASSETS			
I. Intangible assets			
Concessions, industrial property rights and assets and licenses in such rights and assets		408,608.56	237,484.59
II. Property, plant and equipment			
1. Land and buildings including buildings on third party land	762,950.97		873,930.41
2. Plant and machinery	829,084.46		958,126.98
3. Other equipment, furnitures and fixtures	164,701.76		258,036.48
		1,756,737.19	2,090,093.87
III. Financial assets			
1. Shares in affiliated companies	625,643.06		625,643.06
2. Equity investments	52,554.25		52,554.25
3. Marketable securities	3,000,000.00		2,000,000.00
		3,678,197.31	2,678,197.31
B. CURRENT ASSETS			
I. Inventories			
1. Work in progress	793,485.09		348,297.66
2. Merchandise	470,431.96		578,477.01
3. Payments in advance	0.00		190,094.80
		1,263,917.05	1,116,869.47
II. Receivables and other assets			
1. Trade receivables	11,533,494.86		9,006,056.05
2. Receivables from affiliated companies	356,227.79		207,273.33
3. Receivables from companies in which an equity invest ment is held	4,812,547.30		4,111,711.06
4. Other assets	1,034,453.21		953,256.31
		17,736,723.16	14,278,296.75
III. Securities			
Other securities		966,100.00	910,000.00
IV. Cash in hand, bank balances and cheques		11,410,418.93	16,305,326.87
C. PREPAID EXPENSES			
Prepaid expenses		2,933,546.29	1,622,389.11
		40,154,248,49	39,238,657,97

CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET as of December 31, 2010

		12/31/2010	12/31/2009
EQUITY AND LIABILITIES	EUR	EUR	EUR
A. EQUITY CAPITAL			
I. Issued capital		8,367,758.00	8,367,758.00
Conditional capital EUR 520,000.00 (PY,: EUR 520,000.00)			
II. Additional paid-in capital		1,058,017.90	1,058,017.90
III. Revenue reserve			
1. Legal reserve		418,387.90	418,387.90
2. Other revenue reserves		11,670,955.48	10,970,955.48
IV. Unappropriated retained earnings		1,389,259.84	3,906,741.48
		22,904,379.12	24,721,860.76
B. PROVISIONS			
1. Tax provisions	22,836.08		390,097.96
2. Other provisions	6,315,090.95		5,639,849.14
		6,337,927.03	6,029,947.10
C. LIABILITIES			
1. Prepayments received on account of orders	881,647.24		886,491.52
2. Trade payables	4,400,179.12		4,110,226.38
3. Liabilities to affiliated companies	578,430.58		116,033.12
4. Liabilities to companies in which an equity investment is held	0.00		37,974.63
5. Other liabilities	3,106,309.45		1,740,060.97
thereof respecting social security: EUR 0.00 (PY: EUR 0.00)			
thereof from taxes: EUR 2,831,372.85 (PY: EUR 1,569,963.91)			
		8,966,566.39	6,890,786.62
D. DEFERRED INCOME			
		1,945,375.95	1,596,063.49
		40,154,248.49	39,238,657.97

CENIT Aktiengesellschaft, Stuttgart
INCOME STATEMENT
for the Period from January 1 to December 31, 2010

		2010	2009
	EUR	EUR	EUR
1. Sales revenues		88,745,578.84	81,585,744.60
2. Increase/decrease in work in progress		445,187.43	-444,232.99
3. Other operating income		1,086,799.96	1,147,131.22
		90,277,566.23	82,288,642.83
4. Cost of materials			
a. Cost of raw materials, consumables and supplies of purchased merchandise	22,416,027.45		16,883,348.49
b. Cost of purchased services	9,972,995.03		9,914,392.86
		32,389,022.48	26,797,741.35
5. Personnel expenses			
a. Salaries	32,681,865.49		31,978,582.68
b. Social security costs	5,507,216.20		5,427,580.89
		38,189,081.69	37,406,163.57
6. Amortization/depreciation of intagible assets and of property, plant and equipment		1,231,757.05	1,112,969.69
7. Other operating expenses		14,608,049.42	13,642,786,64
		3,859,655.59	3,328,981.58
8. Income from equity investments thereof from affiliated companies: EUR 480.881,22 (PY.: EUR 2.146.376,97)	480,881.22		2,146,376.97
9. Income from other securities and long-term financial investments	63,929.84		0.00
10. Other interest and similar income thereof from affiliated companies: EUR 0,00 (PY: EUR 0,00)	113,417.48		258,957.16
11. Impairment of marketable securities	0.00		50,000.00
12. Interest and similar expenses thereof from affiliated companies: EUR 0,00 (PY: EUR 47.266,78)	75,978.52		66,148.95
13. Result from ordinary activities		4,441,905.61	5,618,166.76
14. Extraordinary expenses		2,455,985.14	473,357.07
15. Income taxes		1,232,362.23	1,277,427.72
16. Other taxes		60,712.48	53,636.82
17. Net income for the year		692,845.76	3,813,745.15

CENIT Aktiengesellschaft, Stuttgart

STATEMENT OF CHANGES IN FIXED ASSETS 2010

in EUR	Acquisition and production cost					Accumulated depreciation and amortisation				Net book values	
	As of 1 Jan. 2010	Additions	Additions from merger	Disposals	As of 31 Dec. 2010	As of 1 Jan. 2010	Additions	Disposals	As of 31 Dec. 2010	As of 31 Dec. 2010	As of 31 Dec. 2009
I. Intangible Assets											
Franchises, industrial and similar rights and assets and licenses in such rights and assets	1,589,210.29	471,520.94	695.00	54,729.31	2,006,696.92	1,351,725.70	301,091.97	54,729.31	1,598,088.36	408,608.56	237,484.59
II. Property, pant and equipment											
1. Land and Buidings including buildings on third-party land	1,557,649.81	22,365.00		0.00	1,580,014.81	683,719.40	133,344.44	0.00	817,063.84	762,950.97	873,930.41
2. Plant and machinery	6,762,017.49	491,240.71	24,643.00	179,056.88	7,098,844.32	5,803,890.51	644,261.76	178,392.41	6,269,759.86	829,084.46	958,126.98
3. Other equipment, furniture and fixtures	769,367.81	43,670.08	27,131.50	42,373.04	797,796.35	511,331.33	153,058.88	31,295.62	633,094.59	164,701.76	258,036.48
Total	9,089,035.11	557,275.79	51,774.50	221,429.92	9,476,655.48	6,998,941.24	930,665.08	209,688.03	7,719,918.29	1,756,737.19	2,090,093.87
	10,678,245.40	1,028,796.73	52,469.50	276,159.23	11,483,352.40	8,350,666.94	1,231,757.05	264,417.34	9,318,006.65	2,165,345.75	2,327,578.46
III. Financial Assets											
1. Shares in affiliated companies	4,663,746.66	3,162,476.35		7,200,579.95	625,643.06	4,038,103.60	0.00	4,038,103.60	0.00	625,643.06	625,643.06
2. Equity investments	52,554.25				52,554.25	0.00			0.00	52,554.25	52,554.25
3. Longterm securities	2,000,000.00	1,000,000.00			3,000,000.00	0.00			0.00	3,000,000.00	2,000,000.00
Total	**6,716,300.91**	**4,162,476.35**	**0.00**	**7,200,579.95**	**3,678,197.31**	**4,038,103.60**	**0.00**	**4,038,103.60**	**0.00**	**3,678,197.31**	**2,678,197.31**
	17.394.546.31	**5.191.273.08**	**52.469.50**	**7.476.739.18**	**15.161.549.71**	**12.388.770.54**	**1.231.757.05**	**4.302.520.94**	**9.318.006.65**	**5.843.543.06**	**5.005.775.77**

CENIT AKTIENGESELLSCHAFT, STUTTGART

NOTES TO THE FINANCIAL STATEMENTS - FINANCIAL YEAR 2010

A. General

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

The income statement has been prepared in accordance with the nature of expense method ("Gesamtkostenverfahren"). The split-up of sale revenues according to product types was changed in the financial year with a view to improving transparency in the presentation of individual service segments.

By purchase agreement of July 1, 2010 a 100% stake in conunit GmbH was acquired and merged with the assets of CENIT AG with effect from January 1, 2010. The assets and debts taken over were accounted for and valued at carrying amounts pursuant to Section 24 UmwG (Law Regulating Transformation of Companies). This did not have a material impact on the comparability of net assets, financial position and results of operations of CENIT AG.

Pursuant to Art. 67 (8) sent. 2 of the EGHGB (Introductory Law concerning the German Commercial Code) the previous year's figures were not adjusted to the new BilMoG (German Accounting Law Modernization Act) provisions.

B. Accounting Policies

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

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

Property, plant and equipment are capitalized at acquisition or production costs and, if they have a limited life, net of scheduled depreciation over the useful lives of the assets, using the straight line method.

Non-current assets were transferred at carrying amounts within the scope of the merger of conunit GmbH and CENIT AG.

Low-value assets with a net value of up to EUR 150.00 per item are fully expensed in the year of acquisition. Low-value assets with a net value of up to EUR 410.00 are fully expensed in the year of acquisition, with their immediate disposal being assumed. With respect to non-current asset items with a net value of between EUR 150 and EUR 1,000 which were acquired after December 31, 2007 and before January 1, 2010, the tax based collective item procedure is also applied in the commercial balance sheet for reasons of simplification. The collective item is generally written down over a useful life of three years.

Financial assets are stated at acquisition costs or the lower fair value.

Work in progress is valued at production cost or, in the event of purchased services, at acquisition cost. Own work comprises direct labour costs and proportionate overheads for administration, depreciation and amortization and rent.

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

Receivables and other assets are stated at their nominal value. All identifiable specific risks are taken into account in valuation. A general allowance of 1% (prior year: 1%) was recorded to cover the general credit risk associated with trade receivables. Non-interest-bearing receivables due in more than one year are discounted.

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

Provisions account for all foreseeable risks and contingent liabilities and are recorded at the settlement amount necessary when applying reasonable and prudent business judgment (as of December 31, 2009 valuation only in accordance with sound business judgment). Expected future cost increases are taken into account in the measurement of provisions. Provisions with a residual term of more than one year were discounted at the average market interest rate of the past seven years in keeping with their residual terms.

The provision for general warranties was calculated at 0.5% of revenue (PY: 0.5%) in the reporting year. Provisions for individual warranties were not recorded in the financial year (PY: EUR k 25).

Liabilities are recorded at the amount repayable.

With respect to the determination of **deferred taxes** arising from temporary or quasi-permanent differences between the commercial values of assets, debts and accrued/deferred items and the respective tax values, the amounts of the resulting tax liabilities or tax assets are measured at the company-specific tax rate at the time of elimination of the differences, and are not discounted. The option not to capitalize deferred tax assets is made use of.

Receivables and liabilities denominated in foreign currencies are translated based on the average spot exchange rate as at the reporting date. In the event of residual terms of more than one year, the realization principle (Section 252 (1) No. 4 half sent. 2 HGB) and the acquisition cost principle (Section 253 (1) sent. 1 HGB) were observed.

Sales revenues represent revenues earned within the scope of ordinary activities. Sales revenues are shown net, i.e. excluding VAT and net of sales deductions. Sales revenues are realized as soon as the risk associated with delivery has been passed on to the customer or when the contractually agreed service has been provided. The realization of sales revenues from licensing transactions depends on whether the rights of use have been issued on a definite or indefinite term basis. When licensing transactions are performed that provide the licensee with a temporarily limited right of use, then the sales revenues are recognized on a straight line basis over the contracted period. When the licenses provide for an unlimited right of use, the periodic one-off royalty (PLC) is disclosed at the time the right of disposal has been transferred and the annual royalty (ALC) is disclosed as sales revenue on a pro rata temporis basis.

C. Notes to the Balance Sheet and the Income Statement

I. Balance Sheet

1. Non-Current Assets

The development of non-current asset items is presented in the statement of changes in non-current assets (Appendix 2). Under III. 1, Financial Assets, the statement contains a historical disclosure error which was corrected in financial year 2010. The correction does not impact on the income statement or the balance sheet presentation. The disclosure error which involves a total amount of EUR k 4,038 was adjusted under disposals within the scope of acquisition/production costs and within the scope of accumulated amortization/depreciation. Moreover, due to the merger, acquisition costs of conunit GmbH involving an amount of EUR k 3,162 respectively, are disclosed as addition and disposal under acquisition/production costs.

2. Financial Assets

The following shareholdings are reported:

ENTITIES						
No.	Name and location	Currency	Interest in %	Subscribed capital TLC	Equity capital TLC	Net income/ loss TLC
1	CENIT (Schweiz) AG Frauenfeld/Switzerland	CHF	100,0	500	2.429	518
2	CENIT NORTH AMERICA INC., Auburn Hills/USA	USD	100,0	25	1.022	192
3	CENIT SRL Iasi/Romania	RON	100,0	344	645	98
4	CENIT FRANCE SARL Toulouse/France	EUR	100,0	10	108	50
5	CenProCS AIRliance GmbH Stuttgart/Germany	EUR	33,3	150	153	12

3. Inventories

Own work included in 'work in progress' comprises order-related consulting and other services which were valued at production cost.

Merchandise includes project-related, acquired software.

4. Receivables and other Assets

Trade receivables are due within one year with the exception of an amount of EUR k 110. This longer-term receivable is due for payment in 2012.

Receivables from affiliated companies and receivables from companies in which an equity investment is held are due within one year.

Receivables from affiliated companies in the amount of EUR k 356 (PY: EUR k 207) as well as **receivables from companies in which an equity investment is held** amount to EUR k 4,813 (PY: EUR k 4,112). They concern exclusively trade receivables.

Other assets include mainly tax refund claims of EUR k 901 (PY: EUR k 708), specifically tax refund claims from corporation tax, solidarity surcharge and trade tax in the amount of EUR k 332 (PY: EUR k 101) and credit balances from the tax moratorium in the amount of EUR k 569 (PY: EUR k 606). The amount of EUR k 478 included in the tax moratorium is long-term with a residual life of more than one year. The moratorium credit balance was recorded as at December 31, 2006 for the first time. It is non-interest bearing and is subject to a 4% discount on its present value. Payment is due between 2008 and 2017 at 10 equal annual amounts.

5. Prepaid Expenses

PREPAID EXPENSES

in EUR k	31.12.2010	31.12.2009
Accrued rights of license use	2,711	1,467
Other accrued expenses	223	155
Total	2,934	1,622

The item consists primarily of prepaid license fees and prepaid expenses for rights of use and vehicle insurance.

6. Deferred Taxes

Deferred taxes result mainly from accounting and measurement differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. These differences primarily concern other provisions and the collective item for low value assets that are written down according to schedule over five years in the tax balance sheet and over three years in the commercial balance sheet.

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

The deferred taxes were calculated applying a tax rate of 30.95%.

7. Equity

Share capital

Since entry in the Commercial Register on August 14, 2006 the Company's share capital has amounted to EUR 8,367,758.00. It is fully paid in. The share capital is split up into 8,367,758 shares of stock at EUR 1.00 each. The shares are made out to the bearer and are all no-par value common shares.

Authorized Capital

The Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital once or in several installments with a total amount of up to EUR 4,183,879.00 until June 13, 2011 by issuing up to 4,183,879 new bearer shares in return for contributions in cash or in kind (authorized capital).

The shareholders are to be granted subscription rights. The new shares may also be offered to one or several credit institutions as well as to one or more credit institutions operating pursuant to Section 53 (1) sent. 1 or Section 53b (1) sent. 1 or (7) KWG (German Banking Act) with the obligation of offering them for sale to the shareholders (indirect subscription right).

However, the Management Board is authorized with the approval of the Supervisory Board, to preclude the shareholders' statutory subscription rights, as follows:

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

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

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

After an increase in share capital utilizing the authorized capital in full or in part, and if the authorized capital has not been used, or not used in full, by the end of June 13, 2011, the Supervisory Board is then authorized to adjust Article 5 of the Articles of Incorporation and bylaws accordingly after expiry of the period of authorization.

Conditional Capital

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

CONDITIONAL CAPITAL				
	12/31/2010 Number	12/31/2009 Number	12/31/2010 EUR	12/31/2009 EUR
Stock option plan 2002/2006	520,000	520,000	520,000	520,000

Stock Option Plan 2002/2006

By resolution of the shareholders' meeting on June 13, 2006, the Company conditionally increased its share capital by up to EUR 520,000.00 through the issuance of up to a total of 520,000 individual no-par bearer shares (common stock). The conditional capital increase is aimed at granting shares to bearers of options, which the Management Board was authorized to issue on the basis of the resolution by the shareholders' meeting on June 19, 2002 as passed in the shareholders resolution of June 13, 2006. The conditional capital increase is only to be carried out to the extent that the bearers of the options exercise their rights, which were granted on the basis of authorization by the shareholders meeting on June 19, 2002 as passed in the shareholders resolution of June 13, 2006. The new shares participate in profits from the beginning of the financial year in which they are created through the exercising of the subscription rights. The Management Board is authorized, with the approval of the Supervisory Board, to decide on further details of the conditional capital increase and its implementation.

Terms and Conditions of the Stock Option Plan 2002 as Amended by the Resolution Passed by the Annual General Meeting on June 13, 2006

The subscription rights may only be offered for acquisition to certain CENIT Group employees, consisting of CENIT Aktiengesellschaft Management Board members (group 1), employees of CENIT Aktiengesellschaft (group 2), members of the executive bodies of affiliated companies as defined by Section 15 et seqq. AktG (group 3), and employees of affiliated companies as defined by Sections 15 et seqq., AktG (group 4).

A total of up to 20% of the subscription rights may be issued to group 1, up to 50% to group 2, up to 10% to group 3 and up to 20% to group 4. The subscription rights may only be exercised in full after expiry of a 2-year period from the date of issue and can be "converted" into shares in return for payment of a subscription price if one of the performance targets has been reached.

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

- the average closing price of the common share on the Frankfurt Stock Exchange, during the last five trading days before the beginning of the exercise period (adjusted for possible capital measures meanwhile taken by the Company), amounts to at least 135 percent of the Company's share price on the date of the decision taken by the Management Board or the Supervisory Board to issue the subscription rights. or,

- the performance of the CENIT share, adjusted for any dividend payments, subscription rights, and other special rights having occurred in the meantime, is at least 15% higher than the development of the technology all share index over the same period of time between issuance of the subscription rights and the exercising of the subscription rights.

After expiry of the vesting period, the exercising of subscription rights and the sale of the shares acquired by exercising subscription rights, may only take place on the 4th bank working day and during the next 14 bank working days following publication of a quarterly report, Interim report or annual financial statements of the Company.

Decisive for the determination of the CENIT share value at the time of issuance of the subscription rights is the closing price of the Company's common stock in the XETRA (electronic trading platform of Deutsche Börse AG) - or a comparable successor system in place of XETRA - Technology All Share Index on the day of the Management Board's or Supervisory Board's decision to issue or not.

The subscription rights are not transferable and can only be exercised by the entitled persons. However, in the event of death, the entitled person's statutory heirs may inherit the subscription rights.

The subscription rights have a term to maturity of 6 years. If the subscription rights cannot be exercised before the end of their term, they automatically expire at the end of their term without the necessity of a corresponding agreement or declaration of expiry on the part of the Company.

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

In the event of a procedure pursuant to Section 327a et seqq., AktG respecting non-exercised subscription rights under this stock option plan, the subscription rights are treated in accordance with the provisions of Section 327a et seqq. AktG subject to the following condition:

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

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

AVERAGE EXERCISE PRICE (WAEP)

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Management Board	39,000	11.10	39,000	11.10
Employees	168,000	11.10	168,000	11.10
Options expired	18,000	11.10	8,000	11.10
Total	189,000	11.10	199,000	11.10

The reserve set up to this end has not been changed.

The weighted average remaining term of the contract for the outstanding stock options as of December 31, 2010 is 1 year (2009: 2 years).

The weighted average fair value of options granted amounted to EUR k 640 (PY: EUR k 640) and was recognized over the vesting period of 2 years as an increase in the additional paid-in capital.

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

The calculation was based on the following parameters:

BLACK-SCHOLES-OPTION PRICING MODEL

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

The anticipated term of the options is based on historical data and may deviate from the actual exercise patterns of the eligible persons. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also deviate from the actual outcome.

No other factors associated with the issue of the options were taken into account in the determination of fair value.

In financial year 2010 no stock options from this stock option plan were issued to employees.

8. Additional Paid-In Capital

The additional paid-in capital remained unchanged in the financial year and continues to amount to EUR k 1,058.

9. Statutory Reserve

The statutory reserve remained unchanged in comparison to the previous year and amounts to EUR k 418.

10. Other Revenue Reserves

The other revenue reserves developed as follows:

OTHER REVENUE RESERVES

in EUR k	
January 1, 2010	10,971
Transfer from unappropriated retained earnings 2009 by the annual general meeting	1,300
Withdrawals in financial year 2010	-600
December 31, 2010	**11,671**

11. Unappropriated Retained Earnings

The unappropriated retained earnings developed as follows:

UNAPPROPRIATED RETAINED EARNINGS		
in EUR k	2010	2009
Net income for the year	692	3,814
Unappropriated retained earnings previous year	3,907	2,993
Dividend	-2,510	0
Transfer to other revenue reserves	-1,300	-2,900
Profit carried forward form the previous year	97	93
Withdrawal from other revenue reserves	600	0
Unappropriated retained earnings	**1,389**	**3,907**

12. Provisions

Other provisions essentially comprise provisions for personnel expenses in the amount of EUR k 2,779 (PY: EUR k 1,982), provisions for general warranties in the amount of EUR k 442 (PY: EUR k 415), a provision for outstanding supplier invoices of EUR k 1,732 (PY: EUR k 1,680) and provisions for long service awards in the amount of EUR k 303 (PY: EUR k 192).

There are not written commitments to employees concerning long service awards. Owing to the payment pattern and the resulting business practice, provisions to this end were recorded in the previous year for the first time. A difference occurred when calculating the provision in the previous year. The pertaining effect of ca. EUR k 100 has been identified within the scope of an expert opinion as at the current balance sheet date. This amount was added in the financial year and is reflected in the income statement.

Virtual stock options were granted to a limited group of employees. These virtual stock options represent a special form of performance-based remuneration which is not linked to the result for the year but to the share price development. The eligible persons were granted a virtual subscription right of 10,000 shares of CENIT AG each at a subscription price of between EUR 4.00 or EUR 5.50 in the individual case. Exercising the option is subject to a vesting period of three years and the overall term of the options is five years. Moreover, the options can only be exercised if a stock price threshold of EUR 6.99 or EUR 8.00 has been exceeded. A provision of EUR k 19 was set up in the financial year to cover this future payment obligation.

The **tax provision** includes a provision for trade tax concerning previous years in the amount of EUR k 23 (PY: EUR k 4) and the current year in the amount of EUR k 0 (PY: EUR k 386).

13. Liabilities

Liabilities are due within one year.

The liabilities to affiliated companies include trade payables in the amount of EUR k 161 (PY: EUR k 76) and prepayments made in the amount of EUR k 418 (PY: EUR k 40).

Liabilities to companies in which an equity investment is held concern trade payables in the amount of EUR k 0 (PY: EUR k 38).

II. Income Statement

1. Sales Revenues

SALES REVENUES		
in EUR k	2010	2009
CENIT Software	9,323	8,235
External software	29,829	23,004
CENIT consulting and service	48,863	49,475
Merchandise hardware	731	872
Total	88,746	81,586

Domestic sales account for 90.0% and other EU countries for 4.4% of sales revenues. Other countries account for 5.6% of sales revenues.

2. Other Operating Income

The other operating income includes income from salary- and administration costs passed on in the amount of EUR k 217 (PY: EUR k 293), insurance refunds of EUR k 114 (PY: EUR k 118), rental income from sub-lease in the amount of EUR k 294 (PY: EUR k 264), income from the reversal of provisions of EUR k 180 (PY: EUR k 69), income from write-ups on securities of EUR k 56 (PY: EUR k 0) and currency gains in the amount of EUR k 65 (PY: EUR k 95).

3. Personnel Expenses

PERSONNEL EXPENSES		
in EUR k	2010	2009
Salaries	32,682	31,979
Social security contributions	5,507	5,427
Total	38,189	37,406

Expenses for retirement benefits amount to EUR k 3 (PY: EUR k 9).

4. Other Operating Expenses

Total other operating expenses rose 7% to EUR k 14,608 in comparison with the previous year (EUR k 13,643). The other operating expenses include mainly cost of premises in the amount of EUR k 3.346 (PY: EUR k 3,168), vehicle costs of EUR k 2,601 (PY: EUR k 2,478), travel costs of EUR k 1,918 (PY: EUR k 1,862), marketing costs of EUR k 1,303 (PY: 1,167) and currency losses in the amount of EUR k 89 (PY: EUR k 71).

5. Financial and Interest Result

The financial and interest result is structured as follows:

INCOME FROM EQUITY INVESTMENTS

in EUR k	2010	2009
Dividend CENIT (Schweiz) AG	367	1,989
Dividend CENIT SRL Romania	114	157
	481	2,146

INCOME FROM OTHER LONG-TERM FINANCIAL INVESTMENTS

in EUR k	2010	2009
Interest income	64	0
	64	0

OTHER INTEREST AND SIMILAR INCOME

in EUR k	2010	2009
Bank interest and interest from securities	89	233
Income from tax moratorium	24	26
	113	259

INTEREST AND SIMILAR EXPENSES

in EUR k	2010	2009
Interest expense concerning affiliated companies	0	47
Guarantee commission	10	7
Interest expense concerning business taxes	49	12
Interest expense concerning added interest on provisions	14	0
Other interest expense	3	0
	76	66

6. Out-of-period proceeds/expenditures

Off-period income and expenses include, among others, income from the reversal of provisions and the addition to long-term service awards which is reported in the income statement. Reference in this respect is made to the comments on other operating income or other provisions, respectively.

7. Extraordinary Expenses

The merger of conunit GmbH with CENIT AG with effect from January 1, 2010, resulted in a merger loss of EUR k 2,456. In the previous year, the merger loss concerning cad Scheffler GmbH was disclosed.

8. Taxes on Income

TAXES ON INCOME		
in EUR k	2010	2009
Current corporation tax expense	574	582
Current solidarity surcharge expense	30	32
Current trade tax expense	632	658
Taxes concerning previous years	-4	5
Total	1,232	1,277

Taxes mainly include corporation tax and solidarity surcharge in the amount of EUR k 604 (PY: EUR k 614) and trade tax of EUR k 632 (PY: EUR k 658) on the taxable profit for the financial year 2010. The merger loss of conunit GmbH amounting to EUR 2,456 is not tax deductible pursuant to Section 12 (2) sent. 1 UmwStG and, consequently, does not reduce taxable income.

9. Other Taxes

Other taxes include real property tax of EUR k 2 (PY: EUR k 1) and vehicle tax of EUR k 59 (PY: EUR k 53).

10. Proposed Appropriation of Earnings

A proposal was made at the annual general meeting to use the unappropriated retained earnings as follows:

PROPOSED APPROPRIATION OF EARNINGS

in EUR k	
Unappropriated retained earnings	1,389,259.84
Dividend payout (15 cent per 8,367,758 dividend-bearing share)	1,255,163.70
Result carried forward	**134,096.14**

11. Audit and Advisory Fee of the Auditor

The fee of the annual auditor pursuant to Section 285 No. 17 HGB is disclosed in the consolidated financial statements of CENIT AG.

D. Other Disclosures

1. Personnel

During the financial year an average of 569 (previous year: 582) people were employed, thereof 49 (previous year: 62) trainees.

2. Contingencies and other Financial Obligations

There are other financial obligations from rental- and lease agreements. The resulting financial obligations are reflected in the table below:

RENTAL AND LEASE OBLIGATIONS

in EUR k	2010	2009
Residual term up to 1 year	3,328	3,626
Residual term 1 – 5 years	4,066	2,983
Residual term more than 5 years	4,805	0
Total	**12,199**	**6,609**

Other financial obligations mainly include rental obligations concerning the rented office building EUR k 10,219 (PY: EUR k 4,499) and vehicle lease agreements in the amount of EUR k 1,589 (PY: EUR k 1,700). The respective agreements include the usual extension options and price adjustment clauses.

No use was made of the extension option concerning head office's rental relationship beyond the basic rental term. A new rental agreement involving a term of 10 years and a termination option after 5 years was concluded. From a current perspective, this option will not be exercised, however.

The new business premises were rented on the basis of a 10-year rental period in order to save the Company's liquidity. The company cars and communication equipment were also rented on the basis of lease agreement in order to ensure state-of-the-art technology and avoid unavailability of liquidity. Cash outflows that are included in the above listing will result from these agreements in the future.

3. Company boards

The following **Management Board members** have been appointed:

- Dipl.-Wirt.-Ing. Christian Pusch, Waldachtal, spokesman of the CENIT AG Management Board. Field of responsibility: finance, organization, personnel, marketing, investor relations

- Dipl.-Ing. Kurt Bengel, Waiblingen, field of responsibility: Operative business

The **Supervisory Board** includes the following members:

- Dipl.-Ing. Andreas Schmidt (Independent management consultant), Ahrensburg, Chairman

- Dipl.-Kfm. Hubert Leypoldt (Independent auditor, tax advisor, legal counsel), Dettingen/Erms, Vice Chairman

- Dipl.-Ing. Andreas Karrer, Leinfelden-Echterdingen, employee representative

The Supervisory Board members have no further supervisory board positions.

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

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS		
in EUR k	2010	2009
Christian Pusch		
Fixed remuneration	245	248
Performance-based remuneration thereof off-period	44 4	36 0
long-term incentive	0	0
Kurt Bengel		
Total	**557**	**544**

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS		
in EUR k	2010	2009
Fixed remuneration	224	224
Performance-based remuneration thereof off-period	44 4	36 0
long-term incentive	0	0
Total	**557**	**544**

Under the stock option plan, the commitment of 24,000 stock options for Mr. Christian Pusch remains unchanged. For Mr. Kurt Bengel the commitment of 15,000 stock options remains unchanged. In the reporting year, the expense came to EUR k 0 (PY EUR k 0).

The employment contracts of the management board have been newly negotiated with the supervisory board in December 2010. Herein the legal requirements of the act on the appropriateness of Management Board compensation ("VorstAG") were considered. These adjustments are effective as of 1st January 2011. Substantially the total annual remunerations were limited to EUR 500,000.00 each. The employment contract of Mr. Bengel has been prolonged and contracted until 31st December 2015.

The employment contracts of Mr. Pusch and Mr. Bengel contain compensation payments pursuant to Section 74 HGB for the term of a one-year no-competition clause, as well as continued remuneration of six months paid to their surviving dependents in the event of death.

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

Compensation for the Supervisory Board pursuant to Article 14 of the articles of incorporation is as follows:

REMUNERATION OF THE SUPERVISORY BOARD				
in EUR k	2010	2010	2009	2009
	Fixed compensation	Performance-based compensation	Fixed compensation	Performance-based compensation
Andreas Schmidt	30.0	0	30.0	0
Hubert Leypoldt	22.5	0	22.5	0
Andreas Karrer	15.0	0	15.0	0
Total	**67.5**	**0**	**67.5**	**0**

The D&O insurance was continued in financial 2010 for the Management Board members, Supervisory Board members and other executives. The premiums of EUR k 25 (PY: EUR k 25) were borne by the Company.
The Management Board held no shares as at the balance sheet date. The Supervisory Board members held

193,293 shares or 2.31% of the Company's share capital.

4. Changes at Shareholder Level

In a letter dated February 21, 2007 the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte announced that their voting powers had exceeded the threshold of 3%. The communication in compliance with § 21 (1) of the German Securities Trading Act ("WpHG") reads as follows:

"Ladies and Gentlemen,

We are writing to notify you that the share of voting rights held by the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Gartenstrasse 63, 72074 Tübingen in CENIT AG, Industriestrasse 52 - 54, 70565 Stuttgart, exceeded the threshold of 3% on February 20, 2007 and now stands at 3.94% (330,000 voting rights). Of this, 2.99% of the voting rights of the Baden-Württembergische Investmentgesellschaft mbH, Stuttgart and 0.95% from the Universal Investmentgesellschaft mbH, Frankfurt are to be attributed to us according to Section 22 (1) No. 2 of the German Securities Trading Act ("WpHG") .

Yours sincerely

Dr. Hepp

Deputy Managing Director"

In a letter dated November 13, 2008, Highclere International Investors Limited, London, announced that their voting powers had exceeded 5%. The information pursuant to Section 21 (1) WpHG reads as follows:

"Dear Sir/Madam,

Highclere International Investors Limited off 2, Manchester Square, London, UK herewith gives the following notice: Notification pursuant to Sec. 21 (1), 22 WpHG.

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

CENIT AG Systemhaus, Industriestraße 52 - 54, D-70565, Stuttgart, Germany

We hereby give notice, pursuant to sec. 21 para. 1 of the WpHG, that on 12 November, 2008 our voting interest in CENIT AG Systemhaus exceeded the threshold of 5% and amounts to 5,21% (436,268 voting rights in relation to the total of 8,367,758) on this day. All voting rights are attributable to us in accordance with sec. 22 para. 1 Sent. 1 No. 6 of the WpHG. Voting rights are attributed to us by The Highclere International Investors Smaller Companies Fund and The Highclere (Jersey) International Smaller Companies Fund.

Yours faithfully,

Fergus Gilmour

Chief Operating Officer "

In a letter dated November 2, 2009, Allianz Global Investors Kapitalanlagegesellschaft mbH announced, that their voting rights were below the threshold of 5%. The announcement pursuant to Section 21 (1) WpHG reads as follows:

"We hereby give notice pursuant to Section. 21 (1) sent. 1 WpHG that on 27 October 2009 our voting interest in CENIT AG Systemhaus, Industriestrasse 52 – 54, 70565 Stuttgart was below the threshold of 5% on October 27, 2009 and on this day amounts to 4.91% of the total voting rights in this company (which corresponds to 410,548 of a total of 8,367,758 voting rights).

We hold 1.22% of the total voting rights (corresponding to 102,109 of the total of 8,367,758 voting rights) pursuant to Section 22 (1) sent. 1 No. 6 WpHG.

Mark Geitzenauer   Ulrich Lind"

During the financial year 2010 several notifications pursuant to 21 (1) WpHG from Axxion S.A. were received. The most recent notification dates May 12, 2010 and reads as follows:

"Dear Ladies and Gentlemen,

We hereby notify you in accordance with Section 21 (1) WpHG that our share of voting rights in CENIT AG Systemhaus (ISIN: DE0005407100) exceeded the threshold of 3% on May 7, 2010 and now amounts to 3.18%.

Axxion S.A. stock	266,356 shares (DE0005407100)
Total stock in circulation:	8,367,758 shares

Yours sincerely
Axxion S.A.

Heiko Hector
Risk Management"

During the financial year 2010 several notifications pursuant to Section 21 (1) WpHG were received from PRODYNA AG. The most recent notification dates December 17, 2010 and reads as follows:

"Dear Ladies and Gentlemen,

We hereby notify you in accordance with Section 21 (1) WpHG that our share of voting rights in CENIT AG, Industriestrasse 52-54, D-70565 Stuttgart (ISIN: DE 0005407100) exceeded the threshold of 5% on December 17, 2010 and now amounts to 5.26%.

Stock as at December 17, 2010

PRODYNA AG: 440,000 shares
Total shares
in circulation: 8,367,758 shares

Yours sincerely

PRODYNA AG
Hüseyin Cifci"

E. Group Relationships

Pursuant to Section 315a (1) HGB, the Company prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

F. Statement pursuant to Section 161 AktG concerning the Corporate Governance Code

The Company's Management Board and Supervisory Board have issued the declaration for the year 2010 required under Section 161 AktG and made it accessible on the Company's homepage (www.cenit.de).

Stuttgart, February 2011

CENIT Aktiengesellschaft

The Management Board

Christian Pusch
(Spokesman of the Management Board)

Kurt Bengel

AUDIT OPINION

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the CENIT-group and the company of CENIT Aktiengesellschaft, Stuttgart, for the fiscal year from January 1 to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and the management report of the CENIT-group and the company in accordance with German commercial law and the supplementary provisions of the Articles of Incorporation and Bylaws are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial state¬ments, together with the bookkeeping system, and the management report of the CENIT-group and the company based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report of the CENIT-group and the company are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report of the CENIT-group and the company are examined primarily on a test basis within the frame¬work of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report of the CENIT-group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions in the Articles of Incorporation and Bylaws and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report of the CENIT-group and the company is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart/Leonberg, February 23, 2011

BDO AG Wirtschaftsprüfungsgesellschaft

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

RESPONSIBILITY STATEMENT IN THE ANNUAL FINANCIAL REPORT

(FIANANCIAL REPORT)

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

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

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

CENIT Aktiengesellschaft

The Management Board

Christian Pusch
(Spokesman of the Management Board)

Kurt Bengel

GLOSSAR

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: Business Intelligence. Business intelligence denotes procedures and processes aimed at a systematic analysis (collation, evaluation and presentation) of data electronic form.

BOA

Abbreviation: Business Optimization & Analytics. The objective of BOA is to provide simple and efficient means of acquiring information that enables an enterprise to make better strategic and operative decisions. From this information, constructive proposals for improved structures, control mechanisms as well as processes, systems and instruments can be derived.

CAD

Abbreviation for Computer-Aided Design.
Software solutions for product design.

CAE

Abbreviation for Computer-Aided Engineering.
Software solutions for simulating the physical behavior of a future product.

CAM

Abbreviation for Computer-Aided Manufacturing.
Software solutions for defining manufacturing processes

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.

COLLABORATIVE WORKSPACE

Networked working environment in which all parties involved in the product lifecycle (construction, marketing, sales, manufacturing, OEMs, suppliers, and customers) have access to the work in progress and can participate in construction.

CRM

Abbreviation for Customer Relationship Management.
A business strategy which assists enterprises in managing customer relations. Thus a CRM database permits access to individual customer data and allows enterprises to satisfy customer requirements via product plans and product offers, react to special service requirements, and obtain information on previous acquisitions by the customer.

DELMIA

PLM solution by Dassault Systèmes.
DELMIA offers manufacturers the means to digitally plan, develop, monitor and control manufacturing and service processes.

DIGITAL FACTORY

Three-dimensional graphic simulation of a factory by way of digitally integrated systems (e.g. DELMIA)

DIGITAL MANUFACTURING

Planning and simulation of manufacturing processes via networking of digitally integrated systems (e.g. DELMIA). Developed for purposes of optimizing production costs, ergonomics, assembly line arrangement, productivity, and scheduling.

DMF

Abbreviation for Digital Manufacturing

DMU

Abbreviation for Digital Mock-Up.
Virtual design and 3D simulation of a product and all of its component parts. The use of digital/virtual mock-ups eliminates the need for costly actual prototypes.

ECM

Abbreviation for Enterprise Content Management.
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.

ENOVIA

PLM solution portfolio by Dassault Systèmes:
ENOVIA supports cooperative enterprise-wide product development – in the true sense of holistic product lifecycle management (PLM).

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.

KNOWLEDGE-WARE

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.

PDM

Abbreviation for Product Data Management.
A concept developed to store and manage product-defining and product presentation data and documents generated during product development, and to make these available in later phases of the product lifecycle.

PLM

Abbreviation for Product Lifecycle Management.
A business strategy which assists enterprises in exchanging product data, applying uniform processes, and making use of the enterprise's product development knowledge, from initial concept to final redundancy, across the entire expanded enterprise. Thanks to the integration of all involved parties (enterprise divisions, business partners, suppliers, OEMs and customers), PLM offers the entire network the means to operate as a single entity and to jointly conceive, develop, build and service products.

SCM

Abbreviation for Supply Chain Management.
A business strategy which assists enterprises in coordinating the flow of commodities, information and funds between the individual enterprises in a value chain.

SLA

Abbreviation for Service Level Agreement.
SLAs define the qualitative and quantitative customer-specific objectives in the field of AMS, with the aim of achieving long-term, successful cooperation.

CENIT AG
INDUSTRIESTRASSE 52-54
D-70565 STUTTGART
PHONE: +49.711.78 25-30
FAX: +49.711.78 25-4000
NET: WWW.CENIT.DE

INVESTOR RELATIONS:
PHONE: +49.711.78 25-3320
FAX: +49.711.78 25-44-4320
E-MAIL: AKTIE@CENIT.DE

IMPRINT	
Publisher	CENIT AG
Editorial staff	Sandra Finger, Ulrike Schmid
Concept, design and production	CENIT AG
Contact	Investor Relations
E-Mail	aktie@cenit.de