Consolidated Financial Statements (IFRS)

For the fiscal year 2010

Consolidated Balance Sheet of the euromicron Group

as of December 31, 2010 (IFRS)

ASSETS

	Note	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.	Jan. 1, 2009 € thou.
Noncurrent assets				
Goodwill	(1)	80,947	76,624	72,018
Intangible assets	(1)	14,805	13,465	10,434
Property, plant and equipment	(1)	11,556	10,913	8,965
Financial assets	(1)	894	1,082	17
Other assets	(4)	96	188	108
Deferred tax assets	(2)	374	1,645	1,405
		108,672	**103,917**	**92,947**
Current assets				
Inventories	(3)	17,185	13,235	14,353
Trade accounts receivable	(4)	55,401	49,961	45,126
Claims for income tax refunds		2,895	2,860	1,241
Financial assets		1,333	1,145	1,080
Other assets	(4)	1,917	1,630	3,886
Cash and cash equivalents	(5)	8,572	8,628	10,166
		87,303	**77,459**	**75,852**
		195,975	**181,376**	**168,799**

EQUITY AND LIABILITIES

	Note	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.	Jan. 1, 2009 € thou.
Equity (equity ratio 45.5%/39.4%)	(6)			
Subscribed capital		13,105	11,914	11,914
Treasury shares at acquisition cost		0	–2,941	–2,941
Additional paid-in capital		68,487	61,781	61,781
Gain/loss on the valuation of securities		–363	–358	–429
Net retained profits		7,605	680	–4,527
Stockholders' equity		88,834	71,076	65,798
Minority interests		428	339	206
Total equity		**89,262**	**71,415**	**66,004**
Long-term debt				
Provisions for pensions	(7)	656	927	347
Other provisions		139	591	99
Liabilities to banks	(8)	4,404	8,158	13,426
Liabilities from finance lease	(8)	823	543	39
Financial debt	(8)	10,767	10,000	10,000
Other liabilities	(8)	2,082	2,977	2,974
Deferred taxes	(9)	6,618	5,597	5,232
		25,489	**28,793**	**32,117**
Current liabilities				
Accrued liabilities	(7)	66	322	1,686
Trade accounts payable	(8)	22,117	20,519	13,620
Liabilities from current income taxes	(8)	1,244	1,145	1,828
Liabilities to banks	(8)	45,293	49,814	45,053
Liabilities from finance lease	(8)	192	199	73
Tax liabilities	(8)	3,466	2,608	2,748
Personnel obligations	(8)	3,855	1,105	1,206
Other current liabilities	(8)	4,991	5,456	4,464
		81,224	**81,168**	**70,678**
		195,975	**181,376**	**168,799**

Previous year's figures partly adjusted (corrections acc. to IAS 8)

Income Statement

of the euromicron Group for the period January 1 to December 31, 2010 (IFRS)

INCOME STATEMENT

	Note	2010 € thou.	2009 € thou.
Net sales	(11)	**203,643**	**179,605**
Inventory changes		1,211	–6,882
Own work capitalized	(12)	1,521	1,702
Other operating income	(13)	4,476	2,101
Cost of materials	(14)	–107,317	–85,975
Personnel costs	(15)	–54,247	–48,103
Amortization and depreciation expense	(16)	–4,601	–3,526
Other operating expenses	(17)	–24,561	–22,554
Operating profit		**20,125**	**16,368**
Interest income	(18)	103	103
Interest expenses	(18)	–3,009	–3,056
Income before income taxes		**17,219**	**13,415**
Income taxes	(19)	–5,088	–3,139
Consolidated net income for the period, before minority interests		12,131	10,276
Minority interests	(20)	–669	–499
Consolidated net profit		**11,462**	**9,777**
(Un)diluted earnings per share in (€)	(21)	**2.38**	**2.17**

Previous year's figures partly adjusted (corrections acc. to IAS 8)

Statement of Comprehensive Income

of the euromicron Group for the period January 1 to December 31, 2010 (IFRS)

STATEMENT OF COMPREHENSIVE INCOME

	2010 € thou.	2009 € thou.
Consolidated net income for the period, before minority interests	**12,131**	**10,276**
Gain/loss on the valuation of securities	–5	71
Other profit/loss	**–5**	**71**
Total result	**12,126**	**10,347**
Of which minority interests	669	499
Of which shareholders of euromicron AG	**11,457**	**9,848**

Previous year's figures partly adjusted (corrections acc. to IAS 8)

Since there were no tax effects in the other profit/loss as part of the statement of comprehensive income, a detailed presentation has been dispensed with.

Statement of Changes in Equity

of the euromicron Group up to December 31, 2010 (IFRS)

STATEMENT OF CHANGES IN EQUITY

	Subscribed Capital € thou.	Additional paid-in capital € thou.	Treasury shares € thou.
December 31, 2008	**11,914**	**61,781**	**–2,941**
Correction acc. to IAS 8			
December 31, 2008, after corrections	**11,914**	**61,781**	**–2,941**
Dividend for 2008			
Consolidated net income for 2009 (before DPR corrections)			
Gain/loss on the valuation of securities			
Minority interests (before DPR corrections)			
Distributions to/drawings from minority interests (before DPR corrections)			
December 31, 2009	**11,914**	**61,781**	**–2,941**
Correction acc. to IAS 8			
December 31, 2009, after corrections	**11,914**	**61,781**	**–2,941**
Dividend for 2009			
Consolidated net income for 2010, including minority interests			
Capital increase at the AG after costs	1,191	6,344	
Gain/loss on the valuation of securities			
Sale of treasury shares		362	2,941
Profit share for minority interests			
Transfer of profit shares for minority interests in outside capital			
Distributions to/drawings from minority interests			
December 31, 2010	**13,105**	**68,487**	**0**

Consolidated retained earnings € thou.	Gain/loss on the valuation of securities € thou.	Minority interests € thou.	Total € thou.
2,378	**–429**	**1,098**	**73,801**
–6,905		–892	–7,797
–4,527	**–429**	**206**	**66,004**
–4,503			–4,503
10,744			10,744
	71		71
		703	703
		–552	–552
1,714	**–358**	**357**	**72,467**
–1,034		–18	–1,052
680	**–358**	**339**	**71,415**
–4,503			–4,503
12,131			12,131
			7,535
	–5		–5
			3,303
–189		189	0
–514			–514
		–100	–100
7,605	**–363**	**428**	**89,262**

Statement of Cash Flows

of the euromicron Group for the period January 1 to December 31, 2010 (IFRS)

STATEMENT OF CASH FLOWS

	2010	2009	Corrections acc. to IAS	2009 before corrections
Note (22)	€ thou.	€ thou.	€ thou.	€ thou.
Income before income taxes	17,219	13,415	−1,790	15,205
Net interest income/loss	2,906	2,953	121	2,832
Depreciation and amortization of noncurrent assets	4,601	3,526	466	3,060
Disposal of assets, net	111	−284		−284
Allowances for inventories and doubtful accounts	1,125	309		309
Change in accrued liabilities	−1,016	−4,574	−33	−4,541
Change in deferred taxes	45	1,823	619	1,204
Cash flow	**24,991**	**17,168**	**−617**	**17,785**
Changes in short- and long-term assets and liabilities:				
– Inventories	−2,161	5		5
– Trade accounts receivable	−75	5,171	1,236	3,935
– Trade accounts payable	−4,814	860		860
– Other operating assets	977	888		888
– Other operating liabilities	−4,838	−2,963	−619	−2,344
– Income tax paid	−3,058	−4,585		−4,585
– Income tax received	145	76		76
– Interest paid	−2,815	−2,671		−2,671
– Interest received	127	276		276
Net cash provided by operating activities	**8,479**	**14,225**	**0**	**14,225**
Proceeds from retirement/disposal of				
– Property, plant and equipment	38	640		640
Payments due to acquisition of				
– Intangible assets	−2,065	−2,977		−2,977
– Property, plant and equipment	−2,508	−3,557		−3,557
– Financial assets	−188	−934		−934
– Consolidated companies	−1,257	−3,044		−3,044
Net cash used in investing activities	**−5,980**	**−9,872**		**−9,872**
Dividends paid	−4,503	−4,503		−4,503
Capital increase at the AG after costs	7,535			
Proceeds from raising of financial loans	5,985	0		
Cash repayments of financial loans	−14,261	−836		−836
Distributions to / drawings from minority interests and profit shares of minority interests	−614	−552		−552
Treasury shares	3,303	0		
Net cash used in financing activities	**−2,555**	**−5,891**		**−5,891**
Net change in cash and cash equivalents	−56	−1,538		−1,538
Cash and cash equivalents at start of period	8,628	10,166		10,166
Cash and cash equivalents at end of period	**8,572**	**8,628**		**8,628**
Of which not freely disposable	**0**	**219**		**219**

Previous year's figures partly adjusted (corrections acc. to IAS 8)

Notes to the IFRS Consolidated Financial Statements for Fiscal Year 2010

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

General information

1. Description of business activities

euromicron AG (hereinafter referred to as the "company") is a registered stock corporation under German law and has its registered offices in Frankfurt/Main. 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 WANs and LANs used 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, 2010. All the mandatory standards at the balance sheet date were applied.

The consolidated financial statements are prepared on the basis of historical acquisition or manufacturing costs, restricted by the assessment of the market value of available-for-sale financial assets and derivative financial instruments. 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 12 months. Irrespective of when they are due, inventories, trade accounts receivable and trade accounts payable are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle. The maturities of the assets and liabilities are presented in detail in the notes.

In accordance with IAS 1.32, assets and liabilities 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 from reinsurance policies.
- Offsetting of payments on account received that can be directly assigned to production contracts on the basis of the percentage of completion method.

Since this fiscal year, goodwill and intangible assets are reported separately from each other on the assets side. “Claims for income tax refunds”, which were included under “Other assets” last year, are also reported separately. In addition, last year’s item “Securities and cash” has been split into “Financial assets” and “Cash and cash equivalents”. On the liabilities side, the breakdown of equity has been adjusted. In addition, “Provisions for pensions” and “Other provisions” are reported separately within the accrued liabilities. “Liabilities from current income taxes”, which were carried under “Accrued liabilities” last year, are reported separately as of this fiscal year. These changes do not effect income and help make the financial statements more comprehensible. The disclosures for the previous year were adjusted accordingly to enable better comparison.

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

The following IFRS standards and interpretations or changes to standards and interpretations had to be applied for the first time in fiscal 2010:

IFRS 1 “First-time Adoption of International Financial Reporting Standards” (revised in 2008)
The IASB published changes to IFRS 1 “First-time Adoption of IFRS” in January 2010. The change entitled “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters” relieves first-time adopters of IFRS from providing the additional disclosures introduced in IFRS 7 in March 2009.

IFRS 2 “Share-based payment”
In June 2009, the IASB published changes to IFRS 2 “Share-based Payment”, which were adopted by the EU in March 2010. The changes relate to group cash-settled share-based payment transactions. As part of the changes, the regulations of IFRIC 8 “Scope of IFRS 2” and IFRIC 11 “IFRS 2–Group and Treasury Share Transactions” were integrated in the standard. This does not entail any effects on the consolidated financial statements of euromicron AG.

IFRS 1 (2008) “First-time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements”
In accordance with the changes published by the IASB in May 2008 and adopted by the EU in January 2009, first-time adopters can now use either the fair value at the time the company switched to IFRS or the carrying amount under previous accounting practice at that time to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The definition of the “acquisition cost method” is removed from IAS 27, with the result that a shareholder must recognize a dividend from a subsidiary, jointly controlled entity or associate in profit or loss in its separate financial statements, even if it is paid from reserves before the takeover. The changes to IAS 27 also clarify the approach for defining the acquisition costs of investments when a parent company reorganizes the structure of the group by formation of a new parent company and the new parent company assumes control of the original parent company by issuing equity instruments in exchange for existing equity instruments of the original parent company. The regulation is not of relevance to the euromicron Group.

IFRS 3 (2008) “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”
The IASB revised the standards IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements” and published them in January 2008. They were adopted by the EU in European law in June 2009 and must be applied prospectively for company acquisitions on or after July 1, 2009. The changes are of relevance to the euromicron Group and were adopted in the financial statements for fiscal 2010; previous periods were not adjusted. The changes in IFRS 3 and IAS 27 of relevance to the euromicron Group involve incidental acquisition costs relating to business combinations, which must no longer be carried as an asset, but instead as expense in the period in question. Changes relating to successive company acquisitions with a gain or loss of control, adjustments to the acquisition costs depending on future events and losses ascribable to minority interests did not have significant influence on the financial statements of the euromicron Group.

IAS 39 “Financial Instruments: Recognition and Measurement”
In July 2008, the IASB published changes to IAS 39 “Financial Instruments: Recognition and Measurement”, which were adopted as law by the EU in September 2009, and had to be applied to fiscal years beginning on or after July 1, 2009. The change “Eligible Hedged Items” specifies that solely cash flow or fair value changes of a hedged item above or below a specific price can also be designated as a hedge. The change did not entail any significant effects on the consolidated financial statements of euromicron AG.

The International Financial Reporting Interpretations Committee has published the following interpretations which, however, are not of relevance to the euromicron Group and do not result in any changes to the financial position, net assets and results of operations as presented in the financial statements, since the described circumstances do not arise in euromicron’s business.

IFRIC 12 “Service Concession Arrangements”: This interpretation, which was published by IFRIC in November 2006 and adopted by the EU in March 2009, governs the accounting of arrangements where, as part of a service concession, an operator uses an infrastructure that is at the power of disposal of the government or another public-sector body, but where the holder of the concession is responsible for developing, operating and maintaining the infrastructure.

IFRIC 14 “Prepayments of a Minimum Funding Requirement”: In November 2009, IFRIC published an amendment to IFRIC 14. The objective was to avoid a situation where enterprises that are subject to a minimum funding requirement and have to make a prepayment on contributions for this are obliged to carry that prepayment as an expense. Instead, it enables enterprises to recognize the benefit of a prepayment as an asset. The amendment “Prepayments of a Minimum Funding Requirement” is mandatory and comes into effect as of January 1, 2011. It has to be applied retroactively from the beginning of the earliest comparative period reported.

IFRIC 15 “Arrangements for the Construction of Real Estate”: IFRIC published interpretation 15 in July 2008 and it was adopted by the EU in July 2009. It clarifies the recognition of revenue from the development of real estate in conjunction with IAS 11 and 18.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”: In July 2008, the International Financial Reporting Interpretations Committee published interpretation 16, which, in conjunction with IAS 21 and IAS 39, clarifies how foreign currency exposures from a net investment in a foreign company are to be hedged.

IFRIC 17 “Distributions of Non-cash Assets to Owners”: In November 2008, IFRIC published this interpretation, which was adopted by the EU at the same time and applies to reporting periods that begin on or after July 1, 2009. The interpretation regulates how non-cash dividends to owners are carried.

IFRIC 18 “Transfers of Assets from Customers”: In January 2009, IFRIC published interpretation 18 “Transfers of Assets from Customers”. It clarifies and explains how the transfer of property, plant and equipment or cash used to acquire or construct property, plant and equipment by a customer must be recognized. The interpretation was implemented by the EU in November 2009.

As part of the Annual Improvement Project, adaptations in formulation were made to a number of existing standards (terminological or editorial corrections or clarifications), as well as adaptations with an effect on the recognition, measurement and reporting of business transactions. Possible effects have been examined and implemented by the euromicron Group, but did not result in any corrections.

The following standards that have been published by the EU Commission, but whose application is not yet mandatory, were also not used by euromicron AG before they apply:

IAS 24 “Related Party Disclosures”
The amendment to IAS 24 was published by the IASB in November 2009 and enacted into law by the EU in July 2010. It applies to reporting periods that begin on or after January 1, 2011, and relates to exceptions for disclosures of companies related to departments and agencies of a government, as well as other concrete specifications, in particular obligations to related parties. The effect of the amendment on the financial statements is currently being examined; however, it is assumed at present that there will be no significant impact on the financial statements of the euromicron Group.

IAS 32 “Financial Instruments: Presentation”
Granted subscription rights, options or warrants for a fixed number of treasury shares in another currency had previously to be recognized as financial debt. There has now been a modification to the effect that these rights and options have to be recognized as equity instruments as long as they are granted on a pro-rata basis to all existing shareholders of the same classification.

IFRIC 19 “Extinguishing Financial Liabilities with Equity”
In November 2009, IFRIC published interpretation 19, which was adopted by the European Union in July 2010 and applies to reporting periods that begin on or after July 1, 2010. IFRIC 19 is intended to provide guidelines for reporting equity instruments that a debtor issues to completely or partly extinguish a financial liability after renegotiating the terms of the liability. The effect of the amendment is being examined, but it is not currently considered as not being material to future reporting periods.

The following standards which have been published but not enacted into EU law, are not applied. The euromicron Group expects that application of the standards published at the balance sheet date, but not yet in force, will not have any significant effects on the Group’s financial position, net assets and results of operations and its statement of cash flows in future periods.

Standard/ interpretation	Title	Applicable for reporting years as of
IFRS 1	First-time Adoption of IFRS	July 1, 2011
IFRS 7	Financial Instruments: Disclosures	July 1, 2011
IFRS 9	Financial Instruments – Financial Assets	January 1, 2013
IFRS 9	Financial Instruments – Financial Liabilities	January 1, 2013
IAS 12	Deferred Taxes	January 1, 2012

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 actual figures in the period under review many differ from the amounts reported in the consolidated financial statements. Estimates and assumptions relating to the future mainly result from the following matters (the carrying amount at December 31, 2010, is stated in parentheses):

- Goodwill impairment test (€80,947 thousand)
- Measurement of intangible assets (€14,805 thousand)
- Payment of income taxes (€1,651 thousand; claims for refunds and income tax liabilities are netted off)
- Measurement of swaps (€35 thousand)
- Asset-side balancing item from application of the percentage of completion method (€1,801 thousand)
- Measurement of accrued liabilities (€861 thousand)
- Measurement of deferred taxes (€6,244 thousand; surplus of deferred tax liabilities over deferred tax assets)

4. Correction according to IAS 8

The German Financial Reporting Enforcement Panel (DPR) conducted an examination of the consolidated financial statements of euromicron as of December 31, 2008, and the associated group management report for the fiscal year 2008 in accordance with Section 342b (2) Sentence 3 No. 1 of the German Commercial Code (HGB).

In relation to the points specified below, the German Financial Reporting Enforcement Panel takes an assessment that differs from the viewpoint of euromicron AG's management and that of the auditors of the consolidated financial statements at the time as regards the interpretation of individual accounting regulations and discovered mistakes in accounting for the fiscal year 2008.

After detailed examination, the Executive Board endorses the findings of the German Financial Reporting Enforcement Panel. The identified mistakes were published in the electronic Federal Official Gazette and a supra-regional journal for statutory stock market announcements on December 6, 2010, after the instruction to publish them had been received from the Federal Financial Supervisory Authority (BaFin).

In particular, various purchase price allocations relating to the company acquisitions in 2008 and, in an adapted procedure, those from 2006 and 2007 were examined. There were no further purchase price allocations in the previous periods.

In addition, the Executive Board has taken the findings relating to the company acquisitions in 2008 as an opportunity to apply the measurement system defined as correct by the German Financial Reporting Enforcement Panel to the company acquisitions in 2009 and thus to reassess the main acquisitions of all four years 2006 to 2009 retroactively. The re-measurement resulted in a reduction in equity as of January 1, 2009, of approximately €7.8 million, which was treated in compliance with the principles of IAS 8. There was a further reduction of €1.1 million in equity in fiscal 2009, of which €0.1 million resulted from effects that were recognized in income.

Amortization of brand names, order books and customer relationships, allowance for deferred taxes and the partial re-measurement of assets and liabilities have no significant impact on sales, income and the cash flow in fiscal 2010.

The responsible chamber of the German Financial Reporting Enforcement Panel has found:

In the IFRS consolidated financial statements of euromicron AG at December 31, 2008, the goodwill carried was approximately €6.8 million too high and the consolidated earnings reported were more than €5.0 million too high as a result of inaccurate recognition of the company acquisitions in 2006, 2007 and 2008 and the consequential effects of this.

1. Intangible assets, such as customer relationships, order books or brand names, were measured in some cases not at all or at a lower value as part of the purchase price allocation in the case of company acquisitions in 2006, 2007 and 2008 (IFRS 3.36 and IFRS 3.45 f).
2. Other assets, e.g. inventories, were measured at too low a value and liabilities at too high a value as part of these purchase price allocations. A provision for restructuring was carried despite the fact that it had not been reported in the balance sheet by the seller and so did not exist at the time of acquisition (IFRS 3.36 and IFRS 3.41).
3. In two company acquisitions, minority interests which euromicron AG had a factual obligation to purchase were not carried as outside capital, but reported as equity under minority interests (IAS 32.18b).

A further error was corrected – outside the Financial Reporting Enforcement Panel examination – for measuring projects (long-term contract production). The output-oriented earned value method used in the previous year was dispensed with, since the consideration performed was not measured reliably with it (IAS 11.30). As part of the prescribed input-oriented measurement method, the previously used cost-to-cost method was applied again. The effect from this change in measurement is € –0.9 million on income and € –7.7 million on sales in the 2009 reporting period.

In the present financial statements, the comparative figures at December 31, 2009, have been adjusted in all the tables; figures published before this balance sheet date did not have to be adjusted. 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 2009 consolidated financial statements; they are also referred to at various points in the notes.

Correction to the consolidated balance sheet according to IAS 8

ASSETS

	Dec. 31, 2009 Before correction € thou.	Correction in acc. with IAS 8 € thou.	Dec. 31, 2009 After correction € thou.	Jan. 1, 2009 Before correction € thou.	Correction in acc. with IAS 8 € thou.	Jan. 1, 2009 After correction € thou.
Goodwill	84,044	–7,420	76,624	78,816	–6,798	72,018
Intangible assets	9,579	3,886	13,465	7,286	3,148	10,434
Property, plant and equipment	10,913	0	10,913	8,965	0	8,965
Deferred tax assets	1,405	240	1,645	1,042	363	1,405
Other noncurrent and current assets	79,964	–1,235	78,729	76,006	–29	75,977
	185,905	**–4,529**	**181,376**	**172,115**	**–3,316**	**168,799**

EQUITY AND LIABILITIES

	Dec. 31, 2009 Before correction € thou.	Correction in acc. with IAS 8 € thou.	Dec. 31, 2009 After correction € thou.	Jan. 1, 2009 Before correction € thou.	Correction in acc. with IAS 8 € thou.	Jan. 1, 2009 After correction € thou.
Equity	80,264	–8,849	71,415	73,801	–7,797	66,004
Accrued liabilities, including provisions for pensions	1,333	508	1,841	2,132	0	2,132
Deferred taxes	5,189	407	5,596	4,295	937	5,232
Current income tax liabilities	1,145	0	1,145	1,828	0	1,828
Other noncurrent and current liabilities	97,974	3,405	101,379	90,059	3,544	93,603
	185,905	**–4,529**	**181,376**	**172,115**	**–3,316**	**168,799**

Correction to the consolidated income statement according to IAS 8

	Jan. 01. – Dec. 31, 2009 Before correction € thou.	Correction in acc. with IAS 8 € thou.	Jan. 01. – Dec. 31, 2009 After correction € thou.
Net sales	187,334	–7,729	179,605
Cost of materials	–92,468	6,493	–85,975
Amortization and depreciation expense	–3,060	–466	–3,526
Operating profit	**18,037**	**–1,669**	**16,368**
Net interest income/loss	–2,832	–121	–2,953
Income before income taxes	**15,205**	**–1,790**	**13,415**
Income taxes	–3,758	619	–3,139
Consolidated net income before minority interests	**11,447**	**–1,171**	**10,276**
Minority interests	–703	204	–499
Consolidated net profit	**10,744**	**–967**	**9,777**
(Un)diluted earnings per share in €	**2.39**	**–0.21**	**2.17**

Consolidated companies

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 18 companies to be consolidated. euromicron AG directly or indirectly holds the majority of voting rights in all the associated companies. All the companies are fully consolidated, i.e. not consolidated at-equity, since there are no investments in which euromicron AG holds more than 20%, but less than 50% of the voting rights. Investments below 20% have not been consolidated. Of the associated companies, 13 are based in Germany and five in other European countries. In the year under review, there was no subsidiary whose financial statements were prepared in a currency other than euros.

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

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2010:

CHANGES IN CONSOLIDATED COMPANIES

	2010	2009
January 1	20	15
First-time consolidation	4	5
Mergers within the Group	–6	0
December 31	**18**	**20**

2. Acquisitions

In fiscal 2010 there were the following changes in the consolidated companies due to significant acquisitions of subsidiaries and other business units in accordance with IFRS 3:

As part of the purchase price allocation of newly acquired companies, dormant reserves on the customer base, industrial rights, brand names and property, plant and equipment, as well as dormant charges on accrued liabilities minus deferred taxes are determined by euromicron and allocated if applicable. The goodwill remaining after allocation represents the benefit of the newly acquired companies to euromicron. The measurement approach and method of purchase price allocation were adapted to the approach as part of the German Financial Reporting Enforcement Panel examination.

The additions to the dormant reserves and dormant charges from purchase price allocation are as follows:

With the notarized agreement dated December 9, 2010, and following fulfillment of the final suspensive condition, euromicron AG acquired NBG Fiber Optics GmbH, Gmünd, Austria, effective December 10, 2010, at a purchase price of €412 thousand. Acquisition of this company incurred ancillary costs of €20 thousand, which have been recognized under “Other operating expenses”. NBG Fiber Optics GmbH is a producer and distributor of and system house for fiber optics and cable systems and has a presence in the Austrian market. During the time it was part of the Group in the year under review – December 10 to 31, 2010 – this company contributed €259 thousand to income in the 2010 consolidated financial statements.

In connection with the purchase of NBG Fiber Optics GmbH, euromicron AG also acquired – with the notarized agreement dated December 9, 2010, and following fulfillment of the final suspensive condition – WCS Fiber Optic B.V., SV Amersfoort, Netherlands, effective December 10, 2010, for a purchase price of €1.00. Acquisition of this company incurred ancillary costs of €5 thousand, which have been recognized under “Other operating expenses”. WCS Fiber Optic B.V., like euromicron NBG Fiber Optics, strengthens euromicron’s expertise as a developer and producer in the field of fiber optics and operates in the Benelux countries. During the time it was part of the Group in the year under review – December 10 to 31, 2010 – this company contributed €2 thousand to income in the 2010 consolidated financial statements.

With the notarized agreement dated December 28, 2010, euromicron AG acquired Avalan GmbH, Spiesen-Elversberg, including its subsidiary GLT GmbH, Spiesen-Elversberg, for a purchase price of €1,579 thousand, including subsequent purchase price adjustments on the basis of contractually agreed criteria. The amount of the bonus option rights, which are discounted to the present value and assessed on the basis of the probability of their conditions occurring, is €579 thousand and represents a conditional purchase price payment. The maximum possible bonus payments amount to €850 thousand. No allowance had to be made for the account receivables, which were acquired at their nominal value. Since both companies form an entity in organizational and commercial terms, their figures have been combined in the following presentations. Acquisition of this company incurred ancillary costs of €25 thousand, which have been recognized under “Other operating expenses”. Acquisition of the companies strengthens euromicron’s presence in Saarland and gives it access to the Luxembourg market. Avalan is a system house that has expertise in ITC networks and communications solutions. During the time it was part of the Group in the year under review – December 10 to 31, 2010 – this company contributed €498 thousand to income in the 2010 consolidated financial statements.

The book values directly before the combination and the dormant reserves (fair values) of the assets and liabilities of the newly acquired companies upon first-time consolidation and the resultant goodwill are shown in the tables below. Consequently, pro-rata figures for the additions from company acquisitions are not explained separately in the detailed disclosures on balance sheet items.

The net assets acquired in fiscal year 2010 (provisional purchase price allocation as of December 31, 2010), including adjustments to assets and liabilities in accordance with IFRS 3, are shown below:

NBG

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	21	366	387
Sachanlagen	304	0	304
Deferred taxes	837	205	1,042
	1,162	**571**	**1,733**
Current assets			
Inventories	1,306	0	1,306
Trade accounts receivable	7,564	0	7,564
Other assets	626	454	1,080
Cash and cash equivalents	–3	0	–3
	9,493	**454**	**9,947**
Acquired assets	**10,655**	**1,025**	**11,680**
Long-term debt			
Provisions for pensions	0	0	0
Other provisions	0	0	0
Liabilities to banks	0	0	0
Other liabilities	0	0	0
Deferred taxes	750	205	955
	750	**205**	**955**
Current liabilities			
Accrued liabilities	0	0	0
Accounts payable	8,305	0	8,305
Liabilities to banks	0	0	0
Tax liabilities	254	0	254
Personnel obligations	118	0	118
Other current liabilities	3,326	454	3,780
	12,003	**454**	**12,457**
Acquired liabilities	**12,753**	**659**	**13,412**
Balance of acquired assets and liabilities = equity at the time of acquisition	**–2,098**	**366**	**–1,732**
Acquisition costs	0	412	412
Deferred taxes on dormant reserves	0	0	0
Goodwill	**2,098**	**46**	**2,144**

WCS

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	0	107	107
Property, plant and equipment	11	0	11
	11	**107**	**118**
Current assets			
Trade accounts receivable	189	0	189
Other assets	8	0	8
	197	**0**	**197**
Acquired assets	**208**	**107**	**315**
Long-term debt			
Provisions for pensions	0	0	0
Other provisions	0	0	0
Liabilities to banks	0	0	0
Other liabilities	0	0	0
Deferred taxes	0	0	0
	0	**0**	**0**
Current liabilities			
Accrued liabilities	0	0	0
Accounts payable	687	0	687
Liabilities to banks	0	0	0
Tax liabilities	0	0	0
Personnel obligations	0	0	0
Other current liabilities	40	0	40
	727	**0**	**727**
Acquired liabilities	**727**	**0**	**727**
Balance of acquired assets and liabilities = equity at the time of acquisition	**–519**	**107**	**–412**
Acquisition costs	0	0	0
Deferred taxes on dormant reserves	0	28	28
Goodwill	**519**	**–79**	**440**

AVALAN AND GLT

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	17	633	650
Property, plant and equipment	274	0	274
Financial assets	12	0	12
Deferred tax assets	64	0	64
	367	**633**	**1,000**
Current assets			
Inventories	649	0	649
Trade accounts receivable	1,571	0	1,571
Other assets	336	0	336
Cash and cash equivalents	78	0	78
	2,634	**0**	**2,634**
Acquired assets	**3,001**	**633**	**3,634**
Long-term debt			
Liabilities to banks	347	0	347
Other liabilities	695	0	695
Deferred taxes	0	0	0
	1,042	**0**	**1,042**
Current liabilities			
Accrued liabilities	37	0	37
Trade accounts payable	692	0	692
Liabilities to banks	694	0	694
Other current liabilities	1,140	0	1,140
	2,563	**0**	**2,563**
Acquired liabilities	**3,605**	**0**	**3,605**
Balance of acquired assets and liabilities = equity at the time of acquisition	**–604**	**633**	**29**
Acquisition costs	0	1,579	1,579
Deferred taxes on dormant reserves	0	189	189
Goodwill	**604**	**1,135**	**1,739**

3. Other changes to the consolidated companies

With the notarized agreement dated January 12, 2010, euromicron AG acquired the remaining 20% stake in NetWays Netzwerk Consulting GmbH, Ettlingen, at a purchase price of €920 thousand. Since the company was granted a combined put/call option for the remaining 20% stake when the 80% stake was purchased in June 2008, a liability amounting to the present value of the preemptive right was carried as part of the adjustments following the German Financial Reporting Enforcement Panel examination, resulting in an increase in goodwill of €809 thousand. A 100% stake was thus assumed as part of consolidation. The acquisition of the remaining shares in 2010 did not therefore have any effect on consolidation.

With the notarized agreement dated August 17, 2010, NetWays Netzwerk Consulting GmbH, Ettlingen, was merged with euromicron solutions GmbH – a euromicron Group company, Mainz – effective January 1, 2010. With the notarized agreement dated March 29, 2010, FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mit beschränkter Haftung, Darmstadt, was also merged with euromicron solutions GmbH – a euromicron Group company, Mainz, – effective January 1, 2010.

With the notarized agreement dated August 17, 2010, SSM Service Gesellschaft mbH, Hamburg, was merged with euromicron systems GmbH – a euromicron Group company, Essen – effective January 1, 2010. With the notarized agreement dated March 23, 2010, Engel Technik GmbH and Engel Vermietungs- und Servicegesellschaft mbH, both with registered offices in Haan, were also merged with euromicron systems GmbH effective January 1, 2010.

With the notarized agreement dated June 10, 2010, Skyline Communication Systems GmbH, Hamburg, and a branch office in Kaarst were merged with SKM Delwave GmbH – a euromicron Group company, Munich – effective January 1, 2010. The name of SKM Delwave GmbH – a euromicron Group company – was changed to SKM Skyline GmbH pursuant to the resolution adopted by the General Meeting on August 17, 2010; its registered offices are still in Munich.

As part of an asset deal agreement dated October 1, 2010, some of the assets, liabilities and contractual relationships of a partial business establishment – formerly SSM Service Gesellschaft mbH, Hamburg – of euromicron systems GmbH were sold to euromicron solutions GmbH, Mainz.

Under an asset deal agreement dated October 1, 2010, some of the assets, liabilities and contractual relationships of a partial business establishment – located in Bamberg – of SSM euromicron GmbH, Zwenkau, were sold to euromicron solutions GmbH, Mainz.

As part of the acquisition of 80% of the shares in Microsens GmbH & Co. KG, Hamm, in 2006, the minority shareholders obtained a preemptive right to tender the remaining 20% and euromicron AG an identical option to purchase them; following an extension in fiscal 2010, the options can be exercised in 2012. As part of the adjustment following the German Financial Reporting Enforcement Panel examination, a liability amounting to the present value of the preemptive right was carried, resulting in an increase in goodwill of €1,743 thousand.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Share in capital %
Parent company	
euromicron Aktiengesellschaft communication & control technology Frankfurt/Main, Germany	
Consolidated subsidiaries	
a) North segment	
euromicron systems GmbH – a euromicron Group company – Essen, Germany	100.00
EUROMICRON Werkzeuge GmbH – a euromicron Group company – Sinn-Fleisbach, Germany	100.00
euromicron international services GmbH – a euromicron Group company – Frankfurt, Germany	100.00
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
MICROSENS GmbH & Co. KG[1], Hamm, Germany	80.00
MICROSENS Beteiligungs GmbH[1], Hamm, Germany	80.00
SSM euromicron GmbH – a euromicron Group company – Zwenkau, Germany	100.00
b) South segment	
ckt GmbH, Munich, Germany	100.00
ELABO GmbH – a euromicron Group company – Crailsheim, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00
euromicron solutions GmbH – a euromicron Group company – Mainz, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH – a euromicron Group company – Munich, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
Avalan GmbH, Spiesen-Elversberg, Germany	100.00
GLT Telecom GmbH, Spiesen-Elversberg, Germany	100.00
WCS Fiber Optic B.V., Amersfoort, Netherlands	100.00

1) 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.

4. Consolidation principles

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

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

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

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

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

Notes on the consolidated balance sheet

1. Noncurrent assets

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

Long-lived assets are tested for impairment if, due to events or changes in circumstances, there are indications that the book value of the objects can no longer be recovered. 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 amount that can be achieved for it when it sold to a third party under normal market circumstances. 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 write-offs in earlier reporting periods no longer exist, the assets – with the exception of goodwill – are written up again. euromicron does not have any noncurrent assets held for sale.

(a) Intangible assets

Intangible assets comprise software, licenses, brand names, industrial rights, goodwill, customer relationships as well as capitalized development costs. Purchased intangible assets, with the exception of goodwill and certain rights to brand names, are capitalized at their cost of acquisition and written down over their useful life of 3 to 15 years. As a rule, extraordinary write-downs are charged if it is necessary to carry intangible assets at a lower fair value at the balance sheet date. Calculation of the fair value is based on the capitalized earnings value of assets.

In accordance with IFRS 3, goodwill from business combinations is not written off using the regular method of depreciation, but examined for impairment at least once a year in accordance with the regulations of IAS 36 (impairment test). euromicron tests goodwill for impairment every year in the fourth quarter of the reporting period after completion of its medium-term planning (five years) or if there are indications or circumstances (triggering events) that suggest its value may be impaired. In the impairment test, the carrying amount of each cash generating unit (CGU) to which goodwill is located is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. At euromicron AG, the criteria for delimiting the CGUs for purposes of the goodwill impairment test are geared to the individual companies in conjunction with the regions as operating segments. The value in use is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method. 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, is also used internally and has an horizon of five years. Past experience, knowledge of current operating results and estimates and assumptions by management of future developments are included in this planning. In particular, estimates by management of future developments, such as sales, have the weak point of not being certain. Annual growth of 1% is usually assumed. It is ensured that no effects from restructuring measures or initial investments are included in the forecast calculations.

If the carrying amount exceeds the recoverable value in use according to the DCF method, a value impairment on the goodwill of the CGU in question must be carried to the amount of the difference.

The following parameters were applied in the impairment test; the same parameters were used for all CGUs due to their comparable risk structures:

Borrowing rate after taxes	3.64 %
Risk-free interest	2.42 %
Markup for return on equity	5.50 %
Beta factor	1.16
Ratio of outside capital to equity	62.18 %
Weighted average cost of capital (WACC)	**6.84 %**
Growth rate	1.00 %
WACC perpetuity	5.84 %

The input tax for WACC (perpetuity) in fiscal year 2010 was 7.43%.

The impairment test in fiscal 2010 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) should rise by 3.0% (previous year: 3.5%), this would result in a need to reduce the value by €0.4 million (previous year: €1.3 million) at a CGU.

Goodwill developed as follows in the fiscal year:

GOODWILL

	2010 € thou.	2009 € thou.
Goodwill as of January 1	76,624	71,979
Additions	4,323	4,645
Goodwill as of December 31	**80,947**	**76,624**

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

CGUs

	Goodwill € thou.
CGU 1 System houses North	17,936
CGU 2 Production companies North	18,282
CGU 3 System houses South	33,508
CGU 4 Production companies North	5,538
CGU 5 Distributors South	5,683
	80,947

The goodwill additions for the report segments are:

	Goodwill 2010 € thou.	Segment
NBG Fiber Optics GmbH, Gmünd, Austria	2,144	South
WCS Benelux B.V., Amersfoort, Netherlands	440	South
Avalan GmbH und GLT Telecom GmbH, Spiesen-Elversberg	1,739	South
	4,323	

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

The purchase price allocation for the companies acquired in the current fiscal year is still provisional at the balance sheet date, since investigations still have to be carried out in relation to intangible assets and legal circumstances as they were not able to be completed during preparation of the financial statements due to the fact that the time of acquisition was shortly before the balance sheet date. The calculated difference is carried as provisional goodwill. The changes resulting from the definitive purchase price allocation will be shown in the current account for the reporting period 2011.

The brand name rights in the consolidated financial statements of euromicron result from the balance sheet amounts reported as part of purchase price allocations of newly acquired companies and directly from individual financial statements of Group companies. The value at the balance sheet date for fiscal 2010 is €4,184 thousand. Generally, brand name rights are recognized for an indefinite period of time and are not amortized. If necessary, any need for amortization is determined in response to indications of a value impairment (triggering event) or as part of the annual impairment test and posted in the current period (impairment).

In accordance with IAS 38, development costs in the sense of purchased and self-created intangible assets are carried at acquisition and manufacturing cost, provided the expenses can be clearly assigned, technical feasibility is ensured, there is the intent and ability to create and sell the intangible assets, and marketing of products based on development work is likely to result in future inflows of funds. In the year under review, development costs for self-created intangible assets of €1,500 thousand were capitalized (previous year: €1,689) and written down using the straight line method on the basis of the product cycles (3 to 8 years). The amortization expense is carried under “Depreciation and amortization expense” in the consolidated income statement; the remaining useful lives are between one to a maximum of eight years. Capitalized development costs include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs. The value of the capitalized develop costs is examined in an annual impairment test using the DCF method, with similar product categories being grouped into cash generating units and the same assumptions as in the goodwill impairment test being used. In the current fiscal year, there were reversals in capitalized development costs of €58 thousand.

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

(b) Property, plant and equipment

Property, plant and equipment is measured at its acquisition or manufacturing cost less cumulated depreciation. The manufacturing cost of capitalized, self-created property, plant and equipment contains the cost of direct materials and prime costs, as well as attributable overhead costs, and resulted in own work capitalized of €69 thousand (previous year: €13 thousand). Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives:

PROPERTY, PLANT AND EQUIPMENT

	Useful life in years
Buildings	10–50
Technical equipment and machinery	5–15
Other equipment, operating and office equipment	4–15

Extraordinary write-downs are charged if it is necessary to carry property, plant and equipment at a lower fair value at the balance sheet date. No extraordinary write-downs were made in the past fiscal year. Borrowing costs are capitalized in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets that are required for a period of twelve months to put them into a usable state. Expenses for maintenance and repairs that are not significant replacement investments are recognized in the income statement in the current reporting period. In accordance with IAS 16.74, at the balance sheet date there are no restrictions on title to, nor any contractual commitments to acquire property, plant and equipment. In addition, no property, plant or equipment has been attached and there were no compensation payments to third parties due to value impairments in or loss of property, plant or equipment. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Group fixed-asset movement schedule 2010

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2010

	Acquisition costs					
	Jan. 1, 2010 € thou.	Additions € thou.	Retire-ments € thou.	Change in first-time con-solidation € thou.	Reclassifi-cation and other € thou.	Dec. 31, 2010 € thou.
Goodwill	84,195	4,323	0	0	0	88,518
Intangible assets						
Concessions, industrial and similar rights	28,144	565	–13	1,583	0	30,279
Own work capitalized	6,726	1,500	0	0	173	8,399
Tangible assets						
Land and buildings	8,000	74	0	66	0	8,140
Plant and machinery	5,415	382	–8	493	0	6,282
Other fixtures and fittings, tools and equipment	13,968	2,052	–2,445	1,768	–173	15,170
	146,448	**8,896**	**–2,466**	**3,910**	**0**	**156,788**

Depreciation and amortization							Book values	
Jan. 1, 2010 € thou.	Additions € thou.	Retire-ments € thou.	Reversal of write-downs € thou.	Change in first-time consolidation € thou.	Reclassifi-cation and other € thou.	Dec. 31, 2010 € thou.	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
−7,571	0	0	0	0	0	−7,571	80,947	76,624
−19,809	−1,253	23	0	−442	334	−21,147	9,132	8,335
−1,596	−1,189	0	58	0	0	−2,727	5,672	5,130
−3,551	−191	0	0	−51	0	−3,793	4,347	4,449
−3,249	−426	167	0	−293	0	−3,801	2,481	2,166
−9,670	−1,542	2,146	0	−1,375	0	−10,441	4,729	4,298
−45,446	**−4,601**	**2,336**	**58**	**−2,161**	**334**	**−49,480**	**107,308**	**101,002**

Group fixed-asset movement schedule 2009

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2009

	Acquisition costs					
	Jan. 1, 2009 € thou.	Additions € thou.	Retire-ments € thou.	Change in first-time consolida-tion € thou.	Reclassifi-cation and other € thou.	Dec. 31, 2009 € thou.
Goodwill	79,663	0	0	4,744	–212	84,195
Intangible assets						
Concessions, industrial and similar rights	26,365	1,288	–71	680	–118	28,144
Own work capitalized	5,152	1,689	–115	0	0	6,726
Tangible assets						
Land and buildings	7,808	261	–69	0	0	8,000
Plant and machinery	4,261	1,295	–183	0	42	5,415
Other fixtures and fittings, tools and equipment	13,065	2,001	–1,564	313	153	13,968
	136,314	**6,534**	**–2,002**	**5,737**	**–135**	**146,448**

Depreciation and amortization							Book values	
Jan. 1, 2009 € thou.	Additions € thou.	Retire-ments € thou.	Reversal of write-downs € thou.	Change in first-time consolidation € thou.	Reclassifi-cation and other € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
–7,645	–3	0	0	0	77	–7,571	76,624	72,018
–20,176	–1,144	70	0	0	1,441	–19,809	8,335	6,189
–907	–804	115	0	0	0	–1,596	5,130	4,245
–3,403	–191	43	0	0	0	–3,551	4,449	4,405
–3,200	–232	183	0	0	0	–3,249	2,166	1,061
–9,566	–1,152	1,243	0	0	–195	–9,670	4,298	3,499
–44,897	**–3,526**	**1,654**	**0**	**0**	**1,323**	**–45,446**	**101,002**	**91,417**

If, in accordance with IAS 17, the lessee bears the main risks and opportunities, economic ownership is ascribed to the lessee ("finance lease"). At the time of addition, leased objects are carried in the fixed assets at the lower of its fair value or the present value of the minimum lease payments; the corresponding liability to the lessor is carried under "Liabilities from finance lease". Leased equipment (€848 thousand) and operating and office equipment (€322 thousand) were carried as finance leases to a net amount of €1,170 thousand at December 31, 2010 (previous year: €790 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 were conditional lease payments of €152 thousand in the current business period. There was no subleasing at the euromicron Group.

		Due in			
	Total € thou.	Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Present value	1,014	194	278	470	72
Interest	100	39	40	20	1
Minimum lease payment	1,114	233	318	490	73

Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The future payment obligations from lease agreements in accordance with IAS 17 are carried under the "Liabilities from finance lease".

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

(c) Financial assets (noncurrent and current)

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

Derivatives that have been qualified as hedges as part of a hedging relationship are not assigned to any of these categories.

Non-derivative financial assets that cannot be assigned to any of the two other categories or the categories "Loans and Receivables" or "Held-to-Maturity" are assigned to the category "Available-for-Sale". Securities, such as shares, are regarded as available for sale.

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Issued loans and receivables	0	0
Other assets	894	1,082
	894	**1,082**

Die RemoteMDx Inc., Utah, USA, in which euromicron AG acquired shares last year, has since been renamed SecureAlert Inc. The stake held in its capital stock on the balance sheet date was 4.25%. This commitment enables exclusive use of licenses in the healthcare segment and in humane enforcement of sentences in all countries where euromicron has market access. The investment in SecureAlert Inc. is classified as a financial asset under the category “Available-for-Sale” and is taken directly to equity and carried at fair value under “other comprehensive income”. It needed to be written down by €84 thousand in fiscal 2010.

The available-for-sale financial assets are predominantly securities that are not recognized in the income statement. In the year under review, there was a reversal of write-downs for securities of €79 thousand, which was recognized directly in equity.

The available-for-sale financial assets are as follows:

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Financial assets	1,333	1,145

2. Deferred tax assets

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

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

In general, deferred taxes are carried in the noncurrent balance sheet items.

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

DEFERRED TAX ASSETS

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Intangible assets	1,169	355
Inventories	8,748	7,783
Accrued liabilities	84	68
Other receivables and other assets	326	241
Trade accounts payable	1,832	953
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	1,331	1,876
Total deferred tax assets before netting off	**13,490**	**11,276**
Netting off	**– 13,116**	**– 9,631**
Total deferred tax assets after netting off	**374**	**1,645**

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

As of December 31, 2010, the Group had corporation income tax loss carryforwards totaling €3,900 thousand (previous year: €3,656 thousand), trade tax loss carryforwards totaling €2,678 thousand (previous year: €1,645 thousand) and loss carryforwards for income taxes abroad totaling €13,518 thousand (previous year: €8,522 thousand). The loss carryforwards relate to three domestic holdings and euromicron AG and three foreign holdings. These losses may be carried forward indefinitely in accordance with the current legal position. The deferred tax rates are 15.825% if only corporation income tax (including solidarity surcharge) is incurred and around 30.0% if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25% in Austria.

In the past fiscal year, deferred tax assets on loss carryforwards of one foreign company were written down. The effect of this is €932 thousand; this amount is contained in the deferred tax expenses for fiscal 2010. As a result, there was an increase in the unused loss carryforwards of €3,728 thousand.

The Executive Board is of the view that it is highly probable that the deferred tax assets of the German companies 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.

No deferred taxes have been formed on the tax loss carryforwards that cannot be used totaling €12,224 thousand (previous year: €2,594 thousand).

3. Inventories

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date in accordance with IAS 2.9. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23. Inventories are measured using the average value method.

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

INVENTORIES

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Raw materials and supplies	8,876	6,923
Work in progress	1,585	1,072
Finished goods and merchandise	6,724	5,240
	17,185	**13,235**

The increase in inventories is the result of the addition of the newly acquired companies (€1,449 thousand) and essentially of production for a large order that will be shipped in 2011.

In accordance with IAS 2.34, there were write-downs on inventories totaling €166 thousand in the fiscal year (previous year: €423 thousand); as in the previous year, there were no reversals in the period under review.

4. Receivables and other assets

Receivables and other assets that have defined terms of payment and are not traded on an active market are classified in the category "Loans and Receivables". They are carried as noncurrent or current assets, depending on their remaining term. When first carried, they are measured at fair value plus any transaction costs. They are subsequently measured at depreciated acquisition costs. Long-term or non-interest-bearing loans are carried at their present value using the effective interest method.

RECEIVABLES AND OTHER ASSETS

	Dec. 31, 2010 TEUR	Dec. 31, 2009 TEUR
Trade accounts receivable (gross)	56,320	50,601
Allowances for doubtful accounts	–919	–640
Trade accounts receivable (net)	55,401	49,961
Other noncurrent assets	96	188
Other current assets	4,812	4,490
	60,309	**54,639**

The allowances for doubtful accounts comprise individual adjustments for receivables; expenses from transfer to the allowances are carried under the item “Other operating expenses” in the income statement. The increase in accounts receivable, which was due to first-time consolidation of companies to an amount of €4,383 thousand, was moderate thanks to the “old” companies’ continued stringent receivables management activities.

There were the following changes in the allowances for receivables and other assets:

	Dec. 31, 2010 TEUR	Dec. 31, 2009 TEUR
Balance at the beginning of the period	**–640**	**–696**
Allocation	–502	–240
Utilization	0	3
Reversals	223	293
Balance at the end of the period	**–919**	**–640**

As regards the accounts 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. Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €75 thousand and €32 thousand was received from receivables that had already been written down.

TERMS FOR THE TRADE ACCOUNTS RECEIVABLE

		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				
	€ thou.	€ thou.	< 60 days € thou.	60–120 days € thou.	121–180 days € thou.	181–360 days € thou.	> 360 days € thou.
Trade accounts receivable Dec. 31, 2010	55,401	38,736	12,499	1,567	952	581	1,066
Trade accounts receivable Dec. 31, 2009	49,961	37,422	7,985	1,123	1,241	697	1,493

The trade accounts receivable include receivables in foreign currency (exclusively US$) totaling €490 thousand (previous year: €1,525 thousand). Exchange gains from receivables in foreign currency due to their measurement on the balance sheet date total €19 thousand (previous year: €2 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 also include receivables from production contracts in accordance with the percentage of completion method. Using the percentage of completion determined on the basis of the cost-to-cost method and budgeting of contribution margins for each project, the order value realized at the balance sheet date is recognized in income as receivables from production contracts if the cumulative result exceeds the payment on account received from the customer. The amount from these receivables is €21,536 thousand and is carried under “Trade accounts receivable”. Received payments of €1,803 thousand were deducted from these receivables from POC.

The other assets essentially comprise receivables from input tax refund claims, rent deposits and prepayments and accrued income. The other assets contain amounts of €46 thousand (previous year: €165 thousand) whose payment periods are overdue, but about which there are no doubts as to their recoverability. Unrecoverable receivables were derecognized to an amount of €51 thousand. €24 thousand was received from receivables that had already been written down.

5. Cash and cash equivalents

Cash includes checks, cash on hand, demand deposits at banks and cash equivalents. Cash is measured at nominal value.

There was no cash that was not freely available at the balance sheet date (total cash holdings: €219 thousand).

The cash and cash equivalents are as follows:

SECURITIES AND CASH

	Dec. 31, 2010 TEUR	Dec. 31, 2009 TEUR
Cash in banking accounts	6,181	4,189
Cash equivalents and time deposits with a remaining term of less than 3 months	0	367
Checks and cash on hand	2,391	3,957
Cash in transit	0	115
	8,572	**8,628**

Liquid funds are slightly below the level of the previous year.

6. Equity

(a) Subscribed capital

On May 7, 2010, euromicron AG conducted a capital increase using its authorized capital, as a result of which the share volume was increased by 465,999 to 5,125,999 no-par value bearer shares. The calculated par value per share is €2.56.

In accordance with Section 7 of the German Stock Corporation Law (AktG), the minimum nominal value of the subscribed capital is €50 thousand. As a result of the capital increase, the company's subscribed capital rose by €1.2 million to €13.1 million (previous year: €11.9 million).

Treasury shares

Pursuant to the resolution adopted on June 18, 2009, the company was authorized to acquire its own shares up to at a maximum proportional amount of the capital stock of €1,191,400.00 for these shares, up to December 18, 2010. The option was not renewed at this year's General Meeting. With the consent of the Supervisory Board, the Executive Board adopted a resolution on November 19 to sell its 157,234 treasury shares on the stock market. equinet Bank AG, Frankfurt/Main, was commissioned with selling the shares, a process that was completed by December 16, 2010. The reason for the sale at that time was the large demand for shares in euromicron as a result of its good business performance and the fact that the company did not need to use its own shares as currency in the acquisitions it has made in the past years. 157,234 treasury shares were sold smoothly on the stock market at an average price of €21.00, resulting in gross proceeds for euromicron AG of around €3.3 million, which will be used to enable the company's further growth, bolster the capital structure, strengthen the equity ratio and reduce borrowings. Consequently, the company will continue to increase its financial flexibility for the next stage of its corporate strategy.

As a result, at December 31, 2010, euromicron did not hold any treasury shares that could be offset against equity in accordance with IAS 32.33 (previous year: €2,941 thousand).

There were the following changes in the number of shares in circulation:

SHARES IN CIRCULATION

	Number
Sales in circulation at December 31, 2009	4,502,766
Sale of treasury years in fiscal 2010	157,234
New shares issued as part of the capital increase in 2010	465,999
Sales in circulation at December 31, 2010	**5,125,999**

Authorized capital

A resolution of the General Meeting on June 23, 2005, rescinded the authorization for the Executive Board to increase the capital stock by up to €5,957,000 on one or several occasions by issuing new shares against cash or non-cash contributions by May 30, 2005. The Executive Board was authorized to increase the capital stock by up to €5,957,000 on one or several occasions with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions (authorized capital) by June 20, 2010.

euromicron AG made partial use of this authorization (authorized capital) to increase its capital stock according to the Articles of Association, for a cash payment with exclusion of the subscription right of shareholders, by €1,191,397.44 from €11,914,000.00 to €13,105,397.44 by issuing 465,999 new bearer shares with a full entitlement to a share in profits as of fiscal year 2010 at an issue amount of €2.56 per share. The increase in the capital stock was entered in the commercial register on May 7, 2010. The new shares are admitted to stock market trading.

The Executive Board was further authorized with the consent of the Supervisory Board to exclude the subscription right of shareholders if the authorization is used provided the capital increase in exchange for cash contributions does not exceed 10% of the capital stock and the issue price of the new shares is not significantly below the stock market price of the already listed shares with the same features at the time when the issue price is definitively set. Both criteria have been met, which is why the existing shareholders have not been granted a subscription right.

The Executive Board of euromicron AG does not currently have any authorization to conduct a capital increase.

(b) Additional paid-in capital

The Company's additional paid-in capital in accordance with Section 272 (2) of the German Commercial Code (HGB) includes the premiums from share issues and capital increases and, following the increase by using the authorized capital to an amount of €6,345 thousand and offsetting of the book profit of €361 thousand from the sale of treasury shares, is now €68,487 thousand (previous year: €61,781 thousand). It meets the requirements stipulated by Section 150 of the German Stock Corporation Law (AktG). In accordance with IAS 32.37, the equity transaction costs incurred as part of the capital increase, minus deferred taxes, were directly offset with the premium (€152 thousand) and not recognized in the income statement.

(c) 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 at an amount of € –363 thousand (previous year: € –358 thousand).

(d) Currency translation difference

There were no currency translation differences in fiscal 2010, since all the consolidated associated companies of euromicron AG prepare their financial statements in euros.

(e) Distributions in the fiscal year

Dividends from the net profit for 2009 of €1.00 per share, or a total of €4,503 thousand, were paid out in fiscal 2010.

(f) Minority interests

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

The minority interests in equity reported at December 31, 2010 (€428 thousand) relate exclusively to Qubix S.p.A., Padua (10%). The non-controlling (minority) interests of Microsens GmbH & Co. KG, Hamm (20%) and Netways Netzwerk Consulting GmbH, Ettlingen (20%), which were carried under equity at December 31, 2009, were eliminated retroactively as part of the adjustment following the German Financial Reporting Enforcement Panel's examination. Instead, the present value of the purchase price liability from the combined put/call option was carried under outside capital and these companies were fully consolidated. More details can be found in the section "Other changes to the consolidated companies".

(g) Error corrections in accordance with IAS 8

Due to the changes in measurement as part of the German Financial Reporting Enforcement Panel's examination and from corrections to other errors, there were changes compared with the figures reported in the previous year of € –6,767 thousand in the revenue reserves, of € –1,171 thousand in the consolidated net income before minority interests for 2009, and of € –910 thousand in minority interests.

(h) Disclosures on capital management in accordance with IAS 1

The objective of capital management as part of the build-and-integrate phase is to increase the equity ratio in order to give the Group unrestricted access to the capital market, ensure its ability to repay debt at the most favorable terms possible, and to retain its financial substance. Management is continuously working to reduce working capital and net financial debt at the level of the individual companies and at the Group level in order to achieve this goal. Balance sheet equity and net financial debt are used as performance indicators. Requirements by lenders under financial covenants to the effect that specific key ratios (e.g. for equity, debt or liquidity) must be complied with during the term of loans were met for all financial liabilities.

7. Accrued liabilities

Accrued liabilities are recognized in the case of legal or constructive obligations to third parties where utilization is probable and the expected amount of the necessary accrued liability can be measured reliably. The accrued liabilities are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Long-term accrued liabilities are measured at their present value on the balance sheet date. They mainly include provisions for pensions. Accrued liabilities are reversed against the expense item where the original allocations to an accrued liability was carried. The accrued liabilities for anniversaries and death benefits, which were reported last year (€133 thousand) under “Provisions for pensions”, are carried under “Other long-term accrued liabilities” as of December 31, 2010. euromicron expects that €66 thousand of the accrued liabilities will be utilized within twelve months and €139 thousand in the coming two to five years.

The accrued liabilities developed as follows in the fiscal year:

ACCRUED LIABILITIES

	Jan. 1, 2010 € thou.	First-time consolidation € thou.	Utilization € thou.	Reversal € thou.	Accrued Interest	Allocation € thou.	Transfers and other € thou.	Dec. 31, 2010 € thou.
Other short-term accrued liabilities	322	30	–256	–40	0	10	0	66
Accrued benefit liabilities	927	0	–15	0	35	33	–324	656
Other long-term accrued liabilities	591	0	–522	–19	0	89	0	139
Total accrued liabilities	**1,840**	**30**	**–793**	**–59**	**35**	**132**	**–324**	**861**

(a) Other accrued liabilities

The other accrued short- and long-term liabilities are composed as follows:

OTHER ACCRUED LIABILITIES

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Semi-retirement	0	66
Anniversaries and death benefits	96	0
Severance payments	27	46
Impending losses	30	555
Legal disputes	16	15
Other	36	231
	205	**913**

The other short-term accrued liabilities are formed on the basis of a reasonable business assessment; there is the uncertainty that they may actually differ. If the discounting effect for long-term accrued liabilities is material, the accrued liabilities are recognized at the present value of the anticipated future cash flows.

(b) Accrued benefit liabilities

The euromicron Group has regulations on company pensions for certain active and retired employees – mainly executives and employees for whom commitments from the time before a company was acquired have been assumed by euromicron – and well as their surviving dependants. 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 and are usually dependent on the length of service. The benefits are granted in the form of a pension and, apart from the old-age pension, sometimes also include benefits in the event of invalidity and death.

In accordance with IAS 19, accrued liabilities for such pension commitments and similar obligations are calculated using the projected unit credit method for defined benefit pension plans. The resultant obligation is recognized in the balance sheet as an accrued liability.

The option of the 10% band rule of IAS 19 is not applied at euromicron AG in measuring the pension obligations and determining personnel costs. The actuarial gains and losses, in particular in the event of changes to the parameters used for the calculation, are recognized in the income statement. The option of recognizing these actuarial gains and losses without any affect on income was not utilized. The pension commitments are in part covered by plan assets that can be offset (i.e. are funded) and consist exclusively of reinsurance policies. The values for the provisions for pensions and the assets covering them are calculated by expert assessors or actuaries.

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

PROVISIONS FOR PENSIONS

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Present value of benefit obligation at the beginning of the period under report	1,199	679
Current service cost	33	41
Past service cost	0	0
Interest cost	35	41
Pension payments	–15	–52
Reversal	0	0
Actuarial gains (–) / losses	–53	9
Change in consolidated companies	0	481
Transfers and other changes	–190	0
Present value of benefit obligation at the end of the period under report	1,009	1,199
Of which funded by plan assets	353	272

The item “Transfers and other changes” essentially comprises a reclassification of the accrued liabilities for anniversaries and death benefits, which are now carried under “Other accrued liabilities”. In addition, the adjustment of the DBO to the fair value of the reinsurance in accordance with IAS 19.104 is reported there at euromicron AG.

The expenses for pension commitments changed as follows:

	Dec. 31, 2010 TEUR	Dec. 31, 2009 TEUR
Current service cost	33	41
Actuarial gains (–) / losses	–53	9
Past service cost	0	0
Anticipated income from plan assets	–14	0
Interest cost	35	41
Pension expense	1	91

The anticipated income from the plan assets (€14 thousand) and the interest cost from the interest accrued for the pension obligations (€35 thousand) are netted out and carried under “Net interest income/loss”; the other components of the pension expense are carried under “Personnel costs”.

The plan assets changed as follows:

	Dec. 31, 2010 TEUR	Dec. 31, 2009 TEUR
Plan assets at the beginning of the period under report	272	296
Anticipated income from plan assets	14	0
Actuarial gains (–) / losses	0	–8
Contributions	67	26
Disbursements	0	–42
Transfers and other changes	0	0
Plan assets at the end of the period under report	353	272

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

AVERAGE MEASUREMENT FACTORS

	2010	2009
Discount rate	5.00 %	5.50 %
Rates of increase in compensation levels	2.25 %	2.50 %
Future pension indexation	1.75 %	1.50 %
Employee fluctuation	2.00 %	0.00 %
Expected return on plan assets	4.50 %	0.00 %

The discount rates are based on the returns for blue-chip corporate bonds with a corresponding term; the 2005 G mortality tables compiled by Heubeck were used as a basis for the biometric parameters. Employee fluctuation is calculated on the basis of industry-specific values and takes into account the factors of age and length. Since the pension commitments are mainly at euromicron Group companies in Germany, the parameters relate to the economic situation in Germany.

The changes in the present value of the benefit obligation and the plan assets are shown below:

CHANGE IN PRESENT VALUE OF THE BENEFIT OBLIGATION

	2010 € thou.	2009 € thou.	2008 € thou.	2007 € thou.	2006 € thou.
Present value of the benefit obligation	1,009	1,199	679	823	1,113
Plan assets	353	272	337	294	410
Net obligation	656	927	342	529	703
Experience adjustments on pension provisions	8	–40	0	0	0
Experience adjustments on plan assets	0	0	0	0	0

The pension payments anticipated in the subsequent year are €23 thousand, while the anticipated contributions are €26 thousand. Contributions of €4,154 thousand (previous year: €3,515 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

Current liabilities are measured at their repayment amount or amount required to discharge them. Long-term debt is measured at its amortized acquisition cost. The amortized acquisition costs are determined using the effective interest method. The carrying amounts are an approximation of the fair value, with the exception of trade accounts payable.

The liabilities are composed as follows:

LIABILITIES

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Liabilities to banks	49,697	57,972
Liabilities from finance lease	1,014	742
Trade accounts payable	22,117	20,519
Liabilities from hedging transactions	35	0
Other liabilities	26,370	22,146
	99,233	**101,379**

Previous year's figures partly adjusted (cf. "Corrections in accordance with IAS 8") euromicron's liabilities have the following terms:

TERMS OF THE LIABILITIES

	Total amount € thou.	Due Up to 1 year € thou.	1 to 2 years € thou.	More than 5 years € thou.	More than 5 years € thou.	Fair value € thou.
Liabilities to banks	49,697	45,294	3,985	418	0	48,508
Liabilities from finance lease	1,014	72	470	253	219	1,014
Trade accounts payable	22,117	18,563	3,554	0	0	22,117
Liabilities from hedging transactions	35	0	35	0	0	35
Other liabilities	26,370	15,603	72	10,000	695	24,528
	99,233	**79,532**	**8,116**	**10,671**	**914**	**96,202**
(Previous year)	101,379	79,701	5,292	13,053	3,333	–

Previous year's figures partly adjusted (cf. "Corrections in accordance with IAS 8")

Trade accounts payable in foreign currency (all US$) amount to €474 thousand (previous year: €686 thousand).

In principle, the associated companies of euromicron are financed centrally through euromicron AG. Additional external funding is mainly due to newly acquired companies and securing of their bank loans and overdrafts by furnishing of individual security, e.g. assignment of receivables or assignment of inventory assets or fixed assets as security. Financial covenants under clauses in loan agreements were observed without exception.

The interests rates for liabilities to banks and overdrafts range from 1.78% to 9.75% (previous year: 1.30% to 9.75%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used (with a view to optimizing financing).

So as to ensure its solvency at all times and underpin the build-and-integrate strategy, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of €40,358 thousand (previous year: €10,764 thousand) were unused at the year-end.

The other liabilities are composed as follows:

OTHER LIABILITIES

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Industry loans	10,000	10,000
Other	767	0
Total of other financial liabilities	**10,767**	**10,000**
Tax liabilities	3,466	2,608
Personnel obligations	3,855	1,105
Payments on account	1,053	30
Obligations from preemptive rights	2,322	2,874
Liabilities from current income taxes	1,244	1,145
Other	3,663	4,384
Total of other non-financial liabilities	**15,603**	**12,146**
	26,370	**22,146**

Financial liabilities are measured at amortized acquisition cost using the effective interest method.

The payments on account include advance payments that cannot be directly attributed to the production contracts in accordance with the percentage of completion method and cannot be netted off.

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

		Cash flow 2011 Up to 1 year			Cash flow 2012 1 to 2 years			Cash flow 2013 to 2015 2 to 5 years			Cash flow 2016 ff. More than 5 years		
	Book value	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
	Dec. 31, 2010	Fixed	Variable		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	49,697	74	988	45,294	31	67	3,985	22	0	418	0	0	0
Liabilities from finance lease	1,014	39	0	72	40	0	470	20	0	253	1	0	219
Liabilities from derivatives	35	52	0	0	22	0	35	0	0	0	0	0	0
Other interest-bearing liabilities	10,767	611	0	0	609	0	72	963	0	10,000	112	0	695

All financial instruments held on the balance sheet date December 31, 2010, 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, 2010 (previous year: December 31, 2009). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment. Foreign currency amounts were translated at the spot rate on the balance sheet date.

euromicron uses derivative financial instruments to hedge interest rate risks resulting from financial transactions. They are not held for the purposes of short-term speculation.

euromicron applies the regulations of IAS 39 on hedge accounting to hedge future cash flows. This reduces volatility in the income statement. A distinction is made between a “fair value hedge”, “cash flow hedge” and “hedge of a net investment in a foreign operation”, depending on the type of hedged item. euromicron has a cash flow hedge.

A cash flow hedge is used to protect against exposure to variability in future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. In the case of cash flow hedges, the unrealized gains or losses on the hedging instrument are initially recognized in other comprehensive income. They are not carried in the income statement until the hedged item is recognized in profit or loss. If a hedge of a forecast transaction results in the recognition of a financial asset or a financial liability in later periods, any gain or loss that was previously recognized directly in equity is recycled into profit or loss in the same period(s) in which the financial asset or liability affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, for example for the acquisition of tangible assets, the amounts recognized directly in equity are netted off with the initial cost or other carrying amount of the non-financial asset or liability.

IAS 39 defines the conditions under which hedging relationships can be recognized in accounting. Among other things, they must be documented and effective. “Effectiveness” as defined by IAS 39 is when the changes in the fair value of the hedging instrument offset the changes in the fair value of the hedged item on a prospective basis, and on a retrospective basis within a range of 80% to 125%. Only the effective part of a hedging relationship can be recognized in accounting under these rules. The ineffective part is recognized immediately in profit or loss.

euromicron has concluded a payer’s interest rate swap to hedge the cash flow risk of variable-interest liabilities. The cash flow changes of the hedged item resulting from changes in the Euribor rate are offset by the cash flow changes of the interest rate swap. The aim of these measures is to transform the variable-interest instruments into fixed-interest financial debt and so hedge the cash flow from the financial liabilities. Counterparty risks are not part of the hedge.

The effectiveness of the hedging relationship is checked by tests. On a prospective basis, its effectiveness is assessed on the basis of the main parameters that determine the value of the hedged item and hedging instrument. Retrospectively, the effectiveness of the hedging relationship is proven by means of the dollar offset method. The hedging relationship was effective at the balance sheet date.

At December 31, 2010, interest rate derivates with a fair value of € –35.1 thousand (previous year: €47.7 thousand) and a nominal volume of €2,500 thousand (previous year: €3,750 thousand) were designated at euromicron as hedging instruments as part of cash flow hedges. The hedging relationship ends in 2012.

9. Deferred tax liabilities

Deferred tax liabilities are recognized and measured using the principles described under 2. Deferred tax assets. In principle, deferred tax debts are recorded for all temporary differences on which tax is to be paid and reported separately as 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 €967 thousand (previous year: €739 thousand), since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary difference will not be reversed in the foreseeable future.

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

DEFERRED TAX LIABILITIES

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Intangible assets	5,052	3,848
Property, plant and equipment	458	301
Inventories	53	43
Other receivables and other assets	13,114	10,594
Accrued liabilities	718	411
Other liabilities	339	31
Total deferred tax liabilities before netting off	**19,734**	**15,228**
Netting off	**–13,116**	**–9,631**
Total deferred tax liabilities after netting off	**6,618**	**5,597**

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

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

	Measurement category acc. to IAS 39	Book value at Dec. 31, 2010 € thou.	Value carried in the balance Amortized acquisition cost € thou.	Acquisition cost € thou.
Assets				
Cash and cash equivalents	LaR [1]	8,572		8,572
Accounts receivable	LaR [1]	56,320	56,320	
Allowances for trade accounts receivable	LaR [1]	–919	–919	
Other assets	LaR [1]	2,013	2,013	
Other financial assets				
– Held-to-maturity investments	HtM			
– Available-for-sale financial assets	AfS	2,227		
– Financial assets held for trading	FAHfT			
Liabilities				
Accounts payable	FLAC [2]	22,117	22,117	
Liabilities to banks	FLAC [2]	49,697	49,697	
Other financial liabilities	FLAC [2]	10,767	10,767	
Other non-financial liabilities	FLAC [2]	14,359	14,359	
Liabilities from finance lease	IAS 17	1,014	1,014	
Derivates	n/a	35		

[1] LaR = Loans and Receivables

[2] FLAC = Financial Liabilities Measured at Amortised Cost

sheet acc. to IAS 39			Value carried in the balance sheet acc. to IAS 39			
Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.	Carrying amount at Dec. 31, 2009 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.	Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.
		8,628		8,628		
		50,601	50,601			
		–640	–640			
		1,818	1,818			
2,227		2,227			2,227	
		20,519	20,519			
		57,972	57,972			
		10,000	10,000			
		11,001	11,001			
		742	742			
35		0			0	

Financial instruments are measured in accordance with IFRS 7 in three levels:

Level 1: The fair value is determined with on the basis of publicly quoted market prices. It can be assumed that the fair value for financial assets and liabilities can be determined with maximum objectivity on an active market.

Level 2: If there is not an active market for a financial instrument, the fair value can be calculated using valuation models. For example, business transactions with willing, knowledgeable and independent third parties, fair values of similar financial instruments or option pricing models can be applied. The results can be used to estimate a fair value that is measured on the basis of a maximum of market data and contains only a small amount of company-specific data.

Level 3: Valuation models are also used at the third level, but additionally include parameters that are not observable on the market. A DCF model can be used here, for example.

The level model can be applied on a case-by-case basis for measuring the financial instruments reported at the euromicron Group. The fair values of the shares in SecureAlert (classification: other financial assets) and the securities held (classification: other financial assets) were measured on the basis of the 1st level, while the fair value of the swap (classification: derivates) was measured on the basis of the 2nd level.

In presentation of the liquidity risk, a distinction is made by maturities for derivative and non-derivative financial liabilities.

In accordance with IAS 39, the financial instruments are split into the following categories:

- LaR: Loans and receivables
- HtM: Held-to-maturity financial instruments
- AfS: Available-for-sale financial assets
- FLAC: Financial liabilities measured at amortized cost

Explanations on the consolidated income statement

11. Net 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. Due to the complex and in some cases very heterogeneous order structure, in particular in the case of long-term orders of the system houses, the sales cannot be classified into product categories and are not a management control instrument.

Sales and earnings from the main projects running beyond the key date were recognized in compliance with IAS 11 on a pro-rata basis using the percentage of completion method. The percentage of completion is determined using the input-oriented cost-to-cost method. The POC sales revenues recognized using this method correspond to the production costs for the contract plus a pro-rata profit based on the stage of completion at the balance sheet date. Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The sales include amounts from application of the percentage of completion method totaling €21,536 thousand (previous year: €13,222 thousand). Production contracts with a net liability balance are included in the other accrued liabilities.

The difference in measurement of the work in progress compared with the single-entity financial statements under the German Commercial Code has an effect on earnings (after deferred taxes) of €1,801 thousand (previous year: €1,398 thousand).

Changes in net sales as a result of changes in the consolidated companies amounted to €9,675 thousand (previous year: €5,648 thousand).

12. Own work capitalized

Own work capitalized is carried at €1,521 thousand (previous year: €1,702 thousand) and, as in the previous year, is mainly due to development costs to secure the company’s market position, increase its innovativeness and achieve unique selling points, especially at the euromicron Group’s production operations. Changes in the consolidated companies did not result in any own work capitalized.

13. Other operating income

The other operating income is composed as follows:

OTHER OPERATING INCOME

	2010 € thou.	2009 € thou.
Reduction in allowances for doubtful accounts	206	383
Supplier grants	3,000	0
Income from retirement of noncurrent assets	0	373
Income from property and rent	144	164
Currency gains	411	140
Compensation paid from insurance	199	77
Refunds for health insurance/reintegration	58	47
Income unrelated to the accounting period	49	37
Income from complaints	0	18
Canteen revenue	13	15
Refunds from overpayment	31	9
Income from reversal of write-downs of noncurrent assets	58	0
Other	307	838
	4,476	**2,101**

The changes in other operating income mainly result from supplier grants for the purpose of the company's strategic further development. This was countered by reclassification of income from the reversal of accrued liabilities against the respective expense items when the accrued liabilities were formed (€575 thousand). The amount carried was not adjusted in the previous year. There were government grants (IAS 20.39 a/b) of €1 thousand in the year under review. Currency gains were measured at the exchange rates on the balance sheet date. The "Other" item contains a large number of individual items, each with a value below €20 thousand; a presentation of them is dispensed with. The companies included in the consolidated financial statements for the first time accounted for other operating income of €36 thousand.

14. Cost of materials

The cost of materials is composed of:

COST OF MATERIALS

	2010 € thou.	2009 € thou.
Cost of raw materials and supplies and goods purchased	79,826	59,204
Cost of purchased services	27,491	26,771
	107,317	**85,975**

The cost of materials from the POC method was €18,964 thousand (previous year: €11,225 thousand).

The companies included in the consolidated financial statements for the first time accounted for cost of materials of €8,228 thousand.

15. Personnel costs

The personnel costs are composed as follows:

PERSONNEL COSTS

	2010 € thou.	2009 € thou.
Wages and salaries	45,369	40,687
Social security	8,878	7,416
	54,247	**48,103**

The companies included in the consolidated financial statements for the first time accounted for personnel costs of €158 thousand.

Average number of employees per year:

EMPLOYEES

	2010	2009
Hourly-paid employees	587	590
Salaried employees	424	472
Trainees	70	87
	1,081	**1,149**

The companies included in the consolidated financial statements for the first time accounted for an average of nine employees on a pro rata temporis basis, or 104 employees at the balance sheet date.

16. Depreciation and amortization expense

Amortization and depreciation is composed as follows:

AMORTIZATION AND DEPRECIATION

	2010 € thou.	2009 € thou.
Amortization of intangible assets	2,442	1,951
Depreciation of tangible assets	2,159	1,575
	4,601	**3,526**

Dormant reserves totaling €1,107 thousand before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2010. The amortization and depreciation for this in 2010 was €10 thousand. The companies included in the consolidated financial statements for the first time accounted for amortization and depreciation of €7 thousand.

Adjustments as part of the German Financial Reporting Enforcement Panel's examination did not have any material effects on amortization and depreciation in the current reporting period.

17. Other operating expenses

Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES

	2010 € thou.	2009 € thou.
Vehicle and travel expenses	6,703	5,844
Rent/room costs	3,483	2,945
Legal and consulting costs	2,814	2,614
Trade fair and advertising costs	1,507	1,277
Communication expenses	1,252	1,176
Maintenance and repair	1,112	600
Insurance / charges & contributions	987	720
Running costs	983	397
Administrative expenses	962	386
Cost of goods consignment	917	1,418
Energy costs	718	668
Commission	634	902
Bookkeeping and payroll accounting, IT costs and expenses incidental to monetary transactions	581	340
Allowances for receivables / losses of receivables	539	682
Personnel leasing	494	255
Further training costs	463	424
Other	412	1,906
	24,561	**22,554**

The companies included in the consolidated financial statements for the first time accounted for other operating expenses of €285 thousand. The increase in other operating expenses is mainly due to the fact that the full amount for the year is now carried in the 2010 reporting period for companies acquired in 2009.

18. Net financing costs

NET FINANCING COSTS

	2010 € thou.	2009 € thou.
Interest income	103	103
Interest expenses	–3,009	–3,056
	–2,906	**–2,953**
Of which from the financial instruments		
Loans and receivables	103	103
Held-to-maturity investments		
Financial assets		
Available-for-sale financial assets		
Financial liabilities measured at amortized cost	–3,009	–3,056

The companies included in the consolidated financial statements for the first time accounted for net financing costs of €8 thousand.

19. Income taxes

INCOME TAXES

	2010 € thou.	2009 € thou.
Current taxes in Germany	2,072	1,876
Deferred taxes in Germany	1,794	996
Current taxes abroad	834	511
Deferred taxes abroad	389	–244
	5,088	**3,139**

Net income taxes includes income taxes for previous years totaling €493 thousand (previous year: €18 thousand) and tax refunds of €225 thousand (previous year: €492 thousand).

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

TAX RECONCILIATION

	2010 € thou.	2009 € thou.
Expected tax expense	5,166	4,072
Income from securities lending	–768	0
Non-deductible expenses	109	209
Effect of other measurement differences	0	–39
Use of loss carryforwards not included to date / change in allowance	633	–155
Effects of different national tax rates	–177	–216
Tax arrears/refunds	269	–474
Other	–144	–258
Actual tax expense	**5,088**	**3,139**
Effective tax rate	**29.5 %**	**23.4 %**

20. Minority interests in net income for the period

The minority interests in net income for the period for the consolidated companies relate to Qubix S.p.A., Padua.

21. Earnings per share

The number of shares in 2010 increased by 465,999 over the previous year to 5,125,999.

Undiluted earnings per share are calculated as follows:

UNDILUTED EARNINGS PER SHARE

	2010	2009
Consolidated net income for the period in € thou.	11,462	9,777
Number of shares issued at the beginning of the fiscal year	4,660,000	4,660,000
Weighted shares from capital increase	304,692	–
Weighted treasury shares	142,115	157,234
Adjusted weighted average number of shares issued (undiluted)	4,822,577	4,502,766
Undiluted earnings per share in €	**2.38**	**2.17**

The consolidated net income for the period is after income tax (net income for the year) and the income to which other shareholders are entitled. The average number of all shares issued in the fiscal year is used to calculate undiluted earnings per share. The treasury shares sold in fiscal 2010 were weighted on a pro rata temporis basis in calculating undiluted earnings per share.

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. At the time the consolidated financial statements were prepared, there were no longer any stock options at the euromicron Group; consequently, the diluted earnings per share are not presented.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2010, disclose net retained profits of €7,947,218.67. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €1.10 for 5,125,999 shares	€5,638,598.90
Carryforward to a new account	€2,308,619.77

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 net cash provided by operating activities fell year-on-year by €5,746 thousand, mainly driven by rigorous utilization of cash discount payments to optimize our results of operations. In addition, inventories for orders to be supplied in 2011 increased, underscoring euromicron’s steady growth.

Net cash used in investing activities is calculated from the net cash from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as noncurrent financial assets and company acquisitions. It is €5,980 thousand, below the level of the previous year (€9,872 thousand), which was mainly characterized by company acquisitions and forward-looking expansion investments due to the increase in requirements and volumes. In the case of company acquisitions, the purchase price – adjusted for assumed debts and cash and cash equivalents – is carried as net cash used; accordingly, the other affected items in the statement of cash flows are corrected by the differences in the change in consolidated companies, with the result that the change in these items cannot be directly derived from the consolidated balance sheet.

The net cash used in financing activity in fiscal 2010 was € –2,555 thousand, compared with € –5,891 thousand in the previous year. The liquidity of €7,535 thousand provided by the capital increase after the costs of raising equity were mainly used to reduce financial liabilities. Other factors in the net cash used were the dividend payment and distributions to minority shareholders, as well as proceeds from the sale of treasury shares.

At the balance sheet date, there are no cash and cash equivalents not available for use in accordance with IAS 7.48. The €219 thousand in cash and cash equivalents not available for use in the previous year (because they had been furnished as security for warranty bonds or performance bonds) was released through use of the Group's guarantee arrangements.

23. Contingencies and commitments

(a) Contingencies
The euromicron Group does not have any contingencies in favor of third parties.

(b) There are the following other financial obligations:

OTHER FINANCIAL OBLIGATIONS

	Total € thou.	Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Obligations from warranty bonds	10,319	1,598	115	1,668	6,938
Bill exposure	1,709	1,709	0	0	0
Operating lease	9,120	3,885	2,249	2,300	686
Purchase obligation	2,222	2,222	0	0	0
	23,370	**9,414**	**2,364**	**3,968**	**7,624**
Previous year	27,427	15,887	–	11,509	31

The companies included in the consolidated financial statements for the first time accounted for other financial obligations only in relation to rental agreements (€102 thousand). The purchase obligation relates to orders for order-related goods and services; orders of intangible assets or tangible assets were insignificant.

There are further contingent liabilities of €16 thousand (previous year: €5 thousand) at the euromicron Group outside the guaranties and sureties. There is uncertainty either as to the amount of the contingent liabilities or the likelihood that the conditions for them to be used will occur. There were no further significant contingent liabilities and additions from the newly acquired companies among the contingent liabilities.

Obligations as part of operating lease agreements mainly relate to operating and office equipment, such as cars, office machines or PC workstations, and communications technology with maximum terms of three years and total €3,302 thousand (previous year: €3,676 thousand). In fiscal 2010, payments from these leasing relationships totaling €2,459 thousand (previous year: €2,281 thousand) were recognized in income. There were no conditional lease payments in the current business period. There was no subleasing at the euromicron Group.

24. Segment reporting

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

euromicron reports in the two operating segments North and South and Group headquarters. The reporting segments comprise all individual companies that can be assigned regionally to the operating segments in accordance with the Group strategy of a system house with production expertise.

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

euromicron's success 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 operations right down to procurement of individual components at the distributors. Despite the depth of expertise, the system houses offer vendor independence in the market, which is documented by their certification for key technologies. In the second phase of its strategy ("buy-and-build"), euromicron expanded its business massively by making acquisitions, with the objective of becoming a nationwide system provider of copper and fiber-optic network infrastructures. In order to avoid creating any imbalances in its comprehensive footprint in German-speaking countries in this phase of the strategy, acquisitions were systematically made in regions it had not previously tapped. In order to make these changes visible to euromicron's management, a decision was taken to map controlling of the units in the segments "North", "South" and "Cross-segment consolidations". The focus in the "build-and-integrate" phase, which has been intensified since 2009, is to make all the main and profitable competences of euromicron available at every location, both as regards sales and implementation expertise. This phase also requires intensive observation of how the company's footprint develops so that analysis of the segments is assessed as being adequate. 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 brochures, as well as the structuring our Internet presence into the subsections "Components", "Solutions", "Distribution" and "International Services". These help visualize the competence and value chain of euromicron, but are not a controlling instrument.

Intersegment transactions are reflected at market prices (arm's length principle).

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

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2010 (IFRS)

The following presents the details regularly reported to the main decision-maker. Further items from the balance sheet and income statement are not reported regularly and so are not disclosed (IFRS 8.32).

SALES BY REPORT SEGMENTS

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Total sales, North	109,440	92,593
Inter-segment sales, North	–5,778	–4,481
Sales to external third parties, North	103,662	88,112
Total sales, South	110,868	101,425
Inter-segment sales, South	–1,879	–2,249
Sales to external third parties, South	108,989	99,176
Consolidated cross-segment sales	–9,008	–7,683
Consolidated sales for the Group	**203,643**	**179,605**

Sales in Germany were €174.0 million, in the Euro zone €26.0 million and in the Rest of the World €3.6 million.

EBIT BY REPORT SEGMENTS

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Consolidated EBIT, North	16,803	14,655
Consolidated EBIT, South	9,145	6,169
euromicron AG	–5,848	–4,428
Group consolidations	25	–28
Consolidated EBIT for the Group	**20,125**	**16,368**

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

AMORTIZATION AND DEPRECIATION

	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
North, consolidated	–2,742	–1,858
South, consolidated	–1,504	–1,626
euromicron AG	–355	–43
Consolidated depreciation/amortization for the Group	**–4,601**	**–3,526**

In accordance with IFRS 8.33b, noncurrent assets are €110,460 thousand in Germany (previous year: €101,996 thousand) and €5,225 thousand in the Euro zone (previous year: €5,215 thousand). The noncurrent assets are composed of

- Goodwill
- Intangible assets
- Property, plant and equipment
- Financial assets
- Deferred taxes
- Other assets

25. Risk management

Principles of risk management

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

Risk control

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

Currency risks

The euromicron Group generates the lion's share of its sales in the Euro zone. Only a smart part of its operational business in the area of procurement was handled in US dollars in 2010. In order to avoid currency risks, forward exchange deals for a nominal amount of €213 thousand were concluded for business transactions of relevance to the cash flow at the date of the consolidated financial statements. Foreign currency risks that do not affect the Group's cash flow (translation of assets and liabilities from foreign currencies to the Group currency on the reporting date) are not hedged against in principle. There are currently no foreign currency risks at the Group in the areas of investment and financing. All foreign currency transactions in fiscal 2010 were in US dollars.

Interest rate risks

Interest rate risks are restricted exclusively to the Euro zone. To protect against these risks, the euromicron Group relies on a balanced mix of a variable and fixed financing structure. Interest rate derivatives are also used to optimize the net interest income/loss. More details can be found under "Derivative financial instruments".

The financing that was contractually agreed and utilized at December 31, 2010, will result in interest expenses of around €3.5 million (previous year: €3.9 million) by the end of their term. A sensitivity analysis is used to assess the interest rate risks. This shows the effects of different market interest rates on interest payments, interest income and interest expenses. The euromicron Group complies with these stipulations and applies further assumptions:

- Changes in market interest rates for original financial instruments with a fixed rate have an impact on the result only if these instruments are measured at their fair value. All financial instruments with a fixed rate that are measured at their amortized acquisition cost are not therefore exposed to the risk of any change in interest rates.
- Changes in market interest rates for original financial instruments that have a variable rate and whose interest payments are not designed as a hedged item as part of cash flow hedges against risks of interest rate changes have an effect on the net interest income/loss and are included in calculation as part of the earnings-oriented sensitivity analysis.

If the average market level for interest rates in 2010 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €526 thousand lower (€526 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Other price risks

Apart from an analysis of interest rate risks, assumptions about possible changes to risk variables (in particular indexes and stock market prices) and the associated effects on prices of financial instruments must be made in accordance with IFRS 7.

In order to avoid risks from rising commodity prices, the euromicron Group prefers to conclude long-term purchase agreements or tries to pass on increases in procurement costs to customers.

Risks of default

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual and general allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned, since no one large customer accounts for more than 6.5% of total sales. In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, a credit sale insurance policy has been concluded for one company.

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

Liquidity risks

Please refer to the comments under “Liabilities”.

Internal control system

In order to comply with the requirements of the Act to Modernize Accounting Law (BilMoG), the euromicron Group increasingly focused in fiscal 2010 on monitoring its main corporate processes. The internal controls are aimed at avoiding misstatements in financing reporting and minimizing operational risks. For example, the company ensures that key functions are kept strictly separate from each other. Moreover, Finance and Controlling very closely observe changes in accounting and employees are given extensive training by external consultants if and when required.

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

In fiscal 2010, euromicron AG’s risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) of the German Stock Corporation Law (AktG). The risk identification system is suitable for promptly detecting developments that jeopardize the company’s continued existence.

Compliance

The euromicron Group’s internal compliance policies contain clear rules on competition and conduct for all its employees. The objective of the rules is to create general conditions for sustainable economic and social activity. In this way, the euromicron Group underscores its commitment to fair competition free of corruption.

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

26. Related parties

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

The auditing firm of a member of the Supervisory Board was commissioned to provide consulting services involving an expert opinion in relation to balance sheet matters abroad and within the Group. A fee totaling €310 thousand was paid for the consulting services. There were no further business relationships with the Executive Board or Supervisory Board that require disclosure.

In addition, there were no transactions with related parties or associated companies. There are no 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)

The Supervisory Board of euromicron AG dealt with the further development of corporate governance during fiscal 2010 and took into account the changes to the code in May 2010 (in effect since July 2, 2010).

The Executive Board and the Supervisory Board of euromicron AG adopted the declaration on conformance at the meeting of the Supervisory Board on December 7, 2010, and it was published on the company's homepage on December 22. It relates for the period from December 19, 2009, to July 1, 2010, to the recommendations of the code in its version dated June 18, 2009, as published on August 5, 2009, in the electronic Federal Official Gazette ("2009 version"). This declaration relates for the period from July 2, 2010, to the recommendations of the code in its version dated May 26, 2010, as published on July 2, 2010, in the electronic Federal Official Gazette ("2010 version"). The declaration on conformance was updated on March 31, 2011.

The declaration on conformance and the exceptions to the recommendations were made permanently available to shareholders by being published on the homepage at euromicron AG in the Internet at http://www.euromicron.de/investor-relations/corporate-governance-10.

28. Stock option program / securities transactions requiring disclosure

The stock option program adopted by the General Meeting on June 23, 2006, expired on December 31, 2009. A new stock option program or comparable incentive system based on securities has not been adopted.

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 €343.5 thousand. These fees relate to auditing of the financial statements of the companies and the Group. Other confirmation or valuation services, tax consulting services and other services were not provided for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

No events that require reporting in accordance with IAS 10 (Events after the Balance Sheet Date) occurred after December 31, 2010.

There were no other significant events after the balance sheet date up to April 20, 2010.

31. Publication of the consolidated financial statements

On April 20, 2011, the audited consolidated financial statements and group management report of euromicron AG were released for publication as of April 21, 2011, 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 (HGB) 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. Microsens GmbH & Co. KG used the exemption under Section 264b of the German Commercial Code only in relation to disclosure of its annual financial statements. The subsidiaries this applies to can be seen in the list of companies included in the consolidated financial statements on page 30. Exceptions are euromicron austria GmbH, Seekirchen, Austria, euromicron holding GmbH, Seekirchen, Austria, NBG Fiber Optics GmbH, Gmünd, Austria, WCS Fiber Optics B.V., 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
Board member responsible for Strategy, Acquisitions, Finance,
Public Relations and Investor Relations

Thomas Hoffmann
Board member responsible for strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets

(b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman
Certified public accountant, lawyer, tax consultant
Partner of the firm of auditors LKC, Munich

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

Dr. Andreas de Forestier
Managing Director of EMBE Immobiliengesellschaft mbH, Munich
Chairman of the Supervisory Board of cp consultingpartner AG, Cologne

(c) Remuneration of the board members

The compensation system for members of the Executive Board is defined by the Supervisory Board. The Executive Board's compensation consists of a non-performance-related component (fixed salary) and a performance-related component (earnings-related bonus). The variable components of the remuneration of Executive Board members are calculated on the basis of the euromicron Group's result from ordinary activities. A cap has been agreed to limit their total compensation.

In 2010, the Executive Board received a total remuneration of €1,384 thousand (previous year: €1,400 thousand); the variable payment made up €740 thousand of this (previous year: €790 thousand). There were no severance payments or payments based on the share price to members of the company's board members in the current fiscal year. There was no compensation for former members of the Executive Board; there are also no related claims against the company. No other remuneration for Executive Board members apart from that stated above was granted.

Individual disclosure of the remuneration of the members of the Executive Board was waived pursuant to a resolution adopted by the General Meeting on June 23, 2006. Section 5.4.6 of the German Corporate Governance Code proposes that performance-related compensation of Supervisory Boards should also contain components based on the long-term performance of the enterprise. euromicron AG has complied with this recommendation since 2006 with a modification of its previous remuneration system.

The remuneration of the members of the Supervisory Board is composed of a fixed and performance-related component. Apart from being reimbursed for their outlays, the members of the Supervisory Board receive a fixed annual remuneration of €6 thousand and an annual performance-related payment of €100.00 for each cent of dividend distributed per share that exceeds four cents per share. The Chairman of the Supervisory Board receives double and his deputy one-and-a-half times the fixed and variable remuneration.

In the past fiscal year, the members of the Supervisory Board received remuneration of €70 thousand (previous year: €63 thousand).

There was no compensation for former members of the Supervisory Board; there are also no related claims against the company.

Frankfurt/Main, April 20, 2011

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

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, April 20, 2011

euromicron AG

Dr. Willibald Späth Thomas Hoffmann

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, 2010. 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 representatives. 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, April 20, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Georg Wolfgang Wegener	ppa. Thorsten Knecht
Wirtschaftsprüfer	Wirtschaftsprüfer