Joint Report

by the Executive Board of euromicron Aktiengesellschaft communication & control technology

and

management of telent GmbH - ein Unternehmen der euromicron Gruppe

on conclusion of a profit and loss transfer agreement

between euromicron Aktiengesellschaft communication & control technology and telent GmbH - ein Unternehmen der euromicron Gruppe

in accordance with Section 293a AktG (German Stock Corporation Law)

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A. Preamble

euromicron Aktiengesellschaft communication & control technology (“**euromicron AG**”) is the sole shareholder of telent GmbH - ein Unternehmen der euromicron Gruppe (“**telent GmbH**”). euromicron AG, represented by the Chairman of the Executive Board, Dr. Willibald Späth, and the Executive Board member Mr. Thomas Hoffmann, concluded a profit and loss transfer agreement with telent GmbH, represented by Mr. Hans-Peter Fischer and Mr. Robert Blum, the Managing Directors authorized to represent it, on March 31, 2014. Conclusion of the profit and loss transfer agreement rounds out the financial and economic integration of telent GmbH in euromicron AG and is based in particular on tax considerations. The wording of the profit and loss transfer agreement is printed in the **Annex** to this report.

In accordance with Section 293 AktG (German Stock Corporation Law), the shareholders of both parties to the profit and loss transfer agreement must consent to the agreement for it to become effective. That means the General Meeting of euromicron AG and the shareholders’ meeting of telent GmbH must approve it; the latter gave its approval to conclusion of the profit and loss transfer agreement beforehand on March 18, 2014.

The Executive Board of euromicron AG and management of telent GmbH jointly submit the following report on the profit and loss transfer agreement in accordance with Section 293a (1), second half of Sentence 1 AktG (German Stock Corporation Law):

B. Presentation of the parties

I. euromicron AG and the euromicron Group

1. Overview

The listed company euromicron AG is entered in the commercial register of Frankfurt/Main Local Court under HRB 45562. It has its registered offices in Frankfurt/Main.

2. Fiscal year, purpose of the company

euromicron AG's fiscal year is the calendar year.

The purpose of the company is the development and distribution of mechanical, electrical and electronic components and systems, including software and engineering services for them. The company can achieve this purpose itself or through subsidiaries and associated companies.

The company can undertake all business transactions suited to promoting the purpose of the company. The company can also take a participating interest in other companies in Germany and abroad, acquire them, assume management of them, establish branch offices and conclude affiliation agreements with other companies.

3. Capital stock, shares, shareholders and stock exchange trading

The capital stock of euromicron AG is €18,347,554.88 and is divided into 7,176,398 no-par value registered shares.

According to the last voting rights notifications issued, FPM Funds Luxemburg holds 2.72% of the shares, Allianz Global Investors GmbH 4.63% and Universal Investment 4.57%. The other shares are free float.

The shares are admitted to stock market trading.

4. Management bodies of euromicron AG

The Executive Board of euromicron AG consists of Dr. Willibald Späth (Chairman) and Thomas Hoffmann.

The Supervisory Board of euromicron AG is composed of Dr. Franz-Stephan v. Gronau (Chairman), Mr. Josef Martin Ortolf, Dipl.-oec. (Deputy Chairman) and Dr. Andreas de Forestier.

5. Business activity

euromicron AG is a leading national, Europe-oriented vendor of complete infrastructure solutions for communications, security and data networks and is a manufacturer, system integrator as well as distributor. The company unites top-level development, project planning, consulting and purchasing know-how and offers its customers from all sectors a one-stop shop for tailor-made, vendor-independent solutions for all network applications. The company provides an extensive range of services – from design, planning, procurement and installation to maintenance and service. The euromicron Group has a comprehensive network of branch offices in Germany and numerous European locations.

6. Business performance and earnings situation of euromicron AG and the euromicron Group

a) *Key data for fiscal years 2011 and 2012*

Fiscal 2011 was mainly shaped by the acquisition of telent GmbH. The euromicron Group managed to expand its business volume significantly by approximately 50%. Financing of growth was secured by a capital increase at the end of 2011. In addition, the Group's financing structure was optimized in favor of long-term financial debt.

In fiscal 2011, earnings before interest and taxes (EBIT) were €24.2 million, earnings before taxes (EBT) €17.8 million and consolidated net income €12.9 million. Consolidated sales in fiscal 2011 were €305.3 million.

Following completion of the buy and build phase, fiscal year 2012 marked the start of the 2- to 3-year build and integrate phase. The focus of its activities as part of the company's development was geared rigorously from the outset toward optimizing and consolidating its corporate structures and processes.

In fiscal 2012, EBIT was €17.1 million, EBT €12.2 million and consolidated net income €8.8 million. Consolidated sales in fiscal 2012 were €330.0 million.

b) Business performance in fiscal 2013

euromicron AG was able to fulfill the targets specified in the adjusted guidance it issued on December 4, 2013, following a difficult 4th quarter of 2013. In the core year of integration 2013, the company spend around €5.5 to 6 million from its operating income on investments and integration in order to shed and restructure personnel, to reorganize its divisions and on a raft of cost-cutting measures, and also had to cope with operational effects from shifts in earnings due to postponements in the call-off of deliveries and extra project costs.

In fiscal 2013, EBIT of approximately €5.5 million, EBT of approximately €1.7 million and a consolidated net loss of approximately € –0.8 million are expected. Consolidated sales in fiscal 2013 were at the previous year's level with €329.4 million.

c) Outlook for the current fiscal year 2014

After a strong start to 2014, the Executive Board sees, as expected, a cautiously positive performance for the upcoming development phase of restructuring and, as part of the Agenda 500, is aiming to grow sales to €340-360 million and post an EBITDA margin of around 6-8% in 2014.

II. telent GmbH

1. Overview

telent GmbH is entered in the commercial register of Stuttgart Local Court under HRB 738199. It has its registered offices in Backnang.

2. Fiscal year, purpose of the company

telent GmbH's fiscal year is the calendar year.

The purpose of the company is the planning, setup, installation, commissioning and servicing of products, plant, systems and networks in the fields of information technology, electrical engineering, safety and security technology, fire alarm technology, mobile communications technology and data and communications technology and all related systems; analysis, monitoring, restructuring and optimization of plant and networks and their safety, security and performance; trading and distribution of all types of goods and services in the field of information technology, safety and security technology and data and communications technology, in Germany and abroad, and associated consulting services.

The company can undertake all business transactions that promote its purpose directly or indirectly. It can take participating interests in other companies in the same or a similar line of business in any suitable form or acquire such companies or establish branch offices. The company can also be a controlled company as part of an integrated inter-company relationship for fiscal purposes.

3. Nominal capital, shareholders

The nominal capital of telent GmbH is €1 million. The equity of telent GmbH at December 31, 2013, was €8,002,393.

The only shareholder of telent GmbH is euromicron AG.

4. Management bodies of telent GmbH

The Managing Directors of telent GmbH are Mr. Hans-Peter Fischer and Mr. Robert Blum.

5. Business activity

telent GmbH has more than 50 years of experience as a system integrator and technology service provider for telecommunications networks.

The focus of telent GmbH is transmission and data networks, network infrastructure and technical services, such as planning, installation, commissioning, operation and maintenance, with a particular focus on IP Ethernet technology for enterprise networks, network and asset management and solutions for PMR networks.

telent GmbH’s customers include well-known European carriers, utilities, private enterprises and public authorities from the sectors of transport and security.

6. Business performance and earnings situation of telent GmbH

a) *Key data for the short fiscal year 2011 and fiscal year 2012*

In the short fiscal year from May 13 to December 31, 2011, earnings before interest and taxes (EBIT) were €4,026 thousand, earnings before taxes (EBT) were €3,049 thousand and net income €1,869 thousand. Sales in the short fiscal year were €62,461 thousand.

In fiscal 2012, EBIT was €3,840 thousand, EBT €2,273 thousand and net income €798 thousand. Sales in fiscal 2012 were €88,712 thousand.

b) Business performance in fiscal 2013

In fiscal 2013, EBIT was €1,680 thousand, EBT €472 thousand and net income €2 thousand. Sales in fiscal 2013 were €78,875 thousand.

c) Outlook for the current fiscal year 2014

In fiscal 2014, Sales between €80-90 million and positive earnings are expected.

C. Reasons for concluding the profit and loss transfer agreement

I. Deepening of the existing group relationship

telent GmbH has been part of the euromicron Group since 2011. The profit and loss transfer agreement is intended to round out the financial and economic integration of telent GmbH in euromicron AG.

II. Tax reasons for concluding the profit and loss transfer agreement

1. Establishment of an inter-company relationship for tax purposes

Conclusion of the profit and loss transfer agreement, which will run for at least five years, is primarily due to tax reasons, since it aims to establish an integrated inter-company relationship for the purpose of corporation income tax and trade tax.

2. Consequences of the inter-company relationship for tax purposes

The euromicron Group's tax structure can be optimized by conclusion of the profit and loss transfer agreement. The profit and loss transfer agreement enables taxable profits and losses of euromicron AG to be offset with taxable losses and profits of telent GmbH thanks to offsetting of profits and losses of the controlling company (euromicron AG) and controlled company (telent GmbH).

The taxable income of telent GmbH in Germany will no longer be taxed at the level of telent GmbH if an inter-company relationship for tax purposes exists. Instead, the taxable positive or negative income will be attributed to euromicron AG, which will then pay tax on it. This permits direct offsetting of taxable earnings of telent GmbH with the taxable earnings of euromicron AG and the subsidiaries belonging to the scope of consolidation of euromicron AG.

In addition, conclusion of the profit and loss transfer agreement between euromicron AG and telent GmbH will have a positive effect on liquidity for the euromicron Group insofar as the profits transferred by telent GmbH to euromicron AG are not subject to deduction of capital gains tax, including the solidarity surcharge. If a profit and loss transfer agreement were not concluded, the deducted taxes would in principle only be refunded as part of the assessment of corporation income tax for euromicron AG. Moreover, profit transfers, unlike with a profit distribution by telent GmbH, are not subject to the imputed 5% prohibition on deduction of operating expenses as specified by Section 8b (5) KStG (German Corporation Tax Act).

III. No equivalent alternatives

There are no equivalent alternatives to conclusion of the intended profit and loss transfer agreement. In particular, a merger of telent GmbH with euromicron AG or integration of telent GmbH in euromicron AG, for example, are out of the question for the following reasons:

1. Merger of telent GmbH with euromicron AG

A merger of telent GmbH with euromicron AG or with another legal entity is ruled out as an alternative. A merger would entail far higher costs than conclusion of a profit and loss transfer agreement, but unlike the latter would not produce any additional advantages of mention. In the event of a merger, telent GmbH would also cease to exist as an independent legal entity, which is not intended by the parties.

2. Integration of telent GmbH in euromicron AG

Integration in the Group as envisaged by Sections 319 et seq. AktG (German Stock Corporation Law) is not possible in this case since only a company with the legal form of a stock corporation can be integrated in another stock corporation.

IV. No compensatory payment or compensation for outside shareholders

Since euromicron AG holds all the shares in telent GmbH, it is not necessary to set a reasonable compensatory payment (Section 304 AktG (German Stock Corporation Law) analogously) or reasonable compensation (Section 305 AktG (German Stock Corporation Law) analogously) for outside shareholders.

In view of the reasons for concluding the profit and loss transfer agreement presented in Sections I to IV above, the Executive Board of euromicron AG and management of telent GmbH concur in proposing that the shareholders of euromicron AG and the shareholders of telent GmbH give their consent to the profit and loss transfer agreement.

D. Explanation of the contents of the profit and loss transfer agreement

I. Dispensability of a compensatory payment and cash compensation (Section 1 of the profit and loss transfer agreement)

Since euromicron AG holds all the shares in telent GmbH, it is not necessary to set a reasonable compensatory payment (Section 304 AktG (German Stock Corporation Law) analogously) or reasonable compensation (Section 305 AktG (German Stock Corporation Law) analogously) for outside shareholders.

II. Transfer of profits (Section 2 of the profit and loss transfer agreement)

Section 2 (1) of the profit and loss transfer agreement contains the constitutive provision for a profit and loss transfer agreement, namely that telent GmbH is obliged to transfer its entire profit to euromicron AG. The agreement defines – in compliance with the statutory provision in Section 301 AktG (German Stock Corporation Law) – how the profit to be transferred is calculated: The following is to be transferred, subject to the setup and reversal of other revenue reserves in accordance with Section 2 (2): The net income for the year generated without the profit transfer, minus any loss carried forward from the previous year and transfers to the other revenue reserves in accordance with Section 2 (2) and plus any amounts withdrawn from the other revenue reserves in accordance with Section 2 (2). In addition, Section 2 (5) of the profit and loss transfer agreement refers to the provisions on calculating the profit to be transferred in the applicable version of Section 301 AktG (German Stock Corporation Law) (analogously).

In particular, the profit transfer has the effect that as of the fiscal year in which the obligation to transfer profits takes effect in accordance with Section 5, the annual financial statements of telent GmbH will not have any net income for the year which could be distributed. The entire profit must be transferred subject to the obligation to transfer profits.

III. Assumption of losses (Section 3 of the profit and loss transfer agreement)

In Section 3 of the profit and loss transfer agreement, euromicron AG undertakes to offset any net loss for the year made by telent GmbH during the term of the agreement, provided the loss is not offset by the withdrawal of amounts from the other revenue reserves which were allocated to the other revenue reserves during the term of the agreement. This obligation to assume losses ensures that the balance sheet equity of telent GmbH at the time the profit and loss transfer agreement takes effect is not reduced during the term of the agreement.

In accordance with rulings by the supreme court, euromicron AG can offset its own claims against a claim of telent GmbH offsetting a loss pursuant to Section 3 of the profit and loss transfer agreement only if the claim of euromicron AG is of intrinsic value. This is always not the case if the existence of telent GmbH is in jeopardy. This provision likewise secures the survivability of telent GmbH, which is contractually included in the Group.

IV. Due date, payment of interest (Section 4 of the profit and loss transfer agreement)

The entitlement to transfer of profits of euromicron AG and the entitlement of telent GmbH to have its losses offset accrue on the balance sheet date of telent GmbH and are due at that time. At the request of euromicron AG, telent GmbH is obliged to transfer the estimated profit in full or in part before the balance sheet date, provided there are sufficient indications for a positive earnings forecast.

Interest of 5 percent as of the balance sheet date (due date) is payable on the entitlement of telent GmbH to offsetting of its loss.

V. Effectiveness (Section 5 of the profit and loss transfer agreement)

The profit and loss transfer agreement is concluded subject to the approval of the General Meeting of euromicron AG and the shareholders' meeting of telent GmbH. The profit and loss transfer agreement becomes effective upon its entry in the commercial register of telent GmbH and applies retroactively as of the beginning of the fiscal year of telent GmbH in which it is entered in the commercial register. However, the profit and loss transfer agreement will not become effective before midnight on December 31, 2013.

VI. Term and termination of the agreement (Section 6 of the profit and loss transfer agreement)

The profit and loss transfer agreement shall be concluded for an indefinite period of time. However, it cannot be terminated before it has run five years.

The right to terminate the profit and loss transfer agreement for an important reason remains unaffected. Such an important reason is, for example, if euromicron AG sells a part of its shareholding in telent GmbH such that the conditions for financial integration of telent GmbH in euromicron AG no longer exist in accordance with Section 14 (1) Sentence 1 No. 1 KStG (German Corporation Tax Act).

Frankfurt/Main, March 31, 2014

euromicron Aktiengesellschaft communication & control technology – The Executive Board –	telent GmbH - ein Unternehmen der euromicron Gruppe – Management –
Dr. Willibald Späth	*Hans-Peter Fischer*
Thomas Hoffmann	*Robert Blum*