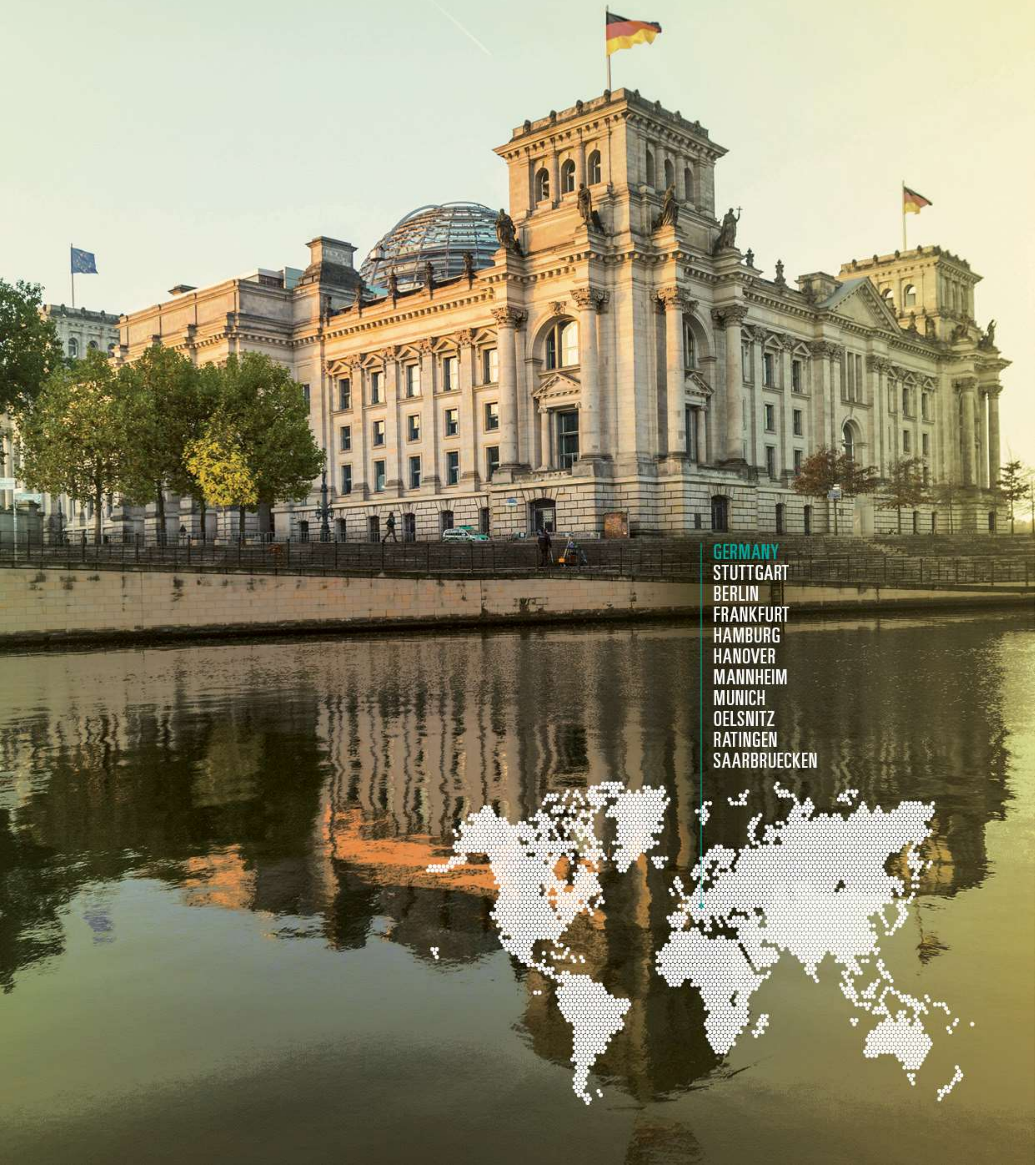
cenit

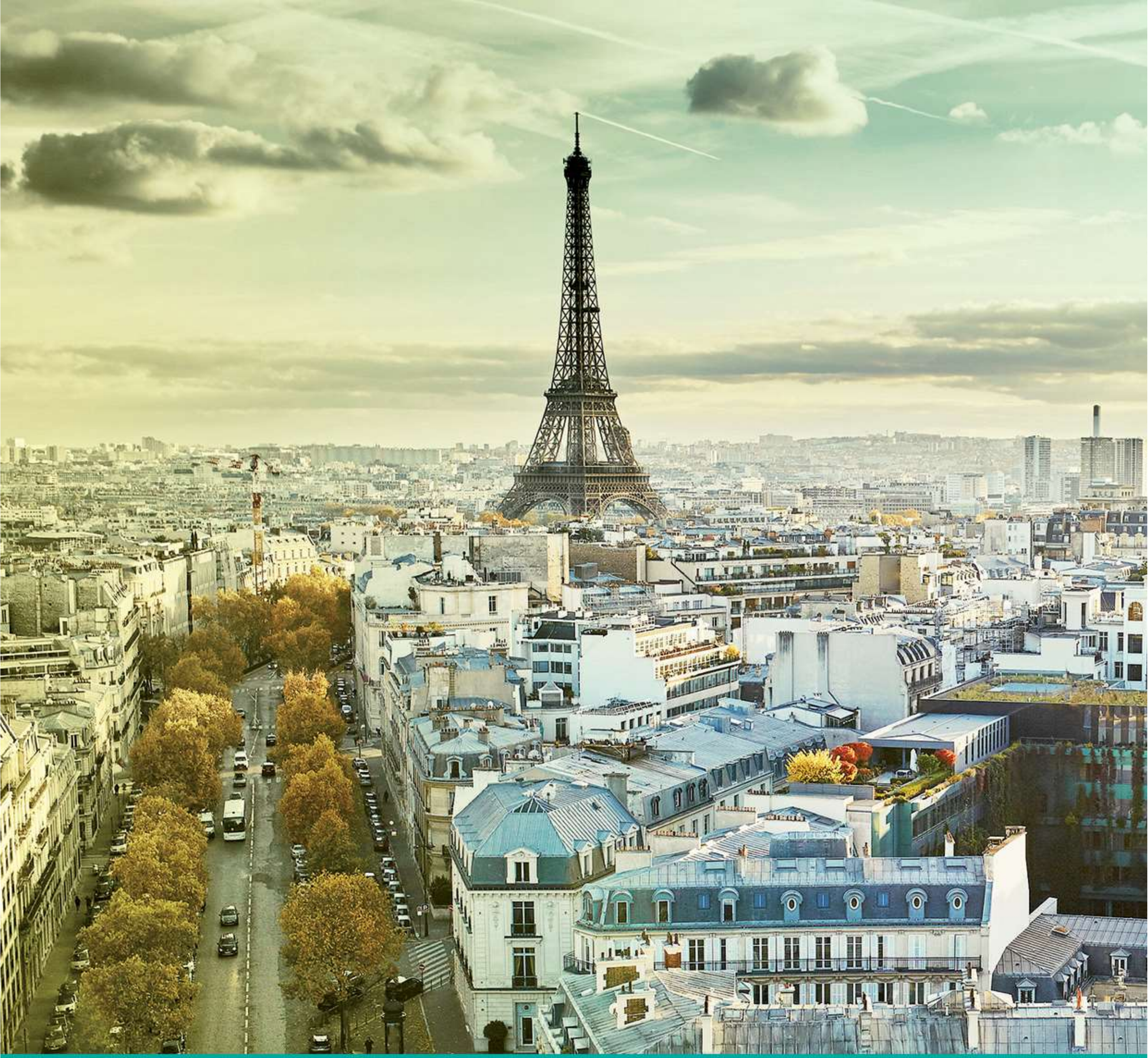
# FINANCIAL REPORT 2019



## CENIT Key Data 2015-2019

| in million EUR | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Total revenue | 171.71 | 169.99 | 151.70 | 123.77 | 121.47 |
| EBITDA | 15.24 | 11,95 | 15,27 | 14,06 | 12,69 |
| EBIT | 9.20 | 9.03 | 12.84 | 11.85 | 10.60 |
| Net income | 6.96 | 6.13 | 8.99 | 8.15 | 7.31 |
| Earnings per share in EUR | 0.82 | 0.73 | 1.07 | 0.97 | 0.87 |
| Dividend per share in EUR | Proposal: 0.45 | 0.60 | 1.00 | 1.00 | 1.00 |
| Equity ratio in % | 45.8 | 49.4 | 46.8 | 56.2 | 59.6 |
| Number of employees | 737 | 757 | 764 | 615 | 628 |
| Number of shares | 8,367,758 | | | | |

# Contents



# PREFACE OF THE MANAGEMENT BOARD

FRANCE
BORDEAUX
LILLE
LYON
PARIS
RENNES
STRASBOURG
TOULOUSE

## Preface of the Management Board

Ladies and Gentlemen,

**Achieving targets. Mastering challenges. Moving forward with focus.**
**Preparing new successes. Looking ahead, together and strong.**

If we take a look back at the year 2019, these words sum up symbolically the numerous developments that moved and shaped us at CENIT.

In society, business and politics, 2019 was characterized by a marriage of uncertainty and a positive dynamic: volatile markets set against the opportunities of digitalization, slowed economic growth versus new business models thanks to e-mobility, and geopolitical tensions on one hand countered by enhanced awareness of the environment on the other. Another factor is the ever-stronger presence of technologies such as artificial intelligence, the cloud and automation in companies of all sizes and across all sectors. Against this backdrop, all of our targets, processes and actions to date have been and continue to be under more scrutiny than ever before.

We see this as both an opportunity and a challenge. Our vision and our undertaking is to be a reliable partner during this digital transformation. But to do this, we must ensure that our own company acts in a stable, confident manner that demonstrates professional excellence. In these uncertain times, it was thus all the more important for us to support and progress CENIT and our employees with a pragmatic and forward-looking approach. In these turbulent times, we are proud to report that – together with the entire CENIT team – we succeeded not only in recording an exceptionally stable economic result in 2019 but also in setting fixed milestones on the path to future success.

**Achieving targets. Mastering challenges.**

The sales target set for the CENIT Group was achieved comfortably. At EUR 171,711 k, the sales recognized exceeded the 2019 budget figure of EUR 170,000 k. EBIT also rose on the prior-year figure, by 1.8% to EUR 9,195 k. While we were unable to reach the projected EBIT figure for 2019, we see the EBIT result as a robust achievement. This performance was made possible by the CENIT team, which joined together to implement the internal measures to raise profitability in the second half of the year. It was likewise made possible by strong end-of-year growth, which reflects the consistent dedication of our employees. We would like to take this opportunity to thank our global CENIT team for standing by the Company even in challenging times.

Although 2019 saw a chill in the global economy, CENIT’s local companies stayed on course. They contributed roughly 47% to consolidated sales in 2019. This means that they have once again made a key contribution to the Company’s success.

Now, at the beginning of 2020, the whole world is in the midst of a new and untoward challenge in the shape of a highly sensitive health risk. Despite comprehensive precautionary measures, it is forecast that there will be far-reaching consequences, also for macroeconomic development in 2020. We can expect that numerous industries as well as our partners and client firms may be affected. It is not possible at present to say how these new framework conditions will impact CENIT’s business success specifically. As the Management Board of CENIT AG, however, we are monitoring and assessing current developments and their implications very closely. Rest assured that we will do everything in our power and use all of our resources to safeguard CENIT’s success and the welfare of our employees.

**Moving forward with focus. Preparing new successes.**

In order to be successful in the long term, we must set clear objectives and be focused in our actions. We will use the "CENIT 2025" strategic plan developed at the end of 2018 to move forward to a dynamic future. In addition to quantitative business and profitability targets, such as sales in excess of EUR 300 million and EBIT in the region of 8 to 10%, the plan clearly sets out our commitment based on four core pillars of our success:

1. **We want to be one of the most important suppliers in the field of digital process continuity, both now and in the future**.

We already assist clients from industry, manufacturing and finance to give their critical business processes a consistent digital gearing. In many cases, we have been working with these clients for several years and have a well-established working relationship. That makes us very proud and inspires our mission of giving our clients nothing but our best. This allows them to act successfully going forward and to take advantage of their competitive lead even more through digitalization. We are a strategic partner to well-known industry representatives such as MAHLE and Berliner Wasserbetriebe as part of their extensive digitalization projects. We want to exploit this role even more for existing and potential clients and to copperfasten our position as the preferred adviser and service provider for digital transformation.

2. **We endeavor to position ourselves as a leading integrator of business processes between the SAP and Dassault Systèmes platforms.**

CENIT is already established as the world's largest value added reseller of Dassault Systèmes solutions. At CENIT, size goes hand in hand with multi award-winning expertise across the entire 3DEXPERIENCE platform range. Because of our long-term partnership with SAP AG, CENIT experts have an outstanding knowledge of the SAP solutions landscape. We use this knowledge of both platforms to the benefit of our clients. For example, the "SAP Engineering Control Center interface to 3DEXPERIENCE" solution developed by CENIT has been an established product on SAP's price list since the end of 2019. With this solution, we combine the potential of both 'worlds' and facilitate a full, end-to-end design of the digital value added processes. The inclusion in SAP's list is recognition of our achievement in relation to both platforms.

3. **We are devoting ourselves even more to the further development of our software portfolio and the sale of our own software solutions.**

Our own ambition, the wishes of our clients and the pace of digitalization are all spurring us on to progress rigorously with the further development and optimization of our solutions and services. Part of this includes our flagship software products like FASTSUITE Edition 2, CENIT ECLISO or cenitCONNECT Suite. It also means stepping up all of our expertise – from consulting to software development and operations – to an unequivocal level both technologically and professionally. We want to be best-in-class for software and process consulting and development. We are already well on the way to achieving this goal.

Excellent examples include the partnership agreements concluded with major players such as Prima Power and SIASUN in 2019. Prima Power, a leading Italian manufacturer of 2D and 3D laser cutting equipment as well as of machines and automated production lines for sheet metal working, is extending its software to include the FASTSUITE Prima Power Edition developed by CENIT. The company decided to sell the new software edition together with its machines: This safeguards the machines' full functionality while also increasing sales and use of the FASTSUITE solutions.

For SIASUN, China's leading manufacturer of robot and automation technology, CENIT AG is developing state-of-the-art software for its new 3D laser machine. The FASTSUITE Edition 2 software from CENIT is customized so that it can be used in the best possible way for the innovative machine. This allows SIASUN to offer its clients a turnkey solution.

Yet the partnership between CENIT and SIASUN is much more than a good example of a mutually beneficial business and scientific collaboration: It's a milestone on CENIT's long-term path to success. Within the framework of "CENIT 2025", we are pursuing uncompromised growth for our company. We intend to establish a new CENIT location in China as part of this plan. Our initial sales activities on the Chinese market started around three years ago. By founding an official office in China, CENIT wants to participate more in the potential of the Chinese market in the fields of robotics and the digital factory. There will be a clear focus on activities relating to FASTSUITE Edition 2 software.

In view of the dramatic health crisis in China and across the globe at present, however, we will strictly weigh up any further decisions surrounding this project against the welfare of our employees.

**4. We want to continue to provide our employees with secure jobs that have a future.**

Despite all digitalization, technological advancement and the power of artificial intelligence, it doesn't take a crisis to know that human beings – in this case our employees – are a company's most valuable asset. They are the engine that drives our success. We don't take for granted the loyalty of our approximately 800 employees, some of whom have been with us for years and even decades. We also don't take for granted the way in which CENIT colleagues stick together, and that is something that everyone appreciates. This motivates us to create the best possible environment for our employees – for personal growth, excellent performance and a work life where people are supportive of and kind to each other. We will constantly assess and optimize our benefits and structures as an employer with this in mind.

Allow us to diverge briefly at this point to an aspect of CENIT's corporate culture that is informed purely by the actions of our employees, namely our social involvement program CENIT Cares. Started more than six years ago, the initiative is nurtured by the direct and often very personal commitment of CENIT employees around the world. Every employee has the opportunity to propose social projects and campaigns that he or she can support financially or through hands-on assistance together with CENIT. Over the years, we have launched a total of 91 CENIT Cares campaigns in 15 countries. These range for example from local bone marrow donor campaigns and donation drives to aid for children in Costa Rica. These figures, and particularly the stories and emotions behind the figures, are as important to us as any successfully achieved financial goals. As the Management Board, we thus sincerely encourage our employees to embrace their social involvement with the continued support of CENIT Cares.

**Looking ahead, together and strong.**

Whether technological, political, economic or social, it is change that will inform our everyday lives once again in 2020. It will also shape CENIT's business. Our economic and political surroundings remain complex, with some implications difficult to predict. However, CENIT is still in a very strong position. Thanks to our expertise, we see technological change in particular as a major opportunity to establish ourselves as a strong companion to numerous companies on the way to their digital future.

With "CENIT 2025", we have a clear objective that should guide our common actions and secure our performance in the long term.

Our success to date comes as no surprise. It has been and continues to be achieved and built on by our strong CENIT team. We see it as one of our central tasks as the Management Board to safeguard the success – and also the welfare – of our team. We will continue to do all in our power to fulfill this task. This is the only way in which we as CENIT can give our clients, our partners and our shareholders our very best.

We would like to thank our employees, shareholders, clients and partners for the trust they place in CENIT and look forward to a strong and shared future.

With best wishes,

Kurt Bengel
Spokesman, Management Board

Matthias Schmidt
Member, Management Board

# REPORT OF THE SUPERVISORY BOARD

## Report of the Supervisory Board

Dear Shareholders,

2019 was a very challenging year economically, characterized in particular by geopolitical tensions, trade conflicts, a global economic slowdown and the Brexit negotiations. CENIT nevertheless marginally exceeded its sales targets of EUR 170,000 k, recording one percent sales growth on the prior year to EUR 171,711 k. EBIT was also up slightly by roughly two percent on the prior year. The EBIT target of EUR 10,000 k was missed by around eight percent at EUR 9,195 k, mainly because of delays in the completion of new software functions in the area of software solutions for the digital factory and the related lower sales from proprietary software.

In the past fiscal year, the Supervisory Board duly and conscientiously performed all duties to which it is obliged by law and the articles of incorporation and bylaws. We regularly advised the Management Board on its governance of the Company, carefully and continually monitored its conduct of business and in doing so satisfied ourselves as to the lawfulness, expediency and correctness of its activities. The Management Board directly involved the Supervisory Board in all decisions of fundamental importance to the Company. In the Supervisory Board meetings, the Management Board informed us orally and in writing in a timely and comprehensive manner on all relevant aspects of business strategy and enterprise planning, including financial, investment and personnel planning, the course of business and the financial situation and profitability of the Group. The reports from the Management Board also examined the risk situation as well as risk management and compliance matters. We were always informed in good time of variances between the business planning and the actual course of business.

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

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

Over the past year, the Supervisory Board held six regular meetings and one conference call and used one circular resolution for detailed discussions on the economic situation, the strategic development and the long-term positioning of the CENIT Group. All members of the Supervisory Board participated in each of these events. In its own estimation, the Supervisory Board has an appropriate number of members who maintain no business or personal relationships with the Company or members of the Management Board that could give rise to a conflict of interest. As in prior years, the Supervisory Board did not consider it necessary to form committees in view of the low number of members on the Supervisory Board. During the reporting period, no conflicts of interest arose on the part of members of the Supervisory Board.

### Matters addressed by meetings of the Supervisory Board

The Management Board provided information on the development of sales and earnings in the CENIT Group to all meetings of the Supervisory Board held during the reporting year 2019. Additionally, it explained the course of business in the individual business segments and reported on the assets, liabilities, financial position and performance. In this context, the Supervisory Board placed particular emphasis on potential consequences for risk and liquidity management.

### Financial reports / audits

During its balance sheet meeting on 21 March 2019 and in the presence of the auditor/group auditor, the Supervisory Board considered the Company's annual financial statements. The annual financial statements of CENIT Aktiengesellschaft and the consolidated financial statements for the fiscal year 2018, both prepared by the Management Board, were audited by BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed auditor at the ordinary General Meeting of Shareholders on 18 May 2018, including the accounting and the management report and group management report. In particular, and in detailed discussions with the Management Board and the auditor, the Supervisory Board reviewed the annual financial statements and consolidated financial statements presented as well as the management report and the group management report, also taking underlying accounting policy into consideration. On the basis of the audit reports and in individual discussions, the Supervisory Board further considered the results of the audit of the annual financial statements. The Supervisory Board was satisfied that the audit and the audit reports fulfilled the requirements of Secs. 317, 321 HGB. The financial statements for 2018, prepared by the Management Board and on which an unqualified audit opinion was issued by the auditor, were conclusively reviewed during the balance sheet meeting. On 21 March 2019, the Supervisory Board approved the 2018 annual financial statements of CENIT Aktiengesellschaft and noted the 2018 consolidated financial statements with approval. The Management Board's proposal for the appropriation of profits was discussed in a conference call, examined and endorsed by the Supervisory Board on 12 March 2019.

At the meeting on 21 March 2019, the tender to audit the annual financial statements was presented and discussed. The Management Board and the Supervisory Board agreed to propose the appointment of KPMG AG Wirtschaftsprüfungsgesellschaft Stuttgart as the auditor at the General Meeting of Shareholders on 24 May 2019.

The Management Board also informed the Supervisory Board of the current business situation and the outlook for the first quarter of 2019.

### Further matters addressed by the meetings

During the course of the year, the Supervisory Board was continually kept informed of periodic financial results and undertook detailed discussions with the Management Board on the 2019 semi-annual financial statements as well as interim reports for the individual quarters. A consistent focus of these discussions was on the detailed review of developments in earnings and sales during 2019.

At the meeting that took place after the General Meeting of Shareholders on 24 May 2019, the progress of the plans to expand the business in China was presented and discussed along with the course of business in the second quarter of 2019.

The meeting on 6 August 2019 mainly dealt with personnel matters such as the remuneration structure and rules on bonuses. Initial efforts were also already undertaken in relation to succession planning for the Management Board, as the contracts of Mr. Schmidt and Mr. Bengel expire as of 31 December 2020 and 31 December 2021 respectively.

On 19 September 2019, we discussed with the Management Board the new bonus system for those responsible for the business divisions as well as the current status of CENIT China. The Management Board also informed us retrospectively of the business in the second quarter and gave us an outlook on the business situation in the third quarter.

At the meeting on 13 November 2019, we focused primarily on measures for the early detection of risk pursuant to Sec. 91 (2) AktG as well as on compliance matters. There was also an emphasis on the status of the Digital Factory Solutions (DFS) business division, especially because of the delays in developing proprietary software for this division.

At the last meeting of the year on 18 December 2019, the main topics were CENIT's planning for the 2020 fiscal year and the five-year business plan 2025. The schedule for the audit of the financial statements was also defined and set out with the new auditor, KPMG.

### Risk management

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

### Corporate Governance

On several occasions in the course of the fiscal year, we reviewed particulars of corporate governance matters with the Group, including the amendments of the German Corporate Governance Code adopted by the Government Commission. The Supervisory Board is convinced that good corporate governance constitutes a significant foundation for the success, reputation and self-image of the Group. For this reason, the Supervisory Board has continually monitored and considered the ongoing development of corporate governance standards and their implementation within CENIT. This also included regular verification of the efficiency of our own activities. In numerous discussions – also with the auditor – particular attention was paid to the continual lawfulness of corporate governance and the efficiency of the organization.

An awareness of continually responsible and lawful conduct and of its existential significance for CENIT are well entrenched within the Group and its corporate bodies. In accordance with Article 3.10 of the German Corporate Governance Code, the Management and Supervisory Boards reported on corporate governance at CENIT in their Corporate Governance Report. On 13 February 2019, the Supervisory Board issued its Declaration of Conformity with the German Corporate Governance Code as amended on 7 February 2017 in accordance with Sec. 161 AktG, and has made this declaration available to the Company's shareholders on the Company's website.

### Balance sheet meeting 2020 on the annual and consolidated financial statements 2019

The accounting, the annual financial statements with the management report for the 2019 fiscal year, the consolidated financial statements with explanations and the group management report for the 2019 fiscal year were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart. KPMG was appointed as auditor of the annual financial statements and consolidated financial statements at the

General Meeting of Shareholders on 24 May 2019. In accordance with its duties, the Supervisory Board reviewed the qualifications, independence and efficiency of the auditor.

The auditor issued unqualified audit opinions on the 2019 annual financial statements and consolidated financial statements of CENIT prepared by the Management Board, including the management report and group management report. The annual financial statements of CENIT Aktiengesellschaft were prepared in accordance with the principles of commercial law (HGB). The consolidated financial statements comply with the International Financial Reporting Standards (IFRS). All members of the Supervisory Board had full and timely access to the financial statements documents and audit reports. The Supervisory Board has discussed the audit report intensively with both the Management Board and the auditor in order to satisfy itself as to its propriety. The Supervisory Board is confident that the audit reports for 2019 were fully compliant with statutory requirements.

During the balance sheet meeting on 20 March 2020, the auditor reported on the main findings of the audits of the separate financial statements of CENIT Aktiengesellschaft and was available to provide additional information and respond to queries. On that occasion, all members of the Supervisory Board were able to satisfy themselves that the audit has been conducted in compliance with statutory requirements and in an adequate manner.

As a conclusive result of its own reviews in accordance with Sec. 171 AktG, the Supervisory Board noted that it had no objections.

At its meeting on 27 March 2020, the Supervisory Board approved the annual financial statements prepared by the Management Board for CENIT Aktiengesellschaft for the 2019 fiscal year, thus ratifying them in accordance with Sec. 172 AktG. The Supervisory Board also acknowledged and approved the consolidated financial statements for the 2019 fiscal year on 27 March 2020. Following its examination, the Supervisory Board agrees with the proposal of the Management Board for the appropriation of the net profit.

Not only in the meeting of 27 March 2020, but also in the weeks before, we discussed the impact of the SARS-CoV-2 crisis on CENIT AG and its employees together with the Executive Board. Measures to maintain the health and working ability of the employees will continue to be coordinated with the Management Board at close intervals. The Supervisory Board was and is also available to the Management Board at all times to discuss the effects on the financial situation of the AG, project acquisition and project handling.

The Supervisory Board wishes to thank the Management Board and all CENIT employees throughout the world for their personal commitment, their achievements and their performance in the past fiscal year.

Stuttgart, March 2020

On behalf of the Supervisory Board

Oliver Riedel

Univ.-Prof. Dr.-Ing. Oliver Riedel
Chairperson of the Supervisory Board

# MANAGEMENT REPORT

SWITZERLAND
EFFRETIKON
YVERDON-LES-BAINS

## Combined management report of the CENIT Group and CENIT AG for the fiscal year from 1 January 2019 to 31 December 2019

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

## Fundamental information about the Group

## Business model of CENIT

CENIT has two business divisions – Product Lifecycle Management (PLM) and Enterprise Information Management (EIM). The PLM division is focused on PLM platforms and applications in the traditional manufacturing industry and optimizes production processes such as product development, production or change management. The EIM division is focused on processes relating to 360 degree customer communication, processing, file and document management primarily in the financial services sector.

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

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

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

## Equity investments / Subsidiaries

CENIT is headquartered in Germany (Stuttgart) and represented in the principal industrial centers there (Munich, Hamburg, Berlin and Frankfurt). CENIT has expanded its presence in Europe through acquiring the KEONYS Group in 2017. Through KEONYS, CENIT is also represented in the Netherlands and Belgium with its own local companies. CENIT has further locations in the USA, Switzerland, Romania, Japan and France. The domestic and foreign companies included in the consolidated financial statements are consolidated in accordance with the uniform accounting and valuation methods in the CENIT Group. The companies use the same accounting and valuation methods as CENIT AG in Germany. The subsidiaries specialize in services and software. In addition, CENIT AG holds one third of the joint venture CenProCS AIRliance GmbH. The joint venture provides services and consulting for a shared major customer (PLM segment).

## Control system

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

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

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

The Management Board analyzes variance analyses of the segments regularly in order to initiate necessary adjustment measures on a timely basis.

However, many financial ratios that are critical to success are not quantifiable or can only be quantified indirectly. These include factors such as the reputation of the brand, customer satisfaction, employee qualifications, experience and motivation as well as their leadership qualities, and also the corporate culture. All of these factors can only be described in qualitative terms at best.

## Research and development

A further goal is to continue to strengthen innovative power. For this reason, the CENIT Group raised its research and development expenses (R&D) to EUR 10,332 k in the fiscal year 2019 (prior year: EUR 10,123 k). The business units of CENIT focus their R&D efforts on the next generation of their products and solutions and prepare for their successful market launch. The close cooperation with the product and client-facing areas allows CENIT to offer customized solutions. In addition to selling standard software, the CENIT Group develops its own programs to supplement and extend these solutions. The software expertise and decades of industry experience allow CENIT to optimize the productivity and data quality of its customers with its own CENIT solutions.

Innovation is progress. Consequently, research and development are of central importance for the further achievement of the Group’s objectives. CENIT’s activities in this area are constantly being expanded. At the same time, CENIT thus enhances its position in relation to its competitors.

# Report on economic position

## Overall economic conditions

After global growth of 3.6% in 2018 and forecast growth of 3.4% for the global economy for 2019 according to most economic experts, global production was up just 2.9% in 2019.

**The key markets for CENIT are commented on below.**

### Germany

After the extended upswing and GDP growth of 1.5% in 2018, there were indications of a significant economic slowdown in Germany in 2019, but fears of recession proved groundless. The German economy grew for the tenth year in succession in 2019, albeit at just 0.5%, a rate substantially lower than the average for recent years and also well short of the expectations of most economic experts.

The small level of growth recorded stems chiefly from consumer spending. Record employment levels and increasing purchasing power once again propelled consumers' willingness to spend. At 1.6%, growth in consumer spending was stronger than in recent years. Another significant factor contributing to growth was the ongoing construction boom, spurred on by low interest rates.

While the government's economic report speaks about a temporary phase of weakness, many economists and economic researchers are taking a critical view of the situation and believe that there are numerous problems coming down the line for German industry.

For example, they say, the export-driven industry has been in recession for several quarters. The reasons they cite for this development include an international drop in demand, caused for example by US tariffs, but also the structural change in the automotive industry towards electromobility. They see this as renewed proof that Germany's established business model as a leading exporting nation comes under fire in periods of increased geopolitical conflict and trade disputes.

By contrast, positive aspects include the fact that the federal government has not had any new borrowings since 2014 and has a net lending surplus of EUR 49.8 billion for 2019. The debt ratio is likely to fall below the upper threshold of 60% set out in the Maastricht Treaty for the first time since 2002.

### Europe

Despite widespread fear of recession, the euro-zone economy noted GDP growth of 1.2% based on initial estimates by the European statistics office Eurostat. This means that the pace of growth has slowed palpably after a figure of 1.5% in 2018. The weakest member of the common currency area was Italy, with an increase of just 0.2% in GDP. While most countries in the euro-zone fell short of 2% growth, Ireland recorded the highest increase of 5.8%.

One of the reasons for the low levels of growth in Europe is the weakness of industry, which is suffering from a paralyzed global economy and trade conflicts. Production has dropped off in the automotive sector in particular. This has prompted companies to reduce their stocks and cut investment.

Most economic impetus came from domestic demand, low inflation and the robust labor markets. The increase in employment in the euro-zone continued to develop positively, with unemployment down further to 7.5%. Wages, too, climbed further by roughly 2%.

### Economic conditions in the industry

Although 2019 was a difficult year from an economic perspective, characterized by trade disputes, an economic slowdown and Brexit, the information technology and telecommunications (ITC) market exceeded expectations. According to the industry association BITKOM, sales with products and services in information technology and telecommunications rose by 2.0% to EUR 169.6 billion in 2019. Expectations were at just 1.5% at the beginning of the year.

## Summary of business development

2019 was a mixed year for CENIT AG.

The CENIT Group met its planned target of EUR 170,000 k for sales, reaching a figure of EUR 171.711 k. Budgeted EBIT was around EUR 10,000 k, but actual EBIT was EUR 9,195 k, thus constituting a drop of 8% compared to budget.

At EUR 9,195 k, EBIT was up 1,8% on the prior-year level. The difference from the target value of EUR 10,000 k is attributable to the failure to meet the targets set for the sale of proprietary software. Although up 6% on the prior year, the figure fell short of budget. This is due first and foremost to the delay in completing new software functions in the field of software solutions for the digital factory. The EBIT margin is stable at 5.3% in the past reporting year.

With sales virtually unchanged at EUR 155,679 k (prior year: EUR 154,137 k), the PLM division grew EBIT by nearly 10% from EUR 6,479 k to EUR 7,107 k over the past year. This meant that sales in the PLM division were 4.1% above planned sales of EUR 150,000 k, but EBIT was 15% short of the target figure.

The EIM division likewise maintained sales at the prior-year level at EUR 16,032 k (prior year: EUR 15,853 k). By contrast, EBIT slipped by EUR 765 k from EUR 2,549 k to EUR 2,087 k on account of higher personnel expenses. However, the EIM division fell marginally short of the budgeted figures of EUR 16,700 k for sales and EUR 2,300 k for EBIT.

Earnings per share increased by 15.5% to EUR 0.82 per share.

CENIT AG almost succeeded in remaining on target for sales. Sales CENIT AG rose to EUR 94,099 k and thus by 0.3% year on year, while EBIT amounted to EUR 4,073 k and thus approximately 13% below the prior year and 26% below target. The decline in EBIT is attributable to the drop in sales of proprietary software in the area of digital factory solutions.

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

**Breakdown of sales by product/income type**

| in EUR k | 2019 | 2018 |
|---|---|---|
| Third-party software (including software updates) | 105,628 | 104,299 |
| CENIT consulting and service | 49,486 | 49,776 |
| CENIT software (including software updates) | 16,355 | 15,449 |
| Merchandise | 242 | 466 |
| **Total** | **171,711** | **169,990** |

**Breakdown of sales by business segment**

| in EUR k | 2019 | 2018 |
|---|---|---|
| PLM sales | 155,679 | 154,137 |
| EIM sales | 16,032 | 15,853 |
| **Total** | **171,711** | **169,990** |

The CENIT Group generated revenue of EUR 171,711 k in the fiscal year 2019 (prior year: EUR 169,990 k/1.0%). Revenue from CENIT consulting and services was stable. Sales with third-party software edged up by 1.3%. Sales with CENIT's own software rose to EUR 16,355 k compared to EUR 15,449 k in the prior year (5.9%). It was chiefly the software products FASTSUITE and CENITCONNECT in the area of PLM and IBM ECM System Monitor as well as ECLISO in the area of EIM that were marketed to the end customers.

In both segments EIM and PLM, sales were virtually unchanged year on year – also in terms of product types.

53.2% (prior year: 53.7%) of sales was generated in Germany, 39.7% (prior year: 38.6%) in other EU countries and 7.1% (prior year: 7.7%) in other countries.

**KPIs relating to the development of earnings**

**Other operating income** decreased from EUR 1,880 k to EUR 1,345 k. The drop is due first and foremost to the lower reversal of provisions and lower exchange gains.

**Cost of materials** amounted to EUR 86,259 k in the past fiscal year compared with EUR 84,238 k in the prior year. The increase was prompted by increased purchasing of third-party software since the prior year. Gross profit (sales and other operating income less cost of materials) came to EUR 86,797 k (prior year: EUR 87,632 k) (down 1.0% on the prior year). Gross profit margin as a percentage of operating performance declined overall from 51.0% to 50.2% on account of the larger share of third-party software in the PLM division.

**Personnel expenses** in 2019 stood at EUR 60,300 k compared with EUR 58,571 k in the prior year. The rise of EUR 1,729 k can be explained by the increase in performance-based pay as well as general wage increases. Performance-based pay jumped to EUR 4,748 k (prior year: EUR 4,132 k) because of higher achievement of targets in 2019 and the higher-than-planned achievement of targets in 2018 with the resulting expenses relating to other periods. EUR 489 k of this increase is allocable to the EIM division.

**Other operating expenses** came to EUR 11,259 k after a figure of EUR 17,114 k in the prior year. This was attributable to cost-cutting measures for operating expenses as well as to the introduction of IFRS 16, which entailed a drop of EUR 3,357 k for vehicle costs and premises expenses. Because of the changed financial reporting for leased assets pursuant to IFRS 16, the annual costs are now recognized as amortization of the right-of-use assets capitalized rather than in other operating expenses. These expenses accounted for EUR 3,357 k in the fiscal year.

The CENIT Group achieved **EBITDA** of EUR 15,238 k (prior year: EUR 11,947 k /27.6%) and EBIT of EUR 9,195 k (prior year: EUR 9,028 k /1.8%). As a percentage of operating performance, the EBITDA margin improved from 7.0% to 8.8%. This is chiefly due to the first-time application of IFRS 16.

| in EUR/share | 2019 | 2018 |
|---|---|---|
| EPS | 0.82 | 0.71 |

Earnings per share (EPS) were up year on year from EUR 0.71/share to EUR 0.82/share. This was thanks in the main to the lower tax burden compared with the prior year.

### Development of orders

Order intake in the CENIT Group stood at EUR 165,545 k in the past fiscal year 2019 for reasons relating to the economy (prior year: EUR 177,902 k). The order backlog as of 31 December 2019 amounted to EUR 47,223 k (prior year: EUR 53,389 k).

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

### Breakdown of sales by product/income type

| in EUR k | 2019 | 2018 |
|---|---|---|
| Third-party software (including software updates) | 43,697 | 44,052 |
| CENIT consulting and service | 35,957 | 35,411 |
| CENIT software (including software updates) | 13,918 | 13,643 |
| Merchandise | 239 | 438 |
| Other revenue | 288 | 264 |
| **Total** | **94,099** | **93,808** |

CENIT AG generated revenue of EUR 94,099 k in the fiscal year 2019 (prior year: EUR 93,808 k). The breakdown by product type has not changed significantly since the prior year or for the EIM and PLM segments.

**Breakdown of sales by business segment**

| in EUR k | 2019 | 2018 |
| --- | --- | --- |
| PLM sales | 80,206 | 80,156 |
| EIM sales | 13,893 | 13,652 |
| **Total** | **94,099** | **93,808** |

**KPIs relating to the development of earnings at CENIT AG**

| in EUR k | 2019 | 2018 |
| --- | --- | --- |
| Revenue | 94,099 | 93,808 |
| EBITDA | 5,407 | 6,036 |
| EBIT | 4,073 | 4,605 |
| Total financial result | 2,312 | 2,480 |
| **Net income for the year** | **5,051** | **5,449** |

CENIT AG generated **revenue** of EUR 94,099 k in the fiscal year 2019 (prior year: EUR 93,808 k). The areas did not change materially in a year-on-year comparison.

**Cost of materials** totaled EUR 41,182 k in 2019 after EUR 40,053 k in the prior year. They increased due to more purchasing of third-party software compared to the prior year.

**Personnel expenses** were up by EUR 1,699 k year on year in the fiscal year 2019 (4.7%) to EUR 37,913 k on account of wage increases and higher variable remuneration due to higher-than-planned achievement of targets. EUR 427 k of the rise in variable remuneration involved the EIM division. There was a minimal drop in average headcount from 484 to 480 in a year-on-year comparison.

**Other operating expenses** came to EUR 10,467 k in 2019 as compared with EUR 12,042 k in the prior year. The EUR 1,575 k decline is attributable primarily to a drop in vehicle costs, travel expenses and advertising costs.

CENIT AG achieved **EBITDA** of EUR 5,407 k after a figure of EUR 6,036 k in 2018 (down 10.4%). The EBITDA margin came to 5.6% in the reporting year. EBIT stood at EUR 4,073 k after EUR 4,605 k in the prior year (down 11.6%).

The **financial result** contains distributions of subsidiaries in the USA amounting to EUR 1,066 k (prior year: EUR 1,786 k), in Romania amounting to EUR 318 k (prior year: EUR 421 k) and of Coristo amounting to EUR 204 k (prior year: EUR 153 k). The subsidiary in Switzerland distributed EUR 884 k in the fiscal year 2019 (prior year: EUR 0 k).

**Development of orders**

Order intake at CENIT AG amounted to EUR 89,369 k in the past fiscal year 2019 (prior year: EUR 98,671 k). As of 31 December 2019, the order backlog at CENIT AG amounted to EUR 33,847 k (prior year: EUR 38,340 k).

### Financial position of the CENIT Group (IFRS)

The Group still has a comfortable level of cash and cash equivalents. The credit lines granted but not used amount to EUR 1,979 k as of the balance sheet date. The strong financial position allows financing to come from company funds on a long-term basis.

**KPIs from the statement of cash flows in the Group**

| in EUR k | 2019 | 2018 |
|---|---|---|
| Cash flow from operating activities | 11,683 | 9,617 |
| Capex (investments) | -2,759 | -3,826 |
| Free cash flow* | 8,924 | 5,791 |
| Free cash flow per share in EUR | 1.07 | 0.69 |
| Cash flow from financing activities | -8,574 | -8,515 |
| Cash and cash equivalents as of the balance sheet date | 18,461 | 18,038 |

*operating cash flow less capex

Cash flow from operating activities decreased on the prior year. This was due in the main to the lower reduction of receivables year on year, amounting to EUR 3,000 k compared with EUR 4,543 k in the prior year. First-time application of IFRS 16 meant that cash flow from operating activities was up EUR 3,357 k on the prior-year figure. The principal portion of the lease liabilities is now presented in the cash flow from financing activities. The net cash used for investing activities dropped from EUR 3,826 k to EUR 2,759 k. The prior-year figure was burdened by the acquisition of shares in equity investments of EUR 2,000 k. Cash flow from financing activities decreased because of the lower dividend payment compared with 2018. By contrast, the presentation of the repayments of principal for the lease liabilities in the cash flows from financing activities as required by IFRS 16 led to an increase of EUR 3,357 k. Cash and cash equivalents at the end of the reporting period thus totaled EUR 18,461 k, increasing by a total of EUR 423 k year on year.

## Liquidity

Any liquidity surplus is used in a targeted manner for the financing of projects, software developments, investments and distributions to shareholders.

Both CENIT AG and its group entities were always able to meet their payment obligations in the fiscal year 2019.

### Financial position of CENIT AG (in accordance with HGB)

Liquidity as of the balance sheet date fell from EUR 8,071 k in the prior year to EUR 7,379 k in the past fiscal year based on business development. The distribution to the shareholders of CENIT AG amounting to EUR 5,021 k was compensated for by distributions of the subsidiaries to CENIT AG of EUR 2,472 k and the repayment of loans issued to subsidiaries amounting to EUR 2,250 k.

## Proposed dividend

The Management Board and Supervisory Board will propose to the General Meeting of Shareholders on 15 May 2020 that a dividend of EUR 0.45 per share be distributed from the retained earnings of CENIT AG of EUR 7,727 k.

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

**Assets and liabilities of the CENIT Group (in accordance with IFRS)**

| in EUR k | 2019 | 2018 |
|---|---|---|
| Non-current assets | 32,598 | 19,584 |
| Current assets | 56,750 | 59,491 |
| **Total assets** | **89,348** | **79,075** |
| | | |
| Equity | 40,940 | 39,102 |
| Non-current liabilities | 13,483 | 3,227 |
| Current liabilities | 34,925 | 36,746 |
| **Total equity and liabilities** | **89,348** | **79,075** |

**Equity** rose from EUR 39,102 k to EUR 40,940 k. The equity ratio stands at 45.8% (prior year: 49.4%). Bank balances and cash and cash equivalents totaled EUR 18,461 k as of the balance sheet date (prior year: EUR 18,041 k). Thanks to the high equity ratio in conjunction with the cash and cash equivalents available, the CENIT Group is in a position to fund itself independently for the long term.

Contributing factors to the drop in **current assets** from EUR 59,491 k to EUR 56,750 k were the lower level of trade receivables (down EUR 996 k) and the lower tax refund claims (down EUR 801 k).

**Non-current assets** rose from EUR 19,584 k to EUR 32,598 k. This is because of the changes reporting for leases under IFRS 16. For the first time, non-current assets contain a right-of-use asset from leases of EUR 14,056 k.

**Current liabilities** fell from EUR 36,746 k to EUR 34,925 k. This is due in the main to the reduction in trade payables of EUR 1,958 k.

**Non-current liabilities** rose from EUR 3,227 k to EUR 13,483 k. Once again, the reason for this is the changed reporting for leases in accordance with IFRS 16. This liability from leases totals EUR 11,027 k and is recognized for the first time as of the balance sheet date.

**Assets and liabilities in CENIT's separate financial statements (in accordance with HGB)**

| in EUR k | 2019 | 2018 |
|---|---|---|
| Fixed assets | 17,335 | 20,037 |
| Inventories and receivables and other assets | 17,724 | 18,583 |
| Cash and cash equivalents | 7,379 | 8,071 |
| Prepaid expenses | 2,308 | 2,844 |
| **Total assets** | **44,746** | **49,535** |
| | | |
| Equity | 31,569 | 31,538 |
| Provisions | 4,113 | 5,085 |
| Liabilities | 4,136 | 6,991 |
| Deferred income | 4,929 | 5,920 |
| **Total equity and liabilities** | **44,746** | **49,535** |

As of the balance sheet date, **equity** came to EUR 31,569 k (prior year: EUR 31,538 k). The equity ratio stands at 70.6% (prior year: 63.7%). Cash and cash equivalents totaled EUR 7,379 k as of the balance sheet date (prior year: EUR 8,071 k).

**Fixed assets** dropped from EUR 20,037 k to EUR 17,335 k. The drop is primarily attributable to the repayment of loans issued to subsidiaries amounting to EUR 2,000 k.

**Provisions** were down from EUR 5,085 k in the prior year to EUR 4,113 k. The decline in provisions is because of the decrease in long-term provisions for management board bonuses of EUR 694 k.

Like prepaid expenses and deferred income, **trade payables** of EUR 1,511 k (prior year: EUR 2,303 k) are in line with business development.

## Capital expenditures

Capital expenditure on property, plant and equipment generally plays a lesser role at CENIT. It mainly involves investments in the furniture and fixtures of the sales branches and the administrative headquarters. Of these, most investments were replacement investments in the technical infrastructure.

### In the CENIT Group (IFRS)

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 2,453 k in 2019 (prior year: EUR 1,626 k). Depreciation of property, plant and equipment and amortization of intangible assets came to EUR 6,043 k (prior year: EUR 2,919 k) on account of the IFRS 16 effect of EUR 3,255 k. The introduction of reporting for leases in line with IFRS 16 led to recognition of right-of-use assets of EUR 16,885 k.

Investments break down by segment as follows:

### Investments by business segment in the Group

| in EUR k | 2019 | 2018 |
|---|---|---|
| PLM | 2,210 | 1,465 |
| EIM | 243 | 161 |
| **Total** | **2,453** | **1,626** |

### In CENIT AG, Germany (HGB)

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 783 k in 2019 (prior year: EUR 914 k). Amortization of intangible assets and depreciation of property, plant and equipment came to EUR 1,335 k (prior year: EUR 1,431 k).

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

| in EUR k | 2019 | 2018 |
|---|---|---|
| PLM | 657 | 774 |
| EIM | 126 | 140 |
| **Total** | **783** | **914** |

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

In addition to investments in intangible assets and property, plant and equipment, continued investments were made in financial assets. A further 2.24% of the capital shares in KEONYS SAS were purchased for a price of EUR 136 k in the fiscal year. As a result, CENIT AG now holds 100% of the shares in KEONYS SAS. In addition, there were further subsequent purchase price reductions for KEONYS SAS of EUR 104 k in 2019.

The financial assets also include prepayments made of EUR 115 k for the additional acquisition of the SynOpt shares as of 1 January 2020.

## Foreign exchange management

The volatility on the foreign exchange markets and the resulting uncertainty surrounding exchange rate developments also have an influence on CENIT. Among others, the business activities of the CENIT Group also generate receivables in US dollars (USD), Swiss francs (CHF), Romanian leu (RON) and

Japanese yen (JPY). CENIT is thus exposed to a certain currency risk. Currency fluctuations are currently not hedged using financial instruments.

## Procurement and purchasing policy

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

The Group works with reputable partners in procurement that are either market or industry leaders in their product area. Currency risks from procurement in the CENIT Group occur when goods and services are procured in a currency other than the functional currency of the respective company. We minimize this risk by concluding corresponding purchase and sales agreements in the same currency. Since procurement focuses primarily on the euro-zone, foreign exchange risks are negligible at CENIT AG, Germany. The cost of goods and purchased services amounted to EUR 86,259 k in 2019 in the CENIT Group (prior year: EUR 84,238 k) and to EUR 41,182 k (prior year: EUR 40,053 k) at CENIT AG, Germany. At EUR 258 k in the CENIT Group as of year end (prior year: EUR 30 k), the inventory value and the amount of capital tied up as a result is kept at a low level thanks to project-based procurement.

## Quality assurance

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

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

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

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

CENIT has documented quality management rules in a management manual. It takes account of the ISO 9001:2015 standard.

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

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

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

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

Compliance with the requirements of ISO 9001:2015 is assessed annually, both by internal audits and by an independent external certification body.

## Information safety

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

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

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

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

## Employees

**Breakdown of employees by local companies:**

| | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| CENIT AG | 479 | 489 |
| Coristo | 9 | 7 |
| SynOpt | 3 | 4 |
| CENIT NA | 31 | 37 |
| CENIT CH | 15 | 19 |
| CENIT F | 18 | 20 |
| CENIT RO | 44 | 45 |
| CENIT J | 8 | 8 |
| KEONYS F | 117 | 112 |
| KEONYS BE | 7 | 9 |
| KEONYS NL | 6 | 7 |
| **CENIT Group** | **737** | **757** |

## Employees

On 31 December 2019, the Group had 737 employees (prior year: 757). CENIT AG, Germany had 479 employees as of 31 December 2019 (prior year: 489). Employee turnover was stable at around 9% (prior year: 9%).

Personnel expenses in the reporting period came to EUR 60,300 k in the CENIT Group (prior year: EUR 58,571 k) and EUR 37,913 k in CENIT AG (prior year: EUR 36,214 k).

We are convinced that our staff make a decisive contribution to the success of our company. Consequently, as part of our Strategy 2025 we were dedicated once again in 2019 to our goal "We are an attractive employer", placing the employees at the heart of our HR strategy.

To prepare the staff individually for the working world of the future, we invest in their continued education on a constant basis. We offer a large number of development programs for our employees for this purpose. Only when we develop as people can CENIT also progress as an organization and meet the growing market requirements.

Another focal area of HR work in 2019 was hiring new talent to foster the Company's success and growth. This saw us expand our recruitment capacities in 2019 and take part in several recruiting events. For example, our program incentivizing employees to refer new staff has become a more and more important part of our recruiting efforts in order to win the talent war. We also expanded the digital application process further in 2019, reducing the administrative workload and processing times substantially.

Furthermore, vocational training has been one of the strategic investment areas of CENIT AG for many years. The Group considers this to be part of its responsibility to society and is actively involved in making it easier for young people to start their career through qualified training. In 2019, CENIT AG in Germany had trained a total of 54 young people in various professions by the end of the year (prior year: 52). The focus is on technical courses of study, such as computer science, information systems or industrial engineering. Our naming as a MINT minded Company 2019 has helped us to recruit young talent. In addition, the Group continuously hires working students as well as interns and students completing their Bachelor's and Master's degrees.

## Remuneration system / Profit sharing

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

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

The **remuneration of the Management Board members pursuant to Sec. 314 (1) No. 6 HGB** in the reporting year was as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Kurt Bengel** | | |
| Fixed | 276 | 242 |
| Fringe benefits | 25 | 28 |
| Performance-based | 110 | 134 |
| Long-term incentive | 0 | 511 |
| **Total remuneration for Kurt Bengel** | **411** | **915** |
| **Matthias Schmidt** | | |
| Fixed | 231 | 215 |
| Fringe benefits | 22 | 22 |
| Performance-based | 110 | 134 |
| Long-term incentive | 0 | 511 |
| **Total remuneration for Matthias Schmidt** | **363** | **882** |
| **Total** | **774** | **1,797** |

The variable remuneration component breaks down into a short-term and long-term component based on consolidated EBIT, with the short-term portion being paid out in the subsequent year. The long-term portion is paid out after three years provided that other criteria have been met. The short-term variable remuneration for the Management Board has been capped at EUR 230,000 since the fiscal year 2019. The maximum amount increases by 5% p.a. from 2020. The long-term variable remuneration is capped at EUR 350,000. The maximum amount increases by 5% p.a. from 2020. The long-term variable remuneration is paid out after three years only if average consolidated EBIT amounts to at least EUR 9,000,000 over the past three years. This limit likewise increases by 5% annually. The cap on Mr. Bengel's total remuneration stands at EUR 900,000.00, while Mr. Schmidt's total remuneration is capped at EUR 800,000.00.

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

The **incentives granted** to the Management Board in the reporting year are as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Kurt Bengel** | | |
| Fixed | 276 | 242 |
| Fringe benefits | 25 | 28 |
| Performance-based | 110 | 134 |
| Long-term incentive | 165 | 137 |
| **Total remuneration for Kurt Bengel** | **576** | **541** |
| **Matthias Schmidt** | | |
| Fixed | 231 | 215 |
| Fringe benefits | 22 | 22 |
| Performance-based | 110 | 134 |
| Long-term incentive | 165 | 137 |
| **Total remuneration for Matthias Schmidt** | **528** | **508** |
| **Total** | **1,104** | **1,049** |

The following remuneration was **paid out** to the Management Board members in the reporting period:

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Kurt Bengel** | | |
| Fixed | 276 | 242 |
| Fringe benefits | 25 | 28 |
| Performance-based | 134 | 191 |
| Long-term incentive | 511 | 160 |
| **Total remuneration for Kurt Bengel** | **946** | **621** |
| **Matthias Schmidt** | | |
| Fixed | 231 | 215 |
| Fringe benefits | 22 | 22 |
| Performance-based | 134 | 191 |
| Long-term incentive | 511 | 160 |
| **Total remuneration for Matthias Schmidt** | **898** | **588** |
| **Total** | **1,844** | **1,209** |

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

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

Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 15,000 payable after the end of the fiscal year. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount. In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2019:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Andreas Schmidt | 0 | 11.5 |
| Hubert Leypoldt | 0 | 8.5 |
| Andreas Karrer | 0 | 5.5 |
| Oliver Riedel | 30.0 | 18.5 |
| Stephan Gier | 22.5 | 14.0 |
| Ricardo Malta | 15 | 9.5 |
| **Total amount** | **67.5** | **67.5** |

The D&O insurance was continued in 2019 for Management Board members and Supervisory Board members as well as other executives. The premiums of EUR 40 k (prior year: EUR 40 k) were borne by the Company.

## Forecast for 2020

The German economy is forecast to grow by approximately 1.1% in 2020. According to BITKOM, the ITC industry itself is somewhat more optimistic about 2020 and expects IT growth to amount to roughly 1.5%. The following statements do not take into account potential effects of the coronavirus, as these are currently unknown. A lasting drop in spending by our customers because of the coronavirus could influence the business development of CENIT in 2020. The outbreak of the coronavirus may result in macroeconomic risks that could lead to a significant drop in economic growth in the markets relevant for CENIT. Risks for the CENIT Group may impact not only sales development but also the capacity utilization of employees and may cause considerable disruption to our entire service chain. We are not currently in a position to estimate the specific effects on planning for the CENIT Group. For this reason, we have not yet adjusted the forecasts.

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

## Expected results of operations

In the CENIT Group, the planning for the fiscal year 2020 assumes sales of around EUR 170,000 k. Planned EBIT for 2020 is on a par with the prior year at around EUR 9,000 k. In the EIM segment, sales of approximately EUR 15,000 k and EBIT of EUR 1,700 k are planned. In the PLM segment, sales are planned at the prior-year level of EUR 155,000 k with EBIT of EUR 7,500 k, which will rise on the back of a more favorable product mix with more proprietary software.

For CENIT AG, the year 2020 is expected to yield sales at around the prior-year level of roughly EUR 94,000 k. EBIT should increase to around EUR 5,200 k thanks to a more profitable product mix comprising more proprietary software.

As was already the case in 2019, 2020 will also see a special focus on further alignment in software development, in particular Fastsuite E2 and SAP integration. The entire production industry (PLM) and financial service providers (EIM) are facing major challenges as part of digitalization because of the digitalization of production and the related investments in converting the IT landscape.

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

## Risks/Opportunities report

## Risks/Opportunities management

With a group-wide opportunities and risk management system, the Group identifies any opportunities and risks at an early stage in order to assess them correctly and limit them or use them to the extent possible. In doing so, the Group takes into account operational risks as well as financial, strategic and compliance risks.

The risk management system is assessed collectively at group level and is focused on operational, financial, strategic and compliance risks. This is in line with the statutory requirements set out in Sec. 91 (2) AktG. The risks are classified as low, medium or high based on an internal risk matrix (see matrix). Risks are quantified to assess legal and compliance risks, and these risks are considered appropriately.

| **Loss** | | | |
|---|---|---|---|
| Greater than 10 million EUR | medium | High | high |
| EUR 5 - 10 million | Low | medium | high |
| EUR 0 - 5 million | low | low | medium |
| | 0 - 33% | 34% - 65% | 66% - 100% |

**Probability of occurrence**

A key component of the system is a detailed planning system, an annual budget plan, monthly variance analyses as well as the early and regular communication of risks and opportunities. This risk management is assisted by regular meetings of management, where opportunities and risks relating to business development are analyzed and examined in detail.

The Management Board is responsible for the opportunities and risk management system, which is an integral part of corporate governance and is also in line with the statutory requirements pursuant to Sec. 91 (2) AktG. Based on the assessment of the Management Board, the risks described below are manageable at the time of signing the financial statements. There are no identifiable individual risks that jeopardize the continued existence of the Group as a going concern. At the same time, management is confident that the Group is in a strong position strategically and financially to take advantage of opportunities that arise.

The opportunities and risk report involves identifying, assessing, controlling and monitoring core risks. These risks include all matters that constitute a significant threat to success factors and could have a material impact on earnings or liquidity. They can be allocated to individual risk classes depending on the expected loss (high, medium, low). The expected loss is calculated uniformly in the Group using a rule-based process and comprise a combination of the probability of occurrence and the expected effect of the extent of the loss on consolidated earnings. The effectiveness of risk management is checked at regular intervals and improved as necessary.

The Management Board examines the classified risks together with the department heads and the employees responsible in that business unit. In addition, the Supervisory Board regularly receives reports on the risk situation and these are discussed in detail.

## Risk situation

Out of all opportunities and risks identified, those areas that currently could have a material positive or negative impact on the assets and liabilities, financial position and financial performance in the forecast period are described below. Pursuant to the aforementioned assessment based on the expected loss of consolidated earnings, the corresponding classification of the expected loss caused by the risk that remains after taking countermeasures is stated for the following risks.

The risk situation for the CENIT Group is as follows:

| Risk category | | Assessment |
|---|---|---|
| Financial risks | Financing/creditworthiness | low |
| | Currency risks | low |
| Operational risks | Ongoing price pressure | low |
| | IT risks | low |
| | Performance risks – personnel | low |
| | Dependency on one customer | low |
| Strategic risks | Technology/market shifts | low |
| | Dependency on one supplier | medium |
| Compliance risks | Contractual risks | low |
| | Legal requirements | low |

## Financial risks

The CENIT Group has had an equity ratio in excess of 40% for many years. There are no obligations to banks, and debt stands at 0%. Furthermore, credit ratings are obtained to assess customers' ability to repay and to avoid payment default and historical data from the business relationship to date are taken into account – especially in relation to payment history. Extensive accounts receivable management is set up for this purpose. The CENIT Group processes most business transactions in the local currency. Because the sales in local currency are countered by corresponding expenses in local currency, the risk of currency fluctuations is low.

## Operational risks

The Company counters ongoing price pressure by investing in the constant further training of its employees. The shortage of skilled staff in the IT sector also helps to escape the pressure on price. Adapted recruiting systems that use new tools for hiring staff are suitably managing the lack of skilled staff and minimizing the performance risk.

The Group's central IT department is responsible globally for all information systems and user control rights. The IT environment is uniform across the Group and is centrally managed. The IT function monitors system operation continuously, checks existing access rights of the individual users at regular intervals and adapts access rights to the individual systems as necessary. For this reason, the IT risk is considered manageable.

The Management Board monitors dependency on key accounts on a constant basis. Because there are several independent contracts with sometimes identical key accounts, the risk is low. No one customer contributes more than 9% to consolidated sales in the fiscal year 2019.

## Strategic risks

These mainly include a dependency on the development at key strategic suppliers as well as the specialization on technology partners and the related dependency on their business development and on maintaining existing strategic partnerships.

CENIT is very well positioned in its target markets. The Company has a strong market position in Product Lifecycle Management (PLM) and in Enterprise Information Management (EIM) with regard to medium-sized and larger customers. CENIT makes consistent use of these opportunities to secure its market position. The Group’s own software helps in particular in this regard, as it gives CENIT a unique selling proposition in relation to its competitors and increases customer loyalty. The strategic partnerships with global players such as Dassault Systèmes, IBM and SAP help to limit technological risks. The Group responds to this risk by regularly and continuously identifying, assessing and monitoring opportunities and risks in all material business transactions and processes.

The strategic partnerships create dependencies on individual suppliers. Because of its size, CENIT is excellently positioned as a partner to Dassault Systèmes, as access to several thousands of customers is ensured only via the distribution network of CENIT AG. There are thus mutual dependencies at play.

## Compliance risks

The CENIT Group enters into contracts with its customers at arm’s length. Contractual risks are limited by using standardized General Terms and Conditions. In addition, the CENIT Group has taken out sufficient public liability insurance to minimize the risk.

Compliance risks are penalties, financial or other tangible losses due to breaches of the law and failure to comply with internal company regulations or principles. Compliance risks are classified as low on the whole.

## Overall picture of the Group’s risk situation

A review of the current risk situation has shown that there were no risks in the reporting period that jeopardized the continued existence of the Group as a going concern and that no such risks are foreseeable at present for the future. With the exception of the risks from the coronavirus epidemic, which cannot yet be estimated at present, all recognized risks were taken into account appropriately in the annual and consolidated financial statements, and provisions were created as necessary. The risk management and early warning system makes transparent corporate governance and early detection of risks possible. An overall analysis of risk shows that CENIT is primarily exposed to strategic risks. These include a dependency on the development at key strategic suppliers as well as the specialization on technology partners and the related dependency on their business development. There is an opportunity to optimize the daily rates achievable by means of a high-quality service. This can only be implemented based on sustained training for our employees. By raising its profile on the labor market, CENIT takes advantage of the opportunities on offer to recruit high-quality specialist staff.

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

Alongside the risks described, ever-shorter innovation cycles open up the possibility to progress with the digitalization of our society and offer our business customers solutions with our own software products that will make them more competitive. Consequently, our activities relating to innovation and product development are decisive when they involve recognizing and using opportunities and establishing them in the face of increasing competition.

## Internal control and risk management system in relation to the accounting and group financial reporting process, Sec. 315 (4) HGB (CENIT AG: Sec. 289 (4) HGB)

A major part of the risk management system is the accounting-related internal control and risk system of the CENIT AG Group. Accordingly, the internal control system is understood to include the principles, processes and measures introduced by management that are geared to the organizational implementation of executive decisions to ensure the effectiveness and efficiency of the business activities for the compliance and reliability of the internal accounting and external financial reporting.

An internal control system appropriate for the respective circumstances is implemented at each of the group companies; this system is continuously refined. Accounting recognizes the principle of a separation of functions. Most finance and accounting functions are performed centrally at the Stuttgart location. There is a clear allocation of tasks, both for preparing the separate financial statements and for preparing the consolidated financial statements. Controls are also implemented in accordance with the principle of dual control or in the form of system controls in order to avoid inaccuracies.

The Management Board is responsible for the internal control and risk management system in terms of the group financial reporting process.

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

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

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

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

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

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

**Other notes**

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

The Management Board and Supervisory Board of the Company have issued the corporate governance statement for 2019 prescribed by Sec. 289f HGB and/or Sec. 315d HGB and have made it available on the homepage at: http://www.CENIT.com/en_EN/investor-relations/corporate-governance.html.

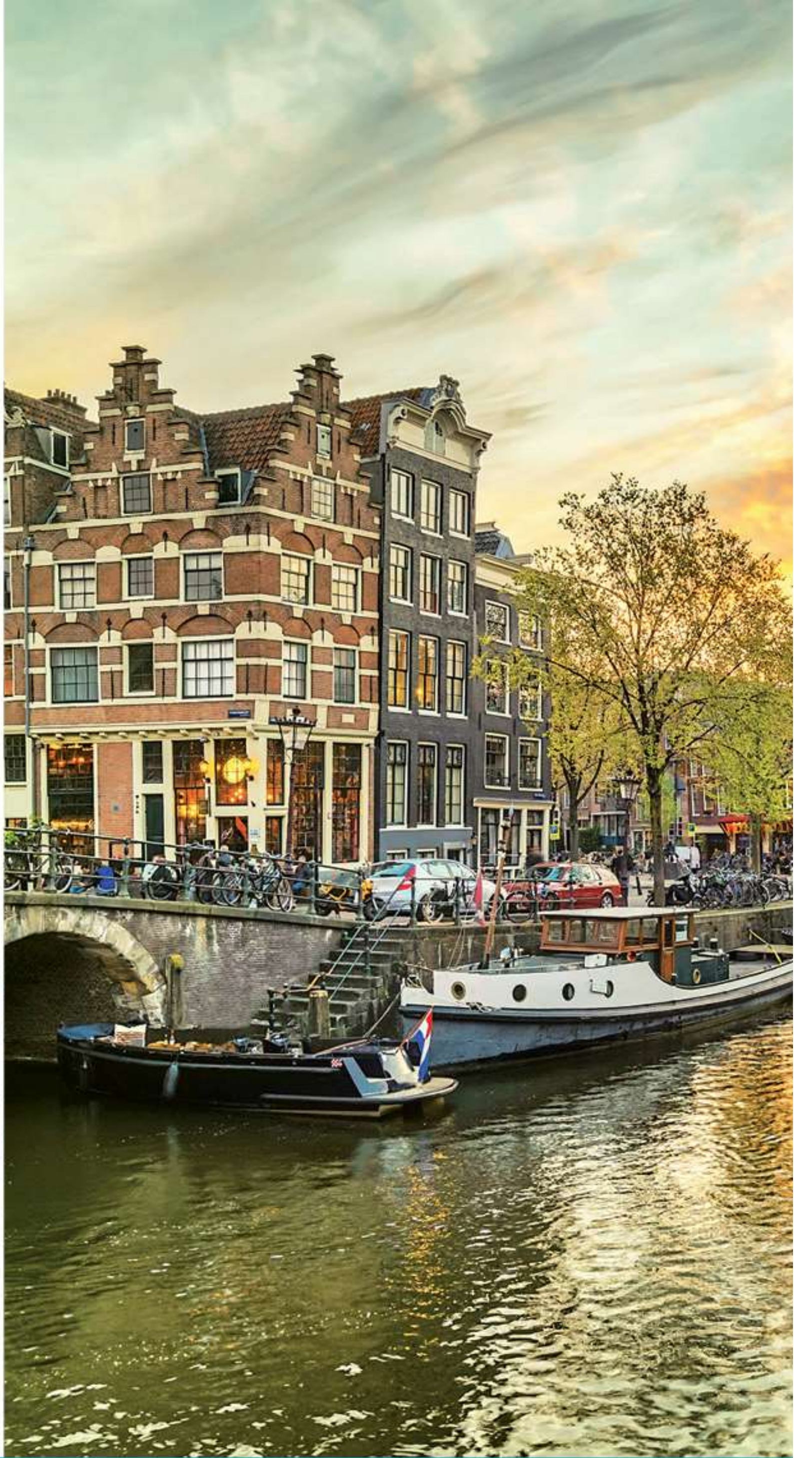
**Sec. 315c HGB – Non-financial group statement**

The Management Board will prepare the non-financial group statement prescribed by Sec. 315b HGB and make it available permanently on the homepage by 30 April 2020 at: http://www.CENIT.com/en_EN/investor-relations/corporate-governance.html.

Stuttgart, 20 March 2020

CENIT Aktiengesellschaft
The Management Board

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



# GROUP FINANCIAL STATEMENT

BELGIUM | NETHERLANDS
WATERLOO | CD HOUTEN

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

| in EUR k | | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | F1 | 12,223 | 13,518 |
| Property, plant and equipment | F2 | 16,476 | 2,653 |
| Investments recognized at equity | F3 | 60 | 60 |
| Other financial assets | F3 | 2,615 | 2,500 |
| Deferred tax assets | F4 | 1,224 | 853 |
| **NON-CURRENT ASSETS** | | **32,598** | **19,584** |
| | | | |
| **CURRENT ASSETS** | | | |
| Inventories | F5 | 258 | 30 |
| Trade receivables | F6 | 20,395 | 21,625 |
| Receivables from investments recognized at equity | F6 | 4,413 | 5,026 |
| Contract assets* | F7 | 3,727 | 3,364 |
| Current tax assets | F9 | 1,514 | 2,315 |
| Other receivables | F8 | 408 | 891 |
| Cash and cash equivalents | F10 | 18,461 | 18,041 |
| Other assets | F11 | 7,574 | 8,199 |
| **CURRENT ASSETS** | | **56,750** | **59,491** |
| **TOTAL ASSETS** | | **89,348** | **79,075** |

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

| in EUR k | | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Subscribed capital | F12 | 8,368 | 8,368 |
| Capital reserves | F12 | 1,058 | 1,058 |
| Currency translation reserve | F12 | 1,058 | 1,009 |
| Legal reserve | F12 | 418 | 418 |
| Other revenue reserves | F12 | 13,771 | 13,663 |
| Profit carryforward | F12 | 8,289 | 7,361 |
| Net income of the Group for the year | F12 | 6,872 | 5,948 |
| **Equity attributable to shareholders of the parent company** | | **39,834** | **37,825** |
| Non-controlling interests | | 1,106 | 1,277 |
| **TOTAL EQUITY** | | **40,940** | **39,102** |
| **NON-CURRENT LIABILITIES** | | | |
| Other liabilities | F16 | 834 | 1,446 |
| Pension obligation* | F18 | 1,480 | 1,504 |
| Non-current lease liability | F13 | 11,027 | 0 |
| Deferred tax liabilities | F4 | 142 | 277 |
| **NON-CURRENT LIABILITIES** | | **13,483** | **3,227** |
| **CURRENT LIABILITIES** | | | |
| Overdrafts | F10 | 0 | 3 |
| Trade payables | F15 | 5,964 | 7,922 |
| Liabilities to investments recognized at equity | F15 | 34 | 44 |
| Other liabilities | F16 | 10,959 | 11,538 |
| Current lease liability | F13 | 3,102 | 0 |
| Current income tax liabilities | F14 | 309 | 789 |
| Other provisions | F14 | 132 | 137 |
| Contract liabilities* | F17 | 14,425 | 16,313 |
| **CURRENT LIABILITIES** | | **34,925** | **36,746** |
| **TOTAL EQUITY AND LIABILITIES** | | **89,348** | **79,075** |

* Disclosures on changes in presentation are explained in note B.

| **CENIT Aktiengesellschaft, Stuttgart<br>CONSOLIDATED INCOME STATEMENT (in accordance with IFRS)** | | | | |
|---|---|---|---|---|
| in EUR k | | | **2019** | **2018** |
| | | | | |
| 1. **REVENUE** | **E1** | | **171,711** | **169,990** |
| 2. Other income | E3 | | 1,345 | 1,880 |
| **Operating performance** | | | **173,056** | **171,870** |
| 3. Cost of materials | E4 | 86,259 | | 84,238 |
| 4. Personnel expenses | E5 | 60,300 | | 58,571 |
| 5. Amortization of intangible assets and depreciation of property, plant and equipment | F1+F2 | 6,043 | | 2,919 |
| 6. Other expenses | E7 | 11,259 | | 17,114 |
| | | | 163,861 | 162,842 |
| **NET OPERATING INCOME (EBIT)** | | | **9,195** | **9,028** |
| 7. Other interest and similar income | E8 | 1 | | 0 |
| 8. Interest and similar expenses | E8 | 298 | | 71 |
| | | | -297 | -71 |
| **NET PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES (EBT)** | | | **8,898** | **8,957** |
| 9. Income taxes | E9 | | 1,936 | 2,828 |
| | | | | |
| **NET INCOME OF THE GROUP FOR THE YEAR** | | | **6,962** | **6,129** |
| thereof attributable to the shareholders of CENIT | | | 6,872 | 5,948 |
| thereof attributable to non-controlling interests | | | 90 | 181 |
| Earnings per share in EUR | | | | |
| basic | E10 | | 0.82 | 0.71 |
| diluted | E10 | | 0.82 | 0.71 |

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

| in EUR k | | 2019 | 2018 |
|---|---|---|---|
| **Net income of the Group for the year** | | **6,962** | **6,129** |
| **Other comprehensive income** | | | |
| Items that will be reclassified to the income statement in the future under certain circumstances | | | |
| Currency translation reserve of foreign subsidiaries | | 49 | 208 |
| Items that will not be reclassified to the income statement in the future | | | |
| Actuarial gains/losses from defined benefit obligations and similar obligations | | 221 | 561 |
| Deferred taxes recognized on other comprehensive income | | -41 | -136 |
| **Other comprehensive income after tax** | | **229** | **633** |
| **Total comprehensive income** | | **7,191** | **6,762** |
| thereof attributable to the shareholders of CENIT | | 7,101 | 6,577 |
| thereof attributable to non-controlling interests | | 90 | 185 |

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

| | Equity attributable to shareholders of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| in EUR k | Sub-scribed capital | Capital reserves | Currency translation reserve | Revenue reserves: Legal reserve | Revenue reserves: Other reserves | Profit carry-forward | Net income of the Group for the year | Equity attributable to shareholders of CENIT AG | Non-Control-ling interests | Total |
| **As of 31 December 2017** | **8,368** | **1,058** | **801** | **418** | **13,242** | **6,926** | **8,803** | **39,616** | **1,239** | **40,855** |
| Reclassification of net income of the Group | | | | | | 8,803 | -8,803 | 0 | 0 | 0 |
| Total comprehensive income | | | 208 | | 421 | | 5,948 | 6,577 | 185 | 6,762 |
| Dividend distribution | | | | | | -8,368 | | -8,368 | -147 | -8,515 |
| **As of 31 December 2018** | **8,368** | **1,058** | **1,009** | **418** | **13,663** | **7,361** | **5,948** | **37,825** | **1,277** | **39,102** |
| Reclassification of net income of the Group from prior year | | | | | | 5,948 | -5,948 | 0 | 0 | 0 |
| Total comprehensive income | | | 49 | | 180 | | 6,872 | 7,101 | 90 | 7,191 |
| Purchase of additional shares by minority interests | | | | | -72 | | | -72 | -64 | -136 |
| Dividend distribution | | | | | | -5,021 | | -5,021 | -196 | -5,217 |
| **As of 31 December 2019** | **8,368** | **1,058** | **1,058** | **418** | **13,771** | **8,289** | **6,872** | **39,834** | **1,106** | **40,940** |

| CENIT Aktiengesellschaft, Stuttgart<br>CONSOLIDATED STATEMENT OF CASH FLOWS (in accordance with IFRS) | | |
|---|---|---|
| in EUR k | **2019** | **2018** |
| **Cash flow from operating activities** | | |
| Net income of the Group for the year | 6,962 | 6,129 |
| Adjusted for: | | |
| Amortization of intangible assets and depreciation of property, plant and equipment | 6,043 | 2,919 |
| Gains (-) and losses (+) on disposals of assets | 4 | 94 |
| Finance cost | 297 | 71 |
| Tax expenses | 1,936 | 2,828 |
| Increase/decrease in other non-current assets | 0 | 0 |
| Decrease in other non-current liabilities and long-term provisions | 712 | -382 |
| Interest paid | -32 | -36 |
| Interest received | 1 | 0 |
| Income taxes paid | -2,376 | -3,534 |
| Decrease in trade receivables and other current non-cash assets | 3,000 | 4,543 |
| Increase/decrease in inventories | -228 | 58 |
| Decrease in current liabilities and short-term provisions | -4,637 | -3,073 |
| **Net cash flows from operating activities** | **11,682** | **9,617** |
| **Cash flow from investing activities** | | |
| Cash paid for purchase of property, plant and equipment and intangible assets | -2,508 | -1,626 |
| Cash paid for purchase of shares in fully consolidated entities (net cash outflow) | -136 | -200 |
| Cash paid for investments | -115 | -2,000 |
| Cash received from the sale of property, plant and equipment | 0 | 0 |
| **Net cash used in investing activities** | **-2,759** | **-3,826** |
| **Cash flow from financing activities** | | |
| Cash repayments of lease liability | -3,357 | 0 |
| Cash paid to shareholders | -5,021 | -8,368 |
| Dividends paid to minority interests | -196 | -147 |
| **Net cash used in financing activities** | **-8,574** | **-8,515** |
| **Net decrease/increase in cash and cash equivalents** | **349** | **-2,724** |
| Change in cash and cash equivalents due to foreign exchange differences | 74 | 222 |
| Cash and cash equivalents at the beginning of the reporting period | 18,038 | 20,540 |
| **Cash and cash equivalents at the end of the reporting period (F10)** | **18,461** | **18,038** |

See note G. in the notes to the consolidated financial statements for explanations.

# Notes to the consolidated financial statements of CENIT AKTIENGESELLSCHAFT for 2019

## A Commercial register and purpose of the Group

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

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

## B Accounting principles

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

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

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

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

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

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

Compared with the consolidated financial statements as of 31 December 2018, the following standards and interpretations were mandatory for the first time and had material effects on the consolidated financial statements.

**IFRS 16 Leases**

CENIT applied IFRS 16 for the first time as of 1 January. CENIT applied IFRS 16 using the modified retrospective method. As a result, comparative information for 2018 was not restated but, like before, presented in accordance with IAS 17 and the related interpretations. The details on the changes to the financial reporting methods are outlined below.

**Definition of a lease**

As a lessee, the Group leases office space, vehicles and IT equipment that up until 2018 was classified in full as an operating lease in accordance with IAS 17.

Under the operating leases, the lease payments were recognized as an expense in each period. With the exception of the matters described below (practical expedients), the Group recognizes right-of-use assets and lease liabilities for these leases from 2019 onwards pursuant to IFRS 16. This means that these leases are recognized in the statement of financial position. When transitioning to IFRS 16, CENIT decided to apply the practical expedient to retain the assessment of which transactions constitute leases. Consequently, the definition of a lease under IFRS 16 was applied only to contracts entered into or amended on or after 1 January 2019.

CENIT made use of a range of practical expedients when applying IFRS 16 to leases that had been classified as operating leases under IAS 17. In detail, CENIT:

– did not recognize right-of-use assets or lease liabilities for leases with a lease term that ends within 12 months of the date of first-time application,

– did not recognize right-of-use assets or lease liabilities for leases where the underlying asset is of low value (for example IT equipment),

– excluded the initial direct costs from the measurement of the right-of-use asset at the date of first-time application, and

– determined the term of leases retrospectively.

**Accounting for leases where CENIT is the lessee**

In the past, CENIT classified property leases as operating leases under IAS 17. When transitioning to IFRS 16, the lease liabilities for those leases were measured at the present value of the remaining lease payments, discounted by the Group's incremental borrowing rate as of 1 January 2019 for matching terms and collateral. Right-of-use assets are measured as follows:

– at the carrying amount as if IFRS 16 had been applied since the commencement date, discounted by the Group's incremental borrowing rate at the date of first-time application:

The Group examined its right-of-use assets for impairment on the date of the transition and concluded that there was no indication that right-of-use assets were impaired.

**Lessor**

On the transition date, no adjustments for leases were identified where CENIT is a lessor pursuant to IFRS 16.

**Effect as of the transition date**

The Group recognized additional right-of-use assets and additional lease liabilities when transitioning to IFRS 16. The effects on the transition date are summarized below.

| EUR k | 1 January 2019 |
|---|---|
| Right-of-use assets | 16,885 |
| Lease liabilities | 16,885 |

When measuring the lease liabilities from operating leases, the Group discounted the lease payments using the incremental borrowing rate as of 1 January 2019 for matching terms and collateral. The weighted average interest rate is 1,14%.

| EUR k | 1 January 2019 |
|---|---|
| Obligations from operating leases recognized as of 31 December 2018 | 14,490 |
| Facilitation of application for short-term leases | -344 |
| Facilitation of application for low-value assets | -84 |
| Payments for non-lease components | -982 |
| Recognized options to renew existing leases | 4,395 |
| Gross lease liability as of 1 January 2019 | 17,475 |
| Discounting | 590 |
| Lease liabilities | 16,885 |
| **Present value of the lease liability as of 1 January 2019** | **16,885** |

Compared with the consolidated financial statements as of 31 December 2019, the following standards and interpretations were also mandatory for the first time but did not have any material effects on the consolidated financial statements.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 23: Uncertainty over Income Tax Treatments
- Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual improvements to IFRS – 2015 to 2017 cycle

## Upcoming IFRS amendments

The following IFRSs adopted by the EU were issued by the end of the reporting period but are not mandatory until later reporting periods. The CENIT Group decided not to early adopt the standards and interpretations that are not mandatory until later reporting periods. No effects are expected from applying these standards.

| Amendment/Standard | Date of publication | Date of transposition into EU law | Effective date |
|---|---|---|---|
| **Amendments to References to the Conceptual Framework in IFRS Standards** | 29 March 2018 | 29 November 2019 | 1 January 2020 |
| **Amendments to IAS 1 and IAS 8: Definition of Material** | 31 October 2018 | 29 November 2019 | 1 January 2020 |

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

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

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

In the prior year, contract assets were presented in the item “Trade receivables” at an amount of EUR 3,364 k. Since the 2019 reporting period, they are presented separately in the item “Contract assets” in the statement of financial position.

In the prior year, provisions for pension obligations were presented in the item “Other non-current liabilities” at an amount of EUR 1,504 k. Since the 2019 reporting period, they are presented separately in the item “Pension obligation” under non-current liabilities in the consolidated statement of financial position.

## C Consolidation principles

### 1. Consolidation principles and basis of consolidation

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

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

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

In March 2019, CENIT acquired an additional share of 2.24 percent in KEONYS SAS, thus increasing its interest from 97.76 to 100 %.

| in EUR k | |
|---|---|
| Carrying amount of non-controlling interests acquired | 64 |
| Purchase price paid to non-controlling interests | 136 |
| **Drop in equity of the shareholders of the parent** | **-72** |

The drop in equity of the shareholders of the parent led to a EUR 72 k reduction in revenue reserves.

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

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

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

| No. | Entity | Currency | % | Subscribed capital LC k | Date of purchase accounting |
|---|---|---|---|---|---|
| 1 | CENIT Aktiengesellschaft<br>Stuttgart, Germany | EUR | --- | 8,368 | Parent |
| 2 | CENIT (Schweiz) AG<br>Effretikon, Switzerland | CHF | 100 | 500 | 26 October 1999 |
| 3 | CENIT NORTH AMERICA Inc.<br>Auburn Hills, USA | USD | 100 | 25 | 29 November 2001 |
| 4 | CENIT SRL<br>Iasi, Romania | RON | 100 | 344 | 22 May 2006 |
| 5 | CENIT France SARL<br>Toulouse, France | EUR | 100 | 10 | 26 April 2007 |
| 6 | CENIT Japan K.K.<br>Tokyo, Japan | YEN | 100 | 34,000 | 13 May 2011 |
| 7 | Coristo GmbH<br>Mannheim, Germany | EUR | 51.0 | 25 | 1 January 2016 |
| 8 | KEONYS SAS<br>Suresnes, France | EUR | 100 | 155 | 1 July 2017 |
| 9 | KEONYS Belgique SPRL<br>Waterloo, Belgium | EUR | 100 | 19 | 1 July 2017 |
| 10 | KEONYS NL BV<br>Houten, Netherlands | EUR | 100 | 18 | 1 July 2017 |
| 11 | SynOpt GmbH<br>Stuttgart, Germany | EUR | 55.0 | 50 | 1 July 2017 |
| 12 | CenProCS AIRliance GmbH<br>Stuttgart, Germany | EUR | 33.3 | 150 | 16 November 2007 |

## 2. Business combinations and goodwill

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

The goodwill resulting from the acquisition of a subsidiary of an entity under common control is initially measured at cost, being the excess of the cost of the acquisition over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of the impairment test to be carried out annually, the goodwill acquired as part of the acquisition is allocated from the acquisition date to the Group's cash-generating units that are expected to benefit from the business combination.

Each impairment loss on goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill can no longer be reversed in future periods.

## 3. Investment in a joint venture

CENIT has held a 33.33% investment in a joint venture, CenProCS AIRliance GmbH (CenProCS), since 16 November 2007. A contractual agreement has been signed by the shareholders, CENIT AG Stuttgart, PROSTEP AG Darmstadt and CS SI LePlessis Robinson, France, on the provision of packaged services by the shareholders in the area of information technology as well as the coordination and marketing of these services to a major customer. CenProCS passes on the orders from a major customer exclusively to its shareholders, does not have any business activities of its own and is thus not exposed to any entrepreneurial risks directly. CenProCS is subject to the common control of the shareholders.

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

Gains and losses on transactions between the Group and the joint venture are eliminated in proportion to the investment in CenProCS.

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

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

## 4. Foreign currency translation

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

The difference arising from translation of the individual financial statements is recognized directly in equity. A figure of EUR 48 k was recognized directly in equity in the reporting period (prior year: EUR 208 k). When subsidiaries are sold, the exchange differences recognized in equity relating to these entities are released to profit or loss.

Foreign currency transactions are generally translated at the current rate as of the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the annual closing rate. Non-monetary items that were measured at their historical cost are translated at the rate of the transaction date, while non-monetary items that were measured at their fair value are translated at the rate which was current at the time the fair value was determined. Differences arising from currency translation at closing rates are recognized in profit or loss. Exchange losses were EUR 57 k overall were recognized in profit or loss in the reporting period (prior year: EUR 140 k).

The following exchange rates were used for currency translation:

| in EUR | Closing rate | | Annual average rate | |
|---|---|---|---|---|
| | 31 Dec. 2019 | 31 Dec. 2018 | 2019 | 2018 |
| CHF | 1.0854 | 1.1269 | 1.1124 | 1.1548 |
| USD | 1.1234 | 1.1450 | 1.1195 | 1.1815 |
| RON | 4.7830 | 4.6635 | 4.7453 | 4.6541 |
| YEN | 121.94 | 125.85 | 122.01 | 130.41 |

## D Accounting policies

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

In the case of intangible assets acquired for consideration in connection with a business combination (mainly customer bases), the acquisition costs of the intangible assets are equal to their fair value. They are reduced by amortization over the expected useful life using the straight-line method. The useful life of the identified customer base is five to twelve years. CENIT determines the useful life based on the expected period in which cash inflows can be generated from the respective customer base. The useful life of technologies is ten years, while it is one year for the identified order backlog and generally three years for other intangible assets.

**Purchased intangible assets with indefinite useful lives (goodwill)** are recognized at cost less accumulated impairment. These intangible assets are not amortized. They are tested for impairment at least once a year for the individual asset or at the level of the cash-generating unit. Impairment testing of the goodwill is based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management (discounted cash flow method). The useful life of an intangible asset with an indefinite useful life is checked once a year to determine whether the assessment of an indefinite useful life is still justified. If this is not the case, a prospective change of the assessment from an indefinite to a definite useful life is made.

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

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

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

**Property, plant and equipment** are recognized at cost, net of accumulated straight-line depreciation and/or accumulated impairment losses. Cost comprises expenses directly attributable to the acquisition of the items. Subsequent costs are only recognized in the carrying amount of the asset or as a separate asset if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. Maintenance costs are recorded directly as expenses. Items of property, plant and equipment are depreciated on the basis of their estimated useful lives. The useful life of plant and machinery is three to five years, and five to ten years for furniture and fixtures. Buildings on the Group's premises are depreciated over a period of 33 years, or eight to 15 years for land improvements. Buildings on third-party land (leasehold improvements) are depreciated over the terms of the lease agreements. No material residual values had to be considered when determining the amount of depreciation.

Residual values, depreciation and amortization methods and the useful life of property, plant and equipment and intangible assets are reviewed annually and adjusted if changes take place. A write-down to the recoverable amount is thus performed in accordance with IAS 36.59 if the carrying amount is higher. Any changes required are taken into account prospectively as changes in estimates.

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

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

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

**Leases**

**As the lessee**

On the commencement date or when a contract containing a lease component is amended, the Group breaks down the contractually agreed consideration based on the relative stand-alone selling prices. At the commencement date, the Group recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which corresponds to the initial measurement of the lease liability, adjusted for payments made on or before the commencement date, plus any initial direct costs as well as the estimated cost of dismantling or removing the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is then depreciated from the commencement date to the end of the lease term using the straight-line method, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined in line with the rules for property, plant and equipment. Additionally, the right-of-use asset is continuously corrected for impairment losses, where necessary, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments outstanding as of the commencement date, discounted using the Group's incremental borrowing rate. To calculate the incremental borrowing rate for matching terms and collateral, CENIT obtains interest rates from external financing sources and makes asset-specific adjustments as necessary.

The lease payments included in the measurement of the lease liability comprise:

– fixed payments, including in-substance fixed payments

– variable lease payments that depend on an index or a(n interest) rate, initially measured using the index or (interest) rate as at the commencement date

– lease payments for a renewal option, if CENIT is reasonably certain that it will exercise this option

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if the future lease payments change due to a change in an index or (interest) rate, if the Group changes its view of exercising a renewal or termination option or an in-substance fixed lease payment changes. In the statement of financial position, the Group presents right-of-use assets under property, plant and equipment. The lease liabilities are presented in current liabilities or non-current liabilities depending on their remaining term.

CENIT has decided not to recognize right-of-use assets and lease liabilities for leases of low-value assets. The Group recognizes the lease payments linked to those leases as an expense over the term of the lease using the straight-line method.

**Method used prior to 1 January 2019**

The determination of whether an arrangement was or contained a lease was based on the substance of the arrangement and required an estimate of whether fulfillment of the arrangement was dependent on the use of a specific asset or assets and the arrangement conveyed a right to use the asset.

All leases were classified as operating leases.

Operating lease payments were recognized as an other operating expense in the income statement on a straight-line basis over the lease term. There were no finance leases in prior reporting periods.

**Financial instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities include in particular primary financial instruments such as cash and cash equivalents, trade receivables and trade payables as well as loans originated or borrowed and other receivables and liabilities. Financial liabilities generally give rise to the right to receive settlement in cash or another financial asset. There are no derivative financial instruments at CENIT. Financial instruments are recognized as soon as CENIT becomes party to the contractual provisions of the financial instrument.

Regular way purchases or sales of financial assets are recognized as of the trading date.

Depending on the Group's business model for controlling the assets and the question whether the contractual cash flows of the financial instruments are solely payments of principal and interest on the principal amount outstanding, the existing financial instruments are classified either 'at amortized cost' (AC), 'at fair value through profit or loss' (FVTPL) or 'at fair value recognized through other comprehensive income' (OCI) and measured accordingly.

The fair value corresponds to the market value. If there is no active market, the fair value is calculated using actuarial methods.

The recognition and measurement of financial instruments at amortized cost is explained in detail below, as this category is materially important for the consolidated financial statements.

**Financial instruments measured at amortized cost (AC)**

The Group measures financial instruments at amortized cost if both of the following conditions are met:

- The financial asset or the financial liability is held within a business model whose objective is to control assets and
- The contractual terms of the financial asset or financial liability give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized through profit or loss in the period when the asset is derecognized, modified or impaired.

**Trade receivables** are non interest bearing and are recognized at the transaction price less impairment losses due to their short-term nature. Expected credit losses are determined using the simplified method. In addition, individual default risks are taken into account if there is objective evidence that the customers are unable to pay.

Unlike trade receivables, **contract assets** are dependent on the occurrence of a future condition. Impairment losses on contract assets are calculated in line with the same principles as for trade receivables.

**Cash and cash equivalents** are cash, checks and on-demand bank balances with an original term of less than 3 months. These are recognized at nominal value.

**Lease liabilities** are recognized at the present value of the outstanding minimum lease payments.

**Trade payables** and **other financial liabilities** are due in the short term and are recognized at nominal value.

Interest-bearing **bank loans** including overdrafts are recognized at the pay-out amount received less the directly allocable issuing costs on the date of initial recognition. Finance costs, including premiums payable on repayment or settlement, are recognized as an interest expense using the effective interest method and increase the carrying amount of the instrument to the extent that it will only lead to the outflow of payments at a date in the future.

**Impairment losses**

IFRS 9 has introduced a model for calculating impairment losses based on expected credit losses.

For trade receivables and contract assets, a simplified approach is used to calculate the impairment loss that provides for an impairment loss for the amount of the expected credit loss over the remaining term.

For cash and cash equivalents, this practical expedient is used for financial instruments with a low credit risk as of the end of the reporting period.

The probabilities of default used to calculate expected credit losses on trade receivables and contract assets comprise individual and constantly updated data regarding counterparty risk, such as the payment history and company and industry data, taking forward-looking assumptions into account. If there is objective evidence that a default event will occur, the individual default risk is taken into account in the impairment loss alongside expected credit losses. Objective evidence includes, for example, significant financial difficulties of the debtor, payment default and delayed payments, downgraded credit rating, insolvency and other observable data that indicate a considerable reduction in expected payments. CENIT checks at the end of each reporting period whether the credit risk of the receivable has changed and adjusts the valuation allowance as necessary.

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

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

**Pension obligations and similar obligations** result from obligations to employees. The contributions to statutory pension insurance are generally classified as defined contribution plans in accordance with IAS 19. The amounts payable in connection with defined contribution plans are expensed as soon as the obligation to pay arises and reported as personnel expenses. The exception to this rule involves pension commitments at CENIT Switzerland.

The LOB pension plans in place at CENIT Switzerland qualify as defined benefit plans in accordance with IAS 19 due to the statutory minimum interest and conversion rate guarantees. Likewise, the pension payment that the Group must pay in France when an employee enters retirement must be recognized as a defined benefit plan in accordance with IAS 19. The cost of providing benefits under these benefit plans is determined using the projected unit credit method. The plan assets available to cover the pension obligations are offset against the pension obligations in accordance with the rules in IAS 19.

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

Liabilities are disclosed in the notes to the financial statements as **contingent liabilities** for possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

**Current tax assets and liabilities**

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

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

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

Deferred tax assets are recognized in principle for all deductible temporary differences, unused tax losses and unused tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax assets can be utilized. In the case of entities with a history of losses, deferred tax assets on unused tax losses are recognized only if it is probable (>50%) that the unused tax losses can be used in the future in line with the strategic business planning.

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

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

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

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

CENIT Aktiengesellschaft generates revenue from the licensing of software (proprietary software and third-party software), software updates (for proprietary software and third-party software), the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes. Revenue is also generated from the sale of goods.

At CENIT, the different products are categorized according to the following contract types:

- Royalties – these encompass the revenue from software and software updates
- Fixed-price projects
- Sale of services – this encompasses revenue from service and consulting projects
- Sale of goods – this encompasses revenue from hardware sales

**Software licenses**

Royalties from granting temporary licenses – to the extent that the software grants a right to use the intellectual property as of the date of granting the license – and income from the sale of permanent licenses are recognized when the software has been provided to the customer (revenue recognition at a point in time).

Royalties from software as a service are recognized pro rata over the term of rendering the service. Royalties from software as a service are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as contract liabilities.

The average payment term of customers is between five and 30 days after invoicing.

**Software updates**

This includes revenue from contracts that grant the customer access to software updates. These updates mainly involve error resolution, improved performance or adjustments to changed framework conditions.

Royalties from software updates are recognized pro rata over the term of rendering the service.

Royalties from software updates are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as contract liabilities.

The average payment term of customers is between five and 30 days after invoicing.

**Services (consulting & service)**

Revenue from services charged on an hourly basis relates to consulting services, training, application and user support. For these services, revenue recognition generally takes place monthly based on hours worked.

If there are multiple element arrangements that comprise the sale of software licenses and services, these are examined to determine if one or several performance obligations exist. If several performance obligations are identified, the transaction price is allocated in proportion to the relative stand-alone selling prices. CENIT bases its derivation of relative stand-alone selling prices on comparable industry transactions. Revenue recognition for the separate performance obligations can take place at a point in time or over time, depending on when the customer has control of the service.

In general, performance obligations that involve the sale of software meet the prerequisites for revenue recognition at a point in time. Such contracts mainly relate to orders where CENIT offers integrated consulting, software and after-sales services to the customer as an end-to-end provider.

The average payment term of customers is between five and 30 days after invoicing.

**Fixed-price projects**

Income from contracts for which a fixed price was agreed (generally contracts for work in connection with software programming or implementation) is recognized in accordance with the percentage of completion provided that the outcome can be measured reliably. When the outcome can be measured reliably, contract revenue and contract costs associated with the project should be recognized as part of the contract costs incurred for the work in relation to the expected contract costs by reference to the stage of completion of the contract activity at the end of the reporting period. Changes to contracted work, claims and bonus payments are included to the extent that they are agreed with the customer in writing. If the outcome of a project cannot be measured reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. An expected loss is recognized as an expense immediately as soon as this loss is probable.

The average payment term of customers is between five and 30 days after invoicing.

**Merchandise**

Revenue from merchandise relates chiefly to the sale of end devices. Sales of merchandise are recognized when the performance obligation has been met through delivery to the purchaser.

The average payment term of customers is between five and 30 days after invoicing.

**Government grants**

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

**Dividends and interest income**

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

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

**Significant accounting judgments, assumptions and estimates**

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

- It is not permissible to recognize research costs as assets. Development costs may only be recognized as an asset if all of the conditions for recognition pursuant to IAS 38.57 are satisfied, if the research phase can be clearly distinguished from the development phase and material expenditure can be allocated to the individual project phases without overlap. On account of numerous interdependencies within development projects and uncertainty about whether some products will reach marketability, some of the conditions for recognition pursuant to IAS 38 are not currently satisfied based on CENIT's estimates. Development costs of EUR 10,332 k (prior year: EUR 10,123 k) are consequently not capitalized.

- Assessing the separability of the performance obligations for multiple element arrangements is based on an assessment of whether the different contractual components have a separate value for the customer and can be separated from the other components and is thus subject to certain discretionary decisions. For separate recognition of software sales, it must be examined whether material integration services or major software customization is necessary. This assessment is based on the underlying contract and the knowledge on the date of signing the contract. Allocating the transaction price to the different contractual components is likewise subject to certain discretionary decisions. This is particularly relevant for CENIT in relation to the separation of software license services and software update services. CENIT bases such decisions on comparable industry transactions.
- Determining the percentage of completion is subject to certain discretionary decisions with regard to estimating the contract costs yet to be incurred. The estimate is based on the knowledge available as of the end of the reporting period.
- The cost and present value of defined benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that can differ from actual developments in the future. These include the determination of the discount rates, future wage and salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period.
- When determining provision amounts to be recognized, assumptions must be made on the probability that there will be an outflow of resources. These assumptions constitute the best estimate of the situation underlying the matter, but are subject to uncertainty because of the necessary use of assumptions. When measuring the provisions, assumptions also have to be made on the amount of the possible outflow of resources. A change in the assumptions can therefore lead to a difference in the amount of the provision. The use of estimates thus also leads to uncertainties here.

Determining the recoverable amount of the cash-generating units “SAP-PLM” and “KEONYS FR” for impairment testing of the goodwill is based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management. The cash flows from the expected revenue are derived from the strategic alignment of the respective business division and the strategy of the CENIT Group using the expected product mix, and the expected cash outflows are calculated based on this.

## E Income statement

### 1. Revenue

The breakdown of revenue by business unit and region is presented in the segment reporting in note H. Revenue is also broken down into the following categories:

**Breakdown of sales by product/income type**

| In EUR k | 2019 | 2018 |
|---|---|---|
| Third-party software (including software updates) | 105,628 | 104,299 |
| CENIT consulting and service | 49,486 | 49,776 |
| CENIT software (including software updates) | 16,355 | 15,449 |
| Merchandise | 242 | 466 |
| **Total** | **171,711** | **169,990** |

**Breakdown of sales by contract type**

| in EUR k | | 2019 | 2018 |
|---|---|---|---|
| **Royalties** | | **121,983** | **119,747** |
| | PLM | 112,441 | 111,028 |
| | EIM | 9,542 | 8,719 |
| **Sale of goods and services** | | **46,659** | **46,758** |
| | PLM | 40,233 | 39,932 |
| | EIM | 6,426 | 6,826 |
| **Fixed-price projects** | | **3,069** | **3,485** |
| | PLM | 3,005 | 3,174 |
| | EIM | 64 | 311 |
| **Total** | | **171,711** | **169,990** |

The revenue results from ordinary activities.

As of the end of the reporting period, there are contract assets (F7) of EUR 3,727 k (prior year: EUR 3,364 k) and contract liabilities (F17) of EUR 14,425 k (prior year: EUR 16,313 k). Contract liabilities of EUR 16,313 k recognized at the beginning of the year are included in full in income (prior year: EUR 17,739 k).

**Development of orders**

Order intake in the CENIT Group stood at EUR 165,545 k in the past 2019 reporting period (prior year: EUR 177,902 k). The order backlog as of 31 December 2019 amounted to EUR 47,223 k (prior year: EUR 53,389 k), which corresponds to the overall amount of the transaction price allocated to the unfulfilled performance obligations as of 31 December 2019. Of the order backlog, EUR 47,223 k (prior year: EUR 53,389 k) will be turned into sales within one year.

## 2. Research and development costs

In 2019, all of the product development was non-project-related, which does not, however, meet the recognition criteria in IAS 38.57. The development costs incurred for the projects of EUR 10,332 k (prior year: EUR 10,123 k) were recognized as an expense in the reporting period.

## 3. Other income

Other income breaks down as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Income from tax credit | 423 | 563 |
| Income from the cross-charging of marketing and administrative costs | 268 | 321 |
| Income from exchange differences | 229 | 391 |
| Income from the reversal of provisions | 174 | 298 |
| Income from insurance refunds/damages | 134 | 153 |
| Income from receivables written off | 55 | 103 |
| Income from pre-school subsidy | 44 | 35 |
| Income from the sale of non-current assets | 1 | 0 |
| Other income | 17 | 15 |
| **Total** | **1,345** | **1,880** |

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

For reasons of materiality, the income from receivables written off was reported under other income and was not presented separately in the income statement.

In France, entities are granted government grants, termed ‘research and development tax credit (CIR)’. The R&D tax credit amounts to 30% of the qualifying expenses. These include expenses for basic research, applied research and development costs. The tax credit is taken into account by crediting it to the corporate tax liability or – if it cannot be credited in full – by payment of the receivable. In 2019, KEONYS SAS reported income of EUR 423 k from this tax credit (prior year: EUR 563 k) in other income.

## 4. Cost of materials

This item contains the cost of purchased third-party software of EUR 80,151 k (prior year: EUR 78,705 k) and the cost of purchased services of EUR 6,108 k (prior year: EUR 5,533 k).

## 5. Personnel expenses

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

| in EUR k | 2019 | 2018 |
|---|---|---|
| Wages and salaries | 49,345 | 47,968 |
| Social security and pension costs | 10,955 | 10,603 |
| **Total** | **60,300** | **58,571** |

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

The Swiss LOB pension plans and the pension payments in France are designed as defined benefit plans in accordance with IAS 19. We refer to the comments in note F18.

An annual average (on a quarterly basis) of 742 (prior year: 750) persons were employed by the Group, plus 54 trainees (prior year: 52).

The number of employees as of the end of the reporting period came to 737 (prior year: 757). 491 of those were employed in Germany, 192 in other EU countries and 54 in other countries.

Personnel expenses comprise termination benefits totaling EUR 373 k (prior year: EUR 242 k). EUR 181 k are reported under liabilities as of the end of the reporting period (prior year: EUR 72 k), as they did not yet affect cash. In the reporting period, the liabilities include severance payments of EUR 369 k from earlier reporting periods (prior year: EUR 356 k).

In France, two types of government grant were granted in prior years: the R&D tax credit (CIR, reported under other operating income) and the tax credit for promoting employment and competitiveness (CICE). The tax credit for promoting employment and competitiveness was discontinued from 1 January 2019 and compensated for by means of lower social insurance contributions. In the prior year, the income from the tax credit was deducted from personnel expenses. In 2018, KEONYS SAS reported income of EUR 66 k from this tax credit, while CENIT FR recorded income of EUR 35 k.

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

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

## 7. Other expenses

| in EUR k | 2019 | 2018 |
|---|---|---|
| Travel expenses | 2,218 | 2,794 |
| Legal and consulting fees | 1,257 | 1,477 |
| Motor vehicle costs | 1,142 | 1,332 |
| Advertising costs | 1,122 | 1,673 |
| Premises expenses | 994 | 1,158 |
| Repairs and maintenance | 974 | 1,139 |
| Telecommunication and office supplies | 953 | 929 |
| Other personnel expenses | 483 | 646 |
| Insurance | 459 | 461 |
| Rent and lease expenses | 427 | 3,677 |
| Expenses from exchange losses | 369 | 447 |
| Training | 170 | 409 |
| Internal events | 163 | 383 |
| Impairment losses on receivables and bad debts | 100 | 203 |
| Supervisory Board compensation | 68 | 68 |
| Losses from disposals of assets | 3 | 96 |
| Other | 357 | 222 |
| **Total** | **11,259** | **17,114** |

## 8. Interest result

The total interest income and total interest expenses break down as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Interest income from bank balances | 1 | 0 |
| Interest income from business taxes | 0 | 0 |
| **Total interest income** | **1** | **0** |
| Utilization of credit lines and guarantees | 8 | 10 |
| Interest expenses for business taxes | 7 | 1 |
| Interest expenses from unwinding of the discount on accrued liabilities | 91 | 40 |
| Interest expenses from leases | 176 | 0 |
| Net interest from the measurement of pension obligations | 16 | 20 |
| **Total interest expenses** | **298** | **71** |
| **Interest result** | **-297** | **-71** |

## 9. Income taxes

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

Expenses from income taxes break down as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Current tax expense | 2,476 | 3,245 |
| Change in deferred taxes | -539 | -418 |
| **Total** | **1,936** | **2,828** |

The current tax expense includes expenses of EUR 24 k relating to other periods (prior year: EUR 374 k) and income of EUR 15 k relating to other periods (prior year: EUR 0 k). These stem from tax back payments / refunds arising from tax field audits.

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

| in % | 2019 | 2018 |
|---|---|---|
| CENIT | 31.00 | 31.00 |
| CENIT CH | 22.00 | 22.00 |
| CENIT NA | 24.00 | 24.00 |
| CENIT RO | 16.00 | 16.00 |
| CENIT F | 28.00 | 28.00 |
| CENIT J | 39.43 | 39.43 |
| CORISTO | 31.00 | 31.00 |
| SYNOPT | 31.00 | 31.00 |
| KEONYS FR | 28.00 | 28.00 |
| KEONYS BE* | 29.00 | 33.99 |
| KEONYS NL | 25.00 | 25.00 |

*With effect from the 2019 tax year, the general corporate income tax rate in Belgium is 29% (previously 33%); it will be reduced further to 25% for the 2021 tax year.

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

| in % | 2019 | 2018 |
|---|---|---|
| Trade tax at a rate of 433.6% (prior year: 433.6%) | 15.17 | 15.17 |
| Corporate income tax | 15.00 | 15.00 |
| Solidarity surcharge (5.5% of corporate income tax) | 0.83 | 0.83 |
| **Effective tax rate** | **31.00** | **31.00** |

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

| in EUR k | 2019 | 2018 |
|---|---|---|
| Net profit or loss for the period before taxes (EBT) | 8,898 | 8,957 |
| Theoretical tax expense based on a tax rate of 31% (prior year: 31%) | -2,758 | -2,777 |
| Non-deductible expenses | -179 | -88 |
| Tax-free income | 372 | 57 |
| Use of unused tax losses | 711 | 175 |
| Expenses relating to other periods | -9 | -141 |
| Effects of different tax rates within the Group and tax rate changes | -68 | -61 |
| Non-deductible/creditable taxes | 0 | -3 |
| Other | -5 | 10 |
| Income tax expense according to the consolidated income statement | -1,936 | -2,828 |
| Tax rate | 20.5% | 31.6% |

The effects of different tax rates within the Group include tax expenses that do not relate to EBT of EUR -298 k (prior year: EUR -324 k).

## 10. Earnings per share

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

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

| in EUR k | 2019 | 2018 |
|---|---|---|
| Net profit/loss attributable to ordinary shareholders of the parent | 6,872 | 5,948 |
| Weighted average number of ordinary shares used to calculate basic earnings per share | 8,367,758 | 8,367,758 |

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

There have been no transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date of preparing the consolidated financial statements. Based on IAS 33.49, basic and diluted earnings per share total EUR 0.82 (prior year: EUR 0.71), as there were no dilutive effects.

## 11. Dividends paid and proposed

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

| in EUR k | 2018 | 2017 |
|---|---|---|
| Final dividend for 2018: EUR 0.60 (2017: EUR 1.00) | 5,021 | 8,368 |

The Management Board and Supervisory Board of CENIT AG will propose to the General Meeting of Shareholders on 15 May 2020 that a dividend of EUR 0.45 be distributed from the retained earnings of CENIT AG.

| in EUR k | 2019 | 2018 |
|---|---|---|
| Final dividend for 2019: EUR 0.45 (prior year: EUR 0.60) | 3,765 | 5,021 |

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

## F Statement of financial position

### 1. Intangible assets

Intangible assets developed as follows in 2019:

| in EUR k | Software and licenses | Customer base | Goodwill | Total |
|---|---|---|---|---|
| Cost | | | | |
| As of 1 January 2019 | **7,887** | **12,737** | **6,905** | **27,529** |
| Exchange difference | 3 | 76 | 0 | 79 |
| Additions | 494 | 0 | 0 | 494 |
| Disposals | 43 | 0 | 0 | 43 |
| **As of 31 December 2019** | **8,341** | **12,813** | **6,905** | **28,058** |
| | | | | |
| Accumulated amortization | | | | |
| As of 1 January 2019 | **6,243** | **7,490** | **278** | **14,011** |
| Exchange difference | 2 | 76 | 0 | 78 |
| Additions | 853 | 936 | 0 | 1,789 |
| Disposals | 43 | 0 | 0 | 43 |
| **As of 31 December 2019** | **7,055** | **8,502** | **278** | **15,835** |
| **Net carrying amounts** | **1,286** | **4,311** | **6,627** | **12,223** |
| | | | | |
| Cost | | | | |
| As of 1 January 2018 | **7,372** | **12,664** | **6,905** | **26,940** |
| Exchange difference | 5 | 73 | 0 | 78 |
| Additions | 536 | 0 | 0 | 536 |
| Disposals | 26 | 0 | 0 | 26 |
| **As of 31 December 2018** | **7,887** | **12,737** | **6,905** | **27,529** |
| | | | | |
| Accumulated amortization | | | | |
| As of 1 January 2018 | **5,342** | **6,481** | **278** | **12,101** |
| Exchange difference | 5 | 73 | 0 | 78 |
| Additions | 916 | 936 | 0 | 1,852 |
| Disposals | 20 | 0 | 0 | 20 |
| **As of 31 December 2018** | **6,243** | **7,490** | **278** | **14,011** |
| **Net carrying amounts** | **1,644** | **5,247** | **6,627** | **13,518** |

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

The customer base from purchase accounting of Conunit GmbH (EIM segment) has a remaining amortization period of six months as of the end of the reporting period. The net carrying amount as of the end of the reporting period totals EUR 118 k (prior year: EUR 354 k). In addition, software acquired as part of the business combination was capitalized which has a net carrying amount of EUR 11 k as of the end of the reporting period (prior year: EUR 32 k). The remaining amortization period also amounts to six months.

The software from purchase accounting of SPI Numérique SARL (PLM segment) has a net carrying amount of EUR 248 k as of the end of the reporting period (prior year: EUR 325 k). The remaining amortization period as of the end of the reporting period is four years and three months.

The customer base from purchase accounting of Coristo GmbH has a remaining amortization period of one year as of the end of the reporting period. The carrying amount is EUR 273 k as of 31 December 2019 (prior year: EUR 546 k). The acquired goodwill of Coristo GmbH with a carrying amount of EUR 1,272 k (prior year: EUR 1,272 k) was allocated to the cash-generating unit “PLM-SAP” to test for impairment, which also constitutes a reportable business segment.

The customer base of KEONYS SAS identified as part of purchase accounting of the KEONYS Group has an amortization period of nine years and six months as of the end of the reporting period. The carrying amount is EUR 3,738 k as of the end of the reporting period (prior year: EUR 4,132 k). The goodwill with a carrying amount of EUR 5,355 k (prior year: EUR 5,355 k) acquired as part of the acquisition was allocated to the cash-generating unit “KEONYS FR” to test for impairment.

The customer base from purchase accounting of SynOpt GmbH has an amortization period of five years and six months as of the end of the reporting period. The carrying amount is EUR 182 k as of the end of the reporting period (prior year: EUR 215 k).

### Impairment losses

As far as intangible assets with a finite useful life are concerned, there was no indication in the current 2019 reporting period that the useful life recognized needs to be adjusted.

The Group carried out an impairment test for goodwill.

The recoverable amounts of the cash-generating units “PLM-SAP” and “KEONYS FR” are determined based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management. As part of the 5-year financial planning, the revenue is derived from the strategic alignment of the respective business division and the strategy of the CENIT Group using the expected product mix, and the expected costs are calculated from this.

The key assumptions when deriving the sales forecast for the “PLM-SAP” cash-generating unit is that the service area will be expanded slightly and that proprietary software will remain at the prior-year level. Costs are forecast based on the assumption that personnel expenses rise by 2% and all other expenses remain at the prior-year level.

The basis for deriving the sales forecast for the “KEONYS FR” cash-generating unit is that service will be expanded slightly and that the sale of third-party software will remain at the prior-year level. In terms of expected costs, management assumes that personnel expenses will rise by 2% and all other costs will remain unchanged.

The discount rate before taxes used for the cash flow projections is 8.72% for “PLM-SAP” (prior year: 9.22%) and 8.67% for “KEONYS FR” (prior year: 9.12%). Cash flows after the period of five years are extrapolated using a growth rate of 1% (prior year: 1%) for both cash-generating units. This growth rate corresponds to the long-term average growth rate based on the market environment. The test showed that the value in use is higher than the carrying amount. As a result, there was no indication of a need to recognize an impairment loss since the date of purchase accounting, and goodwill remains unchanged.

## 2. Property, plant and equipment

Property, plant and equipment developed as follows in 2019:

| in EUR k | Buildings including buildings on third-party land | Plant and machinery | Furniture and fixtures | Total |
|---|---|---|---|---|
| Cost | | | | |
| As of 1 January 2019 | **2,781** | **7,827** | **1,146** | **11,754** |
| Exchange difference | 7 | 10 | -3 | 14 |
| Addition from first-time application of IFRS 16 | 15,226 | 0 | 1,658 | 16,885 |
| Additions | 577 | 563 | 875 | 2,015 |
| Disposals | 823 | 24 | 91 | 938 |
| **As of 31 December 2019** | **17,768** | **8,376** | **3,586** | **29,730** |
| Accumulated depreciation | | | | |
| As of 1 January 2019 | **1,655** | **6,496** | **950** | **9,101** |
| Exchange difference | 2 | 9 | -1 | -10 |
| Addition to depreciation under IFRS 16 | 2,260 | 0 | 995 | 3,255 |
| Additions | 169 | 702 | 128 | 999 |
| Disposals | 0 | 23 | 88 | 111 |
| **As of 31 December 2019** | **4,086** | **7,184** | **1,983** | **13,254** |
| **Net carrying amounts** | **13,681** | **1,192** | **1,603** | **16,476** |
| Cost | | | | |
| As of 1 January 2018 | **2,619** | **7,198** | **1,128** | **10,945** |
| Exchange difference | 6 | 20 | 7 | 33 |
| Additions | 320 | 624 | 146 | 1,090 |
| Disposals | 164 | 15 | 135 | 314 |
| **As of 31 December 2018** | **2,781** | **7,827** | **1,146** | **11,754** |
| Accumulated depreciation | | | | |
| As of 1 January 2018 | **1,602** | **5,728** | **905** | **8,235** |
| Exchange difference | 3 | 17 | 5 | 25 |
| Additions | 151 | 757 | 159 | 1,067 |
| Disposals | 101 | 6 | 119 | 226 |
| **As of 31 December 2018** | **1,655** | **6,496** | **950** | **9,101** |
| **Net carrying amounts** | **1,126** | **1,331** | **196** | **2,653** |

### 3. Investments recognized at equity and non-current other financial assets

CENIT AG holds a share of 33.3% in CenProCS AIRliance GmbH, an entity domiciled in Stuttgart. This entity specializes in providing packaged services of its partners, CENIT AG Stuttgart, PROSTEP AG Darmstadt and CS SI LePlessis Robinson, France, in the field of IT, as well as coordinating and marketing said services.

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

The assets, liabilities and revenue of CenProCS AIRliance GmbH are as follows as of 31 December 2019:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Current assets<br>(thereof cash: EUR 183 k (prior year: EUR 245 k)) | 8,366 | 7,999 |
| Non-current assets | 0 | 0 |
| Current liabilities | 8,186 | 7,819 |
| Non-current liabilities | 0 | 0 |
| **Equity** | **180** | **180** |
| | | |
| Revenue | 48 | 48 |
| Total comprehensive income | 0 | 0 |
| **Carrying amount of the investment** | **60** | **60** |
| **Share of profit of the joint venture** | 0 | 0 |

Non-current other financial assets include the 5% capital involvement in DELTA Management Beratung GmbH amounting to EUR 2,500 k (prior year: EUR 2,500 k). EUR 500 k of this figure is still outstanding and is recognized under other liabilities. The remaining purchase price is due for payment in 2020. Because the solution expertise of Delta Management GmbH and CENIT overlaps, the two companies want to build a clear lead as PLM experts in the fields of digital twin and real-time data integration, thus driving forward the digital transformation of companies in the areas of manufacturing and Industry 4.0. The investment was classified as at fair value through profit or loss. The fair value was determined close to the end of the reporting period based on a market transaction.

Non-current financial assets also include a prepayment of EUR 115 k for the acquisition of the remaining 45% of shares in SynOpt GmbH as of the end of the reporting period. The capital shares will be stepped up from 55% at present to 100% as of 1 January 2020.

## 4. Deferred taxes

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

| in EUR k | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Deferred tax assets on unused tax losses | 1,747 | 1,432 | | 0 |
| Intangible assets | 0 | 0 | 1,230 | 1,513 |
| General valuation allowances | 0 | 0 | 65 | 71 |
| Receivables from service agreements | 0 | 0 | 77 | 150 |
| Other provisions and accrued liabilities | 303 | 469 | | 0 |
| IAS 19 pension obligations | 384 | 379 | | 0 |
| Consolidation procedures | 20 | 30 | | 0 |
| **Total** | **2,454** | **2,310** | **1,372** | **1,734** |
| Netting | -1,230 | -1,457 | -1,230 | -1,457 |
| **Total** | **1,224** | **853** | **142** | **277** |

The changes in deferred taxes affected the income statement as follows:

| in EUR k | **2019** | **2018** |
|---|---|---|
| Deferred tax assets on unused tax losses | 313 | -98 |
| Intangible assets | 285 | 285 |
| General valuation allowances | 6 | -8 |
| Receivables from service agreements | 75 | 7 |
| Other provisions and accrued liabilities | -171 | 273 |
| IAS 19 pension obligations | 41 | -77 |
| Consolidation procedures | -10 | 36 |
| Total | 539 | 418 |

The change in deferred taxes on actuarial gains/losses from defined benefit obligations recognized in other comprehensive income of EUR 41 k (prior year: EUR 136 k) was recognized directly in equity.

As of 31 December 2019, no deferred income tax payables for temporary differences in connection with investments in subsidiaries of EUR 224 k (prior year: EUR 183 k) were recognized, as CENIT is in a position to control the timing of the reversal and the temporary differences are not expected to reverse in the foreseeable future.

As of the end of the reporting period, the Group had unused tax losses of EUR 6,419 k (prior year: EUR 7,611 k) for which deferred tax assets of EUR 1,747 k (prior year: EUR 1,432 k) were recognized. These relate to KEONYS FR (EUR 5,899 k, reported at EUR 1,652 k), KEONYS NL (EUR 68 k, reported at EUR 0 k) and CENIT JP (EUR 450 k, reported at EUR 95 k). At KEONYS FR, the deferred taxes are reported in full, as it is expected that the unused tax losses can be used in full in line with the strategic business planning.

## 5. Inventories

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Merchandise (measured at cost) | 235 | 0 |
| Payments on account | 22 | 30 |
| **Total** | **258** | **30** |

## 6. Trade receivables and receivables from investments recognized at equity

Trade receivables comprise receivables from third parties of EUR 20,395 k (prior year: EUR 21,625 k) and receivables from investments recognized at equity of EUR 4,413 k (prior year: EUR 5,026 k).

The age structure of trade receivables and receivables from investments recognized at equity was as follows at the end of the reporting period:

| in EUR k | Total | thereof: impaired | thereof: not due as of the end of the reporting period | thereof: past due | | | |
|---|---|---|---|---|---|---|---|
| | | | | less than 30 days | between 30 and 60 days | between 61 and 90 days | more than 90 days |
| 2019 | 25,178 | 370 | 14,999 | 5,007 | 3,553 | 519 | 730 |
| 2018 | 26,993 | 342 | 16,898 | 4,937 | 1,839 | 882 | 2,096 |

| Valuation allowances on trade receivables | in EUR k |
|---|---|
| As of 31 December 2018 | 342 |
| Addition (+)/reversal (-) | 28 |
| **As of 31 December 2019** | **370** |

When calculating the expected bad debts, the historical level of bad debts as a percentage of total receivables was taken into account.

No bad debts are expected from receivables from investments recognized at equity, as the customer has a strong credit rating and past receivables were paid reliably and as due.

A breakdown of receivables by country is as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---:|---:|
| Germany | 11,692 | 11,604 |
| Europe | 10,907 | 13,047 |
| Third countries | 2,209 | 2,000 |
| **Total** | **24,808** | **26,651** |

## 7. Contract assets

As of the end of the reporting period, there are contract assets from ongoing, unbilled projects totaling EUR 3,727 k (prior year: EUR 3,364 k). The contract assets relate first and foremost to CENIT's entitlements to counterperformance for services provided but unbilled as of the end of the reporting period. The contract assets will be reclassified to receivables when the rights become unconditional. This generally happens when the Group issues an invoice to the customer. Typically, this takes place within 12 months. There were no material changes in estimates in the reporting period. No valuation allowance was recognized for contract assets.

## 8. Other receivables

Other receivables break down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2019 |
|---|---:|---:|
| Receivables from staff | 43 | 16 |
| Receivables from deposits | 290 | 710 |
| Receivable from insurance refund | 0 | 36 |
| Receivable from purchase price refund | 75 | 126 |
| Other | 0 | 3 |
| **Total** | **408** | **891** |

Other receivables are all short term, not past due and not impaired. As in the prior year, there are no long-term receivables in the reporting period.

## 9. Tax receivables

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

The short-term current income tax receivables of EUR 1,514 k in total (prior year: EUR 2,315 k) relate to entitlements from prepayments for corporate income tax and trade tax of EUR 742 k in total (prior year: EUR 1,034 k), receivables from the VAT prepayment amounting to EUR 434 k (prior year:

EUR 647 k) as well as the recognition of a tax credit for research projects in France of EUR 338 k (prior year: EUR 634 k).

## 10. Cash and cash equivalents

Cash and cash equivalents break down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Bank balances | 18,457 | 18,037 |
| Cash on hand | 4 | 4 |
| **Cash in the statement of financial position** | 18,461 | 18,041 |
| Overdrafts used via cash management | 0 | -3 |
| **Cash presented in the statement of cash flows** | **18,461** | **18,038** |

Bank balances earn interest at floating rates based on daily bank deposit rates. The fair value of cash amounts to EUR 18,461 k (prior year: EUR 18,041 k).

The Group has credit lines of EUR 1,979 k as of the end of the reporting period (prior year: EUR 2,382 k). In addition to the overdrafts reported above, there is a figure of EUR 1,500 k that can be availed of either as a loan or as a guarantee. The Group utilized EUR 521 k of this amount as a guarantee as of the end of the reporting period (prior year: EUR 568 k).

EUR 3,357 k of lease liabilities were repaid in the reporting period.

## 11. Other assets

Other assets break down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Prepaid maintenance fees | 6,775 | 6,873 |
| Prepaid rights of use and car insurance | 800 | 1,326 |
| **Total** | **7,574** | **8,199** |

The prepaid maintenance fees involve prepayments by the CENIT Group that will be recorded as expenses in subsequent periods.

## 12. Equity

### Capital stock

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

CENIT AG still holds no treasury shares.

### Notes on the components of equity

The capital reserves contain the share premium realized from issuing shares of the parent company in excess of their nominal value. If the legal reserve and the capital reserves pursuant to Sec. 272 (2) Nos. 1 to 3 HGB together do not exceed a tenth of the capital stock or any higher amount stipulated in the articles of incorporation and bylaws, they may only be used in accordance with Sec. 150 AktG to offset a net loss for the year or a loss carryforward that is not covered by net income for the year or a profit carryforward respectively, and cannot be offset by releasing other revenue reserves.

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

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

As of the end of the reporting period, there are total non-controlling interests of EUR 1,106 k in equity amounting to EUR 40,940 k. The non-controlling interests are held by private individuals, with 49% in Coristo GmbH and 45% in SynOpt GmbH.

## 13. Liabilities from leases

The lease liabilities are due as follows:

| in EUR k | Future minimum lease payments | Interest payments | Present value |
|---|---|---|---|
| Less than one year | 3,240 | 138 | 3,102 |
| Between one and five years | 7,569 | 254 | 7,315 |
| More than five years | 3,760 | 48 | 3,712 |
| **Total** | **14,569** | **440** | **14,129** |

## 14. Current income tax liabilities and other provisions

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Current income tax liabilities | 309 | 789 |
| Other provisions | 132 | 137 |
| **Total** | **441** | **926** |

The current income tax liabilities developed as follows:

| in EUR k | |
|---|---|
| As of 1 January 2019 | 789 |
| Utilization | -740 |
| Reversal | 0 |
| Addition | 260 |
| **As of 31 December 2019** | **309** |

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

| in EUR k | General Meeting of Shareholders | Return of vehicles | Outstanding purchase invoices | Total |
|---|---|---|---|---|
| As of 1 January 2019 | **87** | **86** | **5** | **178** |
| Utilization | 83 | 0 | 5 | 88 |
| Reversal | 4 | 86 | 0 | 90 |
| Addition | 85 | 0 | 47 | 132 |
| **As of 31 December 2019** | **85** | **0** | **47** | **132** |
| of which long-term | 0 | 0 | 0 | 0 |
| of which short-term | 85 | 0 | 47 | 132 |

The provisions will mainly be used in the following reporting period. The provision for vehicle returns was released to income in the reporting period.

### 15. Trade payables and liabilities to investments recognized at equity

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

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Trade payables | 5,964 | 7,922 |
| Liabilities to investments recognized at equity | 34 | 44 |
| **Total** | **5,997** | **7,966** |

Of the total liabilities, EUR 5,997 k is due within one year (prior year: EUR 7,966 k). These are not subject to interest.

## 16. Other liabilities

Other current liabilities break down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---:|---:|
| Vacation and bonus entitlements | 4,348 | 3,956 |
| VAT/wage tax payables | 2,760 | 3,809 |
| Outstanding purchase invoices | 1,295 | 1,041 |
| Liabilities for social security | 560 | 538 |
| Personnel adjustment measures | 550 | 428 |
| Purchase price liability for acquisitions of investments | 500 | 790 |
| Employer's liability insurance, compensatory levy in lieu of employing severely disabled persons | 183 | 184 |
| Financial statements costs | 139 | 136 |
| Long-service awards | 77 | 55 |
| Travel cost liability for employees | 77 | 85 |
| Supervisory Board compensation | 68 | 42 |
| Individual warranty cases | 0 | 22 |
| Other | 402 | 452 |
| **Total** | **10,959** | **11,538** |

Other non-current liabilities break down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---:|---:|
| Long-service awards | 468 | 349 |
| Long-term Management Board remuneration | 328 | 1,022 |
| Archiving costs | 34 | 34 |
| Other | 4 | 41 |
| **Total** | **834** | **1,446** |

The long-service awards total EUR 545 k. Of this figure, EUR 468 k is reported in non-current and EUR 77 k in current other liabilities. There are no written commitments to the employees for the long-service awards. These were recognized as liabilities on account of the payment method and the resulting indication of company practice.

## 17. Contract liabilities

Contract liabilities break down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Deferred maintenance income and royalties | 13,310 | 13,793 |
| Payments on account received | 1,862 | 2,520 |
| **Contract liabilities** | **14,425** | **16,313** |

The deferred maintenance fees and royalties involve prepayments by customers for the 2020 period that will not be recorded as income until later periods. In the reporting period, an amount of EUR 16,313 k deferred in the prior year was collected as revenue.

## 18. Pension plans

**Defined contribution plans**

The Group offers all employees in Germany with an unterminated and permanent employment relationship the possibility to participate in an employer-funded pension scheme. CENIT voluntarily pays, with a right of revocation, a pre-defined fixed amount each month into a defined contribution pension insurance policy of an insurance firm. This resulted in expenses of EUR 211 k for CENIT in the reporting period (prior year: EUR 203 k).

**Defined benefit plans**

Companies in Switzerland must grant their employees minimum old-age pension payments, and the pension plan payments often exceed the statutory minimum payments. Although the future pension payments depend in principle on the contributions saved, including the interest on the retirement assets, there is a residual risk for a company that it will in future have to make further contributions to the pension plan for service periods already worked by the employee. This is on account of the guarantees contained in pension law. These guarantees relate among other things to the minimum interest on retirement assets in the statutory field, the balance of retirement assets and the (minimum) conversion rate. Together with the remedial duty in the event of a (potential) shortfall in the pension plan, these guarantees mean that LOB old-age pensions in Switzerland are classified as defined benefit plans in accordance with IAS 19 and are presented accordingly in the statement of financial position. Actuarial gains and losses are recognized in other comprehensive income taking into account deferred taxes.

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

The total obligation recognized in the statement of financial position from the defined benefit plans relates only to employees still working and is as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Present value of the defined benefit obligation | 6,420 | 6,323 |
| Fair value of plan assets | 4,940 | 4,819 |
| **Benefit liability** | **1,480** | **1,504** |

The net liability developed as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Net liability as of 1 January | 1,504 | 2,378 |
| Net income/expense recognized | 310 | -214 |
| Contributions by the employer | -145 | -145 |
| Actuarial gains | -218 | -560 |
| thereof from changes in estimates | 84 | -99 |
| thereof from experience adjustments | -395 | -498 |
| thereof from return on plan assets | 93 | 37 |
| Net foreign exchange difference | 29 | 45 |
| **Net liability as of 31 December** | **1,480** | **1,504** |

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

| in EUR k | 2019 | 2018 |
|---|---|---|
| Present value of defined benefit obligation as of 1 January | 6,323 | 6,783 |
| Current service cost | 294 | 424 |
| Interest expense | 46 | 42 |
| Contributions by plan participants | 146 | 145 |
| Actuarial gains/losses | -311 | -597 |
| thereof from changes in estimates | 84 | -99 |
| thereof from experience adjustments | -395 | -498 |
| Benefits paid/reimbursed | -291 | -39 |
| Past service cost | 0 | -657 |
| Net foreign exchange difference | 213 | 222 |
| **Present value of defined benefit obligation as of 31 December** | **6,420** | **6,323** |

The weighted average duration of the obligations is 9.31 years.

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

| in EUR k | 2019 | 2018 |
|---|---|---|
| Fair value of plan assets as of 1 January | 4,819 | 4,405 |
| Expected return on plan assets | 29 | 23 |
| Actuarial gains/losses | -93 | -37 |
| thereof from return on plan assets | -93 | -37 |
| Contributions by the employer | 146 | 145 |
| Contributions by plan participants | 146 | 145 |
| Benefits paid | -292 | -38 |
| Net foreign exchange difference | 185 | 176 |
| **Fair value of plan assets as of 31 December** | **4,940** | **4,819** |

All of the plan assets come from the insurance credit from the insurance contracts. Consequently, there are no special risks from plan assets. The total return expected on plan assets is calculated on the basis of past experience. This is reflected in the principal assumptions (see below). The actual return on plan assets came to EUR 68 k in total (prior year: EUR 15 k).

| in EUR k | 2019 | 2018 |
|---|---|---|
| Current service cost | 294 | 424 |
| Interest expense | 46 | 42 |
| Expected return on plan assets | -29 | -23 |
| Past service cost | 0 | -657 |
| **Net benefit expense** | **311** | **-214** |

The Group expects to contribute EUR 254 k in total to its defined benefit pension plans in the 2020 reporting period.

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

| % | 2019 | 2018 |
|---|---|---|
| Discount rate | 0.16 | 0.6 |
| Expected return on plan assets | 1.0 | 1.0 |
| Anticipated rate of salary increase | 1.0 | 1.0 |
| Lump-sum payment | 50 | 30 |
| Probability of reaching retirement | 20% each in the last 5 years before retirement | 20% each in the last 5 years before retirement |
| Mortality | BVG 2015 / INSEE 2017 | BVG 2015 / INSEE 2017 |

The lump-sum payment option as well as early retirement were introduced in 2018. This led to subsequent income of EUR 657 k in 2018.

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

| % | 2019 | 2018 |
|---|---|---|
| Discount rate | 0.77 | 1.57 |
| Anticipated rate of salary increase | 0.5 | 0.5 |
| Average rate of employee turnover | 9 | 9 |

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

In the case of the obligations of CENIT CH of EUR 5,441 k, if the discount rate were to go up by 0.5% or down by 0.5%, the obligation would decrease by 3.9% and increase by 4.3% respectively. If the rate of salary increase were to rise by 0.5% or drop by 0.5%, the obligation would increase by 0.3% or fall by 0.3% respectively.

In the case of the obligations of KEONYS FR of EUR 979 k, if the discount rate were to go up by 0.5% or down by 0.5%, the obligation would decrease by 5.3% and increase by 5.7% respectively. If the rate of salary increase were to rise by 0.5% or drop by 0.5%, the obligation would increase by 5.5% or fall by 5.9% respectively.

## 19. Financial risk management objectives and policies

The Group's principal financial instruments comprise trade receivables, receivables from joint ventures as well as cash and cash equivalents, overdrafts and trade payables. The main purpose of these financial instruments is to finance the Group's business activities.

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

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

### Credit risk

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

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

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

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

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

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

### Currency risk

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

In addition, there are currency risks from domestic bank balances denominated in USD. The resulting risks amount to EUR 5 k (prior year: EUR 93 k) with a total volume of USD 54 k (prior year: USD 1,066 k) and a change of +/- 10%. The risk from cash on hand is considered immaterial on the whole.

There are no other risks from foreign currencies.

### Interest rate risk

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

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

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

### Liquidity risk

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

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

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

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group can adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies and processes as of 31 December 2019 and 31 December 2018.

The Group monitors its capital in relation to total assets.

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Total assets | 89,348 | 79,075 |
| Equity | 40,940 | 39,102 |
| **Equity as a percentage of total assets (%)** | **45.8** | **49.4** |

## 20. Financial instruments

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

| in EUR k | Classification | Carrying amount 2019 | Carrying amount 2018 | Fair value 2019 | Fair value 2018 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Non-current other financial assets | FVTPL | 2,615 | 2,500 | 2,615 | 2,500 |
| Cash and cash equivalents | AC | 18,461 | 18,041 | 18,461 | 18,041 |
| Receivables | | 25,216 | 27,542 | 25,216 | 27,542 |
| thereof: | | | | | |
| • Trade receivables | AC | 20,395 | 21,625 | 20,395 | 21,625 |
| • Receivables from investments recognized at equity | AC | 4,413 | 5,026 | 4,413 | 5,026 |
| • Other receivables | | 408 | 891 | 408 | 891 |
| Contract assets | AC | 3,727 | 3,364 | 3,727 | 3,364 |
| Current other assets | AC | 7,574 | 8,199 | 7,574 | 8,199 |
| | | **57,593** | **59,646** | **57,593** | **59,646** |

| | | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| • Overdrafts | AC | 0 | 3 | 0 | 3 |
| • Trade payables | AC | 5,964 | 7,922 | 5,964 | 7,922 |
| • Liabilities to investments recognized at equity | AC | 34 | 44 | 34 | 44 |
| • Current and non-current lease liabilities | AC | 14,129 | 0 | 14,129 | 0 |
| • **Other liabilities** | | | | | |
| • Outstanding purchase invoices | AC | 1,295 | 1,041 | 1,295 | 1,041 |
| • Purchase price liabilities | AC | 500 | 790 | 500 | 790 |
| Contract liabilities | AC | 14,425 | 16,313 | 14,425 | 16,313 |
| | | **36,347** | **26,113** | **36,347** | **26,113** |

## G Statement of cash flows

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

The cash flow from investing activities and financing activities is determined directly on the basis of payments made or received. The cash flow from operating activities, on the other hand, is derived indirectly from the Group's net income or loss for the year. When performing the indirect calculation, changes in items in the statement of financial position considered in connection with operating activities are adjusted for effects from currency translation and changes in the basis of consolidation. There are therefore differences compared to changes in the relevant items in the consolidated statement of financial position.

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

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

Cash and cash equivalents include all cash and cash equivalents reported in the statement of financial position (F10) provided they have an original maturity of less than three months, as well as overdrafts repayable on demand.

**Reconciliation of the movements in liabilities to cash flows from financing activities**

| in EUR k | Lease liability |
|---|---|
| Statement of financial position adjusted as of 1 January 2019 | 16,885 |
| Change in cash flows from financing activities | |
| Cash paid for lease liabilities | -3,357 |
| Overall change in cash flows from financing activities | -3,357 |
| Other non-cash changes | |
| New leases | 425 |
| Interest expense | 176 |
| Total non-cash other changes | 599 |
| **Statement of financial position as of 31 December 2019** | **14,129** |

## H Segment reporting

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

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

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

The presentation is based on internal reporting. The performance of each segment is assessed based on EBIT. Relationships between segments are immaterial. Investments in joint ventures are not used as a performance indicator.

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

In the segmentation by business unit and by region, those financial assets and tax reimbursement rights as well as current and deferred income tax liabilities and other liabilities are disclosed in the "Reconciliation" column for segment assets and segment liabilities respectively that could not be attributed to the respective business units.

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

| SEGMENT REPORTING | | | | | |
|---|---|---|---|---|---|
| in EUR k | | EIM | PLM | Recon-ciliation | Group |
| External revenue | 2019 | 16,035 | 155,676 | 0 | 171,711 |
| | 2018 | 15,853 | 154,137 | 0 | 169,990 |
| EBIT | 2019 | 2,087 | 7,108 | 0 | 9,195 |
| | 2018 | 2,549 | 6,479 | 0 | 9,028 |
| Other interest result and financial result | 2019 | 0 | 0 | -297 | -297 |
| | 2018 | 0 | 0 | -71 | -71 |
| Income taxes | 2019 | 0 | 0 | 1,936 | 1,936 |
| | 2018 | 0 | 0 | 2,828 | 2,828 |
| Net income of the Group for the year | 2019 | 2,089 | 7,106 | -2,233 | 6,962 |
| | 2018 | 2,549 | 6,479 | -2,899 | 6,129 |
| Segment assets | 2019 | 5,792 | 62,357 | 21,199 | 89,348 |
| | 2018 | 4,595 | 53,271 | 21,209 | 79,075 |
| Segment liabilities | 2019 | 4,736 | 40,119 | 451 | 45,306 |
| | 2018 | 4,632 | 34,267 | 1,074 | 39,973 |
| Investments in property, plant and equipment and intangible assets | 2019 | 246 | 2,262 | 0 | 2,508 |
| | 2018 | 161 | 1,465 | 0 | 1,626 |
| Amortization and depreciation | 2019 | 699 | 5,344 | 0 | 6,043 |
| | 2018 | 458 | 2,461 | 0 | 2,919 |

EIM = Enterprise Information Management; PLM = Product Lifecycle Management

The reconciliation of segment assets breaks down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Deferred tax assets | 1,224 | 853 |
| Current tax receivables | 1,514 | 2,315 |
| Cash and cash equivalents | 18,461 | 18,041 |
| **Total** | **21,199** | **21,209** |

The reconciliation of segment liabilities breaks down as follows:

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
| --- | --- | --- |
| Deferred tax liabilities | 142 | 277 |
| Current income tax liabilities | 309 | 789 |
| Overdrafts | 0 | 3 |
| Other liabilities | 0 | 5 |
| **Total** | **451** | **1,074** |

The segmentation by region is shown below:

| in EUR k | | Germany | Switzerland | North America | Romania | France | Belgium | Netherlands | Japan | Reconcil-iation | Consoli-dation | Group |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| External revenue | 2019 | 91,388 | 11,575 | 10,911 | 2,760 | 46,612 | 4,463 | 2,704 | 1,298 | 0 | 0 | 171,711 |
| | 2018 | 91,234 | 10,635 | 11,860 | 2,040 | 46,620 | 4,289 | 2,116 | 1,196 | 0 | 0 | 169,990 |
| Non-current segment assets | 2019 | 24,653 | 216 | 351 | 230 | 8,435 | 160 | 99 | 87 | 1,224 | -2,857 | 32,598 |
| | 2018 | 16,241 | 70 | 127 | 97 | 4,868 | 21 | 15 | 19 | 853 | -2,727 | 19,584 |

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

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
| --- | --- | --- |
| Deferred tax assets | 1,224 | 853 |

## I Other notes

### 1. Leases

CENIT leases office space and vehicles. The term of the leases is typically three years for vehicles and generally ten years for office space, with the option of extending the leases after this period. Some leases provide for additional lease payments based on changes in local price indices. In the past, these leases were classified as operating leases in accordance with IAS 17. CENIT has not sublet any property. The weighted average interest rate is 0.86 percent for property and 4.00 percent for vehicles.

In addition, CENIT leases some IT equipment with contractual terms of between one and three years. These leases are either short term or (/and) they are for low-value assets. The Group has decided not to recognize right-of-use assets or lease liabilities for those leases. Information on leases where the Group is a lessee is provided below.

The Group had expenses of EUR 401 k in the reporting period from leases that were not recognized under IFRS 16 in line with practical expedients.

| in EUR k | Buildings | Vehicles | Total |
|---|---|---|---|
| | | | |
| As of 1 January 2019 | 15,226 | 1,659 | 16,885 |
| Depreciation amount in the reporting year | 2,260 | 995 | 3,255 |
| Additions to right-of-use assets | 483 | 764 | 1,247 |
| Disposals of right-of-use assets* | -823 | 0 | -823 |
| Exchange rate effects | 2 | 0 | 2 |
| **As of 31 December 2019** | **12,628** | **1,428** | **14,056** |

*Disposals of right-of-use assets in 2019 stem from the reduction of leased space.

## 2. Related party disclosures

Balances and transactions between CENIT and its subsidiaries that are related parties were eliminated as part of consolidation and are not explained in the notes. The prepayment for the acquisition of additional shares in SynOpt GmbH amounting to EUR 115 k is reported under other financial assets. There were no receivables from or liabilities to Delta Management GmbH as of the end of the reporting period.

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

Transactions with related parties were conducted by CENIT with one member of the Supervisory Board who stepped down in 2018. No resulting consulting expenses were due to CENIT in the 2019 reporting period (prior year: EUR 17 k) or to a joint venture (prior year: EUR 1 k). Furthermore, CENIT recorded sales with joint ventures amounting to EUR 11,062 k (prior year: EUR 9,343 k).

As of the end of the reporting period, there were no liabilities to related parties (prior year: EUR 2 k). The receivables from and liabilities to investments recognized at equity are reported separately in the statement of financial position.

**The Company's Management Board members were:**

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

**The Company's Supervisory Board members were:**

- Prof. Dr. Oliver Riedel (university professor), Pfaffenhofen a.d. Ilm, chairman since 18 May 2018

- Dipl.-Kfm. Stephan Gier (independent German public auditor, tax advisor), Stuttgart, deputy chairman since 18 May 2018
- Dipl.-Ing. Ricardo Malta (Service Manager CENIT Aktiengesellschaft, Stuttgart), Munich, employee representative since 18 May 2018

The remuneration system for the Management Board of CENIT AG comprises a performance-based component and a component that is independent of performance. The performance-based part is based on the Group's earnings for the year (EBIT) in accordance with IFRS. Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 15,000 payable after the end of the reporting period. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount.

The expense for the remuneration of the members of the Management Board and Supervisory Board active as of 31 December 2019 recognized in profit or loss breaks down as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| Management Board remuneration | | |
| Fixed | 507 | 457 |
| Fringe benefits | 47 | 50 |
| Performance-based | 220 | 268 |
| Total short-term benefits | 774 | 775 |
| Long-term incentive | 330 | 274 |
| Total long-term benefits | 330 | 274 |
| **Total remuneration of the Management Board** | **1,104** | **1,049** |
| Supervisory Board compensation | 68 | 68 |
| **Total compensation of the Supervisory Board** | **68** | **68** |
| **Total** | **1,172** | **1,117** |

Disclosures on the remuneration of the Management Board and the Supervisory Board of CENIT AG are presented individually in the remuneration report, which is part of the combined management report.

Total remuneration of the Management Board in accordance with Sec. 314 (1) No. 6a HGB amounts to EUR 774 k in the reporting period (prior year: EUR 1,797 k). Of this figure, EUR 554 k relates to fixed components while EUR 220 k relates to performance-based components.

The D&O insurance was continued in 2019 for Management Board members and Supervisory Board members as well as other executives. The premiums of EUR 40 k (prior year: EUR 40 k) were borne by the Company.

The Management Board held 7,300 shares as of the end of the reporting period (0.09%). The Supervisory Board members held 80 shares.

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

During the 2011 reporting period, several notices pursuant to Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] were received from LBBW Asset Management Investmentgesellschaft mbH. The last notice was dated 15 November 2011 and was as follows: Pursuant to Sec. 21 (1) WpHG, we inform you that the share of voting rights of LBBW Asset Management Investmentgesellschaft mbH in CENIT AG, Industriestraße, 70565 Stuttgart, Germany, across all of our investment funds fell below the threshold of 5% on 11 November 2011 and, at 385,421 shares, amounted to 4.61% on that date in relation to the total amount of voting rights (8,367,758). Of these voting rights, 3.67% (307,421 voting rights) are attributed to us pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG. Voting rights are allocated to us by the following shareholders, whose voting rights in CENIT AG amount to 3% or more: Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte.

On 3 July 2014, the Company received notification in accordance with Sec. 21 (1) WpHG from Allianz Global Investors Europe: Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 1 July 2014 and amounted to 5.03% on that date (corresponding to 420,958 voting rights). 1.35% of the voting rights (corresponding to 113,250 voting rights) are allocable to the Company pursuant to Sec. 22 (1), Sentence 1, No. 6 WpHG.

In a letter dated 29 October 2015, MainFirst SICAV, Senningerberg, Luxembourg, announced that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5%. MainFirst SICAV, Senningerberg, Luxembourg, informed us on 29 October 2015 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 28 October 2015 and amounted to 5.05% on that date (corresponding to 422,792 voting rights).

LOYS Investment S.A., Munsbach, Luxembourg, informed us on 6 February 2018 pursuant to Sec. 40 WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 6 February 2018 and amounted to 5.19% on that date (corresponding to 434,239 voting rights). The shares are contained in the portfolio of the following funds managed by LOYS Investment S.A.: LOYS FCP - LOYS GLOBAL L/S, LOYS EUROPA SYSTEM, LOYS Sicav - LOYS Global System.

## 4. Group auditor's fees

| in EUR k | 2019 | 2018 |
|---|---|---|
| Audit fees (annual financial statements and consolidated financial statements) | 94 | 112 |
| thereof relating to other periods: EUR 0 k (prior year: EUR 13 k) | 0 | 13 |
| Fees for other services | 0 | 3 |
| **Total** | **94** | **115** |

In the prior year, other services related to the preparation of the appraisals for the measurement of the long-service award provision. The long-service award provision only had an immaterial effect on the financial statements.

## 5. Events after the reporting period

On 1 January 2020, CENIT AG acquired a further 45% of the capital shares in SynOpt GmbH and thus owns 100% of the capital shares in that company.

The outbreak and further spread of the coronavirus may impact the business development of CENIT. Risks for the CENIT Group may impact not only sales development but also the capacity utilization of employees and may cause considerable disruption to our entire service chain. However, it is not possible at present to estimate the specific effects on the further business development of the CENIT Group.

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

The Management Board and Supervisory Board of the Company have issued the declaration for 2019 required by Sec. 161 AktG and made it available on the Company's homepage (http://www.cenit.com/en_EN/investor-relations/corporate-governance.html).

Stuttgart, 20 March 2020

CENIT Aktiengesellschaft

The Management Board

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

# Independent auditor’s report

To CENIT Aktiengesellschaft, Stuttgart

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

### Opinions

We have audited the consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2019 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (referred to subsequently as the “management report”) of CENIT Aktiengesellschaft for the fiscal year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the components of the management report listed in the section on “Other information” in our auditor’s report.

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

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, and

– the accompanying management report as a whole provides an appropriate view of the Group’s position. In all material respects, this management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the components of the management report listed in the section on “Other information”.

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

### Basis for the opinions

We conducted our audit of the consolidated financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the management report.

### Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

### Timing of revenue recognition

For the recognition and measurement policies used, we refer to section D of the notes to the financial statements. The disclosures on revenue are included in E.1 of the notes to the financial statements.

RISK FOR THE FINANCIAL STATEMENTS

The CENIT Group primarily generates revenue from the licensing of software, software updates, the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes.

The recognition of revenue in the correct period, in particular the identification of the performance obligations for contracts containing several performance obligations which must be recognized at a point in time or over time, is subject to judgment. Determining the relative stand-alone selling prices of identified performance obligations as well as the related allocation of the transaction price to the distinct performance obligations for such contracts is likewise subject to judgment.

The risk for the consolidated financial statements is that the timing of revenue recognition will be incorrect as of the end of the reporting period.

AUDIT APPROACH

We assessed the compliance of the recognition and measurement policies applied in the CENIT Group for the recognition of revenue with the rules in IFRS 15.

We obtained an understanding of the process at the CENIT Group for identifying performance obligations that need to be separated for revenue recognition as well as of the process for determining the relative stand-alone selling prices and the related allocation of the transaction price to ensure the correct timing of revenue recognition (at a point in time or over time). In doing so, we also assessed the implementation and design as well as the effectiveness of identified controls.

Next, for specifically selected contracts that we consider quantitatively significant on an individual basis, we assessed the underlying agreements with regard to the accurate identification of performance obligations and in regard to the prerequisites for revenue recognition at a point in time and revenue recognition over time. In doing so, we also verified the determination of the relative stand-alone selling price and the related allocation of the transaction price by inspecting contractual documents and by making inquiries of the employees familiar with the contracts at the Group. Based on a representative selection of transactions close to the end of the reporting period, we obtained evidence of the transfer of control for the sale of software licenses and checked whether the prerequisites for revenue recognition were met.

Furthermore, we used a sample selected representatively as a basis for obtaining external confirmations from the respective customers regarding the existence of any open trade receivables. In the case of differences or no response, we obtained alternative audit evidence, e.g. the corresponding contracts and evidence of performance.

OUR FINDINGS

Overall, the process at the CENIT Group for identifying performance obligations and for determining the relative stand-alone selling prices and the related allocation of the transaction price to different performance obligations to ensure the correct timing of revenue recognition is correct.

**Other information**

The executive directors and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report, the content of which has not been audited:

– the separate non-financial group statement referred to in the management report, and

– the corporate governance statement referred to in the management report.

The other information also comprises the other parts of the annual report expected to be provided to us after the date of issuing the auditor’s report.

The other information does not comprise the annual financial statements, the consolidated financial statements, the management report disclosures with audited content or our corresponding auditor’s reports.

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

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

- is materially inconsistent with the consolidated financial statements, the management report disclosures with audited content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

**Responsibilities of the Executive Directors and the Supervisory Board for the consolidated financial statements and the management report**

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

**Auditor's responsibility for the audit of the consolidated financial statements and of the management report**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

– Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

– Evaluate the consistency of the management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

– Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

**Other legal and regulatory requirements**

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

We were elected as group auditor by the Annual General Meeting of Shareholders on 24 May 2019. We were engaged by the Supervisory Board on 13 August 2019. We have been the group auditor of CENIT Aktiengesellschaft since fiscal year 2019.

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

**German Public Auditor responsible for the engagement**

The German Public Auditor responsible for the engagement is Petra Mayran.

Stuttgart, 26 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| signed Mayran | signed Rupperti |
| Wirtschaftsprüferin | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |
| [ | |

## Responsibility Statement in the Annual Financial Report

(Group Financial Report)

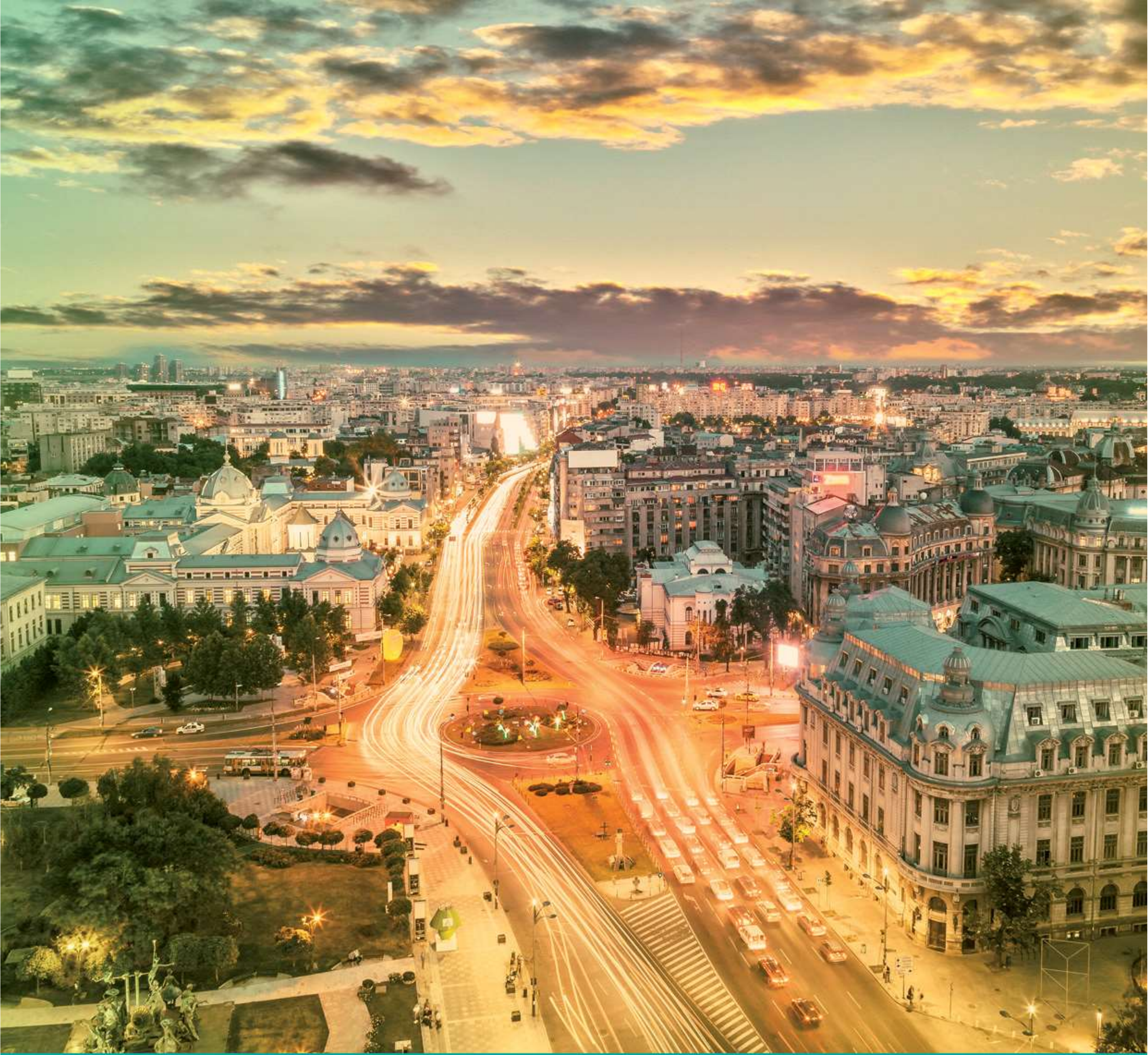
After considering comments received, the German Accounting Standards Board (GASB) agreed at its 114th meeting on the following wording of the responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2)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

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

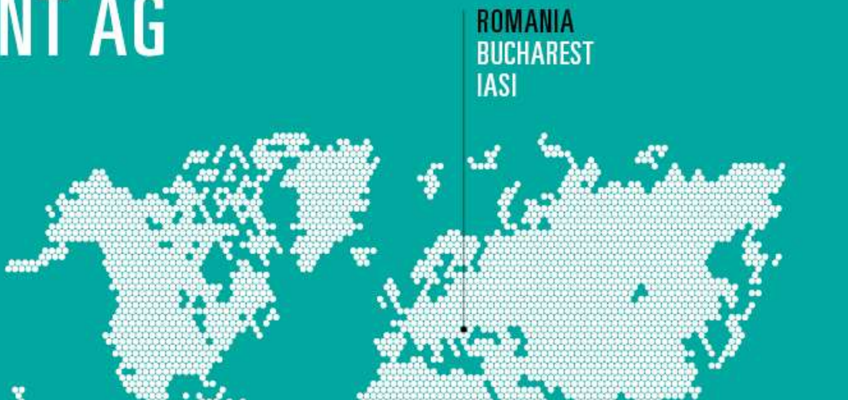
The Management Board

Kurt Bengel
Spokesman, Management Board

Matthias Schmidt
Member, Management Board



# FINANCIAL STATEMENT AG



**CENIT Aktiengesellschaft, Stuttgart**
**BALANCE SHEET**

| | | | |
|---|---|---|---|
| | | **31 Dec. 2019** | **31 Dec. 2018** |
| **ASSETS** | EUR | EUR | EUR |
| **A. FIXED ASSETS** | | | |
| **I. Intangible assets** | | | |
| Franchises, industrial and similar rights and assets and licenses in such rights and assets | | **1,179,901.79** | **1,491,489.91** |
| | | | |
| **II. Property, plant and equipment** | | | |
| 1. Land and buildings, including buildings on third-party land | 521,112.66 | | 584,493.84 |
| 2. Plant and machinery | 891,097.89 | | 1,048,116.20 |
| 3. Other equipment, furniture and fixtures | 34,145.90 | | 53,423.64 |
| | | **1,446,356.45** | **1,686,033.68** |
| **III. Financial assets** | | | |
| 1. Shares in affiliates | 8,710,989.38 | | 8,976,362.90 |
| 2. Equity investments | 2,552,554.25 | | 2,552,554.25 |
| 3. Prepayments on financial assets | 115,000.00 | | 0.00 |
| 4. Loans to affiliates | 3,330,000.00 | | 5,330,000.00 |
| | | **14,708,543.63** | **16,858,917.15** |
| | | | |
| **B. CURRENT ASSETS** | | | |
| **I. Inventories** | | | |
| 1. Work in process | 471,313.05 | | 446,527.07 |
| 2. Merchandise | 234,770.00 | | 0.00 |
| 3. Payments on account | 23,985.51 | | 29,593.99 |
| | | **730,068.56** | **476,121.06** |
| **II. Receivables and other assets** | | | |
| 1. Trade receivables | 10,299,292.35 | | 10,929,231.06 |
| 2. Receivables from affiliates | 1,744,619.43 | | 1,269,296.56 |
| 3. Receivables from other investees and investors | 4,368,445.12 | | 4,984,007.10 |
| 4. Other assets | 581,800.65 | | 924,085.68 |
| | | **16,994,157.55** | **18,106,620.40** |
| | | | |
| **III. Cash on hand, bank balances** | | **7,379,210.11** | **8,071,431.22** |
| | | | |
| **C. PREPAID EXPENSES** | | | |
| | | **2,307,576.82** | **2,844,188.49** |
| | | | |
| | | **44,745,814.91** | **49,534,801.91** |

## CENIT Aktiengesellschaft, Stuttgart
## BALANCE SHEET

| | | | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | EUR | EUR | EUR |
| A. | **EQUITY** | | | |
| **I.** | **Subscribed capital** | | 8,367,758.00 | 8,367,758.00 |
| **II.** | **Capital reserves** | | 1,058,017.90 | 1,058,017.90 |
| **III.** | **Revenue reserves** | | | |
| | 1. Legal reserve | | 418,387.90 | 418,387.90 |
| | 2. Other revenue reserves | | 13,870,955.48 | 13,870,955.48 |
| | | | | |
| **IV.** | **Net retained profit** | | 7,853,528.41 | 7,823,109.88 |
| | | | **31,568,647.75** | **31,538,229.16** |
| | | | | |
| B. | **PROVISIONS** | | | |
| | 1. Tax provisions | 0.00 | | 84,228.81 |
| | 2. Other provisions | 4,112,591.04 | | 5,000,842.22 |
| | | | **4,112,591.04** | **5,085,071.03** |
| C. | **LIABILITIES** | | | |
| | 1. Payments received on account of orders | 776,160.94 | | 1,371,155.41 |
| | 2. Trade payables | 1,511,154.04 | | 2,303,176.82 |
| | 3. Liabilities to affiliates | 118,855.37 | | 212,417.05 |
| | 4. Liabilities to other investees and investors | 33,520.88 | | 44,290.90 |
| | 5. Other liabilities | 1,695,985.75 | | 3,060,366.63 |
| | thereof for social security: EUR 0.00 (prior year: EUR 0 k) | | | |
| | thereof for taxes: EUR 1,069,580.93 (prior year: EUR 2,338 k) | | | |
| | | | **4,135,676.98** | **6,991,406.81** |
| | | | | |
| D. | **DEFERRED INCOME** | | | |
| | | | **4,928,899.14** | **5,920,094.91** |
| | | | | |
| | | | **44,745,814.91** | **49,534,801.91** |

**CENIT Aktiengesellschaft, Stuttgart**
**INCOME STATEMENT**

| | | | 2019 | 2018 |
|---|---|---|---|---|
| | | EUR | EUR | EUR |
| **1.** | **Revenue** | 94,098,760.74 | | 93,808,099.69 |
| **2.** | Increase/decrease in inventories of work in process | 24,785.98 | | -83,844.16 |
| **3.** | Other operating income | 845,446.31 | | 620,945.93 |
| | thereof income from currency translation: EUR 107,391.20 (prior year: EUR 252 k) | | | |
| | **Total operating performance** | | **94,968,993.03** | **94,345,201.46** |
| **4.** | Cost of materials | | | |
| **a.** | Cost of raw materials, consumables and supplies and of purchased merchandise | 34,018,317.39 | | 33,571,868.64 |
| **b.** | Cost of purchased services | 7,163,235.79 | | 6,481,607.04 |
| | | | 41,181,553.18 | 40,053,475.68 |
| **5.** | Personnel expenses | | | |
| **a.** | Salaries | 32,300,965.71 | | 30,877,818.44 |
| **b.** | Social security and pension costs | 5,611,668.12 | | 5,335,717.11 |
| | | | 37,912,633.83 | 36,213,535.55 |
| | | | | |
| **6.** | Amortization of intangible assets and depreciation of property, plant and equipment | 1,334,690.56 | | 1,431,387.41 |
| **7.** | Other operating expenses | 10,467,392.18 | | 12,041,937.54 |
| | thereof from currency translation: EUR 98,561.14 (prior year: EUR 212 k) | | | |
| | **Operating result** | | **4,072,723.28** | **4,604,865.28** |
| **8.** | Income from equity investments | | 2,472,342.34 | 2,359,898.41 |
| | thereof from affiliates: EUR 2,472,342.34 (prior year: EUR 2,360 k) | | | |
| **9.** | Other interest and similar income | | 154,872.80 | 149,252.37 |
| | thereof from affiliates: EUR 154,872.80 (prior year: EUR 149 k) | | | |
| **10.** | Write-downs of financial assets | | 297,671.16 | 0.00 |
| **11.** | Interest and similar expenses | | 17,356.18 | 29,280.67 |
| | thereof from unwinding of the discount on provisions: EUR 9,129.00 (prior year: EUR 23 k) | | | |
| **12.** | Income taxes | | 1,271,453.20 | 1,584,975.01 |
| **13.** | **Earnings after taxes** | | **5,113,457.88** | **5,499,760.38** |
| **14.** | Other taxes | | 62,384.49 | 50,369.29 |
| **15.** | **Net income for the year** | | **5,051,073.39** | **5,449,391.09** |

**Notes to the financial statements for 2019**

## A General

CENIT AG has its registered offices in Stuttgart and is entered in the commercial register at Stuttgart local court (HRB 19117). It is a large listed corporation within the meaning of Sec. 267 (3) HGB [“Handelsgesetzbuch”: German Commercial Code] in conjunction with Sec. 264d HGB.

These financial statements have been prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB as well as in accordance with the relevant provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act]. The Company is subject to the requirements for large corporations. The standards of the German Accounting Standards Committee e.V., Berlin, (GASC) have been observed to the extent that they are relevant for the annual financial statements of the Company.

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

For the sake of clarity, some of the “thereof” notes to be disclosed in the balance sheet and income statement are included in the notes.

## B Accounting principles

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

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

**Property, plant and equipment** are recognized at acquisition cost and are depreciated if they have a limited life. Depreciation is recorded over the customary useful life using the straight-line method. The depreciation tables published by the German Ministry of Finance serve as a guide here. The useful life of property, plant and equipment is three to ten years. Additions are depreciated pro rata temporis.

**Low-value assets** with an individual net value not exceeding EUR 150 were fully expensed in the year of acquisition. Assets with an individual net value not exceeding EUR 800 in value are fully expensed in the year of acquisition with their immediate disposal being assumed.

**Financial assets** are recognized at acquisition cost. Write-downs to their lower attributable value are recognized only if impairment is expected to be permanent.

**Work in process** is valued at production cost or, in the case of third-party work, at acquisition cost. Own work comprises direct labor and appropriate, proportionate overheads for personnel, write-downs and rent as well as general and administrative expenses. If the market value is lower as of the balance sheet date, work in process is recognized at that value.

**Merchandise** is measured at acquisition cost. Where necessary, write-downs to the lower net realizable value are recognized.

**Receivables and other assets** are stated at their nominal value. All recognizable specific risks are taken into account with specific bad debt allowances. A general bad debt allowance of 1% (prior year: 1%) was established for the general credit risk.

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

Expenses paid before the balance sheet date that represent an expense for a certain period after that date are accrued as **prepaid expenses** on the assets side of the balance sheet. Income received before the balance sheet date that represents income for a certain period after that date is reported as **deferred income** on the liabilities side of the balance sheet.

**Provisions** account for all foreseeable risks and contingent liabilities and are recognized at the settlement value deemed necessary according to prudent business judgment. Expected future price and cost increases are included in valuing the provisions. Provisions with a residual term of more than one year were discounted at the average market interest rate of the last seven fiscal years published by the German Central Bank for their respective residual term. The discounting expense is disclosed in the financial result, while effects from the change in the interest rate or the change in the term are presented in the operating result. No provision was recognized in the fiscal year for individual cases of warranty (prior year: EUR 21 k). The provision for potential losses from pending transactions ('loss provision') comprises future losses not yet realized. There is a risk of a loss from pending transactions if income and expenses from the same transaction, not yet completed, do not balance out, but lead instead to a net obligation. A provision of EUR 31 k was recognized for this in the fiscal year (prior year: EUR 0 k).

**Liabilities** are recorded at the settlement value.

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

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

CENIT Aktiengesellschaft generates **revenue** from the licensing of software (proprietary software and third-party software), software updates (for proprietary software and third-party software), the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes. Revenue is also generated from the sale of goods.

At CENIT, the different products are categorized according to the following contract types:

- Royalties – these encompass the revenue from software and software updates
- Fixed-price projects
- Sale of goods and services – this encompasses revenue from service and consulting projects that also include hardware sales
- Merchandise

**Software licenses**

Royalties from granting temporary licenses – to the extent that the software grants a right to use the intellectual property as of the date of granting the license – and income from the sale of permanent licenses are recognized when the software has been provided to the customer (revenue recognition at a point in time).

Royalties from software as a service are recognized pro rata over the term of rendering the service. Royalties from software as a service are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as deferred income.

**Software updates**

This includes revenue from contracts that grant the customer access to software updates. These updates mainly involve error resolution, improved performance or adjustments to changed framework conditions.

Royalties from software updates are recognized pro rata over the term of rendering the service. Royalties from software updates are generally charged annually or quarterly in advance. The advance payments received for future services are recognized as deferred income.

Invoicing is performed annually or quarterly in advance.

**Services (consulting & service)**

Revenue from services charged on an hourly basis relates to consulting services, training, application and user support. For these services, revenue recognition generally takes place monthly based on hours worked.

If there are multiple element arrangements that comprise the sale of software licenses and services, these are examined to determine if one or several performance obligations exist. If several performance obligations are identified, the transaction price is allocated in proportion to the relative stand-alone selling prices. CENIT bases its derivation of relative stand-alone selling prices on comparable industry transactions. Revenue recognition for the separate performance obligations can take place at a point in time or over time, depending on when the customer has control of the service. In general, performance obligations that involve the sale of software meet the prerequisites for revenue recognition at a point in time. Such contracts mainly relate to orders where CENIT offers integrated consulting, software and after-sales services to the customer as an end-to-end provider.

**Fixed-price projects / contracts for work**

Income from contracts for which a fixed price was agreed (generally contracts for work in connection with software programming or implementation) and that have the characteristics of a contract for work is recognized upon customer acceptance and thus when risk has transferred.

**Merchandise**

Revenue from **merchandise** relates chiefly to the sale of end devices. Sales of merchandise are recognized when the performance obligation has been met through delivery to the purchaser.

## C Notes to the balance sheet and income statement

## I. Balance sheet

### 1. Fixed assets

The development of fixed asset items is presented separately in the statement of changes in fixed assets (see pages 18 and 19).

### 2. Financial assets

The information on shareholdings breaks down as follows:

| No. | Name and location of registered offices | Currency | Share-holding in % | Subscribed capital EUR | Equity EUR | Earnings EUR |
|---|---|---|---|---|---|---|
| 1 | CENIT (Schweiz) AG Effretikon, Switzerland | CHF | 100.0 | 313 | 2,022 | 1,114 |
| 2 | CENIT North America Inc. Auburn Hills, USA | USD | 100.0 | 28 | 1,515 | 1,560 |
| 3 | CENIT SRL Iasi, Romania | RON | 100.0 | 105 | 537 | 358 |
| 4 | CENIT France SARL Toulouse, France | EUR | 100.0 | 10 | 202 | 69 |
| 5 | CENIT Japan K.K. Tokyo, Japan | YEN | 100.0 | 298 | -41 | -153 |
| 6 | KEONYS SAS Suresnes, France | EUR | 100.0 | 155 | 1,269 | 1,693 |
| 6a | KEONYS Belgique SPRL Waterloo, Belgium | EUR | 100.0 | 19 | 1,225 | 266 |
| 6b | KEONYS NL BV Houten, Netherlands | EUR | 100.0 | 18 | -80 | 172 |
| 7 | Coristo GmbH Mannheim, Germany | EUR | 51.0 | 25 | 1,626 | 326 |
| 8 | SynOpt GmbH Stuttgart, Germany | EUR | 55.0 | 50 | 358 | 73 |
| 9 | CenProCS AIRliance GmbH Stuttgart, Germany | EUR | 33.3 | 150 | 172 | 0 |

The prepayment on financial assets is an advance purchase price payment for the acquisition of the remaining 45% of the capital shares in SynOpt GmbH. The acquisition of the shares was completed on 1 January 2020.

The loans to affiliates contain loans to KEONYS SAS of EUR 3,000 k (prior year: EUR 5,000 k) and to KEONYS B.V. of EUR 330 k (prior year: EUR 330 k). Both loans were reported under short-term receivables in the prior year. The prior-year figure was adjusted in the balance sheet for comparability.

## 3. Receivables and other assets

**Trade receivables** are all due in less than one year.

**Receivables from affiliates** include receivables from granting a loan with a residual term of one year to CENIT France SARL amounting to EUR 500 k (prior year: EUR 750 k). The loans reported here in the prior year to KEONYS SAS and Keonys B.V. were reclassified to financial assets on account of their long-term nature. The prior-year figure was adjusted in the balance sheet for comparability. The remaining receivables from affiliates of EUR 1,245 k (prior year: EUR 519 k) and the **receivables from other investees and investors** valued at EUR 4,368 k (prior year: EUR 4,984 k) stem from trade and are due in less than one year.

**Other assets** primarily consist of EUR 446 k relating to trade tax refund claims from corporate income tax, solidarity surcharge and trade tax (prior year: EUR 787 k), receivables from staff of EUR 36 k (prior year: EUR 0 k), receivables from deposits of EUR 18 k (prior year: EUR 28 k) and repayment claims of EUR 73 k (prior year: EUR 103 k). As in the prior year, other assets are due in less than one year.

## 4. Prepaid expenses

| in EUR k | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|
| Accrued rights of use for licenses and software maintenance | 1,869 | 2,360 |
| Other prepaid expenses | 439 | 484 |
| **Total** | **2,308** | **2,844** |

This mainly concerns prepaid expenses for royalties and maintenance fees as well as for rights of use and insurance.

## 5. Deferred taxes

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

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

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

## 6. Equity

### Capital stock

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

## 7. Capital reserves

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

## 8. Legal reserve

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

## 9. Other revenue reserves

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

## 10. Net retained profit

Net retained profit developed as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Net income for the year** | **5,051** | **5,450** |
| Net retained earnings in the prior year | 7,823 | 10,741 |
| Dividend | -5,021 | -8,368 |
| **Profit carryforward from the prior year** | **2,802** | **2,373** |
| Withdrawals from the revenue reserves | 0 | 0 |
| **Net retained profit** | **7,853** | **7,823** |

## 11. Provisions

**Other provisions** essentially comprise provisions for outstanding supplier invoices of EUR 695 k (prior year: EUR 448 k) and for personnel expenses of EUR 2,951 k (prior year: EUR 3,285 k). In the fiscal year, the provision for long-service bonuses of EUR 508 k (prior year: EUR 393 k) was also included in the provisions for personnel expenses. The prior-year figure was adjusted accordingly for comparability.

## 12. Liabilities

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

**Liabilities to affiliates** relate entirely to trade payables of EUR 118 k (prior year: EUR 212 k). As in the prior year, liabilities to affiliates are due within one year.

The **liabilities to other investees and investors** contain trade payables amounting to EUR 34 k (prior year: EUR 44 k). As in the prior year, the corresponding liabilities are due within one year.

**Other liabilities** include deferred items of EUR 57 k (prior year: EUR 90 k). As in the prior year, these amounts related in full to deferred rent.

EUR 1,813 k (prior year: EUR 3,003 k) of other liabilities is due within one year, while EUR 25 k (prior year: EUR 57 k) is due in more than one year. As in the prior year, liabilities due in more than one year do not include any liabilities due in more than five years.

Of the liabilities disclosed, there are no amounts (prior year: EUR 0 k) secured by liens or similar rights.

## II. Income statement

## 1. Revenue

| in EUR k | 2019 | 2018 |
|---|---|---|
| Third-party software | 43,697 | 44,052 |
| CENIT consulting and service | 35,957 | 35,411 |
| CENIT software | 13,918 | 13,643 |
| Merchandise | 239 | 438 |
| Other revenue | 288 | 264 |
| **Total** | **94,099** | **93,808** |

87% (prior year: 87%) of sales was generated in Germany, 6% (prior year: 6%) in other EU countries and 7% (prior year: 7%) in other countries.

## 2. Other operating income

Other operating income includes income relating to other periods from the reversal of provisions of EUR 578 k (prior year: EUR 56 k). This stems first and foremost from the reversal of warranty provisions (EUR 470 k) in the fiscal year.

In addition, other operating income includes income from cross-charged salary and other costs of EUR 40 k (prior year: EUR 197 k), insurance refunds of EUR 15 k (prior year: EUR 41 k), rental income from subletting of EUR 9 k (prior year: EUR 9 k), marketing and sales subsidies from partner companies of EUR 81 k (prior year: EUR 35 k) and exchange gains of EUR 107 k (prior year: EUR 251 k). Of the exchange gains, EUR 107 k (prior year: EUR 246 k) has already been realized.

### 3. Personnel expenses

| in EUR k | 2019 | 2018 |
|---|---|---|
| Salaries | 32,301 | 30,878 |
| Social security, pension and other benefit costs | 5,612 | 5,336 |
| **Total** | **37,913** | **36,214** |

Social security contributions include pension costs of EUR 218 k (prior year: EUR 208 k).

Personnel expenses includes expenses of EUR 420 k relating to other periods. These stem from bonus payments for the fiscal year 2018.

### 4. Other operating expenses

At EUR 10,467 k, total other operating expenses are down compared to the prior year (EUR 12,042 k). Other operating expenses essentially relate to premises expenses of EUR 2,126 k (prior year: EUR 1,896 k), vehicle costs of EUR 1,773 k (prior year: EUR 1,997 k), travel expenses of EUR 1,182 k (prior year: EUR 1,445 k), marketing costs of EUR 714 k (prior year: EUR 1,139 k) and exchange losses of EUR 99 k (prior year: EUR 212 k). Of the exchange losses, EUR 75 k (prior year: EUR 218 k) has already been realized.

### 5. Financial and interest result

The financial and interest result breaks down as follows:

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Income from equity investments** | | |
| Dividend CENIT (Schweiz) AG, Switzerland | 884 | 0 |
| Profit distribution CENIT SRL, Romania | 318 | 421 |
| Profit distribution CENIT North America Inc., USA | 1,066 | 1,786 |
| Profit distribution Coristo GmbH, Mannheim | 204 | 153 |
| **Total** | **2,472** | **2,360** |

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Other interest and similar income** | | |
| Interest on loans granted to subsidiary | 155 | 149 |
| **Total** | **155** | **149** |

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Write-downs of financial assets** | | |
| Write-downs on the carrying amount of the equity investment in CENIT Japan | 298 | 0 |
| **Total** | **298** | **0** |

| in EUR k | 2019 | 2018 |
|---|---|---|
| **Interest and similar expenses** | | |
| Guarantee commission | 6 | 6 |
| Interest expense from unwinding the discount on provisions | 9 | 23 |
| Interest expenses for business taxes | 2 | 0 |
| **Total** | **17** | **29** |

## 6. Income taxes

| in EUR k | 2019 | 2018 |
|---|---|---|
| Current corporate income tax expense | 601 | 763 |
| Current solidarity surcharge expense | 33 | 42 |
| Current trade tax expense | 639 | 802 |
| Withholding tax | 1 | 3 |
| Taxes in prior years | -3 | -25 |
| **Total** | **1,271** | **1,585** |

Taxes mainly include corporate income tax and the solidarity surcharge of EUR 634 k (prior year: EUR 805 k) as well as trade tax of EUR 639 k (prior year: EUR 802 k) on the taxable income for the fiscal year 2019. On account of the tax field audit completed in 2018 and its follow-on effects, there was subsequent tax income of EUR 3 k in 2019 (prior year: EUR 25 k).

## 7. Proposal for the appropriation of profit

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

| in EUR k | |
|---|---|
| Net retained profit | 7,853 |
| Dividend distribution (EUR 0.45 per 8,367,758 participating no-par value shares) | 3,765 |
| **Profit carryforward** | **4,088** |

## 8. Auditor’s fees

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

# D Other notes

## 1. Personnel

An average of 425 (prior year: 431) members of staff and 56 (prior year: 53) executives were employed during the fiscal year. There are also 54 employees in training at CENIT AG as of the balance sheet date (prior year: 52).

## 2. Other financial obligations

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

| in EUR k | 2019 | 2018 |
|---|---|---|
| Rental and lease obligations | | |
| Due in less than 1 year | 2,485 | 2,646 |
| Due in 1 to 5 years | 5,711 | 6,209 |
| Due in more than 5 years | 2,215 | 1,090 |
| **Total** | **10,411** | **9,945** |

Other financial obligations chiefly comprise the rent agreements entered into for leased office buildings of EUR 8,563 k (prior year: EUR 7,461 k) as well as vehicle leases of EUR 1,204 k (prior year: EUR 1,420 k). The extension options and price adjustment clauses customary for the industry apply.

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

## 3. Corporate boards

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

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

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

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

- Prof. Dr. Oliver Riedel (university professor), Pfaffenhofen a.d. Ilm, chairman since 18 May 2018
- Dipl.-Kfm. Stephan Gier (independent German public auditor, tax advisor), Stuttgart, deputy chairman since 18 May 2018
- Dipl.-Ing. Ricardo Malta (Service Manager CENIT Aktiengesellschaft, Stuttgart), Munich, employee representative since 18 May 2018

Prof. Dr. Oliver Riedel is also a member of the supervisory board of PROSTEP AG Darmstadt. All other members of the Supervisory Board did not belong to any other supervisory boards or control bodies during the reporting year.

Disclosures on the remuneration of the Management Board and the Supervisory Board of CENIT AG are presented individually in the remuneration report. The remuneration report is part of the combined management report for CENIT AG and the Group.

The remuneration system for the Management Board of CENIT AG comprises a performance-based component and a component that is independent of performance. The performance-based part is based on the Group's earnings for the year (EBIT) in accordance with IFRS. Total remuneration of the Management Board amounts to EUR 774 k in the reporting year (prior year: EUR 1,797 k). Of this figure, EUR 554 k relates to fixed components while EUR 220 k relates to performance-based components.

Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 15,000 payable after the end of the fiscal year. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount. In accordance with Article 14 of the articles of incorporation and bylaws, total compensation paid to the Supervisory Board was EUR 67.5 k in 2019 in line with the prior year.

The D&O insurance was continued in 2019 for Management Board members and Supervisory Board members as well as other executives. The premiums of EUR 40 k (prior year: EUR 40 k) were borne by the Company.

The Management Board held 7,300 shares as of the balance sheet date (0.09%). The Supervisory Board members held 80 shares.

## 4. Changes at shareholder level

During the fiscal year 2011, several notices pursuant to Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] were received from LBBW Asset Management Investmentgesellschaft mbH. The last notice was dated 15 November 2011 and was as follows: Pursuant to Sec. 21 (1) WpHG, we inform you that the share of voting rights of LBBW Asset Management Investmentgesellschaft mbH in CENIT AG, Industriestraße, 70565 Stuttgart, Germany, across all of our investment funds fell below the threshold of 5% on 11 November 2011 and, at 385,421 shares, amounted to 4.61% on that date in relation to the total amount of voting rights (8,367,758). Of these voting rights, 3.67% (307,421 voting rights) are attributed to us pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG. Voting rights are allocated to us by the following shareholders, whose voting rights in CENIT AG amount to 3% or more: Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte.

On 3 July 2014, the Company received notification in accordance with Sec. 21 (1) WpHG from Allianz Global Investors Europe: Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 1 July 2014 and amounted to 5.03% on that date (corresponding to 420,958 voting rights). 1.35% of the voting rights (corresponding to 113,250 voting rights) are allocable to the Company pursuant to Sec. 22 (1), Sentence 1, No. 6 WpHG.

In a letter dated 29 October 2015, MainFirst SICAV, Senningerberg, Luxembourg, announced that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5%: MainFirst SICAV, Senningerberg, Luxembourg, informed us on 29 October 2015 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 28 October 2015 and amounted to 5.05% on that date (corresponding to 422,792 voting rights).

LOYS Investment S.A., Munsbach, Luxembourg, informed us on 6 February 2018 pursuant to Sec. 40 WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 5% of voting rights on 6 February 2018 and amounted to 5.19% on that date (corresponding to 434,239 voting rights). The shares are contained in the portfolio of the following funds managed by LOYS Investment S.A.: LOYS FCP - LOYS GLOBAL L/S, LOYS EUROPA SYSTEM, LOYS Sicav - LOYS Global System.

## E Group relationships

In compliance with Sec. 315e (1) HGB, the Company prepares consolidated financial statements for the largest and smallest group of companies in accordance with International Financial Reporting Standards (IFRS).

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

## F Subsequent events

On 1 January 2020, CENIT AG acquired a further 45% of the capital shares in SynOpt GmbH and thus owns 100% of the capital shares in that company. The purchase price amounted to EUR 218 k.

The outbreak and further spread of the coronavirus may affect the business development of CENIT AG. Risks for CENIT AG may not only affect the development of sales, but also the capacity of the employees and considerable impairments in our entire service chain. However, specific effects on the further business development of CENIT AG cannot be predicted at present.

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

The Management Board and Supervisory Board of the Company have issued the declaration for 2019 required by Sec. 161 AktG and made it available on the Company's homepage (http://www.cenit.com/en_EN/investor-relations/corporate-governance.html).

Stutttgart, 20 March 2020

CENIT Aktiengesellschaft
The Management Board

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

| | CENIT Aktiengesellschaft, Stuttgart<br>STATEMENT OF CHANGES IN FIXED ASSETS | | | | |
|---|---|---|---|---|---|
| | Acquisition and production cost | | | | |
| **in EUR** | **As of 1 Jan. 2019** | **Additions** | **Reclassification** | **Disposals** | **As of 31 Dec. 2019** |
| **I. Intangible assets** | | | | | |
| Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets | 5,516,645.85 | 378,763.38 | 0.00 | 43,664.96 | 5,851,744.27 |
| **Total** | **5,516,645.85** | **378,763.38** | **0.00** | **43,664.96** | **5,851,744.27** |
| | | | | | |
| **II. Property, plant and equipment** | | | | | |
| 1. Land and buildings, including buildings on third-party land | 1,810,419.02 | 0.00 | 0.00 | 0.00 | 1,810,419.02 |
| 2. Plant and machinery | 6,212,763.53 | 376,871.27 | 0.00 | 0.00 | 6,589,634.80 |
| 3. Other equipment, furniture and fixtures | 386,632.64 | 27,801.78 | 0.00 | 25,779.88 | 388,654.54 |
| **Total** | **8,409,815.19** | **404,673.05** | **0.00** | **25,779.88** | **8,788,708.36** |
| | | | | | |
| **III. Financial assets** | | | | | |
| 1. Shares in affiliates | 8,976,362.90 | 136,484.63 | 0.00 | 104,186.99 | 9,008,660.54 |
| 2. Equity investments | 2,552,554.25 | 0.00 | 0.00 | 0.00 | 2,552,554.25 |
| 3. Prepayments on equity investments | 0.00 | 115,000.00 | 0.00 | 0.00 | 115,000.00 |
| 4. Loans to affiliates | | | 5,330,000.00 | 2,000,000.00 | 3,330,000.00 |
| **Total** | **11,528,917.15** | **251,484.63** | **5,330,000.00** | **2,104,186.99** | **15,006,214.79** |
| | | | | | |
| **Fixed assets - total -** | **25,455,378.19** | **1,034,921.06** | **5,330,000.00*** | **2,173,631.83** | **29,646,667.42** |

* The amount reported here results from the reclassification of the loans issued to subsidiaries from current assets to fixed financial assets.

| Accumulated amortization, depreciation and write-downs | | | | Net book values | |
|---|---|---|---|---|---|
| As of 1 Jan. 2019 | Additions | Disposals | As of 31 Dec. 2019 | As of 31 Dec. 2019 | As of 31 Dec. 2018 |
| | | | | | |
| 4,025,155.94 | 690,345.38 | 43,658.84 | 4,671,842.48 | 1,179,901.79 | 1,491,489.91 |
| **4,025,155.94** | **690,345.38** | **43,658.84** | **4,671,842.48** | **1,179,901.79** | **1,491,489.91** |
| | | | | | |
| | | | | | |
| 1,225,925.18 | 63,381.18 | 0.00 | 1,289,306.36 | 521,112.66 | 584,493.84 |
| 5,164,647.33 | 533,889.58 | 0.00 | 5,698,536.91 | 891,097.89 | 1,048,116.20 |
| 333,209.00 | 47,074.42 | 25,774.78 | 354,508.64 | 34,145.90 | 53,423.64 |
| **6,723,781.51** | **644,345.18** | **25,774.78** | **7,342,351.91** | **1,446,356.45** | **1,686,033.68** |
| | | | | | |
| | | | | | |
| 0.00 | 297,671.16 | 0.00 | 297,671.16 | 8,710,989.38 | 8,976,362.90 |
| 0.00 | 0.00 | 0.00 | 0.00 | 2,552,554.25 | 2,552,554.25 |
| 0.00 | 0.00 | 0.00 | 0.00 | 115,000.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 3,330,000.00 | 0.00 |
| **0.00** | **297,671.16** | **0.00** | **0.00** | **14,708,543.63** | **11,528,917.15** |
| | | | | | |
| **10,748,937.45** | **1,632,361.72** | **69,433.62** | **12,014,194.39** | **17,334,801.87** | **14,706,440.74** |

# Independent auditor's report

To CENIT Aktiengesellschaft, Stuttgart

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

### Opinions

We have audited the annual financial statements of CENIT Aktiengesellschaft, Stuttgart, which comprise the balance sheet as at 31 December 2019, the income statement for the fiscal year from 1 January 2019 to 31 December 2019 and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report (referred to subsequently as the "management report") of CENIT Aktiengesellschaft for the fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the components of the management report listed in the section on "Other information" in our auditor's report.

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

– the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019 in compliance with German legally required accounting principles, and

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

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

### Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

### Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

### Timing of revenue recognition

For the recognition and measurement policies used, we refer to section B of the notes to the financial statements. The disclosures on revenue are included in II. 1. of the notes to the financial statements.

RISK FOR THE FINANCIAL STATEMENTS

CENIT Aktiengesellschaft primarily generates revenue from the licensing of software, software updates, the provision of IT services as well as the provision of consulting services for the planning, implementation and optimization of business and IT processes.

The recognition of revenue in the correct period, in particular the identification of the performance obligations for contracts containing several performance obligations which must be recognized at a point in time or over time, is subject to judgment. Determining the relative stand-alone selling prices of identified performance obligations as well as the related allocation of the transaction price to the distinct performance obligations for such contracts is likewise subject to judgment.

The risk for the annual financial statements is that the timing of revenue recognition will be incorrect as of the balance sheet date.

AUDIT APPROACH

We assessed the compliance of the recognition and measurement policies applied at CENIT Aktiengesellschaft for the recognition of revenue with the accounting principles of German commercial law.

We obtained an understanding of the process at CENIT Aktiengesellschaft for identifying performance obligations that need to be separated for revenue recognition as well as of the process for determining the relative stand-alone selling prices and the related allocation of the transaction price to ensure the correct timing of revenue recognition (at a point in time or over time). In doing so, we also assessed the implementation and design as well as the effectiveness of identified controls.

Next, for specifically selected contracts that we consider quantitatively significant on an individual basis, we assessed the underlying agreements with regard to the accurate identification of performance obligations and in regard to the prerequisites for revenue recognition at a point in time and revenue recognition over time. In doing so, we also verified the determination of the relative stand-alone selling price and the related allocation of the transaction price by inspecting contractual documents and by making inquiries of the employees familiar with the contracts at CENIT Aktiengesellschaft. Based on a representative selection of transactions close to the balance sheet date, we obtained evidence of the transfer of risk for the sale of software licenses and checked whether the prerequisites for revenue recognition were met.

Furthermore, we used a sample selected representatively as a basis for obtaining external confirmations from the respective customers regarding the existence of any open trade receivables. In the case of differences or no response, we obtained alternative audit evidence, e.g. the corresponding contracts and evidence of performance.

OUR FINDINGS

Overall, the process at CENIT Aktiengesellschaft for identifying performance obligations and for determining the relative stand-alone selling prices and the related allocation of the transaction price to different performance obligations to ensure the correct timing of revenue recognition is correct.

**Other information**

The executive directors and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report, the content of which has not been audited:

– the separate non-financial group statement referred to in the management report, and

– the corporate governance statement referred to in the management report.

The other information also comprises the other parts of the annual report expected to be provided to us after the date of issuing the auditor’s report.

The other information does not comprise the annual financial statements, the consolidated financial statements, the management report disclosures with audited content or our corresponding auditor’s reports.

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

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

– is materially inconsistent with the annual financial statements, the management report disclosures with audited content or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

**Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report**

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

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

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

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

**Auditor's responsibilities for the audit of the annual financial statements and of the management report**

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

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

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

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

to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

– Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

– Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

**Other legal and regulatory requirements**

**Further information pursuant to Art. 10 of the EU Audit Regulation**

We were elected as auditor by the Annual General Meeting of Shareholders on 24 May 2019. We were engaged by the Supervisory Board on 13 August 2019. We have been the auditor of CENIT Aktiengesellschaft since fiscal year 2019.

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

**German Public Auditor responsible for the engagement**

The German Public Auditor responsible for the engagement is Petra Mayran.

Stuttgart, 20 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

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|---|---|
| signed Mayran<br>Wirtschaftsprüferin<br>[German Public Auditor] | signed Rupperti<br>Wirtschaftsprüfer<br>[German Public Auditor] |

## Responsibility Statement in the Annual Financial Report

(Financial Report)

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

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

The Management Board

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

## Glossary

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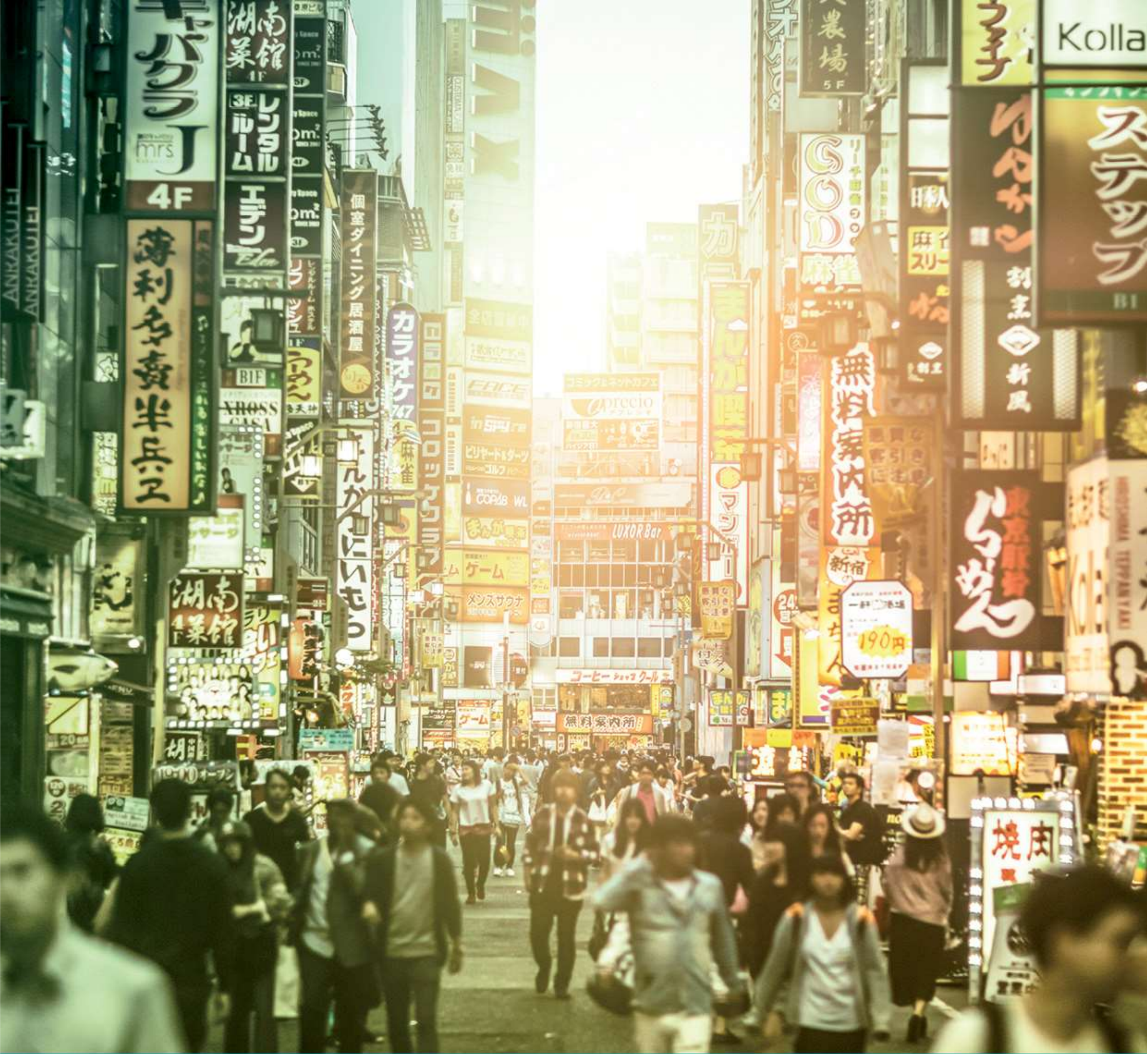
| **CATIA** | PLM solution by Dassault Systèmes<br>With the aid of CATIA, users can manage the entire range of industrial design processes, from marketing and the original concept to product design, analysis and assembly, and finally to maintenance. |
| **Digital factory** | Three-dimensional graphic simulation of a factory by way of digitally integrated systems (e.g. DELMIA). |
| **Digital manufacturing** | Planning and simulation of manufacturing processes via networking of digitally integrated systems (e.g. DELMIA). Developed for purposes of optimizing production costs, ergonomics, assembly line arrangement, productivity, and scheduling. |
| **ECM** | Abbreviation for Enterprise Content Management<br>ECM permits an enterprise to not only store all relevant information, but to also manage and reuse it. This reduces down-times and simultaneously increases the quality of products and services. |
| **EIM** | Abbreviation for Enterprise Information Management<br>EIM extends to all solutions and consulting services that generate structured and unstructured data, both within the enterprise and externally. EIM ensures high availability and security of data and optimizes the exchange of data between users.<br>EIM is a holistic data management concept that ensures a consistent, transparent and reliable information structure.<br>It encompasses all current and previous solutions and consulting services related to Enterprise Content Management, Groupware, Infrastructure Management und Application Management Outsourcing, Systems Management, Hotline Service, and remote maintenance of hard- and software. |
| **PLM** | Abbreviation for Product Lifecycle Management<br>A business strategy which assists enterprises in exchanging product data, applying uniform processes, and making use of the enterprise's product development knowledge, from initial concept to final redundancy, across the entire expanded enterprise. Thanks to the integration of all involved parties (enterprise divisions, business partners, suppliers, OEMs and customers), PLM offers the entire network the means to operate as a single entity and to jointly conceive, develop, build and service products. |





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