CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

AUDITOR'S REPORT

Following the final results of our audit, we have issued the following unqualified audit dated May 26, 2015:

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, 2014. 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, May 26, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk	ppa. Christoph Tübbing
Auditor	Auditor

BALANCE SHEET

of the euromicron Group as of December 31, 2014 (IFRS)

Assets

012

	Note	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
		€ thou.	€ thou.	€ thou.
Noncurrent assets				
Goodwill	(1)	113,479	113,529	106,369
Other intangible assets	(1)	20,795	23,709	21,031
Property, plant and equipment	(1)	14,121	14,471	16,255
Other financial assets	(1)	888	960	718
Other assets	(1)	85	105	197
Deferred tax assets	(2)	1,370	2,235	1,893
		150,738	**155,009**	**146,463**
Current assets				
Inventories	(3)	29,024	27,961	27,500
Trade accounts receivable	(4)	33,731	31,779	40,267
Gross amount due from customers for contract work	(4)	52,070	53,780	49,276
Claims for income tax refunds	(4)	1,202	4,615	4,211
Other financial assets	(4)	2,971	2,478	228
Other assets	(4)	2,078	2,028	3,429
Cash and cash equivalents	(5)	15,622	38,830	5,414
		136,698	161,471	130,325
		287,436	**316,480**	**276,788**

* Previous year's figures partly adjusted (see section 4 „Corrections acc. to IAS 8")

Equity and liabilities

013

	Note	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
		€ thou.	€ thou.	€ thou.
Equity (ratio 38.4% / previous year: 35.1%)	(6)			
Subscribed capital		18,348	17,037	17,037
Contribution made to carry out the adopted capital increase		0	6,838	0
Capital reserves		94,298	88,771	88,771
Gain/loss on the valuation of securities		98	177	0
Currency translation difference		−1	0	0
Consolidated retained earnings		−2,747	−2,052	6,912
Stockholders' equity		109,996	110,771	112,720
Non-controlling interests		405	392	525
Total equity		**110,401**	**111,163**	**113,245**
Long-term debt				
Provisions for pensions	(7)	1,194	947	983
Other provisions	(7)	1,912	1,776	1,157
Liabilities to banks	(8)	43,231	32,806	37,590
Liabilities from finance lease	(8)	1,206	1,670	2,158
Other financial liabilities	(8)	2,457	7,322	8,025
Other liabilities	(8)	234	205	0
Deferred tax liabilities	(9)	7,362	8,061	6,832
		57,596	**52,787**	**56,745**
Current liabilities				
Other provisions	(7)	1,748	2,308	2,062
Trade accounts payable	(8)	44,238	54,268	42,867
Gross amount due to customers for contract work	(8)	0	816	159
Liabilities from current income taxes	(8)	3,009	3,690	1,554
Liabilities to banks	(8)	19,888	30,390	30,995
Liabilities from finance lease	(8)	457	506	599
Other tax liabilities	(8)	6,039	6,826	6,130
Personnel obligations	(8)	9,127	11,330	9,583
Other financial liabilities	(8)	29,086	36,811	6,779
Other liabilities	(8)	5,847	5,585	6,070
		119,439	152,530	106,798
		287,436	**316,480**	**276,788**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

INCOME STATEMENT

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

Income statement 014

	Note	2014	2013*
		€ thou.	€ thou.
Sales	(11)	**346,338**	**325,683**
Inventory changes		573	–698
Own work capitalized	(12)	2,617	3,134
Other operating income	(13)	2,144	1,901
Cost of materials	(14)	–182,468	–176,709
Personnel costs	(15)	–103,176	–99,028
Amortization and depreciation	(16)	–9,702	–8,901
Other operating expenses	(17)	–44,879	–45,578
Earnings before interest and taxes (EBIT)		**11,447**	**–196**
Interest income	(18)	333	61
Interest expenses	(18)	–4,012	–3,869
Income before income taxes		**7,768**	**–4,004**
Income taxes	(19)	–4,924	–2,397
Consolidated net income/loss for the year		**2,844**	**–6,401**
Thereof for euromicron AG shareholders		2,576	–6,525
Thereof for non-controlling interests	(20)	268	124
(Un)diluted earnings per share in €	(21)	**0.36**	**–0.91**

* Previous year’s figures partly adjusted (see section 4. Corrections acc. to IAS 8)

STATEMENT OF COMPREHENSIVE INCOME

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

Statement of comprehensive income 015

	2014	2013*
	€ thou.	€ thou.
Consolidated net loss/net income for the year	**2,844**	**–6,401**
Items to be subsequently recognized in profit or loss		
Gain/loss on the valuation of securities	–79	177
Currency translation difference	–1	0
Items not to be subsequently recognized in profit or loss		
Revaluation effects from pensions	–3,272	–440
Other profit/loss (net)	**–3,352**	**–263**
Total profit/loss	**–508**	**–6,664**
Thereof for euromicron AG shareholders	–776	–6,788
Thereof for non-controlling interests	268	124

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

STATEMENT
OF CHANGES IN EQUITY

of the euromicron Group as of December 31, 2014 (IFRS)

Statement of changes in equity

	Subscribed capital	Capital reserves	Contribution made to carry out the adopted capital increase
	€ thou.	€ thou.	€ thou.
December 31, 2012	**17,037**	**88,771**	**0**
Corrections acc. to IAS 8			
December 2012 after corrections	**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
Contribution 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/drawings by minority interests	0	0	0
	0	**0**	**6,838**
December 31, 2013	**17,037**	**88,771**	**6,838**
Consolidated net income for 2014	**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			
Transfer of the Contribution made to carry out the adopted capital increase to the subscribed capital or capital reserves	1,311	5,527	−6,838
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/drawings by minority interests	0	0	0
	1,311	**5,527**	**−6,838**
December 31, 2014	**18,348**	**94,298**	**0**

016

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.
12,711	0	0	118,519	525	119,044
–5,799			–5,799		–5,799
6,912	0	0	112,720	525	113,245
–6,401	0	0	–6,401	0	–6,401
0	177	0	177	0	177
0	0	0	0	0	0
–440	0	0	–440	0	–440
–440	177	0	–263	0	–263
–6,841	177	0	–6,664	0	–6,664
–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
–2,052	177	0	110,771	392	111,163
2,844	0	0	2,844	0	2,844
0	–79	0	–79	0	–79
0	0	–1	–1	0	–1
–3,272	0	0	–3,272	0	–3,272
–3,272	–79	–1	–3,352	0	–3,352
–428	–79	–1	–508	0	–508
0	0	0	0	0	0
–138	0	0	–138	138	0
–129	0	0	–129	0	–129
0	0	0	0	–125	–125
–267	0	0	–267	13	–254
–2,747	98	–1	109,996	405	110,401

STATEMENT OF CASH FLOWS

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

Statement of cash flows 017

	2014	2013	Correction acc. to IAS 8	2013 before corrections
Note (22)	€ thou.	€ thou.	€ thou.	€ thou.
Income before income taxes	7,768	–4,004	–5,705	1,701
Net interest income/loss	3,679	3,808	0	3,808
Depreciation and amortization of noncurrent assets	9,702	8,901	0	8,901
Disposal of assets, net	2	–18	0	–18
Allowances for inventories and doubtful accounts	1,882	2,975	1,901	1,074
Change in provisions	–537	–98	0	–98
Changes in short- and long-term assets and liabilities:				
– Inventories	–1,432	584	0	584
– Trade accounts receivable and gross amount due from customers for contract work	–3,239	2,930	3,672	–742
– Trade accounts payable and gross amount due to customers for contract work	–11,436	9,560	285	9,275
– Other operating assets	–591	–3,029	307	–3,336
– Other operating liabilities	–3,940	21,310	–460	21,770
– Income tax paid	–5,062	–4,066	0	–4,066
– Income tax received	4,596	4,085	0	4,085
– Interest paid	–3,615	–3,561	0	–3,561
– Interest received	293	56	0	56
Net cash used in/provided by operating activities [1]	**–1,930**	**39,433**	**0**	**39,433**
Proceeds from				
– Retirement of property, plant and equipment	52	766	0	766
– The acquisition of subsidiaries Previous year: purchase price payments of €2,463 thousand minus acquired liquid funds of €2,956 thousand	0	493	0	493
Payments due to acquisition of				
– Intangible assets	–3,374	–4,056	0	–4,056
– Property, plant and equipment	–2,956	–2,330	0	–2,330
– Subsidiaries Purchase price payments of €8,028 thousand (previous year: €0 thousand) Not yet made (conditional) purchase price payments of €2,510 (previous year: €9,993) are not included	–8,028	0	0	0
Net cash used in investing activities	**–14,306**	**–5,127**	**0**	**–5,127**
Dividends paid	0	–1,999	0	–1,999
Contribution made to carry out the adopted capital increase (excluding the effect from deferred taxes)	0	6,728	0	6,728
Proceeds from raising of financial loans	31,390	23,132	0	23,132
Cash repayments of financial loans	–38,202	–28,536	0	–28,536
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–160	–215	0	–215
Net cash used in financing activities	**–6,972**	**–890**	**0**	**–890**
Net change in cash funds	–23,208	33,416	0	33,416
Cash funds at start of period	38,830	5,414	0	5,414
Cash funds at end of period	**15,622**	**38,830**	**0**	**38,830**
[1] adjusted for factoring effects:				
Net cash provided by/used in operating activities	**1,932**	**–14,658**	**0**	**–14,658**

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, 2014. All the mandatory standards at the balance sheet date were applied.

Effects of new standards and interpretation or changes to them on the consolidated financial statements

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 2014: TABLE 018

IFRS standards as of 2014 018

	Standard / Interpretation	Mandatory application in the EU	Adoption by the EU Commission
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 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting (amendment)	January 1, 2014	Yes
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 and IAS 27	Investment Entities (amendment)	January 1, 2014	Yes
IFRS 10, IFRS 11 and IFRS 12	Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (amendment)	January 1, 2014	Yes

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). First-time application of this amendment did not have any 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. First-time application of this amendment did not have any effects on the consolidated financial statements.

Amendment to IFRS 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. First-time application of this amendment did not have any significant effects on the consolidated financial statements.

Amendment to 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. First-time application of this amendment did not have any effects on the consolidated financial statements.

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. First-time application of the new standard did not have any 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. First-time application of the new standard did not have any significant effects on the consolidated financial statements.

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). First-time application of the new standard did not have any significant effects on the consolidated financial statements.

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. First-time application of this amendment did not have any effects on the consolidated financial statements.

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

Pursuant to this amendment, 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 time that IFRS 12 is applied. First-time application of this amendment did not have any 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, 2014:

TABLE 019

IFRS standards to be applied in future (2014) 019

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 1	Disclosure Initiative (amendment)	January 1, 2016	No
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization (amendment)	January 1, 2016	No
IAS 16 and IAS 41	Bearer Plants (amendment)	January 1, 2016	No
IAS 19	Defined Benefit Plans: Employee Contributions (amendment)	February 1, 2015	Yes
IAS 27	Equity Method in Separate Financial Statements of an Investor (amendment)	January 1, 2016	No
IFRS 9	Financial Instruments	January 1, 2018	No
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	January 1, 2016	No
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (amendments)	January 1, 2016	No
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (amendment)	January 1, 2016	No
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	No
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	No
IFRIC 21	Levies	June 17, 2014	Yes
AIP	Annual improvements to the IFRSs, cycle 2010 – 2012	February 1, 2015	Yes
AIP	Annual improvements to the IFRSs, cycle 2011 – 2013	January 1, 2015	Yes
AIP	Annual improvements to the IFRSs, cycle 2012 – 2014	January 1, 2016	No

Amendment to IAS 1 “Presentation of Financial Statements”: Disclosure Initiative

The amendment to IAS 1 “Presentation of Financial Statements” adopted as part of the Disclosure Initiative on December 18, 2014, comprises in particular clarifications on assessing the materiality of disclosures in financial statements, the presentation of additional items in the balance sheet and statement of comprehensive income, presentation of the other profit/loss for associated companies and joint ventures carried using the equity method, the structure of disclosures in the notes and presentation of the applicable accounting methods.

The changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

Amendment to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible Assets”: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible Assets” adopted on May 12, 2014, contain guidelines on the methods to be applied for depreciation of property, plant and equipment and for amortization of intangible assets. According to them, the revenue-based method is not a permissible method of depreciation and amortization under IAS 16. This also applies refutably and analogously for IAS 38. These changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture”: Bearer Plants

Under the amendments to the IAS 16 and IAS 41 standards published on June 30, 2014, bearer plants, such as grape vines, banana trees and oil palms, will be covered by IAS 16 in future. These changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to 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 February 1, 2015. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IFRS 27 "Separate Financial Statements": Equity Method in Separate Financial Statements of an Investor

The amendments to IAS 27 "Separate Financial Statements" published on August 12, 2014, mean that application of the equity method as an option for carrying interests in subsidiaries, associated companies and joint ventures in the separate financial statements of an investor is permitted again. There is still (as before) the option of recognizing them at amortized acquisition cost or in accordance with IAS 39 or IFRS 9. The changes come into effect for 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.

IFRS 9 "Financial Instruments"

The IASB adopted the final version of IFRS 9 "Financial Instruments" on July 24, 2014. The revised IFRS 9 now also contains regulations on a new measurement category for fair value through other comprehensive income (FVOCI) and impairment of financial instruments. Adoption of the IFRS 9 means that its previous versions (Classification and Measurement: Financial Assets and Liabilities; Hedge Accounting) and its predecessor standard IAS 39 are superseded.

When first carried, financial assets are in future to be categorized as measured at "fair value through profit or loss" or at "amortized cost". This classification is dependent on the company's business model and the contractual terms of the financial asset. The new measurement category FVOCI introduced with the final standard can be used for specific financial assets if the assets are controlled with the objective of collecting the contractually agreed cash flows and to sell the assets (holding and selling business model) and the contractual cash flows from the assets are solely repayments of principal and interest payments (cash flow criterion). If both conditions are met, a debt instrument must always be measured at FVOCI, unless the fair value option is used at the time of the asset's addition.

In the case of financial assets that are assigned to the measurement category FVOCI, measurement gains must be recognized in the "Other profit/loss"; however, impairment losses, income from reversals of impairment losses, gains and losses from foreign currency translation and interest income must be presented in the income statement. The measurement gains carried in "Other profit/loss" must be transferred to the income statement when derecognized (recycling).

There is the irrevocable possibility of applying an FVOCI option for equity instruments provided the instruments in question are not held for trading. The amounts carried in "Other profit/loss" are not transferred to the income statement for these instruments (no recycling).

The classification of financial liabilities has not changed compared with IAS 39. Only the regulations in the event of a change to the own credit risk have changed for financial liabilities measured at fair value using the fair value option. They have to be carried in the "Other profit/loss".

The new regulations in IFRS 9 on recognition of impairments are based on the premise of providing for anticipated losses (expected loss model), a deviation from the previous model of losses that had already occurred (incurred loss model). Both models differ in that the expected loss model includes anticipated losses where there are no concrete loss indicators, whereas losses may only be included In the incurred loss model if there are already concrete loss indicators.

Consequently, a risk provision for expected payment losses must now be formed in principle in accordance with IFRS 9. In order to determine the extent of provisions for risks, there is a three-tier model under which in principle expected losses for 12 months are to be carried as of first-time recognition and, in the event of a significant deterioration in the credit risk, the anticipated total losses are to be recognized.

IFRS 9 contains regulations on hedge accounting that create a stronger connection between hedge accounting on the balance sheet and the risk management practiced as part of operational activities. IFRS 9 provides a more flexible possibility for designating hedged items, under which individual components, net positions and aggregated positions (including derivatives) can be hedged. Individual components of non-financial items can also be designated provided they are separately identifiable and reliably measurable.

With the exception of equity instruments for which the FVOCI option has been exercised, IFRS 9 basically permits any type of non-derivative financial instrument to be designated as a hedging instrument if those financial instruments are measured at fair value.

Effectiveness is assessed solely on a prospective basis in accordance with IFRS 9. The economic relationship between the hedged item and the hedging instrument is the main criterion for measuring effectiveness. The credit risk and hedge ratio are also analyzed.

The new standard must be applied to fiscal years beginning on or after January 1, 2018. Early application of the new standard is possible. Previous versions of IFRS 9 can be applied before that within a limited period of time, provided that the relevant date of first-time application in this regard is before February 1, 2015. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendment adopted on September 11, 2014, eliminates an existing inconsistency between IFRS 10 and IAS 28 in relation to the question of complete (IFRS 10) or proportionate (IAS 28) recognition of gains if an investor sell assets in one of its associated companies or joint ventures (or contributes assets to such entities).

The changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures": Investment Entities – Applying the Consolidation Exception

The change to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures" adopted on December 18, 2014, comprises minor changes to these standards. In particular, various questions relating to exemption from the consolidation obligation under IFRS 10 if the parent company meets the definition of an "investment entity" are dealt with.

These changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IFRS 11 "Joint Arrangements": Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 "Joint Arrangements" adopted on May 6, 2014, contain additional guidelines on the question of how an acquisition of interests in joint operations is to be carried. The amendments clarify that an acquisition of interests in a joint operation that constitutes a business enterprise within the meaning of IFRS 3 "Business Combinations" must be recognized in accordance with the provisions of IFRS 3 (purchase method of accounting) and other relevant standards, such as IAS 12, IAS 38 and IAS 36.

The changes must be applied prospectively to the acquisition of interests in fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. 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 new standard must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible . Their first-time application will have no effects on the consolidated financial statements.

IFRS 15 “Revenue from Contracts with Customers”
On May 28, 2014, the IASB published the long-awaited standard on revenue recognition. IFRS 15 “Revenue from Contracts with Customers” establishes a consistent set of rules for all questions of recognizing revenue from contracts with customers. The stipulations in IFRS 15 must be applied consistently to different transactions and across all industries. The only exception is contracts that are covered by the scope of IAS 17 “Leases”, IAS 27 “Separate Financial Statements”, IAS 28 Investments in Associates and Joint Ventures”, IFRS 4 “Insurance Contracts”, IFRS 9 “Financial Instruments”, IFRS 10 “Consolidated Financial Statements” and IFRS 11 “Joint Arrangements”. This standard supersedes the existing standards and interpretations on revenue recognition (IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programs”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets from Customers” and SIC-31 “Revenue – Barter Transactions Involving Advertising Services”).

IFRS 15 contains in particular extensive regulations on recognition of revenue from contracts with different service components (multi-component contracts). In addition, IFRS 15 expands existing disclosure requirements and introduces extensive qualitative and quantitative disclosures on contracts with customers, the main discretionary decisions and subsequent changes to them, and assets resulting from capitalized costs for obtaining or fulfilling contracts with customers so as to provide more useful information for decision-making for the target audience of the financial statements.

The new standard must be applied to fiscal years beginning on or after January 1, 2017. Early application of the new standard is possible. The effects of the new standard on the consolidated financial statements are still being examined at present.

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 June 17, 2014. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to the IFRSs, 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 February 1, 2015. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to the IFRSs, 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 January 1, 2015. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to the IFRSs, 2012-2014 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 January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

General principles
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.

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.

Offsetting of assets and liabilities
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 individual production contracts and are covered by services provided by the balance sheet date on the basis of the percentage of completion method.

Currency translation
The consolidated financial statements of euromicron AG are prepared in euro, the functional currency of euromicron AG.

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.

Receivables and liabilities in foreign currency amounts are translated at the spot rate on the balance sheet date.

The results and balance sheet items of Group companies that have a different functional currency to the euro are translated into euros as follows:

- Assets and liabilities are translated at the rate on each respective balance sheet date.

- Income and expenses are translated for each income statement at the average rate (unless use of the average rate does not result in a reasonable approximation of the cumulative effects that would have resulted from translation at the rates applicable at the times of the transactions, in which case income and expenses are to be translated at their rates on the transaction date).

All resultant translation differences are recognized in equity in the separate item “Currency translation difference”.

Consolidation principles
Subsidiaries are all companies that are controlled by the Group. The Group controls an associated company if it has power of disposal over the company, there is a risk exposure as a result of or rights to variable returns from its engagement in the associated company and the Group has the ability to use its power of disposal over the company so as to influence the level of the variable returns from the associated company. This is usually accompanied by a share of the voting rights of more than 50%. In assessing whether a company is controlled, the existence and impact of potential voting rights that can be exercised or are convertible at present are taken into account. Subsidiaries are included in the consolidated financial statements by way of full consolidation. They are included from the date on which control has passed to the Group and no longer included where the Group does not have control over them.

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.

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.

Company acquisitions

Acquired subsidiaries are carried using the purchase method of accounting in accordance with IFRS 3. 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. Any positive difference remaining after allowance for deferred taxes is carried as goodwill under the intangible assets.

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.

Incidental costs as part of company acquisitions are recognized as an expense in the current period and carried under “Other operating expenses” (mainly as consulting costs).

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 portion 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.

Intangible assets – Goodwill

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) and if there are indications or circumstances (triggering events) that suggest its value may be impaired.

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 its 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 year, 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.

Other intangible assets

The other intangible assets comprise concessions, industrial and similar rights, brand name rights, capitalized development costs and self-created software. The other intangible assets are carried at cost and amortized using the straight-line method, on the basis of the following useful lives: TABLE 020

Other intangible assets 020

	Useful life in years
Concessions, industrial and similar rights	3 – 10
Brand name rights	10 – 25
Capitalized development costs	3 – 6
Self-created software	4 – 8

There are no intangible assets with an indefinite period of use either at the balance sheet date or at the balance sheet date of the previous year.

In the case of self-created intangible assets, development costs are carried at acquisition and manufacturing cost in accordance with IAS 38, 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.

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.

Research expenditure – where incurred – is posted as an expense, but is not a material factor at the euromicron Group.

Property, plant and equipment

Property, plant and equipment is measured at its acquisition or manufacturing cost less cumulated depreciation.

Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives: TABLE 021

Property, plant and equipment 021

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

Financing costs are capitalized as acquisition or manufacturing costs 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 or in the previous fiscal year before that, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Impairment of long-lived assets

Long-lived assets (other intangible assets and property, plant and equipment) are tested for impairment if, due to events or changes in circumstances, there are indications that the carrying amount of the objects can no longer be recovered (triggering events). 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 its fair value less costs to sell and its 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.

Leasing

If, in accordance with IAS 17, the lessee bears the main risks and opportunities in relation to leased assets, economic ownership is ascribed to the lessee ("finance lease"). At the time of addition, the leased object under a finance lease is 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 or over the agreement's term. The corresponding liability to the lessor is carried at the same amount under "Liabilities from finance lease" at the time of the addition and amortized by means of the effective interest method.

If the main risks and opportunities from a lease remain with the lessor, this constitutes an operating lease. Payments in connection with an operating lease are carried in the income statement linearly over the term of the lease.

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 that can be achieved 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 of inventories includes production materials and labor costs, as well as allocable material and production and administrative overheads. In the past fiscal year or in the previous fiscal year before that, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Production contracts

The euromicron Group's portfolio includes project companies that report project and installation services running beyond the key date in their balance sheet. Sales and earnings for projects that run beyond the key date and whose costs and pro-rata profit can be clearly identified are recognized using the percentage of completion (POC) method in accordance with IAS 11. The zero-profit method is also used. 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 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. No profit markups are included if the zero-profit method is used.

The balances of projects running beyond the key date are reported in the separate balance sheet items "Gross amount due from customers for contract work" and "Gross amount due to customers for contract work". They are carried after being netted off against the payments on account covered by the services provided up to the key date.

Financial assets

In principle, financial assets are split into the following categories:

a.) At fair value through profit or loss

b.) Loans and receivables

c.) Held to maturity investments and

d.) Available for sale.

The classification depends on the purpose for which the financial asset in question was acquired. Management defines the classification of financial assets when they are recognized for the first time.

The euromicron Group has financial assets in the categories "Loans and receivables" and "Available for sale" at the balance sheet date.

Financial assets in the "Available for sale" category are initially carried at their fair value. Related transaction costs are recognized in profit or loss in the case of equity instruments. After first-time recognition, financial assets in the category "Available for sale" are measured at fair value. Changes in the fair value of financial assets in the "Available for sale" category are in principle recognized under "other comprehensive income" (OCI), unless a lasting impairment to them is ascertained.

If securities classified as "Available for sale" are sold, the accumulated changes in fair value previously carried under "Other profit/loss" are recognized in the income statement.

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are classed as current assets if their due date is not more than twelve months after the balance sheet date. If the due date is more than twelve months, they are carried as noncurrent assets. "Loans and receivables" are carried in the balance sheet under "Trade accounts receivable", "Gross amount due from customers for contract work", "Other financial assets" and "cash and cash equivalents". Financial assets in the category "Loans and receivables" are initially recognized at their fair value plus transaction costs. After first-time recognition, they are carried at amortized acquisition cost using the effective interest method.

Financial assets are derecognized if the rights to payments from the financial assets have expired or been transferred and the Group has essentially transferred all risks and opportunities attached to ownership of them.

Impairment to the value of financial assets

At each balance sheet date, an examination is carried out to ascertain whether there are objective indications that the value of a financial asset or group of financial assets has been impaired.

In the case of financial assets in the "Available for sale" category, a significant or lasting decline in fair value below the acquisition costs is regarded as an indicator of impairment.

If there is such an impairment for available-for-sale assets, the accumulated loss is derecognized from equity and carried in the income statement. If the fair value of a financial asset in the category "Available for sale" increases again in a subsequent period due to circumstances that have occurred after first-time recognition of the impairment, the recovery in value is taken directly to equity in the case of equity instruments.

In the event of impairment to the value of an asset in the category "Loans and receivables", its carrying amount is reduced and the loss recognized as an expense. If the amount of the impairment falls in a subsequent period, the recovery in value is recognized as income.

Cash and cash equivalents
Cash and cash equivalents are measured at nominal value.

Deferred taxes
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 from consolidation effects are taken into account.

Deferred tax claims (deferred tax assets) 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 liabilities resulting from temporary differences in connection with shares in subsidiaries are not recognized if the time at which the temporary differences are reversed can be determined by the Group and it is likely that the temporary differences will not be reversed in the foreseeable future due to this influence.

Deferred tax assets are 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.

Equity
Equity comprises the shares in euromicron AG. There are no preferential shares or shares whose nominal amounts must be repaid.

In accordance with IAS 32.37, the equity transaction costs incurred as part of capital increases and the issue of new shares or options, minus deferred taxes, are directly offset with the premium and not recognized in the income statement.

If a company in the euromicron Group acquires equity interests in euromicron AG (treasury shares), the value of the paid consideration, including directly attributable additional costs (net after income tax), is deducted from euromicron AG's equity until all the shares have been redeemed or issued again. If such treasury share are subsequently issued again, the received consideration (net after deduction of directly attributable additional transaction costs and related income tax) is carried in euromicron AG's equity.

Liabilities
Liabilities are classified as current if the payment obligation is due within one year. Otherwise, they are carried as noncurrent liabilities.

When recognized for the first time, liabilities are measured at fair value. 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.

Financial liabilities
Financial liabilities can basically be split into two categories:

a.) Financial liabilities at fair value through profit or loss

b.) Other financial liabilities measured at amortized cost using the effective interest method.

When recognized for the first time, financial liabilities at fair value through profit or loss are measured at fair value, minus directly attributable transaction costs. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Changes to fair value are carried in the period they occur in the income statement. All other financial liabilities are measured in subsequent periods at amortized acquisition cost using the effective interest method.

Provisions for pensions and similar obligations

There are defined benefit and defined contribution pension schemes at the euromicron Group. A defined contribution scheme is a pension scheme where the Group pays fixed contributions to a company (fund) that is not part of the Group. The Group has no legal or factual obligation to pay additional contributions if the fund does not contain sufficient assets to settle the pension entitlements of all employees from the current and previous fiscal years. A defined benefit scheme is a scheme that is not a defined contribution scheme.

Typically, defined benefit schemes prescribe an amount for the pension benefits which the employees will receive when they retire and which is usually dependent on one or more factors (age, length of service and salary).

The provision for defined benefit schemes in the balance sheet corresponds to the present value of the defined benefit obligation (DBO) on the balance sheet date minus the fair value of the plan assets. The DBO is calculated annually by an independent actuarial expert using the projected unit credit method. The present value of the DBO is calculated by discounting the anticipated future cash payments at the interest rate of high-quality corporate bonds. The corporate bonds are denominated in the currency of the amounts to be paid out and have maturities matching the pension obligations.

The current service costs reflects the increase in the benefit obligation earned by employees in the period under review. If it is not capitalized, it is carried under “Personnel costs” in the income statement.

Past service costs are recognized immediately in the income.

The net interest is calculated by multiplying the net debt (asset) from the defined benefit schemes by the discount rate. Both are calculated at the beginning of the period under review, taking into account any changes that have occurred to the net debt due to payments of contributions and benefits in the course of the period under review. The net interest is carried under “Net interest income/loss” in the income statement.

Actuarial gains and losses due to experience adjustments and changes to actuarial assumptions are recognized in equity under “Other profit/loss” in the period in which they occur.

In the case of defined contribution schemes, the Group pays contributions to public or private pension institutions voluntarily or subject to a statutory or contractual obligation. The Group has no further payment obligations above and beyond making the contributions. The contributions are carried under “Personnel costs” when they are due. Prepaid contributions are recognized as assets to the extent that there is a right to repayment or a reduction in future payments.

Other provisions

Provisions 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 provision can be measured reliably. The provisions are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Provisions are reversed against the expense item where the original allocation to a provision was carried. If the discounting effect for long-term provisions is material, the provisions are recognized at the present value of the anticipated future cash flows.

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.

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 carrying amounts 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: €113,479 thousand (previous year: €113,529 thousand)

- Measurement of capitalized development costs: €9,572 thousand (previous year: €10,184 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): € –1,807 thousand (previous year: €925 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 €52,070 thousand (previous year: €53,780 thousand)

- Gross amount due to customers for contract work €0 thousand (previous year: €816 thousand)

Use of the percentage of completion methods demands in particular estimates of the anticipated total costs and revenues for production contracts. We refer in this regard to the notes on the consolidated balance sheet (sections 4 and 8) and the notes on the consolidated income statement (section 11).

- Measurement of the other provisions: €3,660 thousand (previous year: €4,084 thousand)

  Measurement of the other provisions 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: €1,194 thousand (previous year €947 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): €5,992 thousand (previous year: €5,826 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

4. Corrections according to IAS 8

In connection with preparation of the IFRS consolidated financial statements of euromicron AG for 2014, the company discovered the following mistakes relating to accounting and measurement of individual projects and accounting of individual receivables in fiscal years 2012 and 2013. The accounting mistakes that needed correcting occurred in particular in relation to around 25 large projects at three system house companies in the euromicron Group. A total of some 5,000 similar projects per year were handled and accomplished by companies in the euromicron Group in fiscal years 2012 and 2013. The errors detected in accounting and measurement of the projects in question involved in particular costing mistakes, incorrect measurements and a lack of follow-up costs in project cost calculations. In addition, subsequent requests by customers, some of which were anticipated, were not adequately recorded or documented as part of project valuation and so claims for them could not be asserted in the final invoice for projects. euromicron AG published an ad-hoc announcement in compliance with Section 15 WpHG (German Securities Trading Act) in this regard on March 23, 2015.

The following mistakes were identified:

1. In 2012 and 2013 there were mistakes in the original cost calculations for individual projects, as a result of which sales and the gross amount due from customers for contract work in accordance with IAS 11.22 or the costs attributable to the projects and (In the case of affected projects) the gross amount due to customers for contract work in accordance with IAS 11.36 were calculated incorrectly (“mistakes in project costing”).

2. In addition, in the years 2012 and 2013 there were mistakes in relation to changes in estimates for order costs and order revenues in accordance with IAS 11.38 as part of individual project valuations. In particular, estimates were adjusted using incorrect amounts or adjustments that needed to be made to estimates were not carried out. As a result, there were incorrectly calculated sales and gross amounts due from customers for contract work in accordance with IAS 11.22 and incorrectly calculated expenses and (in the case of affected projects) gross amounts due to customers for contract work in accordance with IAS 11.36 (“mistakes in project valuation”).

3. In the years 2012 and 2013, sales and accounts receivable were recognized despite the fact that they did not fulfill the measurement criteria in accordance with IAS 39.14 and F49(a) or the criteria for being recognized in accordance with IAS 18.20 (“mistakes in recognition of receivables”).

These mistakes in the valuation of individual projects and the resultant lower EBIT and EBITDA mean that there is a lower bonus commitment toward members of the Executive Board and that the Group can reclaim excess bonus payments that have already been made (“subsequent adjustment to the bonus”). In addition, the individual incorrect valuations for projects resulted in claims for refunds from income tax, the income tax to be paid and deferred tax assets and liabilities (“subsequent adjustment to taxes and deferred taxes”).

The re-measurement of the identified projects resulted in a reduction in equity as of January 1, 2013, of approximately €5.8 million, which was treated in compliance with the principles of IAS 8. In fiscal 2013, there was a further reduction in equity of approximately €5.6 million resulting entirely from effects that were recognized in income.

Correction of the mistakes had an impact on trade accounts receivable, gross amounts due from customers for contract work, claims for income tax refunds, other financial assets, other assets, gross amounts due to customers for contract work, trade accounts payable, liabilities from current income taxes, personnel obligations and deferred tax assets and liabilities.

The following balance sheet items in the IFRS consolidated financial statements of euromicron AG at December 31, 2012, and at December 31, 2013, are affected by the mistakes that were discovered:

1. Incorrect valuations of individual projects meant that trade accounts receivable were recognized incorrectly and the consolidated income reported was too high (IAS 11.22; IAS 18.20; IAS 39.14). The related corrections to value-added tax resulted in claims to a refund in value-added tax (carried under “Other assets”).

2. Incorrect valuations of individual projects meant that the reported gross amount due from customers for contract work was too high (IAS 11.22 et seq.; IAS 11.42 et seq.). The same applies to the obligations from follow-up costs carried under “Trade accounts payable”.

3. In addition, gross amounts due to customers for contract work (projects whose anticipated order costs exceed the anticipated order total) were not carried or were recognized at too low a value (IAS 11.36).

4. The fact that the EBIT and EBITDA were calculated at too high a level means that an excessive bonus payment to members of the Executive Board was reported (balance sheet item “Personnel obligations”). The too high bonus payments to the members of the Executive Board means the excess amounts paid can be reclaimed (balance sheet item “Other financial assets”) (IAS 39.14).

5. Due to the corresponding tax effects from the incorrect project valuations, the reported liabilities from current income taxes were too high and the reported claims for income tax refunds were too low. The correction to the balance sheet figures also impacts deferred tax assets and liabilities (IAS 12). If the corrections made resulted in an increase in surplus deferred tax assets, a company-specific impairment test on the surplus assets was conducted. As a result of this impairment test, deferred tax assets resulting from higher tax loss carryforwards caused by the correction to the mistakes were not recognized in part.

In the present financial statements, the comparative figures at December 31, 2013, were adjusted in all tables containing disclosures on the figures in the balance sheet. Figures published before that key date did not have to be presented. The adjustments in accordance with IAS 8 are also disclosed separately in the statement of changes in equity of the euromicron Group.

The tables below show the effects of the corrections on the 2014 consolidated financial statements; they are also referred to at various points in the notes:

TABLE 022/023/024

Correction to the consolidated balance sheet according to IAS 8 022

	Jan. 1, 2013 before correction	Correction of mistakes in project costing	Correction of mistakes in project valuation	Correction of mistakes in recognition of receivables	Subsequent adjustment to the bonus	Subsequent adjustment to taxes and deferred taxes	Jan 1, 2013 after correction
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
ASSETS							
Trade accounts receivable	40,806	0	0	–539	0	0	40,267
Gross amount due from customers for contract work	55,960	–1,329	–5,355	0	0	0	49,276
Other financial assets	946	0	0	0	0	0	946
Deferred tax assets	1,933	0	0	0	0	–40	1,893
Claims for income tax refunds	4,107	0	0	0	0	104	4,211
Other assets	3,557	0	0	0	0	69	3,626
Other noncurrent and current assets	176,569	0	0	0	0	0	176,569
	283,878	**–1,329**	**–5,355**	**–539**	**0**	**133**	**276,788**
LIABILITIES AND EQUITY							
Equity	119,044	–1,489	–5,355	–539	250	1,334	113,245
Gross amount due to customers for contract work	0	159	0	0	0	0	159
Trade accounts payable	42,867	0	0	0	0	0	42,867
Personnel obligations	9,833	0	0	0	–250	0	9,583
Deferred tax liabilities	7,736	0	0	0	0	–904	6,832
Liabilities from current income taxes	1,850	0	0	0	0	–296	1,554
Other noncurrent and current liabilities	102,548	0	0	0	0	0	102,548
	283,878	**–1,329**	**–5,355**	**–539**	**0**	**133**	**276,788**

Correction to the consolidated balance sheet according to IAS 8 **023**

	Dec. 31, 2013 before correction	Correction of mistakes in project costing	Correction of mistakes in project valuation	Correction of mistakes in recogni-tion of receivables	Subsequent adjustment to the bonus	Subsequent adjustment to taxes and deferred taxes	Dec. 31, 2013 after correction
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
ASSETS							
Trade accounts receivable	34,593	0	−2,243	−571	0	0	31,779
Gross amount due from customers for contract work	63,761	−1,582	−8,399	0	0	0	53,780
Other financial assets	3,177	0	0	0	261	0	3,438
Deferred tax assets	2,299	0	0	0	0	−64	2,235
Claims for income tax refunds	4,467	0	0	0	0	148	4,615
Other assets	2,064	0	0	0	0	69	2,133
Other noncurrent and current assets	218,500	0	0	0	0	0	218,500
	328,861	**−1,582**	**−10,642**	**−571**	**261**	**153**	**316,480**
LIABILITIES AND EQUITY							
Equity	122,599	−2,398	−10,271	−571	402	1,402	111,163
Gross amount due to customers for contract work	0	816	0	0	0	0	816
Trade accounts payable	54,639	0	−371	0	0	0	54,268
Personnel obligations	11,471	0	0	0	−141	0	11,330
Deferred tax liabilities	8,659	0	0	0	0	−598	8,061
Liabilities from current income taxes	4,341	0	0	0	0	−651	3,690
Other noncurrent and current liabilities	127,152	0	0	0	0	0	127,152
	328,861	**−1,582**	**−10,642**	**−571**	**261**	**153**	**316,480**

Correction to the consolidated income statement according to IAS 8 **024**

	Jan. 1 – Dec. 31, 2013 before correction	Correction of mistakes in project costing	Correction of mistakes in project valuation	Correction of mistakes in recogni-tion of receivables	Subsequent adjustment to the bonus	Subsequent adjustment to taxes and deferred taxes	Jan 1 – Dec. 31, 2013 after correction
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**329,370**	**48**	**−3,352**	**−384**	**0**	**0**	**325,683**
Inventory changes	−698	0	0	0	0	0	−698
Own work capitalized	3,134	0	0	0	0	0	3,134
Other operating income	1,901	0	0	0	0	0	1,901
Cost of materials	−176,439	−816	546	0	0	0	−176,709
Personnel costs	−99,181	0	0	0	153	0	−99,028
Amortization and depreciation	−8,901	0	0	0	0	0	−8,901
Other operating expenses	−43,677	0	−1,795	−105	0	0	−45,578
Earnings before interest and taxes (EBIT)	**5,509**	**−768**	**−4,601**	**−489**	**153**	**0**	**−196**
Interest income	61	0	0	0	0	0	61
Interest expenses	−3,869	0	0	0	0	0	−3,869
Other financial expenses	0	0	0	0	0	0	0
Income before income taxes	**1,701**	**−768**	**−4,601**	**−489**	**153**	**0**	**−4,004**
Income taxes	−2,465	0	0	0	0	68	−2,397
Consolidated net loss for the year	**−764**	**−768**	**−4,601**	**−489**	**153**	**68**	**−6,401**
Thereof for euromicron AG shareholders	−888	−768	−4,601	−489	153	68	−6,525
Thereof for non-controlling interests	124	0	0	0	0	0	124
(Un)diluted earnings per share in €	**−0.12**	**−0.11**	**−0.64**	**−0.07**	**0.02**	**0.01**	**−0.91**

CONSOLIDATED COMPANIES

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 26 (previous year: 27) companies to be consolidated. euromicron AG directly or indirectly holds the majority of voting rights in all the associated companies and so controls them. All the companies are fully consolidated, i.e. not consolidated at-equity, since there are no associates in which euromicron AG holds more than 20%, but less than 50% of the voting rights. Investments below 20% have not been consolidated. euromicron AG holds the majority of voting rights in all the companies included in the consolidated financial statements, so that no significant discretionary decisions and assumptions were necessary to include them in the consolidated group.

Under the officially recorded merger agreement dated July 28, 2014, SSM euromicron GmbH was merged with euromicron systems GmbH effective January 1, 2014. This merger within the Group reduced the number of companies included in the consolidated financial statements from 27 to 26. Of these companies, 17 (previous year: 18) are based in Germany and 9 (previous year: 9) in other European countries.

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2014: TABLE 025

Number of consolidated companies 025

	2014	2013
January 1	27	23
First-time consolidation	0	4
Mergers within the Group	–1	0
December 31	26	27

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

2. Acquisition of companies and divisions

In fiscal 2014 there were no changes to the consolidated companies due to newly established companies or significant acquisitions of subsidiaries and other business units in accordance with IFRS 3.

Acquisition of the business operations of GATEWAY Traffic Security Systems GmbH by Secure Information Management GmbH (asset deal)
Under the notarized purchase agreement dated October 30, 2014, Secure Information Management GmbH acquired the business operations of GATEWAY Traffic Security Systems GmbH by way of an asset deal. The date of acquisition was November 1, 2014. Secure Information Management GmbH acquired the business operations at a total purchase price of €90 thousand. Of this, €28 thousand was paid in fiscal 2014; the remaining amount of €62 thousand is carried as a purchase price liability under "Other financial liabilities" at December 31, 2014. The total purchase price exactly matches the fair value of the acquired intangible assets (software: €40 thousand, customer relationships: €40 thousand) and inventories (€10 thousand), with the result that no goodwill resulted from the acquisition. No employees were taken over.

We expect tax-deductible goodwill to an amount of €40 thousand. This is due to the fact that for tax purposes (deviating from the regulations of the IFRSs) acquired customer relationships cannot be recognized as a separate intangible asset, but is subsumed in the goodwill. No incidental costs were incurred in connection with the acquisition. The earnings and sales of the business operation cannot be identified reliably for the period in which it was part of the Group (from November 1 to December 31, 2014), since the sales attributable to the acquired assets cannot be ascertained separately from the sales of Secure Information Management GmbH. The acquisition had no effect on the consolidated companies. It enables the euromicron Group to build its expertise in the field of security technology.

3. Disclosures on company acquisitions from previous years

ATECS AG, Zug / Switzerland and Secure Information Management GmbH, Neustadt a.d.W.

The cash price for the 80% stake in ATECS AG, Zug / Switzerland (referred to as ATECS AG in the following) and the 80% stake in Secure Information Management GmbH, Neustadt a.d.W. (referred to as SIM GmbH in the following), which were both acquired effective December 20, 2014, was paid in fiscal 2014. The cash price totaled €8,000 thousand, of which €6,400 thousand was for the 80% stake in ATECS AG and €1,600 thousand for the 80% stake in SIM GmbH.

As part of these share acquisitions, agreements on additional purchase price payments if contractually defined targets are reached were also concluded. Under the agreement, a further purchase price of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH is payable if the cumulated EBIT of ATECS AG and SIM GmbH exceed a firmly agreed amount in fiscal 2014. This threshold was surpassed for fiscal 2014, resulting in a corresponding payment obligation in fiscal 2015. A further purchase price payment of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH is due if the cumulative EBIT of these two companies also surpasses the agreed amount in 2015. The amount of the liabilities from the (conditional) purchase price payment, which was assessed on the basis of likelihood of the condition being met at the time of acquisition and discounted to the present value, was €1,997 thousand at December 31, 2014 (previous year: €1,993 thousand), of which €1,598 thousand (previous year: €1,594 thousand) is for ATECS AG and €399 thousand (previous year: €399 thousand) for SIM GmbH. These (conditional) liabilities from the purchase price payment are carried to an amount of €997 thousand (previous year: €1,993 thousand) under "Noncurrent financial liabilities" and to an amount of €1,000 thousand (previous year: €0 thousand) under "Current financial liabilities".

The minority shareholders also obtained a put option 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 (ATECS AG) and €200 (SIM GmbH) for a 10% minority interest. Due to this put/call option, ATECS AG and SIM GmbH were fully consolidated in the consolidated financial statements of euromicron AG in 2013, the year in which 80% of the shares were acquired in each case. The liabilities from put options discounted to the present value are €1,998 thousand at December 31, 2014 (previous year: €1,996 thousand), of which €1,598 thousand (previous year: €1,597 thousand) is for ATECS AG and €400 thousand (previous year: €399 thousand) for SIM GmbH. These liabilities from put options are carried to an amount of €998 thousand (previous year: €1,996 thousand) under "Noncurrent financial liabilities" and to an amount of €1,000 thousand (previous year: €0 thousand) under "Current financial liabilities". See section 30 "Significant events after the balance sheet date" in relation to exercise of the existing options for 10% of the shares in each company in January 2015.

MICROSENS GmbH & Co. KG, Hamm

As part of the acquisition of 80% of the shares in MICROSENS GmbH & Co. KG, Hamm, in 2006, the minority shareholders obtained a put option to tender the remaining 20% and euromicron AG an identical option to purchase them. As a result of the mutual put/call options, this company was fully consolidated. The option comprised 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 was able to be exercised no earlier than January 1 and no later than December 31, 2014.

Under the agreement dated December 19, 2014, euromicron AG exercised its option to acquire half the remaining shares (5%). The liability from preemptive rights carried in previous years from the combined put/call option was allocated to a pro-rata amount of €50 thousand to a conditional purchase price component. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 (in its 2004 version), the €50 thousand from the conditional purchase price component, which did not have to be paid due to the fact that the targets were not achieved, were treated as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition was reduced by that amount. The purchase price obligation from exercise of half the option in 2014 is €451 thousand at December 31, 2014 (previous year: €0 thousand) and is carried under "Current financial liabilities". Due to the existing option arrangement, a liability from preemptive rights totaling €983 thousand was carried under "Current financial liabilities" in the previous year. As a result of interest accrued on this liability, there were interest expenses of €20 thousand in fiscal 2014.

At the same time, the period for exercising the preemptive right and the purchase option relating to the remaining 5% stake held by the minority shareholders was extended until December 31, 2017. The option can now be exercised on January 1, 2014, at the earliest and on December 31, 2017, at the latest. According to the contractual arrangements, the purchase price must be increased by up to €50 thousand if a set EBIT is exceeded in the fiscal years 2016 to 2017. The present value of this liability from preemptive rights (fixed purchase price plus the conditional purchase price component) at December 31, 2014, is €462 thousand (previous year: €0 thousand) and is carried under "Noncurrent financial liabilities". Discounting as a result of the extension to the preemptive right and purchase option for the remaining 5% share held by the minority shareholders resulted in interest income of €40 thousand in fiscal 2014.

TABLE 026

List of companies included in the consolidated financial statements **026**

	Share in capital (%)
Parent company	
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 am 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	95.00
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 am Main, Germany	100.00
Qubix S.p.A. Padua, Italy	90.00
SKM Skyline GmbH München, 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.	80.00
euromicron networks GmbH Frankfurt am 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 5% 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 (see also section 30 “Significant events after the balance sheet date”.

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.

a) Intangible assets

The intangible assets comprise goodwill, concessions, industrial property and similar rights, brand name rights, capitalized development costs and self-created software.

Goodwill

Goodwill developed as follows in the fiscal year: TABLE 027

Goodwill 027

	2014	2013
	€ thou.	€ thou.
Goodwill at January 1	113,529	106,369
Additions	0	7,160
Write-downs	–50	0
Goodwill at December 31	113,479	113,529

The goodwill write-down in fiscal 2014 is solely due to the non-occurrence of a requirement for a conditional purchase price payment for an acquisition made in previous periods.

For purposes of the impairment test, the goodwill is allocated to the following CGUs: TABLE 028

CGUs 028

	2014	2013
	€ thou.	€ thou.
CGU 1 System Houses North	18,616	18,616
CGU 2 Production Companies North	19,086	19,136
CGU 3 System Houses South	35,330	35,330
CGU 4 2 Production Companies South	12,653	12,653
CGU 5 Distributors South	5,688	5,688
CGU 6 WAN services	22,106	22,106
	113,479	**113,529**

The impairment test is based on the following main planning and measurement assumptions:

The planning envisages sales growth of 5.8% in the following year for the CGU System Houses North; the medium-term planning for the years 2016 to 2019 is based on annual sales growth of between 4% and 7%. An EBIT margin of 3.1% is planned for 2015 and will increase moderately each year in subsequent years up to 2019 to 6.4%.

An increase in sales of 6.4% and 5.6% is expected for the CGU Production Companies North for 2015 and 2016 respectively; an increase in sales of almost 15% is planned for 2017 due to new business segments being tapped. The anticipated sales growth in the years 2018 and 2019 will then be in a range between 5% and 7%. The EBIT margin will improve by just under 0.5 percentage points in 2015 compared with 2014 and continue to increase slightly in subsequent years up to 2019; however, it has still been budgeted conservatively due to the competitive pressure in the individual market segments.

Sales in the CGU System Houses South in 2014 are to be increased by 10% as a result of selective sales and marketing activities, whereas EBIT in 2015 is budgeted as being slightly negative due to the anticipated costs as part of completion of the integration measures. Sales growth between 6% and 9% is expected for the years 2016 to 2019. The EBIT margin will move in the medium term back in the direction of the target EBIT margin of just over 6% for the system houses.

Planning for the CGU Production Companies South for 2015 and 2016 envisages sales growth of 9.4% and 12.5% respectively, in particular due to the effect from new products and product generations. Sales growth of between 5% and 8% has been budgeted for the years 2017 to 2019. A slightly lower EBIT margin than in 2015 is planned for 2015 and 2016; in the years 2017 to 2019, the EBIT margin will then be roughly constant at the 2014 level.

In the CGU WAN services, the planning for 2015 assumes relatively stable development of the market, which is why sales for 2015 are expected to be around the level of 2014. The EBIT margin planned for 2015 is slightly below the level for 2014. Sales growth of 9.5% and 6.5% is budgeted for the years 2016 and 2017 respectively due to the planned tapping of new business segments; as of 2018, annual sales growth of just under 4% is anticipated again. Profitability, as measured by the EBIT margin, will increase moderately every year as of 2016 and in 2019 will be slightly above the level of 2014.

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 budgeting.

Since individual business risks have already been taken into account in preparing the budgeting for the respective CGUs and will reduce the derived free cash flow, the following parameters were applied uniformly to all CGUs for calculating the WACC for the impairment test at December 31, 2014:
TABLE 029

Interest assumption for impairment 2014 029

	2014	2013
	€ thou.	€ thou.
Borrowing rate after taxes	1.52%	3.15%
Risk-free interest	1.17%	2.58%
Markup for return on equity	6.26%	5.30%
Beta factor	1.04	0.82
Ratio between outside capital/equity	15.06%	64.67%
Weighted average cost of capital (WACC)	6.65%	6.02 %
Growth rate	1.00%	1.00%
WACC perpetuity	5.65%	5.02%

The pre-tax WACC (perpetuity) used as basis for the impairment test carried out effective December 31, 2014, was 8.81% (previous year: 8.01%).

The goodwill impairment test at December 31, 2014, 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 1.45 percentage points (previous year: 1.54 percentage points) to 8.1% (previous year: 7.56%), there would be a need for a value impairment of €36 thousand (previous year: €50 thousand) at one CGU.

Other intangible assets

Development costs for self-created intangible assets of €2,225 thousand (previous year: €2,738 thousand) were carried in the year under review.

In addition, own work for self-created software and IT solutions was capitalized to an amount of €345 thousand (previous year: €332 thousand) in the year under review.

There were no write-downs of intangible assets in the year under review (previous year: €67 thousand).

b) Property, plant and equipment

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 €47 thousand in fiscal 2014 (previous year: €64 thousand).

There were no write-downs either in the past fiscal year or the year before that.

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.

CHANGES IN THE GROUP'S ASSETS IN 2014

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2014

	Cost					
	Jan. 1, 2014	Additions	Disposals	Additions from company acquisitions	Reclassi-fication and other	Dec. 31, 2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,100	0	–50	0	0	121,050
Intangible assets						
Concessions, industrial and similar rights	29,284	805	–592	80	–104	29,473
Brand name rights	12,426	0	0	0	104	12,530
Capitalized development costs	17,885	2,225	0	0	0	20,110
Self-created software	1,271	345	0	0	0	1,616
	60,866	3,375	–592	80	0	63,729
Property, plant and equipment						
Land and buildings	7,357	2	–5	0	1,321	8,675
Technical equipment and machinery	8,586	182	–45	0	0	8,723
Other equipment, operating and office equipment	22,975	2,853	–1,077	0	–1,321	23,430
	38,918	3,037	–1,127	0	0	40,828
	220,884	**6,412**	**–1,769**	**80**	**0**	**225,607**

030

Amortization and depreciation						Carrying amounts	
Jan. 1, 2014	Additions	Disposals	Reversal of write-downs	Reclassification and other	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2013
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
–7,571	0	0	0	0	–7,571	113,479	113,529
–20,994	–3,042	590	0	2	–23,444	6,029	8,290
–8,187	–229	0	0	–2	–8,418	4,112	4,239
–7,701	–2,837	0	0	0	–10,538	9,572	10,184
–275	–259	0	0	0	–534	1,082	996
–37,157	–6,367	590	0	0	–42,934	20,795	23,709
–3,250	–230	5	0	0	–3,475	5,200	4,107
–5,050	–721	36	0	0	–5,735	2,988	3,536
–16,147	–2,384	1,034	0	0	–17,497	5,933	6,828
–24,447	–3,335	1,075	0	0	–26,707	14,121	14,471
–69,175	**–9,702**	**1,665**	**0**	**0**	**–77,212**	**148,395**	**151,709**

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

	Cost					
	Jan. 1, 2014	Additions	Disposals	Additions from company acquisitions	Reclassi-fication and other	Dec. 31, 2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	113,940	0	0	7,160	0	121,100
Intangible assets						
Concessions, industrial and similar rights	24,454	986	−185	3,985	44	29,284
Brand name rights	12,426	0	0	0	0	12,426
Capitalized development costs	15,345	2,738	−154	0	−44	17,885
Self-created software	939	332	0	0	0	1,271
	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**

031

Amortization and depreciation						Carrying amounts	
Jan. 1, 2014	Additions	Disposals	Reversal of write-downs	Reclassification and other	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2013
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
−7,571	0	0	0	0	−7,571	113,529	106,369
−18,337	−2,850	185	0	8	−20,994	8,290	6,117
−8,097	−90	0	0	0	−8,187	4,239	4,329
−5,644	−2,203	154	0	−8	−7,701	10,184	9,701
−55	−220	0	0	0	−275	996	884
−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**

Leased equipment (€1,692 thousand; previous year: €1,970 thousand) and operating and office equipment (€577 thousand; previous year: €747 thousand) were carried as finance leases with a net carrying amount of €2,269 thousand at December 31, 2014 (previous year: €2,717 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. See section 8 "Liabilities" for an explanation of the liabilities from financial leases.

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. TABLE 032

c) Other noncurrent assets

Other noncurrent financial assets 032

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Shares in Secure Alert	770	849
Rent deposit/deposits by third parties	102	69
Other financial assets (noncurrent)	16	42
	888	**960**

The shares in the listed company SecureAlert Inc., Utah, U.S., carried under "Other noncurrent financial assets" were acquired by euromicron AG in 2009. The stake held in its capital stock on the balance sheet date was 0.62% (previous year: 0.64%). 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 (€934 thousand). In fiscal 2012, the value of the shares had fallen to such an extent that it was assumed that it was lastingly impaired and write-downs of €262 thousand were recognized in the income statement. In fiscal 2013, the fair value of the shares had increased again by €177 thousand; the effect from the recovery in value was taken directly to equity and carried in the other comprehensive income (OCI). In fiscal 2014, the fair value fell again by €79 thousand. This effect was taken directly to equity and carried in the other comprehensive income, with the result that the recovery in value in the OCI at December 31, 2014, is €98 thousand. We also refer in this regard to section 6d.) "Gain/loss on the valuation of securities". Given acquisition costs of €934 thousand, the carrying amount of the shares on the balance sheet date was thus €770 thousand (previous year: €849 thousand).

The carrying amounts of the other financial assets (noncurrent) in the category "Loans and receivables" are approximately the fair value. TABLE 033

Other noncurrent assets 033

	Dec. 31, 2014	Dec. 31, 2014
	€ thou.	€ thou.
Other noncurrent assets	85	105

The other noncurrent assets include in particular the corporation income tax credit balance in accordance with Section 37 (4) KStG (German Corporation Tax Act), which is €60 thousand at the balance sheet date (previous year: €78 thousand).

2. Deferred tax assets

Deferred tax assets are calculated on the basis of measurement differences in the following balance sheet items: TABLE 034

Deferred tax assets 034

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Intangible assets	129	994
Inventories	21,769	32,485
Other receivables and other assets	128	3,169
Provisions	2,633	1,633
Liabilities from finance lease	413	536
Other liabilities	1,206	1,442
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	2,593	3,797
Total deferred tax assets before netting off	**28,872**	**44,056**
Netting off	–27,502	–41,821
Total deferred tax assets after netting off	**1,370**	**2,235**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

There are long-term deferred tax assets (after netting off) totaling €841 thousand (previous year: €1,436 thousand); they result from deferred tax assets on measurement differences for intangible assets and from deferred tax assets on tax loss carryforwards.

Of the deferred tax assets remaining after netting off and totaling €1,370 thousand (previous year: €2,235 thousand), an amount of €1,340 thousand (previous year: €2,235 thousand) is attributable to five (previous year: nine) Group companies that made a tax loss in fiscal 2014 or the year before. The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company. 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.

As of December 31, 2014, the Group had corporation income tax loss carryforwards totaling €35,082 thousand (previous year: €32,077 thousand), trade tax loss carryforwards totaling €24,600 thousand (previous year: €18,731 thousand) and loss carryforwards for income taxes abroad totaling €21,001 thousand (previous year: €20,243 thousand). The loss carryforwards relate to six (previous year: seven) domestic holdings and euromicron AG and seven (previous year: six) 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 the solidarity surcharge) is incurred and around 30.0% respectively if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25% in Austria and 25.5% in the Netherlands.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €65,275 thousand (previous year: €47.842 thousand). Of this, €45,981 thousand (previous year: €29,303 thousand) were for Germany and €19,294 thousand (previous year: €18,539 thousand) for abroad.

3. Inventories

The euromicron Group's inventories on the balance sheet data are broken down as follows: TABLE 035

Inventories 035

	Dec. 31, 2014	Dec. 31, 2013
	€ thou	€ thou
Raw materials and supplies	12,003	10,454
Work in progress	2,181	1,966
Finished goods and merchandise	13,966	14,752
Prepayments	874	789
	29,024	**27,961**

In accordance with IAS 2.34, there were write-downs on inventories totaling €379 thousand in the fiscal year (previous year: €618 thousand); as in the previous year, there were no reversals in the period under review.

4. Receivables and other current assets

The receivables and other assets comprise trade accounts receivable, the gross amount due from customers for contract work, claims for income tax refunds, other financial assets and other assets.

The receivables and other assets on the balance sheet date are composed as follows: TABLE 036

Receivables and other assets 036

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Trade accounts receivable (gross)	38,394	35,074
Allowances for doubtful accounts	–4,663	–3,295
Trade accounts receivable (net)	33,731	31,779
Gross amount due from customers for contract work	52,070	53,780
Claims for income tax refunds	1,202	4,615
Other current financial assets)	2,971	2,478
Other current assets	2,078	2,028
	92,052	**94,680**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

The carrying amounts for trade accounts receivable, the gross amount due from customers for contract work and the other current financial assets are approximately their fair value.

Trade accounts receivable
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, 2014, were short-term.

If there are indications that receivables cannot be recovered, an appropriate allowance is recognized. The allowances for doubtful accounts result from 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: TABLE 037

Allowances for trade accounts receivable 037

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Balance at the beginning of the period	–3,295	–1,302
Allocation	–1,741	–2,406
Utilization	228	363
Reversals	145	50
Balance at the end of the period	**–4,663**	**–3,295**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €150 thousand (previous year: €798 thousand) in 2014 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 carrying amount of the trade accounts receivable for which an allowance has been made on the balance sheet date: TABLE 038

The trade accounts receivable include receivables in foreign currency (US$) totaling €1,155 thousand (previous year: €1,053 thousand). Since the currency risk overall at the Group is not assessed to be material, a sensitivity analysis of it was not conducted. 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 receivable include receivables from supplier rebates totaling €460 thousand (previous year: €651 thousand), which may be offset with corresponding trade accounts payable.

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 €40,000 thousand (previous year: €48,000 thousand). At December 31, 2014, receivables with a volume of €39,999 thousand (previous year: €46,281 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 €199 thousand (previous year: €50 thousand). The continuing involvement 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 carrying amount of the receivables sold on the key date. The continuing involvement is offset by an associated

Trade accounts receivable by times due 038

		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 Days					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, 2014							
Trade accounts receivable	33,731	9,464	12,180	3,145	1,990	2,962	711	3,279
	Dec. 31, 2013*							
Trade accounts receivable	31,779	9,863	14,593	2,046	901	1,100	661	2,615

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

liability totaling €245 thousand (previous year: €101 thousand); it is carried under "Other current financial liabilities". 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 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 and charges resulting from the sale of receivables are carried in the net financial result.

Gross amount due from customers for contract work

The gross amount due from customers for contract work was €52,070 thousand (previous year: €53,780 thousand); the payments on account netted off in this were €58,665 thousand (previous year: €57,975 thousand). The gross amount due to customers for contract work is €0 thousand (previous year: €816 thousand), giving a net figure of €52,070 thousand (previous year: €52,964 thousand) (see "Gross amount due to customers for contract work" in section 8 "Liabilities" for details).

The production contracts in progress at the balance sheet date were €110,735 thousand (previous year: €110,939 thousand) and are calculated from the total of accrued costs and reported profits (minus any losses) of €235,782 thousand (previous year: €187.514 thousand) less the partial final invoices of €125,047 thousand (previous year: €76.575 thousand).

Claims for income tax refunds

No receivables from creditable capital gains tax due to euromicron AG are carried under "Claims for income tax refunds" in fiscal 2014 (previous year: €2,371 thousand). The tax receivables reported in the previous year were offset by tax liabilities at the subsidiaries to the same amount, which were carried under the balance sheet item "Liabilities from current income taxes".

Other current financial assets

The other current financial assets are broken down as follows: TABLE 039

Other current financial assets 039

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Claim from withheld factoring monies	2,186	1,657
Claims for repayment of bonuses	417	261
Continuing involvement (factoring)	199	50
Rent deposit/deposits	92	161
Loan receivable from outside shareholders	0	195
Supplier loans	0	70
Other	77	84
	2,971	**2,478**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Other current assets

The other current assets changed as follows: TABLE 040

Other current assets 040

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Prepayments and accrued income	1,031	909
Claims for refunds from other taxes	601	660
Claims against employees	293	157
Other	153	302
	2,078	**2,028**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

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".

The cash and cash equivalents are as follows: TABLE 041

Cash and cash equivalents 041

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Cash in banking accounts	15,575	38,791
Cash on hand	48	39
	15,622	**38,830**

6. Equity

a) Subscribed capital and authorized capital

Upon entry of the capital increase adopted in December 2013 in the commercial register on January 8, 2014, the number of shares in euromicron AG in circulation increased 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 nominal amount per share is around €2.56. TABLE 042

Shares in circulation 042

	2014	2013
Sales in circulation at December 31	7,176,398	6,663,799

The General Meeting on May 14, 2014, adopted a resolution to create new authorized capital totaling €9,173,770.00. Under it, the Executive Board is authorized to increase the capital stock of euromicron AG by May 13, 2019, by up to a total of €9,173,770.00 on one or more occasions with the approval of the Supervisory Board by issuing new registered shares 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. The previously existing authorized capital, which was still €1,310,541.28 following its partial use for the capital increase, was rescinded.

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 09.06.11, 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, 2014. At December 31, 2014, the company did not hold any treasury shares that could be offset with equity in accordance with IAS 32.33.

b) Contribution made to carry out the adopted capital increase

The relevant contributions at December 31, 2013, reduced by the equity transaction costs after deferred taxes, totaling €6,837,322.56 are recognized under the separate item "Contribution made to carry out the adopted capital increase". Upon entry of the capital increase in the commercial register on January 8, 2014, €1,310,537.44 was transferred to the subscribed capital and €5,526,785.12 to the capital reserves.

c) Capital reserves

Upon entry of the capital increase adopted in December 2013 in the commercial register on January 8, 2014, the capital reserves increased by €5,526,785.12 from €88,770,758.23 to €94,297,543.35.

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

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 decreased in value in fiscal 2014, the valuation reserve at the balance sheet date is €98 thousand (previous year: €177 thousand).

The amounts in the reserve are broken down as follows:

TABLE 043

Valuation reserve 043

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Shares in SecureAlert Inc.	98	177
	98	**177**

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 resulting from translation of the financial statements of MICROSENS Sp.z o.o. at December 31, 2014, is € – 1,314.09 (previous year: €33.92).

f) Distributions in the fiscal year

In accordance with the resolution adopted by the General Meeting on May 14, 2014, no dividend was paid on for fiscal year 2013.

g) Non-controlling interests

The non-controlling interests reported at December 31, 2014 (€405 thousand; previous year: €392 thousand) relate exclusively to Qubix S.p.A., Padua/Italy (10%). The non-controlling interest should be regarded as not being material in relation to the consolidated financial statements.

h) Disclosures on capital management in accordance with IAS 1

The objective of capital management 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. The equity ratio is 38.4% (previous year: 35.1%) and is calculated as follows: TABLE 044

Equity ratio 044

	Dec. 31, 2014	Dec. 31, 2013*
Equity acc. to consolidated balance sheet (€ thou.)	110,401	111,163
Total assets (€ thou.)	287,436	316,480
Equity ratio	**38.4%**	**35.1%**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

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. It is €49,160 thousand at December 31, 2014 (previous year: €33,208 thousand) and is calculated as follows: TABLE 045

Net debt 045

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Liabilities to banks	−63,119	−63,196
Liabilities from finance lease	−1,663	−2,176
Industry loans*	0	−6,666
Cash and cash equivalents	15,622	38,830
Net debt	**−49,160**	**−33,208**

* See "Other financial liabilities"

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 at December 31, 2014.

7. Provisions

a) Other provisions

euromicron expects provisions of €1,748 thousand (previous year: €2,308 thousand) will be used within one year, €1,395 thousand (previous year: €1,310 thousand) in the next two to five years and €517 thousand (previous year: €466 thousand) in the period after five years. The provisions developed as follows in the fiscal year: TABLE 046

Provisions 046

	Jan. 1, 2014	Transfer	Utilization	Reversal	Interest cost	Allocation	Dec. 31, 2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Provision for anniversaries and death benefits	534	0	−35	0	19	84	602
Provision for severance payments	398	0	−36	0	2	68	432
Provision for warranties and follow-up costs	261	0	0	0	0	39	300
Provision for restoration obligations	254	0	0	0	0	40	294
Provision for archiving	113	0	0	0	0	0	113
Provision for impending losses	105	−62	0	0	5	0	48
Other provisions	111	0	−6	0	0	18	123
Total for other long-term provisions	**1,776**	**−62**	**−77**	**0**	**26**	**249**	**1,912**
Provision for warranties and follow-up costs	2,003	0	−459	−553	0	382	1,373
Provision for impending losses	95	62	−96	0	1	0	62
Provision for legal disputes	31	0	−3	−1	0	0	27
Other provisions	179	0	−26	−40	0	173	286
Total for other short-term provisions	**2,308**	**62**	**−584**	**−594**	**1**	**555**	**1,748**
Total for other provisions	**4,084**	**0**	**−661**	**−594**	**27**	**804**	**3,660**

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 provisions include in particular a provision for severance payments to freelance commercial agents of a Group company based abroad.

The other short-term provisions are made up of various individual matters, such as provisions for ancillary costs of tenancy or for customer cash discounts or provision for interest in connection with tax audits.

b) Provisions for pensions and similar obligations
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; the expected payment is 2015 is €26 thousand (previous year: €26 thousand).

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: TABLE 047

Changes in the present value of the defined benefit obligation (DBO) 047

	Dec. 31, 2014 € thou.	Dec. 31, 2014 € thou.
Present value of benefit obligation at the beginning of the period under report	15,389	15,425
Current service cost	321	345
Past service costs and effects from plan settlements	0	–1,004
Interest cost	530	456
Pension payments	–328	–209
Revaluation effects	4,299	285
Of which		
Change in financial assumptions	4,216	–669
Change in demographic assumptions	0	824
Experience adjustment	83	130
Contributions by plan participants	94	91
Present value of benefit obligation at the end of the period under report	**20,305**	**15,389**

The effect from past service costs and plan settlements of € –1,004 thousand carried for the previous year is due to changes in the existing pension commitments at a Group company. The framework for allocation of funds to the company pension scheme was no longer extended as of fiscal 2013. There were no similar circumstances in the year under review.

The plan assets measured at fair value changed as follows: TABLE 048

Plan assets 048

	Dec. 31, 2014 € thou.	Dec. 31, 2013 € thou.
Plan assets at the beginning of the period under report	14,442	14,442
Interest income from plan assets	506	462
Revaluation effects	–374	–341
Employer contributions/ withdrawals	4,537	–121
Plan assets at the end of the period under report	**19,111**	**14,442**

The plan assets consist to 2.8% (previous year: 3.3%) of reinsurance policies and to 97.2% (previous year: 96.7%) 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 €1,288 thousand (previous year: €85 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 €113 thousand (previous year: €103 thousand) from application of the net interest method were carried against the other profit/loss.

The provision on the balance sheet changed as follows: TABLE 049

Provision on the balance sheet 049

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Provision at the beginning of the period under report	947	983
Current service cost	321	345
Past service costs and effects from plan settlement	0	–1,004
Net interest cost/income	24	–6
Pension payments	–328	–209
Employer contributions/ withdrawals	–4,537	121
Contributions by plan participants	94	91
Revaluation effects	4,673	626
Provision at the end of the period under report	**1,194**	**947**

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 are contained in equity in the item "Consolidated retained earnings".

The following parameters, which are based on assumptions, were used to measure the future level of benefits: TABLE 050

Measurement factors 050

	Dec. 31, 2014	Dec. 31, 2013
Discount rate	2.00%	3.50%
Rates of increase in compensation levels	3.25%	3.25%
Future pension indexation	1.75%	2.00%

The discount rates are based on the returns for high-quality 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: TABLE 051

Variation in the assumptions by +/–1% or +/–1year 051

	2014		2013	
	+ 1% or + 1 year	–1% or –1 year	+ 1% or + 1 year	–1% or –1 year
Discount rate	–14.78%	18.59%	–12.20%	13.08%
Life expectancy	1.60%	–1.63%	0.87%	–1.03%
Age at expiry of financing	–2.84%	1.71%	–2.10%	1.95%

A range of +/–0.25% was used for the future pension trend. TABLE 052

Variation in assumptions by +/–0.25% 052

	2014		2013	
	+0.25%	–0.25%	+0.25%	–0.25%
Future pension indexation	2.40%	–2.33%	1.84%	–1.74%

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 €573 thousand (previous year: €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 17.74 years (previous year: 16.03 years).

Contributions of €7,603 thousand (previous year: €7,217 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

The euromicron Group's liabilities on the balance sheet date are broken down as follows: TABLE 053

Liabilities 053

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Liabilities to banks	63,119	63,196
Liabilities from finance lease	1,663	2,176
Trade accounts payable	44,238	54,268
Gross amount due to customers for contract work	0	816
Liabilities from current income taxes	3,009	3,690
Other tax liabilities	6,039	6,826
Personnel obligations	9,127	11,330
Other financial liabilities	31,543	44,133
Other liabilities	6,081	5,790
	164,819	**192,225**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

The euromicron Group's liabilities have the following terms: TABLE 054

Term of the liabilities 054

	Total	Due in			Fair value with DVA
		Up to 1 year	1 to 5 years	More than 5 years	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,119	19,888	43,231	0	63,231
Liabilities from finance lease	1,663	457	1,206	0	– [1]
Trade accounts payable	44,238	44,238	0	0	– [1]
Gross amount due to customers for contract work	0	0	0	0	– [1]
Liabilities from current income taxes	3,009	3,009	0	0	– [1]
Other tax liabilities	6,039	6,039	0	0	– [1]
Personnel obligations	9,127	9,127	0	0	– [1]
Other financial liabilities	31,543	29,086	2,457	0	31,526
Other liabilities	6,081	5,847	184	50	– [1]
	164,819	**117,691**	**47,078**	**50**	**94,757**
(Previous year)*	**192,225**	**150,222**	**41,837**	**166**	**105,175**

* Some figures for the previous year have been adjusted (see 4. Corrections according to IAS 8)
[1] The carrying amount is approximately 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.

Liabilities to banks

The interest rates for bank loans and overdrafts range are fixed or variable and range from 1.08% to 8.25% (previous year: 1.08% to 11.0%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used or are terminable at short notice (with a view to optimizing financing).

euromicron AG concluded 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 and a further amount of €5,000 thousand was repaid prematurely in fiscal 2014. The remaining liabilities from this borrower's note loan at December 31, 2014, totaling

€14,500 thousand have a term until July 15, 2016. 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 regulations in the IFRSs, 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. In fiscal 2014, this resulted in a pro-rata amount of €31 thousand (previous year: €30 thousand), which was recognized in the income statement as an interest expense.

euromicron AG concluded a further borrower's note loan with a volume of €20,000 thousand in October 2014. The borrower's note loan consists of two tranches of €10,000 thousand each, one of which has a variable interest rate and the other has a fixed interest rate. Both tranches have a term of 5 years. The bank retained €80 thousand (0.4%) as the arrangement fee; this affected net cash in 2014 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €80 thousand at the time it was disbursed. When the borrower's note loan was concluded, euromicron AG also paid an incentive fee of €30 thousand, which was likewise recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is deferred and distributed over the term of the agreement using the effective interest method. In fiscal 2014, this resulted in a pro-rata amount totaling €3 thousand (previous year: €0 thousand), which was recognized in the income statement as an interest expense.

So as to ensure its solvency at all times, 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 €75,815 thousand (previous year: €71,749 thousand) were unused at the year-end.

In principle, the companies in the euromicron Group are financed centrally through euromicron AG.

Liabilities from finance lease

The present value of the liabilities from finance lease and the future interest expense from finance lease are as follows: TABLE 055/056

Liabilities from finance lease in 2014 **055**

	Total	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	1,663	457	1,206	0
Interest	125	19	106	0
Minimum lease payments	1,788	476	1,312	0

Liabilities from finance lease in 2013 **056**

	Totel	Due in		
		Up to 1 year	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 payments	2,405	591	1,739	75

Trade accounts payable

Trade accounts payable in foreign currency (mainly USD and CHF) amount to €3,466 thousand (previous year: €3,267 thousand).

Gross amount due to customers for contract work

There is no gross amount due to customers for contract work in fiscal 2014. In the previous year, this item contained €816 thousand from production contracts whose anticipated costs exceeded the anticipated order total.

Liabilities from current income taxes

No liabilities from creditable capital gains tax of subsidiaries of euromicron AG are carried under "Liabilities from current income taxes" in fiscal 2014 (previous year: €2,371 thousand). These tax liabilities carried in the previous year were offset to the same amount by receivables from creditable capital gains tax due to euromicron AG which were carried under the balance sheet item "Claims for income tax refunds".

Personnel obligations

The personnel obligations (€9,127 thousand; previous year: €11,330 thousand) are made up of financial obligations totaling €4,884 thousand (previous year: €6,790 thousand) and non-financial obligations totaling €4,243 thousand (previous year: €4,540 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.

Other financial liabilities

The other financial liabilities are composed as follows: TABLE 057

Other financial liabilities 057

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Liabilities from preemptive rights	1,460	1,996
Purchase price liabilities	997	1,993
Industry loans	0	3,333
Other noncurrent financial liabilities	**2,457**	**7,322**
Customers' moneys to be passed on	23,520	21,629
Dividend/profit shares for minority interests	2,791	2,644
Purchase price liabilities	1,513	8,000
Obligations from preemptive rights	1,000	983
Industry loans	0	3,333
Miscellaneous	262	222
Other current financial liabilities	**29,086**	**36,811**
Total of other financial liabilities	**31,543**	**44,133**

At the euromicron Group, financial liabilities are all assigned to the category "Other financial liabilities measured at amortized cost" at the balance sheet date and measured at amortized costs using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €68 thousand (previous year: €72 thousand) and was recognized in the income statement.

Other liabilities

The other liabilities are composed as follows: TABLE 058

Other liabilities 058

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Liability from rent smoothing	189	205
Liability from retained security	45	0
Other noncurrent liabilities	**234**	**205**
Payments on account	3,996	3,526
Liabilities from social security (incl. mutual indemnity association)	1,100	1,096
Deferred income	364	372
Liability from compensation for members of the Supervisory Board	135	135
Liability from rent smoothing	31	31
Miscellaneous	221	425
Other current liabilities	**5,847**	**5,585**
Total for other liabilities	**6,081**	**5,790**

The payments on account include payments that cannot be set off. They also 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: TABLE 059

Cash flow in 2014 059

		Cash flow in 2015 Up to 1 year			Cash flow 2016–2018 More than 1 year to 5 years			Cash flow 2020 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
	Carrying amount at Dec. 31, 2014	Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,119	1,002	336	19,888	1,296	897	43,231	0	0	0
Liabilities from finance lease	1,663	19	0	457	106	0	1,206	0	0	0
Trade accounts payable	44,238	0	0	44,238	0	0	0	0	0	0
Other financial liabilities	31,543	37	0	29,086	23	0	2,457	0	0	0
	140,563	**1,058**	**336**	**93,669**	**1,425**	**897**	**46,894**	**0**	**0**	**0**
(Previous year*)	**163,773**	**1,254**	**265**	**121,975**	**1,313**	**560**	**41,725**	**2**	**0**	**73**

Cash flow in 2013 060

		Cash flow in 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		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
	Carrying amount at 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
Trade accounts payable	54,268	0	0	54,268	0	0	0	0	0	0
Other financial liabilities	44,133	356	0	36,811	152	0	7,322	0	0	0
	163,773	**1,254**	**265**	**121,975**	**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**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

All financial instruments held on the balance sheet date December 31, 2014, 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, 2014 (previous year: December 31, 2013). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment.

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. No derivative financial instruments were held either at December 31, 2014, or at December 31, 2013.

9. Deferred tax liabilities

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 €1,077 thousand (previous year: €1,051 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 ("outside basis differences").

The deferred tax liabilities result from measurement differences in the following balance sheet items: TABLE 061

Deferred tax liabilities 061

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Intangible assets	7,440	8,105
Property, plant and equipment	786	908
Inventories	30	2,944
Other receivables and other assets	25,576	36,771
Provisions	942	1,137
Other liabilities	91	17
Total deferred tax liabilities before netting off	**34,864**	**49,882**
Netting off	−27,502	−41,821
Total deferred tax liabilities after netting off	**7,362**	**8,061**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

There are long-term deferred tax liabilities (after netting off) totaling €5,258 thousand (previous year: €5,724 thousand); they result from deferred tax assets on measurement differences for intangible assets. In the previous year they also related to measurement differences for property, plant and equipment.

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

Financial instruments

			Value carried acc. to IAS 39		
	Measurement category acc. to IAS 39	Carrying amount at Dec. 31, 2014	Amortized acquisition cost	Acquisition cost	Fair value recognized directly in equity
		€ thou.	€ thou.	€ thou.	€ thou.
Assets					
Cash and cash equivalents	LaR [1]	15,622		15,622	
Trade accounts receivable	LaR [1]	33,731	33,731		
Gross amount due from customers for contract work	LaR [1]	52,070	52,070		
Other financial assets	AfS [3] LaR [1]	3,859	 3,089		770
Equity and liabilities					
Trade accounts payable	FLAC [2]	44,238	44,238		
Liabilities to banks	FLAC [2]	63,119	63,119		
Other financial liabilities	FLAC [2]	31,543	31,543		
Financial personnel obligations	FLAC [2]	4,884	4,884		
Liabilities from finance lease	IAS 17	1,663	1,663		

* Previous year's figures partly adjusted (corrections acc. to IAS 8)
[1] LaR = Loans and receivables
[2] FLAC = Financial Liabilities Measured at Amortised Cost
[3] AfS = Available-for-Sale Financial Assets

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		Value carried in the balance sheet acc. to IAS 39		
Measurement category acc. to IAS 39	Carrying amount at Dec. 31, 2013*	Amortized acquisition cost	Acquisition cost	Fair value recognized directly in equity
	€ thou.	€ thou.	€ thou.	€ thou.
LaR [1]	38,830		38,830	
LaR [1]	31,779	31,779		
LaR [1]	53,780	53,780		
AfS [3] LaR [1]	3,438	2,589		849
FLAC [2]	54,268	54,268		
FLAC [2]	63,196	63,196		
FLAC [2]	44,133	44,133		
FLAC [2]	6,790	6,790		
IAS 17	2,176	2,176		

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 (balance sheet item: "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 opposite put/call option for the remaining shares in ATECS AG, SIM GmbH and MICROSENS GmbH & Co. KG not held by euromicron were measured on the basis of the 2nd level. It is carried as "Obligations from preemptive rights" under the other financial liabilities. 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 obligations from the acquisition of the shares in ATECS AG and in SIM GmbH ("earn-out clause") are measured on the basis of the 3rd level. Allowing for the likelihood of the occurrence of the conditional purchase price payments, which was calculated on the basis of available 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 fiscal year. There is no collateral received for financial instruments at the euromicron Group.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

11. Sales

The Group's sales include sales from production contracts totaling €137,832 thousand (previous year: €116,141 thousand). The related production costs were €120,734 thousand (previous year: €107,842 thousand).

There were no changes in sales as a result of changes in the consolidated companies in the fiscal year (previous year: €1,631 thousand).

Consolidated sales are divided into those from the sale of goods totaling €212,647 thousand (previous year: €193,903 thousand) and from the provision of services totaling €133,691 thousand (previous year: €131,780 thousand). We refer to the segment reporting for a further breakdown of the sales (section 24).

12. Own work capitalized

Own work capitalized totals €2,617 thousand (previous year: €3,134 thousand) and results to an amount of €2,225 thousand (previous year: €2,738 thousand) from capitalization of development costs, to an amount of €345 thousand (previous year: €332 thousand) from own work capitalized for self-created software and IT solutions and to an amount of €47 thousand (previous year: €64 thousand) from own work capitalized for property, plant and equipment.

13. Other operating income

The other operating income is composed as follows:

TABLE 063

Other operating income 063

	2014	2013
	€ thou.	€ thou.
Currency gains	612	291
Income from derecognition of liabilities	291	142
Income from property and rent	270	168
Refunds for health insurance/ reintegration/passed-on charges	160	150
Reduction in allowances for doubtful accounts	145	50
Compensation paid from insurance	126	122
Income from cash received from written-down receivables	105	31
Income from retirement of noncurrent assets	18	95
Income from damages	4	37
Revenue from the reversal of the earn-out liability for TeraMile	0	390
Other	413	425
	2,144	**1,901**

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:

TABLE 064

Cost of materials 064

	2014	2013*
	€ thou.	€ thou.
Cost of raw materials and supplies and goods purchased	124,276	118,440
Cost of purchased services	58,192	58,269
	182,468	**176,709**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

15. Personnel costs

The personnel costs are composed as follows:

TABLE 065

Personnel costs 065

	2014	2013*
	€ thou.	€ thou.
Wages and salaries	87,020	83,435
Social security	16,156	15,593
	103,176	**99,028**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Average number of employees per year:

TABLE 066

Employees 066

	2014	2013
Hourly-paid employees	878	850
Salaried employees	826	803
Trainees	80	88
	1,784	**1,741**

The increase in the workforce is due in particular to the companies that were newly acquired in December 2013 and that were included for the whole year in fiscal 2014.

16. Amortization and depreciation

Amortization and depreciation is composed as follows:

TABLE 067

Amortization and depreciation 067

	2014	2013
	€ thou.	€ thou.
Amortization of intangible assets	6,367	5,363
Depreciation of tangible assets	3,335	3,538
	9,702	**8,901**

In fiscal 2014 there were no acquisitions of new companies at which dormant reserves were identified and carried (previous year: €3,985 thousand before deferred taxes). Accordingly, there was no amortization of such dormant reserves in fiscal 2014 (previous year: €356 thousand).

17. Other operating expenses

Other operating expenses are composed as follows: TABLE 068

Other operating expenses 068

	2014	2013*
	€ thou.	€ thou.
Vehicle and travel expenses	13,893	13,768
Rent/room costs	6,589	7,006
Legal and consulting costs	4,897	4,337
Personnel leasing	2,153	935
IT costs	1,878	1,479
Cost of goods consignment	1,857	1,597
Communication expenses	1,831	1,660
Allocation of allowances for receivables	1,741	2,407
Trade fair/advertising costs	1,566	2,160
Commission	1,092	1,067
Further training costs	952	947
Maintenance and repair	718	902
Running costs	633	616
Administrative expenses	542	927
Exchange rate losses	407	124
Expenses incidental to monetary transactions	156	133
Losses of receivables	150	798
Miscellaneous	3,824	4,715
	44,879	**45,578**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

18. Net interest income/loss

Net interest income/loss 069

	2014	2013
	€ thou.	€ thou.
Interest income	333	61
Interest expenses	–4,012	–3,869
Net interest income/loss	**–3,679**	**–3,808**

The total interest income and total interest expense for financial instruments not carried at fair value in accordance with IAS 39 are shown in the table below: TABLE 070/071

Total interest income and expense 070

	2014	2013
	€ thou.	€ thou.
Total interest expense	–3,698	–3,707
Total interest income	333	61

Net gains and losses from financial instruments 071

	2014	2013
	€ thou.	€ thou.
Loans and receivables	–1,316	–1,147
Available-for-sale financial assets	–79	207
of which carried in the other profit/loss	–79	177
of which carried in the income statement	0	30
Financial liabilities measured at amortized cost	–3,493	–3,208

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 072

	2014	2013*
	€ thou.	€ thou.
Current taxes in Germany	2,438	1,056
Deferred taxes in Germany	1,588	779
Current taxes abroad	918	714
Deferred taxes abroad	–20	–152
	4,924	**2,397**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Deferred tax assets totaling €1,288 thousand (previous year: €85 thousand) were recognized directly in equity in fiscal 2014. As in 2013, they resulted in 2014 solely from deferred tax assets that had to be recognized in the other profit/loss as part of the application of IAS 19 R. In 2014, there were no deferred tax liabilities from company acquisitions that were taken directly to equity (previous year: €558 thousand). Application of the net interest method resulted in the year under review in deferred tax expenses of €113 thousand (previous year: €103 thousand) which did not result in recognition of deferred tax liabilities in the balance sheet.

The item "Income taxes" includes income taxes for previous years totaling €190 thousand (previous year: €106 thousand) and tax refunds of €308 thousand (previous year: €64 thousand).

The table below presents a reconciliation of the tax expense expected in each fiscal year to the tax expense actually disclosed. As in the previous year, the expected tax expense is calculated from a total tax rate of 30.00% 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%. TABLE 073

Tax reconciliation 073

	2014	2013*
	€ thou.	€ thou.
Income before income taxes	7,768	–4,004
Expected tax expense	2,330	–1,201
Non-deductible expenses	213	426
Non-recognition of deferred taxes on loss carryforwards	2,856	3,536
Use of loss carryforwards not included to date/change in allowance	–191	–405
Effects of different national tax rates	–181	22
Tax arrears/refunds	–118	42
Other	15	–23
Actual tax expense	4,924	2,397
Effective tax rate	**63.4%**	**–59.9%**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 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

Undiluted earnings per share are calculated as follows: TABLE 074

Undiluted earnings per share 074

	2014	2013*
Earnings for euromicron AG shareholders in € thou.	2,576	–6,525
Number of shares issued at the beginning of the fiscal year	7,176,398	6,663,799
Shares from capital increase with retroactive right to share in profits as of January 1, 2013	0	512,599
Adjusted weighted average number of shares issued (undiluted)	7,176,398	7,176,398
Undiluted earnings per share in €	**0.36**	**–0.91**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

The earnings for euromicron AG shareholders correspond to the consolidated net income (previous year: 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.

APPROPRIATION OF NET INCOME

The annual financial statements of euromicron AG at December 31, 2014, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € –12,995,969.42 (previous year: € –5,283,486.01). The net accumulated losses are carried 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.

The cash used in operating activities in fiscal 2014 was € – 1,930 thousand, whereas in the previous year there was net cash provided by operating activities totaling €39,433 thousand. However, comparison of these figures is not meaningful due to effects from factoring (change in the volume of factoring used at the balance sheet date, the claim from retained factoring moneys and the liability from customers' monies to be passed on). A detailed presentation of these effects can be found in section 2.3 "Net assets, financial position and results of operations", subsection "Financial position", of the group management report for 2014. Aggregated reconciliation to a cash flow from operating activities adjusted for factoring effects supplies the following comparative figures: TABLE 075

Adjusted cash flow 075

	Cash flow from operating activities acc. to the statement of cash flows	Effects from factoring and customers' monies to be passed on included in that	Adjusted cash flow
	€ thou.	€ thou.	€ thou.
2013	39,433	54,091	– 14,658
2014	**–1,930**	**–3,862**	**1,932**

After adjustment for factoring effects, there is net cash provided by operating activities totaling €1,932 thousand in fiscal 2014 compared with net cash used in operating activities totaling € – 14,658 thousand in the previous year. As a result, the cash flow from operating activities in fiscal 2014 improved sharply by €16,590 thousand.

It should also be taken into account that trade accounts receivable of €4,513 thousand were contributed to the plan assets under the contractual trust agreement in fiscal 2014 (previous year: withdrawal of €426 thousand).

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 company acquisitions. It was € – 14,306 thousand, €9,179 below the previous year's figure of € – 5,127 thousand. In particular, the increase is a result of the acquisition of consolidated companies in December 2013, the purchase price for which was not paid until 2014.

The increase in net cash used in financing activities by €6,082 thousand from € – 890 thousand to € – 6,972 thousand is due in particular to the fact that net cash used to repay loans (balance of repayments of principal and newly raised loans) in fiscal 2014 was not offset by proceeds from a capital increase; the latter resulted in proceeds of €6,728 thousand in the previous year.

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

There are the following other financial obligations on the balance sheet date: TABLE 076

Other financial obligations 076

	Total	Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Bill commitments	3,031	3,031	0	0
Operating lease	21,455	9,417	10,432	1,606
Purchase obligation	12,539	12,539	0	0
	37,025	**24,987**	**10,432**	**1,606**
Previous year	**41,768**	**27,206**	**12,598**	**1,964**

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 2014.

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 €21,455 thousand (previous year: €24,024 thousand). In fiscal 2014, payments from these leasing relationships totaling €11,218 thousand (previous year: €10,630 thousand) were recognized in income. Conditional lease payments of €19 thousand (previous year: €24 thousand) were carried. Future proceeds of €163 thousand (previous year: €254 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.

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 all 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.

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.

SEGMENT REPORTING

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

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 (at 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.

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 8.23). TABLE 077

Sales by report segments 077

2014	Sales North	Sales South	Sales for the WAN services segment	Total for the segments	Central services & Group consolidations	euromicron Group
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	109,992	129,165	107,181	346,338	–	346,338
Sales within the Group	6,217	5,380	675	12,272	–12,272	–
Total sales	**116,209**	**134,545**	**107,856**	**358,610**	**–12,272**	**346,338**

2013*	Sales North	Sales South	Sales for the WAN services segment	Total for the segments	Central services & Group consolidations	euromicron Group
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	110,057	113,770	101,856	325,683	–	325,683
Sales within the Group	3,209	8,493	374	12,076	–12,076	–
Total sales	**113,266**	**122,263**	**102,230**	**337,759**	**–12,076**	**325,683**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Sales in Germany were €293.9 million (previous year: €287.6 million), in the Euro zone €31.3 million (previous year: €27.4 million) and in the Rest of the World €21.1 million (previous year: €10.7 million). The sales relate to the geographical location of the customers. TABLE 078

EBIT by report segments 078

	2014	2013*
	€ thou.	€ thou.
EBIT for the North segment	10,292	9,968
EBIT for the South segment	2,262	–10,002
EBIT for the WAN services segment	6,506	6,391
Central services and Group consolidations	–7,613	–6,553
Consolidated EBIT for the Group	**11,447**	**–196**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Depreciation/amortization and write-downs for the individual segments had the following impact on EBIT: TABLE 079

Amortization and depreciation 079

	2014	2013
	€ thou.	€ thou.
North, consolidated	–3,744	–3,424
South, consolidated	–3,910	–3,382
WAN services, consolidated	–1,622	–1,702
Central services and Group consolidations	–426	–393
Consolidated depreciation/ amortization for the Group	**–9,702**	**–8,901**

In accordance with IFRS 8.33b, noncurrent assets are €119,255 thousand in Germany (previous year: €121,459 thousand) and €30,113 thousand in the Euro zone (previous year: €31,315 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 has been implemented throughout the Group and is closely geared to 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 finance and controlling, 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 Accounting and Controlling are 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; the German market accounts for around 85% (previous year: around 88%) of the company's sales and so is crucial to its success. Germany is also the area of activity of 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 allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned. In fiscal 2014, there was no customer that accounted for more than 10% of consolidated sales (previous year: one customer that accounted for sales of €37,604 thousand). 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 carrying amounts of the financial assets carried on the balance sheet which are not secured by credit sale insurance policies.

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 euromicron.

A further financial risk for the euromicron Group is the provision of sufficient liquidity for the subsidiaries' business operations. euromicron AG must ensure that the receivables resulting from financing of the operating units through the cash pool retain value. This is achieved by a permanent and standardized finance management and reporting 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 can also be used to optimize the net interest income/loss on a case-by-case basis. As in the previous year, however, there were no interest rate derivatives at December 31, 2014.

The financing that was contractually agreed and utilized at December 31, 2014, will result in interest expenses of around €3.7 million (previous year: €3.4 million) by the end of its 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 2014 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €332 thousand lower (€332 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 2014 on monitoring its main corporate processes. In particular, the internal controls are aimed at minimizing operational risks and avoiding mistakes in other sensitive areas of the company. For example, the company ensures that key functions are kept strictly separate from each other and that the four eyes principle is applied comprehensively. Moreover, Finance and Accounting 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 on a test basis.

The importance of this for the euromicron Group is shown by the negative effect of € – 11.4 million that, in accordance with the principles of IAS 8, had to be charged directly to equity in the IFRS consolidated financial statements for 2014 due to the mistakes that were discovered in the costing and valuations of projects and receivables from the years 2012 and 2013. Measures to minimize risks from project business had already been implemented in the course of fiscal 2013 and were intensified in 2014. The effectiveness of the implemented measures in fiscal 2014 is reflected in the fact that the company was itself able to identify the past costing and valuation mistakes in 2014 thanks to its professionalized structures. The extensive analysis of the project portfolio as part of preparation of the financial statements also revealed that, above and beyond the identified mistakes, no further old projects had mistakes in them and that there were no mistakes identified in projects that were handled with the new structures from 2014 on after the described measures had been introduced. Enhancement of these structures will also be a focus of the euromicron Group's risk management activities in 2015. For further details, please refer to the comments in section 4.2 "Risk report and salient features of the risk management system" in the group management report for 2014.

In fiscal 2014, 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 might jeopardize the company's continued existence.

Compliance

For the Executive Board of euromicron AG, corporate governance based on integrity means morally and legally responsible conduct toward executives, employees and all business partners. These maxims are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company's Code of Conduct, which is intended to ensure that everyone in the Group acts and behaves consistently and ethically. The Code of Conduct can be viewed on the company's homepage at www.euromicron.de/en/company/code-of-conduct. In addition to the general guidelines for compliance in practice, the Executive Board – in coordination with the compliance officer of euromicron AG – selects each year a special area of focus so as to ensure adequately at all times that our individual divisions are able to cope with the changes that they are subject to. The aim of this is to address the changes in requirements from operational business and in the market environment. Our divisions are to be developed further on the basis of the created compliance structure with reference to the separately defined areas of focus.

IT security was one of the focuses in fiscal 2014. Following further development of the IT security organization, a data loss prevention software was rolled out throughout the Group.

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 €75 thousand (previous year: €96 thousand) was paid for the services; there is still a liability of €63 thousand (previous year: €51 thousand) due on this at December 31, 2014. 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 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 2014, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May 13, 2013, which was published on June 10, 2013, and in its amended version dated June 24, 2014, as of September 30, 2014. 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/investor-relations/corporate-governance-14.

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 €914 thousand (previous year: €996 thousand). €623 thousand (previous year: €622 thousand) relate to auditing of the financial statements of the companies and the Group. They include expenses of €50 thousand (previous year: €103 thousand) not related to the period. They also include costs for other confirmation or valuation services (€16 thousand; previous year: €13 thousand), tax consulting services (€247 thousand; previous year: €330 thousand) and other services (€28 thousand; previous year: €31 thousand) for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

It was agreed on January 13, 2015, that the existing purchase options for a minority stake of 10% of the shares in ATECS AG, Zug/Switzerland, (referred to as ATECS AG in the following) and 10% of the shares in Secure Information Management GmbH, Neustadt a.d.W., (referred to as SIM GmbH in the following) would be exercised effective January 1, 2015. The purchase price for exercising the options is €800 thousand for the shares in ATECS AG and €200 thousand for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH was 90% in each case. Due to the fact that the existing purchase options are designed as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligation of €1,000 thousand resulting from exercise of the options was already carried under "Other current financial liabilities" in the financial statements at December 31, 2014.

Distributions to the shareholders were resolved at the General Meeting of SIM GmbH and at the Ordinary General Meeting of ATECS AG on March 3, 2015. The distribution to minority shareholders totaling €840 thousand must be transferred from the consolidated equity to the item "Dividend/profit shares for minority interests", which is carried under the balance sheet item "Other financial liabilities", effective March 3, 2015.

euromicron AG published an ad-hoc announcement in compliance with Section 15 WpHG (German Securities Trading Act) in this regard on March 23, 2015, since mistakes affecting the accounting and measurement of individual projects in previous periods were noticed during preparation of these financial statements (IFRS consolidated financial statements for 2014) (see section 4 "Correction according to IAS 8").

In addition, Dr. Willibald Späth, Chairman of the Executive Board of euromicron AG, resigned his post and from the board effective March 23, 2015. The business for which Dr. Späth was responsible up to then were subsequently discharged by the sole board member Mr. Thomas Hoffmann.

Ms. Bettina Meyer and Mr. Jürgen Hansjosten were appointed as further members of the Executive Board effective March 31, 2015. Ms. Meyer was also appointed as Spokeswoman of the Executive Board.

On May 8, 2015, the Supervisory Board of euromicron AG acceded to Thomas Hoffmann's request for his contract of employment to be terminated by mutual consent. Mr. Hoffmann resigned as a member of the Executive Board of euromicron AG on that date. Ms. Meyer and Mr. Hansjosten will take over Mr. Hoffmann's spheres of responsibility.

31. Publication of the consolidated financial statements

On May 27, 2015, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of May 28, 2015, 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 ATECS AG, Zug/Switzerland, die 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
Responsible for strategy, acquisitions, finance, public relations and investor relations (until March 23, 2015)

Thomas Hoffmann
Responsible for strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets (until March 23, 2015)

Sole Executive Board member (March 24 to 30, 2015)

Responsible for strategy, corporate marketing, IT, M&A and capital market communication (from March 31, 2015, to May 8, 2015)

Bettina Meyer
Responsible for finance, legal affairs, human resources, compliance and auditing; Spokeswoman of the Executive Board (from March 31, 2015)

Also responsible for corporate marketing, M&A and capital market communication (from May 8, 2015)

Jürgen Hansjosten
Responsible for operations (from March 31, 2015)

Also responsible for strategy and IT (from May 8, 2015)

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, Industrialized Markets of Robert Bosch GmbH, Leinfelden-Echterdingen

Dr. Andreas de Forestier
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: €135 thousand) in accordance with the Articles of Association; it consisted solely of fixed compensation. The fixed compensation for members of the Supervisory Board is €30 thousand, with the Chairman of the Supervisory Board receiving twice and his deputy one-and-a-half times the fixed compensation.

In fiscal 2014, the Executive Board received a total remuneration of €1,788 thousand (previous year: €991 thousand); the variable payment made up €912 thousand of this (previous year: €220 thousand). In addition, €25 thousand (previous year: €22 thousand) from the pension commitments to Executive Board members was recognized in the income statement in fiscal 2014.

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, May 26, 2015

Bettina Meyer Spokeswoman of the Executive Board	Jürgen Hansjosten Member of the Executive Board