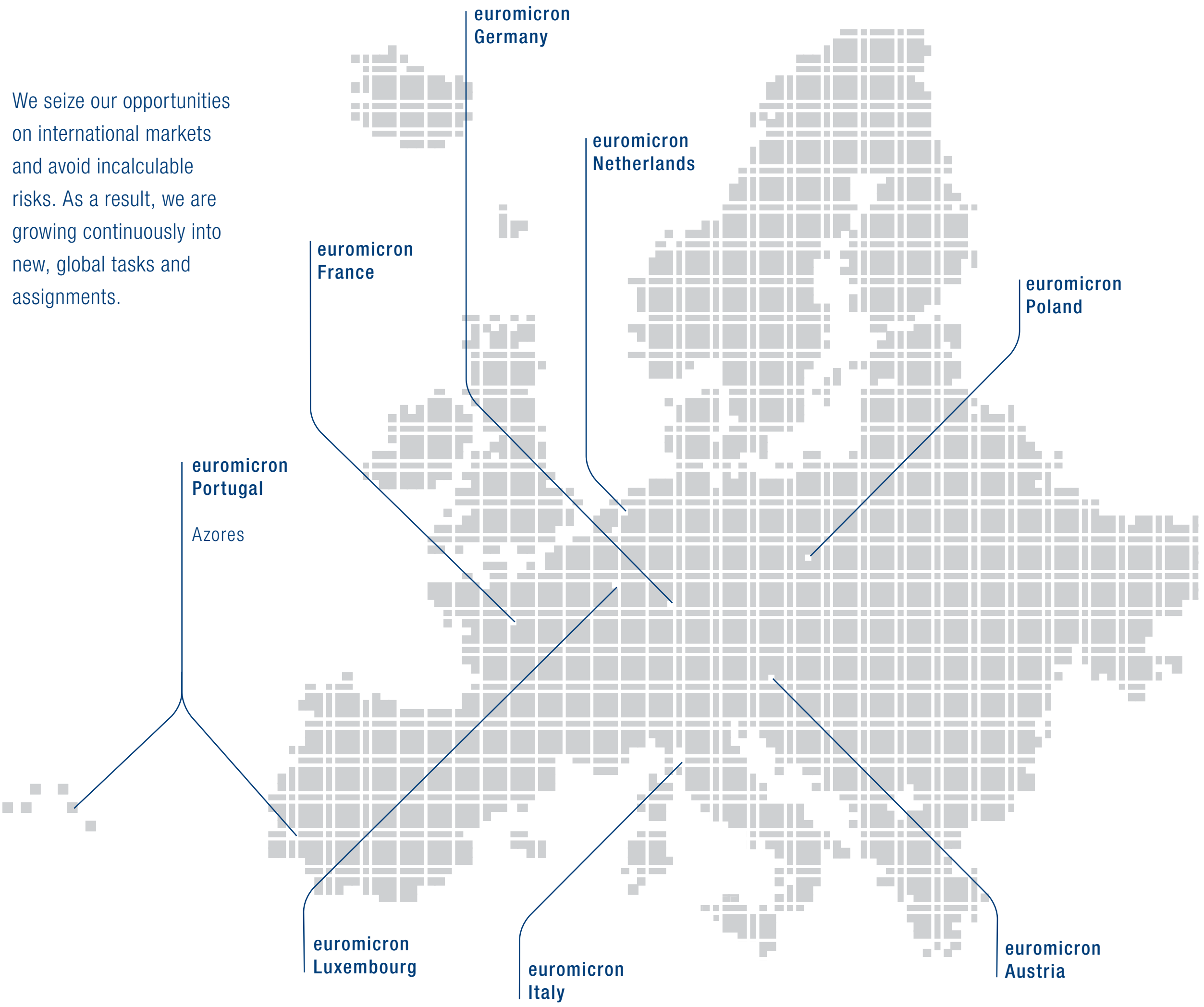
EXPANSION
NEXT GENERATION SOLUTIONS

Annual Report 2010
euromicron Aktiengesellschaft

EXPANSION
NEXT GENERATION SOLUTIONS

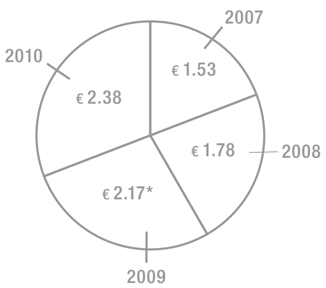
euromicron 2010
EXPANDED PRESENCE IN EUROPE

We seize our opportunities on international markets and avoid incalculable risks. As a result, we are growing continuously into new, global tasks and assignments.



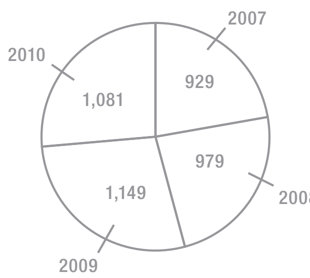
KEY FIGURES FOR 2007 TO 2010 – A COMPARISON

Earnings
per share

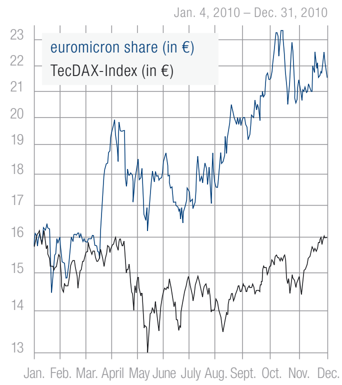


* Figures corrected in acc. with IAS 8

Employees
(annual average)



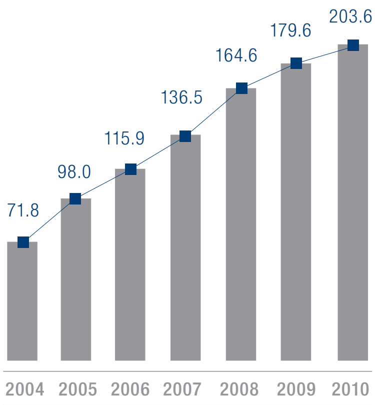
STOCK MARKET CONTEXT



SUCCESSFUL AND SOLID

Intrinsic value increases along with earnings

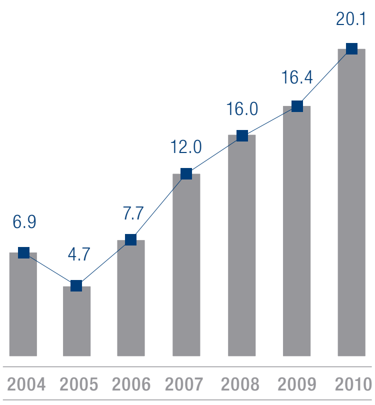
Sales trend
Network technology (in € million)



GROWTH TARGETS ACHIEVED

euromicron is the Competence Center
for broadband expansion

EBIT trend
Network technology (in € million)



EBIT

+23 %

EBITDA

+24 %

EARNINGS PER SHARE

+10 %

KEY FIGURES AND FINANCIAL DATA
GROUP

KEY FIGURES

	2010 € m.	2009** € m.
Consolidated sales	203.6	179.6
Sales by division		
euromicron North	103.7	88.1
euromicron South	109.0	99.2
Segment-related consolidations	– 9.0	– 7.7
Sales by region		
Germany	174.0	154.5
Euro zone	26.0	22.6
Rest of World	3.6	2.5
EBIT (operating)*	25.9	20.8
EBIT (consolidated)	20.1	16.4
EBIT by divisions		
euromicron North	16.8	14.6
euromicron South	9.1	6.2
euromicron AG and consolidations	– 5.8	– 4.4
EBITDA	24.7	19.9
Consolidated net profit	11.5	9.8
Cash provided by operating activities	8.5	14.2
Number of shares in circulation (thousands)	5,126	4,503
Undiluted earnings per share (in €)	2.38	2.17
Total assets	196.0	181.4
Equity ratio	45.5%	39.4%
Employees (number as an average for the year)	1,081	1,149

* Before holding costs
** Figures corrected in acc. with IAS 8

WE ADVANCE TO A NEW REALITY ON THE BASIS OF FUTURE-PROOF NETWORKS

The euromicron group unites all the expertise and technologies needed for state-of-the-art, future-oriented data transfer. On the basis of powerful broadband networks, we ensure top-class communication, control and surveillance for our customers in the Gigabit age.

We support our customers in germany and on international markets with high-performance components, integrated modules and a broad range of application know-how: We plan and build the infrastructure they require for their business success and for realizing their visions.

euromicron MAGAZINE
CONTENT

ANNUAL REPORT 2010
CONTENT

FISCAL YEAR 2010

Following integration and development, we are setting store by sustainable expansion

DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD

THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD

FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,
DEAR READERS,

The effects of the financial crisis in 2008 and 2009 could still be clearly felt at the beginning of 2010. After a rather weak start, the economy picked up again on international markets, in particular in Asia and the USA, in the course of 2010. In the Euro zone, growth trends in the first half of the year were low, yet very stable. Trends in the individual countries of Europe varied very sharply. Economic growth, good foreign trade figures and a stable labor market almost dissipated memories of the crisis Germany had pulled out of as of the second quarter. Almost – since the storm clouds of over-indebted European households and rising energy and commodity prices appeared on the horizon from time to time. They dampened the high spirits, but – at least in some sectors – hardly consumption: The industry association BITKOM reported double-digit record growth in sales of computers and mobile phones at the middle of the year and identified topics such as cloud computing, mobile Internet and e-energy as the major trends. And whatever may be behind such news, one thing is for certain: The foundation for all these topics is expansion of a stable network infrastructure with high transmission rates. And that is our business.

Your company – euromicron AG – stands for reliability, stability and solid business development. Right from the generally weak beginning of the year, euromicron was able to buck the market trend. The financial market which, following the crisis, is increasingly turning to solid securities with growth opportunities, rewarded the performance of our company, which has successfully completed the "buy-and-build phase" and since 2009 has embarked on the "build-and-integrate phase".

Our focus on integration has both a technical and a structural dimension. In technical terms, the objective is to leverage the available technologies on the market and develop them further on a customer-specific basis. In structural terms, the goal is to ensure our Group has a balanced financial and organizational structure. The long-term aim of that is to safeguard our growth and for our shareholders to participate in our Group's success. The merger of the acquired enterprises with our large companies euromicron solutions and euromicron systems corresponds to the degree of integration of competences in our Group. In this respect, too, we were able to achieve our objectives, leverage synergies, cut costs and so chalk up economic success throughout the Group.

We are thus laying the foundation for expansion. The figures for 2010 confirm our forward strategy and growth initiatives. With sales of around €203 million, we achieved our targets and surpassed the previous year's figure by some €24 million. Consolidated EBITDA rose by 24% to approximately €25 million. Given an average tax ratio of 29.5%, euromicron generated a net profit of around €11.5 million.

Right at the beginning of 2010, approximately 6.44% of euromicron AG's shares were sold on the stock market by their holder Nord LB. This transaction was met with a positive response by many euromicron shareholders, since it strengthens our Group's position on the capital market. It is an important concern of ours to continue our balanced shareholder policy and ensure we remain dependable for our investors and stakeholders. As part of this mission – one that is geared to sustainability – we also aim to retain our distribution policy and ensure an unbroken dividend record. The Executive Board and Supervisory

Board will propose payment of a dividend of €1.10 a share to the General Meeting on June 9, 2011.

Our expertise in the field of networks and fiber topics solidifies the deeper and broader our market lineup is. That is reflected among other things in our technological highlights. In February we launched the FTTH central office system eFOS. This central office rack for FTTH cabling has been developed in-house and increases flexibility and ease of use over the last mile. The innovation was presented at the FTTH Council in Lisbon in cooperation with our two sales partners euroclust and SKM Skyline.

A further product from euromicron's subsidiary SKM Skyline, the SKM PicoLINK module system family, was certified last fiscal year by the GHMT AG, a company that specializes in high-frequency measurement technology. The module is distinguished in that it is particularly safe and very quick to install, offers great performance reserves, is halogen-free and is electromagnetically compatible. With his module, euromicron not only demonstrates its well-known expertise for fiber-optic solutions, but also its leading competence in the field of innovative copper solutions.

The many projects we have accomplished in the field of networks keep on bringing us together with interesting partners. For example, last year we expanded the authorized DIALOCK partnership with the Swabian family-owned company Häfele. Häfele has developed an intelligent identification and lock system that we incorporate in our all-round solutions in the area of security technology and so generate significant user benefits. Our customers reward this work "outside our box". Thanks to such technically high-quality detailed solutions, we enhance customer satisfaction in projects and confirm our mission to be a long-term partner.

With Leoni, the leading vendor of cable and cabling systems for the automotive and other industries, we significantly intensified cooperation in the market for fiber optic-based network infrastructures in 2010. In this connection, euromicron purchased Leoni NBG Fiber Optics, Gmünd, Austria, and Leoni WCS Benelux B.V., Amersfoort, Netherlands, last December. These strategically motivated transactions are aimed at ensuring greater intermeshing of the partners' expertise and access to markets.

By taking over the two Leoni companies, we have continued our strategy of gradual expansion into foreign markets and further strengthened our commitment in Austria. In this regard, we are patiently taking a path that is intended to let us make continuous advancements in this tough market and bolster our market position, as well as help our Group reduce risks.

Unified communication is one of the major keywords in our industry. At the end of any network are people who "just" want to communicate. In order to optimize our portfolio in this regard, we as a vendor-independent system house have now taken over as representative agent of NEC's telephony business in Germany – alongside the brands Siemens, AVAYA and Alcatel – and so extended our range by one VoIP and a unified communication solution over IP. NEC is the world's third-largest vendor of communication systems in the corporate customer segment. euromicron began immediately to build NEC know-how at all branch offices and so ensures maximum proximity to customers.

e-energy is one of the issues that will increasingly accompany us in the coming years. In view of the depressing events in Japan, we can say that now with even greater certainty. We are not newcomers in this field. For some years now, we have been proactively positioning ourselves. In 2010 we established ourselves as a partner to constructors of wind parks and operators of photovoltaic parks. Together with the manufacturers and operators, we develop customized concepts and solutions for operating the entire communication structure of onshore and offshore wind parks, define surveillance systems for solar fields for their operators and produce measurement systems for inverters.

And to finish with, here is another bit of good news: euromicron AG came 75th in the TOP 100 ranking of German medium-sized enterprises, based on an analysis of more than 1,000 companies over a period of four years conducted by the Munich Strategy Group (MSG) together with the Germany daily newspaper “Die Welt”. euromicron AG is thus one of the companies that occupy a top place due to their excellent performance in terms of corporate governance, customer orientation and products.

Such good ratings confirm that we are on the right path. We thank you, dear shareholders, for the trust you have given the Executive Board in the past year. With our strategy and mission of achieving and practicing integration, we will expand profitably and create value. With your support, we will continue on this path unswervingly.

DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD

THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD

MAGAZINE
CITY OF THE FUTURE

01

LIVING: SOLUTIONS FOR SECURE AND COMFORTABLE LIVING

SMART HOME,
AMBIENT ASSISTED LIVING,
SECURITY

02

WORKING: SOLUTIONS FOR ECONOMICAL AND EFFECTIVE WORKING

OFFICE,
RESEARCH,
HEALTHCARE

03

SUPPLYING: SOLUTIONS FOR RELIABLE AND FLEXIBLE SUPPLY

E-ENERGY,
CONTROL SYSTEMS,
MOBILITY

euromicron MAGAZINE
NEXT GENERATION SOLUTIONS

EXPANSION

Operational efficiency, innovation and customer orientation are the cornerstones of our future strategy

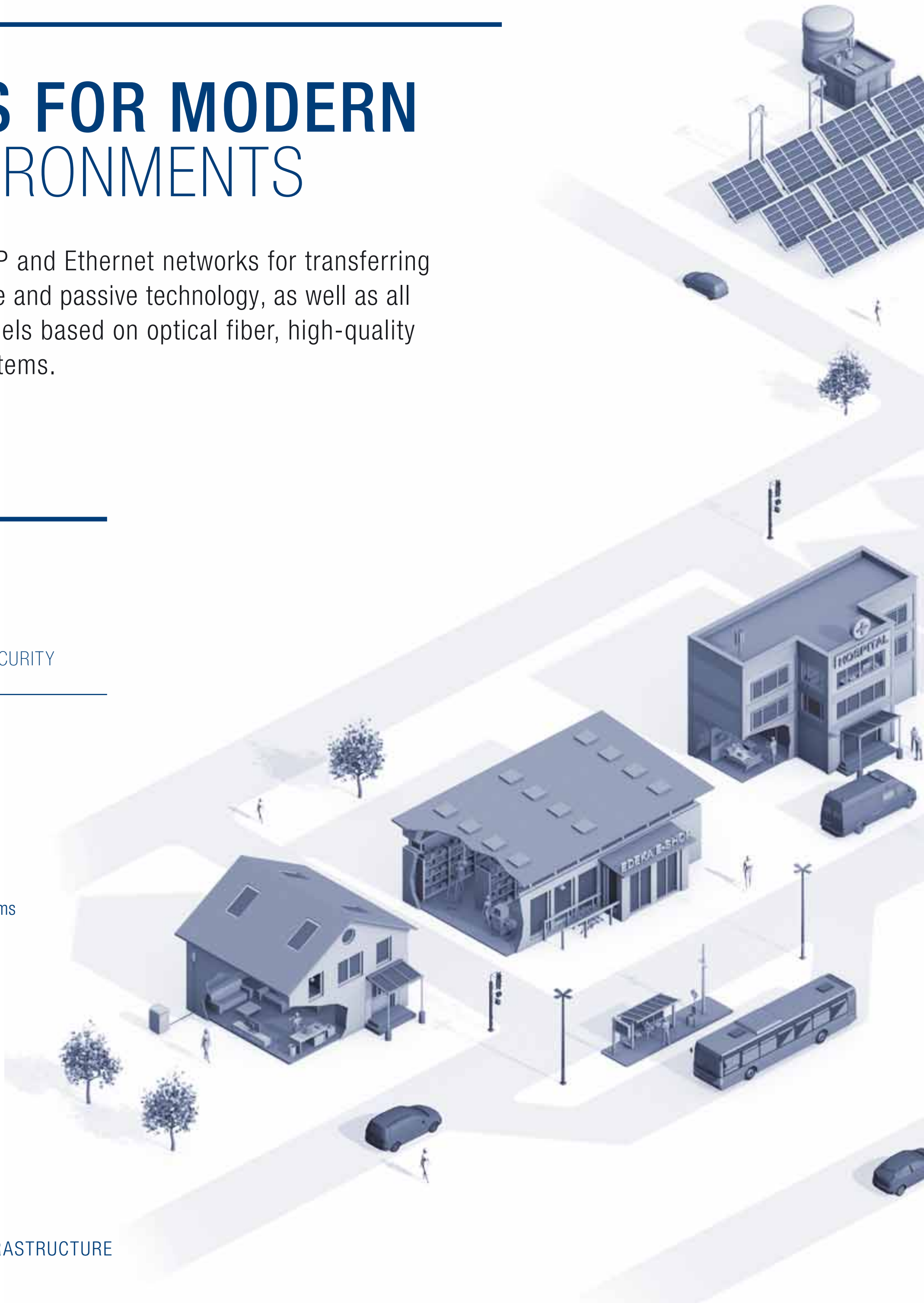
NETWORKS FOR MODERN LIVING ENVIRONMENTS

We implement future-proof IP and Ethernet networks for transferring all data – by combining active and passive technology, as well as all available transmission channels based on optical fiber, high-quality copper cable or wireless systems.

01

LIVING. SMART HOME, AMBIENT ASSISTED LIVING, SECURITY

1. Video technology
2. Fire alarm technology
3. Security technology
4. Fiber-to-the-home (FTTH)
5. EFOS
6. Smart home applications
7. Voice applications
8. Environmental information systems
9. Ambient assisted living



euromicron
NETWORK INFRASTRUCTURE

MOBILE COMMUNICATION
Overlapping radio zones create flexible, reliable connections

OPTICAL FIBER
Leading-edge broadband technology for state-of-the-art data transport

COPPER
Tried-and-tested standard technology for traditional networks

03

SUPPLY. E-ENERGY,
CONTROL SYSTEMS, MOBILITY

1. Examination and testing equipment
2. Security systems and access control
3. Smart meter/smart grid
4. Escape door concepts
5. Passenger information systems
6. Traffic control systems
7. FTTX

02

WORKING. OFFICE,
RESEARCH, HEALTHCARE

1. Fiber-to-the-office (FTTO)
2. Networked workplace systems
3. Security and alerting systems
4. Emergency call systems
5. Voice transport
6. Fire prevention
7. Data security
8. Electronic patient files
9. Image analysis systems

RADIO RELAY
Ideal when there is visual contact between the sender and receiver

SATELLITE CONNECTION
Reaches difficult-to-access locations reliably and is used for redundancy

01

LIVING. SMART HOME, AMBIENT ASSISTED LIVING, SECURITY

1. Video technology
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SOLUTIONS FOR A SECURE AND COMFORTABLE LIFE

We leave our smart home in the morning to get to work as smoothly as possible with the aid of traffic control and passenger information systems. We communicate from anywhere with people who are important to us. In healthcare, we link all information on patients to enable a holistic view of their health. Whether children or old people – wherever human life has to be protected, we can improve standards of safety by means of security and alerting systems.

euromicron is shaping people's everyday life with intelligent, internet-based and networked communication solutions – and will do so in future.

1 VIDEO TECHNOLOGY
Video technology is used in private and public security concepts, for instance in surveillance of entrances to houses, underground car parks or risk zones in the public sphere.

2 FIRE ALARM TECHNOLOGY
We connect fire alarm systems with the fire brigade's control station so that assistance is called for right away in the event of a fire.

3 SECURITY TECHNOLOGY
We optimize safety and security in the home with the aid of video technology, alerting technology, door intercom systems or emergency call systems.

4 FIBER-TO-THE-HOME (FTTH)
We can offer houses or entire residential areas transmission rates of up to 100 megabit/s for every household with high bandwidth data networks.

5 EFOS
EFOS is the central office rack developed by euromicron for FTTH cabling. EFOS optimizes flexibility and functionality for laying fiber-optic connections over the last mile.

6 SMART HOME APPLICATIONS
A smart home is no longer a thing of the future: Its functions are based on powerful ITC concepts that also leave leeway for future developments.

7 VOICE APPLICATIONS
Our fiber-optic networks deliver Voice over IP services in optimal quality and with very high transmission rates.

8 ENVIRONMENTAL INFORMATION SYSTEMS
Environmental information and tracking systems provide important data for people to find their bearings. The help minimize tailbacks and road accidents.

9 AMBIENT ASSISTED LIVING
Technical solutions give people who are in critical phases of their life, are in old age or are suffering from an illness a higher quality of life and allow them to live independently within their own four walls.

EDEKA HAMBURG
53° 33' 12" N, 9° 59' 11" O

Project: Development of an intelligent analysis and control system

Task: Support for supply chain management, staff rostering, customer advice and payment processes, as well as security monitoring

Solution: An analysis tool based on video technology

LIVING
SUPERMARKET OF THE FUTURE

“MAY I HELP YOU?”

Standing in a line at the supermarket checkout is a thing of the past. Anyone visiting EDEKA’s “Store of the Future” can experience shopping that offers unrivalled convenience and better service. The objective of the project was to create an internal showroom where business administrators and managers at the EDEKA Group’s around 12,000 stores can see live what is now possible in retailing and how they can equip a customer-centric supermarket in future.

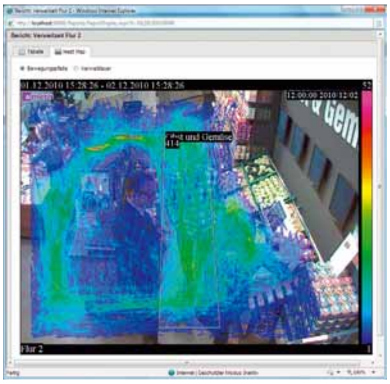
A total of 17 industry partners were involved in developing the demo store in Hamburg. They are showcasing innovative processes – from the e-label, stock analyses to the self-checkout or tunnel scanner. “EDEKA scrutinized our efficiency and solution competence thoroughly,” states Frank Neffe, Head of System Technology at euromicron systems.

euromicron’s contribution to the “Store of the Future” is an intelligent analysis and control system based on video technology. Together with our partners Axis and Aimetis, we have developed something absolutely new here. As part of this work, euromicron acts as an experienced system integrator with its specialization in the field of IP and video.

HEAT MAPS SHOW MOVEMENTS

The solution is based on capturing images of the salesroom using video technology. Cameras record all movements in the store and transfer the image data to a computer. Analysis software evaluates it on the basis of a wide range of different criteria and makes the results available to store management in the form of a report.

How many customers visit the supermarket at what time of day? Counting people is without doubt the easiest of all applications possible with the analysis tool. But then things soon get more complex: Which aisles are most frequented? And in front of which products do shoppers stay longest? The analysis system processes such information using what are termed heat maps. That means only movements are recorded – faces or personal data are not stored. Nevertheless, a whole lot of



Heat maps – Complex technology with a simple objective: More space, time and convenience for customers and advisors

information can be obtained from the heat maps and help change how a store is organized, for example to ascertain where articles in a special promotion can best be placed or whether goods on display are even noticed – and finally how long the line at the checkout is. The store manager is then informed and a new checkout is opened right away – after all, no one wants to wait.

However, the analysis software can do even more. Empty shelves are detected and the replenishment service automatically notified. A person standing a particularly long time in front of a shelf could also trigger notification: Perhaps he or she needs assistance? That is certainly one of the greatest advantages of the analysis and control system. It improves processes at the store so that staff has more time to advise and help customers.

COMPLEX TECHNOLOGY – SIMPLE APPLICATION

"This system harbors a great degree of complexity," explains Frank Neffe. But the people who use it – store managers and their team – do not notice any of that. At the end of the day, they have a easily comprehensible report in their hands and benefit – like customers – from simpler and more cost-effective processes." That means for the euromicron team: Installation and configuration must be excellently prepared so that implementation at the individual store proceeds quickly.

The feedback from EDEKA's Store of the Future is good. Nevertheless, euromicron is continuing to optimize the solution. "This is the first system of its kind," says an enthusiastic Frank Neffe. "We are absolute pioneers here. The next thing we need are apps for the iPhone."

We customers will probably not notice much of such refined technology in future either. Maybe one day it will be quite normal not to have to stand in a line and for all the shelves to be well-stocked at all times. Or we will get used to a relaxed store assistant inquiring in a friendly voice: "May I help you?"

LIVING
PROJECTS

100 MEGABITS A SECOND
DICHTERVIERTEL, ERFURT

The Dichterviertel area in Erfurt has been developed with upmarket residential units. And it also boasts a state-of-the-art fiber-optic network that enables the best-possible communication for all inhabitants and users.

SECURE CULTURAL HERITAGE
SYNAGOGUE, ERFURT

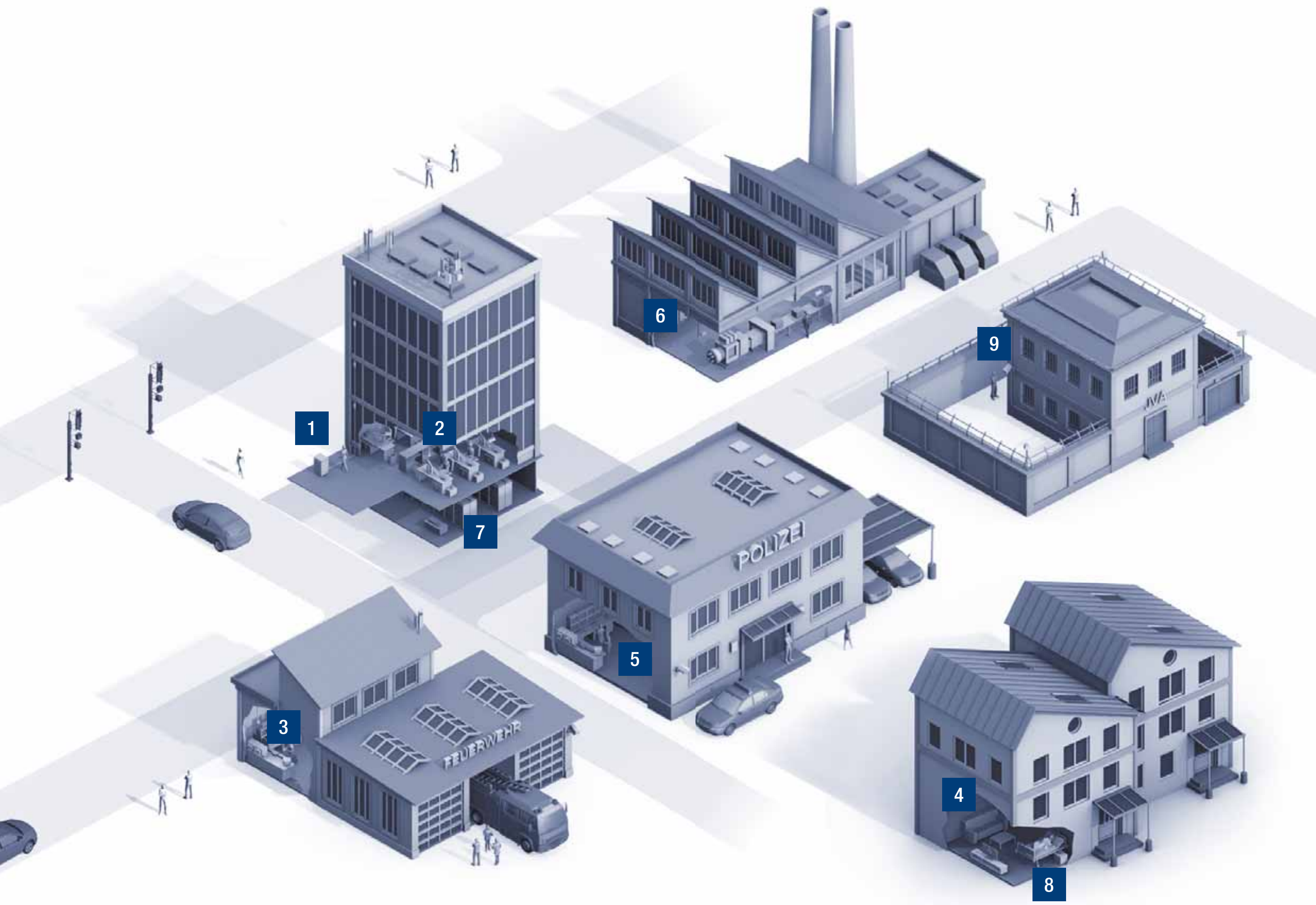
For the old synagogue in Erfurt, ssm euromicron formulated a security concept that equipped the 11th century building with cutting-edge security technology. The fire prevention, video surveillance and alarm systems protect the building, which is now used as a museum, invisibly yet effectively.

PROTECTION AND COMFORT IN OLD AGE
ST. MARTIN OLD PEOPLE'S HOME, BAIERSDORF

euromicron solutions has raised comfort and security to a whole new dimension at the St. Martin Old People's Home, which is run by SeniVita Holding. Apart from a tailored fire prevention system and the nurse call, residents now have every option to choose from when it comes to watching TV and transferring data.

02
WORKING. OFFICE, RESEARCH, HEALTHCARE

1. Fiber-to-the-office (FTTO)
2. Networked workplace systems
3. Security and alerting systems
4. Emergency call systems
5. Voice transport
6. Fire prevention
7. Data security
8. Electronic patient files
9. Image analysis systems



SOLUTIONS FOR COST-EFFECTIVE AND EFFICIENT WORKING

The possibility of transferring gigantic quantities of data quickly and securely has changed our working world. All information is available virtually at the touch of a button. We respond to the high security requirements demanded in banking or air travel with intelligent network concepts and alerting systems. Image recognition systems help us assess reality and optimize work processes.

euromicron technologies ensure quick and secure transport of voice, data and video. As a result we not only improve existing processes: We also enable customers to offer innovative services themselves.

1 FIBER-TO-THE-OFFICE (FTTO)
We connect up office buildings and industrial estates with powerful fiber-optic networks, even in rural areas. At the same time, we support municipalities and public utilities with competitive concepts.

2 NETWORKED WORKPLACE SYSTEMS
Networked workplace systems ensure a secure workflow wherever data has to be collected, documented and passed on in the work process.

3 SECURITY AND ALERTING SYSTEMS
We equip industrial plants, power generation plants, banks or intensive care unit with highly available video technology.

4 EMERGENCY CALL SYSTEMS
In the field of health and care, emergency and nurse call systems ensure the security and well-being of patients and flexible assignment of nursing staff.

5 VOICE TRANSPORT
Solutions for internal telephony at complex enterprises and across locations help our customers improve processes and cut charges.

6 FIRE PREVENTION
From the intelligent fire detector to the fire prevention concept: We implement effective solutions at industrial plants, office buildings, hospitals or old people's homes.

7 DATA SECURITY
Correct data is vital to the business for banks, public authorities and enterprises. Our networks enable its integrity and security across multiple locations.

8 ELECTRONIC PATIENT FILES
We support hospitals and care institutions with end-to-end data concepts. Doctors can use the electronic patient file to call information directly on the display by the bed.

9 IMAGE ANALYSIS SYSTEMS
Image analysis systems collect information on movements and security risks by evaluating image data. Such systems process enormous quantities of data.

REFLECTING TELESCOPE, LA PALMA
28° 42’ 48” N, 17° 54’ 21” W

Project: LWL Sachsenkabel supplied 3,300 meters of optical cable for MAGIC-1, made up of a total of 20 individual cables, each with 72 optical fibers. That gives 1,440 individual fibers, in which the signal time delay must not be greater than a billionth of a second.

Control: The results were controlled at LWL Sachsenkabel and on site under the critical eyes of the scientists from Munich.

WORKING
REFLECTING TELESCOPE, LA PALMA

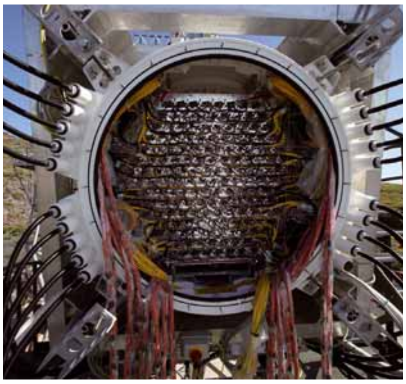
PRECISION IN THE SERVICE OF SCIENCE

Astrophysicists from the Max-Planck-Institute in Munich are researching the enormous amounts of energy in black holes using gigantic high-precision reflecting telescopes. euromicron's subsidiary LWL Sachsenkabel GmbH supplied fiber-optic cable meeting all the accuracy requirements demanded in modern science for such a telescope on the Canary Islands.

MAGIC-1 is located on a plateau on La Palma. The reflecting telescope consists of around 1,000 precisely measured and ground mirrors. All of them together are to receive blue light from space in the deep darkness of night on the Canaries: Cosmic gamma rays that are produced in the vicinity of black holes and from which astrophysicists hope to gain new findings on these points of infinite density.

LEADING TECHNOLOGY

A distinguishing feature of MAGIC-1 is maximum precision – and that also goes for the cabling. Munich's Max-Planck-Institute for Physics, which is in charge of the project, therefore uses a technological standard that ideally supports or can even maximize the performance of the valuable instrument. In this connection, euromicron's subsidiary LWL Sachsenkabel GmbH was commissioned to supply 20 fiber-optic cables in high-end quality for the signal path from the camera to the analysis unit.



1,440 individual fibers with extremely low time delays

"Above all, that was a metrological challenge," sums up Steffen Lüdemann from Research and Development at LWL Sachsenkabel GmbH. In order to achieve the extraordinarily small fault tolerance specified by the Max-Planck-Institute, the euromicron company used sophisticated measurement technology. The measurement setup was formulated in close cooperation with the scientists from Munich. The stipulation was that the delay time during transit could not exceed one nanosecond – after all, light is quick and that demands quite a bit of the measurement technology.

VIRTUALLY LOSS-FREE TRANSMISSION

The result is impressive: LWL Sachsenkabel GmbH supplied 3,300 meters of optical cable for MAGIC-1, made up of a total of 20 individual cables, each with 72 optical fibers. That gives 1,440 individual fibers, in which the signal time delay must not be greater than a billionth of a second. To use a comparison with a train journey from Munich to Flensburg, that would mean that 1,440 trains that start simultaneously in Munich would arrive in Flensburg with a maximum delay of 30 seconds. The 20 cables therefore deliver virtually loss-free analog transmission of the optical signals.

One further challenge was to comply with various geometrical conditions, such as low-tolerance whiplash lengths and overall length. A special IP class 67 traction and protective element was developed along with a cable gland in order to ensure operability in the extreme weather conditions that prevail at the location. As the customer requested, the cables were assembled on both ends with a connector offering built-in laser protection.

All the results were controlled at LWL Sachsenkabel GmbH and on site under the critical eyes of the scientists from Munich. The precision that was achieved is naturally of great value, especially for research institutes. "However, that will also be of growing interest to telecommunications providers in future," predicts Lüdemann. "Precision will become more and more of an issue due to the soaring volume of data, including in traditional networks."

WORKING
PROJECTS

WORKPLACE NETWORKING
MEDICAL ENGINEERING WORKSHOP, UNIVERSITY CLINIC, HEIDELBERG

In 2010, the University Clinic of Heidelberg pooled its medical engineering know-how in a central workshop. euromicron's subsidiary ELABO equipped it with 14 leading-edge workplaces. Cockpits and workbenches networked using fiber-optic technology enable testing and documentation in a barrier-free data flow.

TELEPHONY
SAVINGS BANK MAINZ

In 2010 euromicron installed a new communications system for the savings bank to integrate all its 27 branches in the sales territory. As part of this modernization, extensive application solutions were also integrated, such as unified messaging, GSM integration and call center solutions. The new system enables uniform, free internal telephony across all locations and so has helped to cut costs.

FIRE PREVENTION
UNIVERSITY CLINIC, FRANKFURT/MAIN

euromicron equipped the clinic of the Johann Wolfgang Goethe University in Frankfurt/Main with 50 fire alarm systems and a total of 6,000 detectors distributed over 40 buildings. Apart from emergency calls to the rescue services, the system also permits central management of the fire detectors. The project was accomplished smoothly and successfully while the clinic continued its operations.

03

SUPPLY. E-ENERGY, CONTROL SYSTEMS, MOBILITY

1. Examination and testing equipment
2. Security systems and access control
3. Smart meter/smart grid
4. Escape door concepts
5. Passenger information systems
6. Traffic control systems
7. FTTX

SOLUTIONS FOR RELIABLE AND FLEXIBLE SUPPLY

Mobility and the supply of energy are two of the great issues of our time. We monitor and control traffic and energy flows by large-scale collection of data. On the basis of this information, we increase efficiency and security on our transport routes. In the energy and supply industry, we optimize electricity flows in grids using the supplied data and so pave the way for forward-looking, clean forms of power generation.

euromicron designs and implements grids that will help our customers in the supply industry fulfill their mission in future securely, reliably and in an climate-friendly way.

1 EXAMINATION AND TESTING EQUIPMENT
euromicron provides examination and testing equipment for the new systems used in producing renewable energy with wind and solar technology. With reliable data, they deliver information about efficiency.

2 SECURITY SYSTEMS AND ACCESS CONTROL
Our technologies help detect risks and avoid disruptions. As a result, security and cost-effectiveness in system operation is increased.

3 SMART METER/SMART GRID
The energy Internet is growing into a gigantic network of measurement points where data is collected at all times. As a result, supply and demand can be controlled selectively.

4 ESCAPE DOOR CONCEPTS
Escape route concepts at airports and train stations also comprise the opening and closure of doors. Systems from euromicron ensure that all processes are automated in the event of danger.

5 PASSENGER INFORMATION SYSTEMS
We equip airports and train stations with passenger information systems. Our innovative and reliable network technology ensures that alternatives are soon available if unforeseeable events occur.

6 TRAFFIC CONTROL SYSTEMS
Traffic control systems are fed with data on the situation on the routes. To enable that, data on traffic and the route is collected at networked measurement points and transferred.

7 FTTX
Expansion of fiber-optic networks is vital to transmitting large quantities of data. euromicron supports rural municipalities in getting connected to and expanding broadband networks.

SMART GRID/
SMART METERING, MUNICH
48° 09’ 05” N, 11° 33’ 27” O

Project: Fiber-optic lines to create a smart grid

Objective: Coverage for the city by 2013

Technological concept: Laying of empty pipes from the PoP distribution point to the customer. Blowing in of a distribution cable with a high fiber count in the exterior ring road. Linking of the customers’ home connections with micro-cable.

Additional benefit: Fibers not required for the remotely readable counters are leased to M-net.

SUPPLY
SMART GRID FOR PUBLIC UTILITIES

MUNICH SAVES THE SMART WAY

To save energy, you first have to know how much energy you consume. This simple thought is the basis for the smart grid and smart metering technologies. Intelligent meters at the switching points of power utilities and in the household inform consumers of how much electricity they use when and at what rate it is charged. The objective of all of this is to improve energy efficiency and achieve the common climate protection goals of the supply industry and legislators. The foundation for collecting and transmitting all this information is a data transfer network that transports large quantities of data to every household quickly and reliably.

In this connection, Munich's public utility Stadtwerke München (SWM) sought a technology partner who could supply and implement the concept and material planning for a passive network across the whole of Munich intelligently and reliably. The requirement: The network is to enable data rates in excess of 100 Mbits a second in future. The aim was to improve the infrastructure extensively and rapidly: By 2013, every home within Munich's central ring road will have a fiber-optic connection.

KNOW-HOW WINS

euromicron NBG – a subsidiary of the euromicron Group from Gmünd, Austria – won the invitation to tender in the face of competition from several well-known rivals thanks to its tried-and-tested, reliable technology. "In the pilot phase, we were able to demonstrate that we not only supply high-quality materials for an FTTX network, but can also assess and shape implementation," is how Project Manager Michael Peter describes the project's crucial initial phase. "With our know-how, we even 'saved' a pilot section of a competitor, which had failed because unsuitable material had been chosen. Thanks to this fine work, we were ultimately able to win over the customer SWM."

euromicron NBG uses an empty pipe concept for creating the network. In this, optical fibers are blown into empty pipes throughout the passive network, from the

Munich is one of the pioneers in broadband coverage with this state-of-the-art FTTX solution.

distribution point to the customer. "In particular in this project phase, we were able to generate economic advantages for our customer and reduce the costs of underground work and shaft material thanks to the length and speed at which we were able to blow in the fibers," says Peter.

FAIL-PROOF SOLUTION

euromicron's solution is also distinguished by exactly fitting SWM's requirements – from a special cabinet solution, to training of the installation firms to technical support for the components, including those from other suppliers. One major issue was also failure tolerance – in urban areas, lines are repeatedly damaged as a result of building work and their operation has to be resumed as quickly as possible. Stadtwerke München is well-known for a very high level of failure tolerance and requires feasible concepts, which euromicron NBG ensures thanks to a careful choice of material and strict controls.

euromicron NBG impressed in this complex project with the full service of a system integrator. "We are able to provide product- and project-specific support for the entire passive network concept," is how Michael Bires, Managing Director of euromicron NBG, puts it in a nutshell. "We have proven our extensive expertise in one of the very large broadband projects in Germany. Bavaria's capital is thus one of the pioneers when it comes to broadband coverage."

The foundation for a broadband network has been laid. The new infrastructure has also opened the door a little way to a more climate-friendly future for Munich's citizens. Customers of Stadtwerke München will be provided with very concrete hints on how to save energy thanks to smart grid and smart metering.

SUPPLY
PROJECTS

SOLAR INVERTERS
SMA SOLAR, NIESTETAL

euromicron's subsidiary ELABO has developed a product for the expanding sector of solar energy in the shape of a test system for solar inverters. The product is being launched with great success on international markets.

BROADBAND EXPANSION
STADTWERKE NORDERSTEDT

Together with the public utility Stadtwerke Norderstedt, euromicron systems has designed a sophisticated telecontrol network in fiber-optic technology. For a number of years now, the solution has delivered maximum availability and impressed with its low proneness to faults.

SECURITY CONCEPT
FRANKFURT AIRPORT

Security at Frankfurt Airport constantly raises new challenges for its operator. euromicron supplied the control and technology for the burglar alarm technology, escape door control, access control and alerting for the new A West gate.

euromicron 2010

THE COMPANY

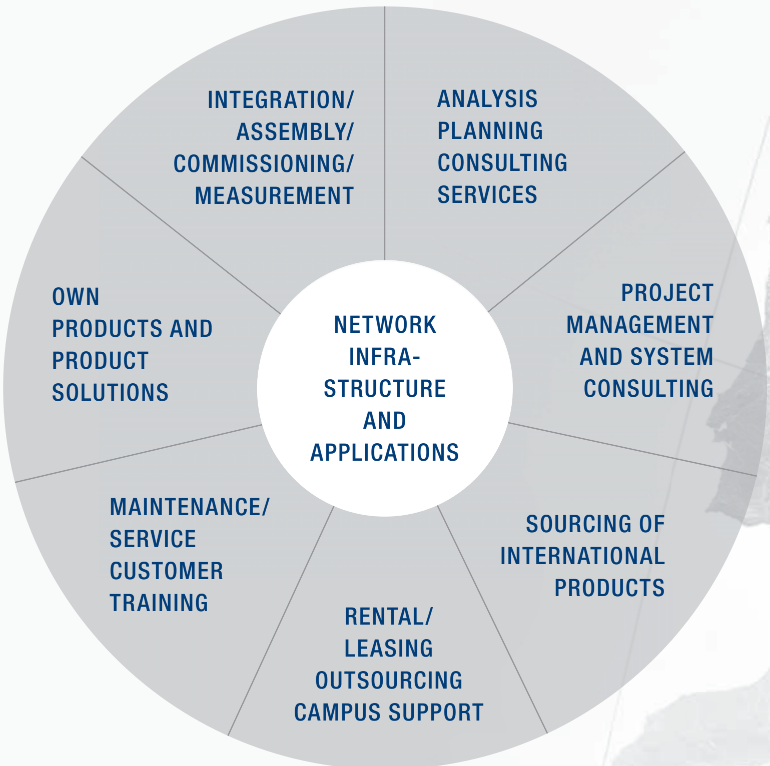
THE SEGMENTS
FOCUSED EXPERTISE AND KNOW-HOW IN ALL REGIONS

STRUCTURE AND ORGANIZATION
COMPETENCE AND COMPREHENSIVE PRESENCE

Customer proximity and a balanced portfolio of products and services are key components of our business model. Apart from the parent company euromicron AG, our comprehensive footprint throughout Germany is reflected in the segments euromicron South and euromicron North. A total of 19 companies in these segments jointly cultivated and undertook projects in the German market in the year under review. euromicron North also has representative agencies in Poland and France, while euromicron South also includes our companies in Austria and Italy.

As a system house with production expertise, we offer our customers access to competence throughout our value chain – from the system houses, consulting, distribution and service to our production operations, which create and market their own developments and products for projects. Despite this great innovativeness and production expertise, we are vendor-independent: We are certified in all key common technologies on the market, represent just about all well-known vendors and leverage this foundation to offer our customers ideal, solution-oriented consulting and support to suit their needs.

THE VALUE CHAIN OF
THE euromicron GROUP



SEGMENT LEVEL

euromicron NORTH

including Poland and France

AREAS OF EXPERTISE / OPERATIONAL SKILLS / KNOW-HOW

COMPETENCE LEVEL

Development and production of components and product categories	Planning, design and integration of systems and solutions	Consulting, distribution, sourcing and network services

PRODUCTS AND SERVICES

PRODUCT AND SERVICE LEVEL

- Optical and hybrid connectors, assembly, switches and cable systems
- Networked workplace systems, examination and testing equipment
- Control and monitoring stations
- Customized product solutions

- Voice, data and video communication, convergent systems
- End-to-end solutions for networked working and living
- Optical, wireline and wireless networks
- Analysis, planning, implementation, maintenance and service

- Active and passive network components from a global range
- Top-performance cabling systems
- Consulting, training, network analysis and services

CONSOLIDATIONS

euromicron AG/GROUP

SEGMENT LEVEL

euromicron SOUTH

including Austria and Italy

AREAS OF EXPERTISE / OPERATIONAL SKILLS / KNOW-HOW

COMPETENCE LEVEL

Development and production of components and product categories	Planning, design and integration of systems and solutions	Consulting, distribution, sourcing and network services

PRODUCT AND SERVICE LEVEL

PRODUCTS AND SERVICES

- Optical and hybrid connectors, assembly, switches and cable systems
- Networked workplace systems, examination and testing equipment
- Control and monitoring stations
- Customized product solutions

- Voice, data and video communication, convergent systems
- End-to-end solutions for networked working and living
- Optical, wireline and wireless networks
- Analysis, planning, implementation, maintenance and service

- Active and passive network components from a global range
- Top-performance cabling systems
- Consulting, training, network analysis and services

SUSTAINED INCREASE IN VALUE
CONTINUOUS DIVIDEND POLICY

THE SHARE

In 2010 enterprises worldwide overcame the economic crisis and posted significant profits once more – euromicron impresses with a continuous distribution policy.

Germany proved to be top of the class in Europe. Underpinned by strong demand from newly industrializing countries, Germany's export business profited from the economic upturn in 2010 like that of no other country in the world. The successes in foreign markets also stimulated domestic demand in the course of the year. They were reflected in higher consumption and demand for capital goods. The business climate in Germany reached historical highs in the second half of the year, even though they did not quite attain the levels from the time prior to the crisis.

In this environment, share prices performed positively throughout the year. The outlook for 2011 resulted in a sort of end-of-year rally on the stock markets as of mid-October. The DAX Index passed the 7,000 mark at the end of the year to stand at its highest level since June 2008. Stock markets were bolstered in particular by the high volume of liquidity provided by the US Federal Reserve and the European Central Bank. Some of this liquidity is invested in shares and so causes prices to rise.

Against the background of the crisis that has now been overcome, the financial market is focusing more strongly than ever on solid securities with growth potential. euromicron was able to build on its reputation in this regard in 2010 and so attract attention and gain trust among investors.

THE euromicron's SHARE

Despite the turbulent crisis-ridden 2009, euromicron's share bucked the market trend sharply right at the start of 2010, well outperforming the SDAX and TecDAX indices.

CAPITAL INCREASE

In order to adjust euromicron's equity structure to the current level of annual sales of around €200 million, the Group's Executive Board utilized its powers to use authorized capital on April 29, 2010. As part of this, the capital stock of €11,914 thousand, divided into 4,660,000 bearer shares, was increased by €1,191 thousand to €13,105 thousand in exchange for cash contributions. 465,999 bearer shares with an entitlement to a share in profits as of fiscal year 2010 were issued. Demand for these shares was very pleasing – issue of them was completed on the next day of trading and did not entail any reduction in the price. This capital increase was an important step to reflect our organic growth and the reduction in net financial debt in conjunction with our strong rating.

PERFORMANCE OF euromicron's SHARE (XETRA)

IN €

PERFORMANCE OVER THE YEAR

At the end of April, euromicron's share stood at €18.29, an increase of 17% over its price at the end of the previous year. euromicron capitalized on the market recovery that began in the second quarter to continue its policy of sustained operational growth. For the first time in the company's history, order books at the end of the first half of the year were above the €100 million mark. At the end of the second quarter, undiluted earnings per share were €0.82, €0.08 up year-on-year. The shares stood at around €17.00, 9% up on their price at the end of 2009. In the third quarter, euromicron's share experienced an amazing surge. At the start of 2010, the price was still below €16, yet four weeks after the key date for the third quarter, it was above €23. At the end of the quarter, undiluted earnings per share were €1.17, well above the previous year's figure of €0.21. Our very successful business performance over the whole year – backed by a lively economic environment – also characterized the end of the year.

Undiluted earnings per share were €2.38, another increase on the previous year (€2.17). The share stood at €21.60 at the end of the year.

The market capitalization of euromicron AG at the end of the year was around €110.7

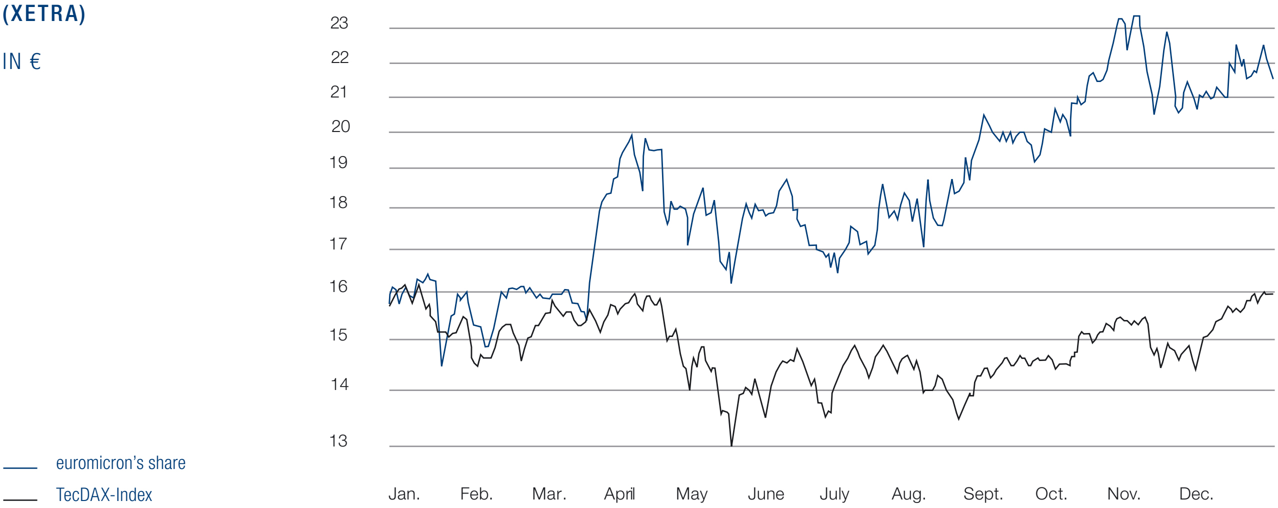
SHARE PROFILE

Type of share	No-par bearer shares
Segment	Prime Standard
Sector	Technology
Index	Technology All Share
ISIN:	DE0005660005
Places of trading	Frankfurt/Main / XETRA
Abbreviation	EUC.GY
Designated sponsor	Close Brothers Seydler AG, Frankfurt/Main

PERFORMANCE OF euromicron's SHARE (XETRA)

IN €

Jan. 4, 2010 – Dec. 31, 2010



THE SHARES ON THE MARKET

	2010	2009
Number of shares issued at the balance sheet date	**5,125,999**	4,660,000
– of which treasury shares	**–**	157,234
Capital stock (€)	**13,105,397**	11,914,000
Highest price (XETRA) (€)	**23.42**	15.62
Lowest price (XETRA) (€)	**14.50**	8.50
Closing price at the end of the year (XETRA) (€)	**21.60**	15.60
Market capitalization at the end of the year (in € million)	**110.7**	72.7
Undiluted earnings per share (€)	**2.38**	2.17
Volume of shares traded	**6.2**	1.9

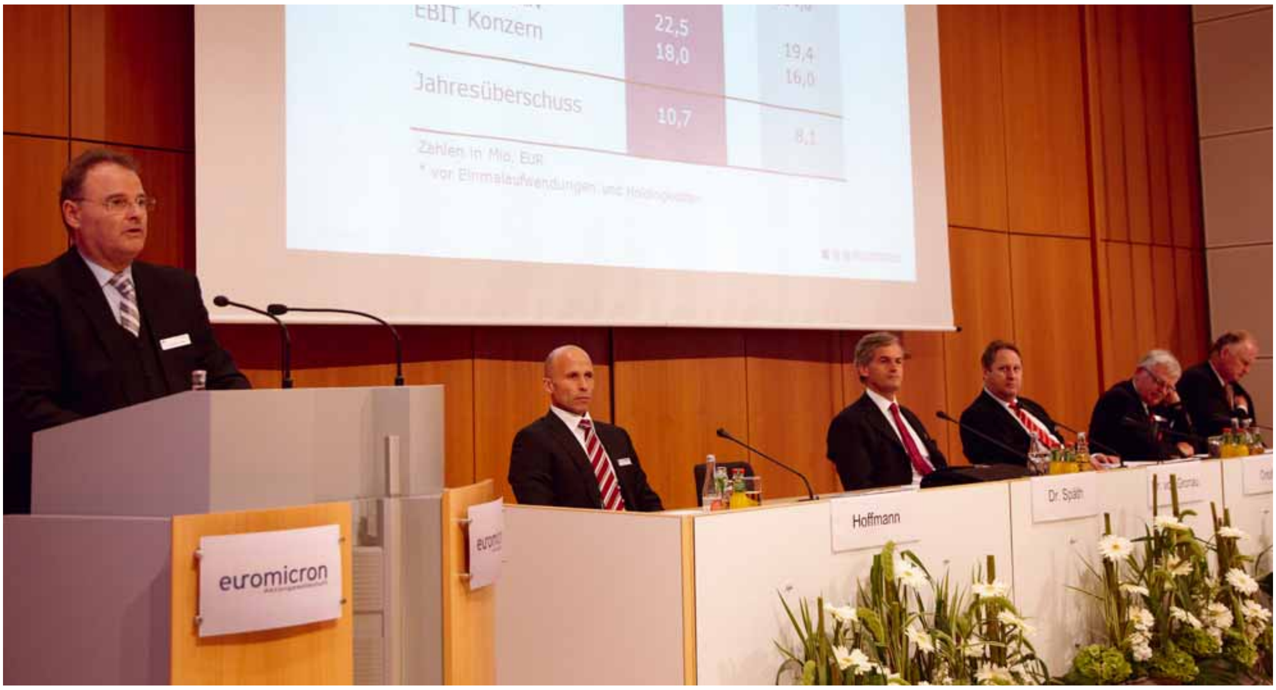
million compared with €72.7 million in the previous year.

After the sale of the treasury shares, all shares in euromicron – around 5.1 million – were free floating at December 31, 2010.

The capital increase in April did not impair the steady increase in our share's earnings. A more important consideration for investors was our sustainable and solid business performance with high order books of around €90 million at the end of 2010, which should also enable euromicron to perform well in fiscal 2011, too.

DIVIDEND

The Executive Board and Supervisory Board want all shareholders to participate in the company's success. Despite the capital increase, the goal in 2010 was to distribute a dividend of €1.10 a share, corresponding to almost 50% of the operating profit. There are slight deviations as a result of special tax effects. With this continuous financial policy, we ensure that shareholders get a return on their money and we also achieve our key objectives in terms of growth, long-term safeguarding of the quality of our earnings, reduction in net financial debt, strengthening of our equity structure and maintaining our good rating.



The Executive Board explained the Group's growth strategy at the General Meeting.

CHANGE IN THE INVESTOR STRUCTURE
LONG-TERM PROSPECTS

INVESTOR RELATIONS

Our actions focus on growing the value of euromicron AG sustainably. The basis of that is a relationship of trust with all our shareholders on the basis of a transparent, reputable information policy. The objective of our investor relations work is to provide our private and institutional investors, banks, the press and interested members of the public with prompt and comprehensive information on our activities.

2010 was a crucial year in the build-and-integrate phase for euromicron. In particular in view of the impending decisions on the company's development, we accorded a high priority this year to regular dialog with all stakeholders and created additional channels of information. In this connection, we increasingly sought closer contact with investors and partners in the capital market and were able to convey our strategy of sustainable growth and the company's good economic situation to an interested audience by means of roadshows, one-to-one meetings, talks with groups and presentations at various European financial centers.

CAPITAL INCREASE AND SALE OF SHARES

Successful accomplishment of the build-and-integrate phase as planned demands not only further development of services and technologies, but also a balanced financing structure of the Group. That is intended to secure long-term euromicron's anticipated growth and enable shareholders to participate in the company's success.

Two events demanded special attention in fiscal 2010: First, the small capital increase at the end of April 2010. The Executive Board of euromicron AG decided on April 29, 2010, with the consent of the Supervisory Board, to increase the capital stock of the company from €11,914,000.00, which is divided into 4,660,000 bearer shares, by €1,191,397.44 to up to €13,105,397.44 in exchange for cash contributions. 465,999 no-par value bearer shares with a full entitlement to a share in profits as of fiscal year 2010 were issued. The subscription right of shareholders was excluded in accordance with the resolution adopted by the General Meeting. The new shares were offered to German and international institutional investors by way of the accelerated bookbuilding method. The proceeds from the capital increase will mainly be used to give euromicron financial flexibility as it moves to the next stage of its corporate strategy.

The other event was the sale of the total of 157,234 treasury shares held by euromicron AG. They were disposed of on the stock market at an average price of €21. The gross proceeds for euromicron from this issue were €3.3 million. euromicron capitalized on its excellent share price in this phase and strong demand for its stock to further optimize its capital structure

THE INVESTOR STRUCTURE

At the very beginning of 2010, the shareholders Nord/LB and Vatas Belgique SA, Brussels, announced their intention to sell their shares in euromicron and so paved the way for a change in the investor structure. New investors, such as DWS Investment GmbH (5.66%), Allianz Global Investors (5.18%) and Universal Investment (5.04%), took a stake in euromicron in the second quarter as a result of the capital increase. They also open up new, long-term prospects for the share. These shareholders set store by the company's proven strategy and aim to support euromicron actively. The changes were received positively on the financial and capital markets.

At the Analysts' Conference and the press conference on March 29, 2010 in Frankfurt/Main, the Executive Board of euromicron AG explained the company's growth-oriented strategy to financial analysts and the trade press. A hallmark of this strategy is the Group's intensive orientation toward market requirements and ensuring that investors share in the company's success.

THE INFORMATION CHANNELS

Our Internet presence is our most important means of informing our investors and capital market partners promptly of our activities. Our new Website is located at www.euromicron.de and is geared toward the needs for clear, comprehensible communication. In our investor relations work, we keep investors up-to-date with the latest news, articles and historical data on our business performance. In addition, we inform the media with press releases and ad-hoc announcements.

The General Meeting remains for us the highlight of our communication with the financial market and is accorded an important place in our planning and development. Personal sharing of ideas and thoughts and nurturing of the relationships that have evolved with longstanding and new investors are the two key instruments in our IR mission.

"Only people who understand our company can support our strategy." That is why we also invite shareholders and financial market experts to our exhibition at CeBIT every year. We presented ourselves at the last one in Hanover in March 2011 under the slogan "Next Generation Solutions" and explained our cutting-edge technologies to the many visitors, shareholders and financial market players with reference to our exhibits.

COVERAGE

We attach very great importance to rating of our share by financial analysts. Five research houses currently examine our company's development at regular intervals. With their research, analyses, studies and comments, they offer the financial market an objective and fair basis for assessing euromicron.

In fiscal 2010, Close Brothers Seydler was appointed as designated sponsor of euromicron's shares.

The price expectations for our share were increased in 2010 to up to €29. The verdict of the analysts is once again "buy".

ATTRACTIVE EMPLOYER
IN A DYNAMIC MARKET

EMPLOYEES
SEIZING OPPORTUNITIES, LIVING GROWTH

Our Group developed and unfolded its abilities further in fiscal 2010. euromicron covers more companies and more business, but above all committed people. That is a positive development – but it also demands an organization that ensures that a willingness to achieve and expertise can be incorporated optimally in processes. We therefore used 2010 to work systematically on numerous details of our organization.

SUCCESSFUL GROWING TOGETHER AT ALL LEVELS

A number of years back, we began merging the different cultures that have come together under our roof as a result of acquisitions into one euromicron culture. We have taken a big step forward in this regard. Most of our companies are now merged in euromicron systems or euromicron solutions. This growing together is not only a formal legal act, but also an organizational process that involves human beings and will not be completed overnight. We will continue to devote the necessary attention to this issue.

Our headcount essentially continues to evolve – it changes as a result of company acquisitions and specifically due to the fact that we tackle new task areas. euromicron has a total of 1,081 employees, a figure that has increased in line with the course of our business. The philosophy of the company's HR policy is always geared to market and customer needs and cost-effectiveness.

TRAINING AND FURTHER DEVELOPMENT AS A STRATEGIC MEASURE

We are pleased to be able to say that we invested even more in training and further development in the past fiscal year than the one before. Expenditure on training and further development in fiscal 2010 was €464 thousand (previous year: €424 thousand). As a result, we act with our employees and the future in mind and actively counter the growing shortage of skilled workers. We want and need a competitive workforce.

We have maintained last year's trainee ratio of 8%, which is representative of our sector as an average. We are especially delighted that one of our budding IT specialists at euromicron systems completed his training as best in the state of Lower Saxony. The young man from Hanover had deliberately decided two years ago that he wanted to take his training at euromicron. Unlike at large groups, our trainees are integrated in practical project work at a very early stage and so are able to gather interesting vocational experience.

SUCCESSFUL TRAINING AND FURTHER DEVELOPMENT FROM THE TRAINEE TO THE EXECUTIVE

Our executive program entered its third round in 2010. Its aim is to enable executives and junior managers to cope with their future tasks successfully and efficiently. Our mission in this respect is to recruit as many managers from our own ranks as possible. Employees who complete this training have a good chance of embarking on a career at our company. In this regard, the program not only safeguards the quality of employees at the company, but also motivates individuals to develop themselves further.

We concluded our first sales trainee program in 2010. We are delighted that we have been able to keep on all those who completed it successfully and that they have quickly become familiarized with their tasks and are part of their teams. Thanks to job rotation in the trainee program, participants have an extremely broad overview of our Group's products and solutions. They thus develop into sales experts who have a broad perspective and so can provide our customers with especially effective support in solving their tasks.

EMPLOYEE SATISFACTION THROUGH SPECIALIZATION

One of our objectives was to perform even more effective and qualified human resources work in 2010. In particular at our large branch offices, we have succeeded in steering HR processes more purposefully. As part of this, we set store by lean and efficient administration. Our activity in niche markets not only reaps commercial success for us – specialization also ensures quality in work and so a high degree of employee satisfaction. In the ranking of the top 100 German small and medium-sized enterprises, euromicron AG is one of those companies that "are outstanding over a lengthy period of time in their field of competition, are distinguished by continuity in corporate development, stable sales growth at a high level, constantly high income and strategic vision". As an employer, we will also continue to follow this path systematically and constructively, take up issues of concern to our employees proactively and seek joint solutions.

We are delighted to work with an ambitious and motivated team that has the will, dedication and creativity to help euromicron grow. We would like to thank all our employees for that. We see our mission as continuing to steer the company in such a way that we can offer every single employee opportunities for an interesting career. In this spirit, we also aim to grow together in future.

WE ARE FIT
FOR OUR MARKETS

OUTLOOK FOR 2011 – MASTERING COMPLEXITY

The goal of our activities in fiscal 2011 is to grow our Group's profitably. To achieve that, we will further complement our portfolio and incorporate acquired companies in our overall strategy. We will also cultivate the fields of technology that open up to us with even greater intensity. In this regard, there is a growing focus on IP and active technology.

In 2011 we are planning to make a large acquisition that will bring us closer to achieving the €300 million mark for annual sales. We have done all the necessary spadework and are now involved in fertile negotiations.

The continuous improvement process initiated in 2010 is being continued by our executives systematically and with disciplined cost management. We operate is a highly dynamic, technology-driven market. In order to offer our customers future-proof solutions, we have to identify trends and developments in the "e" markets. We will do that by intensifying forecasting and being one of the technological pioneers in our industry. The greatest challenge in that will be to master complex processes. E-applications, such as e-living, e-health, e-energy or FTTX, are penetrating our lifeworld more and more. Our mission and path to success will be to comprehensively create feasible and intelligent infrastructures for our customers' applications. Legislators must provide important stimuli in this regard. Experts believe 2011 will be an influential year when it comes to setting the agenda in network policy. That will also impact expansion of infrastructures.

We are fit for our markets – in terms of acquisition, finance and technology. In an intensive process as part of the integration phase, we have begun

Dr. Willibald Späth
Chairman of the Executive Board

Thomas Hoffmann
Member of the Executive Board

establishing stabile management structures and will strengthen them further in the current fiscal year. We are undergoing a change management process in which we are creating a common, customer-centric corporate culture that is oriented to the needs of a medium-sized enterprise and includes the advantageous elements of a group organization. This process has been initiated. We will continue to devote great attention to it so that the instigated changes can grow and have an impact.

We can still achieve synergy effects at our Group in the area of shared services. We will focus more strongly on this issue in the current fiscal year.

We will develop our foreign activities step-by step.

We will retain our current, well thought-out course.

We have strengthened our sales organization in the past years and geared it to growth – and will continuously make it more professional on the basis of this.

Order books are around what was planned for the company. In this regard, we do not expect any surprises, provided the general conditions remain stable.

Apart from general and always existent market and competitive risks, we do not presently see any particular risks for our company's development.

SUPERVISORY BOARD
REPORT 2010

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

Fiscal 2010 at euromicron AG was shaped by rigorous continuation and implementation of the build-and-integrate phase, further leveraging of synergies in the Group and optimization of its structures. Despite the fierce competition and tough macroeconomic environment in Germany and Europe, euromicron AG posted good results and achieved its planned objectives. The Supervisory Board continuously monitored and assisted the Executive Board in running business in accordance with the statutory advisory and supervisory obligations incumbent on it.

The Supervisory Board was directly involved in all significant business events and decisions of fundamental importance. In addition, current strategic considerations were regularly discussed with the Executive Board.

The Executive Board regularly, promptly and comprehensively informed the Supervisory Board at its meetings, in writing and orally, about the company's situation, development of its business and financial situation, the Group's situation, including risks and risk management, investment and acquisition projects and basic questions of corporate policy and strategy and relating to compliance. It informed the Supervisory Board about the most important key financial indicators on the basis of monthly reports and submitted matters requiring approval in good time so that a resolution on them could be adopted. The Supervisory Board approved all of these after examining the relevant documents, queries to the Executive Board and intensive discussions with the members of the Executive Board and Supervisory Board. It was also informed comprehensively of special business transactions and budget variances between the meetings. Where necessary, the Supervisory Board was asked to adopt resolutions by circularization so that expedient and prompt measures could be initiated. Apart from the above information, which was regularly queried to determine whether it was plausible, the Chairman of the Executive Board personally informed the Chairman of the Supervisory Board of all important developments and pending decisions in regular one-to-one talks and phone calls. The standard for regular supervision of the Executive Board and the group's managers was in particular proper, expedient and economic management in accordance with the law.

SUBJECTS OF THE SUPERVISORY BOARD MEETINGS IN 2010

The Supervisory Board held five meetings in fiscal 2010 – on February 23, March 25, June 16, September 22/23 and December 7 – at which it examined in detail the company's economic situation and strategic development. All members of the Supervisory Board took part in the meetings.

In addition to the current business development of euromicron AG and the Group, the course of business of the Group companies and their market environment, the topics regularly discussed at the meetings of the Supervisory Board focused on:

- Acquisition plans
- Expansion of the business fields of euromicron austria GmbH
- The Group's financing situation and rating
- Questions of corporate planning and business policy
- Questions of Group integration
- Organizational development and strategy 2010 – 2015 and progress in implementing them
- Public relations work
- Risk management and internal control system of the company
- Status of the German Financial Reporting Enforcement Panel examination

In addition, the Supervisory Board kept itself informed in regular meetings and talks with the Executive Board of euromicron's AG ongoing growth and integration strategy. Points of emphasis in this context were the company acquisitions aimed at rounding out external growth, organic growth within the Group, consolidation and integration measures as well as the development of liquidity and the key financial indicators.

In addition, the Supervisory Board intensively dealt with the possibilities and effects of a capital increase as part of the company's authorized capital.

At the meeting of the Supervisory Board held in Italy in September 2010, the subsidiary Qubix S.p.A. was presented in detail by its managing Director Filippo Gnocco. The Supervisory Board took the opportunity to tour the company and ascertain that the Italian subsidiary was being operated properly and economically.

A further focus of the Supervisory Board was on reviewing its efficiency. Its work and decision-making processes were evaluated and optimized at regular meetings.

Dr. Franz-Stephan von Gronau
Chairman of the Supervisory Board

CORPORATE GOVERNANCE

The latest version of the German Corporate Governance Code, the amendments to it published on July 2, 2010, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 7, 2010.

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the German Corporate Governance Code and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law. In compliance with the provisions of the German Reasonableness of Management Remuneration Act (VorstAG) dated July 31, 2009, a deductible satisfying statutory requirements was agreed for the D&O insurance for the Executive Board and Supervisory Board effective July 1, 2010.

Both bodies have thus fulfilled the obligation to ensure transparent and responsible management and control of the company. The declaration on conformance is contained on pages 55 – 57 in the Annual Report 2010 and is available at all times on the company’s Internet site.

EXAMINATION OF THE 2010 FINANCIAL STATEMENTS

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, the independent auditor appointed by the General Meeting for fiscal year 2010, informed the company on November 17, 2010, that it regarded itself as being impeded in auditing the 2010 annual and consolidated financial statements of the company due to a lack of impartiality it feared would exist in connection with the errors discovered and to be disclosed by the German Financial Reporting Enforcement Panel. Under the order by Frankfurt/Main Local Court on November 23, 2010, Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, was then appointed as independent auditor for the company and the Group for fiscal year 2010.

In view of the new audit commission, the late appointment of the auditing firm and the extensive audit procedures required for it in auditing the statements for the first time, the auditing firm was not able to complete the audit within the original timetable. For the first time, the Executive Board and Supervisory Board were not able to meet the recommendations of the Corporate Governance Code Section 7.1.2) and publish the annual and consolidated financial statements along with the audit opinion by March 31, 2011. That uniquely necessitated an update to the declaration on conformance dated December 22, 2010. The statutory requirements relating to publication were taken into due account.

The annual financial statements of euromicron AG and the Management Report as of December 31, 2010, as well as the IFRS consolidated financial statements including the group management report as of December 31, 2010, along with the bookkeeping and the risk identification system, were audited by PWC and each issued with an unqualified audit opinion. The audit reports for euromicron AG and the Group were available to the Supervisory Board in good time before the balance sheet meeting on April 20, 2011. The Supervisory Board examined the financial statements and the management report, as well as the consolidated financial statements and group management report of euromicron AG and the auditor's reports and concurs with the auditor's findings following detailed discussion with the Executive Board. At the balance sheet meeting of the Supervisory Board on April 20, 2011, the auditors reported extensively on the main results of their audit of the single-entity and consolidated financial statements, as well as the company's internal control and risk management system, and answered supplementary questions by the Supervisory Board.

Upon conclusion of its examination, the Supervisory Board raises no objections.

The Supervisory Board therefore approved the financial statements of euromicron AG and the euromicron Group prepared by the Executive Board at its meeting on April 20, 2011. The financial statements of euromicron AG are thus adopted. The Supervisory Board examined the Executive Board's proposal to pay a dividend of €1.10 a share (i.e. a total of €5,638,598.90) and to carry the remaining net income of €2,308,619.77 forward to a new account, and endorses this proposal of the Executive Board.

COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Executive Board and Supervisory Board did not change in fiscal 2010. The Chairman of the Supervisory Board is Dr. Franz-Stephan von Gronau and his deputy is Josef Martin Ortolf.

THANKS

The Supervisory Board wishes to express its thanks to the Executive Board, management, the General Managers and all employees of the euromicron Group for their personal commitment and achievements in fiscal 2010. All of them contributed to euromicron's positive performance with their great dedication.

Frankfurt/Main, April 20, 2011

The Supervisory Board

Dr. Franz-Stephan von Gronau
Chairman of the Supervisory Board

UPDATED
DECLARATION

CORPORATE GOVERNANCE

Update to the declaration on conformance (Section 161 of the German Stock Corporation Law (AktG) of euromicron AG for 2010

On December 22, 2010, the Executive Board and Supervisory Board of euromicron AG issued a declaration on conformity with the German Corporate Governance Code ("code") in accordance with Section 161 AktG (German Stock Corporation Law). This declaration is hereby updated by the Executive Board and Supervisory Board.

In March 2011, a further deviation arose, namely in relation to Section 7.1.2, Sentence 4 of the code, which is why it is necessary for the declaration of conformity to be updated.

This having been stated, the Executive Board and the Supervisory Board of euromicron AG declare in accordance with Section 161 of the German Stock Corporation Law:

euromicron AG complied and will comply with the recommendations of the government commission on the "German Corporate Governance Code", with the following exceptions:

1. DEDUCTIBLE FOR THE D&O INSURANCE (SECTION 3.8 (3) OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)
The members of the Supervisory Board were covered by a D&O insurance without a deductible up to July 1, 2010. Since July 1, 2010, the D&O insurance for the Executive Board has included a deductible complying with statutory regulations. The D&O insurance for members of the Supervisory Board has included an appropriate deductible since July 1, 2010.

REASON:
In principle, euromicron AG does not believe that the commitment and responsibility with which the members of the Executive Board and the Supervisory Board discharge their duties will be improved by agreeing a deductible for the D&O insurance. With regard to the new statutory stipulations on D&O insurance, however, the existing D&O insurance was modified effective July 1, 2010, to ensure compliance with the statutory stipulations and, where the Supervisory Board is concerned, with

the recommendation in Section 3.8 (3) of the German Corporate Governance Code.

2. FORMATION OF SUPERVISORY BOARD COMMITTEES (SECTION 5.3 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future.

REASON:

Since the General Meeting on June 24, 2004, the Supervisory Board of euromicron AG consists only of three persons in accordance with the Articles of Association. The formation of committees would not make the work of the three-member Supervisory Board easier, since the committees (which adopt decisions) would also have to have at least three members of the Supervisory Board on them.

3. DISCLOSURE OF COMPENSATION FOR MEMBERS OF THE SUPERVISORY BOARD (SECTION 5.4.6 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

euromicron AG refrains from reporting the compensation of the Supervisory Board members individually in the Corporate Governance Report.

REASON:

In accordance with Section 13 of the Articles of Association, the members of the Supervisory Board receive compensation that consists of a fixed and a variable component. The variable part of their compensation is geared to the company's profitability and is calculated on the basis of the dividend adopted at the General Meeting. In addition, the overall compensation is published in the Annual Report, with the result that the individual compensation of the members of the Supervisory Board can be deduced directly. By dispensing with separate disclosure of information that can be ascertained directly, the company also pursues the goal of reducing the size of the Annual Report, which has increased over the past years, and so of making it clearer.

4. REPORTING (SECTION 7.1.2 SENTENCE 4 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

Contrary to the recommendation of Section 7.1.2 Sentence 4 of the German Corporate Governance Code, the consolidated financial statements of euromicron AG for the fiscal year 2010 will not be publicly accessible within 90 days of the end of the fiscal year.

REASON:

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, was appointed by the Ordinary General Meeting of euromicron AG on June 17, 2010, to audit the single-entity and consolidated financial statements, but declined to accept this commission in its letter dated November 17, 2010. At the request of euromicron AG's Executive Board, Frankfurt/Main Local Court then appointed PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, as the independent auditor for the company and Group for the fiscal year 2010 in its order dated November 23, 2010. In view of the short time available, the court-appointed independent auditor was not able to familiarize itself completely with the complex material involved in auditing of the single-entity and consolidated financial statements at euromicron AG. In view of this, the consolidated financial statements of euromicron AG for fiscal 2010 will not be able to be published within a period of 90 days of the end of the fiscal year.

5. NO LIST OF THIRD PARTY COMPANIES (SECTION 7.1.4 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

euromicron AG does not publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise, including the disclosures in accordance with Section 7.1.4 Sentence 3 of the of the German Corporate Governance Code.

REASON:

euromicron AG follows the recommendation of Section 7.1.4 of the German Corporate Governance Code insofar as it presents a list of holdings in the form of clear charts of the company structure. In addition, extensive details of the purpose and role in the Group of the companies that are not of minor importance to the existence and development of euromicron AG and the Group are given. More detailed publication is dispensed with in order to avoid competitive disadvantages as a result of disclosure of details on valuations and the earnings power of individual holdings.

Frankfurt, March 31, 2011

For the Supervisory Board:

Dr. Franz-Stephan von Gronau
(Chairman of the Supervisory Board)

For the Executive Board:

Dr. Willibald Späth
(Chairman of the Executive Board)

EXECUTIVE BOARD AND
SUPERVISORY BOARD

BOARD MEMBERS OF THE COMPANY

EXECUTIVE BOARD

Dr. Willibald Späth
Chairman
of the Executive Board

Strategy, Acquisitions, Finance, Public Relations and Investor Relations

Thomas Hoffmann
Member of the Executive Board

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

SUPERVISORY BOARD

Dr. Franz-Stephan von Gronau
Chairman of the Supervisory Board of euromicron AG

Certified public accountant, tax consultant, lawyer, partner of the firm of auditors LKC, Grünwald near Munich

Josef Martin Ortolf
Deputy Chairman of the Supervisory Board of euromicron AG

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
Member of the Supervisory Board of euromicron AG

Managing Director of EMBE Immobiliengesellschaft mbH, Munich

Chairman of the Supervisory Board of Consultingpartner AG, Cologne

Group Management Report

For the fiscal year from January 1 to December 31, 2010

– Sales increase 13% to €203.6 million

– Consolidated EBIT rises 23% to €20.1 million

– Consolidated EBITDA increases 24% to €24.7 million

– Earnings per share (undiluted) grow by 10% to €2.38

1. Business and general conditions

Profile

The euromicron Group is a leading national, Europe-oriented system house for communications, security and data networks and has 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.

The euromicron Group is an integrated system house that boasts production expertise and has top-level development, project planning, consulting and distribution know-how.

Structure and organization

The euromicron Group comprises the parent company euromicron AG and 18 subsidiaries that are included in its consolidated financial statements. Its regional lineup focuses on German-speaking countries and enables intensive care and support of its predominantly German customers. As part of its internationalization, further group companies were acquired in Austria and Italy and branch offices established in Poland, Portugal and France.

The euromicron Group is divided into the two report segments euromicron North and euromicron South, which represent the controlling units within the euromicron Group.

The euromicron Group's management is headed by two Executive Board members. Operational business is run by the subsidiaries and their locations, whose General Managers report directly to the Executive Board.

The Group's strategic alignment is defined by the Executive Board and implementation of it is ensured by continuous reporting and communication between the holding and operating companies.

euromicron AG, the strategic management holding for the Group, assumes responsibility for further central tasks, relating to controlling, finance, human resources, purchasing, IT and public and investor relations. It has a controlling influence in operating business of the individual associated companies.

Internal control system

Management of the euromicron Group has set itself the objective of securing and expanding the Group's success sustainably as part of a value-oriented growth strategy. Fiscal 2010 was dominated by the build-and-integrate phase. For the years following 2011, the euromicron Group aims to generate annual sales of €300 million. This objective is supported proactively by the internal control system.

All the euromicron Group's activities are controlled and monitored as part of this target system. Among other things, management uses monthly reporting to constantly analyze and control the Group companies, the business segments and the Group. The details from the Group companies explained in the notes are consolidated and analyzed as part of this. Moreover, there are quarterly calculations on expectations at the end of the fiscal year, which are likewise analyzed and consolidated. Budget variances are examined to determine their impact on the financial targets and measures to fulfill the budget are initiated. An extensive risk management system is the foundation for current and quarterly reporting and the annual forecast so that potential changes can be identified at an early stage. Proposals for measures to ensure that targets are achieved and to avert risks and their effectiveness are constantly analyzed, discussed and implemented.

Important key figures that are monitored regularly are shown by way of example in the table below:

KEY FIGURES AND CONTROL FACTORS

	2010 € m.	2009* € m.
Sales revenue	203.6	179.6
Earnings before interest and taxes (EBIT)	20.1	16.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	24.7	19.9
EBIT margin	9.9%	9.1%
Order books	91.1	69.8

* Previous year's figure corrected acc. to IAS 8

2. General economic conditions

Development of the market and sector

In mid-2009 the global economy began to recover from the financial crisis and successfully continued this trend in 2010, with the volume of world trade growing by 12% to reach levels similar to those prior to the crisis. GDP rose by 4.8%, with developing and newly industrializing countries (7.1%) clearly outpacing industrialized nations (2.7%) and so delivering the strongest economic boosts. In particular, the BRIC states (Brazil, Russia, India and China) profited from stronger international trade and, as expected, posted the highest increases in GDP. As a hub of global trade, China occupied a prominent position in this regard. It supplied worldwide markets with mass goods, while exporting nations like Germany or Japan profited from its demand for capital goods, as did countries whose commodities are necessary to keep the economy with its billion-strong population moving ahead. China also succeeded in compensating for the discontinued economic stimulus programs by means of growing demand from private households. However, there are increasing initial signs that growth in China will decline in the coming year. In particular the real estate market shows first indications of overheating, which is why a revaluation of the yuan against the US dollar is expected in the medium term to counter further bubbles.

That would help the USA reduce its trade deficit with and so growing dependence on China. Apart from that, the USA was still not able to remedy its structural problems, such as the fall in prices in the real estate market, high unemployment and weak private consumption. Far-reaching public funding measures resulted in a higher propensity to invest, but economic growth was below expectations at 2.6%. The US government is planning tax breaks for the coming period to stimulate the economy. It remains to be seen whether this is a suitable recipe given the enormous national debt.

Japan has an even bigger national debt and problems with a strong currency. However, most creditors are domestic and so the country's dependence on other nations is low. Moreover, despite the flagging dynamism in its target markets of Southeast Asia, Japan posted surprisingly good growth of just under 3%. Economic growth is expected to slacken in 2011 since the government has largely exhausted its financial and fiscal policy instruments.

The economic situation in the Euro zone varied greatly in the past twelve months. Germany was the frontrunner, growing at 3.6% and so well above the EU average of 1.7%. Apart from Germany, countries like Finland or Slovakia were able to share in the upturn. In contrast, Italy and France disappointed with growth figures of 1.0% and 1.6% respectively. The current economic situation in Greece, Ireland, Spain and Portugal continues to be worrying. Some of these countries were near to insolvency at the beginning of 2010 and had triggered the Euro crisis. Impending bankruptcy was only averted by massive intervention by the EU, with the affected countries being supported by financial aid packages and obligated to make deep budget cuts. One of the most urgent tasks in the coming periods will be to stop the economies in the Euro zone from drifting apart and to coordinate fiscal policy decisions better. There is also the need to stabilize the European banking systems, large parts of which are still reliant on government assistance. To judge by recent experience, the risk of attacks by speculators on the single currency will remain one of the challenges moving ahead. However, France and Germany in particular made it clear that the Euro will stay as a common currency. The issue of Euro bonds will make it far more difficult for speculators in future to bet against the Euro.

The fact that the economic mood in the Euro zone overall is rated as positive is largely attributable to the continuing upturn in Germany. The German economy closed 2010 with growth of 3.6% and was almost back at the level before the crisis. As usual, German goods were in great demand abroad and again made Germany one of the biggest exporters. However, the crucial economic boost came from strong domestic demand: Gross fixed capital formation rose by 5.5% and public expenditure by 2.2%, while private households consumed 0.5% more than in the previous year. The business climate for trade and industry, which was already optimistic in the third quarter of 2010, improved further by the end of the year and makes German entrepreneurs look positively to the future. On the labor market, that meant only few firms used the instrument of short-time work and new hirings are planned for service and industrial companies. At the end of the year, the total number of people in employment was just under 40.5 million – an all-time record. The positive employment forecasts across the board indicate that consumption by private households will continue to ensure economic stability. The boom in the domestic economy also resulted in a relaxation of lending policy, making it easier for German enterprises to obtain financing for projects and investments from banks. The only exception was the construction industry.

Things went far better for the information and telecommunications (ITC) industry in 2010 than the year before. In the third quarter, the BITKOM Index, which is a good indicator for the ITC sector, stood at 67 points or a 10-year high. This mark was again surpassed in the fourth quarter, which is why most enterprises assume their sales will increase year-on-year in 2010 and expect growth opportunities for the fiscal year thereafter. Overall, sales in the ITC industry in 2010 rose by 1.4% to €142 billion, compared with a forecast of zero growth in the spring of 2010. In 2011, too, 84% of ITC companies anticipate rising sales and only 6% a decline.

In view of this good business trend, two-thirds of companies intend to increase their headcount. In this connection, the problem of a shortage of skilled workers is becoming more and more apparent. It is already an impediment for 52% of companies and will only be able to be solved permanently by a more long-term training policy at enterprises. In contrast, no problems are seen in relation to domestic and export demand, as well as financing conditions. Their influence as a market impediment fell steadily in 2010 and is generally regarded as being of minor importance for the first quarter of 2011.

Course of fiscal year 2010 for the euromicron Group

euromicron's long-term strategy of careful spending and at the same time making all technologies available at all German locations as part of the build-and-integrate phase so as to provide customers with the very best advice and support means that the company can actively leverage the recovery in the national economy and further expand its operational business.

We have succeeded in further reducing cost structures at the euromicron Group and optimizing its processes. Focusing on potential, some of which has only been partially tapped, to successfully enhance our earnings strength in the coming years is a key component of our intensive build-and-integrate phase. Integrating and bringing together highly specialized employees and locations to give a homogeneous local presence with extensive know-how in the entire field of network infrastructure was the key emphasis in the past fiscal year.

We remain true to the maxim of increasing expansion of technology, market access and market volume, as well as entering new, forward-looking markets and business segments, for example by addressing the growing requirements in the field of health and care.

To round out its integrated portfolio, euromicron AG acquired Avalan GmbH, Spiesen-Elversberg, along with its subsidiary GLT GmbH, Spiesen-Elversberg, under the notarized agreement dated December 28, 2010. This 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.

With the notarized agreement dated December 9, 2010, euromicron Holding GmbH acquired LEONI NBG Fiber Optics GmbH, Gmünd, Austria, which was renamed euromicron NBG Fiber Optics GmbH in December 2010, in order to strengthen euromicron in Austria and prepare for entry into the Eastern European market. euromicron NBG Fiber Optics GmbH is a full-line vendor in the FTTH market – from production, distribution to implementation of complex all-round systems – and has a presence in the Austrian and German market.

With the notarized agreement dated December 9, 2010, euromicron Holding GmbH acquired Leoni WCS Benelux B.V., SV Amersfoort, Netherlands, which was renamed WCS Fiber Optic B.V. in December 2010. 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.

With the notarized agreement dated January 12, 2010, internal consolidation was continued with acquisition of the remaining 20% of shares in NetWays Netzwerk Consulting GmbH, Ettlingen. 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.
By taking these steps, we have managed to implement within euromicron South a powerful system house unit that masters all technologies based on fiber optics or copper and can offer customers ideal service from a single source.

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 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 option to purchase them. The period for exercising these rights was contractually redefined in fiscal 2010 as being January 1 to December 31, 2012.

In 2010, we launched measures to optimize the IT systems we use as part of our organizational development activities.

The preparatory basic work on standardizing process flows and definitions throughout the Group was largely completed in the year under review and will be implemented further in the integration phase.

Sales and earnings strength improved further in both the report segments North and South in 2010. The companies are profiting from the still great need for large carriers to invest in expanding high-speed networks and for industry to modernize its data transmission systems so as to remain competitive.

Our prudent and foresighted cost awareness, permanent process adjustments and constant optimization in the past enabled this success. A proactive cost-cutting program was launched at the start of the past fiscal year to secure our forecast results and had a positive impact on safeguarding our positive earnings performance.

euromicron's internationally based companies and units in Italy, Poland and France were able to confirm their sales and earnings targets.

euromicron austria completed its restructuring process in 2010 and obtained all the certification necessary for its network business. As a result, the company has laid the foundation for a successful future. Penetration among key accounts in the Austrian market was achieved in the past fiscal year, but the sales generated were not yet able to cover the cost structure.

We have specifically strengthened our operations in Austria by acquiring euromicron NBG Fiber Optics GmbH in Gmünd and can now offer customers competent consulting and support in all matters relating to copper and fiber-optic networks.

To enable the euromicron Group to keep on developing successfully, we will – as in the past – ensure lean cost structures and counteract potential critical economic developments at an early stage by means of rationalization and cost flexibilization.

Share price and investor relations
euromicron's shares, which are traded in the Prime Standard, began fiscal 2010 at a price of €15.66, sharply up on the previous year (€9.98). Following a moderate showing in the first quarter, the share performed strongly as of the second quarter, and this was also not impaired by the capital increase in 2010. Instead, the share grew in stability over the year, was constantly above €20.00 as of the fourth quarter and closed the year at €21.60, almost 40% higher than the previous year (€15.60). As a result, euromicron AG's market capitalization was more than €110 million (previous year: €73 million).

euromicron conducted a capital increase on May 7, 2010, to strengthen its equity ratio and give it economic flexibility. A total of 465,999 new shares were placed on the market at a price of €16.50 and the number of shares increased to 5,125,999. As a result, the company acquired liquid funds of around €7.7 million and its capital stock increased by just under €1.2 million to €13.1 million. This issue did not impact earnings per share. Thanks to the excellent fundamentals of euromicron AG, EPS rose by 10% to €2.38. On the basis of the number of share in 2009, that would be equivalent to an EPS of €2.55, a year-on-year increase of 17%.

The growing attractiveness and increased awareness of euromicron's shares on the capital market was also reflected in the increased volume of trading in them. Whereas the volume of traded shares in 2009 was 1.9 million, it soared to more than 6.2 million in 2020, with total turnover of €115.8 million. This development was underpinned by talks with investors and roadshows where the Executive Board of euromicron nurtured intensive contacts with lenders. Direct contact with the capital market also enabled smooth placement of our treasury shares in November 2010, when the remaining 157,234 shares were sold on the stock market at an average price of €21.00. The gross proceeds of €3.3 million from the issue were used among other things to fund the company acquisitions at the end of the year. Around 30% of the traded shares held last year by Wysser Pratte, AvW and Nord LB were also replaced inconspicuously and beneficially to the share price.

The response of the capital market made it clear that investors value in particular the reliability and long-term management strategy of euromicron. Continuing our unbroken dividend record, we distributed half of the profits generated in fiscal 2009. The other income was used to drive operational issues.

As a medium-sized high-tech company, euromicron AG benefits from the trust of national and international investors in the German stock market, where excellent returns can be earned at comparatively little risk. euromicron's share price should also profit from that in the coming fiscal year.

Overall, the recommendation to buy our share issued by the analysts from Close Brothers, Bankhaus Lampe and equinet confirm the existing capital market approach of euromicron's Executive Board; once again, euromicron has lived up to its reputation as an attractive investment in the small cap segment.

3. Net assets, financial position and results of operations

Due to the change in consolidated companies and the corrections in accordance with IAS 8, the following data is comparable to a limited extent only and in some cases differs from the figures reported for the previous year. The main effects from the changes in consolidated companies are additionally stated in the following. Reference is made to the explanations in the notes to the consolidated financial statements.

Assets and equity

The table below presents the asset and equity structure of the euromicron Group:

ASSET AND EQUITY STRUCTURE

	2010		2009*	
	€ m.	%	€ m.	%
Noncurrent assets	108.7	55.5	103.9	57.3
Current assets	78.7	40.2	68.9	38.0
Securities and cash	8.6	4.4	8.6	4.7
Assets	**196.0**	**100.0**	**181.4**	**100.0**
Equity	89.3	45.6	71.4	39.4
Long-term debt	25.5	13.0	28.8	15.9
of which: Financial debt	15.2	7.8	18.2	10.0
Current liabilities	81.2	41.4	81.2	44.8
of which: Financial debt	45.3	23.1	49.8	27.5
Equity and debts	**196.0**	**100.0**	**181.4**	**100.0**

* Previous year's figures corrected acc. to IAS 8

The euromicron Group's total assets at December 31, 2010, were €196.0 million, up 8.0% year-on-year. This increase is mainly the result of additions to the consolidated companies.

The increase in noncurrent assets is mainly the result of the growth in acquisition-related goodwill. This was €80.9 million at December 31, 2010, compared with €76.6 million in the previous year. The remainder of the increase in noncurrent assets is largely due to capitalization of development costs and the acquisition of machines at the production operations. The ratio of equity and long-term outside capital to assets is 105.6% (previous year: 96.4%).

As part of the current assets, inventories increased year-on-year by €3.9 million. This is mainly due to various projects that were not able to be completed in the past fiscal year. The increase among current assets in relation to trade accounts receivable is €5.4 million and results from the newly acquired companies. Since the business model of these companies means that they always record the largest volume of sales and invoicing in the final quarter of a fiscal year, trade accounts receivable inevitably increase at December 31 of every fiscal year. In the first months of the new fiscal year, the companies accordingly expect a large inflow of liquidity.

Working capital (current assets excluding securities and cash, minus current non-interest-bearing liabilities) was €42.8 million (previous year: €37.5 million) at the reporting date.

Equity at December 31, 2010, was €89.3 million (previous year: €71.4 million), a year-on-year increase of 25.0%. Key contributing factors to this were not only the net income for 2010, but also the issue of new shares and sale of treasury shares, which had previously been deducted from equity. Despite the higher total assets, the equity ratio at December 31, 2010, rose to 45.5%.

The seasonal course of business at our project and system companies means that the equity ratio on the reporting date is not an objective measure. Since the lion's share of the work that our project and system companies invoice at the end of the year is financed by interim outside capital, total assets always rise sharply at the end of the year, resulting in a reduction in the equity ratio. In the subsequent months, total assets usually fall sharply and so increase the equity ratio.

Long-term debt is below the level of the previous year due to the repayment of loans as planned. Among the current liabilities, trade accounts payable rose slightly as a result of the increase in business volume, while short-term credit lines at banks were able to be reduced.

The Group's net debt (financial debt minus securities and cash) at December 31, 2009, is €50.6 million, a sharp improvement over the previous year's figure of €58.2 million. In relation to this analysis at the balance sheet date, it should generally be taken into account that project financing is traditionally heavy at the end of the year. Payments by customers then mean a sharp reduction in net debt in January and February 2011.

Results of operations

In fiscal 2010, the euromicron Group achieved consolidated sales of €203.6 million, an increase of 13% on the previous year (€179.6 million). This is all the more pleasing because the growth we anticipated in the Austrian market did not materialize as a result of the very far-reaching and ongoing consolidation of the mobile communications market there.

Sales outside the German market were €29.6 million (previous year: €25.1 million), a share of 14.5% in relation to total sales.

As a result of its pleasing development and sharply expanded market footprint, the euromicron Group is growing in interest for strategic supplier alliances. As a result, grants of €3.0 million were obtained in the past fiscal year 2010. This item, which is reported under “Other operating income”, compensated almost fully for the special costs of integration from the build-and-integrate phase.

The euromicron Group’s total operating performance was €206.4 million, around 18% up on the comparable figure for the previous year of €174.4 million.

The largest expense item in the income statement of the euromicron Group was cost of materials at €107.3 million (of which from changes in the consolidated companies: €8.2 million). The ratio of cost of materials to total operating performance was 52% compared with 49% in the previous year. This increase is attributable to rigorous flexibilization of assembly cost structures, with a shift towards qualified subcontractors.

After cost of materials, personnel costs are the second largest expense item. Personnel costs in the past fiscal year 2010 were €54.2 million compared with €48.1 million in the previous year (of which from changes in the consolidated companies: €0.2 million). The main factor in this increase were the company acquisitions at the end of 2009, which were only included on a pro-rata basis in the cost structure of the previous year. In relation to sales, personnel costs fell to 26.6% (previous year: 26.8%). Given an average workforce of 1,011 in the year under review (excluding trainees), average sales per employee were €201.4 thousand.

Depreciation and amortization were €4.6 million, above the level of the previous year (€3.5 million). This increase is due to amortization of hidden reserves of newly acquired companies, as well as of development expenses.

Other operating expenses in 2010 were €24.6 million compared with €22.6 million in the previous year (of which from changes in the consolidated companies: €0.3 million). Vehicle and travel expenses (€6.7 million), rent/room costs (€3.5 million) and legal and consulting costs (€2.8 million) are the largest items within the other operating expenses. The other operating expenses relative to sales are around 12%, slightly below the comparable level of the previous year.

Earnings before interest and taxes (EBIT) were €20.1 million, an increase of around 23% over the previous year (€16.4 million). The EBIT margin relative to sales was increased to a pleasing level of 9.9% (previous year: 9.1%) and is at the middle of our long-term EBIT margin corridor of between 8–11%. Earnings strength is underpinned by permanent monitoring of cost structures.

Net financing costs were reduced from EUR € –3.0 million in the previous year to € –2.9 million as a result of improvements in cash management and despite rising market interest rates. With the exception of funding of the purchase price, changes in the consolidated companies did not have any significant impact on net financing costs.

The tax ratio is around 29.5% (previous year: 23.4%). The change is mainly attributable to non-recurring tax effects in the previous year.

The improvement in operating performance, coupled with permanent monitoring of cost management, meant that net income for the year was approximately €11.5 million, compared with €9.8 million the year before. Undiluted earnings per share increased from €2.17 to €2.38, despite the issue of new shares and sale of our treasury shares.

Overview of the results of operations:

RESULTS OF OPERATIONS

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

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

Financial position

The Group is in principle financed centrally through euromicron AG. euromicron AG is responsible for providing all its Group companies with liquidity. This is done through a central cash pooling system to which all Group companies are linked and in which the newly acquired companies are to be integrated. Internal financial equalization as part of a cash management system reduces the volume of outside funding. Centralization of financing strengthens the Group's position vis-à-vis banks and other market players and so makes an important contribution to optimizing the opportunities for obtaining and investing capital. Apart from financing through euromicron AG, individual Group companies have a number of small lines of funding, which are however insignificant in terms of volume.

At December 31, 2010, unutilized promised credit lines of €36.5million were available to the Group. These lines usually increase sharply as a result of the traditionally high cash flow in the first two months of the new fiscal year. The Group thus has sufficient liquidity reserves.

The Group's financial position for fiscal 2010 is as follows:

CASH FLOW ANALYSIS

	2010 € thou.	2009 € thou.
Net cash provided by operating activities	**8,479**	**14,225**
Net cash used in investing activities	**–5,980**	**–9,872**
Net cash used in financing activities	**–2,555**	**–5,891**
Net change in cash and cash equivalents	–56	–1,538
Cash and cash equivalents at start of period	8,628	10,166
Cash and cash equivalents at end of period	**8,572**	**8,628**

The net cash flow from operating activities was €8.5 million at the end of the year (previous year: €14.2 million). The net cash provided by operating activities fell year-on-year by €5.7 million, 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.

In contrast, the net cash used in investing activities fell by €3.9 million to € –6.0 million and the net cash used in financing activities by €3.3 million to € –2.6 million. The reduction in net cash used in financing activities is explicable among other things by lower purchase price payments for company acquisitions. The net cash used in financing activities fell despite extensive repayments of liabilities from the capital increase and sale of treasury shares.

The net cash and cash equivalents of the euromicron Group at December 31, 2010, were €8.6 million, i.e. at the same level of the previous year. The net cash and cash equivalents at the end of the period of €8.6 million allow the Group, together with unutilized promised credit lines, to continue its phase of consolidation in a sound position. As a result, the operational business of the Group companies is financially secure. Diversification in financing ensures that we retain a reasonable independence from the capital markets. We aim to maintain and intensify the trusted and fine cooperation with all banks.

New orders and order books

euromicron's new orders at December 31, 2010, were €205.6 million, around 10.3% up on the previous year (€186.5 million). Order books were €91.1 million, well above the figure of the past year (69.8 million). As a result, the system houses of euromicron in particular enter 2011 with well-filled order books.

Segments

Within the euromicron Group, a regional division of business dominates in accordance with the Group's internal management structure.

SEGMENT SALES

	2010 € m.	2009 € m.
euromicron North	103.6	88.1
euromicron South	109.0	99.2
euromicron AG and consolidations	–9.0	–7.7
Total sales	**203.6**	**179.6**

SEGMENT EARNINGS

	2010 € m.	2009 € m.
euromicron North	16.8	14.6
euromicron South	9.1	6.2
Operating EBIT	**25.9**	**20.8**
euromicron AG and consolidations	–5.8	–4.4
Total EBIT	**20.1**	**16.4**

The North segment was able to benefit from the good general economic conditions in the past fiscal year and increase its sales and EBIT year-on-year. Apart from the general economic situation, special topics – such as continuing expansion by Deutsche Telekom of its high-speed network – again contributed to this success. Demand from Deutsche Telekom in 2010 exceeded that in euromicron's top year 2009. Sales at the North segment were grown by 17.6% to €103.6 million. Its EBIT rose by some 15.1%.

The South segment increased its sales by around 9.9%, despite the continuing weakness of the foreign market. Its EBIT rose above-proportionately in relation to sales by 46.8%. This is mainly due to successful reorganization of the cost structure in Austria and Italy, as well as the successful acquisition of further companies.

With its operating companies, the euromicron Group posted further sharp operational growth in its EBIT. Operating EBIT was €25.9 million, some 24.5% up year-on-year.

In the remaining segment – euromicron AG and consolidations (central costs) –, the EBIT was € –5.8 million, compared with € –4.4 million in the year before. Apart from holding costs, merger and acquisition costs, merger costs and other non-recurring expenses and cross-segment expenses are allocated in this segment.

Summary

The net assets, financial position and results of operations show that the euromicron Group was in a good and solid economic position when the management report was prepared. Existing residual risks relating to the term of bank funding are permanently examined.

4. Employees

"An exceptional business needs exceptional employees"

We are committed to this belief and united in living up to the high standards of quality the euromicron Group demands of its products and services. Consequently, we are also fully aware that our company's success depends on highly qualified and motivated employees. We see ourselves as an employer who can offer its staff interesting challenges and tasks, as well as safe jobs and future-oriented opportunities to develop their abilities.

In fiscal 2010, the Group employed an average of 1,081 people (including 70 trainees), a reduction of 1.0% over the previous year (1,149 employees). The workforce at the "old companies" only changed slightly in absolute terms in the period under review. The main focus of personnel development at the euromicron Group is to qualify existing employees further through selective measures, as well as to prepare them for extensive activities. New staff is hired where additional expertise and know-how is required quickly and cannot be catered for by existing personnel.

As a network specialist with system house and production expertise, we need sales professionals who can deal with customers competently and confidently, but also boast high technical expertise. euromicron's existing portfolio, which is virtually a unique selling point on the market, makes very high demands in this regard, especially on the sales team.

In this respect, a sales trainee program launched in 2009 was successfully concluded in 2010. We have given 14 young and extremely motivated employees the chance to get to know euromicron's fields of competence and encouraged them to contribute their skills actively. In addition, we strengthened the members of our sales team for key account, as well as in regional and product sales, so as to position euromicron as a brand that stands for competence even more strongly in the market. The good economic situation in the past fiscal year also allowed our companies to continue to make selective new hirings and changes in the qualification structure.

As the euromicron Group steadily grows, so do the requirements demanded of our experts and managers. In order to give young employees the chance to grow into activities with management responsibility and give our tried-and-proven employees the opportunity to hone their managerial skills, we offer a special series of seminars that is intensively devoted to this topic and runs for a period of two years.

In order to strike a balance at our company between the competence of experienced employees and the high motivation of young people who want to learn, we give 84 young people the chance of practical vocational training at the euromicron Group. We regard this as part of our duty to shoulder social responsibility for training up-and-coming generations. In addition, the Group will satisfy growing demand for highly specialized experts not only by buying in services and knowledge, but also through its own qualification programs.

5. Market and Technology

“We develop the solutions needed tomorrow today.”

The race to catch up in past years has been successful: The German market for information and telecommunications technology (ITC) picked up sharply in the second half of 2010 – and so achieved the turnaround. As a result, the association for this high-tech industry, BITKOM, revised its forecast from the spring upwards by 2% and put the volume of sales in the ITC market in Germany – the euromicron’s Group’s main market – at around €142 billion.

Consequently, in 2010 ITC maintained its key importance as an economic factor and innovation driver in Germany and internationally. The ICT industry is the most important source of growth in productivity in the European Union, accounting for around 40% in this area. According to the OECD, it generates some 10% of the EU’s gross domestic product and is one of the largest sectors in terms of sales volume. 840,000 people work in ITC throughout the EU, plus around a further 650,000 ITC specialists in users’ sectors.

The leverage effects are thus considerable, since ITC technologies do not only drive growth and employment in the German and European economy, but also innovation in other sectors, such as the automotive or metal industry. That is evidenced, among other things, by rising ITC exports and applications at the European Patent Office: A quarter of all patents now come from the ITC sector.

Good mood in all IT areas
The positive market trend in the past fiscal year is also reflected in the mood in the high-tech industry: The BITKOM Index rose in the fourth quarter of 2010 to 69 points, the highest mark since this measure of industry sentiment was launched in 2001.

Following a 4.4% drop in the previous year, the market for software and IT services (outsourcing, IT consulting and maintenance) increased in 2010 by 1.7% to €46.7. In this connection, the strongest boosts came from the introduction of new operating systems and cloud computing.

In cloud computing, IT applications, storage or computing power are used in real time over data networks (in the “cloud”) instead of on local systems. Experts assume that cloud computing will trigger considerable additional investment in the coming years, since it will give rise to completely new business models and services that in turn will significantly bolster the presence of IT and IT-based services in professional and private life. The BITKOM association estimated the market for cloud computing in 2010 at €1.1 billion and estimates annual growth rates of 48%. As a result, this technology will account for around 10% of total IT expenditure in Germany in five years’ time.

Sales in the telecommunications market were €63.6 billion, virtually at the same level of the previous year. Following a sharp decline in the previous year, sales of mobile phones and other terminal devices increased to €4.6 billion in 2010. In particular this market was boosted by high-end smartphones, which now account for a quarter of all mobile phones sold and 40% of sales revenue.

At the same time, the market for mobile data services grew, by 14% to €6.3 billion. The forecast in the spring of 2010 was just plus 8%. Sales from mobile phones calls remained under pressure, in particular due to the fact that the German Federal Network Agency reduced termination fees. The decline was 2.2% to €16.3 billion.

Business in entertainment electronics was surprisingly pleasing. Thanks to the World Cup and technical innovations like hybrid TV and 3D television, there was greater demand than anticipated, above all for flat-screen TVs. Consequently, BITKOM was able to revise its forecast for this market segment upwards for the second time. Sales of digital entertainment electronics thus rose in 2010 by 3.4% to €12.7 billion.

In the IT hardware segment, companies also profited from the general positive trend. Manufacturers of high-tech equipments have faced huge pressure on prices for years. In 2010, sales volumes of innovative devices like tablet PCs and all-in-one computers increased and so contributed to the good mood.

The foundation: Expansion of the fiber-optic network

Fiber-optic and broadband connections are essential so that many of these devices and related services can be used. In 2010, however, Germany lagged behind the European trend in fiber-to-the-home (FTTH). Consequently, Deutsche Telekom is now planning FTTH network coverage for more than 4 million households in the 50 largest cities for 2012. The euromicron Group is one of the pioneers in this market and is already cooperating closely with towns, cities and municipalities, utilities and private investors. Among other things, it was involved in planning and setting up the largest FTTH networks in Germany.

The importance of information technology is undergoing a rapid change and it already influences – visibly or invisibly – all areas of our life. Power distribution networks and the water supply, traffic guidance systems or healthcare, food supply or most of the world's financial transactions are hardly conceivable without information technologies.

In 1984, 1,000 devices were connected to the Internet – and by 2015 the number will be 15 billion, which will place extremely high demands on the IT systems and network infrastructures used worldwide. The euromicron Group has continuously built its expertise in this area over the past few years so as to be able to develop and establish solutions and applications in the various markets.

euromicron stands for next generation solutions

Our solutions and applications from the technological fields of communication, security, monitoring, testing and data centers aim to make everyone's life more secure and convenient and to make work more efficient and faster. They are founded on IP-based network infrastructures; some of them have been developed by the euromicron Group's own manufacturing companies or come from its partner network. All the products, services and solutions are either marketed by our distribution division or are implemented directly by euromicron's system houses.

The best e-solution is only as good as its underlying network infrastructure. That is our special strength: We deliver complex solutions assembled from a wide range of different areas of technology with the necessary infrastructure from a single source (next generation solutions) and so underscore our solution expertise and innovativeness, including in markets with a highly promising future, such as e-energy, e-home & office, e-health & care, e-security or e-mobility.

Solutions for specialized markets

E-energy (or the smart grid) denotes the optimization of electricity flows in grids of virtual combined power plants. New ways of flexibly controlling power consumption and integrated power storage units by means of state-of-the-art information networks open up opportunities for new online services and electronic marketplaces relating to the subject of energy.

The euromicron Group now supports suppliers of regenerative energy with extensive digital networking and optimization of power distribution systems by means of state-of-the-art information and communication technologies. As a result, the existing supply structure can be leveraged better, the use of renewable energies expanded and CO_2 emissions reduced.

For example, in 2010 we cooperated with vendors and operators of wind energy plants to develop customized concepts and solutions for operating the entire communications structure of wind parks. Further services, such as Video over IP or Voice over IP, access control and fire alarm systems or meteorological services, also increasingly use this data network for communication on the basis of euromicron solutions. Our range of products and services in the area of e-energy also comprises active and passive components, setup and maintenance of complex data networks, as well as support as part of reliable, effective wind park management.

The future market of e-home & office defines extensive digital networking and optimization of life and work through the use of state-of-the-art information and communications technologies. As a result, for example, everyday tasks are made easier, living becomes more secure and work becomes faster and more efficient. Unified communication solutions are just one of many offerings from the euromicron Group in this market.

As part of digital networking and in the wake of greater demand for bandwidth in the private and professional spheres, fiber-optic networks are increasingly being expanded right up to the actual user. FTTH (fiber-to-the-home) and FTTO (fiber-to-the-office) are synonyms for various endpoints (e.g. up to the office, cellar, distributing box or residential unit) in a fiber-optic network.

Pooling of euromicron's broadband network expertise means we can offer customers a one-stop shop for tailored solutions – from planning, construction to complete project management. In 2010, this extensive broadband expertise was complemented by an end-to-end product line around the central office system eFOS (euromicron Fiber Optical System) for FTTH.

The euromicron Group planned the expansion of high-performance fiber-optic networks for various public utilities in 2010. Establishment of technical rooms with passive technology in the various parts of towns and cities and blowing in further fiber-optic cables into the existing empty pipes can also create flexible prerequisites for fulfilling a wide range of different customer requirements. By creating a full-coverage fiber-optic network, public utilities thus ensure modern, future-proof broadband delivery that gives all households and companies access to cutting-edge means of information and communications, such as triple play offerings over broadband. The extensive FTTH expertise we have as a system integrator and manufacturer paid off here in particular.

Apart from cooperating with public utilities, the euromicron Group also implemented a broadband expansion project on behalf of one of the largest private fiber-optic network operators in Germany. It related to supplying 100 residential and industrial units with fiber-optic broadband connections, where data download and upload rates of 100 Mbit/s are now normal. The euromicron Group was responsible for all the planning and consulting work in this project.

Solutions for extensive digital networking and optimization of the health and care system thanks to the use of state-of-the-art information and communications technologies are grouped under the term “e-health & care”. Such solutions will enable the existing health and care infrastructure to be used better and more efficiently. Patients and people who need care will thus be able to remain as long as possible in their own home. Important information is made available to doctors and nurses on demand.

Ambient assisted living subsumes in this connection electronic ITC systems that assist elderly people or people in specific situations and help enhance their quality of life or safety and security. The market and demand in this arena are still being defined. Pilot projects still predominate and the introduction of new business models is still to come. The euromicron Group is playing an active role in these developments with its solution “mobile care center” and is one of the pioneers.

We are operating successfully in a large number of different ITC projects in the healthcare market. Our range of products and services is broad: For example, our subsidiary ELABO® equipped the central workshop for medical equipment at a university clinic with state-of-the-art networked workplaces. We supply patients’ beds and rooms with cutting-edge entertainment solutions and integrate voice, data and light call systems in flexible overall solutions for hospitals or nursing homes. That also includes linking the operating theaters and patients’ rooms to highly modern fiber-optic networks. Our subsidiary MICROSENS® connects the terminal devices, such as PCs or IP telephones, to such fiber-optic networks using its miniaturized switches, among other things in special clinics.

E-security denotes the extensive digital networking and optimization of electronic security systems by means of state-of-the-art information and communication technologies to create integrated and also mobile security solutions.

Thanks to mobile access to the network, alarm lists can be viewed, operating states monitoring, posting lists of employees and visitors shown and security-related videos played. Decentralized control of sensors and actuators, such as for opening local doors, turning on video cameras or activating and deactivating individual access terminals, is possible by means of IP communication.

The euromicron Group is a leading expert for security systems and applications and, in combination with its FTTX expertise, is also excellently prepared to cope with these new requirements in the market for security technology. For example, in 2010 we supplied one of our biggest customers, Fraport AG, with a leading-edge security concept as a model example of alerting technology at the new A380 terminal at Frankfurt Airport. In particular, the completely freely programmable access control and escape door control systems are innovations that give the airport maximum flexibility in managing its security systems. euromicron optimized the processes and application areas, ensuring smooth integration of the new facilities in the airport’s existing security infrastructure.

E-mobility and on-board services essentially relate to creating end-to-end data transfer systems for traffic control, intelligent control rooms and battery recharging and replacement stations that communicate with them, for example. In order to ensure acceptance of future electromobility concepts, the aim is also to develop and test customer-friendly billing and roaming models, onboard devices for providing information for drivers, and integrated navigation and car-2-car communications services.

Communication and monitoring solutions from euromicron and its subsidiary ELABO® are already in use today at control centers. An innovation for the e-mobility market from 2010 is the prototype of a testing system for charging columns for e-cars. Such solutions accounted for a major part of the drive innovations on display at the last Paris Motor Show.

On the way to the markets of tomorrow

In line with tomorrow's market requirements, we constantly review our portfolio of products and services. Consequently, development expenditure was increased significantly in both the North and South segments so as to specifically develop individual components into complete solutions for use in highly promising national and international markets. For example, switches, converters and CWDM/DWDM components are being developed under the MICROSENS® brand and put to dedicated use in the fields of transport, mining, military, industry and healthcare, as well as for carriers and data centers.

We continued to pursue our strategy unswervingly in 2010: On the basis of growth, innovation and specialization, we are developing cutting-edge integrated solutions with our own and third-party products. We achieve that on our own, by acquisitions, obtaining licenses or with the support of partner companies. On the basis of these principles, we are able to participate in the forefront of market trends at all times.

Outside Germany, euromicron stuck to its strategy of small and secure steps and positioned its portfolio successfully in various foreign markets.

In many individual projects, interaction between the different competences within euromicron produces a synergy effect for our customers, as solutions are able to deliver greater convenience, security and cost-effectiveness for them in their life and work. Many of the technologies we offer our customers in the individual future markets have been deployed in a "Store of the Future" set up by a major retailing company. The intelligent IP-based analysis and alerting system installed there by euromicron offers store operators, employees and customers many benefits when it comes to secure and quick shopping.

We already supply solutions for professional network infrastructures that are required in tomorrow's markets. As part of these "next generation solutions", the euromicron Group demonstrates its enormous solution expertise in the ITC market.

6. Compensation Report of the Executive Board

The General Meeting of euromicron AG decided on June 23, 2006, with a three-quarter majority that the details demanded in Section 285 Sentence 1 No. 9 lit. a) Sentences 5 to 9 and Section 314 (1) Sentence 1 No. 6 lit. a) Sentences 5 to 8 of the German Commercial Code (HGB) and relating to individualized disclosure of the remuneration of the Executive Board do not have to be provided for a period of five years. In the view of the company, individualization and a breakdown of the details does not provide investors with any substantial information due to the existing remuneration structure.

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.

There are no commitments to provide benefits that have been granted to a member of the Executive Board if he ends his work as a member of the Executive Board prematurely or at the normal time or that have been changed during the fiscal year.

7. Corporate Governance

In 2010, euromicron AG largely complied with the recommendations of the German Corporate Governance Code (2009 and 2010 versions). The exceptions, which are mainly due to the Company's size and business model and to preparations for future adaptations, are listed on the company's homepage at http://www.euromicron.net/investor-relations/corporate-governance-10 and can be read in the annual financial statements.

8. Disclosures in accordance with Section 315 (4) HGB (German Commercial Code)

a.) euromicron AG partially used its authorization to issue authorized capital to place shares with German and international institutional investors by way of the accelerated bookbuilding method. 465,999 shares with an entitlement to a share in profits as of fiscal year 2010 were placed at a price of €16.50 per share. As a result the subscribed capital now consists of 5,125,999 no-par value shares. The gross proceeds for the company were €7,688,983.50. As a result, the company's subscribed capital has increased by €1,191,397.47 to €13,105,397.47.

b.) Capital stakes that exceed 10% of the voting rights had not been reported to the company by the balance sheet date of December 31, 2010.

c.) The Executive Board is appointed and removed by the Supervisory Board in accordance with the Articles of Association in compliance with Section 84 AktG (German Stock Corporation Law). Amendments to the Articles of Association require the consent of the General Meeting.

d.) Powers of the Executive Board to issue or buy back shares:

The authorization to acquire treasury shares in accordance with Section 71 (1) No. 8 of the German Stock Corporation Law (AktG) expired on December 18, 2010. In December 2010, the remaining 157,234 treasury shares were sold, meaning that euromicron AG no longer held any of its own shares at the end of fiscal 2010.

e.) There are no significant agreements by the company as defined by Section 315 (4) Nos. 8 and 9 of the German Commercial Code (HGB).

9. Environment

euromicron not only attaches the very highest important to compliance with all environmental regulations, but also voluntarily sets self-imposed standards throughout the Group. As part of its fleet, euromicron deliberately attached importance to economical vehicles that meet the latest EU exhaust emission standards. Offices and workplaces have been equipped with energy-efficient equipment whose individual components are predominantly recyclable. As a result, the Group makes its contribution to achieving green IT. Production at the manufacturing operations is based on energy-saving processes, which includes for example computer-aided control of the standby switches or rollout of electric motors with higher efficiency classes. Consequently, euromicron's corporate philosophy, which is geared toward sustainability, is not only applied in its commercial operations, but also reflected in sparing use of natural resources.

None of euromicron's associated companies is subject to special environmental protection guidelines.

10. Postscript report / miscellaneous

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

11. Internal Control and Risk Management System

Legal background and definition of an internal accounting control and risk management system (ICS/RMS)
Stock corporations as defined by Section 264d of the German Commercial Code (HGB) are obliged pursuant to Section 315 (2) No. 5 of the same code to present the salient features of the ICS/RMS in relation to the consolidated accounting process in their group management report. The ICS/RMS comprises all principles, procedures and measures to ensure effective, cost-efficient and proper consolidated accounting and compliance with the relevant financial reporting regulations.

Fundamental regulatory and control activities to ensure proper and reliable consolidated accounting
The measures in the ICS at euromicron AG and the euromicron Group are geared to proper and reliable consolidated accounting and ensure that business transactions are recorded fully, promptly and in compliance with statutory provisions. They also ensure that stocktakes are carried out properly and assets and liabilities are carried, measured and reported accurately in the consolidated financial statements. The regulatory activities also ensure that reliable and transparent evidence relating to business transactions is available in the form of accounting documents.

Process-integrated and process-independent control measures form the main elements of the ICS at the euromicron Group. Apart from manual process controls – such as the “extra pair of eyes principle” –, automated IT process checks are also a key part of the process-integrated controls. This ensures that Financial Accounting is informed promptly of the status of all documents, which significantly reduces the risk of matters not being completely or correctly reported in accounting. The separation of functions and extra pair of eyes principle are prescribed in work instructions or have been implemented in some cases in the systems used. Strict compliance with these measures also reduces the possibility of acts of criminal intent.

Regular training courses make sure that employees at Accounting are informed of changes to the law that may have an impact on preparation of the consolidated financial statements. In addition, the text of laws and commentaries on them are available to an adequate extent.

Other control bodies, such as the Supervisory Board and independent auditor, are integrated in the company’s control environment with their process-independent auditing and monitoring activities. In particular, auditing of the consolidated financial statements and of the accounts presented by the Group companies included in the consolidated financial statements by our independent auditor form another main process-independent monitoring step in relation to the consolidated accounting procedure.

Specific accounting-related risks
A particular risk in relation to consolidated accounting is that the consolidated financial statements to be published contain errors that may have a significant influence on the Group’s financial position, net assets and results of operations. This risk exists in reporting unusual or particularly complex business transactions or other business transactions that are not routine and so have a relatively high inherent risk.

Other aspects
In preparation of the consolidated financial statements, Accounting is also dependent in part on data and information from other organizational units of the euromicron Group. Of particular importance in examining the intrinsic value of goodwill and other assets is the budgeting prepared by the respective subsidiaries in agreement with the Controlling unit of euromicron AG and approved by Executive Board. The treasury provides the data required for reporting derivate financial instruments in the balance sheet. The data, which is provided by other organizational units, is subjected to a plausibility check in Accounting and discussed with the affected units before being further processed as part of preparation of the consolidated financial statements.

euromicron AG assesses its associated companies on the basis of their earnings from operational activities and cash flow-based targets, among other things. The course of business is assessed during the year with reference to various key indicators, such as liquidity, profitability and comparison with budgeting. In the course of a fiscal year, three calculations on expectations with forecasts for the end of the year are conducted. However, far more criteria than pure key indicators are required as a basis for investment and business decisions in fast-moving technology markets and these are obtained through permanent monitoring and reviews. This is underpinned and assisted by the operational independence and responsibility of the Group companies. The company’s management also bases its decisions on analyses by the specialists and persons responsible who are involved in the process and have extensive market, product and sector know-how. A wide range of different evaluation criteria are used, tailored to the specific case.

The companies are accompanied permanently by Investment Controlling at euromicron AG; deviations are identified and countermeasures initiated immediately.

Risk strategy and general risk management
euromicron AG and its subsidiaries have an established risk management system based on statutory stipulations. The risk management system identifies and documents the main risks in accordance with their risk categories and assesses them as regards the probability of their occurring and the level of damage. The Group's management is notified directly if defined thresholds are exceeded. The risk management system is applied in standardized form at all associated companies and is an integral part of their extensive ongoing planning, controlling and reporting processes. This ensures that the Executive Board is informed promptly of all major risks and can respond suitably. The risk management system also examines the validity of the consolidated accounting processes. It is supported in this by a centrally controlled MIS system that is used throughout the Group.

Group-wide policies are in place to ensure compliance with consistent standards in the risk management system and consolidated accounting.

The risks that may have a significant influence on the financial position, net assets and results of euromicron AG are classified in the following categories in accordance with the risk management system:

- Markets
- Technology/R&D
- Products/projects
- Finances/liquidity
- Procurement
- Corporate

Markets
euromicron is dependent on positive economic trends in the Euro zone; the German market accounts for 90% of the company's sales and so is crucial to its success. Germany is also home to most of euromicron's subsidiaries, which are benefiting from current investments in communications, security and data networks. As far as can be assessed at present, the poor economic data in the Mediterranean countries will not have any direct impact on the company.

There are only very few business relationships outside the European economies, which is why distortions there should not have any direct effect on euromicron.

Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers so as to be able to offer top-quality products and services at competitive prices. Individual subsidiaries have a low degree of dependence on individual large accounts. This risk at the Group level is relativized, since no one customer accounts for more than 6% of total sales. The risk of nonpayment is reduced by factoring of some receivables from customers.

In order to enhance awareness of euromicron in the ITC market, both the Group and its individual subsidiaries attend trade shows throughout Europe to demonstrate their specialist know-how. Implementation of the integration phase at the system houses also harbors a not inconsiderable opportunity. This process has a time frame of several years and holds out the prospect of an enormous increase in value added, since end-to-end planning, consulting and implementation of complex network solutions is something that only few market players master. Integration will produce competitive units in the North and South segments, which can then cope better with market risks, yet be flexible enough to take up and implement market trends. The competitive advantage is clearly in short information and decision-making channels, as well as the possibility of constantly leveraging the development departments of euromicron Group's production operations. euromicron thus unites the flexibility of a medium-sized enterprise with the merits of a group.

Technology/R&D

Technology/R&D risks exist to the extent that leaps in technology may mean the loss of technological leadership. However, that applies to the Group only to a limited extent: euromicron's system houses and distributors can keep up with technological innovations without any problems because they have access to their own products and a diversified product portfolio from a wide range of different vendors for delivering customer solutions.

euromicron's customers demand that the production operations deliver top-quality, tailored solutions. To meet this requirement, euromicron's development departments endeavor not only to respond to technological trends, but also to occupy a pioneering role in research and development.

Products/projects

The market success of products goes hand in hand with the technology leadership described in the previous section. Constant orientation toward customers' needs reduces the risk of producing solutions that ignore market requirements.

There are other types of risk in project business. Projects are initially funded up-front by the system houses. If a customer does not meet its payment obligations when a project is completed, the result may be significant financial losses, depending on the size of the project. The Group as a whole is large enough to be able to compensate for payment defaults on a wide scale without jeopardizing its existence. Further project risks are errors in costing or inadequate order processing. That is why euromicron attaches extremely great importance to employing experienced, well-tuned project teams. This avoids a situation where errors in rough planning are made and are difficult to rectify later.

Finances/liquidity

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

Further financial risks of euromicron AG are the intrinsic value and earnings strength of the associated companies. All associated companies have access to the cash pool and so sufficient liquidity. Consequently, euromicron AG must ensure that financing of the associated companies through the cash pool also retains value. This is achieved by a permanent and standardized management information system that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

Results-oriented targets were set for all associated companies for fiscal 2010. By regular comparison of the planned and actual figures during the year and using three calculations on expectations for each period in relation to the final results for the year, we have been able in the past to make reliable forecasts for the current fiscal year. If it is discovered that one of the companies is in financial troubles, euromicron's lean structures enable quick and efficient countermeasures to be taken.

As in past years, euromicron's banks again regarded it as a strong and dependable partner in fiscal year 2010. None of the financial institutes stated that it intended to end or restrict its commitment at euromicron. On the contrary, euromicron AG had new opportunities to improve its financing structure.

The reasons for this good working relationship are the solid business results and the dependability of euromicron's Executive Board, and this is reflected in an excellent rating. Of particular importance is the statement by all of the financing partners that euromicron AG in its entirety is graded as a risk-free commitment. However, if one of the banks should withdraw from euromicron in future, the dense network of its banks gives it excellent prerequisites to compensate for that. At present, this means that euromicron AG's financing appears secure and represents a manageable risk.

euromicron's debt will also be suitably reduced, restructured and further optimized in 2011 so as to diminish the company's risk in terms of outside financing. This step ensures that the latent risk potential as regards financing remains limited.

In principle, the company wants to convert short-term lines into medium- and long-term ones. However, given that the conditions for long-term loans are currently far poorer, only limited debt restructuring is planned. The possibility of issuing a borrower's note loan has been examined since the fourth quarter of 2010.

Procurement
euromicron is still a vendor-independent system house that has cooperation agreements and nurtures active collaboration with various suppliers. In addition, goods are resold within the company by manufacturers and distributors to the system houses. Consequently, there is only a limited risk in relation to procurement.

Corporate
The departure of qualified personnel is a latent risk at a company with a broad technological lineup like euromicron. That is why the Group offers regular further training and development measures for its executives, experts and other staff. By gaining further qualifications, employees are motivated to assume more responsibility in their departments and demanding, varied tasks in their function. euromicron believes that professional and personal further development is key to a successful HR policy.

There are no legal risks from pending legal proceedings above and beyond current business. A tax audit for the years 2002 to 2005 was completed in fiscal 2010. The effects of it have been taken into account fully in the present financial statements. As far as the Executive Board is aware at present, this does not entail any financial risks for subsequent years.

In summary, it can be stated that, in the estimate of the Executive Board, the currently known risks will probably not have a significant influence on the Group's financial position, net assets and results of operations and so probably also no negative impact on euromicron's share price.

12. Outlook

As a result of the good economic data for Germany and rising demand in the exporting production sector, we expect to share in the further pickup in the market. We assume that the main economic drivers in Germany will invest even more in data transmission infrastructures after ramping up production capacities in 2010 in order to withstand the growing pressure to cut costs and fiercer competition.

As a result of the company mergers in 2010 as part of the build-and-integrate phase, we have now created the necessary general conditions, especially at the system houses, to provide customers with optimal consulting in all matters relating to solutions based on fiber-optic or copper networks and successfully accomplish projects.

Apart from permanent cost-cutting projects, we have invested in our employee structure with targeted personnel development measures in order to counter the impending shortage of experts and managers in Germany.

In our core markets, we expect a further increase in new orders over the past fiscal year. Shifts in individual sectors are possible, but are largely offset thanks to the broad setup of the euromicron Group in terms of its customers, industries and technologies.

Implementation of powerful networks for voice, data and video is not a luxury nowadays, but a necessity if enterprises do not wish to suffer sharp impairments in their performance and competitiveness.

We therefore expect that requirements for security, surveillance and alarm networks will increase significantly, since the focus is on protecting against attacks from the outside and the security needs of individual target groups. By moving into profitable niche markets, for example relating to enabling people to live with dignity in their familiar domestic environment and surveillance of criminals outside jails as part of the humane enforcement of sentences, we are positioning the Group for new and changing markets. As a result, we will be able to promptly detect changes in individual segments proactively and share in the growth of these markets from the outset.

euromicron does not generally compete with cut-price vendors from the Far East, but sets store by integrated quality, service and reliability and its philosophy of offering an overall concept geared toward solving customers' problems for all regional locations. The performance of past years show that our strategy is the right path and that customers appreciate this and are increasingly critical of the quality of low-cost vendors where security-related, cost-intensive or vital aspects of data networks of all types are concerned. We are confident that this perspective will continue to win through, even in difficult times.

Rigorous implementation of the build-and-integrate phase in the Group's strategy since 2009 will be continued in future with the goal of further value-oriented optimization of structures and costs.

A further positive effect apart from increased efficiency is greater organic growth, since one focus is to offer pinpointed, comprehensive customer care and support in euromicron's complete solution portfolio. We are pursuing this process and measure it in principle against the needs of the market and improved service delivery for our customers.

The strategic new acquisition in Germany in 2010 now gives us better market access in Saarland and the region in and around Luxembourg.

The strengthening of our commitment in Austria by the acquisition of NBG should enable us to achieve the turnaround in the whole region in the short term and to share in potential growth in the market in Eastern and Southeastern Europe.

In order to develop the company further, we have a balanced financing structure and improved balance sheet ratios, as well as sufficient free lines from our partner banks to press ahead with the next operational growth steps with working capital. In order to retain our solid equity base, the Executive Board is also planning to fund further expansion through a capital increase.

Among our existing financing partners, individual banks realigned their commitment to a future partnership in the past fiscal year and so increased our good rating considerably. All of them regard the greater financing needed for current business as a result of the company's new size and the possibility of assisting euromicron with other financial services and flanking us with professional financial support in our next strategic steps as an interesting challenge.

The euromicron Group is now regarded as an established company among the leading network specialists in the market and as an all-round provider of communications and security solutions with its own products or ones from well-known vendors. The value chain extends from planning, project planning, and execution to turnkey handover, as well as maintenance and service. We have the blanket coverage to offer customers any desired solution tailored to their needs. In addition, we are continuously examining new and lucrative market potentials so as to identify and leverage opportunities in the nursing, care and health market and in surveillance of persons by mobile communications. The focus here is on merging technology and the defined solution. We will also continue to actively review our portfolio, as well as take up innovative ideas and, where of commercial interest, develop them to market maturity.

Our objective for fiscal 2011 is in particular to establish the euromicron brand further in the market as a byword for high-quality services and high-tech products and for quality, solution-oriented expertise and know-how in all areas relating to network-based information, communications and security needs.

As in the past fiscal year, we will continue to carry out strong PR and investor relations work to support the share actively and give institutional investors opportunities for interesting investments that will be influential in the future of the company.

We assume that we will exceed the €220 million sales mark in the coming fiscal year as a result of systematic organic growth.

The acquisitions at the end of 2010 will be able to make an additional contribution if things go positively.

The EBIT return target at the Group level remains 8 to 11%. Following completion of the consolidation phase of build-and-integrate, the Group aims to achieve the €300 million mark for the years following 2011. This is to be assisted not only by organic growth, but above all by largish strategic investments or mutual investments in companies, as well as cooperation deals and partnerships.

We assume that, following successful completion of this development phase, the new companies can be expected to make only a slight contribution to earnings due to high non-recurring expenses and the costs of integration. Our goal is to consolidate our solidified EBIT return at a higher level of sales as of 2013. We assume that, provided the financial markets remain stable, a slight increase in interest rates will be offset by the planned repayment of loans. Consequently, we expect a net interest loss of between €2.5 million and €3.0 million.

In order to achieve its goals, the euromicron Group has promises of finance from the banks. As a result, the Group not only has a good and stable cash flow of its own, but an adequate financial framework to be able to achieve its objectives. We are in permanent contact with our partner banks and assume that the existing financial framework for the company will remain stable.

We feel certain that this path also reflects the interests of our shareholders and company as best possible. We will continue to work towards this goal in future.

If investors in euromicron AG indicate that they wish to replace a large number of our shares, our objective will be to find investors who accompany us for the medium to long term and do not seek short-term success. Crucial factors in our eyes will be for the investors to understand our business model, give management support in developing the group commercially and provide the company with the resources required for this.

With our business model, a secure basis for financing and a stable cash flow in conjunction with our still comfortable equity ratio, we are convinced that we are well equipped to secure the company's long-term development and also give our shareholders promising perspectives.

Summary

The Executive Board's overall statement is that it is optimistic of achieving the objectives set for euromicron AG and the euromicron Group in 2011.

We have used a number of opportunities in the past to gear the group to a secure future and believe we will be able to skillfully master the challenges in the market ahead of us. Future strategic investments will be pinpointed at responsible and continuous growth that supports a sustained increase in the value of euromicron AG and means the company remains attractive to new investors.

Nevertheless, the actual results may deviate significantly from the expectations and forecasts if one of the above, or other, uncertainties arise or the assumptions on which the statements were based should prove to be inaccurate.

Frankfurt/Main, April 20, 2011

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

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

Note (22)	2010 € thou.	2009 € thou.	Corrections acc. to IAS € thou.	2009 before corrections € 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.	Retirements € thou.	Change in first-time consolidation € thou.	Reclassification 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.

	Total	Due in			
		Up to 1 year	1 to 2 years	2 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.	€ 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				
			< 60 days	60–120 days	121–180 days	181–360 days	> 360 days
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ 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

			Value carried in the balance	
	Measurement category acc. to IAS 39	Book value at Dec. 31, 2010 € thou.	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

Single-entity Financial Statements (HGB)

Balance sheet as of December 31, 2010

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

ASSETS

	Dec. 31, 2010 EUR	Dec, 31, 2010 EUR	Dec. 31, 2009 EUR
A. Fixed assets			
I. Intangible assets			
Concessions, industrial and similar rights	840,566.14		941,207.83
		840,566.14	
II. Tangible assets			
Other equipment, operating and office equipment		103,634.00	340,185.39
III. Financial assets			
1. Shares in affiliated companies	114,393,672.95		94,664,517.40
2. Loans to affiliated companies	4,031,250.00		21,349,500.00
3. Other long-term equity investments	934,090.00		934,090.00
4. Prepayments	80,000.00		0.00
		119,439,012.95	
		120,383,213.09	118,229,500.62
B. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	27,644,105.09		27,790,840.55
2. Other assets	2,709,357.39		3,664,065.15
		30,353,462.48	31,454,905.70
II. Securities			
1. Treasury shares			2,446,961.37
2. Other securities		1,221,100.00	1,145,250.00
III. Cash-in-hand, bank balances		**985,145.52**	**2,028,582.83**
		32,559,708.00	37,075,699.90
C. Prepayments and accrued income		**65,700.00**	**64,440.00**
		153,008,621.09	**155,369,640.52**

EQUITY AND LIABILITIES

	Dec. 31, 2010 €	Dec. 31, 2010 €	Dec. 31, 2009 €
A. Equity			
I. Subscribed capital	**13,105,397.44**		**11,914,000.00**
II. Capital reserves	**70,198,177.22**		**62,846,665.45**
III. Revenue reserves			
1. Reserves for treasury shares			2,446,961.37
2. Other revenue reserves	6,433,729.53		4,257,045.49
IV. Retained profits	**7,947,218.67**		**11,044,909.23**
		97,684,522.86	92,509,581.54
B. Provisions			
1. Provisions for pensions and similar obligations	0.00		293,382.00
2. Provisions for taxes	0.00		286,999.81
3. Other provisions	571,322.61		447,822.61
		571,322.61	1,028,204.42
C. Liabilities			
1. Liabilities to banks	42,366,712.77		48,805,836.25
2. Trade payables	280,634.53		182,872.39
3. Liabilities to affiliated companies	735,087.13		2,432,674.52
4. Other liabilities	11,083,174.12		10,410,471.40
– of which from taxes:		54,465,608.55	61,831,854.56
€38,840.79			
(previous year: €369,802.57)			
D. Deferred tax liabilities		**287,167.07**	**0.00**
		153,008,621.09	**155,369,640.52**

Income statement for the period January 1 to December 31, 2010

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

INCOME STATEMENT

	2010 €	2010 €	2009 €
1. Income from investments – thereof from affiliated companies €3,016,841.63 (previous year: €3,452,728.55)		3,016,841.63	3,452,728.55
2. Income from profit and loss transfer agreements – thereof from affiliated companies €11,869,146.00 (previous year: €8,947,433.60)		11,869,146.00	8,947,433.60
3. Other operating income		1,859,677.85	1,076,436.29
4. Personnel expenses			
a) Salaries	−2,375,362.06		−2,369,123.68
b) Social security, post-employment and employee benefit costs – of which in respect of old age pensions €30,062.62 (previous year: €9,341.82)	−150,545.19		−117,767.81
		−2,525,907.25	
5. Amortization of intangible assets and depreciation of tangible assets		−124,229.37	−42,883.08
6. Other operating expenses		−7,664,508.30	−3,092,688.41
7. Income/reversal of write-downs from other securities and long-term loans		314,935.79	1,221,805.22
– thereof from affiliated companies €239,085.79 (previous year: €305,392.80)			
8. Other interest and similar income		6,467,268.93	1,219,924.16
– thereof from affiliated companies €1,289,636.04 (previous year: €1,149,121.31)			
9. Write-down of long-term financial assets		−3,939,633.92	0.00
10. Interest and similar expenses		−7,501,282.32	−2,700,600.92
– thereof to affiliated companies €255,423.35 (previous year: €223,306.35) – of which expenses from interest accrued for provisions €1,597.03 (previous year: €0.00)			
11. Result from ordinary activities		1,772,309.04	7,595,263.92

12. Income taxes – of which expenses from changes to recognized deferred taxes €16,889.74 (previous year: €0.00)		−365,796.60	−761,837.41
13. Other taxes		−1,437.00	−2,087.52
14. Net profit for the year		1,405,075.44	6,831,338.99
15. Accumulated profit		6,542,143.23	4,213,570.24
16. Net retained profits		7,947,218.67	11,044,909.23

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

The annual financial statements of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, as of December 31, 2010, were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and granted an unqualified audit opinion. The annual financial statements have been filed with Frankfurt/Main Local Court.

Five-year Overview of the Group

VALUES FROM THE INCOME STTATEMENT

	2010 € m.	2009* € m.	2008 € m.	2007 € m.	2006 € m.
Consolidated sales	203.6	179.6	164.6	136.5	115.9
Germany	174.0	154.5	134.0	115.4	106.2
Euro zone	26.0	22.6	24.0	17.3	6.8
Rest of World	3.6	2.5	6.6	3.8	2.9
EBIT	20.1	16.4	16.0	12.0	7.7
EBT	17.2	16,0	12.0	10.1	7.2
Consolidated net income/ loss for the period	11.5	12,0	8.1	7.0	4.4
Cashflow	25.0	17.2	12.0	9.0	5.9

VALUES FROM THE BALANCE SHEET

	2010 € m.	2009 € m.	2008 € m.	2007 € m.	2006 € m.
Current assets	87.3	77.5	75.8	64.9	48.2
Noncurrent assets	108.7	103.9	96.3	83.1	61.6
Current liabilities	81.2	81.2	70.0	50.2	38.1
Long-term debt	25.5	28.8	28.3	27.4	4.4
Minority interests	0.4	0.3	1.1	0.7	0.4
Equity	89.3	71.4	73.8	70.4	67.3
Total assets	196.0	181.4	172.1	148.0	109.8
Equity ratio	45.5	39.4	42.9	47.6	61.3

MISCELLANEOUS

	2010 € m.	2009 € m.	2008 € m.	2007 € m.	2006 € m.
Investments in intangible assets and in property, plant and equipment	4.6	6.5	4.1	4.7	2.4
Employees (annual average)	1,081	1,149	979	929	767

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

Highlights of 2010

Strong operating performance, high acceptance on the capital market

- euromicron and its subsidiary SKM Skyline GmbH launch the newly developed central office rack "eFOS" (euromicron Fiber Office System) for FTTH (fiber-to-the-home) cabling. This product innovation is premiered at the 2010 FTTH Conference in Lisbon.

- Broadband communication has a new name: euromicron. euromicron demonstrates its expertise, specifically in fiber-optic technology, at CeBIT 2010 under the slogan "Fiber to the X".

- euromicron implements a high-performance fiber-optic network for 1,500 buildings on behalf of NetCologne.

- euromicron adopts a capital increase without subscription rights from authorized capital. The proceeds are part of the framework for financing the company's growth and innovation program, for bolstering the capital structure, etc. DWS, Universal Invest and Allianz Global each subscribe to around 5% from the capital increase.

- euromicron continues to grow in the first quarter of 2010; its sales rise to €45.2 million, consolidated EBIT increases to €3.1 million and a dividend payment of €1.00 is planned.

- euromicron enters into a partnership with Häfele GmbH & Co. KG, Nagold, a German company that boasts a long tradition in the field of intelligent identification and locking systems.

- The General Meeting in the Auditorium of the Commerzbank, Frankfurt/Main, on June 17, 2010, votes in favor of the items on the agenda by more than 98%.

- euromicron turns in an exceptional business performance in the first half of 2010. Year-on-year, sales increase by 10% to €96.2 million and consolidated EBIT by 15.9% to €7.1 million. New orders and order books soar by 23% and 41% respectively.

The Supervisory Board thanks Dr. Willibald Späth for his purposeful and successful 10 years of work from 2000 to 2010 as Chairman of the Executive Board of euromicron AG in Frankfurt/Main, and wishes him continued skill and a lucky hand at all times at the company helm.

The Supervisory Board of euromicron AG congratulates Dr. Späth on his 10th year of service

- New investors change the look of euromicron's shareholder structure and give the share a long-term perspective. Nord/LB, Vatas Belgique and Wysser Pratte no longer hold any shares.

- euromicron takes over NEC's telephony business for Germany and so expands its know-how in VoIP and unified communications solutions.

- euromicron's share rises along with its business growth in the third quarter and EBITDA increases to €13.1 million.

- Leoni sells two subsidiaries to euromicron. They both intensify their cooperation above and beyond their successfully established customer/supplier relationship for the market of fiber optic-based network infrastructures (fiber-to-the-home).

- euromicron successfully completes sale of its treasury shares on the stock market. They were sold at an average price of €21.00 and so brought in proceeds of around €3.3 million.

- euromicron AG won an accolade from the Munich Strategy Group (MSG) and the daily newspaper "Die Welt". The best German small and medium-sized enterprises were ascertained as part of an extensive analysis of more than 1,000 companies. The ranking is based on two criteria: Average sales growth and average equity ratio in the years 2005 to 2009. Our company ranked 75th among the top 100.

Glossary

ADSL (Asymmetric Digital Subscriber Line).
A modulation method for transferring data on the analog two-wire copper line that has been used to date only as a simple telephone line for connecting an analog phone. This method has been specially adapted to the needs of Internet use, in which a small quantity of data (query command) with low speed (upload) is required for the query, whereas a large quantity of data (files) has to be transferred at high speed (download) for the response.

Assembling fiber optic cables.
Fiber optic cables are connected to one another by various methods using connectors and linked via couplings so that the light signal is transported with as far as possible none of the signal being lost. This creates optical fiber assemblies that are pre-assembled at the factory, are suitable for mounting, have the right length and the right connectors for the network components to be connected and that are supplied directly to the construction site or as a spare part for storage along with the associated measurement protocol.

Attenuation.
A characteristic feature of lines or coupling points – fiber optic or copper – that indicates their quality: attenuation describes the losses on the route (the signal's strength at the end of the cable compared with when it was fed in). It is specified in dB/km or dB.

Backbone.
The part of a network that connects the various components and subnetworks of a large network with each other. Since backbones bear the brunt of the data load, they are mostly constructed with a large bandwidth.

Bandwidth.
This denotes the transmission capacity of a voice or data connection, i.e. the volume and speed of transmission. It is therefore specified in bit/s. The greater the bandwidth, the more information can be transferred per unit of time.

BITKOM.
Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V. (German Association for Information Technology, Telecommunications and New Media); it represents around 1,000 companies from the IT and communications industry that generate more than EUR 120 billion in sales and employ some 700,000 people, accounting for almost 90% of the market. They include in particular equipment manufacturers and providers of software, telecommunications services and content.

BOS wireless communication (public authorities and organizations that perform security tasks).
Separate wireless systems for public authorities and organizations that perform security tasks, such as the police, fire brigade and emergency services. These mobile systems have to be expanded in particular in tunnels, garages, etc., due to the increased requirements for security in these areas and to ensure that emergency forces can be reached there.

Bot net.
The infiltration into a computer system of external software that then executes a different process or job on the computer and integrates it in the bot net, which in turn sends spam mails worldwide, for example.

Carriers.
Operators of communications networks that install, provide and maintain a network infrastructure for transporting various information, such as telephony, fax, e-mails, Internet data, TV programs, etc. Service providers lease these network capacities and provide their content to end customers with it. Before global deregulation in the telecommunications sector, network operation and related services were the responsibility of a single body and were the tasks of the national telecommunications companies. Today, these are also private wireless, metropolitan and cable network operators or providers, as well as radio and television companies.

Category 5, 6, 7, etc.
The transmission qualities of copper cables are defined by their shielding and quality. The requirements placed on the cable and so the maximum possible transfer rates are classified into categories in accordance with the relevant standards. The higher the category, the higher the transmission speed and capacity.

(Optical fiber) coating.
Optically transparent fiber optic material that protects the glass core from mechanical damage and, in combination with the core, enables data transfer as a result of total reflection.

Connector.
Mechanically detachable element for connecting two fiber optic cables. Two connectors are connected by a coupling with high-precision guide bushes.

Control station (process control center).
Part of a control center in which processes and/or rooms are monitored. All the signals in video surveillance, danger alerting, power control and other process-specific signals converge at the control station. Clear presentation of the signals on screens or large panel displays enables rapid response times. Since the control station is usually staffed around the clock, its design has also to take ergonomic requirements into consideration.

(Optical fiber) core.
The central, actual transmission medium of an optical fiber. The core diameter of a mono-mode fiber optic cable is only 9 µm. The entire optical fiber, including its coating, has a diameter of 125 µm, which is about the thickness of a human hair.

DSL (digital subscriber line).
General description for high-speed access based on the two-wire copper line (phone line) to the end customer (see also “Last mile”). Different variants of the transmission method are also called ADSL, SDSL, VDSL, etc.

eFOS.
eFos is the central office rack specially developed by euromicron for FTTH cabling. EFos optimizes flexibility, ease of use and functionalities for laying fiber-optic connections.

em-net®.
A cable system developed by euromicron on the basis of the EM-RJ® connector. Depending on the application, this cable system is assembled from the individual components with the variants of the EM-RJ® connector, an appropriate cable, patch or splice box, outlet box, etc., to create a complete end-to-end complete system, tailored to the application in question, with a high level of quality and a warranty to match.

EM-RJ®.
A new connector generation from euromicron for fiber optic connections that has two fibers with the size of a RJ-45® connector. The EM-RJ® can be used as a duplex connector for optical fibers and polymer optical fibers (POFs) and, in its hybrid version, can be used to transmit data up to category 6 via the standard RJ-45 copper connections, provide a power supply (for example power over Ethernet) and define encodings. As a result, the EM-RJ® can be used for a very wide range of applications.

Ethernet.
A medium-independent communication protocol standard (IEEE 802.3) in packet transmission. It denotes a protocol for coordinating simultaneous access to a transmission medium by different users. The term Ethernet denotes both the type of cabling and transmission methods or frameworks. Ethernet can be operated at 10 megabit/s (Ethernet), 100 to 1,000 Mbit/s (Fast Ethernet) and, more recently, 10,000 megabit/s – or 10 gigabit/s – (Gigabit Ethernet). The maximum speed achieved at present is 10 GE (10 Gigabit Ethernet). The 10 Gbit/s Ethernet variant 10GE (IEEE 802.3ae) has been standardized since 2002 and is the first Ethernet standard to be intended exclusively for transfer via fiber optic cable. In the meantime, these speeds have also been achieved with copper cables. Development work to achieve 40 Gbit or 100 Gbit is currently underway.

Fiber optic cable (optical waveguide).
Fiber optic cable is a glass or plastic fiber for transferring modulated light. It is distinguished among other things by its extremely high transmission capacity, which can be several terabits per second. Fiber optic cable is not sensitive to electromagnetic disturbances, is more or less interception-proof, and has extremely low attenuation values.

Fiber-to-the-building (FTTB).
This is actually the extension of FTTC to the building – usually the basement. From there, the connections are distributed further to the end user (FTTH).

Fiber-to-the-curb (FTTC).
Fiber-optic connection from carriers' local switching centers to the road junctions, from where the cabling to the buildings ("last mile") branches off.

Fiber-to-the-desk (FTTD).
Terminal device cabling in fiber optics technology in which the end system on the desktop is connected directly to an optical data network. Optical-electrical conversion of the signals is carried out in the end system. This is the FTTx solution that extends the furthest.

Fiber-to-the-home (FTTH).
External cabling in fiber optics technology in which fiber optic connections are established between the optical wide area network and the building cabling.

Fiber-to-the-office (FTTO).
Building cabling in which a fiber optic connection is led right to the cable duct directly near the office or workplace. A mini installation switch is usually placed in the cable duct, where optical-electrical conversion is carried out, and the end systems are connected with inexpensive copper patch cables.

Firewall.
A "protective wall" that is established by a special active network component between the worldwide and generally accessible Internet and a connected terminal device, such as a PC, router, switch, etc., or the local area network (LAN) connected behind it. A firewall is configured so that only information from password-protected permitted users can enter the Internet from the "inside" to the "outside", but not the other way round. A firewall therefore acts like a controlled valve.

FTTX.
A generic term for any type of broadband network architecture based on fiber-optic technology. X can be a placeholder for various user endpoints of the optical fiber, such as H for home, B for building or O for office.

Gerontotechnology (living at an old age).
Technology that enables elderly people to live in their familiar surroundings under their own responsibility and by their own. It covers any device, facility or technology for management of everyday life or supporting or caring for old people, in particular in the fields of communications and security, but also in medical engineering, technology for the handicapped and orthopedics.

GSM (Global System for Mobile Communication).
Initially a Europe-wide and now a globally established standard for a digital wireless system (termed D network in Germany in emulation of the analog C network) which works in the frequency range of 900 MHz (Germany: T-Mobile (D1), Vodafone (D2)) and 1800 MHz (Germany: e plus, O2). Also termed 2nd generation (2G). Apart from telephony, fax applications and data transfer are also possible, albeit at low speed (9,600 Kbits/sec.).

Intrusion detection and prevention system (IDS and IPS).
A hardware or software system for detecting or preventing attacks on a computer system or network, usually for systems that are connected to the Internet. In conjunction with a firewall, such systems complement each other and increase network security.

IP technology.
IP technology denotes digital data transfer based on the Internet Protocol (IP) or built on Internet standards. The Internet Protocol is the basis for, for example: IP telephony, IPTV and any type of data exchange over the Internet.

LAN (Local Area Network).
Local network, mainly for transferring data, but also voice and other electronic information. LANs are usually to be found in office buildings or industrial plants, but also as on-board networks on vehicles, aircraft and ships.

LASER (Light Amplification by Stimulated Emission Radiation).
A laser is a light source that emits coherent (light waves that oscillate in the same phase) and quasi-monochromatic and focused light. Today, lasers are the most important high-performance sources of light for the optical transfer of data using fiber optic cables. The data information is modulated onto the light signal of the laser and fed into the fiber optic cable at high power. An optical receiver at the other end of the fiber optic cable converts the modulated data information back into signals.

Last mile.
The point of telecommunication access to the end customer, i.e. the last part of the route in the telephone, data or radio network that is located between the last network node of the carrier and the socket within the end user's house. This is the two-wire phone line for the telephone network, the coaxial cable connection or satellite reception unit for the radio and television network, and modulation on the telephone line in accordance with the ADSL method (DSL connection) for the Internet.

Malware.
Malicious software with a destructive or criminal function, such as computer viruses (a computer program that spreads unchecked by itself, infiltrates a computer system passively, for example by copying files, causes damage there and multiplies via networked computer systems), worms (a computer program that multiplies activity, for example on a certain date, and has a similar damaging function as a virus), spyware (software that collects the personal data of a computer user and passes it on to third parties for commercial purposes) or Trojans (software disguised as useful programs that then covertly and secretly execute other functions on the computer).

MAN (Metropolitan Area Network).
A communications network typically set up within towns, cities and municipalities, for transmitting data, voice, TV programs and other electronic information.

Managed services.
Information and communications services that are performed for a defined period of time by a specialist provider and can be obtained as required. They comprise outsourcing services: from IT workstations, networks to operation of data centers.

Media converter.
A media converter converts electrical signals on the copper line into optical signals on the fiber optic cable. It enables, for example, coupling of cooper cables (twisted-pair cable) and optical fibers in an Ethernet network. As a result of direct coupling, existing twisted-pair cables can be extended beyond the limit of 100 m. Depending on the transmission method, distances of up to 2 km (multi-mode) or up to 5 km (mono-mode) can be bridged. If mono-mode fibers are used, distances of up to 20 km (mono-mode) can even be achieved.

They are also used in pairs for electrical decoupling by interpolation of optical fiber routes and so help protect against lightning strikes.

Mode.
The individual colors or wavelengths of a white light beam are called light modes. They can be sent great distances through fiber optic cable. Some fiber optic cable has a very small diameter large enough for only a single wave of light. Such fiber optic cables are called mono-mode or single-mode fibers, in contrast to multi-mode fibers.

Multi-mode fiber.
Fiber optic cable with a core diameter that is larger than the wavelength of the light. In multi-mode fibers, the different colors or wavelengths, also termed modes, spread out, traveling different distances along the fiber. Multi-mode fibers have a lower transmission range and so are used preferentially for local area networks (LANs) for networks in buildings.

Multiplexer.
Multiplexers concentrate (pool) several data streams or channels on one connection line. The data streams are distributed statically (passively), i.e. in accordance with the firmly set connection, unlike with switches or routers, where the data streams are distributed dynamically (actively). Electrical or optical multiplexing technologies are available (see also “Optical multiplexer” and “WDM”).

Network management.
This comprises administration, operation and monitoring of IT networks and telecommunication networks, among other things in terms of their configuration, performance and security. IP networks are frequently managed by means of SNMP (Simple Network Management Protocol).

Optical fiber.
Physical basis in the form of a glass fiber for transferring digital information using light as the carrier medium.

Optical free space transmission.
A transmission technique of a communications system in which the optical signals are transferred in free space (air) by means of infrared or laser transmitters and receivers over a distance of up to some kilometers. A free line of sight is required for this.

Optical multiplexer.
A passive optical component of a fiber optic network that simultaneously distributes the different wavelengths of a beam of light according to a prescribed setting (see also “WDM”).

Optical switches.
Active optical components for controlling light used as a means of transmission, for example at junctions in the transfer of optical data. Unlike the multiplexer, where the control is specified statically, the control can be changed dynamically with switches.

Patch cable.
A pluggable, flexible connecting cable between network distributors or transmission systems and between sockets and end systems. Patch cables can be produced using fiber optics or copper. They are used for flexibly bridging two cable ends and so “patch” these gaps in the connection. The first patch cable was used at the telephone exchange in manually setting up a connection (by the exchange operator).

Phishing.
Criminally motivated fishing out of identification codes such as PINs and TANs in Internet banking, for example. The unsuspecting user of an unprotected computer system enters an identification code that is intercepted and then misused.

Pigtail.
A connecting cable that is preassembled at one end, is ready to connect up and can be attached to the other end of a single glass fiber of a multiple cable by means of a splice in order to avoid the need to mount fiber optic connectors on site. It is mainly used for terminating exterior cables after they enter a building.

POF.
Polymer optical fiber. Fiber optic cables made of plastic that are easier to process and cheaper than glass fiber, but less pure and so can bridge shorter distances in lightwave transmission. POF is mainly used in industry and the automotive sector.

Power over Ethernet (PoE).
Terminal devices that are connected to a copper or fiber-optic based data network (Ethernet) are powered from this data connection instead of from an additional power supply unit. In particular in data networks based on fiber optic

cables, such a data and power supply connection can be created by means of a hybrid cable (optical fiber and copper wire in one cable). However, VoIP phones can also be supplied with power by this means.

ProfiLIGHT family.
A cabling system based on fiber optics for maximum performance requirements, analogously to the copper-based ProfiLINK family.

ProfiLINK family.
A fully screened cabling system based on copper for various performance requirements from 1 Gbit/s to 10 Gbit/s (ProfiLINK Design, ProfiLINK Modul and ProfiLINK multimedia) with a system guarantee of up to 15 years. Selection of the high-quality components of the system, system tests and certification of installers for the system are conducted by the euromicron subsidiary SKM Spezialkabel München GmbH.

Providers.
Companies that provide telecommunications services such as telephony (wireline and mobile), fax, Internet, TV programs, video on demand, etc. Such service providers usually do not have their own telecommunications network, but instead lease network capacities for transporting their services from carriers.

Quartz glass (silica).
Silicon dioxide in non-crystalline form. The basic material for the core of fiber optic cable.

RoHS.
(Restriction of the use of certain hazardous substances in electrical and electronic equipment).
A EU directive restricting the use of certain hazardous substances in electrical and electronic equipment. In particular, it affects the production of printed circuit boards containing lead and other soldered joints, but also in general promotes environmentally-friendly development, production, marketing and disposal of electrical and electronic equipment.

Router.
An active component of a data network that distributes the information which is split into individual data packets and does not necessary follow in sequence, dynamically (i.e. by control signals) within the network by means of route finding, forwarding and delivery. Switches in a voice network have a similar function.

SAN (Storage Area Network).
A communications network, typically within data centers and computer centers, that connects storage media, large computer systems and server farms with each other, often using Fiber Channel technology, since high-capacity, rapid “data channels” usually based on fiber optic connections are involved.

Security networks.
A general term for the network system that is used physically and logically for protection and surveillance of a room, building, grounds or a communications network and its critical components. Physical protection and surveillance denotes protection against fire, intrusion, unauthorized access, theft, vandalism and manipulation, as well as surveillance by means of fire alarms, video cameras, access codes, etc. Logical protection and surveillance denotes protection against hackers, viruses, unauthorized dial-in attempts, spams, etc., and the surveillance of data and control signals in a communications network by means of monitoring, log files, etc.

SFF (small form factor).
This denotes the design of optical components, specifically fiber optic connectors. A general designation for a low size.

Single-mode fibers.
Fiber optic cables with a core diameter so small that only one color or wavelength, also termed mode, is able to pass through it. Their manufacture is more complex and so single-mode fibers are more expensive than multi-mode fibers. Single-mode fibers have a higher transmission range than multi-mode fibers and so are used in wide area networks (WANs) to transport large volumes of data.

Smart home applications.
Smart home applications are solutions for the home using devices, systems and technologies that deliver greater energy efficiency, convenience, cost-effectiveness and security. The digital data required for this is increasingly exchanged using IP technology.

Smart meter/smart grid.
Smart grids are electricity grids in which various power generators and consumers are integrated and in which digital communication (in future IP technology) is to used to control, distribute and bill (smart meter) the amounts of electricity fed into or taken from them.

Smartphones.
Mobile end devices with multiple functions, such as telephone, e-mail, Internet browser, alphanumerical keypad, etc. Such a device is now familiar under the brand name Blackberry or iPhone; all well-known mobile phone manufacturers now offer such smartphones.

Splice.
Arcs of light and precision technology are used to splice together extremely fine fiber optic cables to ensure a permanent connection with no loss of data. This spliced transition point is generally termed a splice.

Splicing.
Permanent connection between two fiber optic cables achieved by either fusing, gluing, or mechanically joining the cables together.

Switch.
An active component in a voice network that establishes the permanent switched connection for transporting voice dynamically, i.e. in accordance with the dialing signal, within the network by means of route finding and forwarding. Large exchanges and small telephone systems have such a switching function and so are generally termed switches. Routers have a similar function in a data network.

Telecommunications technology.
A general term for the entire field of communications transmission. Historically, this sector initially included only transfer of voice and documents (telephony, telegraphy, fax). Increasing digitization has resulted in the transfer of data in the form of software files, e-mails, music, video, etc.

Triple play.
High-speed data transfer over the Internet, partly based on fiber optic cable, for the simultaneous transport of the three applications telephony (ISDN), surfing and telephony in the Internet and video or TV.

UMTS (Universal Mobile Telecommunication System).
A further development of the GSM standard, also termed 3rd generation (3G), in which the main focus is on mobile data communication (internet use and image transfer). Transfer rates of up to 2 Mbit/second are possible with this system.

URM®.
Short name for an innovative fiber optic cable connector system produced by euromicron AG: yoU aRe Modular. A fiber-optic structure with high packing density in the connector (four times greater than with SC duplex). Fiber optic cable connectors built as modules with up to 8 fibers, compatible with small form factor (SFF) design duplex connectors. Interfaces in the form of a mini patch field in the active components enable modular and flexible reconfiguration of the fiber optic connections in the backbone network without the latter having to be laid again.

VDSL (Very High Speed Digital Subscriber Line).
A DSL technology (see also “DSL”) that permits far higher data transfer rates over a conventional phone line than ADSL (see also “ADSL”). Transfer rates of up to 200 Mbit/s are achieved, enabling triple play applications, i.e. the simultaneous use of telephony, Internet and TV broadcasts over the phone line.

Video over IP.
Integrated transfer of video signals and voice and data information in digital form via the Internet Protocol (IP). Video over IP technology packages the analog video signals from the camera in small digital data packets that, like normal data, are then transferred over data networks by means of the Internet Protocol. As a result, video signals can be transferred over one and the same cabling system in addition to telephony and data.

Voice over IP (VoIP).
Integrated transfer of voice and data in digital form via the Internet Protocol (IP). VoIP technology packages voice in small digital packets that, like normal data, are then transferred over data networks by means of the Internet Protocol but over different lines and routes, and then combined back into "voice". Unlike traditional telephony, where a separate line for the voice connection is required for each call, the data network (Internet) can be used far more efficiently when voice is transferred in data packets over IP. As a result, a second network for pure telephony can be dispensed with.

VPN (virtual private network).
In the worldwide and generally accessible Internet, a logical separated subnetwork can be established by means of special active components so that it acts like a virtual private network (VPN) within the entire Internet. This virtual private network can then be protected so as to prevent external intrusion by unauthorized persons outside the VPN. The security zone created in this way within the generally accessible Internet is termed a "VPN tunnel".

WAN (Wide Area Network).
A wide network that connects together several small networks (LAN, MAN), for example from different countries, cities or locations, over large distances by means of cable, fiber optics or satellite.

WDM (Wavelength Division Multiplex).
A method of concentration (multiplex method) on electrical, optical or wireless-based connections in order to achieve better utilization of the available bandwidth of the transmission paths and minimize the transfer costs per individual signal. A distinction is made between the following methods:

SDM (Space Division Multiplex): Spatial separation of individual signals, for example on separate lines

FDM (Frequency Division Multiplex): Individual signals are modulated onto different frequencies

TDM (Time Division Multiplex): Individual, usually digital, signals are transferred chronologically after each other

CDM (Code Division Multiplex): Code words are assigned to the individual digital signals

DWDM (Dense Wavelength Division Multiplex): An optical Frequency Division Multiplex method with a very dense channel (signal) spacing

CWDM (Coarse Wavelength Division Multiplex): An optical Frequency Division Multiplex method with a wide (coarse) channel (signal) spacing; a lower-cost alternative to DWDM

WLAN (wireless LAN).
A radio-based transmission method that is usually operated in the license-free microwave band. Wireless LANs consist of radio cells in which users can log on in order to access the networks behind them. Several standards are currently new on the market, for example 802.11b (max. 11 Mbit/s), 802.11a (54 Mbit/s) or Bluetooth. All users of a radio cell share the bandwidth.

Financial Calendar 2011

April 21, 2011	**Publication of the Annual Report 2010 and Analysts' Conference**
May 13, 2011	**Publication of the business figures for the 1st quarter of 2011**
June 9, 2011	**General Meeting**
August 12, 2011	**Publication of the business figures for the 2nd quarter of 2011**
November 11, 2011	**Publication of the business figures for the 3rd quarter of 2011**

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In cases of doubt, the German version is authoritative.

Disclaimer on predictive statements

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

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