

# Interim Report Q1/2014

euromicron  
Aktiengesellschaft

A G E N D A

Our Path up to 2016

**euromicron**

## Key income figures

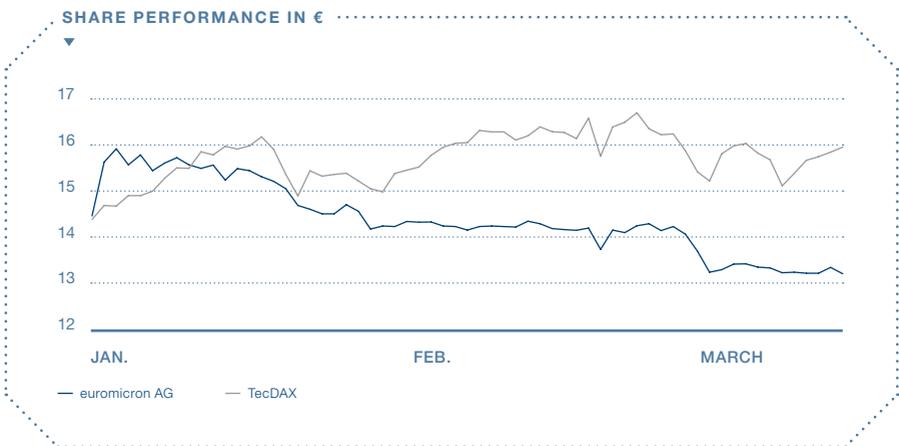
of the euromicron Group at March 31, 2014

	<b>2014</b> € thou.	<b>2013</b> € thou.
Consolidated EBIT	2,322	4,109
Operating EBIT	3,797	5,393
EBITDA	4,880	6,169
EBITDA return as a ratio of sales (in %)	6.1%	8.0%
Income before taxes	1,475	3,251
Consolidated net income for euromicron AG shareholders	961	2,226
Earnings per share in € (undiluted)	0.13	0.33

(unaudited acc. to IFRS)

## Share performance

of the euromicron Group from January 1 to March 31, 2014



# Dear shareholders,

On the back of record order books, we continued the Agenda 500 as planned in the first quarter of 2014 and at the same time began to press ahead with expanding and enhancing our Group's structures, processes and financial and human resources as the basis for euromicron's further growth.

We are thereby creating the conditions for successful completion of the integration phase by the end of the year and subsequent transitioning of the Agenda 500 measures to a continuous improvement process.

Frankfurt/Main, May 2014

The Executive Board



# Foreword



The deferred orders from 2013 are already being reflected in far higher order books in the first quarter of 2014 and resulting in high capacity utilization in the Group's manufacturing operations. In our system house business, our customers are tending to show restraint in view of the still unclarified question as to how to cope with the high volume of investment in expanding the ICT infrastructure. That means that a large share of the projects that have been on our order books since 2013 is still only being called off hesitantly.

This trend at the beginning of the year is also reflected in our order books: Our company recorded record order books totaling some €145.1 million, an increase of around 10% over the previous year (€132.4 million), which mainly comes from system house business of our companies. Our order books from all areas of the Group for the first three months of 2014 were around €98.7 million, almost 20% up on the previous year (€82.4 million).

The costs of the extensive integration measures that were initiated in the second half of 2013 and reached their maximum volume in the fourth quarter of 2013 continued to have an impact in the first quarter of 2014, despite a reduction in the integration measures. On the back of an increase in sales of 3.5% to €80.1 million (same quarter of the previous year: €77.3 million), that resulted in earnings before interest and taxes (EBIT) of just over €2.3 million in the first three months of 2014 compared with €4.1 million in the first quarter of 2013, which was not so heavily burdened by integration costs. As expected, EBITDA is at a level of around €4.9 million (previous year: €6.2 million). That corresponds to an EBITDA margin of 6.1%, i.e. within the envisaged target corridor for the year as a whole.

Operating income of the associated companies was around €3.8 million (previous year: €5.4 million). The consolidated net income for the period for euromicron AG shareholders was around €1.0 million following €2.2 million in the previous year. Undiluted earnings per share were €0.13 (previous year: €0.33).

On the back of this good foundation for achieving its targets in 2014, euromicron continued the Agenda 500 phase, i.e. reorganization and expansion of the Group, as planned in the first quarter of 2014 and at the same time began to press ahead with enhancing the company's structures, processes and financial and human resources.

Apart from extensive work on optimizing structures and processes, in particular at the system houses, the Group's purchasing organization was above all optimized further in the first quarter.

With the goal of enhancing our competitiveness in the international arena in the field of manufacturing and distribution as well, we began in the first quarter of 2014 to reorganize and centralize purchasing activities – along the lines of the activities performed for the system houses – in order to leverage existing potentials, among other things by using supraregional and global procurement structures.

A further major focus at the beginning of the year was on professionalizing and optimizing Group-wide sales activities. As part of that, we drove ahead with expansion of indirect sales through regional and national general contractors at the system houses. In addition, we identified important customers and target industries in which we aim to further expand key account management at our Group.

In the area of manufacturing, we are in particular strengthening our international activities. In the first quarter we continued to work on making the entire euromicron product portfolio available to our international customers and on developing international contacts – including those of the companies acquired in 2013 – for our entire Group.



With an eye to increasing the share of services in our portfolio from its current level of around 15%, at the beginning of the year we formulated initial concepts intended to help us coordinate, standardize and professionalize our service structures and processes further. As a result, we aim to offer our customers even better service concepts tailored to their specific needs in future and increase our profitability.

As part of implementation of the Agenda 500 measures, euromicron is therefore on track all in all to create the conditions for further growth.

Due to the earnings performance of euromicron AG in the core year of integration, the Executive Board and Supervisory Board will propose to the General Meeting on May 14, 2014, not to retransfer any reserves, but to refrain from paying a dividend for 2013. euromicron AG's fundamental value-oriented dividend policy will not change as a result of this strategic adjustment to the dividend as part of the Group's integration phase. This adjustment is solely a reflection of the current situation and we are still committed to our dividend policy.

We believe that, following the rigorous and successful implementation of the Agenda 500 measures, our company is still making good progress to completing the third phase of the corporate strategy successfully in 2015 and 2016 and so laying the foundations for a dividend policy that remains geared to the company's success in future.

# Interim Management Report

of the euromicron Group from January 1 to March 31, 2014

## General economic conditions

The leading economic institutes assume that the global economic climate will continue to brighten. The current overall economic situation is even assessed at present as being far more positive than three months ago. Boosts can be felt above all from North America, where the economic climate indicator has risen sharply on the basis of favorable economic expectations. In Asia, however, hardly no signs of growing economic dynamism are seen. Structural impediments, political uncertainties and volatile capital markets continue to restrict growth opportunities in emerging countries.

The economy in the Euro area continued to stabilize. According to the Institute for the World Economy, the sentiment indicators point to a further recovery. Expectations for the next six months remain high in just about all countries of the Euro area. However, the pace of the upturn will remain moderate. Real gross domestic product in the Euro area increased by 0.4% in the first quarter of 2014 (following + 0.2% and + 0.1% in the previous quarters). Diminishing uncertainty in the Euro area means that an increase in investment is anticipated. Private consumer spending should benefit from stabilization on the labor market and faster rising wages.

The German economy grew in the first quarter of 2014. That is shown by the latest Economic Barometer of the German Institute for Economic Research in Berlin. Leading economic institutions regard a key reason for that as being that industry has significantly increased its surge in orders from the last quarter of 2013. Moreover, the construction industry benefited from the mild winter. The economic momentum is also reflected in the sharp rise in imports and perceptible increase in employment.

The industry association BITKOM also expects the ICT market to perform positively in the fiscal year ahead. It forecasts that sales in the fields of information technology, telecommunications and entertainment electronics will grow by 1.7% to €153.4 billion in 2014.



## euromicron's share

At the start of the year, euromicron's share was able to continue the positive trend that began at the end of fiscal 2013 and rose to up to €16.05. January was characterized by extreme jumps in the price, despite the fact that no significant company releases were published. In what was all in all a negative stock market climate, euromicron's share consolidated its price at €14.73 by the end of the month.

In February, euromicron's share performance was calm and less volatile from a chartist point of view. Standing at €14.20, the share price moved stably sideward in the course of the month, ending it at €14.27.

In March, the worsening situation in Ukraine also put pressure on euromicron's share, but it was able to recover in the subsequent days of trading – unlike the key index, the DAX – and climb to up to €14.50. After the preliminary business figures for 2013 were announced, the euromicron share's price closed stably at €13.37.

Due to the fact that the targets in the adjusted guidance issued in December 2013 were met and the measures as part of the Agenda 500 were continued rigorously, the majority of analysts still rated our share a "buy" in the first quarter of 2014 and regarded it as having an upside target of up to €19. A total of 1.3 million shares were traded in the first quarter.

## Sales

euromicron's consolidated sales at March 31, 2014, were €80.1 million, 3.5% up on the previous year's figure of €77.3 million. As in previous years, 2014 is expected to exhibit the customary seasonal course of business: euromicron provides most of its value-added services and bills for a large part of its projects in the fourth quarter.

Our home market of Germany remains the focus of our commercial activity. Sales of €70.0 million (previous year: €69.9 million) – or around 87.5% of total sales – were generated in the domestic market.

We have our own locations in other European countries: Italy, Austria, Benelux, France, Poland and – since the acquisition of ATECS AG in December 2013 – in Switzerland as well. Other foreign business is mainly tapped by product export and individual project business, with this being controlled from Germany. We are represented in some non-European countries in the shape of project offices, for example in China and Pakistan, so as to cater for market requirements there. Our foreign sales were €10.1 million, an around 35% rise over the previous year's figure of €7.5 million.

In this spirit, we intend to keep on seizing opportunities outside Europe we can exploit using our know-how, although further systematic penetration of the domestic market remains our Group's strategy, since we see great potential in that in the coming years as well.

# Sales development – consolidated by regions

of the euromicron Group at March 31, 2014

## Regions

	2014 € thou.	2013 € thou.
Germany	70,024	69,880
Euro zone	7,610	5,910
Rest of World	2,439	1,555
<b>Consolidated net sales</b>	<b>80,073</b>	<b>77,345</b>

(unaudited acc. to IFRS)

## Result

Consolidated earnings before interest and taxes (EBIT) at March 31, 2014, were €2.3 million (previous year: €4.1 million), EBITDA was €4.9 million (previous year: €6.2 million) and so around the anticipated level. The EBITDA margin is currently around 6.1%, i.e. within the target corridor of 6% to 8% planned for the year as a whole. The EBITDA for the first quarter of 2014 was still impacted by integration costs, in particular in the South segment, but increased sharply again compared with the fourth quarter of 2013 due to the fact that special charges ceased to apply. Operating income of the associated companies was €3.8 million (previous year: €5.4 million).

In line with sales, the cost of materials was €41.7 million (previous year: €39.3 million), slightly higher year on year. The cost of materials relative to total operating performance (defined as the total of sales and inventory changes) was around 52.0% (previous year: 50.7%).

Personnel costs were €24.6 million (previous year: €22.5 million). This is due in particular to the increase in the headcount, which rose from 1,705 to 1,772 employees, or by 3.9% over March 31, 2013, mainly as a result of changes to the consolidated companies. In addition, the personnel costs reflect the fact that integration costs were higher than in the first quarter of 2013.

The increase in amortization of dormant reserves and of capitalized development work resulted in an increase in total amortization and depreciation from €2.1 million in the previous year to €2.6 million at March 31, 2014.

Other operating expenses were €10.3 million (previous year: €10.9 million). Permanent flexibilization and optimization of cost structures and the effects of the Group-wide cost-cutting program were able to more than compensate for the consolidation-related extra costs. Vehicle and travel expenses, rent/room costs and legal and consulting costs are still the largest items within the other operating expenses.

Interest expenses were €0.9 million, at the level of the previous year, and are mainly due to up-front financing of project business and the euromicron Group's growth.

The tax ratio was around 30.0% and so within the expected range.

The net income for the period after minority interests at March 31, 2014, was €1.0 million compared with €2.2 million in the previous year. Undiluted earnings per share were €0.13 versus €0.33 in the same period for the previous year.

# Key income figures at March 31, 2014

euromicron Group

	<b>2014</b> € thou.	<b>2013</b> € thou.
Consolidated EBIT	2,322	4,109
Operating EBIT	3,797	5,393
EBITDA	4,880	6,169
EBITDA return as a ratio of sales (in %)	6.1%	8.0%
Income before taxes	1,475	3,251
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Earnings per share in € (undiluted)	0.13	0.33

(unaudited acc. to IFRS)

## New orders and order books

At March 31, 2014, our company received new orders of €98.7 million, a sharp rise of almost 20% over the figure for the previous year (€82.4 million). We expect new orders to continue trending positively in the further course of the fiscal year.

Order books were €145.1 million, likewise well over the level of the previous year (€132.4 million). We are not currently aware of any risks from significant project delays. The shifts in orders in the fourth quarter of 2013 at our production companies and in our system house business are reflected in the order books for the first quarter of 2014.

# New orders/order books – consolidated at March 31, 2014

euromicron Group

	<b>2014</b> € thou.	<b>2013</b> € thou.
Consolidated new orders	98,673	82,434
Consolidated order books	145,106	132,369

(unaudited acc. to IFRS)

## Net assets

The euromicron Group's total assets were €312.9 million at March 31, 2014, a drop of €16.0 million over the figure at December 31, 2013 (€328.9 million).

Noncurrent assets accounted for just over 49% of total assets and so were slightly above level of the previous year (47%). Current assets fell by €14.8 million to €159.0 million. As in previous years, inventories and the gross amount due from customers for contract work rose in total by around €7.8 million for seasonal reasons, which is attributable to the solid orders situation. Trade accounts receivable were able to be reduced by €5.4 million thanks to cash management.

Cash and cash equivalents fell compared with December 31, 2013, by €19.4 million to €19.5 million. Key factors in this decline were the lower volume of factoring at March 31, 2014, and the higher degree of work in progress in projects compared with at December 31, 2013, which was accompanied by up-front financing to match. Our cash and cash equivalents form a solid foundation for handling our high order books.



The ratio of equity and long-term outside capital to noncurrent assets is around 113%.

Equity at March 31, 2014, was €123.5 million, €0.9 million above the level at December 31, 2013. The equity ratio is thus back at almost 40% again compared with 37% at December 31, 2013.

Long-term debt was 16% of total assets and essentially contains the long-term components of the Group's outside financing. Current liabilities at March 31, 2014, were €139.6 million, a fall of €13.3 million, and are just over 44% of total assets compared with around 47% at December 31, 2013. This decline is mainly due to purchase price payments made in the first quarter of 2014 for companies acquired in the previous year and to settlement of trade accounts receivable and liabilities from customers' monies to be passed on.

## Financial position

Our Group's net debt (long-term and short-term) at March 31, 2014, was €70.2 million (previous year: €82.8 million). The decline in net debt compared with the first quarter of the previous year is attributable to gradual improvements in working capital and sustained optimization of cash holdings at most of the operating companies.

At March 31, 2014, our company still had sufficient free credit lines of around €60 million from its partner banks to cover its cash needs resulting from the increasing business volume and to finance the company's further development and successful continuation of the "Agenda 500" integration program. Thanks to its good relations and longstanding partnerships with leading banks, the Group also has a solid liquidity reserve in 2014 for its current and strategic development.

euromicron AG will continue to fund the euromicron Group and its associated companies directly or through its cash pool model.

## Employees

In the first three months of 2014, we continued to invest with undiminished and constant effort in qualifying our employees. Alongside that, we permanently reviewed our personnel capacities. We continued to work on filling key positions with qualified staff and providing our Competence Centers with the appropriate human resources and qualifications to cater for demand in this area.

A further focus at the start of the year was to revise and redesign our sales training programs. Our aim in doing that – as with the Sales Trainee Program we launched for the third time last year – is to strengthen our presence in the market further in 2014, cooperate more actively with regional and national general contractors and expand key account management at our Group.

In the first quarter of 2014, as part of the Agenda 500, we also designed programs to present our company as an attractive employer for potential applicants and so enhance the fit of the advertised posts and inspire and win over further qualified personnel for our company. The goal of that is to keep the costs of finding suitable employees for our Group to a reasonable level. We intend to implement the programs we have formulated in the course of 2014.

The euromicron Group employed 1,772 people at March 31, 2014 (previous year: 1,705). Personnel costs totaled €24.6 million (previous year: €22.5 million).



# Income statement



of the euromicron Group from January 1 to March 31, 2014

	3-month report	
	Jan. 1, 2014– March 31, 2014 € thou.	Jan. 1, 2013– March 31, 2013 € thou.
<b>Sales</b>	<b>80,073</b>	<b>77,345</b>
Inventory changes	141	103
Own work capitalized	841	825
Other operating income	522	581
Cost of materials	–41,741	–39,254
Personnel costs	–24,623	–22,544
Amortization and depreciation	–2,558	–2,060
Other operating expenses	–10,333	–10,887
<b>Earnings before interest and taxes (EBIT)</b>	<b>2,322</b>	<b>4,109</b>
Interest income	10	31
Interest expenses	–857	–889
<b>Income before income taxes</b>	<b>1,475</b>	<b>3,251</b>
Income taxes	–443	–961
<b>Consolidated net income for the period</b>	<b>1,032</b>	<b>2,290</b>
Thereof for euromicron AG shareholders	961	2,226
Thereof for non-controlling interests	71	64
<b>(Un)diluted earnings per share in €</b>	<b>0.13</b>	<b>0.33</b>

(unaudited acc. to IFRS)

# Reconciliation of the quarterly results with the statement of comprehensive income

of the euromicron Group at March 31, 2014

	<b>Jan. 1, 2014– March 31, 2014</b> € thou.	<b>Jan. 1, 2013– March 31, 2013</b> € thou.
<b>Consolidated net income before minority interests</b>	<b>1,032</b>	<b>2,290</b>
Revaluation effects from pensions (will not be reclassified to the income statement in future)	0	0
<b>Other profit/loss</b>	<b>0</b>	<b>0</b>
<b>Total profit/loss</b>	<b>1,032</b>	<b>2,290</b>
Thereof for euromicron AG shareholders	961	2,226
Thereof for non-controlling interests	71	64

(unaudited acc. to IFRS)

# Consolidated balance sheet

## Assets

euromicron Group

### Assets

	March 31, 2014 € thou.	Dec. 31, 2013 € thou.
<b>Noncurrent assets</b>		
Goodwill	113,529	113,529
Intangible assets	23,148	23,709
Property, plant and equipment	14,183	14,471
Other financial assets	961	960
Other assets	104	105
Deferred tax assets	1,948	2,299
	<b>153,873</b>	<b>155,073</b>
<b>Current assets</b>		
Inventories	27,933	27,961
Trade accounts receivable	29,160	34,593
Gross amount due from customers for contract work	71,568	63,761
Claims for income tax refunds	5,025	4,467
Other financial assets	1,756	2,217
Other assets	4,096	1,959
Cash and cash equivalents	19,492	38,830
	<b>159,030</b>	<b>173,788</b>
<b>Total assets</b>	<b>312,903</b>	<b>328,861</b>

(unaudited acc. to IFRS)

# Consolidated balance sheet

## Equity and liabilities

euromicron Group

### Equity and liabilities

	March 31, 2014 € thou.	Dec. 31, 2013 € thou.
<b>Equity</b>		
Subscribed capital	18,348	17,037
Contribution made to carry out the adopted capital increase	0	6,838
Capital reserves	94,298	88,771
Gain/loss on the valuation of securities	177	177
Currency translation difference	0	0
Consolidated retained earnings	10,345	9,384
Stockholders' equity	123,168	122,207
Non-controlling interests	338	392
<b>Total equity</b>	<b>123,506</b>	<b>122,599</b>
<b>Long-term debt</b>		
Provisions for pensions	951	947
Other provisions	1,735	1,776
Liabilities to banks	31,670	32,806
Liabilities from finance lease	1,556	1,670
Other financial liabilities	3,989	7,322
Other liabilities	213	205
Deferred tax liabilities	9,710	8,659
	<b>49,824</b>	<b>53,385</b>
<b>Current liabilities</b>		
Other provisions	2,345	2,308
Trade accounts payable	43,578	54,639
Liabilities from current income taxes	362	4,341
Liabilities to banks	49,261	30,390
Liabilities from finance lease	469	506
Other tax liabilities	2,201	6,826
Personnel obligations	8,513	11,471
Other financial liabilities	27,669	36,811
Other liabilities	5,175	5,585
	<b>139,573</b>	<b>152,877</b>
<b>Total equity and liabilities</b>	<b>312,903</b>	<b>328,861</b>

# Statement of changes in equity

of the euromicron Group for the period January 1 to March 31, 2014 (IFRS)

	Sub- scribed capital	Capital reserves	Contribution made to carry out the adopted capital increase
	€ thou.	€ thou.	€ thou.
<b>January 1, 2013</b>	<b>17,037</b>	<b>88,771</b>	<b>0</b>
<b>Consolidated net loss for 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other profit/loss</b>			
Gain/loss on the valuation of securities	0	0	0
Currency translation difference	0	0	0
Revaluation effects from pensions	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total profit/loss</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transactions with owners</b>			
Dividend for 2012	0	0	0
Capital increase at the AG after costs	0	0	0
Contributions made	0	0	6,838
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0	0
	<b>0</b>	<b>0</b>	<b>6,838</b>
<b>December 31, 2013</b>	<b>17,037</b>	<b>88,771</b>	<b>6,838</b>
<b>Net profit for Q1/2014</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other profit/loss</b>			
Gain/loss on the valuation of securities	0	0	0
Currency translation difference	0	0	0
Revaluation effects from pensions	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total profit/loss</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transactions with owners</b>			
Contributions made to carry out the capital increase	1,311	5,527	-6,838
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0	0
	<b>1,311</b>	<b>5,527</b>	<b>-6,838</b>
<b>March 31, 2014</b>	<b>18,348</b>	<b>94,298</b>	<b>0</b>

(unaudited acc. to IFRS)

Consolidated retained earnings	Gain/loss from the valuation of securities	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
<b>12,711</b>	<b>0</b>	<b>0</b>	<b>118,519</b>	<b>525</b>	<b>119,044</b>
<b>-764</b>	<b>0</b>	<b>0</b>	<b>-764</b>	<b>0</b>	<b>-764</b>
0	177	0	177	0	177
0	0	0	0	0	0
-440	0	0	-440	0	-440
<b>-440</b>	<b>177</b>	<b>0</b>	<b>-263</b>	<b>0</b>	<b>-263</b>
<b>-1,204</b>	<b>177</b>	<b>0</b>	<b>-1,027</b>	<b>0</b>	<b>-1,027</b>
-1,999	0	0	-1,999	0	-1,999
0	0	0	0	0	0
0	0	0	6,838	0	6,838
-117	0	0	-117	117	0
-7	0	0	-7	0	-7
0	0	0	0	-250	-250
<b>-2,123</b>	<b>0</b>	<b>0</b>	<b>4,715</b>	<b>-133</b>	<b>4,582</b>
<b>9,384</b>	<b>177</b>	<b>0</b>	<b>122,207</b>	<b>392</b>	<b>122,599</b>
<b>1,032</b>	<b>0</b>	<b>0</b>	<b>1,032</b>	<b>0</b>	<b>1,032</b>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1,032</b>	<b>0</b>	<b>0</b>	<b>1,032</b>	<b>0</b>	<b>1,032</b>
0	0	0	0	0	0
-71	0	0	-71	71	0
0	0	0	0	0	0
0	0	0	0	-125	-125
<b>-71</b>	<b>0</b>	<b>0</b>	<b>-71</b>	<b>-54</b>	<b>-125</b>
<b>10,345</b>	<b>177</b>	<b>0</b>	<b>123,168</b>	<b>338</b>	<b>123,506</b>

# Statement of cash flows

euromicron Group

	Jan. 1, 2014– March 31, 2014 € thou.	Jan. 1, 2013– March 31, 2013 € thou.
Income before income taxes	1,475	3,251
Net interest income/loss and other financial expenses	847	858
Depreciation and amortization of noncurrent assets	2,558	2,060
Disposal of assets, net	5	–3
Allowances for inventories and doubtful accounts	85	–175
Change in accrued liabilities	–126	–251
Changes in short- and long-term assets and liabilities:		
– Inventories	–43	–1,032
– Trade accounts receivable and gross amount due from customers for contract work	–2,388	–1,570
– Trade accounts payable	–11,172	–4,037
– Other operating assets	–1,675	601
– Other operating liabilities	–12,560	–4,164
– Income tax paid	–3,646	–854
– Income tax received	68	3,179
– Interest paid	–777	–889
– Interest received	9	31
<b>Net cash provided by/used in operating activities</b>	<b>–27,340</b>	<b>–2,995</b>
Proceeds from		
– Retirement/disposal of property, plant and equipment	3	10
Payments due to acquisition of		
– Intangible assets	–1,081	–721
– Property, plant and equipment	–636	–904
– Subsidiaries	–8,000	–2,363
<b>Net cash provided by/used in investing activities</b>	<b>–9,714</b>	<b>–3,978</b>
Proceeds from raising of financial loans	21,295	13,036
Cash repayments of financial loans	–3,579	–1,250
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	0	–256
<b>Net cash provided by/used in financing activities</b>	<b>17,716</b>	<b>11,530</b>
Net change in cash and cash equivalents	–19,338	4,557
Cash and cash equivalents at start of period	38,830	5,414
<b>Cash and cash equivalents at end of period</b>	<b>19,492</b>	<b>9,971</b>

(unaudited acc. to IFRS)

# Segment reporting at March 31, 2014

euromicron Group

## Sales by report segments

	2014 € thou.	2013 € thou.
Sales for the North segment	27,635	26,959
Sales for the South segment	30,359	30,955
Sales for the WAN services segment	24,604	21,128
Total for the segments	82,598	79,042
Group consolidations	-2,525	-1,697
<b>Consolidated sales for the Group</b>	<b>80,073</b>	<b>77,345</b>

## EBIT by report segments

	2014 € thou.	2013 € thou.
EBIT for the North segment	3,461	3,371
EBIT for the South segment	-626	864
EBIT for the WAN services segment	962	1,158
Central services and Group consolidations	-1,475	-1,284
<b>Consolidated EBIT for the Group</b>	<b>2,322</b>	<b>4,109</b>

## Amortization/depreciation by report segments

	2014 € thou.	2013 € thou.
North, consolidated	-1,019	-843
South, consolidated	-1,022	-658
WAN services, consolidated	-414	-527
Central services and Group consolidations	-103	-32
<b>Consolidated depreciation/amortization for the Group</b>	<b>-2,558</b>	<b>-2,060</b>

(unaudited acc. to IFRS)



## Risk report

The reports from the risk management system at December 31, 2013, have been continuously examined and updated as part of the quarterly report at March 31, 2014. At March 31, 2014, there were no significant material changes in the analysis of risks and their structure or evaluation at the euromicron Group compared with as stated and described in detail in the management report in the 2013 Annual Report.

Taking into account all known facts and circumstances, euromicron does not anticipate any significant effects on its operational business from macroeconomic changes and in particular does not see any risks that might jeopardize the existence of the euromicron Group in a foreseeable period of time or, as far as can be assessed at present, might have a significant influence on the Group's financial position, net assets and results of operations.

## Market & technology

The association for the high-tech industry, BITKOM, announced its new forecast for growth in the German ICT market at the beginning of CeBIT. According to it, sales in the fields of information technology, telecommunications and entertainment electronics will grow by 1.7% to €153.4 billion in 2014. The main drivers are again software and services, but also hardware such as smartphones and tablet PCs.

BITKOM believes 2014 will be an influential year for the creation and expansion of the ICT infrastructure required for operating hardware and software. For example, investments of around €20 billion are required for nationwide broadband networks with a transmission speed of 50 megabits a second by 2018. ICT network operators even need to shoulder investments of €80 billion for even faster networks based on fiber optics. A second major infrastructure project which will be crucial to the competitiveness of Germany as a place to do business is the establishment of smart grids in the fields of energy, transportation, health, education and administration – with an investment volume in excess of €100 billion.

According to BITKOM, this task can only be accomplished if business and government work hand in hand. Initial steps have been initiated by policymakers with the launch of the “Network Alliance Digital Germany”, albeit that there is as yet a lack of necessary incentives to invest for operators of large ICT networks. Consequently, they are either using alternative technologies to increase the performance of their existing networks, such as Deutsche Telekom with VDSL2 vectoring, or are again deferring the investments they need to make in modernizing their networks.



On the back of its technological skills and know-how, euromicron played its part in the first quarter of 2014 in making the existing networks of telecommunications providers more powerful with its in-house products and solutions and planning, installing and maintaining new, smart grids at enterprises and public authorities, as well as supplying them with state-of-the-art, innovative products and services.

Special products for VDSL2 expansion have been designed by our manufacturing division and help further extend the lifecycle of carriers' infrastructure and so enable them to provide their customers with far higher transmission rates and so faster Internet, TV and voice services. As a consequence of higher demand for these products, we have increased our production capacities in this area and further optimized our production processes. Alongside that, we are investing in developing and making new, innovative products and solutions that help carriers increase the performance of their infrastructure and, if necessary, modernize it further.

For many companies nowadays, being competitive also means having state-of-the-art, innovative security systems. That is why, for example, the cosmetics manufacturer L'Oréal has established a new IP video system from our partner Geutebrück at its factory in Karlsruhe. The special feature of it is that the masts for the outside lighting can now also be used for HD cameras which transfer their data via old two-wire communication cables. The new solution was installed by euromicron solutions GmbH. The video system is operated and visualized on a graphical user interface which euromicron's subsidiary integrated in the overall solution.

It is the breadth of our technological expertise that makes us unique. Backed by that, we are excellently positioned in 2014 to leverage our skills successfully to the benefit of our customers and so fully exploit the market available to us.

## Outlook

In the first half of 2014, the Agenda 500 envisages that euromicron will largely complete the toughest and most cost-intensive phase of consolidation and restructuring, reorganization and expansion in all areas of the Group and, on an optimized foundation, press ahead more vigorously with enhancing the company's structures, processes and financial and human resources in the second half of 2014.

That primarily means we have to keep on rigorously implementing the Agenda 500 projects that have been initiated and quickly lead them to a successful conclusion or transition them to a continuous improvement process. As part of that, we will mainly make further investments in optimizing structures and processes in our system house business and encouraging innovativeness in our manufacturing operations. In addition, we aim to further optimize shared service and Competence Center structures, professionalize our sales team and harmonize service structures and processes throughout the Group. We expect the Agenda 500 measures and projects to generate a positive earnings potential in the single-digit million range down the road.

In addition, we also intend in the current fiscal year to round out the company in terms of technology, footprint, resources and expertise by acquiring know-how and skills.

Thanks to these long-planned strategic steps in the company's development and associated phases of integration, we will create the conditions for our Group's further organic growth, smooth acquisition and integration of a largish company in 2015 or 2016 and so preliminary completion of the corporate strategy, which was launched in 2000 and has a 15-year time frame.



On the market side, we do not at the moment see any restraining factors on the company's planned development. On the contrary, we assume that if the "Network Alliance Digital Germany" is successfully implemented, it will produce a favorable climate for expansion of the ICT infrastructure, which euromicron AG can also benefit from with its products and solutions.

On the basis of that, we are sticking to our overall guidance for 2014 and continue to anticipate sales growing to €340 to €360 million and the EBITDA margin increasing again to around 6% to 8%. We believe that, with its corporate strategy geared to sustainable growth, solid business model, secure basis for financing and strong equity ratio, our company has the stability and strength required to achieve that.

# Notes

## Preamble

euromicron AG is a registered company under German law with headquarters in Frankfurt/Main and is mainly active in the areas of network and fiber optics technology.

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date and with their interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The interim report as of March 31, 2014, was prepared in compliance with the stipulations of the International Accounting Standard (IAS) 34 “Interim Financial Reporting” and with the requirements of standard no. 16 “Interim Financial Reporting” of the DRSC (Deutsche Rechnungslegungs Standards Committee e.V.). The previous year’s figures were determined using the same principles.

Unless otherwise stated, the figures in this interim report are presented in thousands of euros (€ thou.).

The results in the interim financial statements as of March 31, 2014, do not necessarily permit forecasts for the further course of business.

## Reporting and measurement methods

The same reporting and measurement methods were used in the abridged presentation of the consolidated financial statements as of March 31, 2014, as for preparing the consolidated financial statements at December 31, 2013, unless changes are explicitly specified.



A detailed description of these methods is published in the 2013 Annual Report and is available on the company's homepage. The consolidated financial statements of euromicron AG as of December 31, 2013, were prepared on the basis of Section 315a of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards, as are applicable in the European Union.

An individual tax rate is used as the basis for calculating the income taxes for German companies and is also applied to the deferred taxes. The respective national rates of tax are used for calculating the income taxes for foreign companies.

Estimates and assumptions must be made to a certain extent in the interim report; the value of assets, liabilities and contingent liabilities, as well as expenses and income in the reporting period, depend on these. The actual later figures may differ from the amounts reported in the interim report.

As regards the content of the new standards and interpretations and amendments to existing standards, we refer to our comments on pages 101 to 108 of the 2013 Annual Report.

The following interpretations and amendments have been in force since the beginning of fiscal year 2014 (the amendment to IAS 36 – Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets (amendment) has been applied voluntarily and prematurely since December 31, 2013):

- ▶ IAS 27 – Separate Financial Statements
- ▶ IAS 28 – Investments in Associates and Joint Ventures
- ▶ IAS 32 – Financial Instruments: Offsetting Financial Assets and Financial Liabilities (amendment)
- ▶ IAS 39 – Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting (amendment)
- ▶ IFRS 10 – Consolidated Financial Statements
- ▶ IFRS 11 – Joint Arrangements
- ▶ IFRS 12 – Disclosure of Interests in Other Entities
- ▶ IFRS 10, IFRS 12 and IAS 27 – Investment Entities (amendment)
- ▶ IFRS 10, IFRS 11 and IFRS 12 – Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (amendment)
- ▶ IFRIC 21 – Levies

Application of the new and/or amended standards and interpretations has no significant impact on the Group's financial position, net assets and results of operations or cash flow.



## Consolidated companies

Apart from euromicron AG, the consolidated financial statements at March 31, 2014, still include 27 companies, in which euromicron AG has the majority of voting rights directly or indirectly.

## Treasury shares

At March 31, 2014, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

## Non-controlling interests (minority interests)

Under IFRS 3 (2008), non-controlling interests are disclosed as part of equity in accordance with the entity point of view.

The minority interests in equity reported at March 31, 2014 (€338 thousand) relate exclusively to Qubix S.p.A., Padua (10%).

## Segment information

Business segments are identified using internal organizational and reporting structures, which at the euromicron Group are essentially based on regions.

euromicron reports in the operating segments euromicron North, euromicron South and WAN services, as well as Central services and Group consolidations. The interim report presents the details regularly reported to the main decision-maker. Further items from the balance sheet and income statement are not reported regularly and so are not disclosed (IFRS 8.32).

The applied accounting principles and methods are identical for all segments. The information shown for the individual segments contains segment-related consolidations.

## Business transactions with related parties

Apart from the compensation for the Executive Board and Supervisory Board, there are no significant relations with related persons. There are also no business transactions between consolidated companies of the euromicron Group and non-consolidated or associated companies of the euromicron Group.

## Contingencies

There were no significant changes in contingencies, contingent liabilities and other financial obligations compared with the annual financial statements at December 31, 2013.



# Declaration by the legal representatives



We declare to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the accounting principles to be applied for interim reporting and that the course of business, including the business results and the Group's position, is presented in the interim group management report in such a way that a true and fair view is given and the main opportunities and risks of the Group's anticipated development in the remainder of the fiscal year are described.

Frankfurt/Main, May 9, 2014

The Executive Board

Dr. Willibald Späth

Thomas Hoffmann

# Financial Calendar 2014

May 14, 2014	General Meeting
August 8, 2014	Publication of the business figures for the 2nd quarter of 2014
November 7, 2014	Publication of the business figures for the 3rd quarter of 2014

This quarterly report is available in German and English.

Both versions can also be downloaded from the Internet at

**[www.euromicron.de](http://www.euromicron.de)**.

In cases of doubt, the German version is authoritative.

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## Disclaimer on predictive statements

This report also includes predictive statements and information on future developments that are based on the convictions and current views of euromicron AG's management and on assumptions and information currently available to euromicron. Where the terms "assume", "believe", "assess", "expect", "intend", "can/may/might", "plan" or similar expressions are used, they are intended to indicate predictive statements that are subject to certain elements of insecurity and risks, such as competitive pressure, changes to the law, changes in general political and economic conditions, changes to business strategy, other risks and uncertainties that euromicron AG in many cases cannot influence and that may result in significant deviations between the actual results and predictive statements. Any liability or guarantee for the used and published data and information being up-to-date, correct and/or complete is not assumed, either explicitly or implicitly.

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