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CENIT AG SYSTEMHAUS

FINANCIAL REPORT 2008

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CENIT AG SYSTEMHAUS

# FINANCIAL REPORT 2008

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

INVESTOR RELATIONS:
PHONE: +49.711.78 25-3185
FAX: +49.711.78 25-44-4185
E-MAIL: AKTIE@CENIT.DE

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| Print | Nuntius, Stutgart |
| Contact | Fabian Rau, Investor Relations |
| E-Mail | f.rau@cenit.de |

# CONTENT

# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

During the past year the Supervisory Board met in five ordinary sessions and four telephone conferences for in-depth consideration of the economic situation, the strategic future development, and the long-term positioning of CENIT Group. All members of the Supervisory Board were in attendance at each of these meetings. The Supervisory Board was newly elected at the annual shareholders' meeting on 30 May 2008; see below for further details. In our own opinion, the Supervisory Board has an appropriate number of members; the members maintain no personal or business relations with the corporation or members of the Board of Directors which could constitute a conflict of interests. Viewed against the backdrop of a difficult overall development of the economy, the enterprise strategy pursued by the Board of Directors led to a satisfactory business year 2008. The forecast operating result (EBIT) of 4 m EUR to 4.5 m EUR was attained.

An intensive and cooperative dialogue between the Supervisory Board and the Board of Directors and the resulting continual cooperation form the basis of goal-oriented planning and implementation of our activities. During the reporting period, the Supervisory Board exercised the responsibilities deriving from statutory law and the CENIT Articles of Association, namely to advise the Board of Directors in its administration of the enterprise and to supervise its business management. The Board of Directors informed the Supervisory Board regularly, in detail and in timely fashion of the development of the business and economic situation of the corporation and its subsidiaries. The Supervisory Board was directly involved in all decisions of fundamental significance to the corporation. During intersession periods, the Board of Directors additionally issued monthly reports to inform the Supervisory Board as to key business figures, and submitted matters subject to Supervisory Board approval in a timely fashion. Between sessions, the Board of Directors continually consulted with the Chairman of the Supervisory Board in a close exchange of views and information on enterprise strategy, current business developments, and risk management. In addition, the Board of Directors continually informed the Chairman of the Supervisory Board as to significant developments within the enterprise and its decision-making.

## TOPICS CONSIDERED AT SUPERVISORY BOARD SESSIONS

On the basis of the reports submitted by the Board of Directors, the Supervisory Board discussed business developments significant to the corporation in detail. All measures and commercial transactions which required approval by the Supervisory Board were addressed thoroughly. Regular discussion topics were the corporation's sales, results, and employment developments, as well as the asset and financial situation. As during the previous year, the Supervisory Board did not consider it necessary to create committees in view of the small number of Supervisory Board members. Conflicts of interest on the part of Supervisory Board members did not arise during the reporting period.

## FINANCIAL REPORT/AUDITS

During its balance-sheet session on 7 March 2008, which was also attended by the annual auditor/Group annual auditor, the Supervisory Board considered the CENIT Annual Report. The Annual Report of CENIT AG Systemhaus and the Consolidated Report for the 2007 business year, as prepared by the Board of Directors, were audited by Ernst & Young AG, Stuttgart, who were selected as annual auditors at the orderly annual shareholders' meeting on 20 June 2007. The accountancy department assisted in the audit, which also referred to the status report and the appended consolidated status report. In detailed discussions with the Board of Directors and the auditor, the Supervisory Board conducted a detailed review of both the submitted Annual Report and the Consolidated Annual Report, and in this context also discussed the underlying balance-sheet policy. In addition, the Supervisory Board reviewed the results of the annual audit on the basis of the auditor's reports and individual discussions. The Supervisory Board is satisfied that the audit and the auditor's reports fulfil the requirements of §§ 317, 321 HGB [Commercial Code]. The Annual Reports for 2007 prepared by the Board of Directors received unconditional certification by the auditor and were conclusively discussed at this session and during a telephone conference on 18 March 2008. The 2007 Annual Report of CENIT AG Systemhaus was thereupon adopted and the 2007 Consolidated Annual Report was noted with approval.

## FURTHER TOPICS CONSIDERED IN THE SESSIONS AND TELEPHONE CONFERENCES

During the course of the year, the Supervisory Board was continually informed as to periodic financial results. These figures, the 2008 Semi-annual Report, as well as the interim Quarterly Reports were discussed in detail with the Board of Directors. The clear focus of the discussions was on the results and sales forecast for 2008.

Following its constitutive session on 30 May 2008 (mentioned in greater detail below; see: Changes in Composition), the Supervisory Board addressed, among other matters, the course of business and developments at the foreign subsidiaries and participations at its ordinary session on 17 July 2008.

With respect to strategic positioning, the Supervisory Board conducted an extensive discussion of the future international development of the corporation in its sessions on 23 October and 4 December 2008. On these occasions the Supervisory Board concurred with the Board of Directors that the prime objective must be organic growth augmented by well-targeted acquisitions. In these business segments, existing customer relations should first be expanded and new customers acquired in the target sectors financial services and manufacturing industry. International growth is to be pushed ahead particularly in countries in which CENIT already maintains a local representation, focal points being France and the US. The growth strategy aims to achieve a targeted expansion of the customer base in the financial services sector and the manufacturing industry. In Germany and France, particular efforts should be undertaken to address enterprises from the manufacturing and aerospace sectors. The software segment will strive to achieve organic growth through CENIT products. The international expansion of this business field will be leveraged in cooperation with partners. Against the backdrop of increasingly complex compliance requirements and the resulting dynamic growth of the market for enterprise content management, our software products offer attractive potential for growth. Our PLM products for virtual manufacturing also promise sufficient potential in both the automotive and the aerospace industry. We share the Board of Directors' view that great significance attaches to CENIT's proprietary software despite its comparatively low business volume during the current market difficulties.

The last ordinary session of 2008 focused primarily on CENIT's planning for 2009. A close review was undertaken of the individual business fields against the background of radically changing economic framework conditions.

## RISK MANAGEMENT

An important topic discussed at several sessions was the Group's risk management. The Board of Directors reported on the major risks and on the corporation's risk monitoring system. Following a great many discussions with the Supervisory Board and the auditor, the Supervisory Board was satisfied of the effectiveness of the risk management systems.

## CORPORATE GOVERNANCE

The Supervisory Board is of the conviction that good corporate governance is a core aspect of CENIT's success, reputation and self-image. For this reason, the Supervisory Board has kept a constant eye on the continuing development of the Corporate Governance Standards as well as their implementation within the enterprise. Among other activities, this included regular reviews of the efficiency of the Supervisory Board's own activities. In particular – and also in discussions with the auditor – the review assessed the constant lawfulness of business management and the efficiency of the corporation's governance. A corporate ethic of responsible and lawful behaviour at all times, and the awareness that this ethic is of fundamental importance for the enterprise, are well entrenched at CENIT and within its managing bodies. In their Corporate Governance Report, the Board of Directors and the Supervisory Board report on corporate governance at CENIT in accordance with No. 3.10 of the German Corporate Governance Code. At its session on 4 December 2008, the Supervisory Board issued its 2008 Declaration of Conformity in accordance with § 161 AktG [Public Companies Act] under the German Corporate Governance Code, as amended on 6 June 2008, and has made it permanently available to shareholders on the CENIT website.

## CHANGES IN COMPOSITION

Elections for the new Supervisory Board were held at the annual shareholders' meeting on 30 May 2008. At the Supervisory Board's subsequent first constitutive session, Mr. Andreas Schmidt was appointed as new Chairman. Mr. Hubert Leypoldt remains Vice Chairman. Department Head Mr. Andreas Karrer was elected by CENIT staff as employee representative on the Supervisory Board.

The administration thanks outgoing Supervisory Board members Mr. Falk Engelmann and Dr. Dirk Lippold for their years of dedicated service in the interest of CENIT's development, and for the fulfilment of their statutory obligations as a control authority at CENIT AG. At their own wish, both members chose not to seek a further mandate, having already sat on the Board since 2002 (Mr. Engelmann), and since 1998 (Dr. Lippold).

## ANNUAL AND CONSOLIDATED STATEMENTS OF ACCOUNT FOR 2008

Bookkeeping, the Annual Report together with the status report for the 2008 business year, as well as the Consolidated Annual Report incl. commentary, and the Group status report for 2008 were audited by Ernst & Young AG, Stuttgart, who were selected as annual auditors and Group annual auditors at the annual shareholders' meeting on 30 May 2008. In accordance with its mandate, the Supervisory Board reviewed the qualification, independence and efficiency of the auditor.

The auditor unconditionally certified the CENIT Annual Report and the Consolidated Annual Report for 2008. The Annual Report of CENIT AG Systemhaus was prepared in accordance with the principles of commercial law; the Consolidated Annual Report complies with the International Financial Reporting Standards (IFRS). Annual Report documentation and audit reports were submitted to all members of the Supervisory Board in full and on time. The Supervisory Board discussed the submitted documents and the auditor's reports in detail with the Board of Directors and the auditor so as to be satisfied of their correctness; the Supervisory Board is satisfied that the audit reports for 2008 fulfil the statutory requirements.

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

At the Annual Report session on 6 March 2009, the auditor reported on the key results of the audits and was available to provide additional information and respond to queries. All Supervisory Board members were thus able to satisfy themselves that the audit conformed to statutory requirements and was conducted properly.

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

In a conference call on 16 March 2009, the Supervisory Board endorsed the Annual Report prepared by the Board of Directors for CENIT AG Systemhaus for the 2008 business year, and thereby issued approval in accordance with § 172 Aktiengesetz. Also on 16 March 2009, the Supervisory Board approved the Consolidated Annual Report for the 2008 business year.

Following review, the Supervisory Board consents to the Board of Directors' proposal for the appropriation of the balance sheet profit.

We thank the Board of Directors and all employees for their work during the past year.

Stuttgart, March 2009

For the Supervisory Board

A. Schmidt

Dipl.-Ing. Andreas Schmidt
Vorsitzender des Aufsichtsrats

## CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

# MANAGEMENT REPORT FOR FISCAL YEAR 2008 IN GERMANY

### OVERALL ECONOMIC CONDITIONS

The economic climate is heading towards another low. All of the data indicates a global recession according to the Ifo-Institut (Institute for Economic Research in Munich). The institute also announced that the global economy fell to its lowest point for 20 years in the fourth quarter.

The assessment of the current situation in particular has worsened considerably, but a recovery is also not expected within the next six months.

The economic downturn is not limited to the major economic areas of North America, western Europe or Asia. Pessimism has also spread to central and eastern Europe, Russia, Latin America and Japan. The appraisal of the situation in western Europe has deteriorated, particularly in Spain, Italy, Belgium and Ireland.

However, there is a ray of hope in the US. Although a survey of experts gave a worse assessment of the current situation than in the summer, expectations for the next six months have improved.

According to the institute, economic stimulus packages are needed to reverse the trend and must be supported by monetary policy, with specific reference made to the US Federal Reserve.

In its monthly report, the German Central Bank (Bundesbank) also sees the final quarter of 2008 as „again dampened discernibly". According to the report, „the full negative impact" of the crisis in the financial markets and the downturn in the real economy will become apparent in 2009.

The German federal government believes that the German economy will shrink by 2.25% in 2009. This would be the sharpest drop in the republic's history. Its annual economic report also forecasts falling exports and rising unemployment.

## CONDITIONS IN THE INDUSTRY - IT

Global demand for information technology (IT) is on the rise despite the general economic difficulties. According to the latest data from the EITO market research institute (European Information Technology Observatory), the worldwide IT market grew at an anticipated provisional rate of 5.2% to EUR 963.5 billion in 2008. The emerging economies of China, India and Russia are booming, with growth rates of between 17% and 18%. BITKOM (the German Association for Information Technology, Telecommunications and New Media) also sees little impact on hi-tech sales due to the worldwide economic slowdown. Fears that the international financial crisis and soaring prices of raw materials could severely hamper investment in IT have so far proved unfounded. EITO anticipates growth of 5.6% on the international IT market in 2009. This could push global sales of computers, software and IT services over the one billion euro mark for the first time. The three main global sales markets underwent extremely rapid development in the past year. IT sales in the European Union grew 4.2% to EUR 311.1 billion in 2008. This growth was driven by new member states such as Poland, the Czech Republic and Romania, who still have ground to make up in terms of developing their IT infrastructure. In the coming year, growth within the EU is expected to remain relatively unchanged at 4.1%. According to the EITO forecast, the Japanese market grew 4.0% to EUR 127.7 billion in 2008. Even in the US, 2008 saw IT sales climb 3.7% to EUR 345 billion.

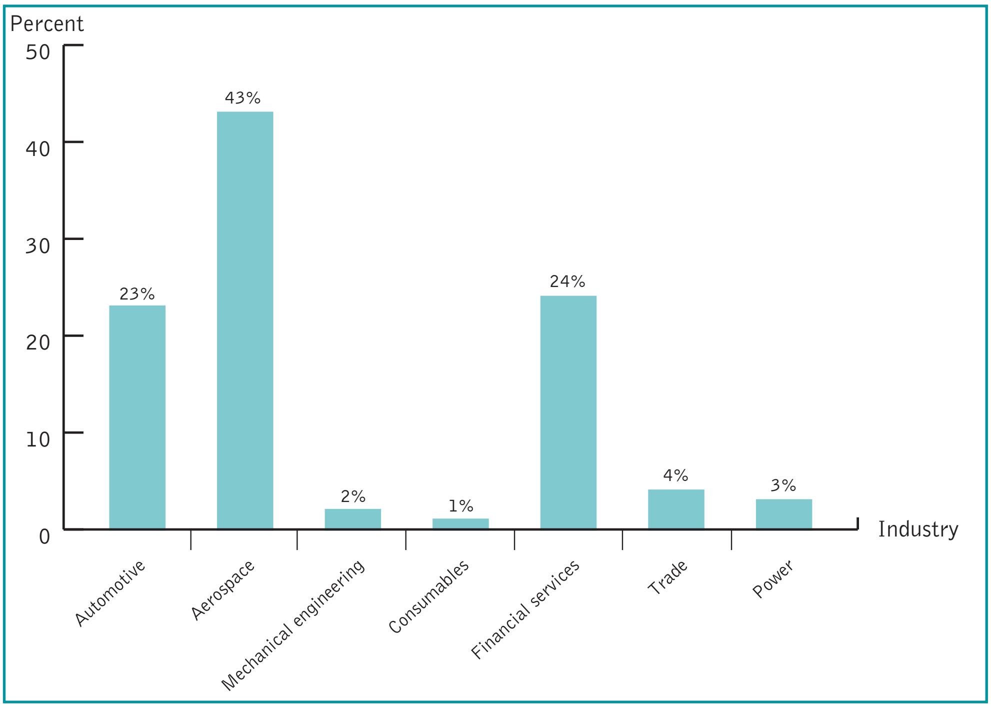
EITO expects the US market to really pick up in 2009, with growth of 4.4% to EUR 360 billion. The global IT market will be buoyed in particular by increased spending on software and IT services in 2009. This is also supported by the assessment of the IDG UK market research institute, which sees the automotive industry in particular as being in need of action and investment as a result of the recession. What measures make sense for IT in connection with a cost-cutting strategy, and which do not? Pressure from the market is also pushing more and more OEMs and suppliers into mergers. How can different IT environments be consolidated as quickly and successfully as possible? Where is the right balance between standardization and made-to-measure? OEMs' and their suppliers' processes are becoming increasingly integrated, and the importance of the supplier is growing not just in terms of value added as a result. In spite of the existence of established standards, intercompany IT processes must be designed to be more efficient in this area in future. What part can or must IT play in this regard? How can an IT organization structure itself for the corresponding development, manufacturing and sales processes? IT consultants and software suppliers could resolve such issues and problems. In the opinion of IDG's market researchers, IT service providers stand to benefit in 2009 if their portfolio can answer such questions.

## RESULTS FOR THE YEAR

Breakdown of CENIT AG's revenue by target group / industry Fig. A

### BREAKDOWN OF CENIT AG'S REVENUE BY TARGET GROUP / INDUSTRY

Fig. A




## RESULTS OF OPERATIONS, GERMANY

Due to the general state of the world's economy, a considerable slowdown in investment was already becoming apparent among Cenit's customers halfway through 2008. Major orders in the field of software and services were not issued by customers at the scheduled times. After signing the biggest order in CENIT AG's history with EADS in May, the start date of this service engagement was postponed until July 2008.Our business took off in the second half of the year accordingly. In the fiscal year 2008, CENIT AG recorded revenue of EUR 75.6 million (2007: EUR 71.2 million). CENIT AG's hardware business, which has been on the decline for years, was completely restructured and outsourced to an experienced hardware distributor who will look after CENIT AG's customer base in this field in future. Revenue from third-party software rose significantly. This was due to the transition of our partner Dassault Systèmes from a commission-based business model to a value-added reseller partnership. Revenue from CENIT's own-brand software fell short of expectations, reaching EUR 3.0 million in Germany

(2007: EUR 3.3 million). Personnel expenses amounted to EUR 35.3 million (2007: EUR 32.8 million, an increase of 8%). Other operating expenses amounted to EUR 15.8 million (2007: EUR 13.5 million, an increase of 17%). CENIT thus generated EBITDA of EUR 3.3 million (2007: EUR 7.8 million, a decrease of 58%) and EBIT of EUR 2.2 million (2007: EUR 6.8 million, a fall of 68%). Tax expenses for income taxes amounted to EUR 1.7 million (2007: EUR 2.4 million). After deduction of tax, net income for the year amounted to EUR 2.8 million (2007: EUR 5.9 million, a fall of 53%).

## PROPOSED DIVIDEND

The management board and supervisory board will propose to the general shareholders' meeting on 29 May 2009 that no dividend be distributed, but that long-term liquidity and financial autonomy be safeguarded instead. This would place the Company's financing on a sustainable, solid foundation despite the challenging conditions resulting from the global economic crisis. Existing cash and cash equivalents should enable CENIT AG to participate in the aforementioned markets in future to the extent that this seems purposeful in the interest of the Company and its shareholders.

This includes expanding service and software activities in the aerospace industry, for example. Capital is also required, however, to further develop technology in connection with new fields and software development. One key competitive advantage is investment in the training of our employees. In light of the highly complex technological issues of our customers, their know-how is a fundamental requirement for CENIT AG's success, and must be retained.

As a consequence, our financial strategy will remain focused on ensuring good long-term credit ratings. The primary goal of CENIT AG's financial management is to ensure the availability of sufficient liquidity in the short and medium term. After all, CENIT AG's healthy finances are also a key competitive advantage for gaining contracts as they promise our customers the requisite security when deciding to invest in CENIT AG's services: Fig. B

Fig. B BREAKDOWN OF CENIT AG'S REVENUE

| EUR million | 2008 | 2007 | Änderung in % |
|---|---|---|---|
| Services | 48,886 | 44,304 | 10% |
| Merchandise | 3,085 | 8,568 | -63% |
| Software | 11,169 | 6,373 | 75% |
| Royalties | 11,193 | 8,197 | 37% |
| Commission | 1,244 | 3,741 | -67% |
| Total | 75,577 | 71,183 | |

## INCOMING ORDERS

The order intake at CENIT AG in Germany amounted to EUR 90.8 million in fiscal year 2008 (2007: EUR 70.3 million). The order backlog as of 31 December 2008 amounted to EUR 28.0 million (2007: EUR 15.1 million).

## NET ASSETS AND FINANCIAL POSITION

CENIT AG's conservative financial policy in recent years is now bearing fruit. Net assets are secured and stable. Equity amounts to EUR 20.9 million as of the balance sheet date (2007: EUR 22.2 million). As of the balance sheet date, bank balances and securities classified as current assets came to EUR 10 million (2007: EUR 16.6 million). Apart from its cash and cash equivalents, the Company still has sufficient overdraft facilities at its disposal. Trade payables and receivables reflect the course of business. CENIT AG's equity ratio is 60% (2007: 67%). Such financial autonomy allows for a level of internal financing corresponding to the success of business, which constitutes a competitive advantage for CENIT AG in light of the restricted availability of credit in the near future, and provides our customers with the necessary security for their investment.

## EQUITY INVESTMENTS

## CENIT (SCHWEIZ) AG, FRAUENFELD/SCHWEIZ

CENIT (Schweiz) AG generated revenue of EUR 4.9 million in the past fiscal year (2007: EUR 3.9 million) and EBIT of EUR 2.4 million (2007: EUR 2.2 million).

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

CENIT North America Inc. generated sales revenue of EUR 6.1 million (2007: EUR 5.9 million) and EBIT of EUR -0.1 million (2007: EUR 0.5 million).

## CENIT SRL, IASI/RUMÄNIEN

CENIT SRL generated revenue of EUR 0.7 million (2007: EUR 0.4 million) and EBIT of EUR 0.2 million (2007: EUR 0.06 million).

## CENIT FRANCE SARL, TOULOUSE/FRANKREICH

CENIT AG established a French subsidiary in fiscal 2007. This company is still in the process of being set up. CENIT France SARL generated revenue of EUR 0.3 million (2007: EUR 0.06 million) and EBIT of EUR 23 k (2007: EUR -3 k).

## CAD SCHEFFLER GMBH, OELSNITZ

On 27 December 2007, CENIT AG successfully acquired CAD Scheffler GmbH, which was then incorporated into the Group on 1 January 2008. As a PLM system solution provider, CAD Scheffler GmbH, with registered offices near Chemnitz, specializes in Dassault Systèmes' PLM product CATIA, and has supported our position at the top of the PLM advisory and software market at a national and international level since 2008. In 2008, CAD Scheffler generated revenue of around EUR 2.4 million and EBIT of EUR 0.3 million.

## CORPORATE GOVERNANCE

Performance indicators allow the recording and transparent reporting of a business' economic performance. Above all, however, they are an important tool for planning, managing and monitoring a company's activities. CENIT AG began adapting its management tools at an early stage in the interest of reaching its strategic goals.

Our corporate governance system not only gives us strength with which to face increasing competition, it also enables us to create comparable demands internally for all business segments, and to optimize the basis for decision-making in order to employ capital as efficiently as possible. The corporate governance system already provides management with crucial input. We want to develop it further in order to safeguard the performance of our Company. This method strives to constantly increase the sustainable value of the Company by concentrating on its business units. The most important performance indicators are gross profit, EBIT and incoming orders. These figures are calculated every month and evaluated using variance analysis.

## FINANCING

The healthy financial situation allows CENIT AG to fund itself from its own resources in the long term. There are no liabilities to banks, either short-term or long-term. Credit lines that have been granted are not currently being used. Any cash and cash equivalents not needed to fund day-to-day operations are invested for the short term. Investment in property, plant and equipment and financial assets was funded in full from the Company's own resources in the year under review.

## SECURING LIQUIDITY

In addition to the cash flow projections for a planning period extending a number of years into the future, CENIT AG also makes use of monthly cash flow projections. Any liquidity surplus is purposely used for the financing of projects, software development, investments and the expansion of national companies.

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

Since the entry in the commercial register on 14 August 2006, the share capital of the Company amounts to EUR 8,367,758.00 and is fully paid in. It is divided into 8,367,758 no-par value shares of EUR 1.00 each. The shares are bearer shares and are no-par value common shares only.

## AUTHORIZED CAPITAL:

The management board was authorized by the annual general meeting in 2006, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments by a total amount of up to EUR 4,183,879.00 (authorized capital) up until 13 June 2011, by issuing up to 4,183,879 new no-par value bearer shares in return for contributions in cash or in kind. For further information, we refer to the disclosures in the notes to the financial statements.

By resolution passed at the annual general meeting 2006, the authorization of the management board set forth in Art. 5 (3) of the articles of incorporation and bylaws prior to the annual general meeting in 2006 to increase, with the consent of the supervisory board, the share capital of the Company once or in several installments by a total amount of up to EUR 2,091,939.00 (authorized capital) up until 16 September 2009, by issuing up to 2,091,939 new no-par value bearer shares in return for contributions in cash or in kind was revoked.

## AUTHORIZATION TO ACQUIRE TREASURY SHARES:

The management board was authorized by the resolution passed by the annual general meeting on 20 June 2007 to acquire up to a total of 10% of share capital in the form of treasury shares, at one time or in several stages, with the consent of the supervisory board and until 30 November 2008. This authorization was extended as follows:

The management board was authorized by the annual general meeting of 30 May 2008 to acquire treasury shares (common shares) in the Company in the interest of redeeming them for the Company, at one time or in several stages, with the consent of the supervisory board and until 30 November 2009, superseding the authorization to acquire treasury shares dated 20 June 2007. Redemption does not require an additional shareholder resolution. The management board was also authorized to acquire treasury shares (common shares) in the Company in the interest of reselling them for the Company, at one time or in several stages, with the consent of the supervisory board and until 30 November 2009. In the event of resale, which requires the consent of the supervisory board, the management board is authorized to take the following actions:

- Resell on the stock market, subject to Sec. 71 (1) No. 8 Sentence 2 AktG;

- Give as a consideration in return for the acquisition of companies or equity investments in companies, if the purpose of the target company essentially falls under the Company's objective pursuant to Art. 2 (1) of the articles of incorporation and bylaws. In doing so, the management board may preclude a subscription right on the part of the shareholders with the consent of the supervisory board. The unit price at which the treasury shares are sold (excluding incidental selling costs) may not fall significantly short of the average market price of the Company's common shares on the Frankfurt stock exchange during the five days prior to the conclusion of a contract on the acquisition of a company or an equity investment in a company, calculated on the basis of the arithmetic mean of the closing price of the Company's common shares on the XETRA platform (or a functionally comparable successor system taking the place of the XETRA system).

On account of the authorization, treasury shares representing no more than 10% of the Company's current capital stock may be acquired alongside other Company shares that the Company has already acquired and still owns. The transaction value of a share (excluding incidental acquisition costs) may not differ from the market rate by more than 10% in either direction. The authoritative market rate is the average price of the Company's common shares on the Frankfurt stock exchange during the five days prior to the acquisition of the shares, calculated on the basis of the arithmetic mean of the closing price of the Company's common shares on the XETRA platform (or a functionally comparable successor system taking the place of the XTERA system). In the event of redemption, the supervisory board is authorized to amend the wording of the articles of incorporation and bylaws to reflect the reduction of capital.

No other agreements have been made, such as change of control agreements.

We have no information from shareholders with a shareholding greater than 10%

There are also no employee participations exercising their control rights either directly or indirectly.

The Company's management board must have a minimum of two members. The number of members and any deputies is set by the supervisory board. Members of the management board are appointed and dismissed by the supervisory board. No HR committee has been assembled. The members of the management board are appointed for a maximum term of five years. Repeat appointment or extension of the term of office is allowed. The supervisory board has decision-making authority with regard to the number of management board members, as well as the amendment or termination of their employment contracts.

Our Company now has more than 500 regular employees. This means that the provisions of Sec. 101 (1) AktG [„Aktiengesetz": German Stock Corporation Act] apply to the make-up of the supervisory board in conjunction with Sec. 4 (1) and Sec. 1 (1) No. 1 DrittelbG [„Drittelbeteiligungsgesetz": German Act for One-third Representation of Employees on Supervisory Boards]. These stipulate that at least one-third of the supervisory board of our Company must consist of employee representatives. The provisions in the articles of incorporation and bylaws were therefore amended in line with statutory provisions, by resolution of the annual general meeting of 30 May 2008 passed by simple majority pursuant to Sec. 97 (2) Sentence 4 AktG.

The Company has not entered into any agreements subject to a change in control as a result of a takeover bid.

There was no agreement in 2008 on compensation for members of the management board in the event of a takeover bid.

The supervisory board is entitled to agree on amendments and supplements to the articles of incorporation and bylaws that only relate to the wording.

## RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The resolutions of the annual general meeting are passed by 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.

## RATING

CENIT AG has been granted an extremely positive internal rating by its principal banks: Deutsche Bank, Commerzbank and LBBW. No ratings have been issued by rating agencies such as Moody's or Standard & Poor's.

## FOREX MANAGEMENT

The high instability of the foreign exchange markets in 2008 and consequent uncertainty regarding the development of the exchange rate were monitored and managed in 2008 with suitable currency management policy. Our forex management regime prescribes the active monitoring of exchange rates in order to prevent exchange rate losses. Among other things, the business activities of CENIT AG involve payments in USD and CHF. As a consequence, CENIT AG is exposed to a certain foreign currency risk, even if only a relatively small share of CENIT AG's revenue is denominated in these foreign currencies. Our risk management system monitors and evaluates fluctuations on the foreign exchange market and guarantees prompt reaction.

## RISK REPORT

Our business policy is aimed at constantly improving our performance and earning power while taking advantage of the opportunities that competition presents. All business activity involves a certain amount of risk by its very nature, however. The purpose of risk management at our Company is to recognize such risks at an early stage, monitor them and introduce both preventive and limiting measures.

The management board of CENIT AG has put in place a systematic and efficient risk management system at the various companies. Operative risk management involves early detection, long-term management and communication of risks. Risk reporting requires that the heads of the business units continually keep the management board of CENIT AG up-to-date on the current risk situation. Furthermore, in cases of urgency, sudden risks and risks affecting the entire Company are reported to the risk manager responsible at CENIT AG, bypassing the customary reporting channels. In accordance with statutory provisions, the management board and supervisory board of CENIT AG are given detailed reports on the risk situation at the various business segments. These reports are supplemented by immediate notifications as soon as risks change, no longer apply or new risks emerge. This ensures that the management board and supervisory board are always well-informed.

The compliance of the companies with the risk management system and their own risk management is assessed by internal quality audits. Information thus gained is used to further improve the early detection and management of risks.

CENIT AG is well positioned in its target markets. The Company has a strong market position in product lifecycle management, enterprise information management and application management outsourcing among medium-sized and large customers. CENIT AG's risk policy is based on the concept of using existing opportunities to the full and only entering into the risks associated with business activities if the opportunities for creating corresponding added value outweigh the risks.

The Company implements this concept by regularly and continuously identifying, assessing and monitoring risks in all material business transactions and processes within the Company. The risk management of CENIT AG is a component of the Group's management structure and reports directly to the management board.

Risk management falls within the scope of management systems. The existing risk management system lays the foundation for monitoring and evaluating risks and, if necessary, implementing corrective measures. The functionality of the system is evaluated on a regular basis. Rather than evaluating whether recognized risks are assessed correctly, the focus is much more on whether the system is capable of detecting risks at an early stage. A risk inventory is also carried out regularly. The six-month or annual risk report documents and assesses any risks identified in this process. An ad-hoc risk report is also available to ensure that action can be taken rapidly and informally. A detailed report on the status of the material risks to be monitored documents the assessment, the action taken or planned and the persons responsible. The management board examines the classified risks together with the department heads and the employees responsible in that business unit. The supervisory board is also informed regularly of the Company's risk situation.

The receivables portfolio may bear risks with respect to the recoverability of the receivables. CENIT AG deals with such risks through strict receivables management, credit ratings and the classification of risks at an early stage. CENIT AG is not dependent on financing by business banks. Its credit lines for 2008 amounted to EUR 2.4 million. Credit lines were not issued or needed for the subsidiaries in the US, Switzerland, France and Romania.

In order to safeguard and reinforce the skills and commitment of management, CENIT AG will continue to position itself as an appealing employer and work towards retaining management personnel in the long term. Consistent management development involves providing prospects, targeted support and advice, early identification and promotion of potential and attractive management incentive programs.

2008 was a successful year for CENIT AG on the labor market for IT specialists, with an 8% increase in the workforce as of year-end. CENIT AG was able to attract specialists with many years of experience in its business units. There are entrepreneurial risks associated with the expansion of business in the USA. As the expansion is due to organic growth, these risks remain both manageable and controllable.

## RISK MANAGEMENT AT CENIT AG WITH REGARD TO IT SECURITY

One of CENIT AG's chief concerns is IT security and the constant monitoring thereof. This enables CENIT AG's IT security forum to determine the values that are most important to CENIT AG itself and its customers, and therefore require the most attention and highest level of security with regard to specified security targets, measures and monitoring. Other values are accorded less significance. The necessary level of security is reflected in the „policies" and procedures implemented in the interest of managing the associated risks. In the event that a risk has been identified but the introduction of corresponding measures or procedures is inappropriate for financial, environmental, technological, cultural, scheduling or other reasons, this decision is documented at a meeting of the IT security forum, and subjected to regular review in order to ensure that the decision was appropriate and enduring. A security concept is developed on the basis of the security requirements determined by the risk analysis. This is done by selecting suitable measures to reduce risks to an acceptable level that represent the ideal solution in terms of cost and benefit.

## RISK MONITORING

The monitoring of risks is the responsibility of the local and central risk management functions. To this end, early warning indicators are defined by the local risk managers for each of the critical performance indicators. The task of central risk management is to monitor the predefined early warning indicators. As soon as the predefined thresholds are met, the local risk manager prepares a risk report, i.e. a prediction of the anticipated consequences for CENIT AG should the risk materialize. These predictions should ideally be supported by scenario analyses for a range of data constellations. Risk monitoring therefore functions as a knowledge amplifier for management decisions, reducing the uncertainty surrounding the future situation of the Company in terms of risk. Using this information and the measures proposed by the local risk manager and central risk management as a basis, the management board decides whether and to what extent risk management measures are to be implemented, or whether the Company‘s targets will have to be adjusted. The monitoring of early warning indicators and corresponding thresholds and the implementation of scenario analyses are the responsibility of local risk management.

Finally, it should be noted that the Company uses numerous management and control systems that are continually developed to measure, monitor and control risks. They include a uniform Company-wide strategy, planning and budgeting process dealing mainly with opportunities and risks relating to operations. The risks identified and the risk management measures defined within the strategy, planning and budgeting process are monitored. The monitoring and management of risks has already met with success, for example in the form of the change request process for security with regard to deadlines and technical risks. With large projects in particular, the certainty that the contract will be continued is checked. The further growth and thus the economic success are affected not just by the economic risks in the global markets, but to a large extent also by the successful marketing of CENIT AG solutions and consulting as well as IT services. Among other things, the Company plans to do this by expanding its own selling and consulting know-how and by entering into strategic alliances. Two-thirds of CENIT AG’s customers are in the manufacturing sector. The economic cycle of the manufacturing sector could have an impact on the business development of CENIT AG.

The Company has concluded insurance policies to cover potential losses and liability risks and ensure that the financial consequences of any potential risks are limited. The scope is regularly reviewed and adjusted, if necessary. With respect to IT security, CENIT AG has made extensive risk provisions, and develops these constantly.

## RISKS RELATING TO FUTURE DEVELOPMENT

A review of the current risk situation shows that there were no risks in the reporting period that jeopardized the continued existence of CENIT AG and that no such risks are foreseeable at present for the future. Furthermore, as of the balance sheet date there were no risks that could have a significant effect on our net assets, financial position, or results of operations. The strategic risk management and early warning system implemented in accordance with the requirements of KonTraG [„Gesetz zur Kontrolle und Transparenz im Unternehmensbereich“: German Law on Control and Transparency in Business] allows transparent corporate governance and the early detection of risks.

Due to the fact that the majority of all purchase and sales contracts are denominated in euro and in light of the current financial position, financial derivatives are not currently used to hedge currency risks.

A consideration of the overall level of risk shows that the Company is fundamentally subject to market risks. These relate in particular to price and volume-related economic developments, as well as dependence on the performance of important customers or sectors. Overall, service performance processes are managed very tightly and therefore less subject to risk. In general, risks for CENIT AG are limited, manageable and do not jeopardize the Company's ability to continue as a going concern. Nor are there any risks discernable which may pose a threat to the Company's continuing existence in future.

## CAPITAL EXPENDITURES

The majority of capital expenditure related to replacement investments in technical infrastructure and equipment, furniture and fixtures. Investment in intangible assets and property, plant and equipment amounts to EUR 1,130 k (prior year: EUR 1,393 k), with EUR 2,673 k going towards financial assets (prior year: EUR 163 k).

## PROCUREMENT STRATEGY AND PURCHASING POLICY

We place our trust in our partners and suppliers, and anticipate fair and long-term cooperation. Performances, counterperformances and risks are well-balanced. We expect our partners and suppliers to work with us on recognizing potential cost savings. CENIT AG therefore pursues a procurement strategy that is tailored exactly to the specific needs of a project. Our purchase officers have a lot of experience in sourcing merchandise and services for our customer projects. For our procurement we cooperate with reputable partners who are market leaders or industry leaders in their particular product line. There are practically no exchange rate risks associated with purchases as most purchases are made on the European market. Expenses for merchandise and purchased services amounted to EUR 22.4 million in 2008 (2007: EUR 18.9 million). The value of inventories and the amount of capital tied up in inventories is kept at a low level of EUR 0.4 million as of the balance sheet date (2007: EUR 0.1 million) due to the strategy of only procuring goods and services in relation to projects. This allows us to react flexibly to market needs. The risk of obsolescent inventories is low.

## QUALITY ASSURANCE

More than anything, the success of our Company depends on meeting and exceeding the needs of our customers. In the field of business process consulting, we want to satisfy our customers with high-quality and cost-effective solutions. When taking on operative activities for customer or working on site at the customer's premises, we want to improve the efficiency of the functions we take on. The same applies for our software solutions. We aim to exceed our customer's expectations. This is why ongoing monitoring and improvement forms the foundation of our quality assurance system.

In order to achieve this goal, our processes are structured to meet these requirements. All employees are encouraged to implement these processes and continuously improve them in accordance with a set methodology. Customer satisfaction means success for everyone.

The members of the management board of CENIT AG are jointly responsible for the management of the Company. The management of quality assurance is appointed by a member of the management board. This ensures that the management board can directly influence and control the quality assurance system of the Company, and can immediately recognize mismanagement and remove those responsible. The management board defines the corporate policies, strategies and goals and ensures that these are communicated to all levels of the Company and are realized in practice. Moreover, the management board is responsible for defining the organization and individual responsibilities as well as for providing the necessary financial and human resources.

Each year, management work out the detailed goals for the coming year and the next three years to be used as an orientation. The annual goals are broken down into individual goals for each employee. Goals which serve to monitor the continuous improvement of processes and the Company as a whole are laid down in the respective standard operating procedures. The management board reviews whether the agreed goals have been met and to what extent they are over or under target and whether the relevant standard operating procedures, laws and standards have been complied with.

Continuous improvement is an essential component of our quality assurance system. Each and every employee is required to contribute to it. Our continuous improvement process reveals any potential for improvement, evaluates the costs and benefits, and implements any suitable changes. Regular internal quality audits record and document the progress of the continuous improvement process. The required actions and those responsible for their realization are documented in the report.

CENIT AG has included quality assurance regulations in its management handbook. These comply with ISO 9001:2000. Moreover, CENIT AG has developed and implemented key standard operating procedures which apply throughout the entire Company. The standard operating procedures are supplemented by laws and industry standards which the Company must observe and comply with.

The employees of CENIT AG are kept informed about current developments in the Company at quarterly meetings. These events are also used for any training required in the process-based management system across all segments. The information needed for day-to-day business is communicated in regular meetings or in individual discussions. The Company places a high value on open dialog.

A second systems audit was conducted in 2008 by an independent team from Deutsche Gesellschaft zur

Zertifizierung von Managementsystemen (DQS). The audit was successful and CENIT AG was awarded the DIN EN ISO 9001:2000 certification.

In 2006, CENIT AG successfully qualified for certification under the internationally recognized ISO/IEC standard 27001:2005. ISO 27001:2005 is a standard issued by the International Organization for Standardization (ISO), and therefore the internationally applicable standard and recognized successor to the British standard BS 7799-2:2002. The standard incorporates all aspects of corporate, IT and data security, as well as the statutory framework. A follow-up audit was conducted in the summer of 2008 with equal success.

## EMPLOYEES

The headcount is as follows: Fig. C

CENIT AG's personnel expenses for Germany rose 8% on the prior year. The average age of staff was 38. More than 75% of the employees have attended higher education. Employee turnover amounted to 10% (11% in 2007). We once again recorded a very low number of sick days.

CENIT AG has been successfully providing training for years. The trainees include students from universities of cooperative education and apprentices in the field of IT. We are also continually hiring college graduates, students currently writing their thesis, and interns. We consider this central to our responsibilities to society. In light of the large number of young unemployed persons, we consider it important to make it easier for young professionals to start their career through qualified training. In 2008, CENIT AG trained a total of 65 young people in Germany in several vocations. This constitutes a ratio of trainees to employees of 10%.

## FUTURE PROSPECTS THROUGH TRAINING

In order to prepare employees for the ever-increasing demands placed on them by innovation and market competition, and raise their level of training, CENIT AG offers a comprehensive range of seminars. In the year under review, many of our employees took advantage of a variety of training events, and attended courses and seminars to boost their professional qualification.

Quality assurance, data and information processing and management training formed the focus of our training activities.

Fig. C EMPLOYEES

| | Employees as of 31 Dec. 2008 | Employees as of 31 Dec. 2007 | Absolute change | in % |
|---|---|---|---|---|
| CENIT AG | 635 | 586 | 49 | +8% |

## REMUNERATION SYSTEM / PARTICIPATION IN COMPANY PERFORMANCE

In addition to performance-related promotion opportunities and the early assignment of responsibility, CENIT AG offers all of its employees an attractive remuneration policy. Apart from the fixed salary as defined by the individual's employment contract, there are also remuneration components that are partially based on the Company's earnings and share price. By issuing stock options to selected management personnel, a further tool has been added to the Company's performance-related remuneration policy.

The management board's remuneration consists of both fixed and performance-related components. We refer in this regard to the information in the notes to the financial statements. The remuneration of the supervisory board is fixed in accordance with the articles of incorporation and bylaws. Each member of the supervisory board receives fixed remuneration of EUR 15,000.00, payable after the end of the fiscal year. The chairman of the supervisory board receives twice this amount, and the deputy chairman receives one and a half times the above amount.

## RESEARCH AND DEVELOPMENT

CENIT AG focuses on consulting and implementing standard software from leading manufacturers. Product developments by the Company itself are made to supplement standard software, e.g. for special customer requirements. Besides adjusting standard software, CENIT AG develops programs for supplementing and expanding existing standard software as required by its customers.

CENIT AG's software solutions are based on SAP and IBM/FileNet IT solutions, or on products from Dassault Systèmes such as the CATIA PLM software, or Delmia. CENIT AG's solutions add important functions to these standard packages which lead to higher productivity or improved quality of data. Some products allow the design of entire business processes, consistent data storage and early simulation of process stages. Overall, CENIT AG offers 20 solutions from across its business units.

## PROGRESS OF CENIT AG'S SHARES ON THE FINANCIAL MARKETS

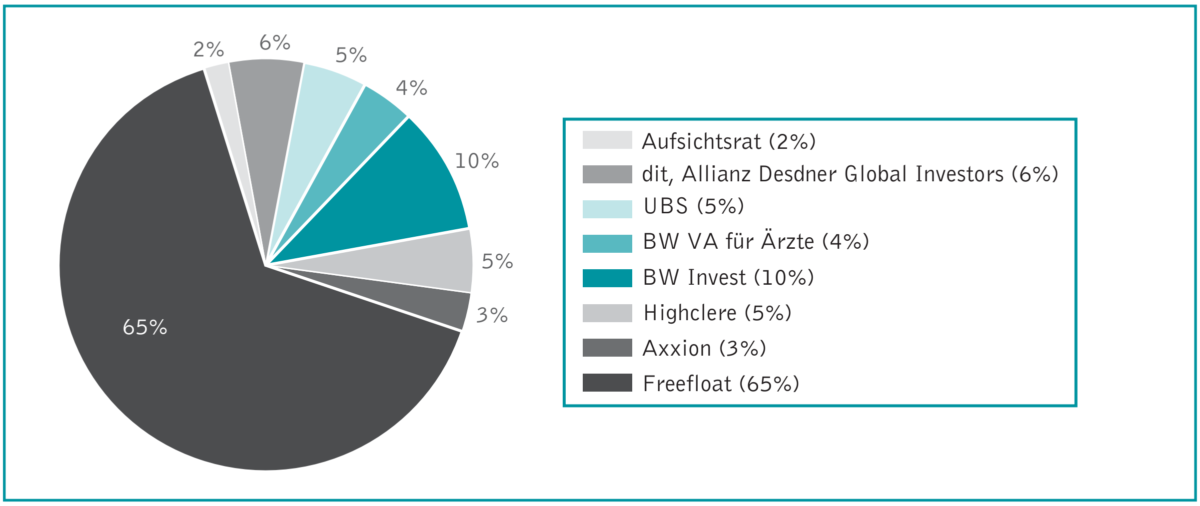
The crisis on the financial markets exploded in 2008. Stock markets throughout the world lost an estimated EUR 21.5 trillion in market capitalization. The DAX fell by more than 40%, the (mid-cap) MDAX by more than 43%, the TecDAX for technology stock by as much as 48%; and the most severe loss was suffered by the Entry Standard, with a loss of 51.36%. Not since 2002 has the situation in

Germany been this bad. The Dow Jones, S+P 500 and Nasdaq indices lost more than 33%, 38% and 40% in value respectively. The exceptionally poor financial situation led to unexpected changes in the financial sector. The collapse of Lehman Brothers on 15 September 2008 was held up by the US government as an example, with grave consequences for the financial industry across the globe. The credit crunch worsened and spread, to the automotive industry in particular. Only government guarantees reaching into the trillions and drastic interest rate cuts by central banks acting in concert were able to prevent the collapse of the international banking system and the world economy. Many countries are now experiencing recession, including the US, Japan and Germany, in addition to various other European countries. However, there is hope that much of the collapse has already been factored into share prices, Company profits will reflect this and the recession will not last too long.

CENIT AG price shares started the year at EUR 9.16 and closed the year at approx. EUR 3.30. The average trading volume over the past 52 weeks was approx. 21,646 shares per day (2007: 23,500 shares). The average share price for the year 2008 was EUR 5.99. CENIT AG's share price peaked for the year at EUR 9.21, while the lowest value recorded in the course of the year was EUR 2.41. Overall, more than 5,498,057 million shares were traded, so it can be safely assumed that the composition of CENIT AG's shareholders has changed. Data on the composition of shareholders can only be approximated on account of the high level of free floating shares, giving the following overview of the number and composition of the Company's shareholders: Fig. D

## DISTRIBUTION OF SHARES AMONG SHAREHOLDERS AS OF 31 DECEMBER 2008:

Fig. D Source: CENIT Aktiengesellschaft Systemhaus, Stuttgart



The following investors held a share subject to reporting requirements: Fig. E

Four banks and analyst firms currently issue research reports on CENIT AG. These are recommendations from SES Research/M.M. Warburg & Co., Hamburg, equinet AG, Frankfurt, GBC AG, Augsburg and Mirabaud Securities, London. CENIT AG is listed on the Prime Standard of the German Stock Exchange, and meets international requirements with regard to transparancy.

## OVERVIEW OF STOCK MARKETS

According to strategists' forecasts, stock markets could recover in the second half of 2009. However, a corner may only be turned on the stock exchanges once the credit markets have stabilized. This looks unlikely at the moment, but the main scenario prepared by LBBW Credit Research places the nadir of the crisis somewhere in early 2009. The ensuing calming of the credit markets could then restore confidence in shares.

## POSITIONING OF CENIT AG

CENIT AG is involved in product lifecycle management (PLM) with Dassault Systèmes and SAP PLM solutions, operates in the market for enterprise information management (EIM) solutions and performs application management outsourcing (AMO) services. With its full range of services, CENIT AG offers customers important added value with regard to innovation and process optimization. We are the specialists for our customers' central functions, with a focus on the manufacturing industry and financial services sector.

CENIT AG's consulting, service and software portfolio combines CENIT AG's own solutions with

Fig. E THE FOLLOWING INVESTORS HELD A SHARE SUBJECT TO REPORTING REQUIREMENTS

| Company | Reported on | Number of shares | Percent |
|---|---|---|---|
| Highclere International | 13 Nov. 2008 | 436,268 | 5.21 |
| DIT Allianz Global Investors | 6 Mar. 2006 | 503,338 | 6.02 |
| UBS | 7 Dec. 2006 | 424,245 | 5.07 |
| Axxion | 7 Oct. 2008 | 255,356 | 3.05 |
| BW Invest | 9 Aug. 2007 | 836,412 | 9.99 |
| Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte | 21 Feb. 2007 | 330,000 | 3.94 |

the standard products of our software partners on which those solutions are based. Our partners include leading software providers. We also aim for market leadership in those partners' product environments. CENIT AG's employees are well versed in the processes and technologies of the target industries, and are therefore able to provide our customers with industry-tailored support for the planning, optimization and implementation of their business and IT processes.

CENIT AG also takes care of managing the applications and corresponding IT infrastructures so that our customers can concentrate on their core competencies.

Our overarching goal is to improve our profitability while achieving sustainable growth in revenue.

## PORTFOLIO OF THE BUSINESS UNITS

Our CENIT AG Dassault Systèmes PLM consulting, service and software portfolio comprises Dassault Systèmes' standard products and solutions developed by CENIT AG. Our employees are well versed in the processes and technologies of individual sectors, and help our customers in the manufacturing industry to optimize their digital product development and production.

In the field of enterprise information management, CENIT AG with its service, consulting and software portfolio aimed at financial service providers is the specialist in IT-based management of Company documents and information for our customers' core processes. This portfolio brings about significant improvements to our customers' processes.

We take care of managing the applications and the corresponding IT infrastructures in order to ensure they are available at all times so that our customers from the financial services sector and manufacturing industry can concentrate on their core competencies.

In connection with SAP PLM, we also optimize the product creation process of companies in the manufacturing industry by supplying product data with controlled quality and in a suitable format to all process participants throughout the world. We achieve this process optimization by seamlessly adding our own products to SAP corporate solutions, and then applying these solutions to business processes as part of our standardized PLM implementation methodology.

## FORECAST FOR 2009 AND 2010

The international economic crisis will have a severe impact on the course of the economy in 2009. Market analysts expect world GDP to grow less than 3% in 2009, down from 3.7% in 2008. This would place the global economy in recession in 2009. The extent to which the rescue packages introduced by the US and European governments in October 2008 will shore up the financial markets is impossible to predict at this time. If one believes the economic analysts, world economic growth could pick up again in 2010.

A variety of market analysts and economists see the current situation the same: the crisis in the financial and mortgage markets combined with a fall in momentum on the labor market will impact private consumption. Exports, which until now had been a pillar of the economy, will falter due to the weakness of the global economy and the resurgence of the US dollar. The economic prospects for the euro zone in 2009 have also worsened considerably. The financial crisis is dragging down consumption and investment. A lack of consumer confidence and reduced momentum on the labor markets are impacting private consumption. Exports will at best see moderate growth in 2009. In Germany, corporate investment will fall due to the downturn in the industrial economy. The German federal government expects

## DEVELOPMENT OF THE SHARE PRICE IN 2008

Source: CENIT Aktiengesellschaft Systemhaus, Stuttgart

Fig. F

the German economy to shrink 2.25% this year. This already takes into account the federal government's economic stimulus package, according to the annual economic report for 2008 published by the federal government in January 2009. The federal government does, however, see light at the end of the tunnel. It is forecasting an end to the economic downturn in Germany this spring. GDP could climb quarter on quarter some time between April and June, for the first time in a year. The government also forecasts slight growth for the third and fourth quarters.

## PROSPECTS IN SIGNIFICANT SALES MARKETS

Uncertainty with regard to development in important sales markets has risen considerably in the wake of the international economic crisis. The problems of the financial sector are having a tangible impact on the real economy. Automotive unit sales fell sharply in the fourth quarter of 2008 in Germany and Europe. Even if the crisis turns out to be more severe than in the 1990s, there is a chance that the traditional innovative prowess of European OEMs will enable them to close the gap with Japanese competitors, or even take the lead. Fuel-efficient engines, hybrid drives and electric drive systems are the key words in this respect. The right models and products require investment in research and development in order to remain competitive. In 2008 alone, more than EUR 18 billion was invested in this field. It is to be assumed that the figure for 2009 will be comparable.

There will be streamlining and consolidation in the financial services markets, for example the harmonization of the IT landscape and professionalization of the banks, and insurance processes offer ample room for improvement. It is also assumed with regard to mechanical engineering that despite stagnation, levels of growth will remain stable.

## EXPECTED RESULTS OF OPERATIONS

We anticipate stable revenue and earnings for fiscal 2009. However, increasing uncertainty in the financial markets and real economy prevents quantifiable forecasts. We will make more specific statements on the ongoing fiscal year in our quarterly reports.

For 2010/2011, we expect the world economy to recover from the current recessionary phase and experience renewed, albeit moderate growth. Provided ongoing economic woes do not hamper our business, we aim to return to our long-term course of growth in 2010/2011, and anticipate an upturn in revenue and earnings.

Against the backdrop of the global economic crisis, CENIT AG's priority is on safeguarding financial autonomy. Using a proactive strategy that requires the acquisition of new customers and the utilization of market opportunities as well as the expansion of the portfolio that is a requirement for technology companies, we want to successfully position and strengthen the Company in the coming months.

## EMPLOYEES

We plan to increase the workforce in 2009 if the situation on the market and project-related business allow. The number of positions could increase again in the following year. The growth of the workforce is closely linked to the development of the economy. Providing training to young people remains a priority for us. This is why we want to maintain the current level of training for the coming years, and retain it as an element of our long-term HR policy.

## RESEARCH AND DEVELOPMENT

Innovative technologies are of fundamental importance to CENIT AG. This is why we are constantly redoubling our efforts in this respect. Our expenses for innovation in fiscal 2009 will be comparable to prior years. A similar figure is anticipated for the following year.

## ANTICIPATED FINANCIAL AND LIQUIDITY POSITION

Financing is secure, despite the challenging conditions due to the worldwide financial crisis. The fundamental factors in the balance sheet of CENIT AG continue to provide the Company with stability and the necessary impetus to freely invest in those growth markets that are relevant to CENIT AG, even in light of the anticipated economic conditions. Maintaining a good credit rating in the long term and providing sufficient liquidity in the short and medium term for the positive development of the Company reflect the conservative nature of our financial policy. It should also be noted that CENIT AG's healthy finances are also a competitive advantage for gaining contracts as they promise our customers the requisite security when deciding to invest in CENIT AG's services.

## EQUITY INVESTMENTS

The integration of CAD Scheffler was successfully completed in 2008, and will make a positive contribution to the result of the Company in the coming years.

Our joint venture, established for our major joint client EADS and operating under the name CenProCS AIRliance GmbH, has met our expectations and will continue to play an important role in the next few years. CENIT AG has the opportunity to play a key part in major EADS projects, alongside both of the other partners in the joint venture.

## SUBSEQUENT EVENTS

No significant events occurred after the balance sheet date.

Stuttgart, March 2009
CENIT Aktiengesellschaft Systemhaus

The management board

*Christian Pusch* *Kurt Bengel*

CENIT Aktiengesellschaft Systemhaus, Stuttgart
Balance sheet as of 31 December 2008

| | | 31 Dec. 2008 | | 31 Dec.2007 |
|---|---|---|---|---|
| **ASSETS** | | EUR | EUR | EUR k |
| **A.** | **Fixed assets** | | | |
| **I.** | **Intangible assets** | | | |
| | Franchises, industrial and similar rights and assets, and licenses in such rights and assets | | 285,423.46 | 244 |
| **II.** | **Property, plant and equipment** | | | |
| | 1. Buildings on third-party land | 325,459.67 | | 429 |
| | 2. Plant and machinery | 1,151,924.10 | | 1,027 |
| | 3. Other equipment, furniture and fixtures | 165,271.14 | | 124 |
| | | | 1,642,654.91 | |
| **III.** | **Financial assets** | | | |
| | 1. Shares in affiliates | 3,093,504.18 | | 421 |
| | 2. Equity investments | 52,554.25 | | 53 |
| | | | 3,146,058.43 | |
| **B.** | **Current assets** | | | |
| **I.** | **Inventories** | | | |
| | 1. Work in process | 792,530.65 | | 760 |
| | 2. Merchandise | 356,606.79 | | 103 |
| | | | 1,149,137.44 | |
| **II.** | **Receivables and other assets** | | | |
| | 1. Trade receivables | 12,951,956.81 | | 11,369 |
| | 2. Receivables from affiliates | 351,036.67 | | 272 |
| | 3. Receivables from other investees and investors | 2,952,618.79 | | 0 |
| | 4. Other assets | 1,498,596.65 | | 1,684 |
| | | | 17,754,208.92 | |
| **III.** | **Securities** | | | |
| | Other securities | | 960,000.00 | 9,174 |
| **IV.** | **Cash on hand, bank balances** | | 9,014,400.75 | 7,479 |
| **C.** | **Prepaid expenses** | | | |
| | | | 1,189,373.61 | 104 |
| | | | 35,141,257.52 | 33,243 |

| EQUITY AND LIABILITIES | EUR | 31 Dec. 2008<br>EUR | 31 Dec. 2007<br>EUR k |
|---|---|---|---|
| **A. Equity** | | | |
| **I. Subscribed capital** | | 8,367,758.00 | 8,368 |
| Conditional capital: EUR 520,000.00 (prior year: EUR 520 k) | | | |
| **II. Capital reserves** | | 1,058,017.90 | 1,058 |
| **III. Revenue reserves** | | | |
| 1. Legal reserve | | 418,387.90 | 418 |
| 2. Other revenue reserves | | 8,070,955.48 | 6,371 |
| | | | |
| **IV. Net retained profit** | | 2,992,996.33 | 6,032 |
| | | 20,908,115.61 | 22,247 |
| **B. Provisions** | | | |
| 1. Tax provisions | 552,743.00 | | 0 |
| 2. Other provisions | 4,352,202.00 | | 3,872 |
| | | 4,904,936.00 | |
| **C. Liabilities** | | | |
| 1. Payments received on account of orders | 2,270,109.63 | | 1,438 |
| 2. Trade payables | 2,784,078.42 | | 2,074 |
| 3. Liabilities to affiliates | 2,167,258.80 | | 2,023 |
| 4. Liabilities to other investees and investors | 39,632.37 | | 0 |
| 5. Other liabilities | 2,067,126.69 | | 1,589 |
| thereof for taxes: EUR 1,733,741.93 (prior year: EUR 1,370 k) | | | |
| | | 9,328,205.91 | |
| | | 35,141,257.52 | 33,243 |

CENIT Aktiengesellschaft Systemhaus, Stuttgart
Income statement for fiscal year 2008

| | | 2008 | | 2007 |
|---|---|---|---|---|
| | | EUR | EUR | EUR k |
| 1. | Revenue | | 75,577,265.31 | 71,183 |
| 2. | Increase or decrease of work in process | | 32,326.55 | -109 |
| 3. | Other operating income | | 1,127,925.58 | 1,847 |
| | | | 76,737,517.44 | 72,921 |
| 4. | Cost of materials | | | |
| a. | Cost of raw materials, consumables and supplies and of purchased merchandise | 14,377,224.16 | | 13,547 |
| b. | Cost of purchased services | 8,016,783.13 | | 5,315 |
| | | | 22,394,007.29 | |
| 5. | PERSONNEL EXPENSES | | | |
| a. | Salaries | 30,001,228.43 | | 27,781 |
| b. | Social security costs | 5,330,712.99 | | 4,981 |
| | | | 35,331,941.42 | |
| 6. | Amortization, depreciation and write-downs on intangible assets and property, plant and equipment | | 1,017,616.06 | 1,039 |
| 7. | Other operating expenses | | 15,753,013.06 | 13,459 |
| | | | 2,240,939.61 | 6,799 |
| 8. | Income from equity investments thereof from affiliates: EUR 1,992,501.36 (prior year: EUR 994 k) | | 1,992,501.36 | 994 |
| 9. | Other interest and similar income including write-ups on securities classified as current assets | | 593,134.58 | 1,399 |
| 10. | Write-downs of securities classified as current assets | | 40,000.00 | 0 |
| 11. | Interest and similar expenses thereof to affiliates: EUR 54,677.37 (prior year: EUR 34 k) | | 175,087.43 | 832 |
| 12. | Result from ordinary activities | | 4,611,488.12 | 8,360 |
| 13. | Income taxes | 1,674,223.71 | | 2,412 |
| 14. | Other taxes | 91,862.33 | | 46 |
| | | | 1,766,086.04 | |
| | Net income for the year | | 2,845,402.08 | 5,902 |

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Statement of changes in fixed assets for fiscal year 2008

| in EUR | Acquisition and production cost | | | | Accumulated amortization, depreciation and write-downs | | | | Net book values | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Jan. 2008 | Additions | Disposals | 31 Dec. 2008 | 1 Jan. 2008 | Additions | Disposals | 31 Dec. 2008 | 31 Dec. 2008 | 31 Dec. 2007 |
| I. Intangible assets | | | | | | | | | | |
| Franchises, industrial and similar rights and assets, and licenses in such rights and assets | 1,182,747.13 | 248,532.07 | 0.00 | 1,431,279.20 | 938,326.13 | 207,529.61 | 0.00 | 1,145,855.74 | 285,423.46 | 244,421.00 |
| II. Property, plant and equipment | | | | | | | | | | |
| 1. Buildings on third-party land | 874,020.13 | 7,789.00 | 0.00 | 881,809.13 | 445,102.80 | 111,246.66 | 0.00 | 556,349.46 | 325,459.67 | 428,917.33 |
| 2. Plant and machinery | 6,118,421.45 | 768,776.13 | 277,222.08 | 6,609,975.50 | 5,091,802.28 | 635,596.74 | 269,347.62 | 5,458,051.40 | 1,151,924.10 | 1,026,619.17 |
| 3. Other equipment, furniture and fixtures | 481,232.03 | 104,354.36 | 1,670.32 | 583,916.07 | 357,070.16 | 63,243.05 | 1,668.28 | 418,644.93 | 165,271.14 | 124,161.87 |
| | 7,473,673.61 | 880,919.49 | 278,892.40 | 8,075,700.70 | 5,893,975.24 | 810,086.45 | 271,015.90 | 6,433,045.79 | 1,642,654.91 | 1,579,698.37 |
| III. Financial assets | | | | | | | | | | |
| 1. Shares in affiliates | 4,459,050.60 | 2,672,557.18 | 0.00 | 7,131,607.78 | 4,038,103.60 | 0.00 | 0.00 | 4,038,103.60 | 3,093,504.18 | 420,947.00 |
| 2. Equity investments | 52,554.25 | 0.00 | 0.00 | 52,554.25 | 0.00 | 0.00 | 0.00 | 0.00 | 52,554.25 | 52,554.25 |
| | 4,511,604.85 | 2,672,557.18 | 0.00 | 7,184,162.03 | 4,038,103.60 | 0.00 | 0.00 | 4,038,103.60 | 3,146,058.43 | 473,501.25 |
| | 13,168,025.59 | 3,802,008.74 | 278,892.40 | 16,691,141.93 | 10,870,404.97 | 1,017,616.06 | 271,015.90 | 11,617,005.13 | 5,074,136.80 | 2,297,620.62 |

## CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

# NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2008

## A. General

These financial statements have been prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB [Handelsgesetzbuch": German Commercial Code] 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.

## B. Accounting and valuation methods

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

Purchased **intangible assets** are capitalized at acquisition cost and, if they have a limited life, are reduced by systematic amortization on a straight-line basis in accordance with their useful lives. Additions are amortized on a pro rata temporis basis. Low-value intangible assets with a net value of up to EUR 150.00 per item (up to EUR 410.00 until 31 December 2007) are fully expensed in the year of acquisition with their immediate disposal being assumed. The catch-all item for low-value assets with a net value of between EUR 150.00 and EUR 1,000.00 acquired since 31 December 2007 is written down over the customary useful life of three years.

**Property, plant and equipment** are capitalized at acquisition or production cost as required by tax law and, if they have a limited life, are reduced by systematic depreciation.

Amortization and depreciation is recorded over the customary useful life using the straight-line method. Low-value assets with a net value of up to EUR 150.00 per item (up to EUR 410.00 until 31 December 2007) are fully expensed in the year of acquisition, with their immediate disposal being assumed. The catch-all item for low-value assets with a net value of between EUR 150.00 and EUR 1,000.00 acquired since 31 December 2007 is written down over the customary useful life of three years.

Disposals are recorded at the book value of the date of disposal.

**Financial assets** are recognized at the lower of cost or market. The information on shareholdings is shown in Attachment 1 to the notes.

**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 proportionate overheads for administration, write-downs and rent. Inventory risks are accounted for by making appropriate allowances where necessary.

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

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

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

**Provisions** account for all foreseeable risks and contingent liabilities and are recorded at the amounts required by prudent business judgment. To the extent that the underlying obligation constitutes a pension obligation without consideration, a provision was recognized at the present value using an interest rate of 5.5%. The provision for general warranties was recorded in the reporting year at 0.5% (prior year: 0.5%) of revenue. Provisions do not have to be recognized to cover individual warranty cases (prior year: EUR 0 k).

**Liabilities** are recorded at the amount repayable.

### Currency translation

To determine the acquisition cost of affiliated companies, amounts in foreign currencies were translated at the exchange rate on the date of acquisition.

Receivables and liabilities in foreign currency are translated at the exchange rate on their date of inception; if the exchange rate on the balance sheet date is lower for receivables or higher for liabilities, they are valued at the exchange rate prevailing on the balance sheet date.

## C. Notes on 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.

#### *2. Financial assets*

The information on shareholdings is shown in Attachment 1 to the notes. Fig. 1

### *3. Inventories*

Own work included in work in process comprises consulting and other services only, which were valued at production cost. In addition to direct costs, it includes allocable overheads and write-downs. General and administrative expenses were capitalized pro rata.

Merchandise includes software acquired for projects. Individual items of merchandise were written down in the case of slow-moving stock or due to obsolescence or reduced usability.

### *4. Receivables and other assets*

Trade receivables, receivables from affiliates and receivables from other investees and investors all have residual terms of up to 12 months.

**Receivables from affiliates** valued at EUR 351 k (prior year: EUR 272 k) and **receivables from other investees and investors** valued at EUR 2,953 k (prior year: EUR 0 k) stemmed entirely from trade.

**Other assets** primarily consist of EUR 1,371 k (prior year: EUR 1,516 k) of assets relating to tax refund claims. This includes EUR 701 k (prior year: EUR 795 k) in tax refund claims from double taxation treaties, corporate income tax and solidarity surcharge, trade tax and the credit balance of EUR 670 k (prior year: EUR 721 k) from the tax moratorium. EUR 583 k of the credit balance from the tax moratorium is long-term, with a residual term in excess of a year. The balance came into existence as of 31 December 2006. It is not subject to interest and has been discounted by 4% to its present value. Payment is due between 2008 and 2017 in ten equal annual amounts.

### *5. Prepaid expenses*

These consist primarily of prepaid expenses totaling EUR 1,046 k (prior year: EUR 0 k) from the brokerage of licenses and EUR 143 k (prior year: EUR 104 k) for rights of usage and automotive insurance.

### *6.Equity*

#### Capital stock

Fig. 1 LIST OF SHAREHOLDINGS AS OF 31 DECEMBER 2008

| No. | Name and location of registered offices | Currency | Interest in % | Subscribed capital LC k | Equity LC k | Net income/ loss in LC k |
|---|---|---|---|---|---|---|
| 1 | Cenit (Schweiz) AG, Frauenfeld/Schweiz | CHF | 100,00 | 500 | 4.316 | 3.566 |
| 2 | CENIT NORTH AMERICA INC., Auburn Hills/USA | USD | 100,00 | 25 | 1.019 | -111 |
| 3 | CENIT SRL, Iasi/Rumänien | ROL | 100,00 | 322 | 1.200 | 665 |
| 4 | CENIT FRANCE SARL, Toulouse/Frankreich | EUR | 100,00 | 10 | 22 | 16 |
| 5 | CenProCS AIRliance GmbH, Stuttgart/Deutschland | EUR | 33,3 | 150 | 145 | -4 |
| 6 | CAD Scheffler GmbH, Oelsnitz/Deutschland | EUR | 100,00 | 26 | 1.760 | 243 |

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

## Authorized capital

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

The shareholders must be granted subscription rights. The new shares may also be offered to one or several banks as well as one or more enterprises operating pursuant to Sec. 53 (1) Sentence 1 or Sec. 53b (1) Sentence 1 or (7) KWG [„Gesetz über das Kreditwesen": German Banking Act] with the obligation of offering them for sale to the shareholders (indirect subscription right).

However, the management board is authorized, with the approval of the supervisory board, to preclude the shareholders' statutory subscription rights

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

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

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

After an increase in share capital utilizing the authorized capital in full or in part and, if the authorized capital has not been used or not used in full by the end of 13 June 2011, the supervisory board is

authorized to adjust Art. 5 of the articles of incorporation and bylaws accordingly after expiry of the period of authorization.

## Contingent capital

The conditional capital comprises the following as of the balance sheet date: Fig. 2

## 2002/2006 Stock Option Plan

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

**Terms and Conditions of the 2002 Stock Option Plan as amended by the shareholders' resolution on 13 June 2006**

The subscription rights may only be offered to certain CENIT Group employees, consisting of members of the management board of CENIT Aktiengesellschaft Systemhaus (group 1), employees of CENIT Aktiengesellschaft Systemhaus (group 2), members of the executive bodies of affiliates as defined by Sec. 15 et seq. AktG (group 3), and employees of affiliates as defined by Sec. 15 et seq. AktG (group 4).

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

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

- Adjusted for possible capital measures taken by the Company in the meantime, the average closing share price of the common stock on the Frankfurt stock exchange on the last five trading days before the beginning of the exercise period amounts to at least 135 percent of the Company's share price on the date of the decision taken by the management board or the supervisory board to issue the subscription rights; or:

- Adjusted for any dividend payments, subscription rights, and other special rights having occurred in the meantime, the development of the CENIT share between issue of the subscription rights and exercise of the subscription rights was at least 15% higher than the development of the 'Technology All Share Index' over the same period of time.

After expiry of the vesting period, the subscription rights may only be exercised and shares purchased by exercise of the subscription rights may only be sold on the fourth bank working day and the next 14

Fig. 2 CONTINGENT CAPITAL

| | 31 Dec. 2008 Number | 31 Dec. 2007 Number | 31 Dec. 2008 EUR | 31 Dec. 2007 EUR |
|---|---|---|---|---|
| 2002/2006 Stock Option Plan | 520,000 | 520,000 | 520,000 | 520,000 |
| | 520,000 | 520,000 | 520,000 | 520,000 |

bank working days following publication of a quarterly report, interim report or annual financial statements of the Company.

The closing price of the Company's common stock on the XETRA (Exchange Electronic Trading) platform (or a functionally comparable successor system taking the place of the XETRA system) Technology All Share Index on the date of the decision taken by the management board or the supervisory board to issue subscription rights shall be the decisive factor for determining the value of the CENIT share on the date the subscription rights are issued.

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

The subscription rights have a term to maturity of six years. If the subscription rights cannot be exercised before the end of their term, they automatically expire at the end of their term, without further notice such as a corresponding contract or declaration of expiry from the Company.

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

In the event of procedures pursuant to Sec. 327a et seq. AktG for subscription rights not exercised under this stock option plan, the provisions of Sec. 327a et seq. AktG apply to the subscription rights subject to the following condition:

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

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

| | 2008 NUMBER | 2008 WAEP | 2007 NUMBER | 2007 WAEP |
|---|---|---|---|---|
| Management board | 39,000 | 11.10 | 39,000 | 11.10 |
| Employees | 168,000 | 11.10 | 168,000 | 11.10 |
| Of which expired | 8,000 | 11.10 | 0 | 0 |
| Total | 199,000 | 11.10 | 207,000 | 11.10 |

There is no change to the reserve created for this purpose.

The weighted average remaining term of the contract for the outstanding stock options as of 31 December 2008 comes to three years (2007: four years).

The weighted average fair value of the options granted amounted to EUR 640 k (EUR 640 k) and was recognized over the vesting period of two years as an increase in the capital reserve.

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

**Black-Scholes option pricing model**

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

The anticipated term of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

No stock options were issued to employees in fiscal 2008.

### *7. Capital reserves*

The capital reserve remained unchanged in the fiscal year, at EUR 1,058,017.90.

### *8. Legal reserve*

At EUR 418,387.90, the revenue reserves have also remained unchanged in comparison to the prior year.

### *9. Other revenue reserves*

Other revenue reserves changed as follows Fig. 3

### *10. Net retained profit* see Fig. 4

This item includes profit carried forward from prior years of EUR 147,594.25.

### *11. Provisions*

**Other provisions** essentially comprise provisions for personnel expenses of EUR 949 k, provisions for general warranties of EUR 390 k and provisions for outstanding supplier invoices of EUR 2,041 k.

The **tax provision** includes a trade tax provision for prior years totaling EUR 351 k on account of the tax field audit, as well as EUR 202 k for corporate income tax and the solidarity surcharge for the ongoing year.

## *12. Liabilities*

The liabilities are due within one year.

The retentions of title that are customary for the industry are in place for **trade payables**.

Liabilities for payment received on account for orders include EUR 82 k of payments received from affiliates (prior year: EUR 0 k).

Liabilities to affiliates consist of trade payables totaling EUR 202 k (prior year: EUR 134 k), EUR 1,884 k of liabilities from the transfer of liquidity (prior year: EUR 1,889 k) and payments received on account amounting to EUR 81 k (prior year: EUR 0 k).

The liabilities to other investees and investors contain trade payables amounting to EUR 40 k (prior year: EUR 0 k).

Fig. 3 OTHER REVENUE RESERVES IN EUR

| | EUR |
|---|---|
| 1 January 2008 | 6,370,955.48 |
| Transfer from 2007 net retained profit by the annual general meeting | 1,700,000.00 |
| 31 December 2008 | 8,070,955.48 |

Fig. 4 NET RETAINED PROFIT IN EUR

| | EUR |
|---|---|
| 1. Net retained profit as of 1 January 2008 | 6,031,473.25 |
| 2. Distributions | |
| a) a dividend of EUR 0.50 per share | -4,183,879.00 |
| 3. Withdrawals from the capital reserves | 0.00 |
| 4. Withdrawals from revenue reserves | 0.00 |
| 5. Additions to revenue reserves | |
| a) to the statutory reserve | 0.00 |
| b) to other revenue reserves | -1,700,000.00 |
| 6. Net income for 2008 | 2,845,402.08 |
| 7. Net retained profit as of 31 December 2008 | 2,992,996.33 |

## II. Income statement

### *1. Revenue* see Fig. 5

90% of revenue was generated within Germany, 7% in other EU countries and 3% in other countries.

### *2. Other operating income*

Other operating income includes income from the allocation of payroll costs, insurance premium refunds, rental income from subletting and income from the reversal of provisions of EUR 63 k (prior year: EUR 784 k).

### *3. Personnel expenses* see Fig. 6

### *4. Other operating expenses*

Total other operating expenses rose 17% compared to the prior year to EUR 15,753 k (prior year: EUR 13,459 k). Other operating expenses are mainly composed of rent and rent incidentals, vehicle costs, travel expenses, commission and marketing expenses.

### *5. Financial and interest result*

The financial and interest result breaks down as follows: Fig. 7

### *6. Income taxes* see Fig. 8

Taxes for prior years mainly include the results of the tax field audit for the period 2002 to 2007 in the current fiscal year. Tax arrears for the period 2002 to 2005 came to EUR 441 k for corporate income tax and the solidarity surcharge and EUR 350 k for trade tax, while the amounts for

Fig. 5 REVENUE

| | 2008<br>EUR k | 2007<br>EUR k | Change<br>EUR k |
|---|---|---|---|
| Services | 48,886 | 44,304 | 4,582 |
| Merchandise | 3,085 | 8,568 | -5,483 |
| Software | 11,169 | 6,373 | 4,796 |
| License fees | 11,193 | 8,197 | 2,996 |
| Commission | 1,244 | 3,741 | -2,497 |
| | 75,577 | 71,183 | 4,394 |

the years 2006 and 2007 were EUR 11 k for corporate income tax and the solidarity surcharge and EUR 8 k for trade tax.

Fig. 6 PERSONNEL EXPENSES IN EUR K

| | 2008<br>EUR k | 2007*)<br>EUR k |
|---|---|---|
| Salaries | 30,001 | 27,781 |
| Social security contributions | 5,331 | 4,981 |
| | 35,332 | 32,762 |

*) In contrast to the prior year, EUR 409 k for personnel measures was removed from social security

Fig. 7 FINANCIAL AND INTEREST RESULT IN EUR K

| Income from equity investments | 2008<br>EUR k | 2007<br>EUR k |
|---|---|---|
| Cenit (Schweiz) AG dividend | 1,993 | 993 |
| | 1,993 | 993 |

| Other interest and similar income: | 2008<br>EUR k | 2007<br>EUR k |
|---|---|---|
| Bank interest | 303 | 295 |
| Dividends from securities lending | 0 | 724 |
| Exchange rate gains from securities classified as current assets | 253 | 309 |
| Income from the tax moratorium | 37 | 22 |
| Write-up of securities classified as current assets | 0 | 49 |
| | 593 | 1,399 |

| Interest and similar expenses: | 2008<br>EUR k | 2007<br>EUR k |
|---|---|---|
| Compensation payments for securities lending | 0 | 724 |
| Lending fee for securities | 0 | 22 |
| Other interest expenses | 0 | 45 |
| Interest expenses due to other affiliates | 55 | 34 |
| Guarantee commission | 7 | 7 |
| Tax arrears arising from the tax field audit for the period 2002 - 2007 | 113 | 0 |
| | 175 | 832 |

### *7. Other taxes*

Other taxes include VAT of EUR 41 k relating to other periods as a result of the tax field audit for the period 2002 to 2007.

### *8. Proposal for the appropriation of profits*

The management board and supervisory board of the Company propose the following appropriation of net retained profit to the annual general meeting*:* see Fig. 9

### *9. Audit and advisory fees of the auditor* see Fig. 10

## D. Other notes

### *1. Personnel*

An average of 618 (prior year: 556) members of staff were employed during the fiscal year, of which 60 (prior year: 43) were trainees.

Fig. 8 INCOME TAXES IN EUR K

| | 2008<br>EUR k | 2007<br>EUR k |
|---|---|---|
| Current corporate income tax expenses | 401 | 1,247 |
| Current solidarity surcharge expenses | 22 | 68 |
| Current trade tax expense | 474 | 1,089 |
| Prior year taxes | 777 | 8 |
| | 1,674 | 2,412 |

Fig. 9 PROPOSAL FOR THE APPROPRIATION OF PROFITS IN EUR

| | EUR |
|---|---|
| Net retained profit | 2,992,996.33 |
| Addition to the reserves | |
| a) Legal reserves | 0.00 |
| b) Other revenue reserves | 2,900,000.00 |
| Profit carryforward | 92,996.33 |

## *2. Contingent liabilities and other financial obligations*

There are **obligations** from **rent and lease agreements** amounting to EUR 7.6 million (prior year: EUR 8.8 million).

## *3. Company boards*

The following persons have been appointed **members of the management board**:

- Dipl.-Wirt.-Ing. Christian Pusch, Waldachtal, spokesman of the management board of CENIT AG,
  field of responsibility: finance, organization, personnel, marketing, investor relations

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

The following members make up the **supervisory board**:

- Dipl.-Ing. Falk Engelmann (independent management consultant), Leinfelden-Echterdingen, chairman, stepped down 31 May 2008

- Dr. rer. pol. Dirk Lippold (managing director of Capgemini Deutschland GmbH, Berlin), Berlin, stepped down on 30 May 2008

- Dipl.-Ing. Andreas Schmidt (independent management consultant), Ahrensburg, chairman since 30 May 2008

- Dipl.-Kfm. Hubert Leypoldt (independent German public auditor, tax advisor, legal counsel), Dettingen/Erms, deputy chairman

- Dipl.-Ing. Andreas Karrer, Leinfelden-Echterdingen, employee representative since 30 May 2008

The members of the supervisory board do not belong to any other supervisory boards.

In the reporting period, the remuneration of the management board members was as follows: Fig. 11

Mr. Christian Pusch retained 24,000 stock options under the stock option plan. Mr. Kurt Bengel retained 15,000 stock options. In the reporting year, the expense came to EUR 0 k (prior year: EUR 37 k).

The board member Kurt Bengel has an additional claim to a severance payment when his activities come to an end amounting to 50% of the final annual fixed remuneration subject to the proviso that his appointment to the management board does not extend beyond the year 2011.

The employment contracts of Mr. Pusch and Mr. Bengel contain compensation payments pur-suant to Sec. 74 HGB for the term of a one-year restraint on competition and full remunera-

Fig. 10 AUDIT AND ADVISORY FEES OF THE AUDITOR IN EUR K

| | 2008<br>EUR k | 2007<br>EUR k |
|---|---|---|
| Fees for the audit of the financial statements and consolidated financial statements | 94.5 | 87.0 |
| Fees for other attestation and valuation services | 0.0 | 0.0 |
| Fees for tax advisory services | 0.0 | 0.0 |
| Fees for other services | 5.0 | 5.0 |
| Total | 99.5 | 92.0 |

tion paid to the surviving dependents of deceased management board members.

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

In accordance with Art. 14 of the articles of incorporation and bylaws, the remuneration of the supervisory board was as follows in 2008: Fig. 12

Fig. 11 THE REMUNERATION OF THE MANAGEMENT BOARD MEMBERS IN EUR K

| in EUR k: | 2008<br>EUR k | 2007<br>EUR k |
|---|---|---|
| Christian Pusch | | |
| Fixed remuneration | 234 | 216 |
| Performance-based remuneration | 25 | 114 |
| Long-term incentive | 0 | 23 |
| Kurt Bengel | | |
| Fixed remuneration | 192 | 167 |
| Performance-based remuneration | 26 | 98 |
| Long-term incentive | 0 | 14 |
| Andreas Schmidt (member until 31 July 2007) | | |
| Fixed remuneration | 0 | 128 |
| Performance-based remuneration | 0 | 80 |
| Hubertus Manthey (member until 28 February 2007) | | |
| Fixed remuneration | 0 | 32 |
| Performance-based remuneration | 0 | 4 |
| Total | 477 | 876 |

The D & O insurance was continued in fiscal 2008 for management board members, supervisory board members and other executives. The premiums of EUR 22,312 (prior year: EUR 22,312) were borne by the Company.

The management board held no shares as of the balance sheet date. As of the balance sheet date, the supervisory board held 193,392 shares, i.e. 2.31% of the Company's capital stock.

### *4. Changes at shareholder level*

The Company received notification in accordance with Sec. 21 (1) WpHG [„Wertpapierhandelsgesetz": German Securities Trading Act] from dit Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH in the course of the fiscal year 2006. In its most recent notification dated 6 March 2006, Deutsche Investment-Trust Gesellschaft für Wertpapieranlagen mbH announced the following:

„Dear Mr. Rau,

I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of our voting rights in CENIT AG exceeded the threshold of 5% on 2 March 2006 and now amounts to 6.02% (this corresponds to 251,669 of the voting rights in the mutual fund).

Yours sincerely,
Ulrich Lind        Dirk Martin"

In a notification dated 16 November 2006, UBS Fund Management (Switzerland) AG announced that its share of voting rights exceeded the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

„Ladies and gentlemen:

Fig. 12 THE REMUNERATION OF THE SUPERVISORY BOARD IN EUR K

| | Fixed remuneration | Performance-based remuneration | Fixed remuneration | Performance-based remuneration |
|---|---|---|---|---|
| | 2008 EUR k | 2008 EUR k | 2007 EUR k | 2007 EUR k |
| Andreas Schmidt | 17.5 | 0 | - | - |
| Hubert Leypoldt | 22.5 | 0 | 22.5 | 0 |
| Andreas Karrer | 8.75 | 0 | - | - |
| Falk Engelmann | 12.5 | 0 | 30.0 | 0 |
| Dr. Dirk Lippold | 6.25 | 0 | 15.0 | 0 |
| Total | 67.5 | 0 | 68 | 0 |

We hereby notify you in accordance with Sec. 21 (1) WpHG that the share of voting rights of our mutual fund in your company exceeded the threshold of 5% on 14 November 2006 and now amounts to 5.07%. We are sending a letter to the same effect on today's date to the German Federal Financial Supervisory Authority (BaFin) in Frankfurt a.M.

Yours sincerely,

UBS Fund management (Switzerland) AG
Thomas Zimmerli Urs Rohner"

In a notification dated 7 December 2006, UBS AG announced that its share of voting rights exceeded the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

„Ladies and gentlemen:

We refer to notification dated 16 November 2006 in which UBS Fund Management (Switzerland) AG, a wholly owned subsidiary of UBS AG, Zurich and Basel, informed you that it had exceeded a voting rights threshold. We hereby notify you in accordance with Sec. 21 (1) WpHG that our share of the voting rights in CENIT AG Systemhaus (ISIN DE0005407100) exceeded the threshold of 5% on 14 November 2006 and now amounts to 5.07%. Of those, 5.07% are allocable to UBS AG pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. We are sending a letter to the same effect on today's date to the German Federal Financial Supervisory Authority (BaFin) in Frankfurt a.M.

Yours sincerely,

UBS AG
Tobias Amiet René Frenn
Authorized signatory Authorized signatory"

By letter dated 21 February 2007, Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte notified the Company that its voting rights exceeded the 3% threshold. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

„Ladies and gentlemen:

We are writing to notify you that the share of voting rights held by Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte Gartenstrasse 63, 72074 Tübingen in CENIT AG, Industriestrasse 52-54, 70565 Stuttgart, exceeded the threshold of 3% as of 20 February 2007 and now amounts to 3.94% (330,000 voting rights). Of such voting rights, 2.99% can be attributed to us pursuant to Sec. 22 (1) Sentence 1 No. 2 WpHG from Baden-Württembergische Investmentgesellschaft mbH, Stuttgart and 0.95% from Universal Investmentgesellschaft mbH, Frankfurt.

Yours sincerely

Dr. Hepp
Deputy managing director"

The Company received several notifications in accordance with Sec. 21 (1) WpHG from Baden-Württembergische Kapitalanlagegesellschaft mbH in the course of the fiscal year 2007. The most recent notification is dated 9 August 2007 and is worded as follows:

„Ladies and gentlemen:

In accordance with Sec. 21 (1) WpHG, we hereby notify you of the fact that the voting rights of Baden-Württembergische Investmentgesellschaft mbH, including those for our separate trust assets, in CENIT AG Systemhaus, Industriestrasse 52-54, 70565 Stuttgart, Germany, fell below the threshold of 10% on 9 August 2007 and now amount to 836,412, equivalent to 9.99%.

Yours sincerely,

BWInvest
Baden-Württembergische Investmentgesellschaft mbH
Christian Steyer Tanja Ludorf"

The Company received notification in fiscal year 2008 in accordance with Sec. 21 (1) WpHG from UNIVERSAL-INVESTMENT-GESELLSCHAFT mbH. The most recent notification is dated 2 April 2008 and is worded as follows:

„Ladies and gentlemen:

We are writing to notify you in accordance with Secs. 21 (1) and 22 (1) Sentence 1 No. 6 WpHG that our share in the voting rights of CENIT AG Systemhaus, Industriestrasse 52-54, 70565 Stuttgart, Germany (ISIN: DE0005407100) fell below the threshold of 3% on 2 April 2008 and on that date amounted to 2.92% (corresponding to 244,341 voting rights). We hold 0.51% (42,415 voting rights) directly and 2.41% (201,926 voting rights) are allocable to us in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG (special funds).

We have sent this letter in copy to the Federal Financial Supervisory Agency (BaFin).

Yours sincerely,

UNIVERSAL-INVESTMENT-GESELLSCHAFT MBH
Dr. Jäger Tamme"

In a notification dated 7 October 2008, Axxion S.A. announced that its share of voting rights exceeded the threshold of 3%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

„Ladies and gentlemen:

We hereby notify you in accordance with Sec. 21 (1) WpHG that our share of the voting rights in CENIT AG Systemhaus (ISIN DE0005407100) exceeded the threshold of 3% on 2 October 2008 and now amounts to 3.05%.

| | |
|---|---|
| Axxion S.A. holds | 255,356 shares |
| Total in circulation: | 8,367,750 shares |

Yours sincerely,
Axxion S.A.

Sinan Narin"

By letter dated 13 November 2008, Highclere International Investors Limited, London, notified the Company that its voting rights exceeded the 5% threshhold. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

„Dear Sir/Madam,

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

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

Highclere International Investors Smaller Companies Fund,

353 Bayberry Lane, Westport; CT 06880, USA

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

We hereby give notice, pursuant to sec.21 para. l of the WpHG, that on 12 November, 2008 our

voting interest in CENIT AG Systemhaus exceeded the threshold of 5% and amounts to 5.09% (426,053 voting rights in relation to the total of 8,367,758) on this day.

Yours faithfully,

Fergus Gilmour
Chief Operating Officer"

„Dear Sir/Madam,

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

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

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

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

Yours faithfully,

Fergus Gilmour
Chief Operating Officer"

## E. Group relationships

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

## F. 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 2008 required by Sec. 161 AktG and made it permanently available to the shareholders.

Stuttgart, 4 March 2009

CENIT Aktiengesellschaft Systemhaus

The management board

*Christian Pusch* *Kurt Bengel*

*(Spokesperson of the management board)*

## G. Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of CENIT Aktiengesellschaft Systemhaus, Stuttgart, for the fiscal year from 1 January to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart, 4 March 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

| | |
|---|---|
| Göhner | Laing |
| *Wirtschaftsprüfer* | *Wirtschaftsprüfer* |
| *(German Public Auditor)* | *(German Public Auditor)* |

# RESPONSIBILITY STATEMENT IN THE ANNUAL FINANCIAL REPORT

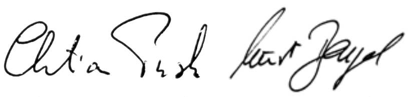
## (Consolidated Financial Statements)

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 consolidated financial statements:

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

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

Executive Board



*Christian Pusch* *Kurt Bengel*
*(Spokesman of the management board)*

# CORPORATE GOVERNANCE AT CENIT AG SYSTEMHAUS

## General Comments on the German Corporate Governance Code

In recent years, the principles of value-oriented and transparent enterprise management and governance have become increasingly important for the assessment and evaluation of listed companies. In September of 2001, the Federal Ministry of up Justice took on this topic by establishing the Government Commission on the German Corporate Governance Code under the chairmanship of Dr. Gerhard Cromme. On 26 February 2002, the Commission adopted the German Corporate Governance Code; it was amended on 6 June 2008. The Code has received a basis in statutory law by virtue of the Declaration of Conformity under § 161 AktG [Public Companies Act] (inserted by the Transparency and Disclosure Act, which entered into force on 26 July 2002). § 161 AktG requires all listed companies to disclose the extent of compliance with the (non-mandatory) provisions of the German Corporate Governance Code and to provide grounds for any deviations from these provisions („comply or explain"). This obligation is targeted primarily at meeting the expectations of international investors.

The Board of Directors and the Supervisory Board of CENIT AG Systemhaus welcome the adoption of the German Corporate Governance Code and have decided to implement and comply with the Code's rulebook within CENIT Group as widely as possible. In so doing, CENIT AG Systemhaus demonstrates that highest priority is accorded to responsible, value-oriented enterprise management and governance within CENIT Group.

### Levels of Regulation

The Code encompasses three levels of regulation:

- Statutory provisions of applicable public companies law on enterprise management and governance of listed companies; these are binding on all listed companies in Germany and are thus not the object of the Declaration of Conformity.

- Non-mandatory provisions phrased as recommendations which take recognized national and international codes of conduct into account; these are the object of the Declaration of Conformity pursuant to § 161 AktG, i.e. enterprises are in principle permitted to diverge from the provisions of the Code, but are then obliged to annually disclose such divergence („comply of explain").

- Recommendations by the Code Commission with respect to good practice and responsible enterprise management and governance which use terms such as „should" or „may" and do not require an explanation under § 161 AktG in the event of non-compliance.

### Areas of Regulation

The German Corporate Governance Code regulates the following areas:

- Shareholders and general shareholders' meeting,
- Collaboration between the Board of Directors and the Supervisory Board,
- Board of Directors,
- Supervisory Board,
- Transparency,
- Accountancy and auditing.

As a listed company, CENIT AG Systemhaus is aware that its shareholders provide the required growth capital and as a result also bear business risks. Maximum transparency, open and timely communication with shareholders, efficient risk management, compliance with stock market rules, and an enterprise management focused on the generation of added value therefore already constitute important aspects of CENIT's corporate philosophy today.

The admission to trading as a listed company on the Prime Standard of the regulated market means that CENIT AG Systemhaus is already obliged to fulfil strict reporting requirements. As a result, CENIT AG Systemhaus already meets many of the recommendations contained in the German Corporate Governance Code.

### Declaration of Conformity pursuant to § 161 Aktiengesetz on the German Corporate Governance Code, as amended on 6 June 2008

The Board of Directors and the Supervisory Board of CENIT AG Systemhaus declare that Recommendations of the Government Commission on the German Corporate Governance Code", as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, have been and are being observed, subject to the exceptions listed below. Previous and current deviations from the Code are represented below; the respective text of the Code is given in italics.

- No. 2.3.1 Sentence 3 of the Code (Internet publication of reports and documents which must by law be submitted to the annual shareholders' meeting)

*The Board of Directors shall publish the reports and documents which must by law be submitted to the annual shareholders' meeting, including the annual report, in a readily available form on the Company's web site, together with the agenda.*

CENIT AG Systemhaus has complied with this recommendation since the invitation to the 3rd annual shareholders' meeting on 20 June 2001.

- No. 2.3.3 Sentence 3, first half-sentence of the Code (Appointment of a proxy bound by instructions)

*The Board of Directors shall ensure the appointment of a proxy bound by instructions for purposes of exercising shareholder voting rights; [...].*

CENIT AG Systemhaus has not complied with this recommendation in the past. A proxy bound by instructions was appointed on the occasion of the 2003 annual shareholders' meeting.

- No. 3.8 Sentence 3 of the Code (Own-risk retention for D&O liability insurance)

*Where the Company concludes D&O liability insurance for the Board of Directors and the Supervisory Board, appropriate own-risk retention shall be determined.*

CENIT AG Systemhaus has not complied with this recommendation in the past. The directors' and officers' liability insurance for consequential loss (D&O insurance), as concluded for the members of the Company's Board of Directors and Supervisory Board, as well as for the managing bodies of the consolidated majority subsidiaries, covers only negligent rather than deliberate breaches of duty. For the time being, own-risk retention for cases of negligent breaches of duty is not being considered.

- No. 3.10 Sentences 1 and 2 of the Code (Report on the Company's corporate governance within the annual report)

*The Board of Directors and the Supervisory Board shall report annually on the Company's corporate governance as part of the annual report (Corporate Governance Report). This shall include comments on any deviations from the recommendations of this Code. Comments may also be made on the proposals of the Code.*

CENIT AG Systemhaus has complied with this recommendation since 2003.

- No. 4.2.3 Sentences 1 and 12 of the Code (Salient features of the remuneration system)

*The overall remuneration of the Board Members encompasses monetary remuneration, pension allowances, other allowances – particularly as granted in the event of a termination of the activity –, fringe benefits of any nature, and services by third parties which have been pledged with respect to activity on the Board or have been awarded during the respective business year [...] The Chairman of the Supervisory Board shall inform the annual shareholders' meeting of the salient features of, and amendments to, the remuneration system.*

CENIT AG Systemhaus does not provide comments on its remuneration system on its web site. However, comments on the remuneration system are provided at the annual shareholders' meeting and in the annual report.

- No. 5.3.1 Sentence 1 of the Code (Creation of Committees)

*Subject to the specific circumstances of the Company and the number of its Members, the Supervisory Board shall create expert Committees.*

The Supervisory Board does not create regular Committees, but rather on an ad hoc basis depending on circumstances.

- No. 5.3.2 Sentence 1, first half-sentence of the Code (Creation of an Audit Committee)

*The Supervisory Council shall create an Audit Committee, [...].*

Due to its small membership, the Supervisory Board refrains from creating a separate Audit Committee.

- No. 5.4.7 Sentence 4 of the Code (Remuneration of Supervisory Board Members)

*In addition to a fixed remuneration, the Members of the Supervisory Board shall receive a success-based remuneration.*

CENIT AG Systemhaus has complied with this recommendation to the extent that § 14 para. 1 of the first Articles of Association provided for success-based remuneration in addition to a fixed remuneration. On 31 May 2000, the annual shareholders' meeting of CENIT AG Systemhaus amended § 14 para. 1 of the Articles of Association to the effect that Supervisory Board Members now receive only fixed remuneration. There are no plans to again revise this amendment of the Articles of Association.

- No. 7.1.2 Sentence 2, 2nd half-sentence of the Code (Publication of interim reports)

*[...], the interim reports shall be made publicly available within a period of 45 days after the end of the reporting period.*

CENIT AG Systemhaus did not comply with this recommendation on two occasions in 2002, but has complied with the recommendation since 2003.

The Supervisory Board and the Board of Directors, CENIT AG Systemhaus

Stuttgart, December 2008

Andreas Schmidt *Chairman, Supervisory Board*
Hubert Leypoldt *Member, Supervisory Board*
Andreas Karrer *Member, Supervisory Board*

Christian Pusch *Speaker, Board of Directors*
Kurt Bengel *Member, Board of Directors*