Consolidated financial statements (IFRS)

Audit opinion

"We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes – prepared by euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, and the group management report for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as are to be applied in the EU, and in addition the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (Handelsgesetzbuch – German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit in such a way that misstatements and violations materially affecting the presentation of the picture of the net assets, financial position and results of operations conveyed by the consolidated financial statements, taking into account the principles of orderly accounting, and by the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and group 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 pursuant to the findings gained during the audit, the consolidated financial statements comply with the IFRS, as are to be applied in the EU, and in addition to the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (German Commercial Code) and give a true and fair view of the net assets, financial position and results of operations of the Group, taking into account these regulations. The group management report accords with the consolidated financial statements, conveys overall an accurate picture of the Group's position and accurately presents the opportunities and risks of future development."

Frankfurt/Main, March 26, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk	ppa. Christoph Tübbing
Wirtschaftsprüfer	Wirtschaftsprüfer

Balance sheet

of the euromicron Group as of December 31, 2013 (IFRS)

Assets

	Note	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Noncurrent assets			
Goodwill	(1)	113,529	106,369
Intangible assets	(1)	23,709	21,031
Property, plant and equipment	(1)	14,471	16,255
Other financial assets	(1)	960	718
Other assets	(1)	105	197
Deferred tax assets	(2)	2,299	1,933
		155,073	**146,503**
Current assets			
Inventories	(3)	27,961	27,500
Trade accounts receivable	(4)	34,593	40,806
Gross amount due from customers for contract work	(4)	63,761	55,960
Claims for income tax refunds	(4)	4,467	4,107
Other financial assets	(4)	2,217	228
Other assets	(4)	1,959	3,360
Cash and cash equivalents	(5)	38,830	5,414
		173,788	137,375
		328,861	**283,878**

Equity and liabilities

	Note	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Equity (equity ratio 37.3%/previous year: 41.9%)	(6)		
Subscribed capital		17,037	17,037
Contribution made to carry out the adopted capital increase		6,838	0
Capital reserves		88,771	88,771
Gain/loss on the valuation of securities		177	0
Currency translation difference		0	0
Consolidated retained earnings		9,384	12,711
Stockholders' equity		122,207	118,519
Non-controlling interests		392	525
Total equity		**122,599**	**119,044**
Long-term debt			
Provisions for pensions	(7)	947	983
Other provisions	(7)	1,776	1,157
Liabilities to banks	(8)	32,806	37,590
Liabilities from finance lease	(8)	1,670	2,158
Other financial liabilities	(8)	7,322	8,025
Other liabilities	(8)	205	0
Deferred tax liabilities	(9)	8,659	7,736
		53,385	**57,649**
Current liabilities			
Other provisions	(7)	2,308	2,062
Trade accounts payable	(8)	54,639	42,867
Liabilities from current income taxes	(8)	4,341	1,850
Liabilities to banks	(8)	30,390	30,995
Liabilities from finance lease	(8)	506	599
Other tax liabilities	(8)	6,826	6,130
Personnel obligations	(8)	11,471	9,833
Other financial liabilities	(8)	36,811	6,779
Other liabilities	(8)	5,585	6,070
		152,877	107,185
		328,861	**283,878**

Income statement

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

Income statement

	Note	2013 € thou.	2012 € thou.
Sales	(11)	**329,370**	**330,030**
Inventory changes		–698	–5,850
Own work capitalized	(12)	3,134	5,607
Other operating income	(13)	1,901	2,797
Cost of materials	(14)	–176,439	–171,002
Personnel costs	(15)	–99,181	–93,588
Amortization and depreciation	(16)	–8,901	–7,943
Other operating expenses	(17)	–43,677	–42,969
Earnings before interest and taxes (EBIT)		**5,509**	**17,082**
Interest income	(18)	61	175
Interest expenses	(18)	–3,869	–4,520
Other financial expenses	(18)	0	–511
Income before income taxes		**1,701**	**12,226**
Income taxes	(19)	–2,465	–3,398
Consolidated net loss/net income for the year		–764	8,828
Thereof for euromicron AG shareholders		–888	8,568
Thereof for non-controlling interests	(20)	124	260
(Un)diluted earnings per share in €	**(21)**	**–0.12**	**1.29**

Statement of comprehensive income

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

Statement of comprehensive income

	2013 € thou.	2012 € thou.
Consolidated net loss/net income for the year	**–764**	**8,828**
Items to be subsequently carried in profit or loss		
Gain/loss on the valuation of securities	177	286
Currency translation differences	0	0
Items not to be subsequently carried in profit or loss		
Revaluation effects from pensions	–440	–2,231
Other profit/loss (net)	**–263**	**–1,945**
Total profit/loss	**–1,027**	**6,883**
Thereof for euromicron AG shareholders	–1,151	6,623
Thereof for non-controlling interests	124	260

Equity
Statement of changes

of the euromicron Group as of December 31, 2013 (IFRS)

Statement of changes in equity

	Subscribed capital € thou.	Capital reserves € thou.	Contribution made to carry out the adopted capital increase € thou.
December 31, 2011	**17,037**	**88,771**	**0**
Consolidated net income for 2012	**0**	**0**	**0**
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total profit/loss	**0**	**0**	**0**
Transactions with owners			
Dividend for 2011	0	0	0
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
	0	**0**	**0**
December 31, 2012	**17,037**	**88,771**	**0**
Consolidated net loss for 2013	**0**	**0**	**0**
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
Currency translation difference	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total profit/loss	**0**	**0**	**0**
Transactions with owners			
Dividend for 2012	0	0	0
Contributions made to carry out the adopted capital increase	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
	0	**0**	**6,838**
December 31, 2013	**17,037**	**88,771**	**6,838**

Consolidated retained earnings	Gain/loss on 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.
14,037	**−286**	**0**	**119,559**	**483**	**120,042**
8,828	**0**	**0**	**8,828**	**0**	8,828
0	286	0	286	0	286
−2,231	0	0	−2,231	0	−2,231
−2,231	**286**	**0**	**−1,945**	**0**	**−1,945**
6,597	**286**	**0**	**6,883**	**0**	**6,883**
−7,663	0	0	−7,663	0	−7,663
−142	0	0	−142	142	0
−118	0	0	−118	0	−118
0	0	0	0	−100	−100
−7,923	**0**	**0**	**−7,923**	**42**	**−7,881**
12,711	**0**	**0**	**118,519**	**525**	**119,044**
−764	**0**	**0**	**−764**	**0**	**−764**
0	177	0	177	0	177
0	0	0	0	0	0
−440	0	0	−440	0	−440
−440	**177**	**0**	**−263**	**0**	**−263**
−1,204	**177**	**0**	**−1,027**	**0**	**−1,027**
−1,999	0	0	−1,999	0	−1,999
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
−2,123	**0**	**0**	**4,715**	**−133**	**4,582**
9,384	**177**	**0**	**122,207**	**392**	**122,599**

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

Statement of cash flows

Note (22)	2013 € thou.	2012 € thou.
Income before income taxes	1,701	12,226
Net interest income/loss and other financial expenses	3,808	4,856
Depreciation and amortization of noncurrent assets	8,901	7,943
Disposal of assets, net	–18	–100
Allowances for inventories and doubtful accounts	1,074	508
Change in accrued liabilities	–98	–965
Changes in short- and long-term assets and liabilities		
– Inventories	584	1,395
– Trade accounts receivable and gross amount due from customers for contract work	–742	–6,766
– Trade accounts payable	9,275	9,046
– Other operating assets	–3,336	–3,112
– Other operating liabilities	21,770	–12,386
– Income tax paid	–4,066	–2,345
– Income tax received	4,085	98
– Interest paid	–3,561	–3,540
– Interest received	56	100
Net cash provided by operating activities	**39,433**	**6,958**
Proceeds from		
– Retirement of property, plant and equipment	766	100
– Acquired subsidiaries (purchase price payments of €2,463 thousand minus acquired liquid funds of €2,956 thousand. (Conditional) purchase price payments not yet made of €11,989 thousand are not included)	493	0
Payments due to acquisition of		
– Intangible assets	–4,056	–6,629
– Property, plant and equipment	–2,330	–4,204
– Subsidiaries (purchase price payments of €2,663 thousand minus acquired liquid funds of €107 thousand. Purchase price payments not yet made of €2,363 thousand are not included)	0	–2,556
Net cash used in investing activities	**–5,127**	**–13,289**
Dividends paid	–1,999	–7,663
Contribution made to carry out the adopted capital increase (excluding the effect from deferred taxes)	6,728	0
Proceeds from raising of financial loans	23,132	22,358
Cash repayments of financial loans	–28,536	–10,150
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–215	–100
Net cash used in/provided by financing activities	**–890**	**4,445**
Net change in cash and cash equivalents	33,416	–1,886
Cash and cash equivalents at start of period	5,414	7,300
Cash and cash equivalents at end of period	**38,830**	**5,414**

Notes to the IFRS consolidated financial statements for the fiscal year 2013

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

General disclosures

1. Description of business activities

euromicron AG (hereinafter referred to as the “company”) is a registered stock corporation under German law whose shares are traded on the stock market and has its registered offices at Zum Laurenburger Hof 76, 60594 Frankfurt/Main, Germany. Its business activity focuses on network and fiber optics technology. The euromicron Group is a leading national, Europe-oriented system house for communications, security and data networks and boasts production expertise in the field of fiber optics technology. The company offers customers from all sectors a one-stop shop for tailored, vendor-independent network solutions. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on copper, fiber optic and wireless technology. The product portfolio includes active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. The components are used in WANs and LANs for data communication at data centers, and in the field of medical and security technology.

2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315a (1) of the German Commercial Code (HGB), in the valid version at December 31, 2013. All the mandatory standards at the balance sheet date were applied.

In principle, the consolidated financial statements were prepared on the basis of historical acquisition or manufacturing costs, with the exception of re-measurement of the available-for-sale financial assets. The consolidated financial statements of euromicron AG are prepared in euros. Unless otherwise specified, all amounts, including the figures for the previous year(s), are shown in thousand euros (€ thou.). The consolidated income statement has been prepared using the type of expenditure format. The fiscal year is the calendar year.

The balance sheet is presented by noncurrent and current assets and liabilities in accordance with IAS 1. Assets and liabilities are classified as current if they are due within twelve months. Irrespective of when they are due, inventories, trade accounts receivable and trade accounts payable and gross amounts due from and to customers for contract work are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle. The maturities of the assets and liabilities are presented in detail in the notes.

In accordance with IAS 1.32, assets and liabilities and income and expenses are not allowed to be offset unless required or permitted by a standard or an interpretation. Offsetting was carried out in the following circumstances:

- Offsetting of deferred tax assets against deferred tax liabilities if they relate to income tax levied by the same tax authority and there is an entitlement to offsetting of an actual tax refund claim against an actual tax liability.
- Offsetting of pension obligations against the associated plan assets.
- Offsetting of payments on account received that can be directly assigned to production contracts and are covered by services provided by the balance sheet date on the basis of the percentage of completion method.

Preparation of consolidated financial statements in compliance with IFRS requires estimates. In addition, the application of company-wide accounting policies necessitates assessments by management. Areas where there is a large latitude for assessment or greater complexity or areas where assumptions and estimates are crucial to the consolidated financial statements are specified in section 3.

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal 2013:

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 1	Presentation of Financial Statements – Presentation of Individual Items of the Other Profit/Loss (amendment)	July 1, 2012	Yes
IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets (amendment)	January 1, 2013	Yes
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2013	Yes
IFRS 13	Fair Value Measurement	January 1, 2013	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	Yes
AIP	Collection of amendments to various standards for 2011	January 1, 2013	Yes

IAS 1 – Presentation of Financial Statements –
Presentation of Individual Items of the Other Profit/Loss

Under this change, a distinction must be made in the “Other profit/loss” in the statement of comprehensive income between items of the other profit/loss that must be recognized in the income statement in subsequent periods and items that will also not affect profit/loss in future periods. The changes must be applied to fiscal years beginning on or after July 1. 2012. The change has an effect on presentation of the statement of comprehensive income.

IAS 12 – Income Taxes – Deferred Tax: Recovery of Underlying Assets

The IASB published changes to IAS 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets" on December 20, 2010. The change offers a practical solution to the problem of assessing whether the carrying amount of an asset is achieved through use or through sale by introducing a presumption, which can be disproved, that recovery of the carrying amount will normally be through sale. As a result of the amendment, SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" will no longer apply to investment properties carried at fair value. The remaining guidance has been incorporated into IAS 12 and SIC 21 accordingly withdrawn. The changes must be applied to fiscal years beginning on or after January 1. 2013. The amended standard is not currently of relevance to euromicron's consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities

The IASB published changes to IFRS 7 on December 16, 2011. The amendments comprise regulations on disclosures in the notes relating to offsetting financial assets and financial liabilities. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2013. Its first-time application does not have any significant effects on the consolidated financial statements.

IFRS 13 – Fair Value Measurement

The standard provides consistent guidance on measuring fair value across standards, among other things by defining the term and presenting what methods can be used for determining it. It addition, the disclosures on fair value in the notes are expanded. The changes must be applied to fiscal years beginning on or after January 1, 2013. The change has an effect on the disclosures in the notes of euromicron's consolidated financial statements.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

This interpretation deals with questions relating to the recognition and measurement of removal costs that are incurred in surface mining activity during the production phase of a mine. Companies may have to derecognize capitalized assets (stripping assets) through the revenue reserves in the opening balance sheet if these assets cannot be allocated to a separately identifiable part of an inventory produced. The interpretation must be applied to fiscal years beginning on or after January 1, 2013. This interpretation does not have any relevance for the euromicron Group.

Annual Improvement Project (AIP) –
Collection of amendments to various IFRS standards for 2011 ("Improvements to IFRS")
On June 22, 2011, the IASB published improvements to the International Financial Reporting Standards as part of its annual updates intended to streamline international accounting standards and make them more readily comprehensible. Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after January 1. 2013. Their first-time application does not have any significant effects on the consolidated financial statements.

The International Accounting Standards Board (IASB) has newly adopted the following amendment, which was used before it applies in fiscal year 2013:

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 36	Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets (amendment)	January 1, 2014	Yes

IAS 36 – Impairment of Assets:
Recoverable Amounts Disclosures for Non-Financial Assets
IFRS 13 introduced a new regulation in IAS 36, namely the requirement to disclose the recoverable amount of each cash-generating unit (or group of units) to which significant goodwill or significant intangible assets with an unlimited useful life are assigned. However, since the IASB actually intended to demand such a disclosure only for the cash-generating units (or groups of units) for which an impairment or recovery in value was carried in the current period under review, the IASB is now undertaking appropriate correction to the overly excessive disclosures demanded in the notes by IAS 36 with this amendment standard. In addition, the amendment standard introduces new disclosure obligations that have to be made if there is an impairment or recovery in value of an asset or a cash-generating unit and the recoverable amount was determined on the basis of the fair value minus costs of sale. The changes must be applied to fiscal years beginning on or after January 1, 2014. Their first-time application does not have any significant effects on the consolidated financial statements.

The following new or changed accounting regulations of the IASB have recently been adopted. However, since their application is not mandatory or they have not yet been adopted by the European Union, they were not used in the consolidated financial statements as of December 31, 2013:

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 19	Employee Benefits: Defined Benefit Plans: Employee Contributions (amendment)	July 1, 2014	No
IAS 27	Separate Financial Statements	January 1, 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	January 1, 2014	Yes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2014	Yes
IAS 36	Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets (amendment)	January 1, 2014	Yes
IAS 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting (amendment)	January 1, 2014	Yes
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities	–	No
IFRS 9	Financial Instruments: Hedge Accounting	–	No
IFRS 7 und IFRS 9	Mandatory Effective Date and Transition (amendment)	–	No
IFRS 10	Consolidated Financial Statements	January 1, 2014	Yes
IFRS 11	Joint Arrangements	January 1, 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014	Yes
IFRS 10, IFRS 12 und IAS 27	Investment Entities (amendment)	January 1, 2014	Yes
IFRS 10, IFRS 11 und IFRS 12	Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (amendment)	January 1, 2014	Yes
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	No
IFRIC 21	Levies	January 1, 2014	No
AIP	Collection of amendments to various standards, 2010-2012 cycle	July 1, 2014	No
AIP	Collection of amendments to various standards, 2011-2013 cycle	July 1, 2014	No

IAS 19 – Employee Benefits:
Defined Benefit Plans: Employee Contributions

The IASB published an amendment to IAS 19R in November 2013. The amendment includes in the standard an option relating to accounting of defined benefit plans to which employees (or third parties) make obligatory contributions. Taking into account the now published amendment to IAS 19R, it is permissible to carry employee contributions linked to service and not to the number of years of service in the period in which the corresponding service is performed, without following the described method of calculation and distribution using the projected unit credit method. The changes must be applied to fiscal years beginning on or after July 1, 2014. They can be applied before then. Any effects on the consolidated financial statements are still being examined at present.

IAS 27 – Separate Financial Statements

The IASB published the changes to IFRS 27 on May 12, 2011. The aim of the amendments to IAS 27 is to set standards that must be used in accounting for investments in subsidiaries, associated companies and joint ventures if an entity decides (or is required by local regulations) to prepare separate financial statements (or non-consolidated financial statements). The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will have no effects on the consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures

The IASB published the changes to IFRS 28 on May 12, 2011. The amendments comprise subsequent changes from the new IFRS 10, IFRS 11 and IFRS 12 and expand the scope of application of IAS 28 to accounting of joint ventures. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. The amended standard is not currently of relevance to euromicron's consolidated financial statements.

IAS 32 – Financial Instruments:
Offsetting Financial Assets and Financial Liabilities

The IASB published the changes to IFRS 32 on December 16, 2011. The amendments comprise clarifications on the conditions for offsetting financial assets and financial liabilities. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2014. Their first-time application will probably have no significant effects on the consolidated financial statements.

IAS 39 – Financial Instruments:
Novation of Derivatives and Continuation of Hedge Accounting

On June 27, 2013, the IASB added an exemption to IAS 39 to the effect that novation of a derivative from one counterparty to a central counterparty or to a member of a central counterparty does not result in discontinuation of hedge accounting under certain conditions. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

IFRS 9 – Financial Instruments:
Classification and Measurement of Financial Assets and Financial Liabilities

The standard introduces new regulations on classification and measurement of financial assets and liabilities. IFRS 9 is the first standard to be published as part of an extensive project to replace IAS 39. When first carried, financial assets are in future to be categorized as measured at "fair value" or at "amortized cost". This classification is dependent on the company's business model and the contractual terms of the financial asset. The regulations of IAS 39 relating to impairment of financial assets and recognition of hedging relationships still apply. In November 2012, the IASB published a draft of the revised regulations on classification and measurement of financial instruments which introduces a further category for debt instruments in addition to the two existing ones. They are measured at fair value and changes in their value are recognized in equity.

IFRS 9 – Financial Instruments: Hedge Accounting

As part of the third phase of replacing IAS 39 by IFRS 9, the IASB has published an up-to-date version of the standard with a chapter on hedge accounting. Special regulations on accounting of macro hedges are still being handled in a separate project and so are not part of the current publication.

Amendments to IFRS 7 and IFRS 9: Mandatory Effective Date and Transition

The amendment postpones the (now rescinded) date of first-time adoption of IFRS 9 from fiscal years starting on or after January 1, 2013, to fiscal years starting on or after January 1, 2015. The amendment also specifies further obligations relating to disclosures in transitioning from IAS 39 to IFRS 9.

The mandatory date of first-time adoption of IFRS 9 is currently open. It can be applied before then. The new regulations have not yet been adopted in European law. The effects of the already adopted parts of IFRS 9 on the Group are being examined.

IFRS 10 – Consolidated Financial Statements

The standard replaces the previous regulations of IAS 27 and SIC 12 on control and consolidation and introduces a single consolidation model. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

IFRS 11 – Joint Arrangements

The new standard replaces the previous IAS 31 on joint ventures and introduces a change in terminology and classification of companies as joint ventures. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. There has not been any need to apply them at the euromicron Group up to now.

IFRS 12 – Disclosure of Interests in Other Entities

The new standard requires the disclosure of information that enables users of financial statements to evaluate the nature of, risks associated with and financial effects of a company's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities (special-purpose entities). The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. The scope of the disclosures in the consolidated financial statements will increase compared with currently prevailing law.

Amendment to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 27 (Separate Financial Statements – Investment Entities)

As a result of the amendments to IFRS 10, IFRS 12 and IAS 27, what are termed investment entities are exempted from the obligation to include the subsidiaries controlled by them in their consolidated financial statements as part of full consolidation. The amendments to IFRS 12 define new provisions for disclosing investment entities. The new regulations must be applied in fiscal years beginning on or after January 1, 2014. They can be applied before then voluntarily. Their first-time application will probably have no effects on the consolidated financial statements.

Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12

Exemptions are granted in that the adjusted comparative figures to be disclosed are restricted to the comparative period directly preceding first-time application and the requirement to present comparative information for the disclosures related to unconsolidated structured entities has been removed for the first year that IFRS 12 is applied. The changes must be applied to fiscal years beginning on or after January 1, 2014. This amendment must also be applied early if IFRS 10, IFRS 11 and IFRS 12 is applied early. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 14 – Regulatory Deferral Accounts

The standard introduces an optional exemption for first-time adopters in accordance with IFRS 1 with which, subject to restrictive conditions, these companies can continue recognition of regulatory deferral accounts from price regulation on the basis of their existing accounting principles. The changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will have no effects on the consolidated financial statements.

IFRIC 21 – Levies

IFRIC 21 contain regulations on recognition of obligations to pay public charges that are not levies within the meaning of IAS 12. Adoption of the interpretation may result in an obligation to pay levies being carried in the balance sheet at a different time, in particular if the obligation to pay them arises only if certain circumstances exist at a certain time. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Collection of amendments to various IFRS standards for the 2010-2012 cycle ("Improvements to IFRS")

Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after July 1, 2014. They can be applied before then. Their first-time application will probably not have any significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Collection of amendments to various IFRS standards for the 2011-2013 cycle ("Improvements to IFRS")

Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after July 1, 2014. They can be applied before then. Their first-time application will probably not have any significant effects on the consolidated financial statements.

3. Discretionary decisions and uncertainties in estimates

In preparation of the consolidated financial statements, it is necessary to make estimates and assumptions that have an effect on the recognition and measurement method and the level of assets, liabilities and contingent liabilities, as well as the level of expenses and income. The assumptions and estimates are based on the knowledge and data available at the balance sheet date; however, the actual results may differ from the anticipated figures and result in appropriate adjustments to the book values of the assets and liabilities. The assumptions and estimates of relevance to preparation of the consolidated financial statements are constantly reviewed. Predictive estimates and assumptions are essentially made for the following:

- Measurement of goodwill: €113,529 thousand (previous year: €106,369 thousand)

- Measurement of brand name rights with an indefinite period of use: €0 thousand (previous year: €4,061 thousand). We refer to the notes on the consolidated balance sheet (section 1. (a)) with regard to the change in estimates made in the fiscal year pursuant to IAS 8.32 ff., which resulted in limited periods of use of the brand name rights.

- Measurement of capitalized development costs: €10,184 thousand (previous year: €9,701 thousand).
  We refer in this regard to the notes on the consolidated balance sheet (section 1.a)).

- Payment of income taxes (claims for refunds and income tax liabilities netted off): €125 thousand (previous year: €2,257 thousand).
  Claims for refunds and income tax liabilities are based on calculations that include estimates and assumptions. The final amount is not fixed until the tax assessment notices have been issued or the tax audits completed.

- Gross amount due from customers for contract work €63,761 thousand (previous year: €55,960 thousand).
  Application of the percentage of completion method requires in particular estimates of the anticipated total costs and revenue for production contracts. We refer in this regard to the notes on the consolidated balance sheet (section 4) and the notes on the consolidated income statement (section 11).

- Measurement of other accrued liabilities: €4,084 thousand (previous year: €3,219 thousand).
  Measurement of the other accrued liabilities is based in particular on estimates as to their amount, the likelihood of their being utilized and the time they are utilized. We refer in this regard to the notes on the consolidated balance sheet (section 7.a).

- Measurement of provisions for pensions: €947 thousand (previous year: €983 thousand).
  The present value of the pension obligations depends on a large number of factors that are based on actuarial assumptions. We refer in this regard to the notes on the consolidated balance sheet (section 7.b).

- Measurement of deferred taxes (surplus of deferred tax liabilities over deferred tax assets): €6,360 thousand (previous year: €5,803 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

Consolidated companies

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 27 companies to be consolidated. euromicron AG directly or indirectly hold the majority of voting rights in all associated companies and so is able to determine the financial and business policies of these companies in order to obtain benefits from their activity. All the companies are fully consolidated, i.e. not consolidated at-equity, since there are no investments in which euromicron AG holds more than 20%, but less than 50% of the voting rights. Investments below 20% have not been consolidated.

Of the associated companies, 18 (previous year: 16) are based in Germany and 9 (previous year: 7) in other European countries.

An overview of the consolidated companies can be found at the end of this section.

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2013:

	2013	2012
January 1	23	18
First-time consolidation	4	5
December 31	**27**	**23**

2. Acquisition of companies and divisions

In fiscal 2013 there were the following changes in the consolidated companies due to newly founded companies (see section 3) and significant acquisitions of subsidiaries and other business units in accordance with IFRS 3:

Acquired subsidiaries are carried using the purchase method of accounting. The transferred quid pro quos for the acquisition correspond to the fair value of the assets of the issued equity instruments and the debts that were assumed at the time of the transaction. They also include the fair values of any recognized assets or liabilities resulting from a conditional quid-pro-quo agreement. Identifiable assets, liabilities and contingent liabilities as part of a business combination are measured at their fair value at the time of acquisition in first-time consolidation. The positive difference remaining after allowance for deferred taxes is carried as goodwill. If the transferred quid pro quo is less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the income statement.

Non-controlling interests are measured at their share proportionate to the identifiable and re-measured net assets of the subsidiary. Any conditional considerations are measured at fair value at the time of acquisition. Subsequent changes to the fair value of a conditional quid pro quo classified as an asset or liability are measured in accordance with IAS 39 and any resultant profit or loss is recognized either in profit or loss or in the other profit/loss. A conditional quid pro quo classified as equity is not re-measured and its later settlement is recognized in equity.

When the group loses control of a company, the remaining potion is re-measured at fair value and the resultant difference recognized as profit or loss. In additional, all the amounts reported in the other profit/loss in relation to that company are recognized as would be required if the parent company had directly sold the associated assets and liabilities. That means any profit or loss previously carried in the other profit/loss is reclassified from equity to profit/loss.

Acquisition of the business operations of N&T GmbH, Erfurt

Under the notarized agreement, SSM euromicron GmbH acquired the business operations of N&T GmbH, Erfurt, by way of an asset deal. The date of acquisition was July 4, 2013. SSM euromicron GmbH acquired the business operations at a total purchase price of €100 thousand. The goodwill of €45 thousand resulting from the difference between the cash purchase price of €100 thousand and the provisionally measured net assets of €55 thousand is mainly attributable to the well-trained workforce in the field of telephony. We expect tax-deductible goodwill to the same amount. Acquisition of this company incurred incidental costs of €2 thousand, which have been recognized in the income statement under the other operating expenses. The earnings of the division for the period it was a member of the group (July 4 to December 31, 2013) were € –7 thousand, while its sales for this period were €337 thousand. euromicron will enhance its expertise in the field of telephony as a result of the acquisition.

Acquisition of ATECS AG, Zug/Switzerland

Under the notarized share purchase and assignment agreement, euromicron AG acquired 80% of the shares in ATECS AG, Zug/Switzerland. The date of acquisition was December 20, 2013. The agreed cash purchase price was €6,400 thousand. Under the agreement, a further purchase price of €800 thousand must be paid if the cumulated EBIT of ATECS AG and Secure Information Management GmbH exceed a firmly agreed amount in fiscal 2014. A further purchase price payment of €800 thousand must be paid if the cumulated EBIT of these two companies also exceeds the agreed amount in 2015. The liability from the conditional purchase price payment, which was assessed on the basis of the probability of the conditions occurring and discounted to the present value, was €1,594 thousand at December 31, 2013.

As part of acquisition of the 80% stake, the minority shareholders also obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them; this can be exercised for a minority interest of 10% in the period from October 1 to December 31, 2014 (in each case effective January 1, 2015) and for a further minority interest of 10% in the period from October 1 to December 31, 2015 (in each case effective January 1, 2016). The option involves a firmly agreed purchase price of in each case €800 thousand for a 10% minority interest. As a result of this put/call option, ATECS AG was fully consolidated. The long-term component of the option was discounted to the present value of €797 thousand.

The goodwill of €5,836 thousand resulting from the difference between the quid pro quo of €9,591 thousand and the provisionally measured net assets of €3,755 thousand is mainly attributable to the well-trained workforce and future synergy effects in the area of production. Acquisition of ATECS AG incurred ancillary costs of €167 thousand, which have been recognized under “Other operating expenses”. The earnings of ATECS AG for the period it was a member of the group – December 20 to December 31, 2013 – were €278 thousand and its sales in this period were €1,015 thousand. By acquiring ATECS AG and SIM GmbH, we will expand the know-how base of our production operations to include expertise in the field of highly professional video and security technology for special applications and markets and also take a further step toward internationalization of our Group.

Acquisition of Secure Information Management GmbH, Neustadt a. d. W.

Under the notarized share purchase and assignment agreement, euromicron AG acquired 80% of the shares in Secure Information Management GmbH, Neustadt a. d. W. (hereinafter referred to as SIM GmbH). The date of acquisition was December 20, 2013. The agreed cash purchase price was €1,600 thousand. Under the agreement, a further purchase price of €200 thousand must be paid if the cumulated EBIT of ATECS AG and SIM GmbH exceed a firmly agreed amount in fiscal 2014. A further purchase price payment of €200 thousand must be paid if the cumulated EBIT of these two companies also exceeds the agreed amount in 2015. The liability from the conditional purchase price payment, which was assessed on the basis of the probability of the conditions occurring and discounted to the present value, was €399 thousand at December 31, 2013.

As part of acquisition of the 80% stake, the minority shareholders also obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them; this can be exercised for a minority interest of 10% in the period from October 1 to December 31, 2014 (in each case effective January 1, 2015) and for a further minority interest of 10% in the period from October 1 to December 31, 2015 (in each case effective January 1, 2016). The option involves a firmly agreed purchase price of in each case €200 thousand for a 10% minority interest. As a result of this put/call option, SIM GmbH was fully consolidated. The long-term component of the option was discounted to the present value of €199 thousand.

The goodwill of €1,279 thousand resulting from the difference between the quid pro quo of €2,398 thousand and the provisionally measured net assets of €1,119 thousand is mainly attributable to the well-trained workforce and future synergy effects in the area of production. Acquisition of SIM GmbH incurred ancillary costs of €43 thousand, which have been recognized under “Other operating expenses”. The earnings of SIM GmbH for the period it was a member of the group – December 20 to December 31, 2013 – were €69 thousand and its sales in this period were €279 thousand. By acquiring SIM GmbH and ATECS AG, we will expand the know-how base of our production operations to include expertise in the field of highly professional video and security technology for special applications and markets and also take a further step toward internationalization of our Group.

Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated consolidated sales were €342.7 million. Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated earnings for the period were €0.8 million.

The book values directly before the combination and the effects from re-measurement (fair value) of the assets and liabilities included in the consolidated balance sheet for the first time and the resultant goodwill are shown in the following tables. Consequently, pro-rata figures for the additions from company acquisitions are no longer explained separately in the detailed disclosures on balance sheet items. The net assets acquired in fiscal year 2013, including adjustments to assets and liabilities in accordance with IFRS 3, are shown below:

N&T

	Book values at the time of acquisition € thou.	**Re-measurement of assets** € thou.	**Fair values at first-time consolidation** € thou.
Noncurrent assets			
Intangible assets	0	16	16
Property, plant and equipment	6	0	6
Financial assets	1	0	1
	7	16	23
Current assets			
Inventories	27	1	28
Trade accounts receivable	34	0	34
Other assets	5	0	5
Cash and cash equivalents	10	0	10
	76	1	77
Acquired assets	**83**	**17**	**100**
Long-term debt			
Other provisions	17	0	17
	17	**0**	**17**
Current liabilities			
Trade accounts payable	9	0	9
Other current liabilities	19	0	19
	28	0	28
Acquired liabilities	**45**	**0**	**45**
Balance of acquired assets and liabilities = equity at the time of acquisition	**38**	**17**	**55**
Quid pro quo rendered			100
Goodwill			**45**

ATECS

	Book values at the time of acquisition € thou.	Re-measurement of assets € thou.	Fair values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	0	2,943	2,943
Property, plant and equipment	25	0	25
	25	2,943	2,968
Current assets			
Inventories	1,077	0	1,077
Trade accounts receivable [1]	861	0	861
Receivables from affiliated companies	165	0	165
Other assets	421	0	421
Cash and cash equivalents	2,804	0	2,804
Prepayments and accrued income	1	0	1
	5,329	0	5,329
Acquired assets	**5,354**	**2,943**	**8,297**
Long-term debt			
Other provisions	2	0	2
Deferred tax liabilities	0	250	250
	2	250	252
Current liabilities			
Accrued liabilities	120	0	120
Trade accounts payable	1,337	0	1,337
Liabilities to affiliated companies	3	0	3
Payments on account	249	0	249
Tax liabilities	254	0	254
Personnel obligations	26	0	26
Other current liabilities	2,301	0	2,301
	4,290	0	4,290
Acquired liabilities	**4,292**	**250**	**4,542**
Balance of acquired assets and liabilities = equity at the time of acquisition	**1,062**	**2,693**	**3,755**
Quid pro quo rendered			9,591
Goodwill			**5,836**

[1] The book value of the gross receivables is €954 thousand.

SIM

	Book values at the time of acquisition € thou.	Re-measurement of assets € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	0	1,025	1,025
Property, plant and equipment	141	0	141
	141	1,025	1,166
Current assets			
Inventories	558	0	558
Trade accounts receivable	368	0	368
Receivables from affiliated companies	3	0	3
Other assets	213	0	213
Cash and cash equivalents	142	0	142
Prepayments and accrued income	7	0	7
	1,291	0	1,291
Acquired assets	**1,432**	**1,025**	**2,457**
Long-term debt			
Other provisions	2	0	2
Liabilities to banks	46	0	46
Deferred tax liabilities	1	306	307
	49	306	355
Current liabilities			
Other provisions	15	0	15
Trade accounts payable	413	0	413
Liabilities to affiliated companies	165	0	165
Liabilities to banks	11	0	11
Payments on account	107	0	107
Tax liabilities	143	0	143
Personnel obligations	117	0	117
Other current liabilities	12	0	12
	983	0	983
Acquired liabilities	**1,032**	**306**	**1,338**
Balance of acquired assets and liabilities = equity at the time of acquisition	**400**	**719**	**1,119**
Quid pro quo rendered			2,398
Goodwill			**1,279**

3. Foundation of new companies

Under the company agreement dated December 14, 2012, euromicron AG founded euromicron networks GmbH, Frankfurt/Main, as the sole shareholder with subscribed capital of €25 thousand. The subscribed capital was paid in on January 16, 2013 and euromicron networks GmbH was entered in the commercial register on January 21, 2013. euromicron networks acts as a service company in system house business and, among other things, assumes functions in the area of central purchasing.

Under the company agreement dated June 19, 2013, MICROSENS GmbH & Co. KG, Hamm, a subsidiary of euromicron AG, founded MICROSENS Sp.z.o.o., Wroclaw/Poland, as sole shareholder with subscribed capital of PLN 25 thousand. The company was entered in the state court register on June 17, 2013. MICROSENS Sp.z.o.o. began operating effective January 1, 2014, and strengthens the production operations in the euromicron Group in the field of sales and made-to-order development.

4. Disclosures on company acquisitions from previous years

As part of the acquisition of 80% of the shares in MICROSENS GmbH & Co. KG, Hamm, the minority shareholders obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them. The option comprises a fixed purchase price and a conditional purchase price component. euromicron AG exercised its option to acquire 10% of the shares in fiscal 2012. Following an extension in fiscal 2012, the option on the remaining 10% of the shares can be exercised no earlier than January 1 and no later than December 31, 2014. As a result of the mutual put/call options, this company is fully consolidated.

The present value of the purchase price liability (fixed purchase price plus the conditional purchase price component) is €983 thousand at December 31, 2013, and is carried under the financial liabilities. As a result of interest accrued on the purchase price liability, there were interest expenses of €20 thousand in fiscal 2013.

With the notarized agreement dated August 12, 2011, MICROSENS GmbH & Co. KG, a subsidiary of euromicron AG, acquired the business operations of TeraMile GmbH via an asset deal. The total purchase price of €1,298 thousand was determined allowing for possible subsequent purchase price adjustments on the basis of contractually agreed criteria. According to the contractual arrangements, the purchase price must be increased by up to €900 thousand if a set cumulated EBIT is exceeded in the years 2011 to 2013. The liability from the conditional purchase price payment, which was assessed on the basis of the probability of the conditions occurring and discounted to the present value, was €727 thousand.

There was no conditional purchase price payment due to the company's earnings in fiscal 2013. This purchase price liability at December 31, 2012, was €384 thousand. Consequently, there was income from derecognition of the accrued liability of €390 thousand, which is carried under the other operating income.

List of companies included in the consolidated financial statements

	Share in capital (%)
Parent company	
of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, Germany	
Consolidated subsidiaries	
a) North segment	
euromicron systems GmbH – ein Unternehmen der euromicron Gruppe – Essen, Germany	100.00
EUROMICRON Werkzeuge GmbH – ein Unternehmen der euromicron Gruppe – Sinn-Fleisbach, Germany	100.00
euromicron international services GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
MICROSENS GmbH & Co. KG [1], Hamm, Germany	90.00
MICROSENS Sp.z.o.o. [1], Wroclaw/Poland	90.00
Microsens Beteiligungs GmbH [1], Hamm, Germany	90.00
SSM euromicron GmbH – ein Unternehmen der euromicron Gruppe – Zwenkau, Germany	100.00
Stark- und Schwachstrommontage GmbH Hamburg, Germany	100.00
b) South segment	
ELABO GmbH – ein Unternehmen der euromicron Gruppe – Crailsheim, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00
euromicron solutions GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe – Spiesen-Elversberg, Germany	100.00
WCS Fiber Optic B.V., Amersfoort, Netherlands	100.00
euromicron benelux S.A., Ellange, Luxembourg	100.00
Qubix distribution GmbH, Seekirchen, Austria	100.00
ATECS AG [2], Zug/Switzerland	80.00
Secure Information Management GmbH [2], Neustadt a. d. W., Germany	80.00
euromicron networks GmbH, Frankfurt/Main, Germany	100.00
c) WAN services segment	
telent GmbH – ein Unternehmen der euromicron Gruppe – Backnang, Germany	100.00
RSR Datacom GmbH & Co. KG Essen, Germany	100.00
RSR Datacom Verwaltungs GmbH Essen, Germany	100.00
ProCom Professional Communication & Service GmbH Essen, Germany	100.00

[1] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 10% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

[2] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 20% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

5. Consolidation principles

The financial statements of euromicron AG and its German and foreign subsidiaries included in the consolidated financial statements have been prepared in accordance with group-wide reporting and measurement methods in compliance with IAS 27.

Business combinations in accordance with IFRS 3 are carried using the purchase method of accounting, under which the acquired assets, liabilities and contingent liabilities must be recognized at fair value in first-time consolidation. The transferred quid pro quo is offset with the pro-rata equity of the purchased company at the time the stake was acquired. Any resulting difference on the asset side is carried as goodwill under “Intangible assets” and the causes of it analyzed as part of purchase price allocation. If it is due to the fact that dormant reserves or dormant charges have to be distributed over the individual assets and liabilities, the difference – after allowing for deferred taxes – is assigned to the items in the consolidated balance sheet as a result of appropriate corrections. Existing and acquired goodwill is tested for impairment every year and written down if necessary in accordance with IAS 36. Negative goodwill from company acquisitions is immediately recognized in the income statement. Incidental costs as part of company acquisitions are recognized as an expense in the current period and mainly carried as consulting costs under “Other operating expenses”.

Receivables and payables between the companies included in the consolidated financial statements are offset against each other; any differences are recognized in the income statement under “Other operating income” or “Other operating expenses” respectively. If valuation adjustments for shares of consolidated companies or intragroup receivables are carried in individual financial statements, they are reversed as part of consolidation.

Intragroup sales, material expenses, other operating expenses and income and interest are eliminated in the consolidated financial statements. Deferred taxes are formed for transactions recognized in profit or loss as part of consolidation.

The Group dispenses with the elimination of intercompany profits in inventories and noncurrent assets since the resultant amounts are of minor importance.

Notes on the consolidated balance sheet

1. Fixed assets

A complete overview of all long-lived assets is provided in the fixed asset movement schedule under 1.b) "Property, plant and equipment" of these notes.

Long-lived assets are tested for impairment if, due to events or changes in circumstances, there are indications that the book value of the objects can no longer be recovered. As part of the impairment test, assets are grouped at the lowest level for which cash flows can be separately identified (CGU). The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value of the asset is the price that would be obtained for the asset on the measurement date in an orderly business transaction between market participants.

Value in use is the present value of the estimated future cash flow expected to be derived from continued use of an asset and its retirement at the end of its useful life. If the reasons for the value impairments in earlier reporting periods no longer exist, the assets – with the exception of goodwill – are written up again. euromicron does not have any noncurrent assets held for sale.

a) Intangible assets

Intangible assets comprise software, licenses, brand names, industrial rights, goodwill, customer relationships as well as capitalized development costs. Purchased intangible assets, with the exception of goodwill, are capitalized at their cost of acquisition and written down over their useful life of 3 to 25 years (certain brand name rights). Allowances for impairment are made in order to carry intangible assets at the lower recoverable amount on the balance sheet date.

The consolidated financial statements at December 31, 2012, carried brand name rights with an indefinite period of use totaling €4,061 thousand resulting from measurement in previous years as part of the purchase price allocation of newly acquired companies or directly from the single-entity financial statements of Group companies. The annual impairment test carried out at the start of the fourth quarter of 2013 did not reveal any need to write down the brand name rights. In connection with the impairment test, the useful lives of the brand name rights were reassessed at the beginning of the fourth quarter of 2013. Whereas an indefinite useful life had previously been assumed, market circumstances meant that the reassessment came to the conclusion that the useful life for these brand name rights is also limited (change in estimate in accordance with IAS 8.32 et seq.). The brand name rights were therefore written down over their remaining useful life, which is between 15 and 25 years, starting from October 1, 2013. This resulted in amortization of €44 thousand in fiscal year 2013.

In accordance with IFRS 3, goodwill from business combinations is not written off using the regular method of depreciation, but examined for impairment at least once a year in accordance with the regulations of IAS 36 (impairment test). euromicron tests goodwill for impairment every year in the fourth quarter of the reporting period after completion of its medium-term planning (five years) or if there are indications or circumstances (triggering events) that suggest its value may be impaired.

Due to the fact that the Group's business performance was below expectations in the fourth quarter of 2013, a further impairment test of the goodwill was carried out effective December 31, 2013, in addition to the scheduled annual impairment test at the beginning of the fourth quarter of 2013. In this connection, all the parameters of relevance in measurement were reviewed and, if necessary, adjusted to circumstances at the balance sheet date.

In the impairment test, the carrying amount of each cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. The recoverable amount is the higher of fair value less costs to sell and value in use of a CGU. The value in use is applied for purposes of the impairment test. The value in use is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC).

In line with our philosophy of a "system house with production expertise", the market is mainly accessed via the local branch office structure of the system houses. Accordingly, the euromicron Group is controlled by the Executive Board on the basis of regions. Consequently, as in the previous years, the business activities are pooled in the North and South segments and, for supra-regional activities, in the WAN services segment. The CGUS System Houses and Production Companies have developed within the North and South segments; the Distributors are also integrated in the South segment alongside the System Houses and Production Companies, whereas the WAN services segment acts as an integrated CGU.

The cash flow forecasts are based on medium-term planning for the financial position, net assets and results of operations; this planning, which is adopted by the Group's management, has a horizon of five years. The planning figures are updated for subsequent years using constant growth rates. In principle, the planning is created in detail as a bottom-up, top-down approach using the counterflow procedure, with management incorporating its experience from the past and medium-term expectations on the basis of estimates of market volumes, market shares and cost and price trends.

The detailed near-term sales planning is geared to the sales pipeline and the analyzed potentials for new and existing customers. In its multi-year approach, management is essentially oriented toward the potentials and anticipated individual developments of the addressed markets and the strategic measures and focuses geared toward them. The anticipated effects of measures by government and public authorities in the field of infrastructure are also taken into account if they can be adequately foreseen. The variable costs mainly change in line with the anticipated development of sale volumes, purchase prices and the expected success of the integration measures initiated to optimize cost structures. It is usually assumed that the contribution margin relative to sales will remain largely stable. Higher sales volumes result in an improvement in the operating margin, if economies of scale and knock-on effects can be expected in the value-added process. In principle, the initiated cost-cutting, efficiency and integration programs are planned conservatively and assuming that savings will have a positive impact on the operating margin down the road.

The planning envisages that the CGU System Houses North will post slight sales growth and a comparable EBIT margin to 2013. The medium-term planning for the years 2015 to 2018 is based on annual sales growth between 5% and 6% coupled with a moderate increase in profitability.

Following the postponement in call-off orders in the fourth quarter of 2013, the CGU Production Companies North is expected to grow sales to the level of 2011 again in 2014; sales growth of around 6% is expected for subsequent years. The EBIT margin for 2014 is budgeted to be at around the level of 2012 and increase slightly in subsequent years; however, this was again based on conservative planning assumptions in view of the competitive pressure in individual market segments.

Planning for the CGU System Houses South for 2014 is impacted by continuation of the integration and restructuring measures. Sales in 2014 are to be increased by around 5% as a result of selective sales and marketing activities, whereas EBIT in 2014 is budgeted as being around the same level due to the anticipated costs of the integration measures. Sales growth in 2015 is expected to be slightly above the level of 2012 and between 4% to 6% for 2016 to 2018. The quality of earnings for the system houses will move towards the target EBIT margin of just over 6% in the medium term when the integration and restructuring phase is completed.

The planning for the CGU Production Companies South for 2014 envisages positive effects on sales and earnings, in particular from projects for which orders have already been received. Moreover, the impact of new products will enable further sales growth. Sales growth of around 12% is anticipated in 2014 and between 6% and 9% for subsequent years. As regards profitability, it is anticipated that the EBIT margin of 2011 will be achieved again in the medium term thanks to the extensive cost-cutting and efficiency program that is already underway. Further growth effects are expected from the acquisitions of Secure Information Management GmbH and ATECS AG in December 2013.

In the WAN services segment, the planning for 2014 assumes stable development of the market, which is why sales and earnings for 2014 are expected to be around the level of 2013. Sales growth of around 9% is expected for 2015 and 2016 as a result of the planned development of new business segments and is budgeted to be just over 3% per annum again as of 2017. Profitability as measured by the EBIT margin is assessed as being largely stable.

In particular, estimates by management of how the markets, market share and prices will develop are subject to some uncertainty. It is ensured that no effects from future restructuring measures or expansion investments are included in the forecast calculations.

The need for value impairments is determined in accordance with the assignment of goodwill and the trade name rights at the level of the CGU.

Business risks are taken into account as far as they are known at the time planning was created and reduce the derived free cash flow. Accordingly, the following parameters were applied in the impairment test at December 31, 2013, for all CGUs:

	2013	2012
Borrowing rate after taxes	3.15%	3.38%
Risk-free interest	2.58%	2.14%
Markup for return on equity	5.30%	6.44%
Beta factor	0.82	0.99
Ratio of outside capital to equity	64.67%	62.53%
Weighted average cost of capital (WACC)	6.02%	6.58%
Growth rate	1.00%	1.00%
WACC perpetuity	5.02%	5.58%

The pre-tax WACC (perpetuity) used as basis for the impairment test carried out effective December 31, 2013, was 8.01% (previous year: 8.82%).

The goodwill impairment test at December 31, 2013, did not reveal any need to reduce the value of the goodwill of individual CGUs.

As part of a sensitivity analysis, changes to the parameters were simulated stepwise in a model calculation until a need to reduce the value for a CGU was arrived at. If the weighted average cost of capital (WACC) were to rise by 1.10 percentage points (previous year: 2.71 percentage points) to 7.12% (previous year: 9.29%), there would be a need for a value impairment of €97 thousand (previous year: €60 thousand) at one CGU.

Goodwill developed as follows in the fiscal year:

Goodwill

	2013 € thou.	2012 € thou.
Goodwill at January 1	106,369	103,626
Additions	7,160	2,843
Disposals	0	–100
Goodwill at December 31	**113,529**	**106,369**

For details of the gross values and cumulated goodwill impairments, please refer to the fixed asset movement schedule. For purposes of the impairment test, the goodwill is split over the following CGUs:

CGU

	2013 Goodwill € thou.	2012 Goodwill € thou.
CGU 1 System Houses North	18,616	18,571
CGU 2 Production Companies North	19,136	19,136
CGU 3 System Houses South	35,330	35,330
CGU 4 2 Production Companies South	12,653	5,538
CGU 5 Distributors South	5,688	5,688
CGU 6 WAN services	22,106	22,106
	113,529	**106,369**

The goodwill additions/disposals are as follows:

Goodwill additions/disposals

	2013 Goodwill € thou.
N&T GmbH, Erfurt	45
ATECS AG, Zug/Switzerland	5,836
Secure Information Management GmbH, Neustadt a.d.W.	1,279
	7,160

The change in goodwill results solely from additions in connection with the company acquisitions in fiscal 2013.

In accordance with IFRS 3, acquired identified assets, liabilities and contingent liabilities are measured at their fair value at the time of the company acquisition.

The purchase price allocation of the companies/divisions acquired in the current fiscal year is still provisional at the reporting date since definitive examinations in relation to assets, liabilities and legal matters must still be made. The calculated difference is carried as provisional goodwill.

The write-offs on purchased intangible assets in the year under review total €67 thousand (previous year: €0 thousand).

In accordance with IAS 38, development costs are carried at acquisition and manufacturing cost, provided the expenses can be clearly assigned, technical feasibility is ensured, there is the intent and ability to create and sell the intangible assets, and marketing of products based on development work is likely to result in future inflows of funds. In the year under review, development costs for self-created intangible assets of €2,738 thousand were capitalized (previous year: €4,522 thousand) and written down using the straight line method on the basis of the product cycles (3 to 8 years). Depreciation/amortization expense is reported in the depreciation/amortization in the income statement. In addition, own work for self-created software and IT solutions was capitalized to an amount of €332 thousand (previous year: €822 thousand) in the year under review. Capitalized development costs and own work for self-created software and IT solutions include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs. If a triggering event occurs, the value of the capitalized development costs is examined in an impairment test using the DCF method, with similar product categories being grouped into cash generating units and the same assumptions as in the goodwill impairment test being used.

In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23. Research expenditure – where incurred – is posted as an expense, but is not a material factor at the euromicron Group.

b) Property, plant and equipment

Property, plant and equipment is measured at its acquisition or manufacturing cost less cumulated depreciation. The manufacturing cost of capitalized, self-created property, plant and equipment contains the cost of direct materials and prime costs, as well as attributable overhead costs, and resulted in own work capitalized of €64 thousand in fiscal 2013 (previous year: €263 thousand).

Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives:

Property, plant and equipment

	Useful life in years
Buildings	10 – 40
Technical equipment and machinery	3 – 15
Other equipment, operating and office equipment	3 – 16

Allowances for impairment are made in order to carry property, plant and equipment at the lower recoverable amount on the balance sheet date. There were no write-offs in the past fiscal year. Financing costs are capitalized in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets for which borrowing costs can be directly attributed to the acquisition or production of a qualifying asset and for which a considerable period of usually more than twelve months is required to put them into a usable state. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23. Expenses for maintenance and repairs that are not significant replacement investments are recognized in the income statement in the current reporting period. In accordance with IAS 16.74, at the balance sheet date there are no restrictions on title to, nor any contractual commitments to acquire property, plant and equipment. In addition, no property, plant or equipment has been attached and there were no compensation payments to third parties due to value impairments in or loss of property, plant or equipment.

Group fixed-asset movement schedule 2013

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2013

	Acquisition costs					
	Jan. 1, 2013 € thou.	Additions € thou.	Disposals € thou.	Additions from first-time consolidation € thou.	Reclassification and other € thou.	Dec. 31, 2013 € thou.
Goodwill	113,940	0	0	7,160	0	121,100
Intangible assets						
Concessions, industrial and similar rights	37,819	1,318	185	3,985	44	42,981
Capitalized development costs	15,345	2,738	154	0	–44	17,885
	53,164	4,056	339	3,985	0	60,866
Property, plant and equipment						
Land and buildings	8,331	144	1,118	0	0	7,357
Technical equipment and machinery	8,348	265	134	0	107	8,586
Other equipment, operating and office equipment	21,550	1,921	560	171	–107	22,975
	38,229	2,330	1,812	171	0	38,918
	205,333	**6,386**	**2,151**	**11,316**	**0**	**220,884**

	Amortization and depreciation						Book values	
	Jan. 1, 2013 € thou.	Additions € thou.	Disposals € thou.	Reversal of write-downs € thou.	Reclassification and other € thou.	Dec. 31, 2013 € thou.	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
	−7,571	0	0	0	0	−7,571	113,529	106,369
	−26,489	−3,160	185	0	8	−29,456	13,525	11,330
	−5,644	−2,203	154	0	−8	−7,701	10,184	9,701
	−32,133	−5,363	339	0	0	−37,157	23,709	21,031
	−3,511	−229	490	0	0	−3,250	4,107	4,820
	−4,366	−701	124	0	−107	−5,050	3,536	3,982
	−14,097	−2,608	451	0	107	−16,147	6,828	7,453
	−21,974	−3,538	1,065	0	0	−24,447	14,471	16,255
	−61,678	**−8,901**	**1,404**	**0**	**0**	**−69,175**	**151,709**	**143,655**

Group fixed-asset movement schedule 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2012

	Acquisition costs					
	Jan. 1, 2012 € thou.	Additions € thou.	Disposals € thou.	Additions from first-time consolidation € thou.	Reclassification and other € thou.	Dec. 31, 2012 € thou.
Goodwill	111,197	0	100	2,843	0	113,940
Intangible assets						
Concessions, industrial and similar rights	34,939	2,107	0	780	–7	37,819
Capitalized development costs	10,820	4,522	120	0	123	15,345
	45,759	6,629	120	780	116	53,164
Property, plant and equipment						
Land and buildings	8,342	55	68	2	0	8,331
Technical equipment and machinery	7,012	1,336	0	0	0	8,348
Other equipment, operating and office equipment	18,625	2,813	0	228	–116	21,550
	33,979	4,204	68	230	–116	38,229
	190,935	**10,833**	**288**	**3,853**	**0**	**205,333**

	Amortization and depreciation						Book values	
	Jan. 1, 2012 € thou.	Additions € thou.	Disposals € thou.	Reversal of write-downs € thou.	Reclassification and other € thou.	Dec. 31, 2012 € thou.	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
	−7,571	0	0	0	0	−7,571	106,369	103,626
	−23,293	−3,196	0	0	0	−26,489	11,330	11,646
	−4,209	−1,555	120	0	0	−5,644	9,701	6,611
	−27,502	−4,751	120	0	0	−32,133	21,031	18,257
	−3,382	−197	68	0	0	−3,511	4,820	4,960
	−3,876	−490	0	0	0	−4,366	3,982	3,136
	−11,592	−2,505	0	0	0	−14,097	7,453	7,033
	−18,850	−3,192	68	0	0	−21,974	16,255	15,129
	−53,923	**−7,943**	**188**	**0**	**0**	**−61,678**	**143,655**	**137,012**

If, in accordance with IAS 17, the lessee bears the main risks and opportunities, economic ownership is ascribed to the lessee (“finance lease”). At the time of addition, leased objects are carried in the fixed assets at the lower of its fair value or the present value of the minimum lease payments. Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The corresponding liability to the lessor is carried under “Liabilities from finance lease” in accordance with IAS 17. Leased equipment (€1,970 thousand) and operating and office equipment (€747 thousand) were carried as finance leases with a net book value of €2,717 thousand at December 31, 2013 (previous year: €3,134 thousand). Finance leases are used to fund assets with a useful life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group. There was no subleasing at the euromicron Group.

Dec. 31, 2013

		Due in		
	Total	Up to 1 year	More than 1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	2,176	506	1,597	73
Interest	229	85	142	2
Minimum lease payment	2,405	591	1,739	75

Dec. 31, 2012

		Due in		
	Total	Up to 1 year	More than 1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	2,757	599	1,844	314
Interest	326	107	208	11
Minimum lease payment	3,083	706	2,052	325

All other lease agreements in which companies of the euromicron Group are the lessee are recognized as operating leases. The leasing payments are charged to expenditure. There are no restrictions (“covenants”) pursuant to leasing agreements.

c) Other assets (noncurrent)

Other financial assets (noncurrent)

Financial assets are classified at the euromicron Group in the categories "Loans and Receivables" and "Available-for-Sale".

There were no derivatives that have been qualified as hedges as part of a hedging relationship as of December 31, 2013.

Non-derivative financial assets that cannot be assigned to the categories "Loans and Receivables" are assigned to the category "Available-for-Sale".

Other financial assets (noncurrent)

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Other financial assets (noncurrent)	960	718

The other financial assets (noncurrent) essentially comprise to an amount of €849 thousand (previous year: €672 thousand) shares in the listed company SecureAlert Inc., Utah, USA, which euromicron AG acquired in 2009. The stake held in its capital stock on the balance sheet date was 0.64% (previous year: 1.60%). The investment in SecureAlert Inc. is classified as a financial asset under the category "Available-for-Sale" and is carried at fair value. It was first measured at fair value on the day of trading. In principle, the effects from subsequent measurement at fair value are taken directly to equity and carried under "other comprehensive income", provided there is no lasting impairment. A lasting impairment is assumed if the price falls significantly. In fiscal 2012, the value of the shares fell further, with the result that a lasting impairment to their value was assumed. Cumulated write-downs taken directly to equity and carried in the other comprehensive income at December 31, 2011 (€257 thousand) were recognized in the income statement in fiscal 2012 along with the amount that needed to be written off in the previous year (€4 thousand). In fiscal 2013, the fair value of the shares increased again by €177 thousand; the effect from the recovery in value was taken directly to equity and carried in the other comprehensive income. We also refer in this regard to section 6d.) "Gain/loss on the valuation of securities". Given acquisition costs of €934 thousand, the book value of the shares on the balance sheet date was thus €849 thousand (previous year: €672 thousand).

Other noncurrent assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Other noncurrent assets	105	197

The other noncurrent assets include the corporation income tax credit balance in accordance with Section 37 (4) KStG (German Corporation Tax Act).

2. Deferred tax assets

Deferred taxes are formed on temporary differences in carrying values between the consolidated balance sheet and tax balance sheet and on loss carryforwards using the liabilities method in accordance with IAS 12.

In this, deferred taxes at the level of the individual companies and consolidated entities are taken into account. Deferred tax claims are recognized to the extent that is it probable that there will be a taxable result in future. The tax rates that are enacted or can be expected to be enacted on the balance sheet at the time of realization are used to calculate deferred taxes. In general, deferred taxes are carried in the noncurrent balance sheet items.

Deferred tax assets are calculated on the basis of measurement differences in the following balance sheet items:

Deferred tax assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Intangible assets	994	1,695
Inventories	32,485	26,713
Other receivables and other assets	15	45
Accrued liabilities	1,388	1,549
Liabilities from finance lease	536	690
Other liabilities	1,442	1,602
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	3,995	3,020
Total deferred tax assets before netting off	**40,855**	**35,314**
Netting off	**−38,556**	**−33,381**
Total deferred tax assets after netting off	**2,299**	**1,933**

There are long-term deferred taxes (before netting off) of €8,130 thousand (previous year: €8,332 thousand) resulting mainly from the intangible assets, long-term accrued liabilities, loss carryforwards, long-term liabilities from finance leases and the other liabilities.

Deferred tax assets were netted off against deferred tax liabilities if they relate to income tax levied by the same tax authority and there is an entitlement to offsetting of an actual tax refund claim against an actual tax liability.

As of December 31, 2013, the Group had corporation income tax loss carryforwards totaling €23,713 thousand (previous year: €15,429 thousand), trade tax loss carryforwards totaling €11,659 thousand (previous year: €2,922 thousand) and loss carryforwards for income taxes abroad totaling €20,243 thousand (previous year: €18,189 thousand). The loss carryforwards relate to six domestic holdings and euromicron AG and seven foreign holdings. These losses may be carried forward without restriction in accordance with the current legal position. The deferred tax rates are 15.825% if only corporation income tax (including solidarity surcharge) is incurred and around 30.0% if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25.0% in Austria and 25.5% in the Netherlands.

There were surplus deferred tax assets of €2,299 thousand (previous year: €1,440 thousand) after netting off from nine (previous year: three) subsidiaries that made a loss in fiscal 2013 or the previous year. The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €30,986 thousand (previous year: €18,103 thousand) Of this, €12,446 thousand (previous year: €1,071 thousand) were for Germany and €18,540 thousand (previous year: €17,032 thousand) for abroad.

The Executive Board is of the view that it is highly probable that the deferred tax assets can be realized. In accordance with IAS 1.122, this discretionary decision by the Executive Board as regards the accounting method has a significant impact on the financial statements and may be subject to change, depending on future developments.

3. Inventories

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date in accordance with IAS 2.9. The net realizable value is the estimated selling price in the ordinary course of business, less the variable costs necessary to make the sale. The first in, first out method is used at the euromicron Group to measure inventories. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Inventories

	Dec. 31, 2013 € thou.	**Dec. 31, 2012** € thou.
Raw materials and supplies	10,454	11,260
Work in progress	1,966	2,288
Finished goods and merchandise	14,752	13,785
Prepayments	789	167
	27,961	**27,500**

In accordance with IAS 2.34, there were write-downs on inventories totaling €618 thousand in the fiscal year (previous year: €337 thousand); as in the previous year, there were no reversals in the period under review.

4. Receivables and other assets

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and Receivables". As in the previous year, all trade accounts receivable at December 31, 2013, were short-term. The book values are approximations of the fair value. When first carried, they are measured at fair value plus any transaction costs. They are subsequently measured at depreciated acquisition costs. If there are indications that receivables cannot be recovered, an appropriate allowance is recognized.

The receivables and other assets are composed as follows:

Receivables and other assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Trade accounts receivable (gross)	35,867	42,158
Allowances for doubtful accounts	–1,274	–1,352
Trade accounts receivable (net)	34,593	40,806
Gross amount due from customers for contract work	63,761	55,960
Claims for income tax refunds	4,467	4,107
Other financial assets (current)	2,217	228
Other current assets	1,959	3,360
	106,997	**104,461**

The allowances for doubtful accounts comprise individual adjustments for receivables; expenses from transfer to the allowances are carried under the item "Other operating expenses" in the income statement.

There were the following changes in the allowances for trade accounts receivable:

Allowances for trade accounts receivable

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Balance at the beginning of the period	–1,352	–1,278
Allocation	–506	–487
Utilization	534	97
Reversals	50	316
Balance at the end of the period	**–1,274**	**–1,352**

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €798 thousand (previous year: €431 thousand) in 2013 due to events that had an impact on their value. As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date, along with the net book value of the trade accounts receivable for which an allowance has been made on the balance sheet date:

		Accounts for which no allowance has been made and that are not overdue at the reporting date	Accounts for which no allowance has been made and are overdue in the following periods of time					For which an allowance has been made
			< 60	60–120	121–180	181–360	> 360	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Dec. 31, 2013							
Trade accounts receivable	34,593	13,156	14,699	2,189	1,041	1,100	913	1,495
	Dec. 31, 2012							
Trade accounts receivable	40,806	13,422	17,608	3,211	1,466	2,183	1,097	1,819

The trade accounts receivable include receivables in foreign currency (US$) totaling €1,053 thousand (previous year: €434 thousand). Since the currency risk overall at the Group is not assessed to be material, a sensitivity analysis of it was not conducted. Foreign currency amounts were translated at the spot rate on the balance sheet date. Foreign currency transactions are translated into the functional currency at the exchange rates at the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement. There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivables include receivables from supplier rebates totaling €651 thousand (previous year: €435 thousand), which may be offset with corresponding trade accounts payable.

The Group's portfolio includes project companies that report project and installation services running beyond the key date in their balance sheet. In the case of significant services that run beyond the key date and whose costs and pro-rata profit realization can be clearly identified, the Group applies the percentage of completion (POC) method. The input-oriented cost-to-cost method is used to determine the percentage of completion, with the order costs incurred up to the balance sheet date being expressed as a ratio of the total estimated order costs or those specified in order costing. In general, only order costs that reflect the progress of the service are included in these costs. Using cost and contribution margin budgeting for each project, the project progress achieved on the key date is reflected in terms of value or the revenues from the order are recorded. Management of the project companies regularly examines the estimates of the project orders, including as regards potential risks and the costs still to be incurred in the project, that are required so that the overall success of a project can be assessed with sufficient reliability. The zero-profit method is also used.

The balances of projects running beyond the key date are reported in a separate balance sheet item "Gross amount due from customers for contract work" so as to improve the clarity of the financial statements. They are carried after being netted off against the payments on account covered by the services provided up to the key date. The gross amount due from customers for contract work was €63,761 thousand (previous year: €55,960 thousand); the payments on account netted off in this were €57,975 thousand (previous year: €45,076 thousand). The production contracts in progress at the balance sheet date were €121,736 thousand (previous year: €101,036 thousand) and are calculated from the total of accrued costs and reported profits (minus any losses) of €198,362 thousand (previous year: €156,781 thousand) less the partial final invoices of €76,626 thousand (previous year: €55,745 thousand).

Individual companies in the euromicron Group sell some of their receivables from customers to forfaiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €48,000 thousand (previous year: €22,000 thousand). At December 31, 2013, receivables with a volume of €46,281 thousand (previous year: €15,270 thousand) were sold by the entire Group. In accordance with IAS 39, sold receivables from customers are only derecognized if essentially all opportunities and risks of the sold receivables have been transferred to the buyer of the receivables. The risk of the customer becoming insolvent (risk of nonpayment) is transferred to the buyer of the receivables under the contractual arrangements. euromicron still bears the interest risk from delayed payments by customers. Since virtually all the opportunities and risks do not remain with euromicron and do not pass to the buyer of the receivables, euromicron carries the receivables at the amount of the continuing involvement of €50 thousand (previous year: €11 thousand). This comprises the maximum amount that euromicron would have had to pay to the buyer of the receivables up to receipt of payment relative to the book value of the receivables sold on the key date. Apart from then continuing involvement, there is a liability of €101 thousand (previous year: €17 thousand). The difference between the asset and liability items reflects the remaining claims from or obligations to the factor from the interest rate guarantee and the administration fees euromicron still has. In accordance with the requirements of IAS 39, the sold receivables are therefore partly derecognized at the balance sheet date; the share remaining as continuing involvement is low compared with the total amount of sold receivables. Interest expenses resulting from the sale of receivables are carried in the net financial result. Administration fees are carried under other operating expenses.

"Claims for income tax refunds" shows receivables from creditable capital gains tax due to euromicron AG to an amount of €2,371 thousand resulting from the dividend payouts by subsidiaries at the end of December 2013. These tax claims are offset to the same amount by tax liabilities of the subsidiaries, which are carried under "Liabilities from current income taxes".

The other current financial assets are as follows:

Other financial assets (current)

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Claim from withheld factoring monies	1,657	0
Loan receivable from outside shareholders	195	0
Deposits	161	0
Supplier loans	70	0
Securities	0	228
Other	134	0
	2,217	**228**

The securities portfolio carried the previous year was sold in fiscal 2013.

The other current assets are as follows:

Other current assets

	Dec. 31, 2013 € thou.	Dec. 31,2012 € thou.
Prepayments and accrued income	909	1,548
Claims for refunds from other taxes	591	969
Claims against employees	157	115
Other	302	728
	1,959	**3,360**

5. Cash and cash equivalents

Cash includes checks, cash on hand, demand deposits at banks and cash equivalents with a term of no more than three months and are classified in the category “Loans and Receivables”. Cash is measured at nominal value.

The cash and cash equivalents are as follows:

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Cash in banking accounts	38,791	5,375
Cash on hand	39	39
	38,830	**5,414**

6. Equity

a) Subscribed capital and authorized capital

The Executive Board and Supervisory Board of euromicron AG decided on December 19, 2013, to carry out a capital increase with partial utilization of the authorized capital. The capital stock was to be increased by €1,310,537.44 through the issue of 512,599 new registered shares at a nominal value of around €2.56 per share (corresponding to the nominal amount per share of the shares currently in circulation) and with a full share in profits as of January 1, 2013. The new shares were to be issued with exclusion of the subscription right for existing shareholders pursuant to the authorization in Section 5 (4) Sentence 4 of the Articles of Association. The issue price was €13.86 per share.

The capital increase was entered in the commercial register on January 8, 2014. The contributions of €7,104,622.14 received from the capital increase are carried at the balance sheet date (following deduction of the equity transaction costs after deferred taxes of €267,299.58) under a separate item “Contribution made to carry out the adopted capital increase” in the equity of euromicron’s consolidated financial statements.

Entry of the capital increase on January 8, 2014, increased the number of shares in euromicron AG in circulation by 512,599 from 6,663,799 to 7,176,398 and the capital stock of euromicron AG by €1,310,537.44 from €17,037,017.44 to €18,347,554.88. The capital reserves increased by €5,526,785.12 from €88,770,758.23 to €94,297,543.35.

Following the capital increase with partial utilization of the authorized capital, the company’s authorized capital is still €1,310,541.28.

The Executive Board is authorized to use it to increase the capital stock of euromicron AG, with the approval of the Supervisory Board, by issuing new registered shares on one or more occasions in exchange for cash or non-cash contributions. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders’ subscription right.

Treasury shares

The General Meeting on June 9, 2011, authorized euromicron AG as of June 10, 2011, to acquire its own shares up to June 9, 2016, at a maximum proportional amount of the capital stock of €1,310,539.74 for these shares. The acquired shares – together with other shares that the company has already acquired or still holds or can be ascribed to it pursuant to Sections 71a et seq. AktG (German Stock Corporation Law) – must at no time exceed 10% of the company's capital stock.

The authorization may not be used for the purpose of trading in the company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the company or by third parties for the company's account.

The shares are to be acquired on the stock market or by means of a public offering addressed to all shareholders of the company, at the discretion of the Executive Board. The details defined in the resolutions proposed to the General Meeting on June 9, 2011, must be taken into account. The provisions of the Wertpapiererwerbs- und Übernahmegesetz (German Security Purchase and Takeover Law) must also be observed insofar as and if they are applicable.

The Executive Board is authorized, with the consent of the Supervisory Board, to use the shares that are or have been acquired in the Company pursuant to this authorization in accordance with Section 71 (1) No. 8 AktG (German Stock Corporation Law) for all legally permitted purposes, in particular to sell acquired shares in the Company on the stock market or through a public offering to all shareholders. The shares can also be sold in the two following cases in another way, and thus excluding shareholders' subscription right:

- Reselling of shares to an arithmetic amount of up to 5% of the capital stock in exchange for a cash sum, if the cash sum is not significantly below the applicable stock market price. Exclusion of the subscription right pursuant to other authorizations in accordance with Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) (cf. in particular Section 5 (4) of the Articles of Association) must also be taken into account in relation to the question of utilizing the 5% limit. The applicable stock market price is the mean value for the closing prices in the XETRA trading system (or a comparable successor system) on the three days of trading before the shares are sold.

- Assignment of the shares as a quid pro quo for the purpose of acquiring companies or holdings in companies.

The Executive Board is further authorized, with the consent of the Supervisory Board, to redeem own shares in the company without the need for a further resolution to be adopted by the General Meeting. As part of the redemption using the simplified process, it is also authorized to redeem no-par value shares without a capital reduction by adjusting the arithmetic pro-rata amount of the other no-par value shares relative to the capital stock. This redemption can be limited to part of the acquired shares. The authorization to redeem shares can be exercised more than once. If no-par value shares are redeemed without a capital reduction using the simplified method, the Executive Board shall also be authorized to adjust the number of shares in the Company in the Articles of Association (Section 237 (3) No. 3 AktG (German Stock Corporation Law)).

The above authorizations can be exercised once or more times, individually or together, in full or in part.

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2013. At December 31, 2013, the company therefor did not hold any treasury shares that could be offset with equity in accordance with IAS 32.33.

Shares in circulation

	Number
Sales in circulation at December 31, 2013	6,663,799

b) Contribution made to carry out the adopted capital increase

The contributions made to carry out the adopted capital increase totaling €7,104,622.14 – following deduction of the equity transaction costs after deferred taxes of €267,299.58 (equity transaction costs of €376,956.11 and deferred taxes of € – 109,656.53) – are carried under a separate item. Of this, €1,310,537.44 is accounted for by the capital stock and €5,526,785.12 by the premium minus the offset equity transaction costs after deferred taxes.

c) Capital reserves

The company's capital reserves in accordance with Section 272 (2) of the German Commercial Code (HGB) comprise the premiums from share issues and capital increases. The capital reserves meet the requirements stipulated by Section 150 AktG (German Stock Corporation Law).

The capital increase adopted on December 19, 2013, injected liquids funds of €7,104,622.14 into the company (512,599 new shares at an issue price of €13.86 per share). The premium of €5,794,084.70 (issue amount €13.86, nominal value of around €2.56) is carried at the balance sheet date under the separate item "Contribution made to carry out the adopted capital increase" in the equity of euromicron's consolidated financial statements. When the capital increase is entered in the commercial register on January 8, 2014, the premium will be allocated to the capital reserves of euromicron AG.

In accordance with IAS 32.37, the equity transaction costs incurred as part of capital increases, minus deferred taxes, were directly offset with the premium and not recognized in the income statement. The capital increase adopted on December 19, 2013, entailed equity transaction costs, less deferred taxes, of €267,299.58, which are carried at the balance sheet date under the separate item "Contribution made to carry out the adopted capital increase" in the equity of euromicron's consolidated financial statements.

When the capital increase is entered in the commercial register on January 8, 2014, these will be allocated to the capital reserves of euromicron's consolidated financial statements.

d) Gain/loss on the valuation of securities

The valuation reserve carries changes to the market valuation of securities that qualify as available-for-sale financial assets in accordance with IAS 39. Due to the fact that the shares in SecureAlert increased in value in fiscal 2013, the valuation reserve at the balance sheet date is €177 thousand (previous year: €0 thousand).

Valuation reserve

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
SecureAlert Inc.	177	0
	177	**0**

e) Currency translation difference

The assets and liabilities of MICROSENS Sp.z.o.o., Wroclaw/Poland, whose functional currency is the Polish zloty, are translated at the mean spot exchange rate at the end of the period under review. Expenses and income are translated at mean rates during the year. The differences resulting from translation are recognized in equity and reclassified if the profit or loss from the sale of a foreign subsidiary is carried.

The difference from currency translation for the financial statements of MICROSENS Sp.z.o.o. at December 31, 2013, is €33.92.

f) Distributions in the fiscal year

In accordance with the resolution adopted by the General Meeting on May 17, 2013, €1,999 thousand was paid out as a dividend (a total of 6,663,799 shares at December 31, 2012; dividend per share: €0.30).

g) Non-controlling interests

The non-controlling interests reported at December 31, 2013 (€392 thousand) relate exclusively to Qubix S.p.A., Padua (10%).

h) Disclosures on capital management in accordance with IAS 1

The objective of capital management as part of the build and integrate phase is to increase the equity ratio in order to give the Group unrestricted access to the capital market, ensure its ability to repay debt at the most favorable terms possible, and to retain its financial substance. To ensure that, reduction of the working capital and net financial debt is constantly tracked by management. Balance sheet equity and net financial debt are used as performance indicators[1]. The net debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term) and an industry loan, less cash and cash equivalents and any securities[2]. The key financial indicators, which were adjusted due to the integration phase effective December 31, 2013, in agreement with the Group's long-term financing partners, were adhered to.

1 The equity ratio is 37.3% (previous year: 41.9%).
2 At December 31, 2013, it is €33,208 thousand (previous year: €75,700 thousand).

7. Accrued liabilities

a) Other accrued liabilities

Accrued liabilities are recognized in the case of a current legal or constructive obligation to third parties from a past event where utilization is probable and the expected amount of the necessary accrued liability can be measured reliably. The accrued liabilities are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Accrued liabilities are reversed against the expense item where the original allocation to an accrued liability was carried. If the discounting effect for long-term accrued liabilities is material, the accrued liabilities are recognized at the present value of the anticipated future cash flows. euromicron expects provisions of €2,308 thousand (previous year: €2,062 thousand) will be used within one year, €1,310 thousand (previous year: €708 thousand) in the next two to five years and €466 thousand (previous year: €449 thousand) in the period after five years.

The accrued liabilities developed as follows in the fiscal year:

Accrued liabilities

	Jan. 1, 2013 € thou.	Reclassification from liabilities € thou.	Transfer € thou.	First-time consolidation € thou.	Utilization € thou.	Reversal € thou.	Interest cost € thou.	Allocation € thou.	Dec. 31, 2013 € thou.
Provision for anniversaries and death benefits	531	0	0	0	–64	0	16	51	534
Provision for severance payments	367	0	0	0	–33	0	0	64	398
Provision for warranties and follow-up costs	125	0	–20	0	0	–7	0	163	261
Provision for restoration obligation	0	0	245	0	0	0	0	9	254
Provision for impending losses	0	0	0	0	0	0	1	104	105
Provision for archiving	0	26	62	3	0	–12	0	34	113
Other provisions	134	0	–38	0	–3	0	0	18	111
Total for other long-term accrued liabilities	**1,157**	**26**	**249**	**3**	**–100**	**–19**	**17**	**443**	**1,776**
Provision for warranties and follow-up costs	1,325	0	–21	130	–463	–23	0	1,055	2,003
Provision for impending losses	268	0	0	0	–90	–163	0	80	95
Provision for restoration obligation	245	0	–245	0	0	0	0	0	0
Provision for legal disputes	73	20	0	0	–36	–37	0	11	31
Other provisions	151	40	17	5	–81	0	0	47	179
Total for other short-term accrued liabilities	**2,062**	**60**	**–249**	**135**	**–670**	**–223**	**0**	**1,193**	**2,308**
Total for other accrued liabilities	**3,219**	**86**	**0**	**138**	**–770**	**–242**	**17**	**1,636**	**4,084**

The provisions for severance payments relate to Group companies based in Austria and were set up pursuant to the obligation to make a specific one-off payment when an employment relationship ends.

The other long-term accrued liabilities include in particular a provision for severance payments to free-lance commercial agents of a Group company based abroad.

The other short-term accrued liabilities are made up of various individual matters, such as provisions for ancillary costs of tenancy or for customer cash discounts.

b) Accrued benefit liabilities

The euromicron Group has regulations on company pensions for active and former employees after fulfillment of the vesting periods, as well as their surviving dependants. These are mainly executives and employees for whom commitments from the time before a company was acquired have been assumed by euromicron AG.

The designated payments made towards pensions may be based either on the wage or salary received in the last year of employment or on the average of the last five years or the compensation of an employee and are usually dependent on the length of service. The benefits must be granted as a one-off payment or an annual pension payment. In the case of pension payments, the euromicron Group bears the full risks of recipients living for a long time and inflation due to pension adjustments.

In the case that the employee is still alive, he or she acquires an entitlement to an existing benefit balance as an old-age benefit or invalidity benefit; the benefits paid to surviving dependants are a widow's pension and orphan's pension.

In order to cover a large part of the obligation, the euromicron Group has established a CTA (euromicron Pension Trust e. V.); the funds allocated to it are based on the level of the obligation. There are reinsurance policies to cover individual commitments.

In accordance with IAS 19, accrued liabilities for such pension commitments and similar obligations are calculated using the projected unit credit method for defined benefit pension plans. The resultant obligation after deduction of plan assets that can be offset are carried as an accrued liability in the balance sheet.

The development in the pension commitment and plan assets are evidenced by actuarial reports.

The changes in the present value of the defined benefit obligation (DBO) in the fiscal year are as follows:

Changes in the present value of the defined benefit obligation (DBO)

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Present value of benefit obligation at the beginning of the period under report	15,425	11,544
Current service cost	345	361
Past service costs and effects from plan settlements	–1,004	0
Interest cost	456	586
Pension payments	–209	–86
Revaluation effects	285	2,933
Of which		
Change in financial assumptions	–669	3,082
Change in demographic assumptions	824	–329
Experience adjustments	130	180
Change in consolidated companies	0	0
Contributions by plan participants	91	87
Present value of benefit obligation at the end of the period under report	**15,389**	**15,425**

The effect from past service costs and plan settlements of € –1,004 thousand (previous year: €0 thousand) is due to changes in the existing pension commitments at a Group company. The framework for allocation of funds to the company pensions scheme was no longer extended as of fiscal 2013.

The plan assets measured at fair value changed as follows:

Plan assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Plan assets at the beginning of the period under report	14,442	10,816
Anticipated income from plan assets	462	550
Revaluation effects	–341	–256
Employer’s contributions/withdrawals	–121	3,332
Pension payments	0	0
Change in consolidated companies	0	0
Plan assets at the end of the period under report	**14,442**	**14,442**

The plan assets consist to 3.3% (previous year: 3.0%) of reinsurance policies and to 96.7% (previous year: 97.0%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA. These assets are not traded on an active market.

In the year under review, deferred tax assets of €85 thousand (previous year: €880 thousand) were recognized via the other profit/loss directly in equity on revaluation effects from pensions taken directly to equity. In addition, deferred tax expenses of €103 thousand (previous year: €77 thousand) from application of the net interest method were carried against the other profit/loss.

The provision on the balance sheet changed as follows:

Provision on the balance sheet

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Provision at the beginning of the period under report	983	728
Current service cost	345	361
Past service costs and effects from plan settlement	–1,004	0
Net interest cost/income	–6	36
Pension payments	–209	–86
Employer's contributions/withdrawals	121	–3,332
Contributions by plan participants	91	87
Revaluation effects	626	3,189
Change in consolidated companies	0	0
Provision at the end of the period under report	**947**	**983**

The net interest cost/income is carried under the overall item "Net interest income/loss"; the other components of the pension costs (current service cost and past service costs and effects from plan settlement) are carried under the personnel costs.

The revaluation effects are carried via the other profit/loss and completed by means of the item "Consolidated retained earnings".

The following parameters, which are based on assumptions, were used to measure the future level of benefits:

Average measurement factors

	2013	2012
Discount rate	3.50%	3.20%
Rates of increase in compensation levels	3.25%	3.25%
Future pension indexation	2.00%	2.00%

The discount rates are based on the returns for blue-chip corporate bonds with a corresponding term; the 2005 G mortality tables compiled by Heubeck were used as a basis for the biometric parameters. Since the pension commitments are mainly at euromicron Group companies in Germany, the parameters relate to the economic situation in Germany.

If the assumptions vary by +/−1 percentage points or +/−1 year, the effects on the DBO are as follows:

Variation of the assumptions by +/–1 percentage points or +/–1 year

	2013		2012	
	+1% or +1 year	−1% or −1 year	+1% or +1 year	−1% or −1 year
Discount rate	−12.20%	13.08%	−12.00%	14.70%
Life expectancy	0.87%	−1.03%	1.20%	−1.30%
Age at expiry of financing	−2.10%	1.95%	−1.30%	1.40%

A range of +/– 0.25% (previous year: +/– 1%) was used for the future pension trend.

Variation of the assumptions by +/–0.25 percentage points

	2013		2012	
	+0.25% or +0.25 years	−0.25% or −0.25 years	+1% or +1 year	−1% or −1 year
Future pension indexation	1.84%	−1.74%	6.00%	−4.80%

As in the previous year, the effects were determined using the same methods as for valuation of the commitment at the end of the year.

The pension payments anticipated in the subsequent year are €209 thousand, while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The weighted average duration of the commitment at the balance sheet date is 16.03 years (previous year: 14.0 years).

Contributions of €5,547 thousand (previous year: €5,234 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

Current liabilities are measured at their repayment amount or settlement amount. Long-term debt is measured at its amortized acquisition cost. The amortized acquisition costs are determined using the effective interest method. The book values of the trade accounts payable, the other short-term liabilities and the long-term variable-interest liabilities are an approximation of the fair value. The fair value of the fixed-interest long-term debt is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

The liabilities are composed as follows:

Liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Liabilities to banks	63,196	68,585
Liabilities from finance lease	2,176	2,757
Trade accounts payable	54,639	42,867
Liabilities from current income taxes	4,341	1,850
Other tax liabilities	6,826	6,130
Personnel obligations	11,471	9,833
Other financial liabilities	44,133	14,804
Other liabilities	5,790	6,070
	192,572	**152,896**

The euromicron Group's liabilities have the following terms:

Term of the liabilities

	Total	Due in			Fair value with DVA
		Up to 1 year	More than 1 to 5 years	More than 5 years	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,196	30,390	32,806	0	61,312
Liabilities from finance lease	2,176	506	1,597	73	–[1]
Accounts payable	54,639	54,639	0	0	–[1]
Liabilities from current income taxes	4,341	4,341	0	0	–[1]
Other tax liabilities	6,826	6,826	0	0	–[1]
Personnel obligations	11,471	11,471	0	0	–[1]
Other financial liabilities	44,133	36,811	7,322	0	43,863
Other liabilities	5,790	5,585	112	93	–[1]
	192,572	**150,569**	**41,837**	**166**	**105,175**
(Previous year)	152,896	105,123	42,459	5,314	75,641

[1] The book value corresponds approximately to the fair value.

Trade accounts payable in foreign currency (mainly US$ and CHF) amount to €3,267 thousand (previous year: €1,948 thousand).

In principle, the group companies of euromicron are financed centrally through euromicron AG.

The interest rates for liabilities to banks and overdrafts are fixed or variable and range from 1.08% to 11.0% (previous year: 1.05% to 12.5%). The high interest rates relate to terms for overdraft lines under individual agreements between newly acquired subsidiaries and their banks, but are not used or are terminable at short notice (with a view to optimizing financing).

euromicron AG utilized a borrower's note loan with a volume of €24,500 thousand in fiscal 2011. The loan consists of various tranches with different maturities. An amount of €5,000 thousand was repaid prematurely in fiscal 2013. The remaining liabilities from the borrower's note loan at December 31, 2013, have a term until July 15, 2016 (€14,500 thousand) and July 15, 2018 (€5,000 thousand). The bank retained €122.5 thousand (0.5%) as the arrangement fee; this affected net cash in 2011 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with IFRS, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €122.5 thousand at the time it was disbursed. A pro-rata amount of €30 thousand for fiscal year 2013 was recognized in the income statement in accordance with the effective interest method.

So as to ensure its solvency at all times and underpin the build and integrate strategy, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of €71,749 thousand (previous year: €57,038 thousand) were unused at the year-end.

The "Liabilities from current income taxes" show receivables from capital gains tax to be paid by subsidiaries of euromicron AG to an amount of €2,371 thousand resulting from the dividend payouts by subsidiaries to euromicron AG at the end of December 2013. These tax liabilities are offset to the same amount by receivables from creditable capital gains tax due to euromicron AG which are carried under the balance sheet item "Claims for income tax refunds".

The personnel obligations (€11,471 thousand; previous year: €9,833 thousand) are made up of financial obligations totaling €6,931 thousand (previous year: €4,338 thousand) and non-financial obligations totaling €4,540 thousand (previous year: €5,495 thousand). The financial personnel obligations mainly comprise obligations from wages and salaries, severance payments and bonuses. The non-financial personnel obligations mainly comprise obligations from vacation and flexitime credit balances that have been not been used by employees, as well as obligations from semi-retirement.

The other financial liabilities are composed as follows:

Other financial liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Industry loans	3,333	6,667
Liabilities from preemptive rights	1,996	963
Purchase price liabilities	1,993	384
Miscellaneous	0	11
Other financial liabilities (noncurrent)	**7,322**	**8,025**
Customers' monies to be passed on	21,629	176
Purchase price liabilities	8,000	2,363
Industry loans	3,333	3,333
Dividend/profit shares for minority interests	2,644	392
Obligations from preemptive rights	983	0
Miscellaneous	222	515
Other financial liabilities (current)	**36,811**	**6,779**
Total of other financial liabilities	**44,133**	**14,804**

All financial liabilities at December 31, 2013, are assigned to the category "financial liabilities measured at amortized cost" in accordance with IAS 39 and, when recognized for the first time, are carried at fair value less transaction costs. In the subsequent periods, they are measured at amortized acquisition cost using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €72 thousand (previous year: €34 thousand) and was recognized in the income statement.

The other liabilities are composed as follows:

Other liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Liability from rent smoothing	205	0
Other liabilities (noncurrent)	**205**	**0**
Payments on account	3,526	3,526
Liabilities from social security (incl. mutual indemnity association)	1,096	1,184
Deferred income	372	557
Miscellaneous	591	803
Other liabilities (current)	**5,585**	**6,070**
Total for other liabilities	**5,790**	**6,070**

The payments on account include payments that cannot be set off. They include payments on account from production contracts in accordance with the percentage of completion method which are in excess of the percentage of completion.

The contractually agreed (undiscounted) interest payments and repayments for the financial obligations of the euromicron Group are shown below:

		Cash flow 2014 Up to 1 year			Cash flow 2015–2018 More than 1 year to 5 years			Cash flow 2019 et seq. More than 5 years		
	Book value	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
	Dec. 31, 2013	Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,196	813	265	30,390	1,019	560	32,806	0	0	0
Liabilities from finance lease	2,176	85	0	506	142	0	1,597	2	0	73
Accounts payable	54,639	0	0	54,639	0	0	0	0	0	0
Other financial liabilities	44,133	356	0	36,811	152	0	7,322	0	0	0
	164,144	**1,254**	**265**	**122,346**	**1,313**	**560**	**41,725**	**2**	**0**	**73**
(Previous year)	129,013	1,497	437	81,240	2,405	1,397	42,459	11	81	5,314

All financial instruments held on the balance sheet date December 31, 2013, and for which payments have already been contractually agreed were included. The variable interest payments from the financial instruments were calculated on the basis of the interest rates applicable on December 31, 2013 (previous year: December 31, 2012). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment. Foreign currency amounts were translated at the spot rate on the balance sheet date. Foreign currency transactions are translated into the functional currency at the exchange rates on the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement.

euromicron uses derivative financial instruments exclusively to hedge interest rate risks resulting from financial transactions. A decision on this is taken on a case-by-case basis. They are not held for the purposes of short-term speculation. euromicron did not hold any derivative financial instruments at December 31, 2013.

9. Deferred tax liabilities

Deferred tax liabilities are recognized and measured using the principles described under 2. "Deferred tax assets".

In accordance with IAS 12.39, no deferred tax liabilities were recognized on taxable temporary differences between the shares in subsidiaries compared with the tax carried of €1,206 thousand (previous year: €963 thousand), since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary difference will not be reversed in the foreseeable future.

The deferred tax liabilities result from measurement differences in the following balance sheet items:

Deferred tax liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Intangible assets	8,105	7,650
Property, plant and equipment	908	1,011
Inventories	277	172
Other receivables and other assets	36,771	30,765
Accrued liabilities	1,137	1,444
Other liabilities	17	75
Total deferred tax liabilities before netting off	**47,215**	**41,117**
Netting off	**−38,556**	**−33,381**
Total deferred tax liabilities after netting off	**8,659**	**7,736**

There are long-term deferred taxes (before netting off) of €9,031 thousand (previous year: €8,661 thousand) resulting from the intangible assets and property, plant and equipment.

Deferred tax assets were netted off against deferred tax liabilities if they relate to income tax levied by the same tax authority and there is an entitlement to offsetting of an actual tax refund claim against an actual tax liability.

10. Additional details on the financial instruments – Carrying amounts and fair values by measurement categories

			Value carried in the balance sheet	
	Measurement category acc. to IAS 39	Book value at Dec. 31, 2013 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.
Assets				
Cash and cash equivalents	LaR [1]	38,830		38,830
Trade accounts receivable	LaR [1]	34,593	34,593	
Gross amount due from customers for contract work	LaR [1]	63,761	63,761	
Other financial assets	AfS [3]	3,177		
Equity and liabilities				
Trade accounts payable	FLAC [2]	54,639	54,639	
Liabilities to banks	FLAC [2]	63,196	63,196	
Other financial liabilities	FLAC [2]	44,133	44,133	
Financial personnel obligations	FLAC [2]	6,931	6,931	
Liabilities from finance lease	IAS 17	2,176	2,176	

[1] LaR = Loans and Receivables
[2] FLAC = Financial Liabilities Measured at Amortized Cost
[3] AfS = Available-for-Sale Financial assets

* Presentation adjusted compared with the previous year in order to improve clarity

	acc. to IAS 39			Value carried in the balance sheet acc. to IAS 39			
	Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.	Book value at Dec. 31, 2012 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.	Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.
			5,414		5,414		
			40,806	40,806			
			55,960	55,960			
	3,177		946			847	99
			42,867	42,867			
			68,585	68,585			
			14,804	14,804			
			4,338*	4,338			
			2,757	2,757			

Financial instruments are measured at fair value in accordance with IFRS 13 on three levels:

Level 1: Input factor in level 1 are (not adjusted) prices listed for identical assets or liabilities in active markets to which the company has access on the measurement date.

Level 2: Input factors in level 2 are market price listings other than those stated in level 1 which can be observed either directly or indirectly for the asset or liability.

Level 3: Input factors in level 3 are input factors that cannot be observed for the asset or liability.

The level model was applied for measuring the financial instruments reported at fair value at the euromicron Group.

The fair values of the shares in SecureAlert (classification: other financial assets) were measured on the basis of the 1st level, since the share price can be observed on an active market.

The fair values for the fixed-interest long-term debt presented in section 8. "Liabilities" were measured on the basis of level 2. The fair value is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

The preemptive right and purchase option for the remaining shares in ATECS, SIM and Microsens not held by euromicron were measured on the basis of level 2. The fair value of the long-term components was calculated as the present value of the contractually agreed selling or purchase prices using a market rate of interest. The conditional purchase price liabilities relating to the acquisition of ATECS and SIM are measured on the basis of level 3. Allowing for the likelihood of the occurrence of the conditional purchase price payments, which was calculated on the basis of estimated budgeting, the present value of the contractually agreed cash flows was calculated using a market rate of interest.

There were no transfers between the levels during the year.

There is no collateral received for financial instruments at the euromicron Group.

Notes on the consolidated income statement

11. Sales

In accordance with IAS 18, sales revenues are recognized on transfer of risk or performance of the service, and are stated net of discounts, customer bonuses and rebates and excluding value-added tax.

Sales and earnings from the projects running beyond the key date were recognized in compliance with IAS 11 on a pro-rata basis using the percentage of completion method. The zero-profit method is also used. The percentage of completion is determined using the input-oriented cost-to-cost method. The POC sales revenues determined using the cost-to-cost method are derived from the costs of contracts incurred up to the balance sheet date plus a pro-rata profit. In contrast, no profit markups are included in sales ascertained using the zero-profit method.

Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The Group's sales include sales from production contracts totaling €119,454 thousand (previous year: €104,883 thousand). The related production costs were €107,572 thousand (previous year: €94,182 thousand).

Changes in net sales as a result of changes in the consolidated companies amounted to €1,631 thousand (previous year: €9,916 thousand).

Consolidated sales are divided into those from the sale of goods totaling €193,819 thousand (previous year: €179,219 thousand) and from the provision of services totaling €135,551 thousand (previous year: €150,811 thousand). We refer to the segment reporting for a further breakdown of the sales (section 24).

12. Own work capitalized

The own work capitalized was €3,134 thousand (previous year: €5,607 thousand) and, as in the previous year, mainly results from capitalization of development costs.

13. Other operating income

The other operating income is composed as follows:

Other operating income

	2013 € thou.	2012 € thou.
Revenue from the reversal of the earn-out liability for TeraMile	390	374
Currency gains	291	350
Income from property and rent	168	216
Refunds for health insurance / reintegration / passed-on charges	150	206
Income from derecognition of liabilities	142	50
Compensation paid from insurance	122	257
Income from retirement of noncurrent assets	95	265
Reduction in allowances for doubtful accounts	50	316
Income from damages	37	59
Income from cash received from written-down receivables	31	40
Other	425	664
	1,901	**2,797**

The “Other” item contains a large number of individual items; a presentation of them is dispensed with.

14. Cost of materials

The cost of materials is composed of:

Cost of materials

	2013 € thou.	2012 € thou.
Cost of raw materials and supplies and goods purchased	118,170	111,352
Cost of purchased services	58,269	59,650
	176,439	**171,002**

15. Personnel costs

The personnel costs are composed as follows:

Personnel costs

	2013 € thou.	2012 € thou.
Wages and salaries	83,588	78,507
Social security	15,593	15,081
	99,181	**93,588**

Average number of employees per year:

Employees

	2013	2012
Hourly-paid employees	850	812
Salaried employees	803	785
Trainees	88	102
	1.741	**1.699**

The increase in the workforce is mainly due to the companies that were newly acquired in fiscal 2012 and that were included for the whole year in fiscal 2013. In addition, personnel costs rose in particular due to the integration and restructuring costs incurred in fiscal 2013.

The companies included in the consolidated financial statements for the first time accounted for a yearly average of 5 (previous year: 40) employees on a pro rata temporis basis, or 24 (previous year: 98) employees at the balance sheet date.

16. Amortization and depreciation

Amortization and depreciation is composed as follows:

Amortization and depreciation

	2013 € thou.	2012 € thou.
Amortization of intangible assets	5,363	4,751
Depreciation of tangible assets	3,538	3,192
	8,901	**7,943**

Dormant reserves totaling €3,985 thousand (previous year: €915 thousand) before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2013. The amortization and depreciation for this in fiscal 2013 was €356 thousand (previous year: €82 thousand).

17. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses

	2013 € thou.	2012 € thou.
Vehicle and travel expenses	13,768	13,175
Rent/room costs	7,006	6,334
Legal and consulting costs	4,337	4,061
Trade fair and advertising costs	2,160	2,586
Cost of goods consignment	1,597	2,093
Communication expenses	1,660	1,802
IT costs	1,479	891
Commission	1,067	1,361
Further training costs	947	1,153
Personnel leasing	935	772
Administrative expenses	927	1,719
Maintenance and repair	902	1,438
Losses of receivables	798	431
Running costs	616	873
Allocation of allowances for receivables	506	201
Expenses incidental to monetary transactions	133	54
Exchange rate losses	124	19
Miscellaneous	4,715	4,006
	43,677	**42,969**

18. Net financial result

Net financial result

	2013 € thou.	2012 € thou.
Interest income	61	175
Interest expenses	–3,869	–4,520
Net interest income/loss	**–3,808**	**–4,345**
Other financial expenses	0	–511
Net financial result	**–3,808**	**–4,856**

The other financial expenses of € –511 thousand in the previous year included changes in the value of financial assets of € –261 thousand and expenses in connection with securities lending transactions of € –250 thousand. There were no similar circumstances in fiscal year 2013.

Total interest income and expense

	2013 € thou.	2012 € thou.
For financial instruments not carried at fair value in acc. with IAS 39:		
Total interest expense	–3,707	–4,265
Total interest income	61	157

Net gains and losses from financial instruments

	2013 € thou.	2012 € thou.
Loans and receivables	–1,147	–503
Available-for-sale financial assets	207	–192
of which carried in the other profit/loss	177	0
of which carried in the income statement	30	–192
Financial liabilities measured at amortized cost	–3,208	–3,508

The net gains and losses from financial instruments comprise measurement gains and losses, discount amortization, the recognition and reversal of impairment write-downs, gains and losses from currency translation and interest and losses from the disposal of assets. Net gains or net losses from available-for-sale financial assets contain income from write-downs/write-ups, and the transfers of valuation effects from equity when the assets are sold or disposed of.

19. Income taxes

Income taxes

	2013 € thou.	2012 € thou.
Current taxes in Germany	1,455	3,057
Deferred taxes in Germany	448	–400
Current taxes abroad	714	617
Deferred taxes abroad	–152	124
	2,465	**3,398**

Deferred tax assets totaling €85 thousand (previous year: €1,244 thousand) were recognized directly in equity in fiscal 2013. All of this amount (previous year: €880 thousand) was from deferred tax assets that had to be recognized in the other profit/loss as part of the application of IAS 19 R. In addition, in the previous year there were (net) deferred tax assets of €364 thousand that were recognized directly in equity as part of the company acquisitions in 2012. In 2013, there were deferred tax liabilities from company acquisitions that were taken directly to equity totaling €558 thousand (previous year: €0 thousand). Application of the net interest method resulted in the year under review in deferred tax expenses of €103 thousand (previous year: €75 thousand) which did not result in recognition of deferred tax liabilities in the balance sheet. The costs of the capital increase, which were offset with the capital reserves and recognized directly in equity, resulted in deferred tax expenses of €109 thousand (previous year: €0 thousand), which likewise did not result in recognition of deferred tax liabilities in the balance sheet.

Net income taxes include income taxes for previous years totaling €106 thousand (previous year: €275 thousand) and tax refunds of €153 thousand (previous year: €104 thousand).

The table below presents a reconciliation of the tax expense expected in each fiscal year to the tax expense actually disclosed. The expected tax expense is calculated from a total tax rate of 30.00% as in the previous year and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 15.825% and the effective average trade tax rate of 14.175%.

Tax reconciliation

	2013 € thou.	2012 € thou.
Income before income taxes	1,701	12,226
Expected tax expense	510	3,668
Income from securities lending	0	–1,500
Non-deductible expenses	426	314
Non-recognition of deferred taxes on loss carryforwards	1,889	554
Use of loss carryforwards not included to date / change in allowance	–313	–18
Effects of different national tax rates	23	109
Tax arrears/refunds	–47	171
Other	–23	100
Actual tax expense	**2,465**	**3,398**
Effective tax rate	**144.9%**	**27.8%**

20. Share of non-controlling interests in consolidated net income for the period

The share of non-controlling interests in consolidated net income for the period relates to Qubix S.p.A., Padua, and MICROSENS GmbH & Co. KG, Hamm.

21. Earnings per share

The capital increase adopted on December 19, 2013, resulted in the issue of 512,599 new shares which confer full voting and membership rights upon entry of the capital increase on January 8, 2014. In accordance with IAS 33.21a, the 512.599 new shares were included in calculating the number of shares in circulation, since the cash contributions were paid in before the balance sheet date.

The 512,599 new shares are fully entitled to share in profits retroactively effective January 1, 2013, since entry of the capital increase, with the result that they were weighted for 2013 as a whole.

Undiluted earnings per share are calculated as follows:

Undiluted earnings per share

	2013 € thou.	2012 € thou.
Earnings for euromicron AG shareholders in € thousand	–888	8,568
Number of shares issued at the beginning of the fiscal year	6,663,799	6,663,799
Shares from capital increase with retroactive right to share in profits as of January 1, 2013	512,599	0
Adjusted weighted average number of shares issued (undiluted)	7,176,398	6,663,799
Undiluted earnings per share in €	**–0.12**	**1.29**

The earnings for euromicron AG shareholders correspond to the consolidated net loss for the year minus the earnings for non-controlling interests.

The method of calculating diluted earnings per share is basically the same as that for calculating undiluted earnings per share. However, the quantities included in the calculation must also be adjusted for all equity dilution effects resulting from potential shares. There was no dilution effect at the time the consolidated financial statements were prepared. As a result, both figures are the same.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2013, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € –5,283,486.01. It is proposed to the General Meeting to carry the net accumulated losses forward to a new account.

Other details

22. Notes on the statement of cash flows

In accordance with IAS 7, the statement of cash flows presents the changes in cash and cash equivalents reported in the consolidated balance sheet under the item “Cash and cash equivalents” and comprising cash and cash equivalents (cash on hand, demand deposits at banks and checks) with a term of no more than three months. The cash flows are grouped by the three areas of operating, investing and financing activities. Net cash provided by operating activities is determined using the indirect method in accordance with IAS 7.18.

Net cash provided by operating activities is derived indirectly by the income before income taxes being adjusted for the effects of non-cash transactions and allowing for changes in current assets and liabilities and paid and received interest and income taxes. It should also be noted that trade accounts receivable of €426 thousand (previous year: contribution of €3,599 thousand) were withdrawn from the plan assets in fiscal 2013 under the Contractual Trust Arrangement. The net cash provided by operating activities was €39,433 thousand, a year-on-year increase of €32,476 thousand. This effect is mainly due to the increase in the volume of factoring for the purpose of cash optimization and the associated increase in customers’ monies that had to be passed on.

Net cash used in investing activities is calculated from the net cash from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as noncurrent financial assets and company acquisitions. It was € –5,127 thousand, €8,162 thousand below the previous year’s figure of € –13,289 thousand. The decline in due in particular to the effect from the acquisition of consolidated companies, since the purchase price payments made in 2013 were lower than the amount of liquid funds acquired. In addition, the cash paid for intangible assets fell as a result of the lower amount of own work capitalized in fiscal 2013.

The net cash used in financing activities in fiscal 2013 was € – 890 thousand (previous year: net cash provided by financing activities of €4,445 thousand). This is mainly attributable to the fact that the funds provided by the capital increase in December 2013 (€6,728 thousand) were more than offset by the dividend paid (€ –1,999 thousand) and repayment of financial loans of € –5,404 thousand in net.

23. Contingencies and other financial obligations

a) Contingencies

The euromicron Group does not have any contingencies in favor of third parties.

b) Other financial obligations

Sonstige finanzielle Verpflichtungen bestehen am Bilanzstichtag wie folgt:

Other financial obligations

	Total € thou.	Up to 1 year € thou.	1 to 5 years € thou.	More than 5 years € thou.
Bill commitments	2,874	2,874	0	0
Operating lease	24,024	9,462	12,598	1,964
Purchase obligation	14,870	14,870	0	0
	41,768	**27,206**	**12,598**	**1,964**
Previous year	47,386	30,374	14,974	2,038

The purchase obligation relates to orders for order-related goods and services; orders of intangible assets or tangible assets were insignificant.

As in the previous year, there were no contingent liabilities in the euromicron Group in fiscal 2013.

Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminable agreements and mainly relate to rental and leasing agreements for operating and office equipment, such as cars, office machines or PC workstations, and communications technology and total €24,024 thousand (previous year: €25,741 thousand).

In fiscal 2013, payments from these leasing relationships totaling €10,630 thousand (previous year: €9,136 thousand) were recognized in income. Conditional lease payments of €24 thousand (previous year: €15 thousand) were carried. Future proceeds of €254 thousand (previous year: €0 thousand) are expected from subleasing as part of operating lease agreements up to when they can be terminated for the first time.

24. Segment reporting

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 North, South and WAN services, as well as Central services and Group consolidations. The reporting segments comprise all CGUs that can be assigned to the operating segments in accordance with the Group strategy of a system house with production expertise.

Management measures the success of the segments on the basis of sales and earnings before interest and taxes on income (EBIT).

euromicron's model is based on the strategy of a "system house with production expertise". The core of this is that, if required, customers have the benefit of leveraging all the euromicron Group's pooled competence. The value chain starts at the system houses and grows in depth through the production companies right down to procurement of individual components at the distributors. Despite the depth of expertise, the system houses offer vendor independence in the market, which is documented by their certification for key technologies. Thanks to acquisitions systematically made in regions it had not previously tapped, euromicron can offer its portfolio with a largely comprehensive footprint in German-speaking countries. In order to make the economic performance of the regional units visible to euromicron's management, the units are controlled by means of the segments "North", "South" and "Central services and Group consolidations". Since the main and profitable competences of euromicron, both as regards sales and implementation expertise, are being made available at every location as part of the "build and integrate" phase, comparability of the segments is ensured. This long-term strategy also requires intensive observation of how the company's footprint develops so that analysis of the segments is assessed as being adequate. The segment "WAN services" comprises planning, construction and servicing of supraregional network structures (WANs), regardless of the region where the services are provided. As a result, this important segment can be controlled and developed transparently in the future.

Apart from the controlling and management instrument of the segments in accordance with IFRS 8, we also use marketing instruments to familiarize customers with the areas of expertise under our business model. Here we use the structuring into the subsections “Components”, “Networks”, “Distribution” and “International Services” in brochures, as well as in our Internet presence. These help visualize the competence and value chain of euromicron, but are not a controlling instrument.

The sales and earnings reported to the main decision-maker are measured in accordance with the same principles as in the income statement. Transactions within and between the segments are reflected at market prices (arm’s length principle).

As part of the company’s further strategic development, the controlling instrument is permanently reviewed to assess its effectiveness and will also be realigned in future if and when required.

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

The following 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).

Sales by report segments

2013	Sales North € thou.	Sales South € thou.	Sales WAN services € thou.	Total for the segments € thou.	Central services and Group consolidations € thou.	euromicron Group € thou.
External sales	112,862	114,652	101,856	329,370	–	329,370
Sales within the Group	3,209	12,192	374	15,775	–15,775	–
Total sales	**116,071**	**126,844**	**102,230**	**345,145**	**–15,775**	**329,370**

2012	Sales North € thou.	Sales South € thou.	Sales WAN services € thou.	Total for the segments € thou.	Central services and Group consolidations € thou.	euromicron Group € thou.
External sales	108,289	119,163	102,578	330,030	–	330,030
Sales within the Group	3,356	12,361	263	15,980	–15,980	–
Total sales	**111,645**	**131,524**	**102,841**	**346,010**	**–15,980**	**330,030**

Sales in Germany were €291.3 million (previous year: €298.9 million), in the Euro zone €27.4 million (previous year: €25.5 million) and in the Rest of the World €10.7 million (previous year: €5.6 million). The sales relate to the geographical location of the customers.

EBIT by report segments: summary for euromicron and consolidation

	2013 € thou.	2012 € thou.
EBIT for the North segment	10,693	14,450
EBIT for the South segment	–4,869	520
EBIT for the WAN services segment	6,391	7,995
EBIT for Central services and Group consolidations	–6,706	–5,883
Consolidated EBIT for the Group	**5,509**	**17,082**

Depreciation/amortization and write-downs for the individual segments had the following impact on EBIT (IFRS 8.23e):

Amortization and depreciation

	2013 € thou.	2012 € thou.
North, consolidated	–3,424	–3,275
South, consolidated	–3,382	–2,368
WAN services, consolidated	–1,702	–1,989
Central services and Group consolidations	–393	–311
Consolidated depreciation/amortization for the Group	**–8,901**	**–7,943**

In accordance with IFRS 8.33b, noncurrent assets are €121,459 thousand in Germany (previous year: €122,614 thousand) and €31,315 thousand in the Euro zone (previous year: €21,958 thousand). The noncurrent assets are composed of

- Goodwill
- Intangible assets
- Property, plant and equipment
- Other financial assets
- Other assets

25. Risk management

Principles of risk management

As a result of its broad business field, the euromicron Group is exposed to various risks. The company counters them with a risk management system that applies throughout the Group and is closely harmonized with its business strategy. The internal control system and compliance policies are inseparable from the risk management system. They ensure that financial reporting is performed correctly and the rules of conduct are observed by employees. The existing system of controls and policies enables the euromicron Group to comply with the stipulations of the corporate governance guidelines. The focus is in particular on accounting and financial reporting, legal and compliance and the main operating processes.

Risk control

The concrete risks to which the euromicron Group is exposed in terms of assets, liabilities and strategic alignment are mainly in changes in the market situation, financing situation and interest rates. To minimize them, the basic elements of the business and financial policy are defined by the Executive Board and monitored by the Supervisory Board. In turn, Finance and Controlling is responsible for operationally implementing the financial policy and constant risk management.

Market risks

In principle, euromicron is dependent on economic trends in the Euro zone; as in the previous year, the German market accounts for around 88% of the company's sales and so is crucial to its success. Germany is also home to most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers so as to be able to offer top-quality products and services at competitive prices.

Risks of default

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual and general allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned. Only one customer accounts for more than 10% of consolidated sales, namely to an amount of €36,298 thousand. These sales are spread over the North, South and WAN segments. In the previous year, sales in excess of 10% of consolidated sales were not generated with any one customer. In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, credit sale insurance policies were concluded for specific companies.

The maximum risk of default is to the amount of the book values of the financial assets carried on the balance sheet.

Financing and liquidity risks

The Group's focus on Germany and the Euro zone minimizes risks relating to the exchange rate between the US dollar and Euro. Goods paid for in US dollars are purchased on the basis of short-term, foreign currency-based sales lists, which means that the currency risk can be controlled. Other currencies have as good as no relevance to the euromicron Group.

A further financial risk for the euromicron Group is supplying the business operations at the units with liquidity. euromicron AG must ensure that financing of the operating units through the cash pool retains value. This is achieved by a permanent and standardized management information system that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

Interest rate risks

Interest rate risks are restricted exclusively to the Euro zone. To protect against these risks, the euromicron Group relies on a balanced mix of a variable and fixed financing structure. Interest rate derivatives are also used to optimize the net interest income/loss on a case-by-case basis. As in the previous year, there were no interest rate derivatives at December 31, 2013.

The financing that was contractually agreed and utilized at December 31, 2013, will result in interest expenses of around €3.4 million (previous year: €5.8 million) by the end of their term. A sensitivity analysis is used to assess the interest rate risks.

This shows the effects of different market interest rates on interest payments, interest income and interest expenses.

The euromicron Group complies with these stipulations and applies further assumptions:

- Changes in market interest rates for original financial instruments with a fixed rate have an impact on the result only if these instruments are measured at their fair value. All financial instruments with a fixed rate that are measured at their amortized acquisition cost are not therefore exposed to the risk of any change in interest rates.

- Changes in market interest rates for original financial instruments that have a variable rate and whose interest payments are not designed as a hedged item as part of cash flow hedges against risks of interest rate changes have an effect on the net interest income/loss and are included in calculation as part of the earnings-oriented sensitivity analysis.

If the average market level for interest rates in 2013 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €389 thousand lower (€389 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Internal control system

In order to comply with statutory requirements, the euromicron Group continued to focus in fiscal 2013 on monitoring its main corporate processes. The internal controls are aimed at avoiding misstatements in financing reporting and minimizing operational risks. For example, the company ensures that key functions are kept strictly separate from each other. Moreover, Finance and Controlling very closely observe changes in accounting and employees are given extensive training by external consultants if and when required.

The controls are carried out throughout the Group and their suitability and comprehensiveness are reviewed regularly.

In fiscal 2013, euromicron AG's risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) AktG (German Stock Corporation Law). The risk identification system is suitable for promptly detecting developments that jeopardize the company's continued existence.

Compliance

Compliance means for euromicron: We abide by the law wherever we operate and also by our own regulations – above all euromicron's Code of Conduct. The euromicron Group's internal compliance policies contain clear rules on competition and conduct for all its employees. The objective of these rules is to create general conditions for sustainable economic and social activity. The euromicron Group thereby underscores its mission to prevent misconduct and ensure fair competition.

The euromicron Compliance organization headed by the Chief Compliance Officer drives compliance in the area of anti-corruption and anti-competitive violations throughout the Group. The organization is supported by the Chief Counsel Compliance and local Compliance Officers. Since it launched the compliance program at the Group, euromicron has continuously developed and improved it further.

Responsibility for observance of the compliance regulations lies with euromicron AG's Executive Board and management. The Chairman of the Supervisory Board and two members of the Supervisory Board monitor compliance with the company's internal policies.

26. Related parties

Companies and persons are regarded as related parties if they control the euromicron Group or exert a significant influence on its financial and business policy or the euromicron Group has a significant influence over them.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €96 thousand (previous year: €54 thousand) was paid for the services; there is still a liability of €51 thousand (previous year: €0 thousand) due on this at December 31, 2013. Further relations with members of the Executive Board and Supervisory Board are explained in section 32.

Apart from that, there were no transactions with other related parties or associated companies. There are no further receivables due from or liabilities toward related parties.

27. Declaration on the Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Law)

In 2013, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May 15, 2012, which was published on June 15, 2012, and in its amended version dated May 13, 2012, as of June 10, 2013. The exceptions, which are mainly due to the company's size and business model and to preparations for future adaptations, are listed on the company's homepage at http://www.euromicron.de/en/investor-relations/entsprechenserklaerung-2013.

28. Stock option program / securities transactions requiring disclosure

There is currently no new stock option program or comparable incentive system based on securities. The members of the Executive Board and Supervisory Board do not hold more than 1% of the shares issued by euromicron AG directly or indirectly.

29. Auditors’ fees

The item “Other operating expenses” contains fees for the group auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of €996 thousand (previous year: €925 thousand). €622 thousand (previous year: €629 thousand) relate to auditing of the financial statements of the companies and the Group. They include expenses of €103 thousand (previous year: €85 thousand) not related to the period. They also include costs for other confirmation or valuation services (€13 thousand; previous year: €12 thousand), tax consulting services (€330 thousand; previous year: €274 thousand) and other services (€31 thousand; previous year: €10 thousand) for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

No events that require reporting in accordance with IAS 10 (Events after the Balance Sheet Date) occurred after December 31, 2013.

31. Publication of the consolidated financial statements

On March 28, 2014, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 31, 2014, by the Supervisory Board following their submission by the Executive Board and deposited with the operator of the electronic Federal Official Gazette.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to prepare notes and/or a management report and to audit and disclose annual financial statements and management reports and fulfills all the necessary conditions. This goes for all subsidiaries (see “List of companies included in the consolidated financial statements” in the section “Consolidated companies”) with the exception of the following. Exceptions are euromicron networks GmbH, Frankfurt/Main, Secure Information Management GmbH, Neustadt a. d. W., ATECS AG, Zug, Switzerland, MICROSENS Sp.z.o.o., Wroclaw, Poland, euromicron austria GmbH, Seekirchen, Austria, euromicron holding GmbH, Seekirchen, Austria, Qubix distributions GmbH, Seekirchen, Austria, NBG Fiber Optics GmbH, Gmünd, Austria, WCS Fiber Optic B.V., SV Amersfoort, Netherlands, and Qubix S.p.A., Padua, Italy, which disclose their annual financial statements in accordance with their respective national regulations.

32. Supervisory Board and Executive Board

a) Executive Board

The members of the Executive Board of euromicron AG are:

Dr. Willibald Späth, Chairman of the Executive Board
Strategy, Acquisitions, Finance, Public Relations and Investor Relations

Thomas Hoffmann
Strategic sales and marketing, business development and
internationalization, IT and process optimization, as well as
areas of communication with the capital markets

b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman
Certified public accountant, lawyer, tax consultant
Partner of the firm LKC Kemper Czarske v. Gronau Berz GbR,
Munich

Josef Martin Ortolf, Deputy Chairman
Senior Vice President Power Tools and Head of Product Group Professional Power Tools Europe,
Africa, Near/Middle East of Robert Bosch GmbH, Leinfelden-Echterdingen

Dr. Andreas de Forestier
Managing Director of DBE Immobilienverwaltungs GmbH, Munich
Managing Director of DBE Liegenschaften GmbH, Munich
Managing Director of KEA Vermögensverwaltungsgesellschaft mbH, Hamm
Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
Chairman of the Supervisory Board of cp consultingpartner AG, Cologne
Chairman of the Supervisory Board of RECP AG, Berlin
Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting
the ecological and social market economy, Nuremberg

c) Remuneration of the board members

In total, the members of the Supervisory Board received compensation of €135 thousand (previous year: €63 thousand) in accordance with the Articles of Association. Pursuant to the resolution adopted by the General Meeting on May 17, 2013, this is made up only of fixed compensation as of fiscal year 2013. In the previous year, the Supervisory Board's compensation was made up of fixed compensation (€45 thousand) and variable compensation (€18 thousand). The fixed compensation for members of the Supervisory Board is €30 thousand as of fiscal 2013, with the Chairman of the Supervisory Board receiving twice and his deputy one-and-a-half times the fixed compensation.

In fiscal 2013, the Executive Board received a total remuneration of €991 thousand (previous year: €1,533 thousand); the variable payment made up €220 thousand of this (previous year: €775 thousand). In addition, €22 thousand (previous year: €22 thousand) from the pension commitments to Executive Board members was recognized in the income statement in fiscal 2013.

The disclosures required for listed stock corporations pursuant to Section 314 (1) No. 6a a Sentences 5 to 8 of the German Commercial Code (HGB) are contained in the Compensation Report, which is part of the management report. Additional presentation of the information included in that report in the notes is therefore dispensed with.

33. Declaration by the legal representatives

"We affirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with the applicable accounting principles and that the group management report gives a true and fair presentation of the course of business, including the business results, and the position of the Group and accurately describes the main opportunities and risks of the Group's anticipated development."

Frankfurt/Main, March 26, 2014

Dr. Willibald Späth	Thomas Hoffmann
Chairman of the Executive Board	Member of the Executive Board