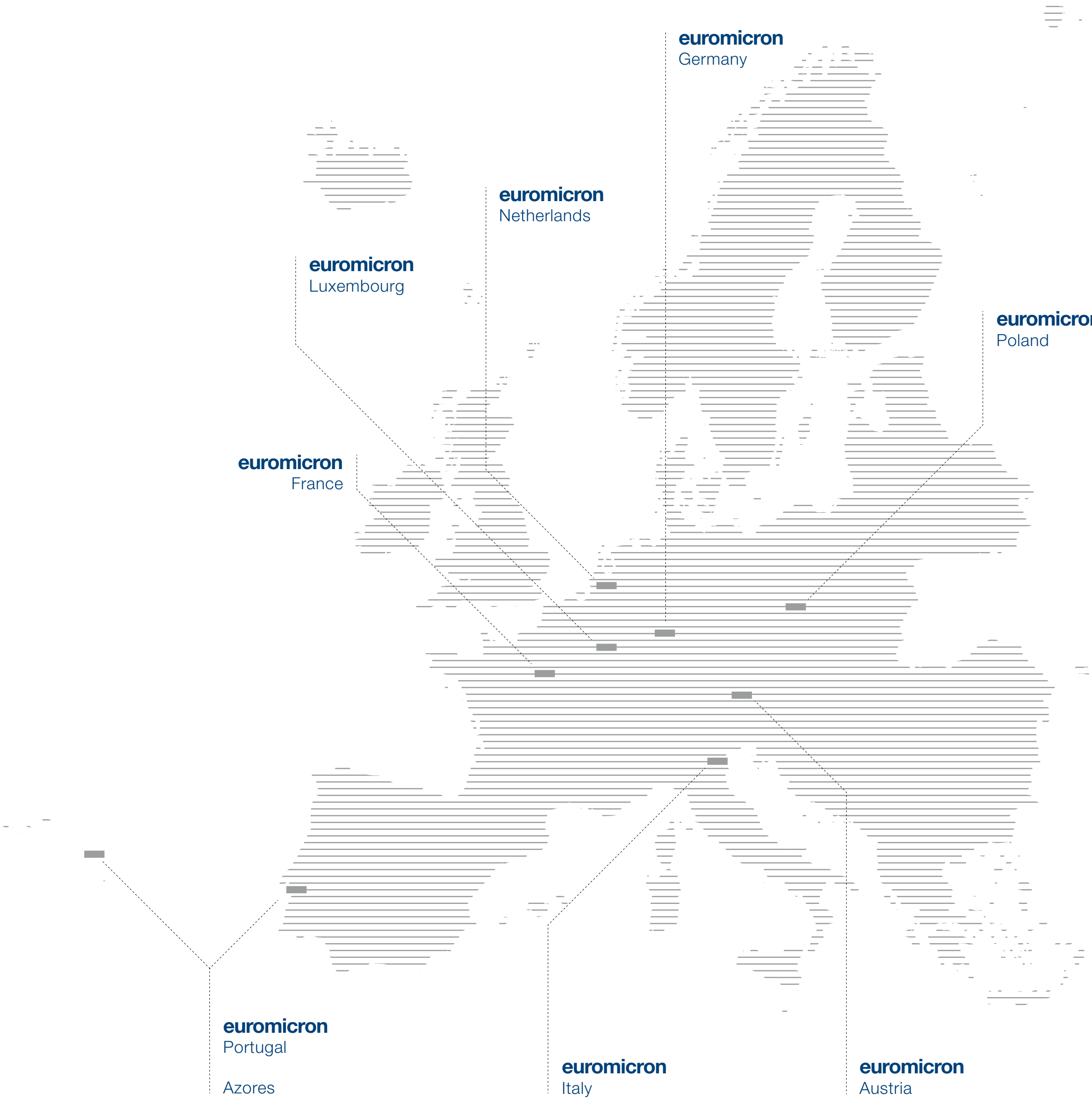
Annual Report 2012

euromicron Aktiengesellschaft

euromicron

euromicron 2012
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 and financial data
Group

Key figures

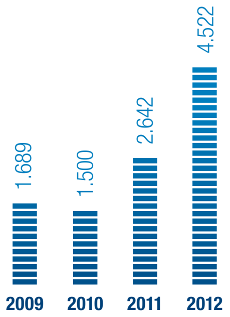
	2012 € m.	2011** € m.
Consolidated sales	**330.0**	**305.3**
Sales by division		
euromicron North	111.7	116.8
euromicron South	131.5	137.6
euromicron WAN services	102.8	66.8
Central services and group consolidation	– 16.0	– 15.9
Sales by region		
Germany	298.9	267.8
Euro zone	25.5	34.2
Rest of World	5.6	3.3
EBIT (operating)*	**23.0**	**30.0**
Consolidated EBIT	**17.1**	**24.2**
EBIT of the divisions		
euromicron North	14.5	18.9
euromicron South	0.5	6.9
euromicron WAN services	8.0	4.2
Central services and group consolidation	– 5.9	– 5.8
EBITDA	**25.0**	**30.7**
Consolidated net income for euromicron AG shareholders	**8.6**	**12.2**
Net cash provided by operating activities	7.0	0.5
Number of shares in circulation (thousands)	6,664	6,664
Undiluted earnings per share (in €)	**1.29**	**2.32**
Total assets	**283.9**	**265.2**
Equity ratio	**41.9 %**	**45.3 %**
Employees (number as an average for the year)	**1,699**	**1,455**

* Before holding costs

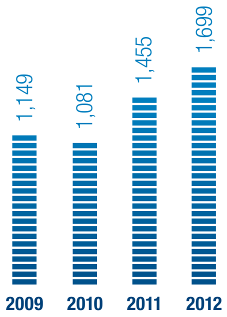
** Previous year's figures adjusted in part (corrections acc. to IAS 8)

Key figures for 2009 to 2012 – A comparison

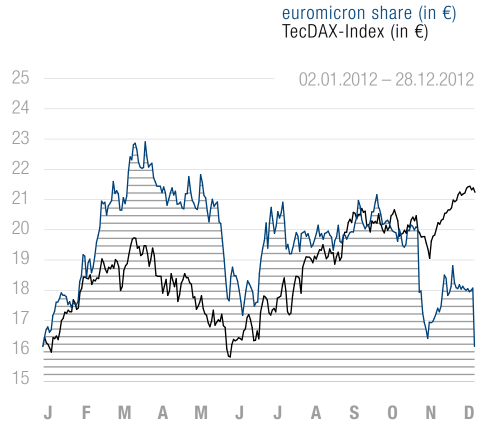
Capitalized development work
(in € million)



Employees (annual average)



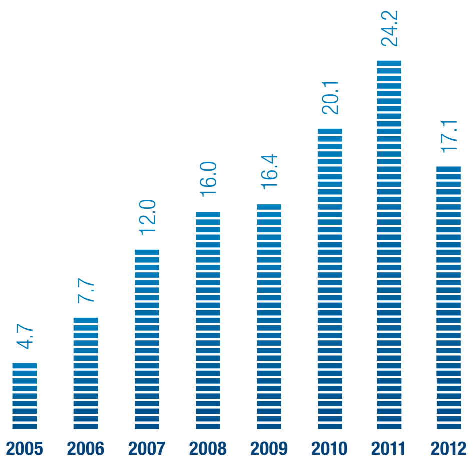
Stock Market Context



Sustainable and solid

euromicron has managed well in economic terms with the structural and integration measures implemented in 2012

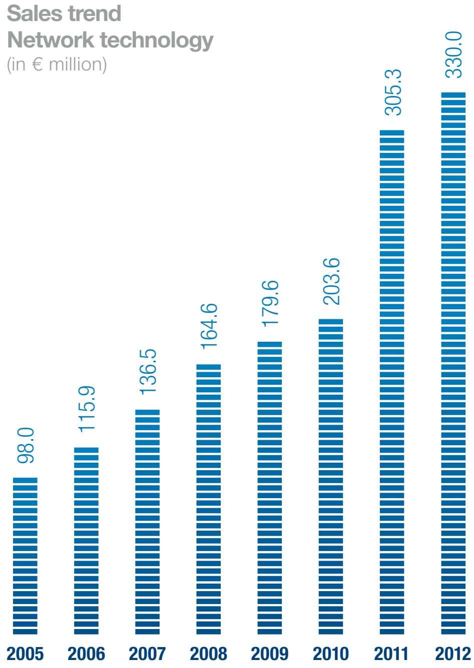
EBIT trend
Network technology
(in € million)



Growth targets achieved

The minimum growth target in 2012 was achieved as part of the integration phase

Sales trend
Network technology
(in € million)



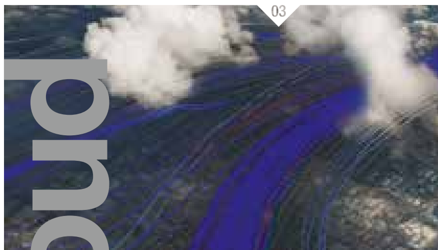
Solutions that go further.

On the basis of our network infrastructures, we combine future and success.

euromicron is the specialist group for planning and implementing state-of-the-art, future-oriented network infrastructures. Under our roof, we unite in-depth know-how and vendor-independent solution competence in communication, control and monitoring in the Gigabit age.

Our customers benefit from precisely tailored solutions, products made in Germany and our comprehensive footprint. As a result, we make them fit for competition in their specific sector and support them in leveraging new business models. On the basis of powerful broadband networks, we build the data highways they need as they move to a successful future.

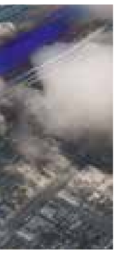
Contents
euromicron Annual Report 2012



To our shareholders

The company

Group Management Report



Consolidated Financial Statements (IFRS)

Single-entity Financial Statements (HGB)

More information

"Integration and new structures create the conditions for further growth."

Dr. Willibald Späth
– Chairman of the Executive Board

Thomas Hoffmann
– Member of the Executive Board

Foreword by the Executive Board
Fiscal year 2012

Dear shareholders, dear readers,

Following completion of the buy and build phase, fiscal year 2012 marked the start of our 2- to 3-year build and integrate phase. This first stage of integration was brought forward and, due to the acquisition of telent in 2011, had become necessary in order to adapt the Group to the new general conditions as quickly as possible. As planned, we put the strict focus of our activities to develop the company on optimizing and consolidating its corporate structures and processes from the start of the integration phase onward.

Our aim is to prepare the company for the next phase in its growth and to give it a professional setup. In 2015 we plan to achieve the final stage of our 15-year strategy of achieving annualized sales of €500 million. So that we can cope with this ambitious growth, it’s vital for us to adapt structures, optimize processes and costs, reorganize business and make our organization even more professional – in short, to put the company on a new foundation.

In view of that, we have launched a large number of measures in fiscal 2012 as part of the “Agenda 500”, i.e. at the start of the third 5-year phase in the corporate strategy. They range from location optimization, reorganization of management structures at our operating companies, expansion and modernization of our IT landscape, investment in product innovations, professionalization of our sales team, initiation of Competence Centers, the setup of operational controlling units to establishment of a compliance organization.

These extensive measures have resulted in total integration costs of around €4.5 million. The quality of our earnings – with a consolidated EBIT margin of 5.2% – is lower than in previous years as a result. Nevertheless, we achieved our minimum sales growth target.

After buying telent, we planned for a decline in the quality of our EBIT to a maximum of 7% and so a lower share of high-margin manufacturing business relative to total consolidated EBIT in the integration phase 2012 to 2014 and also communicated that. This trend was bolstered in 2012 by the unforeseen drop in high-margin delivery business as a result of investments being deferred, in particular by the telecommunications industry, and consequently an operationally weak 2nd half of the year.

Nevertheless, we did not slacken our pace in implementing the planned integration measures in the course of the year and will continue them in 2013 with undiminished energy so as to prepare our company for further growth. euromicron has come to terms well with the structural and integration measures implemented as planned in 2012 and posted respectable figures. We are thus investing in the company's sustainable development and – as in the first 10 years of building the company – will benefit from that long term.

The fiscal year in numbers

2011, with its record sales of €305.3 million and acquisition of telent, was always going to be hard to beat in 2012. Despite its focus on integrating and structuring and lower willingness to invest in the European economy, euromicron was able to surpass the exceptionally strong figure of the previous year by around 8%, generating sales of €330.0 million as of December 31, 2012. As a result, we were able to achieve our envisaged minimum growth target. Total operating performance even rose by around 10% to €329.8 million. Allowing for non-recurring expenses for integration of around €4.5 million, earnings before interest and taxes (EBIT) were €17.1 million. In view of that, EBITDA was as expected €25.0 million (previous year: €30.7 million). Our company's liquidity and net debt were kept stable despite non-recurring expenses and the costs of integration. In absolute terms, equity is also at the level of the previous year.

Share and dividend policy

euromicron's share matched the performance of the indexes in the course of the year and, after a top start to the first quarter, proved itself to be stable on the capital market in the further course of the year.

A new era for our share began in March 2012 with euromicron's admission to the TecDAX. We attribute this positive development to our long-term strategy of winning over customers with good services and outstanding know-how. After all, only a company that offers impressive economic achievements can reap a positive response on the capital market in the medium and long term.

Our sustainable strategy and further rounding out of our technological and employees' expertise have been rewarded by the capital market in 2012 and beyond. As for many years now, the analysts' recommendation for the euromicron share is: Buy.

In line with our continuous financial policy, we have decided to adjust the dividend payout in the years of structuring and integration in order to ensure that we have the financial flexibility we need on our way to becoming a €500 million company. After all, we want our company to grow sustainably – and for us, that includes a relative reduction in net debt, strengthening of our equity structure and safeguarding our good rating as the foundation for cooperation with our financing partners.

We assume that, following the operational structuring phase, the phase of strategic integration of the Group can be accomplished on a strong economic foundation and that, after the years of integration 2012 to 2014, we can again attain our previous quality of earnings and dividends.

Optimization, specialization and professionalization

Dear shareholders, since the beginning of euromicron AG's restructuring in 2001 we can look back on very successful years and also intend to capitalize on our opportunities uncompromisingly as part of the Agenda 500. In the first year of core integration, we therefore worked intensively on our structures in order to make the euromicron Group even more powerful.

We are benefiting now from increases in efficiency and standardization of processes. We are now able to serve any customer and handle any order, totally regardless of size and scope. We already have efficient structures for handling major orders and supporting key accounts. However, as a medium-sized group we are still an ideal partner for small and medium-sized companies that want sophisticated, tailor-made solutions. In such important areas of maintenance and service of all available technologies, we also leverage extensive strengths resulting from our Group's diversity of competences and special structure. As a provider of all-round solutions, we have also built up comprehensive application know-how and can offer our customers future-proof solutions.

Our value chain is deep – and that will prove its worth in the long run. As part of our innovation drive, we successfully launched the latest generation of our FTTO switch, the SFP transceiver for potentially explosive atmospheres, the Primus One® and the ProfiLINK K6A module in 2012 alongside our integration activities. The long-term development activities and the expertise we have built up at our company are paying off here. Without a doubt, one of our dominant trademarks is still our vendor independence. Our Group unites great specialist know-how and certification for all relevant manufacturers to the benefit of our customers.

By broadening the Group's competence, we round out our know-how and skills in specific predefined niches. In this connection, we acquired three such small specialist companies in 2012: ANS GmbH, RSR Datacom GmbH und Co. KG and Stark- und Schwachstrom Montage GmbH. With their qualified employees, excellent access to customers and markets, regional focus and specialist know-how, these companies are an ideal complement to the portfolio of our system houses. With ProCom, the subsidiary of RSR Datacom GmbH & Co. KG, we also have a further production company in the Group and so deeper know-how in the field of public address systems and intercom systems, as well as access to the Chinese and Russian markets.

Our success model is the medium-sized group. It is distinguished by lean structures and a lot of personal responsibility at the companies. Nevertheless, we have now attained a size that demands a greater degree of overarching structures. We therefore established such an overarching structure for the first time in 2012 in the shape of the URM® Competence Center. Whereas the URM® Competence Center pools all operational business tasks relating to this specific euromicron solution for data centers, we have set up euromicron networks GmbH as an operational controlling unit to enable higher-level structuring of our system houses' business. As a result, we support every single one of our system companies in successfully achieving their objectives and make our know-how available throughout the Group.

Picking up plaudits

Awareness of the euromicron brand keeps on growing: our continuously good performance and technological expertise are acknowledged by experts and on the capital market. There is no competitor in our market who has a comparable lineup and has similar know-how in such a breadth and depth.

In 2012, euromicron won certification as a "Top Business Partner" from the German business community for the second time in a row. The independent rating agency Hoppenstedt Kreditinformationen GmbH has confirmed our company's excellent creditworthiness with the top mark 1 in its credit rating. Only 4.8% of German business enterprises were able to achieve that rating.

euromicron was acknowledged for the third time in a row in the top 100 ranking of German small and medium-sized enterprises conducted by the Munich Strategy Group (MSG) and the daily newspaper "Die Welt". The ranking assesses the strength of a company's growth and earnings. euromicron climbed from 61st to 32nd and so is again one of the most successful German SMEs in 2012.

Outlook

Our goal in 2013 is to keep on focusing on integration of our company. As part of that, we will further expand the measures launched in fiscal 2012 and flank them with appropriate adjustment of the cost ratios and programs aimed at increasing efficiency. The objective of these efforts is to put our company on a new structural footing and equip it with viable structures for future growth and the necessary agility.

In adapting our organizational structures, we intend in particular to expand the Competence Centers we have established. Our aim here is to tackle important future topics, such as active technology or data centers, pool them in the overall organization and make them available comprehensively. Our aim is to let specific functions – such as IT or Purchasing – act as a service function, a shared service center, in future.

In addition, we will devote greater attention to structuring our international activities in 2013 and subsequent years. In addition to our own branch offices or companies in countries such as Poland, France, Austria and Italy, we transact international project and procurement business. We aim to organize these in some cases isolated activities so as to leverage existing potentials systematically.

To round out our technological know-how, we will continue our strategy of acquiring specialist enterprises in order to further supplement the integration phase 2012 to 2014. To this end, we have already trained our sights on 3 to 4 smallish companies whose performance we are currently observing and whose competences represent a sensible complement to our portfolio.

We expect brisk investment activity in our main market of Germany in 2013. However, the signals coming from strong European economies, such as France and the UK, tend to be muted at present – a few clouds can be seen on the horizon there. That also goes for the global economy, which got off to rather a weak start to the new year. Especially because of the risks, we are continuing apace to consolidate and optimize our internal processes and structures so as to be prepared for all developments and ensure that our earnings base remains solid, even in weaker phases of the economic cycle.

Being better than others is the right strategy to remain on the path to growth and success, even in trying times.

The growing number and quality of digital end-user devices in Germany is impressive proof that our services are needed: In the medium to long term there will be a great need to expand and modernize high-speed network infrastructures with integration of the relevant applications. With a business model geared toward sustainable growth, our clear strategic orientation, our operational expertise and skills and a secure basis for financing, we are excellently equipped to steer euromicron through structural changes in the world of communications on its way to becoming a €500 million enterprise.

We are delighted that you are accompanying us on this path to a new plane and thank you for the trust you put in us.

Dr. Willibald Späth
Chairman of the Executive Board

Thomas Hoffmann
Member of the Executive Board

Report of the Supervisory Board
2012

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

Dear shareholders,

After the strongest fiscal year in euromicron's history in 2011, 2012 was shaped by structural and integration measures in order to prepare the company for its planned growth and, despite a downturn in the business environment, we were still able to post respectable results.

The Supervisory Board of euromicron AG discharged the tasks incumbent on it under the law, the Articles of Association, its bylaws and the corporate governance principles in the past fiscal year.

Cooperation of the Executive Board and Supervisory Board

The Supervisory Board worked with the Executive Board closely at all times in the year under review in managing the company and running its 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. The company's strategic alignment was coordinated and the progress of implementation of the strategy discussed regularly with the Executive Board.

The Executive Board regularly, promptly and comprehensively informed the Supervisory Board in writing and orally about all matters of relevance to the company relating to strategy and planning, development of its business and financial situation, including risks and risk management, and compliance. If there were any deviations between the course of business and the plans, they were discussed specifically with us.

The Supervisory Board was also kept informed by the Executive Board about the most important key financial indicators between the meetings. In particular the single-entity financial statements, consolidated financial statements and audit report were sent to the members of the Supervisory Board in good time before the meeting.

All necessary documents for taking a decision on matters requiring approval were submitted to the Supervisory Board in good time so that a resolution on them could be adopted. All the matters requiring approval were approved by the Supervisory Board after examination of the relevant documents and open discussion between the Executive Board and Supervisory Board and within the Supervisory Board. Where necessary, the Supervisory Board was asked to adopt resolutions by circularization so that expedient and prompt measures could be initiated.

In addition, the Chairman of the Executive Board personally informed the Chairman of the Supervisory Board about all important developments and impending decisions in regular one-on-one meetings and phone calls. Through the period under review, the Executive Board and Supervisory Board maintained in this way an open discussion with a view to ensuring good corporate governance and in such a way as to extensively safeguard confidentiality.

Focus of deliberations in 2012

The Supervisory Board and Executive Board held five meetings in fiscal 2012 – on March 27, May 24, June 10, September 19 and December 10 – at which it discussed in detail the company's planning, economic situation and strategic development, as well as the progress made in implementing the integration measures at the Group. All members of the Supervisory Board took part in each of these meetings.

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

- Operational planning for fiscal year 2012
- Acquisition policy and integration of the acquired companies
- German Financial Reporting Enforcement Panel examination 2011 (based on random sampling)
- Human resources policy and personnel development
- Data protection and security
- The Group's financing structure and rating
- Questions of corporate planning and business policy
- Organizational development and strategy 2012 – 2015 and progress in implementation
- Public and investor relations
- Risk management and the internal control system of the company
- Publication of the Code of Conduct
- Compliance activities and organization

The Supervisory Board satisfied itself that the Executive Board has conducted business correctly and has taken all necessary measures in good time. It supports the Executive Board's creation of the compliance organization throughout the Group and in particular the introduction of a Code of Conduct for the entire Group. In addition, the Supervisory Board regularly obtained reports on risk management and risk controlling at the Group. One focus was to examine whether the risk management system was up-to-date and adequate.

In addition, the efficiency of the Supervisory Board's work and decision-making processes were evaluated and optimized at regular meetings.

Corporate governance

The latest version of the German Corporate Governance Code, the amendments to it published on May, 15, 2012, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 10, 2012.

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the "German Corporate Governance Code" (DCGK) and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law. 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 page 16 in the 2012 Annual Report and is available at all times on the company's Internet site.

Since the Code was redrafted effective May 15, 2012, the Supervisory Board adjusted the objectives defined in the 2010 Annual Report in accordance with Section 5.4.1. The content and implementation of the objectives can be found in the Corporate Governance Report on pages 16 to 18 of the 2012 Annual Report.

Independent auditor

The independent auditor elected for the company and the Group by the 2011 General Meeting for fiscal year 2012 is PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main.

Annual financial statements of euromicron AG and the group

The annual financial statements of euromicron AG and the management report as of December 31, 2012, as well as the IFRS consolidated financial statements including the group management report as of December 31, 2012, 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 March 26, 2013. 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 March 26, 2013, 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 compliance structures, and answered supplementary questions by the Supervisory Board. There were no objections to this report.

The Supervisory Board therefore approved the financial statements of euromicron AG and the euromicron Group prepared by the Executive Board at its meeting on March 26, 2013. The annual and consolidated financial statements of euromicron AG were thus approved. The Supervisory Board examined the Executive Board's proposal to pay a dividend of €0.30 a share (i.e. a total of €1,999,139.70) and to carry the remaining net income of €1,858,636.50 forward to a new account, and endorses this proposal of the Executive Board.

Composition of the boards

The composition of the Executive Board and Supervisory Board did not change in fiscal 2012. The Chairman of the Supervisory Board is Dr. Franz-Stephan von Gronau and his deputy is Mr. Josef Martin Ortolf. All three members of the Supervisory Board were reelected for a further 5 years (until 2016) at the General Meeting on June 9, 2011.

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 2012. All of them contributed to euromicron's positive performance with their great dedication.

Frankfurt/Main, March 26, 2013
The Supervisory Board

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

Corporate Governance Report
with the corporate governance declaration in accordance with Section 289a HGB

Corporate government of euromicron Aktiengesellschaft communication and control technology, as a listed German stock corporation, is primarily defined by stock corporation law and other statutory regulations, the company's Articles of Association and also the recommendations of the latest version of the German Corporate Governance Code and internal company stipulations and guidelines.

Composition and workings of the Executive Board and Supervisory Board

In compliance with the requirements of the German Stock Corporation Law (AktG), euromicron AG has a dual management system in which the Executive Board is tasked with managing the company and the Supervisory Board with advising and overseeing the Executive Board. A strict separation between their members prevents somebody being a member of both bodies at the same time. The Executive Board and Supervisory Board work closely together to the benefit of the company.

The Executive Board manages the company under its own responsibility with the objective of creating sustainable value, develops its strategic orientation, agrees on this with the Supervisory Board and ensures its implementation. The principles of cooperation are laid down in the Executive Board's bylaws. The Executive Board of euromicron AG currently consists of 2 members.

The Supervisory Board advises the Executive Board in managing the company and oversees its activity. It appoints and dismisses the members of the Executive Board, adopts the compensation system for members of it and sets their total compensation. In compliance with the Articles of Association, the Supervisory Board of euromicron AG currently consists of 3 members. Further details on the cooperation between the Executive Board and Supervisory Board can be found in the report of the Supervisory Board for fiscal year 2012.

In accordance with Section 3.10 of the German Corporate Governance Code, the Executive Board – also on behalf of the Supervisory Board – reports on corporate governance at the euromicron Group.

Declaration on conformance (section 161 of the German Stock Corporation Law (AktG)) of euromicron AG for 2012

The Executive Board and Supervisory Board of listed stock corporations are obligated under Section 161 of the German Stock Corporation Law to declare once a year that their company has complied and will continue to comply with the recommendations of the government commission on the "German Corporate Governance Code" or which recommendations it has not applied or will not apply. In the latter case, reasons must be given why the company did not and will not comply with the recommendation in question.

The Executive Board and Supervisory Board of euromicron AG issued the last declaration on conformance in accordance with Section 161 of the German Stock Corporation Law on December 8, 2011. The following declaration relates for the period from December 9, 2011 to June 14, 2012, to the recommendations of the German Corporate Governance Code ("Code" or "DCGK") in its version dated May 26, 2010, as published on July 2, 2010, in the electronic Federal Official Gazette.

The following declaration relates to the period from June 15, 2012, to the recommendations of the code in its version dated May 15, 2012, as published on June 15, 2012, in the Federal Official Gazette. 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. Formation of Supervisory Board committees (Section 5.3.1 to 5.3.3 of the German Corporate Governance Code)

The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future, meaning euromicron AG deviates from the recommendations in Sections 5.3.1 to 5.3.3 of the German Corporate Governance Code.

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.

2. Gearing of the performance-related compensation of the Supervisory Board to sustainable development of the company (Section 5.4.6 of the German Corporate Governance Code)

In accordance with Section 13 of euromicron AG's Articles of Association, the Supervisory Board's variable compensation is linked to the dividend paid, meaning that it does not take into account the sustainability of the company's development.

Reason:
The express recommendation in the Code to gear the performance-related compensation to the company's sustainable development was introduced with the version of the Code published on July 15, 2012. euromicron AG's Articles of Association, whose wording is obligatory on the company, does not yet include this change in content. The Executive Board and Supervisory Board are currently deliberating on adapting the provision in the Articles of Association to comply with the recommendation of the Corporate Governance Code.

3. No list of third party companies (Section 7.1.4 of the German Corporate Governance Code)

euromicron AG dos 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 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.

Fundamentals of corporate governance

The Executive Board of euromicron AG has formulated the mission for itself, the executives and the employees of the euromicron Group to practice a corporate culture which is characterized by honesty and integrity. These guidelines, which go beyond the basic requirements under the law, define the framework for commercial and personal conduct, internally and towards our customers, suppliers and other contractual partners. They are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company's Code of Conduct, which is intended to ensure that everyone in the Group acts and behaves consistently and with integrity. The Code of Conduct can be viewed on the company's homepage at www.euromicron.de/Verhaltensleitlinien.

An effective organizational structure has been created to enforce, control and further develop the Code of Conduct and ensures that the Group lives up to its mission of complying with the law and company agreements. Local compliance officers have been appointed at all Group companies; information on compliance violations can be reported to them or directly to the Chief Compliance Officer. The Group's Chief Compliance Officer is in regular contact with the Executive Board in relation to all compliance issues and also reports regularly to the Supervisory Board.

Objectives of the Supervisory Board

The Supervisory Board complied with the amended recommendation in Section 5.4.1 of the German Corporate Governance Code in the version dated May 15, 2012, and has adapted the objectives for its composition it defined in fiscal year 2010 as follows:

General requirements for members of the Supervisory Board

Every member of the Supervisory Board must fulfill the requirements defined by the law and Articles of Association to become a member of the Supervisory Board (cf. in particular Section 100 (1) to (4) of the German Stock Corporation Law).

Every member of the Supervisory Board must have the knowledge and skills required to properly discharge the tasks incumbent on him/her under the law and the Articles of Association.

At least one independent member of the Supervisory Board must have expertise in the fields of preparing and auditing financial statements within the meaning of Section 100 (5) of the German Stock Corporation Law.

Concrete objectives for the composition of the Supervisory Board

Ideally, the members of the Supervisory Board in its entirety should have the following qualifications and qualities; a combination of several qualifications and qualities in one person is also possible:

- At least two independent members within the meaning of Section 5.4.2 Sentence 2 of the German Corporate Governance Code are to sit on the Supervisory Board.
- The members of the Supervisory Board are to have different educational backgrounds and expertise from different areas of business life. In particular, expertise in the fields of business management, preparing and auditing financial statements and in banking and finance is desirable.
- At least one member with expertise in the field of euromicron's international business is to sit on the Supervisory Board.
- The composition of the Supervisory Board is to represent as broad a range of experience of life as possible. No member of the Supervisory Board is to be older than 70 years of age.
- Anyone who is expected to be subject to a conflict of interests frequently or permanently in exercising his or her office is not to be elected as a member of the Supervisory Board.
- Adequate representation of women is to be aimed for in the Supervisory Board's composition.

The composition of the Supervisory Board did not change in 2012. Its current composition fulfills the above objectives. Adequate representation of women is to be aimed for with the next regular elections to the Supervisory Board. As in the past, the above criteria of relevance to the qualification of a person for membership of the Supervisory Board should also be taken into account for nominations, thus ensuring the focus on what is best for the company.

Conflicts of interest

Apart from one exception, there were no consultancy or other service relationships with members of the Supervisory Board in the period under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. The Supervisory Board dealt in depth with the consultancy agreement before it was concluded and then consented to it. There were also no conflicts of interest on the part of the members of the Supervisory Board and Executive Board in fiscal year 2012.

Securities transactions requiring disclosure

In accordance with Section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and Supervisory Board or persons related to them are obligated to report transactions of shares in euromicron AG that require disclosure if the value of the transactions within a calendar year is €5,000.00 or more. The transactions requiring disclosure for fiscal 2012 have been published on our homepage in the section Directors' Dealings.

Transparency through information

Our goal is to provide institutional investors, private shareholders, financial analysts, employees and interested members of the public equally with regular and up-to-date information on the company's situation. We publish press releases, ad-hoc announcements, voting rights notifications, all financial reports and other important information on our homepage. All documents relating to our General Meeting can also be found there. We publish details on recurring events, such as the date of the next General Meeting or quarterly reports, in a financial calendar, which is published on the company's homepage and elsewhere.

Declaration on corporate governance

The declaration on corporate governance can be read in the Corporate Governance report at http://euromicron.net/en/investor-relations/corporate-governance-code-12.

Board Members of the Company
Executive Board and Supervisory Board

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

Partner of the firm LKC Kemper Czarske v. Gronau Berz, Wirtschaftsprüfer, Rechtsanwälte, Steuerberater, 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
BEGO Immobilien Management GmbH, Hamm
BEGO Immobilien Verwaltung GmbH, Hamm
BEGO Vermögens- und Verwaltung-GmbH, Hamm
DBE Immobilienverwaltungs GmbH, Munich
DBE Liegenschaften GmbH, Munich
DBG Immobilien Management GmbH, Munich
Grund + Renten Gesellschaft für Anlagen Consult mbH, Hamm
GVG Grundstücksverwaltungs- und Beteiligungs GmbH, Munich
RVB Immobau GmbH, Hamm

Chairman of the Supervisory Board
of consultingpartner AG, Cologne

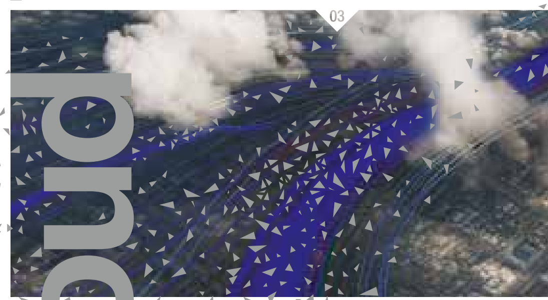
We plan and install tomorrow’s networks today.

New dimensions

Information and communication technologies and digital data transfer have revolutionized life and work in our world.

Access to constantly up-to-date information speeds up just about all processes. We analyze processes in real time and acquire new findings from the deluge of data. We communicate worldwide and work together with people on all continents. The world has become smaller thanks to the Internet and mobile communications. Industry, retailing, logistics, transportation, healthcare and education, the supply industry – there is hardly any area that has remained untouched by the major trends and innovations in the ICT sector.

P. 30



01

P. 22

Big Data

Information is the raw material of the 21st century

– Modern societies produce masses of data. Big data applications help us analyze and use that information. This requires network infrastructures with far-sighted dimensions.

P. 26

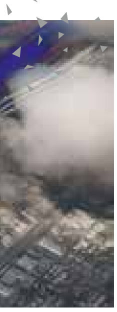
Mobile

02

Mobile means to the company's goal

– WLAN, high-speed radio data communications and highly developed mobile end-user devices ensure communication anytime, anywhere. That also delivers new agility in the world of work.

Innovative solutions



The cloud in the ascendant

– More and more companies are relying on computing power from the cloud for reasons of competitiveness, availability and IT security. Managed services can complement the offering.

The most important trends in the ICT sector are what drive our business. That is because network infrastructures are the basis for all modern information and communications processes.

Networks have to be constantly overhauled, improved or renewed so as to keep pace with the demands of increasing transmission volumes and new end-user devices, applications and developments. How do we create highly available, fast and powerful structures? How do we link heterogeneous components of a network? On what technological platform are our customers optimizing their business? What applications and devices do they have to use to achieve that? And how do we use innovative technologies for forward-looking business models? We accompany our customers into the future by delivering answers to these questions.

01

Big Data

Information is the raw material of the 21st century

The figures are breathtaking:
The volume of data produced worldwide is said to have reached 2.8 zettabytes in 2012, according to a study by the American market research firm IDC. A zettabyte is a 1 with 21 zeroes. 90 percent of the current global volume of data was created in the past two years and it is growing day by day – namely by around 2.5 quintillion bytes.

Every business transaction, traffic movement or hospital stay produces masses of data. Machines and automobiles also communicate with each other – the “Internet of Things” ensures an almost unimaginable quantity and diversity of information. The great challenge is to recover the treasure lying dormant in this data. And that is precisely what big data means: Not only to manage data using different mathematical methods and means of visualization, but also to acquire knowledge from it. For example, information on side effects of drugs that is collected in the healthcare sector can be combined and evaluated. The data from traffic control systems can be used to improve logistics. And we help shape the energy transition with countless smart meters.

Does knowledge automatically grow with the quantity of data?

In 1836, Charles Darwin returned from his five-year voyage of exploration on the Beagle with around 3,500 pages of notes. As a text document, that would hardly be more than a few megabytes. Today, a state-of-the-art high-tech telescope produces one petabyte of data a second – or 1,000,000,000 megabytes.

1 BYTE
One letter

1,000 BYTES
1KB. One page of text

1,000,000 BYTES
1MB. A small photo

1,000,000,000 BYTES
1GB. pprox. 8.5 minutes of an HD video from a camcorder

1,000,000,000,000 BYTES
1TB. pprox. 250,000 MP3 files

1,000,000,000,000,000 BYTES
1PB. The estimated storage capacity of all data centers worldwide in 2002

1,000,000,000,000,000,000 BYTES
1EB. five times the quantity of data of all books ever printed

1,000,000,000,000,000,000,000 BYTES
1ZB. The estimated quantity of all words ever spoken by human beings would be 42 zettabytes when digitized

Source: All details were taken from Wikipedia and the study „How Much Information 2009“

Trains that announce their arrival instead of announcements that come too late

The mobility of modern societies means that masses of data are produced – and incidentally at that. In rail transport, for example, train movements generate information continuously. RSR Datacom and its subsidiary ProCom – who have been part of the euromicron Group since 2012 – are developing an automatic warning system for railways in a complex pilot project.

Public address systems and intercoms
Old technologies are migrated to or integrated in new ones, such as Voice over IP.

When a freight train roars through a station, it is not just loud and unpleasant. It can also be a danger to people waiting on the platforms or working on the tracks. Consequently, a warning is issued before trains are about to drive through the station. That used to be done by the employee in charge of supervision. Nowadays, warnings are issued semi-automatically: An announcement is played at the touch of a button in the control center. In future, the warnings are to be issued automatically with far greater reliability and much more promptly.

A team from RSR Datacom and ProCom is working on this very issue. "**We determine a train's position and its speed using sensors,**" explains Marco Alvino, Managing Director of RSR Datacom. **"The system then forecasts the remaining time to reach the platform by means of mathematical methods and issues an announcement in good time."** That is not only extremely reliable, but means that accidents can also be reconstructed – the data is specially stored to enable that. The pilot project was implemented on the Riedbahn section between Frankfurt and Mannheim. This stretch is one of the central axes in German rail transport and one of the most-frequented routes in Southern Germany. The technical demands are especially high here due to the number and variety of the trains.

Hard shell,
intelligent core

RSR Datacom and ProCom have been part of euromicron since 2012. The specialists for public address technology and intercoms complement the Group's portfolio with central announcement systems and intelligent public address solutions that can even cope with great heat, dust or permanent vibrations. Their own products, marketed under the brand name "ProCom", are part of the solutions. The devices are already proving their value in heavy industry in China or Brazil. They ensure a reliable means of communication and protect the people who work in the plants.

Big data
Technologies and applications

01

Made-to-measure communication

Communication generates mass data: All connection data leaves trails that can be evaluated using analysis tools. The result is knowledge that can be used to deliver new services and connections that make it easier for us to communicate all over the world.

02

Control over the Web

Statistics on access to the World Wide Web are the foundation for precisely tailored services in the WWW. All institutions, public authorities and enterprises can benefit from that.

03

Optimized logistics

In the logistics market, traffic flows can be analyzed by means of telematics data. Dispatchers at logistics companies can plan deployment of vehicles more cost-effectively, optimize working times and avoid tailbacks. If traffic data for a region is combined with specific production and transport data, conclusions can be drawn on economic activity in real time.

Thomas Hoffmann
– Member of the Board

"A better foundation for good decisions."

The wealth of information lying dormant in the deluge of data is a valuable basis for taking correct decisions. euromicron Executive Board member Thomas Hoffmann on the importance and opportunities of big data.

Mr. Hoffmann, the issue of big data is being discussed intensively. How important do you believe this trend is?
"Big data is one of the major trends. It gives us the opportunity to pinpoint information from mass data and generate and prepare it specifically for a wide range of different user groups. Analyzing mass data from internal processes, combined with mass data available in the Internet, gives us new knowledge that enables us to optimize logistics, distribution, sales and marketing, production and supply chains, controlling and risk management or research and development. Current examples are to be found in optimization of traffic situations, in medicine, for go-to-market models or in the energy industry."

Smart solution:
Privus Manager®

In order to ensure stability and supply security in decentralized power grids, utilities must know a lot of things: How much electricity is consumed and generated where or what the weather will be like. Privus Manager® from euromicron's subsidiary telent processes all the data, ensures an overview of it and enables access to network resources. Überlandwerke Rhön uses Privus® and so integrates old and new technology in one system.

Do you have the impression that companies have already recognized the issue's importance?
"No, the issue is still far off. There are maybe 2 to 3 percent of companies at the moment who are actively using big data for optimization purposes. However, that will change. The pharmaceutical industry will tend to play a pioneering role. For example, the chances of finding new cancer therapies thanks to big data are impressive."

How are you accompanying your customers on the way to big data?
"We're building the data highway and networks so that big data works. Our expertise lies in dimensioning the infrastructures correctly, offering them with a high level of security and providing migration paths. To do that, we have to understand our customers' business and anticipate where things are headed."

Will big data change the way we think?
"Use of big data means that we will be able to leverage a greater data base to address many questions, will have more information to help us take decisions and will achieve a new level of transparency. More precise answers will influence what we do – be it in finding a parking space, optimum use of energy or more customized offers thanks to greater knowledge of users. It's an open question as to whether our thinking will change. However, at least the basis for making good decisions will improve."

04

Smart grids

There can be no energy transition without smart grids. Metering at every generator and every consumer creates enormous volumes of data. However, only this information enables grids with a large number of local power generators to be kept stabile and supply security maintained.

05

Big data in healthcare

The healthcare sector is under enormous pressure to cut costs. Isolated economizing is often counterproductive. For example, savings on care services may turn out to be expensive in the long term. Big data analyses help improve care at lower costs. One example is complex DNA analyses that enable illnesses to be forecast and countermeasures developed.

06

Risk controlling for banks

Statements on business-critical risks can be derived from a wealth of individual items of information. Such developments are monitored in their entirety in the banking sector. Thanks to big data technologies, value-at-risk calculations are conducted and risks controlled in real time.

Mobile means to the company's goal

There are hardly limits any more to applications for mobile communication in business and private life. That is down to WLAN, fast radio data communications and highly advanced end-user devices that enable work across networks anywhere around the world.

Figures published by the ICT industry association BITKOM at the end of 2012 prove that these technical possibilities are being used: Business with mobile data services is booming – at double-digit growth rates since 2009. Behind these figures are innovative services that already ensure more efficient work processes at many enterprises.

Working over the Internet in globally distributed teams, remote monitoring of technical plant, machine-to-machine communication, mobile payment systems, mobile health applications or the ability to receive complex data, such as CAD drawings at the building site: Mobile communication in broadband quality enables new work processes. However, high-speed radio mobile communications is still not available everywhere. Large investments are needed to drive its expansion: BITKOM estimates that around 8 to 10 billion euros have to be budgeted for mobile broadband connections up to 2015.

02

M

Anytime, anywhere

Mr. Hoffmann, what opportunities do mobile solutions open up for your customers?
"In the area of business life, that means we can conduct company processes on the road, at anytime, anywhere. To enable that, we at euromicron build the communications networks that are vital to ensuring today's mobile devices can communicate."

obile

02

Do these mobile solutions entail a structural change?
“Mobile communication has an influence on business models, the efficiency of corporate processes and our individual working world. Penetration of mobile communication creates new sales channels and services, for instance. The fact that employees are easier to reach means greater process efficiency and also gives employees a new flexibility in organizing their work.”

Will mobile communication standards like LTE continue to change the mobile future?
“LTE is a further, more powerful generation of a wireless standard. Its power reflects overall advances in our network infrastructure. It is thus merely a logical further development toward mobile broadband technology.”

From Singapore to London
Cable car connection on the track to success

A one-kilometer cable car has connected Greenwich and London since the summer of 2012. It not only permits stunning views of the UK's capital: Monitors with HDT quality also provide entertainment inside the cabins.

A modern cable car would not be modern if cutting-edge communications technologies were not installed in it. euromicron implemented the WLAN connection and remote maintenance access for the new cable car in London. Such unusual orders are familiar territory for the euromicron team, which was also responsible for the network connection for the cable cars in Singapore, Koblenz or Lenzerheide. Just the great differences in temperature – from a tropical 40°C in Singapore to frosty winter conditions in the mountains – are a true endurance test for the technology. On top of that are the continuous vibrations caused by operation of the cable cars.

In London, all the cabins were equipped with multimedia passenger communications systems. The greatest challenge was to keep the connection constant despite the cars being constantly in motion and subject to fluctuations and disturbance. In addition, the route had to be covered by multiple WLANs, which means that roaming is necessary. To ensure a stable connection, each cabin was therefore equipped with two antennas – one for each direction of travel. As a result, bandwidths of six to eight megabits a second are maintained so as to permit live television broadcasts in HD.

The "Emirates Air Line" cable car connects the London district of Greenwich with the Docklands.

Apart from fun and entertainment, the IP connection also ensures a high degree of safety. Errors can be rectified or settings changed from a monitoring workstation. Contact with the control station is ensured in the event of an emergency by means of video, an intercom and an emergency call function.

More and more cities are opting for cable cars as a tourist attraction, as well as a clean means of transport. euromicron has proven its qualifications as an experienced partner in installing and connecting multimedia equipment and security and safety technology.

Mobile telephony has been around for almost 100 years.
The first cell phone weighed in at a whopping 16 kg.

1910 1920 1950 1970

1918 The Deutsche Reichsbahn began initial testing of mobile telephony.

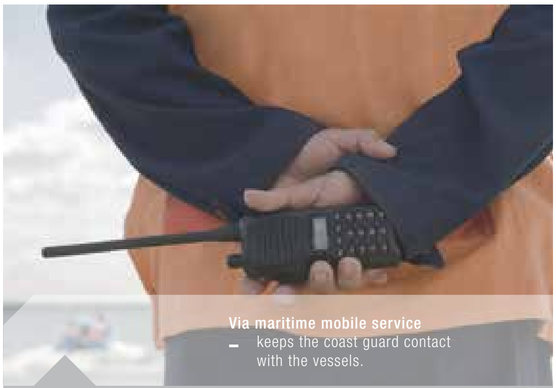
1926 Wireless calls were conducted in a train for the first time.

1958 The "A network", the world's first commercial mobile communications network, went live in Germany.

A network

1972 The analog mobile communications system "B network" was put into operation and replaced the A network.

B network



Via maritime mobile service
– keeps the coast guard contact with the vessels.

SOS radio signals support shipping

The first genuine mobile communications service in Germany was the maritime mobile service, which has since been of upmost importance for shipping. Emergency calls can always be sent out quickly by radio, for example. euromicron's subsidiary telent now supports the North Sea coast guard with state-of-the-art, powerful wireless solutions.

Telephony to suit the workplace

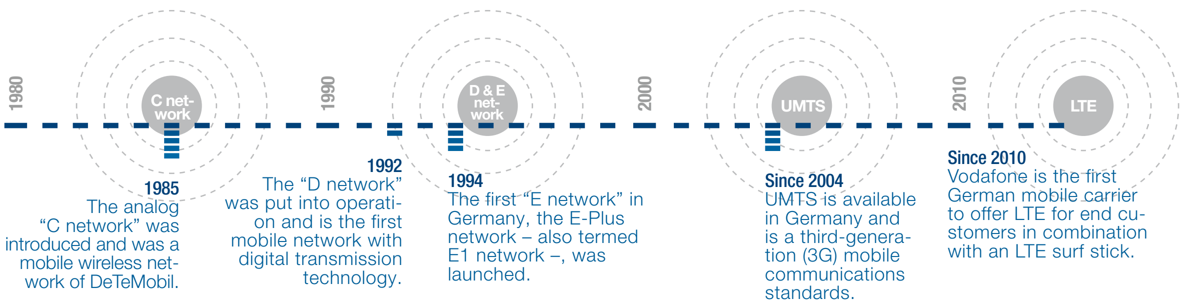
When calls are made at companies nowadays, this means of communication may vary greatly depending on the requirements of the individual workplace. Controlling may be content with just a desktop phone, Logistics requires a DECT connection and field service staff perhaps need an iPad with a telephony function. In turn, others would simply like to keep on using the same device at all times – so why not their own cell phone?

The future of a whole new world of telephony has begun – everyone can phone how they want, where they want and with all functionalities at all times. Gone are the days when only the reception desk knew what colleague was at lunch at the time. Now you can be in Frankfurt and see whether an employee is Stuttgart is available to speak to and if not, whether a colleague in Leipzig has time to talk. Call forwarding is no problem and important information on the caller is also transferred at the same time.

That is termed fixed-mobile convergence – every end-user device integrated in the system acts like an extension of the telephone system, irrespective of where it happens to be. That is telephony that suits the needs of people and not the other way round.

High up in the world
BOS digital wireless technology is installed in the Alps by helicopter

The fire brigade, police and emergency services rely on perfect communication connections without disruptions in an emergency.
That is why Austria and Germany have pressed ahead in the past decade with comprehensive establishment of a non-public mobile radio service: BOS digital mobile radio. The locations for the antennas of this wireless network in the mountains are often difficult to access. euromicron austria installed some in the Alps using a helicopter. Preparations for the BOS digital mobile radio systems on the mobile phone masts on the southern fringes of the town of Traunstein were made in the summer of 2012. The terrain here is so inaccessible that a building crane has difficulty in accessing the location by road and there is no suitable place to position it. The solution: Assembly by helicopter. Such assignments demand absolute precision work. Yet they are not a rarity for the experts from euromicron austria. That experience is a great help in ensuring meticulous planning. From coordination of the sequence of the flights, the weight of the individual flight movements to the choice of attachment points – the team of euromicron austria coordinated the helicopter, pilots, flight assistants and assembly staff in Traunstein in an absolutely exact timetable. The spectacular assembly task not only impressed the customers. The local press was also live on site and reported on the most exciting moments.



03

The cloud in the ascendant

Data and IT applications increasingly need more storage space – virtual servers offer almost unlimited capacities.

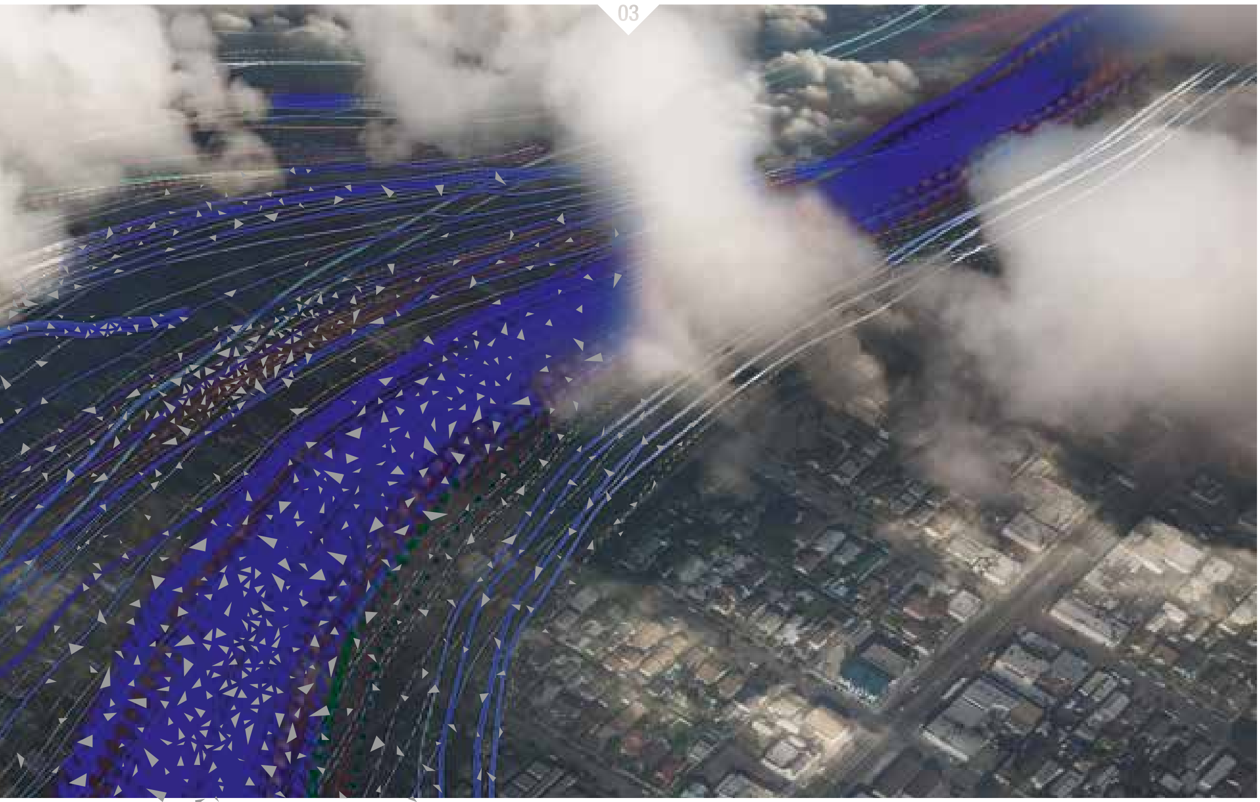
More and more companies are therefore discovering the potentials of cloud computing. According to a study by the ICT industry association BITKOM, 37 percent of all companies use cloud services and a further 29 percent are looking at it. For security reasons, most of them are setting store by a private cloud – just 10 percent trust the public cloud.

Many decision-makers fear losing control over their own data. Wrongly so, according to BITKOM: In particular small and medium-sized enterprises often achieve a far higher level of security with cloud solutions than with the IT systems they themselves run.

Whether private or public cloud – many companies can no longer get around using one for reasons of competitiveness, availability and IT security: Managed services, building on the technical abilities of the cloud coupled with outtasking of individual activities and processes, flexibilize fixed costs and improve delivery of specific services, such as telephony, unified communication and collaboration (UCC), video surveillance or access control. There are other obvious advantages: The providers supply up-to-date software or systems under a pay-as-you-use model and users always have the latest technology – at less investment cost. That is what you call a win-win situation.

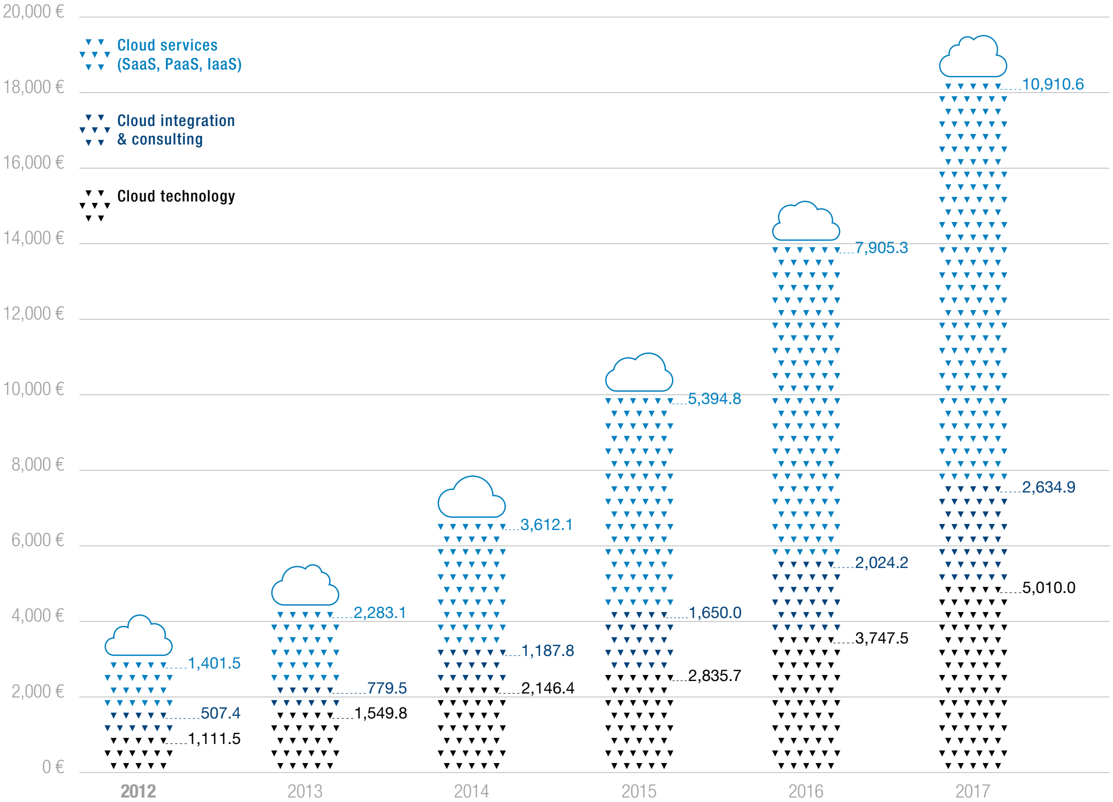
Powerful technology – more service

This year German companies will channel around 5 percent of their IT expenditure into the subject of cloud computing. This trend will pick up in speed in the coming years. Increasing digitization of all areas of business and life is having a growing impact on cloud models. As a result, the issue of cloud computing in its various forms is becoming a driver for technological development and the design of new business models.



Cloud computing in Germany 2012 – 2017

Investments and expenditure in millions of euros by segment (B2B)



Source: Experton Group 2013

Cloud computing:
What counts is what's in it

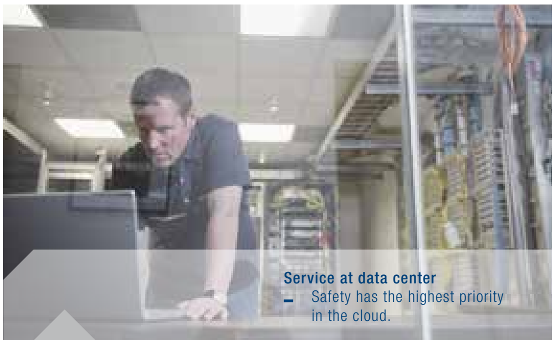
Everyone's talking about the cloud – but just what is it? What has become a trend under the modern buzz phrase "cloud computing" has a long tradition in the IT industry and goes by the name of data center. Now computing power is shifting from the desktop back to the data center, where it enables users to work securely and conveniently in a high-performance environment.

Concentrated computing power costs energy.
– Energy savings potentials can also be realized within the cloud.

If you look at a cloud from the user's point of view, it is computing power that is supplied somewhere else, abstractly and basically out of sight – like in a cloud as it were. Yet the cloud is actually something very tangible: The term conceals nothing more than the enormous computing power of one or more data centers, i.e. many servers and a lot of infrastructure that contain, process and reliably deliver applications and data dynamically, flexibly, scalably and in an automatable way.

That is precisely where data center operators can fall back on euromicron's expertise. As a network infrastructure specialist, one of our core services is planning and implementing turnkey data centers. That includes equipping them with passive technology, such as structured cabling and control cabinets, as well as active network technology, switches and servers. Our Group unites much of the technology and know-how required for creating data centers under its umbrella.

Customers of all sizes benefit from that: Small companies with distributed branch offices or large data center operators. They all have the goal of offering their users highly available, convenient computing power so that they can work securely, to support optimized processes and to run innovative applications. That ranges from simple computing power to managed services such as telephony solutions or video surveillance. What the cloud can offer is the ideal solution at present for that.



Service at data center
– Safety has the highest priority in the cloud.

Master of the data

The private cloud and public cloud basically differ only as regards the owner or target customers. In the public cloud, computing power and applications are offered to different customers by the data center operator. The usage options, costs and security standards are negotiated and defined in an agreement. The private cloud is a group of a company's own data centers. In particular, companies often prefer to place security-critical applications in their own cloud – where they are master of their own data. Many companies opt for the best of both worlds and use hybrid clouds.

More for your money
Connecting data centers cost-effectively

A medium-sized company from the automotive accessories sector has its business distributed over 300 branch offices in Southern Germany. The objective was to merge its huge volume of data on customers and products centrally and to keep it up-to-date and consistent at all times. That meant connecting two data centers so as to ensure redundancy and with different services. ACE euromicron solutions provided the customer with an easy-to-implement and very effective multiplexing solution using the DWDM platform from Microsens. It permitted additional LAN and SAN links between the data centers on the existing optical fibers, cut costs significantly compared with connecting additional fibers, and so enabled extra investment in future-proof, high-quality IT.

Multiplexing
– Permits cost-saving LAN and SAN coupling and enables additional investment in the quality of IT

Multiplexing creates capacities
On a different wavelength

Powerful interconnection of data centers is one of the requirements for creating clouds. The speed of light is needed when it comes to handling large volumes of data and ensuring it is consistent.
euromicron's subsidiary MICROSENS offers its customers optical multiplexing using WDM technology. As a result, transmission capacities of optical fibers can be quadrupled so as to optimize costs. Where it is otherwise expensive to lease new glass fiber pairs from the carrier, virtually unlimited capacities can be created very cheaply with up to 16 light colors (wavelengths) with CWDM or even up to 160 with DWDM to optically transmit information.

Smart connection for the data center
The URM© connector and fiber-optic cabling system from euromicron

Space at data centers is a valuable commodity. Operating costs can soon rise to more than 1,000 euros a square meter. Because the cabling takes up considerable room at data centers, one key objective is to minimize the space requirements for it. That delivers a further benefit: Lower energy costs. That is because the cables are usually laid in the floor – the area where the cabinets also obtain air for cooling. If this area is too full, the energy required to draw in the air increases.

Thanks to the URM© fiber-optic cabling system from euromicron's subsidiary Sachsenkabel GmbH, space requirements for cabling can be reduced fourfold in the ideal scenario. The system's connectors are reliable components for demanding requirements, have a rugged design and boast very good optical parameters. They enable – and we are also one of the leaders here – a simple migration path to 40 and 100 Gbit technology in the data center.

Structure and organization
On the way to a new plane

Under the slogan "Agenda 500", the main focus of our activities as part of integration of our company is to further develop and professionalize its structure and organization.

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 and our international presence are reflected in the segments euromicron South, euromicron North and WAN services.

A total of 23 companies in these segments jointly cultivated and undertook projects in euromicron's target markets 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. The WAN services Segment groups business relating to planning, installation and maintenance of wide area networks, i.e. supraregional networks.

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 companies, which create and market their own developments and products for projects, including customized ones.

Despite this great innovativeness and production expertise, we are vendor-independent when it comes to system integration: We are certified in all important technologies common on the market and represent just about all well-known manufacturers. That means we can offer our customers ideal, solution-oriented advice and support to match their needs.

"Agenda 500" and the SME model

On the way to the "Agenda 500", we are developing our SME model for the next stage of our corporate strategy. As a whole, we aim to offer our customers the "best of both worlds": We combine the agility of our small and medium-sized enterprises with the abilities of a company with strong structures.

Pooling our many complementary competences in technological matters, products, solutions and services and our industry know-how creates new potentials.

By initiating our Competence Centers in fiscal 2012, we made preparations so as to be able to leverage them even more purposefully in future.
We created euromicron networks GmbH, the umbrella organization for our system house companies. The new company acts as an "operational controlling unit" and will intensively address topics that straddle the system houses and optimize them throughout the entire group. The object is to tap the potentials in system house business, some of which are isolated at present, to an even greater extent and make them available to market.
We invested a lot of effort and energy in these structuring activities in 2012. As a result we are making our organization successively fit for the next level of development.

Company profile of euromicron

Components

- Active and passive network components
- Test and workplace systems
- Intercom and public address systems
- Maintenance
- Managed services

Solutions

- Voice/Unified Communication
- Video/Monitoring/Public Address
- Smart grids
- Security
- PMR solutions

Services

- Consulting
- Training
- Analysis
- Service

Innovation
System Integration
Management

Customer solutions

Internationalization

Professionalization of our organization also includes creating structures for future international growth. That is because our business is becoming more international, as we can feel every day.

Apart from our existing representative agencies abroad, we have acquired smaller specialist companies, such as RSR Datacom and its subsidiary Pro-Com, which cater for the international market, in particular Russia and China. Interest in the products "Made in Germany" from our production companies is growing, especially in the Middle East. On the procurement side, we also source products for our customers on international markets through our distribution division.

That means new challenges, but also new opportunities for our company. We will observe international markets very closely to evaluate when and in what form a deeper or new international commitment appears expedient for us. Until then, we will continue to tackle international business with the necessary caution and a policy of small steps.

Consolidation level

euromicron Group

Segment level

euromicron North including Poland and France	euromicron south including Austria and Italy	euromicron WAN services

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 ▸ TDM, IP and MPLS systems ▸ Cable and wireless systems ▸ Software-based network, system, infrastructure and security management solutions ▸ Intercom and public address systems	▸ Voice, data and video communication, intercom and public address systems, convergent systems ▸ All-round solutions for networked working and transmission networks ▸ Optical, wireline and wireless networks ▸ Analysis, planning, implementation, maintenance, service and operation	▸ Active and passive network components from a global range ▸ Top-performance cabling systems ▸ Consulting, training, network analysis and services ▸ Customer- and project-specific spare parts management and logistics ▸ Nationwide service and project management capacity for complex systems

euromicron's share
A stable stock in the TecDAX

The euromicron share started 2012 very positively with its admission to the TecDAX. Although the restrained trend in operational business as of the middle of the year resulted in temporary fluctuations, our share proved stable against the backdrop of greater attention for it on the capital market.

After completion of the buy and build phase and record fiscal year 2011, we are pursuing our goal of becoming a company with annualized sales of €500 million in 2015 with our "Agenda 500". To this end, we intensified our structural and integration measures in 2012 and so are preparing our company for further growth.

Purely operational business was impacted by a situation that made it difficult to take decisions and a lack of strategic clarity in the telecommunications industry. High-margin delivery business did not materialize in the second half of 2012 or was deferred.

In summary, the euromicron share performed heterogeneously in the course of the year. On the one hand, we posted an excellent first quarter with admission to the TecDAX, but on the other the growing reluctance to invest by our key customers influenced the value of our share temporarily in the course of the year. Nevertheless, it outperformed the indexes.

Performance review for the year

Despite first signs of a downturn in the overall economic climate in the first quarter of 2012, euromicron's share took up where it left off in the extremely successful fiscal year 2011. Among other things, this was reflected in admission of euromicron's share to the TecDAX.

euromicron's share started the first quarter of 2012 at a price of €16.20. As of mid-February, it again reached €20.00 and stabilized from then on at a level of between €21 and €22.

On March 19, 2012, it was included in Germany's technology stock index, the TecDAX, with great expectations. According to analysts, the Group has constantly met the criteria of Deutsche Börse, such as free-float market capitalization and stock exchange turnover.

After euromicron's admission to the TecDAX and publication of the annual financial statements for the record fiscal year 2011, the share even went as high as €23 at one stage. Toward the end of the first quarter, the price settled at a level of €22.

In the second quarter and against the backdrop of further postponements in investment, euromicron's share was not fully able to evade the greater insecurity in financial markets. Overall, however, it displayed a high level of relative strength compared with the indexes. The share price fell at the beginning of April and after that was constantly at a level above the €20 mark.

In May and June, it was no longer able to withstand the general market pressure. In a volatile stock market climate, the share was priced between €18 and €20 in May. By the end of the second quarter, it moved well above €20 for a while and remained stable at a level near to the €20 mark up to the end of the quarter.

euromicron's share performance was characterized by repeated volatility in the course of the third quarter, although the price always stayed at around a good level, for the most part above the €20 mark.

The share began the second half of the year at the beginning of July at a price of €20.74 and by the end of the month had almost reached the €21 mark.

Toward the end of the third quarter of 2012, the share was constantly above the €20 mark and even rose temporarily above €21, causing a raft of investors to move into it.

The operationally weak month of September confirmed our expectations that a situation that made it difficult to take

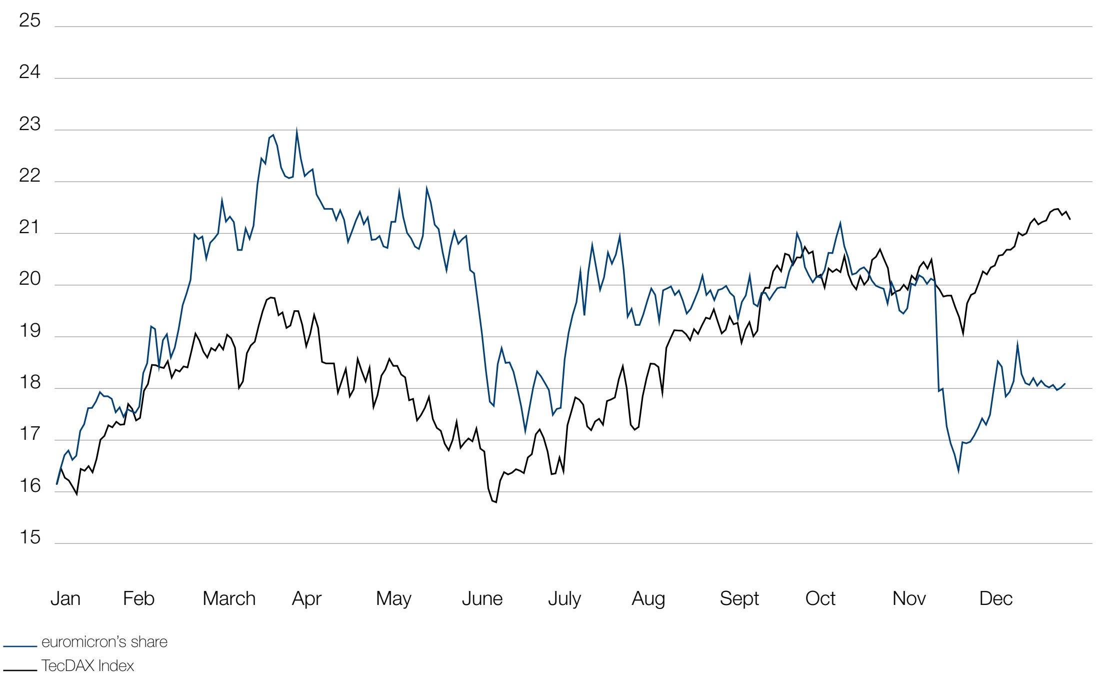
Performance of euromicron's share (XETRA) in € JAN. 2, 2012 – DEC. 28, 2012

Share profile

Type of share	No-par registered shares
Segment	January 1 to March 18, 2012: Prime Standard / as of March 19, 2012: TecDAX
Sector	Technology
Index	Technology All Share
ISIN:	DE000A1K0300
Places of trading	Frankfurt/Main / XETRA
Abbreviation	EUC.GY
Designated sponsors	Close Brothers Seydler AG, Equinet Bank AG

Performance of euromicron's share (XETRA) compared with the TecDAX in €

JAN. 2, 2012 – DEC. 28, 2012



The shares on the market

	2012	2011
Number of shares issued at the balance sheet date	6,663,799	6,663,799
– of which treasury shares	–	–
Capital stock (€)	17,037,017	17,037,017
Highest price (XETRA) (€)	23.50	23.29
Lowest price (XETRA) (€)	16.05	15.93
Closing price at the end of the year (XETRA) (€)	18.14	15.93
Market capitalization at the end of the year (in € million)	120.9	106.2
Undiluted earnings per share (€)	1.29	2.32
Volume of shares traded (in millions)	7.4	5.7

decisions and a lack of strategic clarity in the telecommunications industry would affect high-margin delivery business in the second half of the year and in particular in the final quarter of 2012. In view of the figures for the third quarter, the share fell temporarily to below €17, a weakness that it had overcome a week later: Given the strong level of new orders in October, its price quickly stabilized at a level above €18 and remained there until the end of the year.

As a result, the market capitalization of euromicron AG at the end of the year was around €120.9 million compared with €106.2 million in the previous year.

After the issue of more than 2 million new shares in the years 2010 and 2011, undiluted earnings per share in 2012 were €1.29 following €2.32 in the previous year.

Dividend

Under the “Agenda 500”, we aim to stick rigorously to our goal of becoming a €500 million company by 2015. The Executive Board has therefore decided to propose an adjustment to the dividend payout to the Supervisory Board and shareholders.

This step is in line with our mission of ensuring a continuous financial policy. We will actively pursue our main goals as regards our company’s growth, stabilization and improvement of the quality of earnings, reducing net financial debt, strengthening our equity structure and safeguarding our good rating in the years of structuring and integration.

To allow our shareholders to continue sharing in the company’s growth and to give them a reasonable return on their money, the Executive Board and Supervisory Board will propose a dividend of €0.30 a share to the General Meeting.

With this approach and on the back of solid order books for 2013 of almost €130 million, the phase of strategic integration of the Group following the operational structuring phase can be accomplished on a strong economic foundation. As a result, we assume that we can again attain our previous quality of earnings and dividends again after the years 2012 to 2014.

Investor relations
Greater attention on the capital market

A new era for euromicron's share began in March 2012 with its admission to the TecDAX. We used the greater attention on the capital market to familiarize interested investors with our integrated business model and our corporate strategy, which is geared to sustainable growth. The response shows us that our share is acknowledged as a valuable investment: Private investors and public and business institutions alike have trust in our growth strategy.

We got off to a good start on the capital market in 2012: With its admission to the TecDAX, euromicron's share is among the 30 largest and most liquid stocks from the technology sectors listed on the Prime Standard on Frankfurt Stock Exchange (FWP) and not included in the key index, the DAX.

We regard this as corroboration of our successful work on the customer market. After all, only a company that offers impressive economic achievements can achieve a positive response on the capital market. As a result, the most successful fiscal year in the company's history was also reflected positively on the capital market.

IR work in the TecDAX

After a continuous evolution in its shareholder structure in the past years and unbroken demand from potential investors, the share was launched on the TecDAX on the basis of a 100% free float.

By being admitted to the TecDAX, our share gained – and continues to gain – in attention and attractiveness. We are using this interest to strengthen the visibility of the euromicron brand further and enhance the quality of our shareholder structure. The foundation for that is the tried-and-proven, acknowledged quality of our products and solutions, as well as active ongoing PR and investor relations work.

Proximity to our investors has priority for us in the TecDax as well. Transparency and expansion of our information channels to private investors and public and business institutions are cornerstones of our investor relations work.

Greater attention on the capital market

Listing on the TecDAX gave the national and international stock markets the opportunity to get to know euromicron more closely. We presented our share as an attractive investment at a large number of roadshows and investor conferences in the first half of the year. Events in Germany, the UK, Switzerland, Luxembourg, Poland and Austria attracted the attention of investors – the name euromicron has become more well-known and a raft of prestigious national and international research institutes recommend investing in the company.

In this connection, we succeeded in winning a number of interesting new international shareholders. However, our investors still mainly come from our domestic market of Germany.

We will continue to work actively to find national and international investors who are interested in a long-term investment that fits with our conservative industrial policy.

Information channels

In the past fiscal year we also gave shareholders, media and analysts the possibility of following the economic and technological developments of our Group step by step by means of a wide range of channels.

The highlight of our financial market communication was again our General Meeting in May 2012. Growing awareness of our company on the capital market was reflected in the fact that the attendance was around 30% higher. The shareholders voiced their great approval for our work in the record fiscal year 2011, and our investors confirmed their approval of our strategy and planned development in talks and discussions on the fringes of the event.

An important information hub remains our homepage, which we again revised and updated in 2012. We use it to post capital market information, such as financial reports, ad-hoc announcements, studies and information for shareholders, promptly and in structured form. Interested persons were able to experience euromicron live at CeBIT. With our “next generation solutions”, we again presented our business to a broad audience in Hanover in the shape of future-oriented data transmission solutions.

Five prestigious research houses assessed our business policy and share on several occasions in fiscal 2012. These independent assessments are of great informational value and are an important and reliable instrument for our investors. The experts’ recommendation to the financial markets as regards our share was a unanimous: BUY.

2012 General Meeting
– The shareholders voiced their approval of the company’s strategy.

Employees
Growing together

Integration was also the core issue for our HR management in 2012. That means successively harmonizing processes and structures under our roof, handling tasks in the same way, leveraging economies of scale and synergies and improving our understanding of each other.

As part of our human resources policy, we dealt in particular with the following question in fiscal 2012: How do we unite the advantages of the SME model with the structures our group needs now and in future and ensure our company has staff with the qualifications needed to help us grow further?

To that end, we pressed vigorously ahead with our work on optimizing processes at our company, established overarching rules, optimized our personnel and continued to invest in training and further development of our employees. We will intensify this process as part of integration is order to equip our company with the resources it needs for growth.

Investment in future viability

In fiscal 2012 we optimized cross-company processes. We coordinated and launched many procedures, for example in project management, sales, purchasing and IT, across the boundaries of the individual euromicron companies. As a result, we can tap synergy potentials and improve collaboration between the companies.

That also enables us to create common values that bond our employees at the various euromicron companies. That is also clear at our internal events, such as our Sales Conference or various in-house shows, where we see a greater merger of expertise from year to year. Locations support each other with know-how and services. That benefits our customers, who expect forward-looking and broad-ranging services from us.

Compliance structure established

A common culture builds on common rules. Compliance is the keyword behind a company's code of conduct. As a Group, we are obligated to make sure that our employees' business dealings and actions abide by the law. That is why we established a compliance structure in fiscal 2012. It is important for the conduct of every one of us to reflect the company's value. The Code of Conduct was published at the end of the year and the managers at the companies are responsible for enforcing it. An interactive tutorial program has been developed to help familiarize employees with the compliance rules.

Staff qualifications strengthened

As a growing company, we are an attractive employer. Our customers keep on entrusting us with exciting tasks. We repeatedly have new and interesting job vacancies at our Group. They are filled only with suitable, highly qualified staff. As a result, we safeguard the quality on which our performance is based.

The greater level of awareness of our company makes itself felt in our quest for suitable employees. We increasingly receive unsolicited applications. Employees have the chance to get to know the various companies as part of our Sales Trainee Program and so develop a greater understanding of the Group as a whole. We benefit from our executive program by expanding the pool of talents we can pick from.

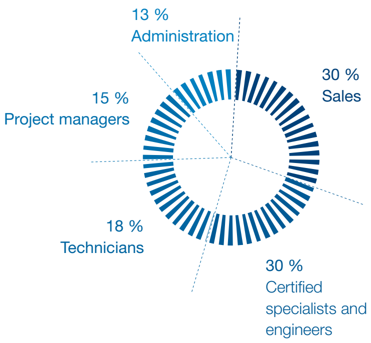
Our customers commission us with projects that are growing in size and complexity. That is why we launched project manager certification last year alongside our diverse range of training and further development offerings. Basic knowledge in project management and controlling, as well as in time and self management, is conveyed in this and subsequently examined. We stage this further education measure with the Haufe Academy and in collaboration with Deggendorf University of Applied Sciences. The workshops formulate internal standards for the Group and identify best practices in project management at euromicron, which are then applied to all branches.

Successful together

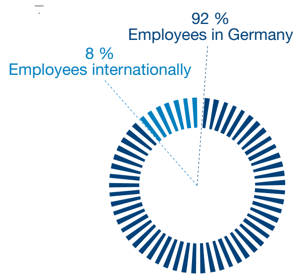
A hotbed for talents, a career springboard, an exchange for sharing ideas and an innovation driver – euromicron is all of that to its employees. We thank them for the commitment, creativity and loyalty they have shown toward us.

Our company's success is a joint effort. Together, we will continue to leverage our potentials, strengthen our expertise and build on our qualities in the years ahead. Working in a medium-sized group demands flexibility and dedication. However, it also offers an interesting work environment and special opportunities for our employees to utilize to their own benefit.

Employees by qualification



Employees by region



Highlights
2012

January 2012

Partner for electromobility

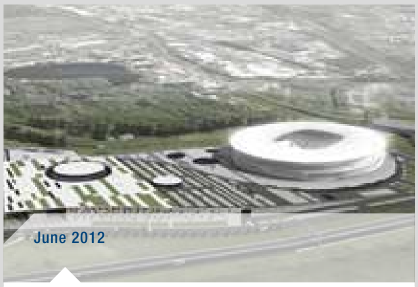
euromicron partners the State Government of Hesse to support networked and secure electromobility

Strom bewegt Elektromobilität Hessen | HESSEN

April 2012

Innovation initiative launched

euromicron's subsidiary MICROSENS kicks off the Group's innovation drive with the new generation of the FTTO switch for cost-effective fiber-optic networking in buildings. The SFP transceiver, which has been developed and certified for use in potentially explosive areas, and the revolutionary workbench system Primus One from ELABO follow in the same month.



June 2012

European Championship stadium in Poland

Active technology from euromicron's subsidiary MICROSENS ensures a state-of-the-art, stable surveillance and access control system at the Miejski Stadium in Wrocław.

March 2012

Next generation solutions at CeBIT

At CeBIT in Hanover, euromicron showcases what top-level communication, control and monitoring mean in the gigabit age and presents its cooperation with tracker.ch AG.

April 2012

Broadband has a new name: euromicron

The Flensburg-based provider mr. net services sets store by services from euromicron for its broadband citizens' network Fiete.Net
We assume responsibility for implementing a broadband network for supplying 28 communities in northeastern Schleswig-Holstein with access to the Internet.

March 2012

Launch on the TecDAX

Deutsche Börse admits euromicron's share to the TecDAX, meaning the company is now promoted to the ranks of Germany's 30 most important technology stocks (directly below the DAX). The new era for our share begins on March 19, 2012.

Mai 2012

euromicron AG's General Meeting

The shareholders reward the company for the record fiscal year 2011 at the General Meeting and voice their approval for its strategy of sustainable growth.

July 2012

From Singapore to Koblenz to London

In London, euromicron ensures the WLAN connection and safety in cutting-edge cable cars 50 meters above the Thames.

August 2012

Successful first half of 2012

Against the backdrop of further work on integration and professionalization of corporate and personnel structures, euromicron's operational business remains stable and on the path to growth in the first half of 2012.

August 2012

40th anniversary

Two of our subsidiaries celebrate 40 years of successful operation: EUROMICRON Werkzeuge and ELABO.

September 2012

Innovation drive continued

euromicron's subsidiary SKM Skyline launches a new K6A module from the SKM ProfiLINK modul series as part of the Group's innovation drive

October 2012

Managed services for the savings bank Kreissparkasse Miesbach-Tegernsee

euromicron's subsidiary telent ensures maximum security and availability by operating and monitoring the radio relay network for data connections in the bank's branch network.

October 2012

Rounding out of the product portfolio

With the acquisition of RSR Datacom GmbH & Co. KG, euromicron expands its sales markets for its own products to countries outside Europe, such as China, Russia and Brazil, and extends its product range to include rugged, innovative public address systems that are used nationally and internationally in industry, at rail and transport companies, for tunnel systems in the transport sector and in the process industry.

December 2012

Top 100 accolade captured once more

euromicron again proves its powerful growth and earnings strength for the third time in a row in the top 100 ranking of German small and medium-sized enterprises conducted by the Munich Strategy Group (MSG) and the daily newspaper "Die Welt", climbing from 61st to 32nd.

MSG TOP 100 RANKING DES MITTELSTANDS 2012

December 2012

Code of Conduct published

The first Code of Conduct is published as part of euromicron's compliance program. It defines guidelines for ethically and legally irreproachable conduct in everyday business life.

December 2012

Regional reinforcement

euromicron strengthens its system business in the Hamburg and Berlin regions by taking over Stark- und Schwachstrom Montage GmbH.

Group Management Report

- Sales grown to €330.0 million
- Structural and integration measures implemented
- euromicron on the way to the "Agenda 500"

01. Business and general conditions

Profile

euromicron 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 group companies offer customers from all sectors a one-stop shop for tailored, vendor-independent network solutions. Their portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on copper, fiber optic and wireless technology. The product portfolio includes active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. The components are used in WANs (wide area networks) and LANs (local area networks) 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 unites top-level development, project planning, consulting and distribution know-how.

Structure and organization

The euromicron Group comprises the parent company euromicron AG and 23 subsidiaries that are included in its consolidated financial statements. Its regional focus is the German-speaking market, enabling intensive support for its customers, 90% of whom are German. As part of the company's internationalization, the focus of its operating activities outside Germany remains on Italy, Austria, France and Poland. Further countries in Southern Europe, the Benelux states, Scandinavia and Eastern Europe are still tapped by export and project business, with this being controlled from Germany. As is previous years, the euromicron Group pursues potential opportunities outside Europe with prudence and by deploying its expertise. The main strategic focus of marketing remains to systematically penetrate the domestic market.

Business segments are identified on the basis of internal organizational and reporting structures which are in principle regionally oriented. The euromicron Group is divided into the three controlling units euromicron North, euromicron South and euromicron WAN services. The euromicron Group's management is headed by two Executive Board members. Operational business is run locally by the subsidiaries, 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 units.

euromicron AG, the strategic management holding for the Group, assumes responsibility for further central tasks, relating to controlling, finance, human resources, legal affairs, purchasing, IT and public and investor relations. It has a controlling influence in operating business of the individual associated companies. euromicron AG commissions euromicron international services GmbH with providing operational services such as purchasing and IT.

Internal control system

Management of the euromicron Group has issued the objective of securing and expanding the Group's success sustainably as part of a value-oriented growth strategy. Following completion of the buy and build strategy and the acquisition of the business operations of telent GmbH, fiscal year 2012 was mainly shaped by the first stage of the integration phase, which comprises restructuring of operational business and structures. After completing the integration phase in 2014, the euromicron Group aims to embark on the next growth phase with an annualized sales volume of €500 million in 2015. This goal is proactively supported by the internal control system.

All the euromicron Group's activities are controlled and monitored on a segment-oriented basis as part of this target system. Among other things, management uses differentiated reporting to constantly analyze and control the Group's business segments. Moreover, there are quarterly forecasts as regards expectations at the end of the fiscal year, which are analyzed intensively. 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 supplements 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

	2012 € m.	2011 € m.
Sales	330.0	305.3
Earnings before interest and taxes (EBIT)	17.1	24.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	25.0	30.7*
EBIT margin	5.2 %	7.9 %
Order books	125.2	127.5
Consolidated net income for euromicron AG shareholders	8.6	12.2
Average number of shares	6.66	5.25
Undiluted earnings per share in €	**1.29**	**2.32***

* Change to the previous year's figures due to adjustment acc. to IAS 8.19b)

02. General economic conditions

Global economic trends

The global economy ran out of steam in the first half of 2012 and trended sluggishly toward the end of the year. Experts essentially attributed this to the renewed flare-up of the financial and economic crisis in the Euro area, which created a great degree of uncertainty for the global economy. Consequently, the ifo World Economic Climate Indicator again fell slightly in the fourth quarter of 2012. In the view of experts, the prospects for the global economy for 2013 are pointing slightly upward.

Trends in the Euro area

The crisis in the European Monetary Union intensified initially in 2012, resulting in a further downturn in the economic situation in Italy, Portugal, Spain and Greece. Despite the fact that austerity programs were enacted, public debt in the countries of Southern Europe increased further. Alongside that, economic output in the Euro area fell by a total of 0.6% quarter on quarter in the last three months of 2012. As a result, gross domestic product (GDP) contracted for the third time in a row. Economic policy in Europe is still confronted with the difficult task of having to define stabilizing measures and enforce them in the face of growing public resistance.

The economic situation in the Federal Republic of Germany

Economic momentum in the Federal Republic of Germany declined continuously in the course of the past year and slumped toward the end of the year. In 2012, the German economy suffered its worst final quarter since the financial and economic crisis broke out in 2008, with economic output contracting by 0.6%, far more sharply than anticipated by analysts and than compared with most neighboring European countries. Overall, the German economy closed 2012 with average GDP growth of 0.7%, a positive aspect given that demand from the Euro area was weak. There is a still a high degree of uncertainty in the German and European economy, which had a major impact on the investment climate. A clear majority of companies expects business to remain about constant in the future, but fears additional burdens as a result of rising energy and raw material prices and setbacks as regards domestic demand.

Nevertheless, the latest publications as part of the survey by the Association of German Chambers of Industry and Commerce (DIHK) shows that the business situation of companies stabilized at the beginning of 2013. Moreover, optimism is returning as regards export expectations. Although companies still do not anticipate any positive boosts from the Euro zone, they no longer see foreign demand as a risk to their business performance. Consequently, there also appears to be a stabilization as regards investment intentions among companies in Germany. Apart from making replacement investments, companies are planning to spend to a greater extent on product innovations and rationalization. Additional effects come from construction investment and private consumption, which is benefiting from a still stable labor market and optimism on the wages front.

Industry barometer

The latest economic survey by the BITKOM high-tech association in the German information and telecommunications industry (“ICT industry”) indicates positive business prospects for the fiscal year ahead. 75% of surveyed companies from the IT and telecommunications industry expect higher sales in the first half of 2013, 14% assume their sales will remain on a par with the previous year, and just 11% anticipate worse sales. The BITKOM Industry Index was approximately 41 points in the fourth quarter of 2012 and improved significantly to 64 points in the first quarter of 2013. IT service providers and software companies are particularly optimistic: Above all, the continuing boom in smartphones and tablets, along with increasing demand for mobile solutions and high demand for cloud computing, is resulting in growing sales. On top of this, there is optimism about general economic conditions. The positive overall market trends are also impacting companies’ personnel planning. 57% of the surveyed companies intend to hire new staff in the course of 2013, while just 9% fear they will have to cut their workforce.

Performance of the euromicron Group in fiscal year 2012

euromicron embarked on the fiscal year in a strong position, with solid order books of just under €130 million. The strong business performance of the previous year continued virtually unabated in the first half of 2012. The bandwidths in the seasonal spread of business, whose widening was already clear to see in the previous year, expanded sharply in 2012 and in future will pose a far greater challenge as regards controlling resources and capacities within a fiscal year. In the third quarter, euromicron did not manage to completely evade the downturn in the economic climate in Germany and Europe. To compound matters, there was a great reluctance to invest on the part of the telecommunications sector due to the fact that a decision still has to be taken by public authorities in relation to expansion of the fiber-optic network in Germany. As a result of political uncertainties, far-reaching technical decisions relating to development of the fixed network, such as in relation to the "vectoring" for optimizing existing infrastructures over the last mile, were postponed, which meant that euromicron suffered falls in this important business segment. Due to the unexpected decline in willingness to invest in telecommunications, an important sector for euromicron, and restrained demand from the energy industry, the automotive sector, mechanical engineering and construction in the final quarter, the company strengthened and focused further on its emerging markets of healthcare, transportation and logistics, as well as the data center arena. As a result, the envisaged minimum growth target in fiscal year 2012 was able to be achieved in the second half of the year, with consolidated sales coming in at around €330 million. The target EBIT margin, which had been adjusted to a maximum of 7% after the acquisition of telent, was not able to be adhered to given the unavoidable adjustment of the sector and business mix as part of the integration phase.

At the same time, the Executive Board placed the focus of the company's development, as planned, on integration and consolidation of corporate structures as of the beginning of fiscal 2012. After intensive deliberation, the speed of implementing the measures planned for 2012 was not reduced, even against the backdrop of the weak business performance in the third quarter. Seen for the year as a whole, the planned integration and non-recurring costs and an increase in amortization of hidden reserves as part of capital consolidation had a significant impact on the earnings reported. Despite the fact that other burdens can be expected to weigh on earnings, the Executive Board plans to retain the speed of consolidation to enable the company's sustainable development. The framework of measures will be extended further in fiscal 2013 so as to get euromicron ready for its next strategic growth stage, the "Agenda 500". The "Agenda 500" comprises all measures that have to be implemented so that the company can achieve its growth target of an annualized sales volume of €500 million in 2015 and an EBIT margin of between 8% and 11%.

Apart from the focus on optimizing Group structures, operational business was expanded further as part of the euromicron Group's long-term strategy of making all technologies available at all German locations so as to be able to provide customers with ideal consulting and support and to actively leverage operational and strategic market opportunities that arise.

A first strategic opportunity was seized in the year under review with the acquisition of the business operations of the ANS Group by euromicron solutions GmbH on March 1, 2012, by way of an asset deal. With its substantial campus business, focus on the Rhine-Main region and well-qualified employees, ANS strengthens activities of importance for euromicron in this region in the areas of expertise of building automation and network and security technology.

Effective October 4, 2012, euromicron AG also acquired all the business and limited partner's shares in RSR Datacom GmbH & Co. KG, Essen, and in its unlimited general partner and indirectly all the shares in ProCom Professional Communication & Service GmbH, a subsidiary of RSR. RSR and ProCom operate in the fields of public address and dispatcher control systems, cable and alarm technology and radio relay and multiplexer systems and strengthen the euromicron Group's expertise with their portfolio.

As part of euromicron's strategy of gaining access to well-qualified employees and rounding out its competences in the regions by acquiring companies, euromicron AG purchased all the shares in Stark- und

Schwachstrom Montage GmbH, Hamburg, under the agreement December 14, 2012. SSM Hamburg operates in the fields of electrical engineering and communication and security technology and rounds out the euromicron Group's activities in Greater Hamburg from a technical perspective.

As part of optimization of the Group's structures, Avalan GmbH purchased the remaining 90% of the shares in Avalan Consulting AG, Luxembourg, in two partial acquisitions last fiscal year and so, effective July 23, 2012, is the sole shareholder of the company, which has since been renamed euromicron benelux S.A. and whose purpose is essentially to pool and expand euromicron's activities in Luxembourg.

Under the agreement dated December 2012, euromicron AG also exercised its option to acquire the remaining half of the shares in MICROSENS GmbH & Co. KG that were still held by the minority shareholders after acquisition of the company in 2006. An extension to the deadline for exercising the option and preemptive right to tender for the remaining share totaling 10% still held by the minority shareholders was agreed for the period from January 1 to December 31, 2014. Apart from rounding out of the company's services and regional presence, vigorous steps were taken to reduce costs and optimize structures throughout the Group in the past fiscal year.

Despite the greater efforts to improve service delivery, structures and the cost situation as part of integration, the course of business in the South Segment, in particular in the area of system integration, was not able to live up to expectations in the first year of integration 2012. Apart from the planned expenditures on integrating business activities, deficits in management of sub-areas of the South Segment became apparent and were rectified immediately. Market cultivation and project handling were not carried out with sufficient force in parts of the Segment, with the result that certain business volumes and the quality of earnings from them fell significantly in some cases, which had an impact in particular in the second half of the year. Consequently, far-reaching measures to reorganize the structures were taken and implemented and will have a highly positive effect in the coming years. Apart from more vigorous and greater professionalization of market cultivation and project handling, a focus is also on flexibilization of cost structures and development of the high-margin business segments of communications, security and active network technology.

The course of business of euromicron's companies in Austria and the Netherlands – euromicron austria GmbH, euromicron NBG Fiber Optics GmbH and WCS Benelux B.V. – improved in 2012 over the previous year, but was not quite able to fully meet expectations. An extensive package of measures as part of implementation of euromicron's business model in the Austrian market was put into action rigorously and reaped initial successes. In addition, expansion of sales, pinpointed adjustment of cost structures to the business volume, optimization of business processes and qualification of the workforce were stepped up.

Optimization of processes and adjustment of cost structures to market circumstances to enable sustainable profitability is an integral component of euromicron's strategy and ongoing integration of the company. Integration and merging of highly specialized employees and locations to create a homogeneous local presence offering extensive know-how in the entire field of network infrastructure was a key focus in the past year and will also be cornerstones of the strategy and integration in the coming years. Two branch offices in the Group, as well as the headquarters of euromicron Aktiengesellschaft, moved into new operating and office facilities for strategic, market-oriented, logistical, economic and employee-related reasons. The new locations of Bamberg and Erfurt offer ideal conditions for enhancing our regional presence and ensuring suitable representation. The new premises of euromicron Aktiengesellschaft mean that staff, which used to work at two locations, will now be under one roof, will help slash rental costs and will create the framework for strategic growth at the Group. An examination of the integration potentials of the locations in Hamburg, Hannover and Berlin was commenced toward the end of 2012 so that the company can profit from potential synergy effects in 2013.

A further focus of integration in the year under review 2012 was on optimizing euromicron's IT structure. Apart from connection of all euromicron locations, including telent GmbH, to a powerful MPLS (Multiprotocol Label Switching) network to permit secure data communication in the Group, standardized processes and IT structures were pooled in euromicron's own private cloud to enable efficient and highly secure data processing. Two outsourced redundant data centers ensure maximum data security and protection against downtimes. As a result, euromicron will be able to meet the high standards of mobile communications providers, who for years have trusted euromicron's quality.

At the CeBIT trade show in March 2012, euromicron demonstrated that, following the takeover of telent, the Group has all the competences and technologies required to deliver state-of-the-art, forward-looking data transfer in data centers, LANs, MANs (metropolitan area networks) and WANs. Once again in 2012, euromicron presented itself in Hanover under the slogan "next generation solutions", showcasing tailored products, solutions and applications for key markets of today and tomorrow. As a result, euromicron once more underscored at CeBIT 2012 that it has leveraged its competences in the field of network infrastructures in the past years to develop and create intelligent solutions and applications for various application areas in daily work and life. CeBIT is an important communication, sales and image platform for the euromicron Group and gives it the opportunity to demonstrate to the trade how euromicron continues to develop and increase its market presence and acceptance nationally and internationally.

In addition, euromicron again proved its powerful growth and earnings strength in the TOP 100 ranking of German medium-sized enterprises in 2012, climbing from 61st to 32nd. As a result, euromicron is one of the 100 most successful German SMEs for the third time in succession.

As part of the continued strategy growing cautiously in the international arena as well, various companies were looked at with a view to possible cooperation or acquisition of a stake in them. Following intensive deliberations and examinations, the Executive Board and Supervisory Board decided to set store by organic growth for the time being and to stabilize and integrate existing activities. As a result, the euromicron Group's internationally based companies and units in Italy, Poland and France were again able to surpass their sales and earnings targets, significantly in some cases. Strong results were posted above all in the Southern European market given the general economic conditions.

Overall, euromicron achieved its growth target in the past fiscal year, generating consolidated sales of €330.0 million despite the contracting economy in Europe and above all in Germany in the fourth quarter. The prudent and foresighted cost awareness practiced at the Group in the past and stronger adjustments relating to integration and processes and intensified ongoing optimization have proven their value against the backdrop of difficult market trends.

Close coordination with our financing partners and a financing policy geared toward sustainability have resulted in long-term funding accounting for a greater share of debt and so strengthening of the Group's financing situation. This trend confirms us in our goal of further intensifying our efforts to integrate the company and establish efficient and flexible cost structures as the basis for the euromicron Group's successful performance at a high level.

03. Net assets, financial position and results of operations

Assets and equity

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

Asset and equity structure

	Dec. 31, 2012 € m.	%	Dec. 31, 2011 € m.	%
Noncurrent assets	146.5	51.6	138.4	52.2
Current assets	132.0	46.5	119.5	45.0
Cash and cash equivalents	5.4	1.9	7.3	2.8
Assets	283.9	100.0	265.2	100.0
Equity	119.0	41.9	120.0	45.3
Long-term debt	57.7	20.3	46.0	17.3
of which: Financial debt	47.8	16.8	36.9	13.9
Current liabilities	107.2	37.8	99.2	37.4
of which: Financial debt	38.4	13.5	33.0	12.5
Equity and liabilities	**283.9**	**100.0**	**265.2**	**100.0**

The euromicron Group's total assets at December 31, 2012, were €283.9 million compared with €265.2 million in the previous year, or a 7.1% increase.

The increase in noncurrent assets is mainly the result of the growth in acquisition-related goodwill. This was €106.4 million at December 31, 2012, compared with €103.6 million in the previous year. The remainder of the increase in noncurrent assets is largely due to additions as part of the first-time consolidation of identified intangible assets and own work capitalized. The ratio of equity and long-term outside capital to noncurrent assets rose slightly and is 120.6% (previous year: 120.0%).

As part of the current assets, inventories rose year-on-year by €2.4 million from €25.1 million to €27.5 million, mainly due to increased stocking of raw materials and supplies and finished goods and merchandise so as to ensure better deliverability. Trade accounts receivable were €40.8 million, down on the previous year's figure of €44.3 million, whereas the gross amount due from customers for contract work rose from €43.8 million in the previous year to €56.0 million. This increase is due not only to consolidation of the newly acquired companies, but also in particular to the strong organic growth of the company's divisions and the resultant increase in the volume of business. In addition, because of their business model, the system houses above all have the largest volume of sales and invoicing in the final quarter of a fiscal year. As a result, trade accounts receivables and the gross amount due from customers for contract work increases at December 31 of each fiscal year at the euromicron Group due to seasonal reasons. In the first months of the new fiscal year, the companies accordingly obtain a large inflow of liquidity.

Working capital (trade accounts receivable, the gross amount due from customers for contract work and inventories minus trade accounts payable and payments on account) was €77.9 million at the balance sheet date (previous year: €76.8 million) and was largely kept constant by means of an extensive optimization program in the past fiscal year despite the further growth in the euromicron Group's volume of business.

Equity at December 31, 2012, was €119.0 million and so at the level of the previous year (€120.0 million). The equity ratio at December 31, 2012, was around 42%, still at a very stable level against the backdrop of the further increase in total assets and well above the average for the German small and medium-sized sector, which was 27% in 2012.

The raising of long-term loans means that the ratio between short- and long-term financial debt after the raising of a borrower's note loan of €24.5 million last year improved again and the euromicron Group's structure of financing was further optimized. Whereas long-term financial debt in 2010 accounted for only 8.2% of total equity and liabilities, that figure was 13.9% at the end of 2011 and 16.8% at the end of 2012, a further increase of around 3 percentage points. At the same time, short-term debt at December 31, 2012, was 13.5% of total equity and liabilities, slightly above the good level of the previous year (12.5%). The target of a financing structure consisting of around 50% medium- and long-term financing that can be planned and 50% short-term for operational business was thus surpassed again in the past year. The Group's net debt (interest-bearing financial debt minus securities and cash) at December 31, 2012, was €75.7 million (previous year: €57.4 million). Net debt grew further in particular as a result of up-front financing of projects and the company acquisitions in 2012.

Short-term trade accounts payable as of the balance sheet date rose from €31.6 million to €42.9 million in fiscal 2012 as a result of consolidation effects. It should be taken into account that project financing is traditionally heavy at the end of the year.

Results of operations

Income statement of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

	Note	2012 € thou.	2011 € thou.
Sales	(11)	330,030	305,306
Inventory changes		–5,850	–7,443
Own work capitalized	(12)	5,607	1,948
Other operating income	(13)	2,797	2,724
Cost of materials	(14)	–171,002	–159,619
Personnel costs	(15)	–93,588	–76,930*
Amortization and depreciation	(16)	–7,943	–6,563
Other operating expenses	(17)	–42,969	–35,261
Earnings before interest and taxes (EBIT)		**17,082**	**24,162**
Interest income	(18)	175	77
Interest expenses	(18)	–4,520	–5,407
Other financial expenses	(18)	–511	–1,034
Income before income taxes		**12,226**	**17,798**
Income taxes	(19)	–3,398	–4,938*
Consolidated net income for the period		**8,828**	**12,860**
Thereof for euromicron AG shareholders		8,568	12,190
Thereof for non-controlling interests	(20)	260	670
(Un)diluted earnings per share in (€)	(21)	**1.29**	**2.32**

* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

In fiscal 2012, the euromicron Group achieved sales of €330.0 million, an increase of 8.1% on the previous year (€305.3 million).

A breakdown by the various regions shows that most sales were generated within Germany as in previous years: €298.9 million at the end of fiscal 2012 (previous year: €267.8 million). Foreign sales in 2011, which were at a record €37.5 million, were mainly impacted by a major order from the Middle East. Sales totaling €31.1 million were invoiced in fiscal 2012 against the backdrop of a difficult economic climate, especially in Southern Europe. Foreign sales are thus around 5% above the essentially comparable figure for fiscal 2010 (29.6 million). Sales generated internationally contributed a total of around 9.4% (previous year: 12.3%) to the euromicron Group's sales volume.

The total operating performance (sales, inventory changes and own work capitalized) of the euromicron Group was €329.8 million, largely like sales around 10% above the figure of €299.8 million for the previous year.

Own work capitalized of €5.6 million grew by €3.7 million over the previous year's figure of €1.9 million and reflects the company's significantly greater efforts in connection with the development of new products to secure its market position and increase its innovativeness. Moreover, the inclusion of the companies acquired in the previous year for the first time for the year as a whole resulted in an increase in own work capitalized. In addition, euromicron has established a central IT and communications infrastructure in the form of a private cloud. That means that all the Group's data will be processed and stored in future at two redundant data centers so as to ensure protection against failures. All voice and data traffic is transferred via an MPLS network that is secured in compliance with the very highest standards.

The largest expense item in the income statement of the euromicron Group was cost of materials at €171.0 million (previous year: €159.6 million). This increase is mainly due to the higher volume of business. The ratio of cost of materials on the basis of total operating performance improved from 53.2% in 2011 to 51.8% in the year under review 2012. Apart from effects from the consolidation of new divisions, the improvement in the ratio of cost of materials is attributable to leveraging of synergy potentials in purchasing and streamlined project and cost management.

After the cost of materials, personnel costs are the second largest expense item. They were €93.6 million in the past fiscal year 2012 compared with €76.9 million in the previous year. This increase is mainly due to consolidation effects. Personnel costs increased to 28.4% relative to total operating performance (previous year: 25.7%), reflecting the increased share of system business in the Group's total operating performance. The average headcount rose from 1,354 in the previous year to 1,597 (excluding trainees) in the year under review 2012.

Amortization and depreciation was €7.9 million, as planned above the previous year's €6.6 million. This increase is mainly due to changes to the consolidated companies. Moreover, the item is substantially impacted by amortization of hidden reserves disclosed as part of capital consolidation to an amount of €2.0 million (previous year: €1.7 million).

Other operating expenses in 2012 were €43.0 million compared with €35.3 million in the previous year. The largest items in the other operating expenses were vehicle and travel expenses (€13.2 million; previous year: €10.0 million), rent/room costs (€6.3 million; previous year: €4.9 million) and legal and consulting costs (€4.1 million; previous year: €4.3 million). The other operating expenses rose in absolute terms and relative to sales essentially as a result of changes in the consolidated companies and due to integration and non-recurring effects after the acquisition of telent.

Earnings before interest and taxes (EBIT) were €17.1 million (previous year: €24.2 million). The consolidated EBIT margin relative to sales was 5.2% (compared with 7.9% in the previous year) following the strong growth in the previous year and the impact of the consolidation effects. The decline in the average EBIT margin is attributable on the one hand to the extensive postponement of telecommunications infrastructure projects in the second half of 2012. In addition, implementation of the integration and optimization measures, above all in South Segment, coupled with the general economic conditions, resulted in an additional decline in 2012 not expected on such a scale.

Whereas integration costs in the previous year were €1.8 million, they increased in 2012 by €2.6 million to a total of €4.4 million. This is mainly due to expenditures on adapting the workforce to future qualification needs, non-recurring expenses as part of the rollout of new IT and software structures, costs in connection with optimization of the real estate structure and the costs of a large number of smaller integration measures and non-recurring expenses. After the acquisition of telent and for the period of implementation of the planned integration and optimization measures up to mid-2014, the Executive Board assumes that the EBIT margin will be 7% at most. In the following years and in connection with expansion of production operations, the aim is to achieve a margin of 8 – 11% for the Group again. The planned improvement in the quality of earnings is flanked by an extensive cost-cutting program that includes permanent monitoring and rigorous controlling of the cost structures.

The net financial result sharply improved as planned from € – 6.4 million in the previous year to € – 4.9 million in 2012. The moderate increase in financing costs due to restructuring of debt toward long-term funding and the greater need for financing in operational business as a result of the euromicron Group's growth are countered by permanent optimization of terms of finance given the favorable market environment for raising funds and income from interest on the plan assets.

The tax ratio was around 27.8% and so at the good level of the previous year (27.7%).

Consolidated net income for shareholders of euromicron AG was €8.6 million in 2012 compared with €12.2 million in the previous year. After the issue of more than 2 million new shares in the years 2010 and 2011, undiluted earnings per share were €1.29 following €2.32 in the previous year.ahr.

Financial position

The Group is in principle financed centrally through euromicron AG. This is done through a central cash pooling system to which all Group companies are linked in principle. Internal financial equalization as part of a cash management system of the individual companies reduces the volume of outside funding at the Group. 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 smaller lines of funding, which are however insignificant in terms of volume.

At December 31, 2012, unutilized promised credit lines of €50.3 million were available to the Group, virtually unchanged over the previous year (€51.4 million), following a 10% increase in sales. The Group thus has the necessary freedom to enable its planned corporate development, quick integration of business and financing of operational growth.

The Group's financial position in fiscal 2012 was as follows:

Statement of cash flows of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

	2012 € thou.	2011 € thou.
Net cash provided by operating activities	**6,958**	**473**
Net cash used in investing activities	**–13,289**	**–20,397**
Net cash provided by financing activities	**4,445**	**18,651**
Net change in cash and cash equivalents	–1,886	–1,272
Cash and cash equivalents at start of period	7,300	8,572
Cash and cash equivalents at end of period	**5,414**	**7,300**

The net cash provided by operating activities was €7.0 million, a sharp rise of €6.5 million on the previous year's figure of €0.5 million). This is mainly attributable to the smaller increase in receivables against the backdrop of the higher volume of business following integration of the company acquisitions from the previous year in fiscal 2012. Optimization of cash management bolstered this effect.

The net cash used in investing activities of €20.4 million in the previous year fell sharply by €7.1 million to €13.3 million due to consolidation effects. Total capital spending was essentially impacted by greater investments in development of new products and an increase in fixed assets. Investments relating to acquisition activity declined significantly from €12.4 in the previous year following the purchase of telent's business operations by €9.8 million to €2.6 million, a "normal" level in the current phase of the company's strategy.

Whereas around half of the investments were covered by net cash provided by operating activities, the other investments were financed by net funds provided by financial loans to an amount of €12.2 million. Financial loans were repaid to an amount of €10.2 million, while new financial loans totaling €22.4 million were raised. The payout of the dividend adopted at the 2012 General Meeting resulted in an outflow of €7.7 million. All in all, the net cash provided by financing activities was €4.4 million (previous year: €18.7 million). Cash and cash equivalents of the euromicron Group at December 31, 2012, were €5.4 million and as planned were reduced slightly from the previous year's figure of €7.3 million in order to avoid paying interest for maintaining non-interest-bearing bank credit balances. With its funds and free, promised credit lines, the euromicron Group is well positioned to continue pursuing the phase of consolidation at undiminished speed and secure its financing needs for its companies' operating business. Continued diversification in financing and restructuring of financial liabilities from short-term to long-term debt created a high degree of financial stability in fiscal 2012. The company aims to maintain the intensive, trusted and fine cooperation with all banks.

New orders and order books

New orders at the euromicron Group from January 1 to December 31, 2012, were €327.8 million and so around 6% above the previous year (€309.2 million), despite the tough economic conditions. Order books were €125.2 million and so around the good level of the previous year (€127.5 million). That means that euromicron's system houses in particular enter fiscal 2013 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. In addition, since the previous year there has been the new segment WAN services, in which supraregional business in the field of planning, installing and servicing wide area networks is grouped and presented.

Segment sales

	2012 € m.	2011 € m.
euromicron North	111.7	116.8
euromicron South	131.5	137.6
euromicron WAN services	102.8	66.8
Central services and Group consolidations	–16.0	–15.9
Total sales	**330.0**	**305.3**

Segment earnings (EBIT)

	2012 € m.	2011 € m.
euromicron North	14.5	18.9
euromicron South	0.5	6.9
euromicron WAN services	8.0	4.2
Operating EBIT	**23.0**	**30.0**
Central services and Group consolidations	–5.9	–5.8
Total EBIT	**17.1**	**24.2**

The deterioration in general economic conditions in the past fiscal year impacted sales and income (EBIT) in the North Segment. Extensive postponements of telecommunications infrastructure projects in the second half of 2012 necessitated capacity adjustment measures which, along with the decline in volume, had an effect on the results of operations. Thanks to the large number of flexibilization measures implemented in previous years, the decline in earnings has been curbed significantly. Sales at the North Segment were €111.7 million following the strong figure for the previous year of €116.8 million. The EBIT was €14.5 million after an excellent €18.9 million the year before. In fiscal years 2013 and 2014, it is expected that the postponement of investments in the telecommunications sector will come to an end, at least to some extent, meaning that growth in sales is expected. In addition, boosts to growth are anticipated from the extensive investment program in new products in 2011 and 2012, which is why a rise in EBIT is expected overall.

With sales of €131.5 million, the South Segment was not quite able to achieve the previous year's figure of €137.6 million. Apart from the pretty tough market trend in fiscal 2012, the main focus in the South Segment was on integration and restructuring of its business fields and activities. In addition, deficits in management of sub-areas of the South Segment became apparent in relation to market cultivation and project handling, with the result that certain business volumes and the quality of earnings from them fell significantly in some cases. That had an impact in particular on earnings in the second half of 2012. Consequently, an extensive package of measures to reorganize the structures was instigated and will have a highly positive effect in the coming years. The EBIT fell from €6.9 million in the previous year to €0.5 million in fiscal 2012. Fiscal year 2013 will be shaped by continuation of the extensive restructuring and integration measures so as to create the foundations for positive development as regards the quality of earnings in subsequent years. Alongside this, moderate growth in sales and income is anticipated for 2013 and 2014 from the marketing of new products.

After the acquisition of telent's business operations in 2011, all activities at the euromicron Group with their focus on wide area network services were pooled in the "WAN services" Segment, irrespective of the region in which the services are performed. This Segment was bolstered in 2012 through the integration of the RSR Group. As a result, its sales were able to be grown sharply to €102.8 million (previous year: €66.8 million). Parts of this increase of €36.0 million are due to consolidation effects following the pro-rata inclusion of telent as of June 7, 2011, and the companies acquired in the year under review. Organic growth was therefore around 10%. The WAN services Segment was able to benefit significantly after restructuring and pooling of euromicron's WAN activities and post an outstanding EBIT of €8.0 million, an increase of €3.8 million over the previous year's good figure of €4.2 million. Stable market trends are expected for the next two fiscal years and so will enable appropriate organic growth. Further growth effects are expected following the acquisition of RSR Datacom.

With its operating companies, the euromicron Group generated an EBIT totaling €23.0 million (previous year: €30.0 million); a large part of the integration and non-recurring effects of 2012 and the amortization of hidden reserves disclosed as part of capital consolidation are already included in that figure.

Despite the increase in management requirements and planned expansion of central services at the euromicron Group, the costs of the euromicron AG and the effects of Group consolidation totaling €5.9 million were largely maintained at a constant level (previous year: €5.8 million). Apart from holding costs, the costs of M&A activities, merger costs and other strategic projects and cross-segment expenses are allocated here. A comparable cost level is anticipated for the next two years.

04. Employees

Sticking to our course

As in previous years, our Group also posted a high trainee ratio of 6% in fiscal 2012. 80% of our around 100 trainees at present are learning the professional of electronics technician in information and communications technology. We are also training people as IT systems support specialists, office clerks and dialog marketing specialists. euromicron's companies repeatedly make a name for themselves as especially successful providers of training. In 2012, for example, Leipzig Chamber of Handicrafts bestowed the award of "a tried-and-proven provider of handicraft training" on SSM euromicron GmbH in praise of the continuity and quality of its training.

We employed an average of 1,699 people in 2012, 244 more than in the previous year. This increase in mainly due to our acquisitions: The employees of RSR Datacom GmbH & Co. KG, its subsidiary ProCom Professional Communication & Service GmbH, SSM Stark- und Schwachstrom Montage GmbH and the ANS Group were added to euromicron's existing workforce in the course of fiscal 2012. In addition, this average figure now also includes the employees of telent GmbH, who were included as of June 7 in the previous year, for the entire fiscal year.

Also an effect of our successful human resources strategy: We repeatedly have new and interest job vacancies at our Group. Our company is therefore attractive to employees who wish to develop themselves and advance – new career opportunities keep on opening up for them.

We now receive an increasing number of unsolicited applications. euromicron is becoming more well-known and in particular our inclusion in the TecDAX has made us even more interesting to many applicants. However, the shortage of skilled workers means that new hirings come at a price. Nevertheless, we do not make any compromises when it comes to recruitment: We intend to continue to ensure the quality that we believe as being crucial to our development.

Qualification

In August 2012, a second batch of sales trainees successfully completed their training as “certified sales professionals”. We kept all ten trainees on as sales representatives. The training comprises a theoretical part and a practical part at one of euromicron’s companies. The focus is on the breadth of the product portfolio, with the result that that participants’ consulting skills are boosted. We regard this employee training tailored to euromicron’s particular needs as a key component in the success of our sales activities.

We also launched an extensive further training program for our sales employees. It essentially imparts know-how on the systematic selling of solutions, cross-selling potentials and specific customer support. We offer new sales employees a start-up seminar specifically to assist them in the familiarization process.

Development of managerial staff is vital to every company. We therefore offer pinpointed training for executives: from the Managing Directors, first-level management to junior executives. In October we launched a development program for junior executives for the fourth time. It has been our experience that junior staff often contributes leadership skills which it pays to enhance further for the employees themselves and for the Group’s success.

05. Market and technology

Growth in the ICT sector not reflected in expansion of infrastructure

According to the industry association BITKOM, the global ICT market remains stable, despite the European financial and banking crisis. Global sales are expected to increase in 2013 by 5.1% to €2.7 trillion.

Nevertheless, the association notes that there are very great differences regionally in how markets are developing. According to BITKOM, Western Europe is the region with the lowest growth. The German ICT market is a positive exception here, with growth forecast at 1.4% in 2013.

With regard to the German ICT market, however, it can be seen that growth was mainly driven by consumer electronics and software, whereas investments in information and telecommunications infrastructures were deferred by many companies due to weak general economic conditions and the resultant uncertainty as to how the year would turn out. Consequently, Germany experienced the worst final quarter since the end of 2008. That made itself felt as of the second half of the year in the shape of delays in expansion of the ICT infrastructure.

Reluctance to invest in the telecommunications industry

The telecommunications industry was mainly hit by this reluctance to invest. The decision by public authorities on the issue of “vectoring” has been awaited since July 2012, ensuring that investment projects in broadband expansion by means of fiber optics in the fixed-network arena have virtually been completely shelved as a result. In the field of mobile communication, expansion of new LTE (Long Term Evolution) base stations came to a virtual standstill due to the backlog in approval.

In the information technology sector, the difficult economic conditions, which reached the German economy midway through the year, made themselves felt in the shape of project postponements. The willingness to invest on the part of key industries slackened and already commissioned projects were deferred.

euromicron prepares for further growth

In this tough economic climate, euromicron continued to implement the structural and integration measures it commenced and prepared itself technologically for further growth.

Some of the highlights in 2012 included development of a large number of product innovations, implementation of technologically outstanding projects, initiation of pooling of the company’s technological know-how at Competence Centers and rounding out its technological expertise by the acquisition of smallish specialist companies.

Innovation initiative launched

In April 2012, euromicron continued the start of its innovation initiative with the latest generation of the Gigabit Ethernet installation switch from its subsidiary MICROSENS. As a result, a further milestone in the field of FTTO in-house networking was showcased at CeBIT.

This product innovation from MICROSENS was the first result of increased investment by euromicron in developing new products and solutions and in updating its existing portfolio. The initiative was continued the same month with the new SFP transceiver. It has been certified in compliance with the ATEX Product Directive 94/9/EC for use in potentially explosive atmospheres.

Right on time for the Hanover Trade Fair, euromicron’s subsidiary ELABO presented three innovations: the revolutionary workbench Primus One, the innovative Elabo power supply unit and the new Elabo Elution Suite software. As a result, euromicron’s subsidiary Elabo again underscored its position as the leader in developing and manufacturing intelligent measurement and testing technology for the electrical and electronic industry and related professions.

In the fall of 2012, euromicron's subsidiary SKM Skyline complemented its ProfiLINK system family with a new K6A module as part of the Group's innovation initiative. Named SKM Pro-fiLINK, it is an entire cabling system that offers generous performance reserves and is based on tried-and-tested, high-quality cables and components made in Germany. The cabling system has been tested in the link and certified by GHMT AG, a company that specializes in high-frequency measurement technology. The new K6A module from the SKM ProfiLINK modul series can be assembled without the need for special tools and so significantly simplifies assembly.

As an all-round provider of network infrastructures, our mission is to offer products and services that are of the very highest technological standard. The successes of our product innovations in their markets show that we achieve just that.

Technology from euromicron in use everywhere

We penetrate our markets with a broad range of products and services and have a comprehensive footprint. Once again in 2012, this can be seen from a large number of impressive reference projects. Whether in the "countryside" or in large cities, nationally or internationally, at enterprises or major sporting events: euromicron is the powerful partner customers rely on when it comes to technologically demanding projects.

One such challenge was faced, for example, by our customer mr. net services in creating the broadband citizens' network fiete.net for a total of 28 communities in northeastern Schleswig-Holstein. We were able to persuade the customer with the specialist know-how we had already successfully proven in several broadband projects. euromicron systems was responsible for constructing the passive infrastructure – excluding the empty pipe network – and the more than 60 multifunctional cabinets, including the active DSLAM components. Once more, we were able to demonstrate our leading position in relation to broadband technology.

Further customers who set store by euromicron's technological know-how are E.ON Mitte AG and E.ON Hanse AG. They commissioned our subsidiary telent to equip their radio networks with DMR (digital mobile radio) technology. With more than 70 base stations for supplying the federal states of Hesse and Schleswig-Holstein, euromicron is thus implementing the two widest DMR networks in Germany at present, confirming its role as a forerunner in DMR technology.

We were also able to prove our know-how internationally. In the Miejski Stadium in Wrocław, a multi-purpose facility for sport and recuperation that holds more than 42,000 people, active technology from euromicron ensures that large sporting events can be held safely. A large part of the network infrastructure of the surveillance and access control system installed there was implemented on the basis of robust industrial switches from our subsidiary MICROSENS.

Our system house euromicron solutions provided the WLAN connection and remote maintenance access for the cable car over the Thames in London, which was opened in the summer of 2012. As a result, live television broadcasts in HD and with stable bandwidths of six to eight megabits a second are possible. Similar projects had already been accomplished in Koblenz, Singapore and the Lenzerheide skiing region in Switzerland.

Technological expertise pooled

For us, integration means creating the structures and general conditions required for our organization's further growth. In 2012, we therefore pooled our existing technological know-how and launched Competence Centers for products and solutions that are of strategic importance throughout the Group.

Such a solution is our fiber-optic cabling system URM® (YoU aRe Modular) for data centers. The high-quality connector components are produced at the EUROMICRON Werkzeuge plant using cutting-edge technologies. The connectors are assembled by LWL Sachsenkabel and subjected to a full quality inspection. Finally, our system houses euromicron solutions and euromicron systems assume responsibility for all the steps from planning, installation to maintenance of the data center infrastructure.

The URM® Competence Center now pools all the Group's expertise relating to URM® and, as a service provider, makes the existing technological know-how available to our own companies and our customers.

This model is a prime example of the large number of solutions for which our Group has extensive know-how. As a result, we can cater for a full line of services: from planning, consulting, installation, maintenance and service, including manufacture of high-quality, innovative products. Our customers benefit from such complete solution chains. We will therefore continue to drive these cross-Group products vigorously as part of our integration measures.

Rounding out of technological competences

In 2012, we continued to seize opportunities to take over qualified teams, technologies and market access or patents and integrate them in our Group.

At the beginning of 2012, we acquired the business operations of the ANS Group, thereby gaining a host of highly qualified employees and integrating them in our Group's system business. The technological focus of ANS' experts is on building automation, as well as network and security technology. The highly qualified and certified employees are an ideal complement to our system companies when it comes to the development, installation and maintenance of reliable, cutting-edge alerting technology.

In October 2012, we broadened our company's expert workforce with the acquisition of RSR Datacom GmbH & Co. KG. RSR Datacom is a vendor-independent system integrator based in Essen. The company specializes in communications technology in the fields of public address and dispatcher control systems, cable and alarm technology and radio relay and multiplexer systems. It offers its customers consulting, planning and project planning, assembly, commissioning, documentation and round-the-clock maintenance. Under the brand name ProCom® and with its subsidiary ProCom Professional Communication & Service GmbH, RSR Datacom also develops, produces and distributes rugged and innovative public address systems that are used nationally and internationally in industry, at rail and transport companies, for tunnel systems in the transport sector and in the process industry. With this specialization we have acquired in the field of integration of acoustic and public address systems and with the related vendor know-how, we are underscoring our mission to offer our customers comprehensive consulting and support.

Overall, we further expanded our company's technological expertise and sharpened its profile in 2012. We will also maintain a setup in future that ensures we can enable our customers to continue coping with the technological challenges in their business.

06. Compensation Report

This Compensation Report is an integrated part of the management report, summarizes the principles governing how the compensation of the Executive Board and Supervisory Board of euromicron AG is set, follows the recommendations of the German Corporate Governance Code in the version dated May 15, 2012, and explains the level and structure of compensation for the respective members of the Supervisory Board. In addition, it specifies the principles for and level of compensation for the members of the Supervisory Board.

Salient features of the compensation system for the Executive Board

euromicron's future success depends on the company's ability to acquire, motivate and retain good personnel. The compensation system for euromicron AG's Executive Board is therefore geared to performance incentives for long-term corporate governance geared to sustainability. The Executive Board's compensation is also part of an end-to-end system for executives at the euromicron Group and is intended to reflect the size and strategic alignment of the company, its economic situation and future prospects and the personal performance of the board member in question. The compensation should be competitive nationally and internationally and so offer incentives for committed and successful work. Overall responsibility for defining the compensation principles for the Group lies with the Supervisory Board, which also regularly reviews them.

Compensation of the Executive Board

The total compensation of the Executive Board is based on Section 87 AktG (German Stock Corporation Law), is performance-based to a considerable extent and takes into account the Group's earnings targets. It is currently made up of performance-unrelated components (salary, other remuneration) and performance-related components (earnings-related bonus and a variable component with a long-term incentive effect ("LTI")). The contracts of employment and compensation structure overall are regularly reviewed together with independent external compensation experts and adjusted if necessary.

euromicron AG's compensation strategy also envisages offering remuneration that is fair and transparent and takes the interests of shareholders into consideration. The following criteria apply to the individual components of the Executive Board's compensation:

The performance-unrelated compensation is paid as a monthly salary, along with non-cash compensation. The fixed compensation of the Chairman of the Executive Board is higher than that of its other members. The other remuneration relates to use of company cars, premiums for a group accident insurance policy and a direct company insurance policy, contributions to health and nursing care insurance, and reimbursement of business-related travel and entertainment expenses. The Executive Board members pay tax on the respective benefit in money's worth of these non-cash benefits.

The company maintains an insurance policy for board members of the euromicron Group, what is termed a directors' and officers' (D&O) policy. This insurance covers personal liability if claims for financial loss are made against Executive Board members as part of their work. In accordance with the applicable arrangement in the contracts of employment with Executive Board members, a deductible of 10% is provided for in accordance with statutory provisions (deductible within the meaning of Section 93 (2) AktG (German Stock Corporation Law) in conjunction with Section 23 (1) EGAktG (Introductory Act to the German Stock Corporation Law)).

The variable, performance-related elements of the compensation for Executive Board members are geared to the company's sustainable development and consist of the following, mutually independent components:

First, there is an earnings-related bonus in the form of a variable cash payment which is geared to the Group's EBIT or EBITDA and is calculated taking the consolidated business results into account. An upper limit (cap) avoids entitlement to an excessively high bonus in the event of highly positive developments.

In addition, variable components with a multi-year basis of assessment (LTI = long term incentive) have been included in the system for compensation of an Executive Board member. For the contribution made to increases in the company's value, the Executive Board member can receive a long-term compensation component geared to the total EBITDA amounts for the years 2012 to 2015 ("performance period"). Payment of it will be due after the consolidated financial statements for the fiscal year 2015 have been approved; annual payments on account will be set off against this.

In addition, as part of the compensation structure, the Supervisory Board can decide – in compliance with statutory provisions – to grant a discretionary bonus to reflect exceptional achievements and especially significant contributions to the company's development and increases in its value. The Supervisory Board did not make use of this option in fiscal 2012.

For their work in fiscal year 2012, the individual members of the Executive Board received the following payments:

The total compensation for all members of the Executive Board was €1,533 thousand. The performance-unrelated, fixed basic compensation accounted for €758 thousand (including other non-cash compensation of €44 thousand) and the variable, performance-related compensation for €775 thousand.

The following amounts were paid to the individual members of the Executive Board:

- Dr. Willibald Späth:
  €1,143 thousand (performance-unrelated compensation €531 thousand,
  including €31 thousand in other remuneration, TEUR €180 erfolgsabhängig and performance-related compensation €612 thousand).
- Thomas Hoffmann:
  €390 thousand (performance-unrelated compensation €227 thousand,
  including €13 thousand in other remuneration, TEUR €108 erfolgsabhängig and €55 thousand from the variable component with a long-term incentive effect).

In the event that an Executive Board member's activity is terminated without an important reason, all contracts provide for a payment with which the remaining term of the contract of employment is remunerated. The same applies in the event of premature termination of a board member's activity in the case of a change of control. In both cases, no further payments that necessitate a severance pay cap have been agreed.

No loans or advances were granted to the members of the Executive Board in the year under review. Apart from the stated compensation components, the members of the Executive Board did not receive any fringe benefits. In fiscal 2012, the members of the Executive Board did not receive any benefits from third parties that have been promised or granted in relation to their work as board members. Activities in or for subsidiaries are not remunerated separately.

Salient features of the compensation system for the Supervisory Board

The compensation for Supervisory Board members defined in the Articles of Association of euromicron AG reflects the responsibility and range of activities of the members and the Group's economic situation and success.

The remuneration 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 €10 thousand and an annual performance-related payment of €150.00 for each cent of dividend distributed per share that exceeds four cents per share. The Chairman of the Supervisory Board receives double and his/her deputy one-and-a-half times the fixed and variable remuneration.

On the basis of the distribution from the net retained profits of euromicron AG in 2012 as proposed to the General Meeting (dividend of €0.30 per share), the payment is as follows:

In total, the members of the Supervisory Board received compensation of €63 thousand in accordance with the Articles of Association: performance-unrelated payments of €45 thousand and performance-related payments of €18 thousand.

- Dr. Franz-Stephan von Gronau:
  €28 thousand (€20 thousand performance-unrelated and €8 thousand performance-related);
- Josef Martin Ortolf:
  €21 thousand (€15 thousand performance-unrelated and €6 thousand performance-related);
- Dr. Andreas de Forestier:
  €14 thousand (€10 thousand performance-unrelated and €4 thousand performance-related);

In its own interests, the company maintains a directors' and officers' (D&O) insurance policy that also covers the members of the Supervisory Board. Its deductible is 10%.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €54 thousand was paid for the services.

07. Corporate Governance

In fiscal 2012, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May 15, 2012, which was published in the Federal Official Gazette on June 15, 2012. 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-12 and can be read in the annual financial statements.

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

a.) The company's subscribed capital comprises 6,663,799 no-par value registered shares.

b.) The company's Executive Board is not aware of restrictions on voting rights or transfer of shares, even if they may be defined under agreements between shareholders.

c.) There are no direct or indirect capital stakes exceeding 10% of the voting rights, where the disclosures do not have to be made in the notes on the consolidated financial statements.

d.) There are no holders of shares with special rights that confer controlling powers.

e.) 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.

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

Authorized capital
After the equity increase last year using part of the authorized capital, the authorized capital remaining at December 31, 2012, is €2,621,078.72; this can be used by the Executive Board, with the consent of the Supervisory Board, to increase the capital stock of euromicron AG by issuing new registered shares against cash or non-cash contributions on one or more occasions by May 31, 2016. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right.

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

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

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

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2012.

g.) There are no significant agreements by the company as defined by Section 289 (4) Nos. 8 and 9 of the German Commercial Code (HGB).

09. 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

After the balance sheet date, there were no significant operational or structural changes at the euromicron Group, nor any business events, that might necessitate a change to the disclosures made in the consolidated financial statements for 2012 or require reporting.

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 that code to present the salient features of the ICS/RMS in relation to the consolidated accounting process in the 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 Group'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 its Executive Board and Supervisory Board. The Treasury unit 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.

Within the euromicron Group, the Segments are assessed 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 by 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 management information 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 the euromicron Group are classified in the following categories in accordance with the risk management system:

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

Markets

In principle, euromicron is dependent on positive economic trends in the Euro zone; as in the previous year, the German market accounts for around 90% of the company's sales and so is crucial to its success. Germany is also home to most of euromicron's subsidiaries, which benefit from 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 8.0% (previous year: 7.9%) 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 ICT 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, especially after the acquisition of the business operations of telent GmbH in 2011, harbors a not inconsiderable opportunity. This process has a time frame of several years and holds out the prospect of a sharp 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 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 companies. 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 (philosophy of vendor independence) for delivering customer solutions.

euromicron's customers demand that the production companies 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. In order to achieve this ambitious objective, the development units at the production companies have been significantly expanded in the past two years and the quality and quantity of support for them enhanced by enlisting the services of external development partners.

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 and on continuous training and further development of project managers. 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 the euromicron Group.

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 are set for all activities of the euromicron Group. Among other things, management uses differentiated reporting to constantly analyze and control the Group's business segments. Moreover, there are quarterly forecasts as regards expectations at the end of the fiscal year, which are analyzed intensively. Budget variances are examined to determine their impact on the financial targets and measures to fulfill the budget are initiated.

As in past years, euromicron's banks again regarded it as a strong and dependable partner in fiscal year 2012. All of the financial institutes expressed their interest in further strengthening their commitment at euromicron, even in the two integration years 2012 and 2013 despite the temporary impact on profitability and balance sheet ratios and to actively flank the company in the coming years as it moves toward its sales target of €500 million. The key financial indicators adjusted in agreement with the long-term financing partners for the integration years 2012 to 2014 were fulfilled.

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 outstanding rating (investment grade). 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 was also restructured further in favor of long-term borrowings and further optimized in 2012 so as to diminish the company's risk in terms of outside financing. This move has further restricted the latent risk potential as regards financing compared with the previous year.

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 Group 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 a means of enhancing employee loyalty and key to a successful HR policy.

There are no legal risks from pending legal proceedings above and beyond current business. A tax audit has been ordered for the fiscal years 2006 to 2009. As far as is known at present, this will not result in any material financial risks.

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

Following the company's sharp growth in the previous year, the focus of the Group's development in fiscal 2012 as part of the current phase of its "build and integrate" strategy is mainly on optimizing the organization, processes and corporate and financing structures. On the basis of the stable economic data for the German economy, good forecasts for euromicron's traditional markets and its high order books, euromicron embarked on 2012 with an extensive optimization program and in the fiscal year did not slacken its pace in implementing the initiated change process, even after the downturn in the economic climate in the second half of the year, in order to ensure the springboard for the Group's further growth.

In the next two fiscal years, a focus will be on organically developing our business and rounding out our regional activities strategically. Apart from profitable organic growth, euromicron will specifically assess opportunities to acquire smaller companies that sensibly complement its product portfolio or improve its market position further as part of the "build and integrate" phase. We have a product portfolio that is geared strictly toward customer benefit and so believe we are well positioned to win contracts from more and more customers as the preferred partner from the small and medium-sized sector. Also subordinate to that objective is the expansion and continuous development of our sales organization so that we can support our customers with our technology and industry expertise, on-site, competently and in a spirit of partnership. Apart from expansion and qualification of our sales team, we are driving development of our entire workforce, above all in terms of quality. In this, we are guided by the objective of "becoming even better" in all areas.

As a second focus, we will again extensively examine programs aimed at optimizing corporate structures as part of integration and strengthen them further in terms of scope and speed. Our prime goal is to create formal flexible structures that preserve and evolve our SME model with decentralized responsibility in order to enhance agility and customer benefit. Apart from that, persons with local responsibility will be enabled to focus primarily on their operational responsibility and developing business thanks to professional central services and support functions. That means all organizational, responsibility and cost structures, including all processes, will be reviewed critically as part of strategic Group integration so that the opportunities of the current phase of change can be fully tapped before the Group grows further. To flank that, cost-cutting programs will secure the quality of earnings of the operational units. In the spirit of our forward-looking orientation, we intend to drive future topics, such as optimization of locations, strengthening and optimization of sales, and gearing our activities to the customer and development of solution-oriented approaches, in the current fiscal year 2013.

As part of integration of the euromicron Group, the sharp increase in seasonal fluctuations in the spread of business during the year will also be addressed proactively. The seasonal spread of business is basically not a new challenge for the euromicron Group, but the bandwidths in these fluctuations have again widened considerably compared with previous years and so greater flexibility and attention is required when it comes to controlling resources and capacities within a fiscal year.

As integration of telent progresses, the anticipated opportunities for the future overall enterprise from the combination of the advantages of a unit with strong structures with the strengths of the customer-centric SME model are, as expected, now clearly identifiable. So as to optimize and leverage synergies, concrete measures were therefore initiated at the beginning of 2013 with the creation of a management team under the name "euromicron networks" aimed at establishing coordinated, efficient and purposeful management at euromicron's system houses. The emphasis in the coming phase of development of the euromicron Group will be on improving economic controlling and profitability after the Group's sharp growth in 2011, securing its liquidity by enhanced cash and receivables management and so extending and fortifying the company's financial stability. This extensive optimization process was continued as planned in fiscal years 2012 and will probably extend over the year 2013 and into 2014 and so take up a large part of the company's attention.

Further opportunities as part of the extensive integration program are seen in the establishment of shared service units and the continuous expansion of existing Competence Centers as service providers for all parts of the company. The existing portfolio of products and services will be systematically analyzed to determine its contribution to the company's success and future viability, optimized to that end and extended to include new and innovative products and solutions. Investments in developing new product lines, in production processes and in our sales team will open up further chances for the future. All the measures are integrated in the company's overall Continuous Improvement Process (CIP) to ensure the ambitious earnings and financing targets are achieved.

In our core markets, we expect an increase in new orders in the course of fiscal 2013 following the weak final quarter of 2012. The postponement of investments to fiscal 2013 should also enable the Group to perform well. The customary shifts between individual sectors have been factored in and can be cushioned thanks to euromicron's broad lineup in terms of customers, sectors and technologies. Continuously growing demand for powerful networks for voice, data and video transport makes it vital to have a network infrastructure that protects investments; without its functionality, the performance and competitiveness of companies would be severely restricted and the current and future volume of communication in the social, public and private sphere would no longer be able to be ensured.

Relevant future market trends in digital communication are clearly visible for us. Use of the mobile Internet and the possibilities offered by cloud computing and IT sharing mean there is growing pressure to create high-performance infrastructures. At the same time, the required performance demanded of ICT is continuously increasing as a result of the intensive use of digital communication. In addition, the importance of network infrastructures as an influential competitive factor for cities, carriers and enterprises and the newly emerging business models in the growing e-markets is surging in importance. This is accompanied by a continuous increase in the requirements for security, surveillance and alarm networks so as to offer better protection against external attacks and address the security needs of individual target groups.

By investing in profitable niche markets, we constantly position the Group to be ready for changes in markets and enable us to participate promptly in these markets when they pick up. As part of this, euromicron sets store by a philosophy of offering customers a solution-oriented overall concept based on integrated quality, service and reliability. As a result, euromicron clearly and specifically sets itself apart from the competition. The respect we gain from our customers and our earnings performance over the past years show that our strategy is pointing in the right direction.

Both in the past fiscal year and for 2013, our financing partners have confirmed their commitment and repeatedly offered to accompany euromicron actively and to a greater extent on its path to achieving consolidated sales of €500 million. So that our company can continue to advance, euromicron has sufficient free credit lines and promises of finance for the next steps in our growth and integration on the basis of a constantly optimized and balanced financing structure and a good and stable cash flow within the Group.

Apart from integration and consolidation, a further focal objective for fiscal 2013 is to establish the "euromicron" brand further as a byword for quality, solution-oriented expertise and know-how in the market in all areas relating to network-based information, communications and security needs. In the past fiscal year, we again sharply expanded our active public relations and investor relations work after the admission of euromicron's share to the TecDAX and so actively bolstered its performance. As a result, we succeeded above all in inspiring a broad and acknowledged circle of institutional investors about the opportunities for development of the euromicron Group and winning them to invest in our stock.

The consolidated EBITDA return, which euromicron will focus its reporting on to a greater extent in future as its grows further, is expected to be between 8% and 11% for the integration phase into the year 2014. We plan organic growth of 5% to 10% a year for 2013 and 2014. After completion of the integration and consolidation phase in 2014, the Group aims in subsequent years to achieve the €500 million sales mark and sustain an operational EBITDA return of 10% to 13%. In addition to organic growth, larger strategic investments like in 2011 or mutual stakes in companies are to contribute to that.

We feel certain that this path also reflects the interests of our growing circle of shareholders and of the company as best possible. We will continue to be guided by these interests in future and work in a focused way to fulfill them. We intend to explain our business model even more intensively to potential investors so that management retains the assistance necessary to keep on developing the Group commercially and providing it with the resources required for that.

With our business model, a secure basis for financing and a stable cash flow in conjunction with our still strong equity ratio, the company is well equipped to secure its long-term development and also give our shareholders promising perspectives.

Summary

The Executive Board's overall statement is that it is optimistic of sustainably achieving the objectives set for euromicron Aktiengesellschaft and the euromicron Group in the coming years.

We have used diverse opportunities in the past to gear the group to a secure future and believe we will be able to skillfully master future challenges in the markets. 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, March 25, 2013

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

Consolidated financial statements (IFRS)

Audit opinion

We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes – prepared by euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main, and the group management report for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as are to be applied in the EU, and in addition the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (Handelsgesetzbuch – German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit in such a way that misstatements and violations materially affecting the presentation of the picture of the net assets, financial position and results of operations conveyed by the consolidated financial statements, taking into account the principles of orderly accounting, and by the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion pursuant to the findings gained during the audit, the consolidated financial statements comply with the IFRS, as are to be applied in the EU, and in addition to the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (German Commercial Code) and give a true and fair view of the net assets, financial position and results of operations of the Group, taking into account these regulations. The group management report accords with the consolidated financial statements, conveys overall an accurate picture of the Group's position and accurately presents the opportunities and risks of future development.

Frankfurt / Main, March 25, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Georg Wolfgang Wegener	ppa. Thorsten Knecht
Wirtschaftsprüfer	Wirtschaftsprüfer

Balance sheet

of the euromicron Group as of December 31, 2012 (IFRS)

Assets

	Note	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.	Jan. 1, 2011 € thou.
Noncurrent assets				
Goodwill	(1)	106,369	103,626*	81,877
Intangible assets	(1)	21,031	18,257	14,805
Property, plant and equipment	(1)	16,255	15,129	11,556
Other financial assets	(1)	718	725	894
Other assets	(4)	197	175	96
Deferred tax assets	(2)	1,933	474	374
		146,503	**138,386**	**109,602**
Current assets				
Inventories	(3)	27,500	25,079	17,185
Trade accounts receivable	(4)	40,806	44,268	39,522
Gross amount due from customers for contract work	(4)	55,960	43,800**	15,201
Claims for income tax refunds	(4)	4,107	2,971	2,895
Other financial assets	(1)	228	1,159	1,333
Other assets	(4)	3,360	2,198	1,917
Cash and cash equivalents	(5)	5,414	7,300	8,572
		137,375	**126,775**	**86,625**
		283,878	**265,161**	**196,227**

* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

** Reference to the notes on the consolidated financial statements, section 2 "Accounting principles"

Equity and liabilities

	Note	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.	Jan. 1, 2011 € thou.
Equity (equity ratio 41.9%/45.3%)	(6)			
Subscribed capital		17,037	17,037	13,105
Capital reserves		88,771	88,771	68,487
Gain/loss on the valuation of securities		0	−286	−363
Consolidated retained earnings		12,711	14,037*	7,605
Stockholders' equity		118,519	119,559	88,834
Non-controlling interests		525	483	428
Total equity		**119,044**	**120,042**	**89,262**
Long-term debt				
Provisions for pensions	(7)	983	728	656
Other provisions	(7)	1,157	481	139
Liabilities to banks	(8)	37,590	24,674	4,404
Liabilities from finance lease	(8)	2,158	1,459	823
Other financial liabilities	(8)	8,025	10,789	10,767
Other liabilities	(8)	0	0	2,082
Deferred tax liabilities	(9)	7,736	7,872*	6,618
		57,649	**46,003**	**25,489**
Current debt				
Other provisions	(7)	2,062	1,222	66
Trade accounts payable	(8)	42,867	31,617	22,369
Liabilities from current income taxes	(8)	1,850	2,096	1,244
Liabilities to banks	(8)	30,995	29,762	45,293
Liabilities from finance lease	(8)	599	297	192
Other tax liabilities	(8)	6,130	7,608	3,466
Personnel obligations	(8)	9,833	9,671*	3,855
Other financial liabilities	(8)	6,779	2,967	2,526
Other liabilities	(8)	6,070	13,876	2,465
		107,185	**99,116**	**81,476**
		283,878	**265,161**	**196,227**

* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

Income statement

of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

Income statement

	Note	2012 € thou.	2011 € thou.
Sales	(11)	**330,030**	**305,306**
Inventory changes		–5,850	–7,443
Own work capitalized	(12)	5,607	1,948
Other operating income	(13)	2,797	2,724
Cost of materials	(14)	–171,002	–159,619
Personnel costs	(15)	–93,588	–76,930*
Amortization and depreciation expense	(16)	–7,943	–6,563
Other operating expenses	(17)	–42,969	–35,261
Earnings before interest and taxes (EBIT)		**17,082**	**24,162**
Interest income	(18)	175	77
Interest expenses	(18)	–4,520	–5,407
Other financial expenses	(18)	–511	–1,034
Income before income taxes		**12,226**	**17,798**
Income taxes	(19)	–3,398	–4,938*
Consolidated net income for the period		**8,828**	**12,860**
Thereof for euromicron AG shareholders		8,568	12,190
Thereof for non-controlling interests	(20)	260	670
(Un)diluted earnings per share in (€)	**(21)**	**1.29**	**2.32**

* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

Statement of comprehensive income

of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

Statement of comprehensive income

	2012 € thou.	2011 € thou.
Consolidated net income for the period	**8,828**	**12,860**
Gain/loss on the valuation of securities	286	77
Revaluation effects from pensions	−2,231	−116*
Other comprehensive income	**−1,945**	**−39**
Total income	**6,883**	**12,821**
Thereof for euromicron AG shareholders	6,623	12,151
Thereof for non-controlling interests	260	670

* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

Statement of changes in equity

of the euromicron Group as of December 31, 2012 (IFRS)

Changes in equity

	Subscribed capital € thou.	Capital reserves € thou.
December 31, 2010	**13,105**	**68,487**
Consolidated net income for 2011	**0**	**0**
Other comprehensive income		
Gain / loss on the valuation of securities	0	0
Revaluation effects from pensions*	0	0
	0	**0**
Total profit / loss	**0**	**0**
Transactions with owners		
Dividend for 2010	0	0
Capital increase at the AG after costs	3,932	20,284
Profit share of non-controlling shareholders	0	0
Transfer of profit shares for minority interests in outside capital	0	0
Distributions to / drawings by minority interests	0	0
	3,932	**20,284**
December 31, 2011	**17,037**	**88,771**
Consolidated net income for 2012	**0**	**0**
Other comprehensive income		
Gain / loss on the valuation of securities	0	0
Revaluation effects from pensions	0	0
	0	**0**
Total profit / loss	**0**	**0**
Transactions with owners		
Dividend for 2011	0	0
Profit share of non-controlling shareholders	0	0
Transfer of profit shares for minority interests in outside capital	0	0
Distributions to / drawings by minority interests	0	0
	0	**0**
December 31, 2012	**17,037**	**88,771**

* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

Treasury shares € thou.	Consolidated retained earnings € thou.	Gain/loss on the valuation of securities € thou.	Equity attributable to shareholders of euromicron AG € thou.	Non-controlling shares € thou.	Total equity € thou.
0	**7,605**	**–363**	**88,834**	**428**	**89,262**
0	**12,860**	**0**	**12,860**	**0**	**12,860**
0	0	77	77	0	77
0	–116	0	–116	0	–116
0	**–116**	**77**	**–39**	**0**	**–39**
0	**12,744**	**77**	**12,821**	**0**	**12,821**
0	–5,639	0	–5,639	0	–5,639
0	0	0	24,216	0	24,216
0	–155	0	–155	155	0
0	–518	0	–518	0	–518
0	0	0	0	-100	–100
0	**–6,312**	**0**	**17,904**	**55**	**17,959**
0	**14,037**	**–286**	**119,559**	**483**	**120,042**
0	**8,828**	**0**	**8,828**	**0**	**8,828**
0	0	286	286	0	286
0	–2,231	0	–2,231	0	–2,231
0	**–2,231**	**286**	**–1,945**	**0**	**–1,945**
0	**6,597**	**286**	**6,883**	**0**	**6,883**
0	–7,663	0	–7,663	0	–7,663
0	–142	0	–142	142	0
0	–118	0	–118	0	–118
0	0	0	0	–100	–100
0	**–7,923**	**0**	**–7,923**	**42**	**–7,881**
0	**12,711**	**0**	**118,519**	**525**	**119,044**

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

Statement of cash flows

Note (22)	2012 € thou.	2011 € thou.
Income before income taxes	12,226	17,852
Net interest income/loss and other financial expenses	4,856	6,364
Depreciation and amortization of noncurrent assets	7,943	6,563
Reversal of write-downs of noncurrent assets	0	–584
Disposal of assets, net	–100	–21
Allowances for inventories and doubtful accounts	508	–274
Change in accrued liabilities	–965	1,111
Cash flow	**24,468**	**31,011**
Changes in short- and long-term assets and liabilities:		
– Inventories	1,395	5,956
– Trade accounts receivables and gross amount due from customers for contract work	–6,766	–31,688
– Trade accounts payable	9,046	2,653
– Other operating assets	–3,112	1,459
– Other operating liabilities	–12,386	–3,738
– Income tax paid	–2,345	–2,022
– Income tax received	98	332
– Interest paid	–3,540	–3,565
– Interest received	100	75
Net cash provided by operating activities	**6,958**	**473**
Proceeds from retirement/disposal of		
– Property, plant and equipment	100	241
Payments due to acquisition of		
– Intangible assets	–6,629	–3,726
– Property, plant and equipment	–4,204	–4,520
– Consolidated companies (minus acquired liquid funds of €107 thousand and not yet paid purchase price of €1,460 thousand)	–2,556	–12,392
Net cash used in investing activities	**–13,289**	**–20,397**
Dividends paid	–7,663	–5,639
Capital increase at the AG after costs	0	24,216
Proceeds from raising of financial loans	22,358	33,000
Cash repayments of financial loans	–10,150	–32,308
Distributions to/withdrawals by non-controlling interests	–100	–618
and profit shares of minority interests	**4,445**	**18,651**
Net cash provided by financing activities	–1,886	–1,272
Net change in cash and cash equivalents	7,300	8,572
Cash and cash equivalents at start of period	**5,414**	**7,300**

Notes on the IFRS consolidated financial statements
for the fiscal year 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main

General disclosures

1. Description of business activities

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

2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315a (1) of the German Commercial Code (HGB), in the valid version at December 31, 2012. 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 and gross amounts due from and to customers for contract work are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle. The maturities of the assets and liabilities are presented in detail in the notes.

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

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

Offsetting of pension obligations against the associated plan assets.

Offsetting of payments on account received that can be directly assigned to production contracts and are covered by services provided by the balance sheet date on the basis of the percentage of completion method.

Starting with this fiscal year, the gross amount due from customers for contract work is reported in a separate item in the balance sheet. In the previous year, they were carried together with the trade accounts receivable. The change in reporting was made due to the increasing importance of these balances so as to improve the clarity of the financial statements. The disclosures for the previous year were adjusted accordingly to enable better comparison. This did not have any impact on the amount reported in the balance sheet. There were no gross amounts due to customers for contract work at the balance sheet date.

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

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal 2012:

	Standard/interpretation	Mandatory application in the EU	Adoption by EU Commission*
IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	July 1, 2011	Yes

IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets

On October 7, 2010, the International Accounting Standards Board (IASB) published an amendment to IFRS 7 “Financial Instruments: Disclosures” under the title “Amendment to IFRS 7 on enhancing disclosures about transfers of financial assets”. This amendment increases the transparency in the disclosures on transfers of assets and improves the understanding of related risks and the effects of these risks on the company’s financial situation, in particular those that are related to securitization of assets. The amended standard must be applied for the first time in the fiscal year beginning on or after July 1, 2011. Its first-time application did not have any significant effects on the consolidated financial statements.

Apart from the above amendment, the following standard is applied early in fiscal year 2012:

	Standard/interpretation	Mandatory application in the EU	Adoption by EU Commission
IAS 19	Employee Benefits (revised June 2011)	Jan. 1, 2013	Yes

IAS 19 – Employee Benefits

The International Accounting Standards Board (IASB) published the final version of the amendments to IAS 19 on June 16, 2011. The changes relate to the recognition and measurement of expenses for defined benefit pension plans and benefits from termination of employment. The change also abolishes delayed recognition of actuarial gains and losses and demands their direct recognition in the other profit/loss. The changes must be applied to fiscal years beginning on or after January 1, 2013. A detailed description of the effects on the consolidated financial statements can be found in Note 4.

The following new or changed accounting regulations of the IASB have recently been adopted. However, since their application is not mandatory or they have not yet been adopted by the European Union, they were not used in the consolidated financial statements as of December 31, 2012:

	Standard/interpretation	Mandatory application in the EU	Adoption by EU Commission
IAS 1	Presentation of Financial Statements – Presentation of Individual Items of the Other Profit/Loss	July 1, 2012	Yes
IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets	Jan. 1, 2013	Yes
IAS 27	Separate Financial Statements	Jan. 1, 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	Jan. 1, 2014	Yes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2014	Yes
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2013	Yes
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities	Jan. 1, 2015	No
IFRS 7 and IFRS 9	Mandatory Effective Date and Transition	Jan. 1, 2015	No
IFRS 10	Consolidated Financial Statements	Jan. 1, 2014	Yes
IFRS 11	Joint Arrangements	Jan. 1, 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	Jan. 1, 2014	Yes
IFRS 10, IFRS 12 and IAS 27	Investment Entities	Jan. 1, 2014	No
IFRS 10, IFRS 11 and IFRS 12	Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (June 2012)	Jan. 1, 2013	No
IFRS 13	Fair Value Measurement	Jan. 1, 2013	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Jan. 1, 2013	Yes
AIP	Collection of amendments to various standards 2011	Jan. 1, 2013	No

No early adoption of these standards, interpretations and amendments is planned at present.

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

Under this change, a distinction must be made in future in the "Other profit / loss" in the statement of comprehensive income between items of the other profit / loss that must be recognized in the income statement in subsequent periods and items that will also not affect profit / loss in future periods. The changes must be applied to fiscal years beginning on or after July 1, 2012. They can be applied before then. There will be effects on the presentation of the statement of comprehensive income.

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

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

IAS 27 – Separate Financial Statements

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

IAS 28 – Investments in Associates and Joint Ventures

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

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

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

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

The International Accounting Standards Board (IASB) published changes to IFRS 7 on December 16, 2011. The amendments comprise regulations on disclosures in the notes relating to offsetting financial assets and financial liabilities. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2013. Their first-time application will probably have no significant effects on the consolidated financial statements.

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

The standard introduces new regulations on classification and measurement of financial assets and liabilities. IFRS 9 is the first standard to be published as part of an extensive project to replace IAS 39. When first carried, financial assets are in future to be categorized as measured at "fair value" or at "amortized cost". This classification is dependent on the company's business model and the contractual terms of the financial asset. The regulations of IAS 39 relating to impairment of financial assets and recognition of hedging relationships still apply. In November 2012, the IASB published a draft of the revised regulations on classification and measurement of financial instruments which introduces a further category for debt instruments in addition to the two existing ones. They are measured at fair value and changes in their value are recognized in equity. The changes will probably have to be applied to fiscal years beginning on or after January 1, 2015. They can be applied before then. The new regulations have not yet been adopted in European law. The effects of the already adopted parts of IFRS 9 on the Group are being examined.

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

The amendment postpones the date of first-time adoption of IFRS 9 from fiscal years starting on or after January 1, 2013, to fiscal years starting on or after January 1, 2015. The amendment also specifies further obligations relating to disclosures in transitioning from IAS 39 to IFRS 9. The effects of first-time application are currently being examined.

IFRS 10 – Consolidated Financial Statements

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

IFRS 11 – Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

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

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

Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (June 2012)

Exemptions are granted in that the adjusted comparative figures to be disclosed are restricted to the comparative period directly preceding first-time application and the requirement to present comparative information for the disclosures related to unconsolidated structured entities has been removed for the first year that IFRS 12 is applied. The changes must be applied to fiscal years beginning on or after January 1, 2013. This amendment must also be applied early if IFRS 10, IFRS 11 and IFRS 12 is applied early. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 13 – Fair Value Measurement

The standard provides consistent guidance on measuring fair value across standards, among other things by defining the term and presenting what methods can be used for determining it. It addition, the disclosures on fair value in the notes are expanded. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. The effects of first-time application are currently being examined.

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

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

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

On June 22, 2011, the International Accounting Standards Board (IASB) published improvements to the International Financial Reporting Standards as part of its annual updates intended to streamline international accounting standards and make them more readily comprehensible. Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

3. Discretionary decisions and uncertainties in estimates

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

- Measurement of goodwill: €106,369 thousand (previous year: €103,626 thousand)

- Measurement of brand name rights with an indefinite period of use: €4,061 thousand (previous year: €4,061 thousand)

- Measurement of capitalized development costs: €9,701 thousand (previous year: €6,611 thousand). We refer in this regard to the notes on the consolidated balance sheet (section 1.a).

- Payment of income taxes (claims for refunds and income tax liabilities netted off): €2,257 thousand (previous year: €875 thousand). Claims for refunds and income tax liabilities are based on calculations that include estimates and assumptions. The final amount is not fixed until the tax assessment notices have been issued or the tax audits completed.

- Gross amount due from customers for contract work: €55,960 thousand (previous year: €43,800 thousand). Application of the percentage of completion method requires in particular estimates of the anticipated total costs and revenue for production contracts. We refer in this regard to the notes on the consolidated balance sheet (section 4) and the notes on the consolidated income statement (section 11).

- Measurement of other accrued liabilities: €3,219 thousand (previous year: €1,703 thousand). Measurement of the other accrued liabilities in based in particular on their amount, the likelihood of their being utilized and the time they are utilized. We refer in this regard to the notes on the consolidated balance sheet (section 7.a).

- Measurement of provisions for pensions: €983 thousand (previous year: €728 thousand). The present value of the pension obligations depends on a large number of factors that are based on actuarial assumptions. We refer in this regard to the notes on the consolidated balance sheet (section 7.b).

- Measurement of deferred taxes (surplus of deferred tax liabilities over deferred tax assets): €5,803 thousand (previous year: €7,398 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

4. Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011

The International Accounting Standards Board (IASB) published the final version of the amendments to IAS 19 on June 16, 2011. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then.

After an in-depth examination of the amendments, the Executive Board has decided to apply the standard prematurely in fiscal 2012. In accordance with IAS 8.19 b), early application of the amended IAS 19 also entails retrospective application of the amendments to the preceding fiscal years.

The effects of retrospective application on the consolidated financial statements of euromicron AG 2011 are presented in the following:

- The actuarial gains and losses carried in the income statement in the consolidated financial statements of euromicron AG 2011 must be recognized directly in equity in the other profit / loss. As a result, the personnel costs in the 2011 consolidated financial statements are €165 thousand lower. Correspondingly, €165 thousand is recognized directly in equity in the other profit / loss and deducted from the consolidated retained earnings. Due to the fact that actuarial gains and losses were recognized in the income statement up to now, the deferred tax assets for this amount were also recognized in the income statement in the 2011 consolidated financial statements. In accordance with retroactive recognition of actuarial gains and losses directly in equity, the deferred tax assets for them must be recognized directly in equity in the other profit / loss, resulting in higher income taxes of €50 thousand for the amended 2011 consolidated statements. Correspondingly, €50 thousand is recognized directly in equity in the other profit / loss and allocated to the consolidated retained earnings. There has not been any change in the balance sheet amounts reported as a result of retrospective application of the standard.

- Early application of IAS 19 did not have an effects on the opening balance sheet as of January 1, 2011.

- Application of the net interest method did not have any effect on the consolidated financial statements of euromicron AG in 2011.

- euromicron AG acquired the business operations of telent GmbH effective June 7, 2011, as part of an asset deal and carried the acquisition in accordance with the regulations on business combinations in accordance with IFRS 3. Partial retirement obligations were also taken over in connection with the acquisition of the business operations of telent GmbH. In the case of retrospective application of a new accounting standard, IAS 8.22 demands that it be applied “as if the new accounting policy had always been applied”. Since the business operations of telent GmbH were acquired only in 2011, the exception of IAS 19.173a does not apply. The amended IAS 19 must therefore be applied retrospectively to the recognition and measurement of obligations from partial retirement agreements as part of the company acquisition (purchase price allocation in accordance with IFRS 3) and resultant adjustments offset against goodwill.

Due to the change in the area of benefits occasioned by termination of the employment relationship, the obligations from top-up amounts for partial retirement in accordance with IAS 19 must be carried as long-term employee benefits. Due to this change in classification, the costs must no longer be recognized in full at the time at which the company is irrevocably committed, but accumulated in accordance with the period they are earned.

As a result of this amendment, the partial retirement obligations carried in the balance sheet are €585 thousand lower for the time of acquisition, which – after adjustment of the purchase price allocation by this amount – results in a corresponding reduction in goodwill from the acquisition of the business operations of telent GmbH in the 2011 consolidated financial statements. In the subsequent period, there is a €219 thousand higher allocation from updating of the partial retirement obligation, which was recognized in the income statement under the personnel costs. This results in a net provision for partial retirement obligations at December 31, 2011, that is €366 thousand lower due to retrospective application of the standard. Adjustment of the deferred taxes at the time of acquisition and the different updating in the subsequent period gives a tax expense that is €64 lower for fiscal year 2011 and a deferred tax liability that is reduced by this amount as of December 31, 2011.

Without early application of IAS 19, there would have been the following effects in the income statement for fiscal year 2012 and the balance sheet as of December 31, 2012:

- Without application of the net interest method, there would have been an interest expense of €292 thousand in the income statement; application of the net interest method resulted in interest expenses of €36 thousand in 2012.
- Under the old measurement method, actuarial losses carried under personnel costs in the income statement would have been €2,933 thousand. Early application of IAS 19 resulted in actuarial losses of €3,189 thousand, which were recognized directly in equity under the other profit / loss.
- Recognition of the actuarial gains and losses directly in equity means that the deferred taxes on them must also be taken directly to equity; without early application of the standard, income from the formation of deferred tax assets would have been €880 thousand higher and the other profit / loss would have been lower by the same amount. In addition, a tax expense of €77 thousand was recognized in the other profit / loss on the difference of €256 thousand between the anticipated interest (€532 thousand) and actual interest for the CTA assets (€276 thousand); this would not have arisen if the net interest method had not been applied.
- Without early application of IAS 19, the allocation to the provisions for partial retirement obligations recognized in the income statement would have been €212 lower and the provisions for partial retirement obligations would have been €154 thousand higher at December 31, 2012.

Consolidated companies

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 23 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, 16 are based in Germany and seven 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, 2012:

Changes in consolidated companies

	2012	2011
January 1	18	18
First-time consolidation	5	2
Mergers within the Group	0	–2
December 31	**23**	**18**

2. Acquisition of companies and divisions

In fiscal 2012 there were the following changes in the consolidated companies due to significant acquisitions of subsidiaries and other business units in accordance with IFRS 3:

Acquired subsidiaries are carried using the purchase method of accounting. The acquisition costs correspond to the fair value of the assets of the issued equity instruments and the debts that had arisen or were assumed at the time of the transaction. They also include the fair values of any recognized assets or liabilities resulting from a conditional quid-pro-quo agreement. Identifiable assets, liabilities and contingent liabilities as part of a business combination are measured at their fair value at the time of acquisition in first-time consolidation.

The positive difference remaining after allowance for deferred taxes is carried as goodwill.

Acquisition of the business operations of the ANS Group

Under the notarized agreement, euromicron solutions GmbH took over the business operations of the ANS Group, Wörrstadt (consisting of ANS W. Henß & Partner GmbH, sam projects gmbh and ANS Service GmbH) by way of an asset deal. The date of acquisition was March 1, 2012. euromicron solutions GmbH acquired the business operations at a total purchase price of €500 thousand. The goodwill of €381 thousand resulting from the difference between the cash purchase price of €500 thousand and the provisionally measured net assets of €119 thousand is mainly attributable to the well-trained workforce and future growth prospects resulting from an improved market position. We expect goodwill of €451 thousand for tax purposes. There were incidental acquisition costs of €18 thousand, which were recognized in the income statement under the other operating expenses. The division's earnings for the period it was a member of the group – March 1 to December 31, 2012 – were €116 thousand and its sales in this period were €3,363 thousand. The acquisition enables euromicron to expand its expertise in the fields of office automation and network and security technology.

Acquisition of RSR Datacom Verwaltungs GmbH and RSR Datacom GmbH & Co. KG

Under the notarized purchase and assignment agreement relating to business and limited partner's shares, euromicron AG acquired all the limited partner's shares in RSR Datacom GmbH & Co. KG and all the shares in its unlimited general partner, RSR Datacom Verwaltungs GmbH. The date of acquisition was October 4, 2012. As a result of the acquisition of RSR Datacom GmbH & Co. KG, euromicron indirectly acquired all the voting rights in ProCom Professional Communication & Service GmbH, a wholly-owned subsidiary of RSR Datacom GmbH & Co. KG. euromicron AG paid a cash purchase price of €1,902 thousand for the limited partner's shares in RSR Datacom GmbH & Co. KG and €40 thousand for the shares in RSR Datacom Verwaltungs GmbH. The goodwill of €1,748 thousand resulting from the difference between the purchase price of €1,942 thousand and the provisionally measured net assets of €194 thousand is mainly attributable to the well-trained workforce and future synergy effects in the area of WAN services. We expect deductible goodwill of €811 thousand from the supplementary tax balance sheet. There were incidental costs of €37 thousand for acquisition of the companies, which were recognized in the income statement under the other operating expenses. The earnings of RSR Datacom GmbH & Co. KG, RSR Datacom Verwaltungs GmbH and ProCom Professional Communication & Service GmbH for the period they were a member of the group – October 4, 2012, to December 31, 2012 – were €295 thousand and sales for this period were €4,336 thousand. The acquisition enables euromicron to expand its portfolio in the fields of public address and dispatcher control systems, cable and alarm technology and radio relay and multiplexer systems.

Acquisition of Stark- und Schwachstrom Montage GmbH

Under the notarized purchase and assignment agreement, euromicron AG acquired all the shares in Stark- und Schwachstrom Montage GmbH, Hamburg. The date of acquisition was December 14, 2012. The shares were acquired at a cash price of €1,400 thousand and subject to an assumption of debt with full discharge in favor of the seller to an amount of €159 thousand, which must be qualified as an additional purchase price. The goodwill of €635 thousand resulting from the difference between the purchase price of €1,559 thousand and the provisionally measured net assets of €924 thousand is mainly attributable to the well-trained workforce and future growth prospects resulting from an improved market position. Acquisition of this company incurred incidental costs of €20 thousand, which have been recognized in the income statement under the other operating expenses. The company's earnings for the period it was a member of the group – December 14 to December 31, 2012 – were €73 thousand and its sales in this period were €2,217 thousand.

Acquisition of euromicron benelux S.A.

Avalan GmbH purchased the remaining 90% of the shares in Avalan Consulting AG, Remich, Luxembourg, in two partial acquisitions. As a result, Avalan GmbH became the sole shareholder of Avalan Consulting effective July 24, 2012. The shares were purchased at a total cash price of €122 thousand. The goodwill of €79 thousand resulting from the difference between the cash purchase price of €122 thousand and the provisionally measured net assets of €43 thousand is mainly attributable to future growth prospects resulting from an improved market position. For the period it was a member of the group – July 24 to December 31, 2012 –, the company only generated sales and expenses within the Group, which were eliminated as part of consolidation. Its contribution to earnings for this period was therefore €0 thousand. Avalan Consulting AG was renamed euromicron benelux S.A. after the acquisition.

In fiscal 2012, the cumulated earnings by the acquired companies in the period they were a member of the group were €484 thousand and their sales in this period were €9,916 thousand.

Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated consolidated sales were €341.3 million. Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated earnings for the period were €7.4 million.

The book values directly before the combination and the effects from re-measurement (fair value) of the assets and liabilities included in the consolidated balance sheet for the first time and the resultant goodwill are shown in the following tables. Consequently, pro-rata figures for the additions from company acquisitions are no longer explained separately in the detailed disclosures on balance sheet items.

The net assets acquired in fiscal year 2012, including adjustments to assets and liabilities in accordance with IFRS 3, are shown below:

ANS

	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	1	93	94
Property, plant and equipment	17	0	17
Deferred tax assets	0	20	20
	18	113	131
Current assets			
Inventories	152	50	202
Trade accounts receivable	61	0	61
Other assets	1	0	1
Prepayments and accrued income	4	0	4
	218	50	268
Acquired assets	**236**	**163**	**399**
Long-term debt			
Deferred tax liabilities	0	20	20
	0	20	20
Current debt			
Provisons	113	0	113
Trade accounts payable	145	0	145
Other current liabilities	2	0	2
	260	0	260
Acquired debt	**260**	**20**	**280**
Balance of acquired assets and debt = equity at the time of acquisition	**–24**	**143**	**119**
Acquisition costs			500
Goodwill			**381**

RSR / ProCom

	Book values at the time of acquisition TEUR	Re-measurement of assets and liabilities TEUR	Book values at first-time consolidation TEUR
Noncurrent assets			
Intangible assets	5	390	395
Property, plant and equipment	179	0	179
Deferred tax assets	357	25	382
	541	415	956
Current assets			
Inventories	1,893	36	1,929
Trade accounts receivable	1,049	0	1,049
Other assets	118	0	118
Cash and cash equivalents	53	0	53
	3,113	36	3,149
Acquired assets	**3,654**	**451**	**4,105**
Long-term debt			
Other accrued liabilities	151	0	151
Liabilities to banks	949	0	949
Other liabilities	0	76	76
Deferred tax liabilities	0	97	97
	1,100	173	1,273
Current debt			
Trade accounts payable	1,918	0	1,918
Payments on account	67	0	67
Personnel obligations	402	0	402
Other current liabilities	251	0	251
	2,638	0	2,638
Acquired debt	**3,738**	**173**	**3,911**
Balance of acquired assets and debt = equity at the time of acquisition	**–84**	**278**	**194**
Acquisition costs			1,942
Goodwill			**1,748**

SSM Hamburg

	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	291	291
Property, plant and equipment	34	0	34
Financial assets	1	0	1
Deferred tax assets	0	225	225
	35	516	551
Current assets			
Inventories	1,863	160	2,023
Trade accounts receivable	966	0	966
Other assets	92	0	92
Cash and cash equivalents	2	0	2
	2,923	160	3,083
Acquired assets	**2,958**	**676**	**3,634**
Long-term debt			
Liabilities to banks	250	0	250
Other liabilities	0	30	30
Deferred tax liabilities	0	146	146
	250	176	426
Current liabilities			
Trade accounts payable	1,112	0	1,112
Liabilities to banks	285	0	285
Other current liabilities	887	0	887
	2,284	0	2,284
Acquired debt	**2,534**	**176**	**2,710**
Balance of acquired assets and debt = equity at the time of acquisition	**424**	**500**	**924**
Acquisition costs			1,559
Goodwill			**635**

euromicron benelux

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Financial assets	6	0	6
	6	0	6
Current assets			
Trade accounts receivable	26	0	26
Other assets	6	0	6
Cash and cash equivalents	52	0	52
	84	0	84
Acquired assets	**90**	**0**	**90**
Long-term debt			
	0	0	0
Current debt			
Provisions	4	0	4
Trade accounts payable	30	0	30
Other current liabilities	13	0	13
	47	0	47
Acquired debt	**47**	**0**	**47**
Balance of acquired assets and debt = equity at the time of acquisition	**43**	**0**	**43**
Acquisition costs			122
Goodwill			**79**

3. Disclosures on company acquisitions from previous years

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 were able to be exercised in 2012. Consequently, this company was fully consolidated. The option comprises a fixed purchase price and a condition purchase price component.

Under the agreement dated December 20, 2012, euromicron AG exercised its option to acquire the remaining half of the shares. The purchase price for this additional 10% stake in MICROSENS GmbH & Co. KG was €900 thousand. The purchase price liability from the combined put / call option which was carried in previous years accounted for a pro-rata amount of €1,000 thousand for the 10% stake, of which €100 thousand was accounted for by the conditional purchase price component. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 in its 2004 version, the €100 thousand from the conditional purchase price component, which did not have to be paid, were treated as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition was reduced by that amount.

An extension to the deadline for exercising the option and preemptive right to tender for the remaining 10% stake was agreed. Accordingly, they can be exercised on January 1, 2014, at the earliest and on December 31, 2014, at the latest. The present value of the purchase price liability for the remaining 10% stake was adjusted to the new period for exercising the option and preemptive right, resulting in interest income from discounting of €39 thousand. The present value of the purchase price liability (fixed purchase price plus the conditional purchase price component) is thus €963 at December 31, 2012, and is carried under the financial liabilities.

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

On the basis of the company's business performance at December 31, 2012, the obligation from the conditional purchase price payment was reassessed. This resulted in income of €374 thousand, which is carried under the other operating income. The present value of the liability at the balance sheet date was €384 thousand.

List of companies included in the consolidated financial statements

	Share in capital %
Parent company	
of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, Germany	
Consolidated subsidiaries	
a) North Segment	
euromicron systems GmbH – ein Unternehmen der euromicron Gruppe – Essen, Germany	100.00
EUROMICRON Werkzeuge GmbH – ein Unternehmen der euromicron Gruppe – Sinn-Fleisbach, Germany	100.00
euromicron international services GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
MICROSENS GmbH & Co. KG1), Hamm, Germany	90.00
MICROSENS Beteiligungs GmbH 1), Hamm, Germany	90.00
SSM euromicron GmbH – ein Unternehmen der euromicron Gruppe – Zwenkau, Germany	100.00
Stark- und Schwachstrom Montage GmbH, Hamburg, Germany	100.00
b) South Segment	
ELABO GmbH – ein Unternehmen der euromicron Gruppe – Crailsheim, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00
euromicron solutions GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe – Spiesen-Elversberg, Germany	100.00
WCS Fiber Optic B.V., Amersfoort, Netherlands	100.00
euromicron benelux S.A., Ellange, Luxembourg	100.00
Qubix distributions GmbH, Seekirchen, Austria	100.00
c) WAN services Segment	
telent GmbH – ein Unternehmen der euromicron Gruppe – Backnang, Germany	100.00
RSR Datacom GmbH & Co. KG, Essen, Germany	100.00
RSR Datacom Verwaltungs GmbH, Essen, Germany	100.00
ProCom Professional Communication & Service GmbH Essen, Germany	100.00

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

4. Consolidation principles

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

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

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

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

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

Notes on the consolidated balance sheet

1. 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 is 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). This also applies to purchased trade names, if there are no temporary intentions to use them, since they are essentially company names. euromicron tests goodwill and trademark rights 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 their value may be impaired. In the impairment test, the carrying amount of each cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. The recoverable amount is the higher of its fair value less costs to sell and value in use of a CGU. The value in use is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC).

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

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

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

Following a year of consolidation and cost optimization, the planning for the CGU System Houses North envisages sales growth slightly above the average for the industry and a moderate increase in profitability. After the extensive investment program in new products in 2011 and 2012, stabilization of sales at the level of 2011 is expected for the Production Companies North and then increases slightly above the average for the industry. The quality of earnings is budgeted very conservatively due to the competitive pressure in the individual market segments. Planning at the System Houses South is impacted by extensive restructuring and integration measures. A further drag on earnings is planned in 2013 as a result, but this will enable the quality of earnings in subsequent years to move toward the target margin of above 6% for the system houses.

Sales trends for the Production Companies South are essentially geared toward how the market will develop and the launch of new products, which should permit moderate growth. Positive influences on profitability as a result of initiation of an extensive cost-cutting and efficiency program have already been partially budgeted. The planning envisages stable market development in the WAN services Segment, which will enable appropriate organic growth in the period covered by the planning. Further growth effects are expected in 2012 following the acquisition of RSR Datacom. It is estimated that profitability will be largely stable; moderately positive influences are planned due to changes in the portfolio mix.

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

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

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

	2012	2011
Borrowing rate after taxes	3.38 %	4.10 %
Risk-free interest	2.14 %	2.80 %
Markup for return on equity	6.44 %	7.70 %
Beta factor	0.99	0.98
Ratio of outside capital to equity	62.53 %	63.25 %
Weighted average cost of capital (WACC)	6.58 %	6.14 %
Growth rate	1.00 %	1.00 %
WACC perpetuity	5.58 %	5.14 %

The input tax for WACC (perpetuity) in fiscal year 2012 was 8.82% (previous year: 8.21%).

The impairment test in fiscal 2012 did not reveal any need to reduce the value of the goodwill of individual CGUs.

As part of a sensitivity analysis, changes to the parameters were simulated stepwise in a model calculation until a need to reduce the value for a CGU was arrived at. If the weighted average cost of capital (WACC) were to rise by 2.71 percentage points (previous year: 4.7 percentage points) to 9.29% (previous year: 10.84%), there would be a need for a value impairment of €60 thousand (previous year: €12 thousand) at one CGU.

Goodwill developed as follows in the fiscal year:

Goodwill

	2012 € thou.	2011 € thou.
Goodwill at January 1	103,626	81,877
Additions	2,843	21,749
Disposals	–100	0
Goodwill at December 31	**106,369**	**103,626**

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:

CGU

	2012 Goodwill € thou.	2011 Goodwill € thou.
CGU 1 System Houses North	18,571	17,936
CGU 2 Production Companies North	19,136	19,236
CGU 3 System Houses South	35,330	34,871
CGU 4 2 Production Companies South	5,538	5,538
CGU 5 Distributors South	5,688	5,688
CGU 6 WAN services	22,106	20,357
	106,369	**103,626**

The goodwill additions / disposals are as follows:

CGU

	Goodwill in 2012 € thou.
ANS Group, Wörrstadt	381
RSR Datacom GmbH & Co. KG *	1,748
Stark- und Schwachstrom Montage GmbH, Hamburg	635
euromicron benelux S.A., Ellange	79
Purchase price adjustment due to exercise of the option for Microsens, Hamm	– 100
	2,743

* (incl. RSR Datacom Verwaltungs GmbH, ProCom Professional Communication & Service GmbH, Essen)

€2,743 thousand of the change in goodwill result from additions in connection with the company acquisitions in fiscal 2012 and adjustment of the conditional purchase price liability due to exercise of the mutual put / call option from the acquisition of Microsens.

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

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

The 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 2012 was unchanged at €4,061 thousand. Since there is no time or material limit to the brand names' potential usage, they are to be recognized for an indefinite period of time and are not subject in principle to amortization. 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 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 €4,522 thousand were capitalized (previous year: €2,642 thousand) and written down using the straight line method on the basis of the product cycles (3 to 8 years). Depreciation / amortization expense is reported in the depreciation / amortization in the income statement. In addition, own work for self-created software and IT solutions was capitalized to an amount of €822 thousand (previous year: €0 thousand) in the year under review. Capitalized development costs and own work for self-created software and IT solutions include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs. The value of the capitalized development 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 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 €263 thousand in fiscal 2012 (previous year: €30 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. Financing costs are capitalized in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets for which borrowing costs can be directly attributed to the acquisition or production of a qualifying asset and for which a considerable period of usually more than twelve months is required to put them into a usable state. 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 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main

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

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

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

Group fixed-asset movement schedule 2011

of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main

Changes in intangible assets and property, plant and equipment in 2011

	Acquisition costs					
	Jan, 1, 2011	Additions	Retirements	Additions from first-time consolidation	Reclassification and other	Dec. 31, 2011
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	89,448	0	0	21,749	0	111,197
Intangible assets						
Concessions, industrial and similar rights	30,279	1,084	55	3,410	221	34,939
Capitalized development costs	8,399	2,642	0	0	–221	10,820
	38,678	3,726	55	3,410	0	45,759
Property, plant and equipment						
Land and buildings	8,140	255	53	0	0	8,342
Technical equipment and machinery	6,282	1,266	536	0	0	7,012
Other equipment, operating and office equipment	15,170	2,998	1,113	1,570	0	18,625
	29.502	4,519	1,702	1,570	0	33,979
	157,718	**8,245**	**1,757**	**26,729**	**0**	**190,935**

	Depreciation and amortization						Book values	
	Jan. 1, 2011	Additions	Retirements	Reversal of write-downs	Reclassification and other	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	−7,571	0	0	0	0	−7,571	103,626	81,877
	−21,147	−2,186	45	0	−5	−23,293	11,646	9,132
	−2,727	−1,487	0	0	5	−4,209	6,611	5,672
	−23,874	−3,673	45	0	0	−27,502	18,257	14,804
	−3,793	−215	42	584	0	−3,382	4,960	4,347
	−3,801	−472	397	0	0	−3,876	3,136	2,481
	−10,441	−2,203	1,052	0	0	−11,592	7,033	4,729
	−18,035	−2,890	1,491	584	0	−18,850	15,129	11,557
	−49,480	**−6,563**	**1,536**	**584**	**0**	**−53,923**	**137,012**	**108,238**

If, in accordance with IAS 17, the lessee bears the main risks and opportunities, economic ownership is ascribed to the lessee (“finance lease”). At the time of addition, leased objects are carried in the fixed assets at the lower of its fair value or the present value of the minimum lease payments. Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The corresponding liability to the lessor is carried under “Liabilities from finance lease” in accordance with IAS 17. Leased equipment (€2,248 thousand) and operating and office equipment (€886 thousand) were carried as finance leases to a net amount of €3,134 thousand at December 31, 2012 (previous year: €2,005 thousand). Finance leases are used to fund assets with a useful life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group. There was no subleasing at the euromicron Group.

2012

		Due in			
	Total € thou.	Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Present value of the minimum lease payment	2,757	599	564	1,280	314
Interest	452	127	115	185	25
Minimum lease payment	3,209	726	679	1,465	339

2011

		Due in			
	Total € thou.	Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Present value of the minimum lease payment	1,756	296	446	712	302
Interest	219	70	51	86	12
Minimum lease payment	1,975	366	497	798	314

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”.

There were no derivatives that have been qualified as hedges as part of a hedging relationship as of December 31, 2012.

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

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Financial assets (noncurrent)	718	725

The noncurrent financial assets essentially comprise shares in the listed company SecureAlert Inc., Utah, USA, which euromicron AG acquired in 2009. The stake held in its capital stock on the balance sheet date was 1.60%. The investment in SecureAlert Inc. is classified as a financial asset under the category "Available-for-Sale" and is carried at fair value. In principle, the fair value is taken directly to equity and carried under "other comprehensive income", provided there is no lasting impairment. In fiscal 2012, the value of the shares fell further, with the result that a lasting impairment to their value can now be assumed. Write-downs taken directly to equity and carried in the other comprehensive income in previous years (€257 thousand) were recognized in the income statement along with the amount that needed to be written off for fiscal 2012 (€4 thousand). Given acquisition costs of €934 thousand, the book value of the shares on the balance sheet date was thus €673 thousand (previous year: €677 thousand).

The current financial assets are as follows:

	31.12.2012 TEUR	31.12.2011 TEUR
Financial assets (current)	228	1,159

The current financial assets are securities that are taken directly to equity and carried under "other comprehensive income", provided their impairment does not exceed a defined corridor. Permanent impairments are recognized in the income statement.

After an impairment was ascertained for a securities account in fiscal 2011 and the account was written off and recognized as a loss (€371 thousand), the fair value recovered in 2012. The value of the securities account at the balance sheet date was €228 thousand (previous year: €129 thousand). Since the security is a debt instrument, a reversal of €99 thousand was recognized in the income statement in accordance with IAS 39.70.

A further securities account that existed in the previous year (acquisition costs: €1,000 thousand) expired in fiscal 2012 and was redeemed at acquisition cost. The market value of this securities account at December 31, 2011, was €970 thousand. With the disposal of the account, the value impairment of €30 thousand that has been recognized directly in equity in the OCI was transferred to the income statement in fiscal 2012, with the result that there was no effect on income from this transaction.

If there is a time difference between the trading date and settlement date for financial assets, the settlement date is authoritative in first-time accounting.

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, 2012 € thou.	Dec. 31, 2011 € thou.
Intangible assets	1,695	2,266
Inventories	26,713	22,147*
Other receivables and other assets	45	68
Accrued liabilities	1,549	144
Liabilities from finance lease	690	522
Other liabilities	1,602	66
Loss carryforwards for corporation income tax / trade tax and income taxes abroad	3,020	2,114
Total deferred tax assets before netting off	**35,314**	**27,327**
Netting off	–33,381	–26,853*
Total deferred tax assets after netting off	**1,933**	**474**

*Changed from the previous year due to better data collection

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

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

As of December 31, 2012, the Group had corporation income tax loss carryforwards totaling €15,429 thousand (previous year: €7,689 thousand), trade tax loss carryforwards totaling €2,922 thousand (previous year: €4,095 thousand) and loss carryforwards for income taxes abroad totaling €18,189 thousand (previous year: €16,110 thousand). The loss carryforwards relate to six domestic holdings and euromicron AG and five 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. There were surplus deferred tax assets of €1,440 thousand after netting off from three subsidiaries that made a loss in fiscal 2012 or the previous year. The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €18,103 thousand (previous year: €14,903 thousand) Of this, €1,071 thousand (previous year: €0 thousand) were for Germany and €17,032 thousand (previous year: €14,903 thousand) for abroad.

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

3. Inventories

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

Inventories

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Raw materials and supplies	11,260	9,881
Work in progress	2,288	5,364
Finished goods and merchandise	13,952	9,834
	27,500	**25,079**

The increase in inventories is mainly the result of the growth in stocks toward the end of the year.

In accordance with IAS 2.34, there were write-downs on inventories totaling €337 thousand in the fiscal year (previous year: €200 thousand); as in the previous year, there were no reversals in the period under review.

4. Receivables and other assets

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and Receivables". As in the previous year, all trade accounts receivable at December 31, 2012, were short-term. The book values are approximations of the fair value. When first carried, they are measured at fair value plus any transaction costs. They are subsequently measured at depreciated acquisition costs. If there are indications for an impairment of financial assets, they are written down.

Receivables and other assets

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Trade accounts receivable (gross)	42,158	45,546
Allowances for doubtful accounts	–1,352	–1,278
Trade accounts receivable (net)	40,806	44,268
Gross amount due from customers for contract work	55,960	43,800
Other noncurrent assets	197	175
Claims for income tax refunds	4,107	2,971
Other current assets	3,360	2,198
	104,430	**93,412**

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

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

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Balance at the beginning of the period	–1,278	–919
Allocation	–487	–919
Utilization	97	349
Reversals	316	211
Balance at the end of the period	**–1,352**	**–1,278**

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €431 thousand (previous year: €782 thousand) in 2012 due to events that had an impact on their value. As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date.

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					For which an allowance has been made
			< 60 days	60–120 days	120–180 days	181–360 days	> 360 days	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Dec. 31, 2012							
Trade accounts receivable	40.806	13.422	17.608	3.211	1.466	2.183	1.097	1.819
	Dec. 31, 2011							
Trade accounts receivable	44.268	21.934	13.314	2.622	2.232	1.801	622	1.743

The trade accounts receivable include receivables in foreign currency (mainly US$) totaling €434 thousand (previous year: €923 thousand). Since the currency risk overall at the Group is not assessed to be material, a sensitivity analysis of it was not conducted. Foreign currency amounts were translated at the spot rate on the balance sheet date. Foreign currency transactions are translated into the functional currency, which is the Euro for all Group companies, at the exchange rates at the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the key date are recognized in the income statement. There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

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

Due to their increasing importance in the past years, the balances of projects running beyond the key date are for the first time reported in a separate balance sheet item "Gross amount due from customers for contract work" so as to improve the clarity of the financial statements. In the previous year these balances were carried under the balance sheet item "Trade accounts receivable"; the comparative figures for the previous years have been adjusted accordingly. They are carried after being netted off against the payments on account covered by the services provided up to the key date. The collection of IFRS data on the receivables from production contracts and the payments on account netted off against them was essentially revised in 2012. The structure of the Notes was adjusted for 2011 to reflect the improvement in data collection. This did not have any impact on the amount reported in the balance sheet. The gross amount due from customers for contract work was €55,960 thousand (previous year: €43,800 thousand); the payments on accounts netted off in this were €45,076 thousand (previous year: €40,487 thousand). The production contracts in progress at the balance sheet date were €101,036 thousand (previous year: €84,288 thousand) and are calculated from the total of accrued costs and reported profits (minus any losses) of €156,781 thousand (previous year: €112,275 thousand) less the partial final invoices of €55,746 thousand (previous year: €27,987 thousand).

Individual companies in the euromicron Group sell some of their receivables from customers to forfaiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €22,000 thousand. At December 31, 2012, receivables with a volume of €15,270 thousand (previous year: €12,400 thousand) were sold by the entire Group. In accordance with IAS 39, sold receivables from customers are only derecognized if essentially all opportunities and risks of the sold receivables have been transferred to the buyer of the receivables. The risk of the customer becoming insolvent (risk of nonpayment) is transferred to the buyer of the receivables under the contractual arrangements. euromicron still bears the interest risk from delayed payments by customers. Since virtually all the opportunities and risks do not remain with euromicron and do not pass to the buyer of the receivables, euromicron carries the receivables at the amount of the continuing involvement of €11 thousand (previous year: €66 thousand). This comprises the maximum amount that euromicron would have had to pay to the buyer of the receivables up to receipt of payment relative to the book value of the receivables sold on the key date. Apart from then continuing involvement, there is a liability of €17 thousand (previous year: €76 thousand). The difference between the asset and liability items reflects the remaining claims from or obligations to the factor from the interest rate guarantee and the administration fees euromicron still has. In accordance with the requirements of IAS 39, the sold receivables are therefore partly derecognized at the balance sheet date; the share remaining as continuing involvement is low compared with the total amount of sold receivables. Interest expenses resulting from the sale of receivables are carried in the net financial result. Administration fees are carried under other operating expenses.

The other assets essentially comprise receivables from input tax refund claims and prepayments and accrued income. The other assets contain amounts of €274 thousand (previous year: €156 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 €108 thousand (previous year: €48 thousand).

5. Cash and cash equivalents

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

The cash and cash equivalents are as follows:

Cash and cash equivalents

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Cash in banking accounts	5,375	7,275
Cash on hand	39	25
	5,414	**7,300**

6. Equity

(a) Subscribed capital and authorized capital

The number of shares of euromicron AG in circulation in fiscal 2012 was unchanged at 6,663,799. The capital stock of euromicron AG (nominal amount per share: around €2.56) was thus €17,037,017.44. The shares are exclusively registered shares.

After the equity increase last year using part of the authorized capital, the company's remaining authorized capital at December 31, 2012, is still €2,621,078.72. This can be used by the Executive Board, with the consent of the Supervisory Board, to increase the capital stock of euromicron AG by issuing new registered shares against cash or non-cash contributions on one or more occasions by May 31, 2016. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right.

Treasury shares

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

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

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

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

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

- Assignment of the shares as a consideration for the purpose of acquiring companies or holdings in companies.

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

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2012. At December 31, 2012, the company did not hold any treasury shares that could be offset with equity in accordance with IAS 31.33.

Shares in circulation

	Number
Sales in circulation at December 31, 2012	**6,663,799**

(b) Capital reserves

The company's capital reserves in accordance with Section 272 (2) of the German Commercial Code (HGB) comprise the premiums from share issues and capital increases.

In accordance with IAS 32.37, the equity transaction costs incurred as part of past capital increases, minus deferred taxes, were directly offset with the premium and not recognized in the income statement.

The capital reserves meet the requirements stipulated by Section 150 AktG (German Stock Corporation Law).

(c) Gain / loss on the valuation of securities and interest rate hedging instruments

The valuation reserve carries changes to the market valuation of securities that qualify as available-for-sale financial assets in accordance with IAS 39, as well as interest rate hedging instruments. Given that the securities and interest rate hedge expired in the fiscal year, the amounts carried for them in the other profit / loss had to be reclassified to the income statement. Due to the assumption that the impairment to the value of the shares in SecureAlert is lasting, the amounts taken directly to equity and recognized in the other profit / loss in previous years had to be carried in the income statement. As a result, the valuation reserve at the balance sheet date was €0 thousand (previous year: € –286 thousand).

	Dec. 31, 2012 € thou.	**Dec. 31, 2011** € thou.
SecureAlert Inc.	0	–257
Securities	0	–30
Interest rate swap	0	1
	0	**–286**

(d) Currency translation difference

There were no currency translation differences in fiscal 2012, since all the companies in the euromicron Group prepare their financial statements in euros.

(e) Distributions in the fiscal year

In accordance with the resolution adopted by the General Meeting on May 25, 2012, €7,663 thousand was paid out as a dividend (a total of 6,663,799 shares at December 31, 2011; dividend per share: €1.15).

(f) Non-controlling interests

The non-controlling interests reported at December 31, 2012 (€525 thousand) relate exclusively to Qubix S.p.A., Padua (10%).

(g) 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. The net debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term) and an industry loan, less cash and cash equivalents and securities. The key financial indicators adjusted in agreement with the long-term financing partners for the integration years 2012 to 2014 were fulfilled.

7. Provisions

(a) Other provisions

Other provisions are recognized in the case of a current legal or constructive obligation to third parties from a past event where utilization is probable and the expected amount of the necessary other provisions can be measured reliably. The other provisions are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. The long-term other provisions mainly comprise other provisions for death benefits and anniversaries, as well as for severance payments. Other provisions are reversed against the expense item where the original allocations to an other provisions was carried. If the discounting effect for long-term other provisions is material, the other provisions are recognized at the present value of the anticipated future cash flows. euromicron expects that €2,062 thousand of the other provisions will be utilized within the year and €1,157 thousand in the coming two to five years.

The other provisions developed as follows in the fiscal year:

Total other provisions

	Jan. 1, 2012 € thou.	Reclassification from liabilities € thou.	First-time consolidation € thou.	Utilization € thou.	Reversal € thou.	Interest cost € thou.	Allocation € thou.	31.12. 2012 € thou.
Other short-term provisions	1,222	991	151	–336	–104	0	138	2,062
Other long-term provisions	481	391	117	–121	–23	76	236	1,157
Total other provisions	**1,703**	**1,382**	**268**	**–457**	**–127**	**76**	**374**	**3,219**

Changes in recognition resulting in reclassification of other provisions were carried out in fiscal 2012. Since the overall effect of this is not significant, the previous year's figures were not adjusted in accordance with IAS 8. The reclassifications relate to other provisions for warranties and severance payments and can been seen from the table above.

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

Other provisions

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Follow-up costs for customers/warranties	1,450	411
Anniversaries and death benefits	531	481
Severance payments	367	0
Impending losses	268	496
Restoration obligation	245	240
Legal disputes	73	75
Other	285	0
	3,219	**1,703**

(b) Provisions for pensions

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

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

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

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

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

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

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

Provisions for pensions

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Present value of benefit obligation at the beginning of the period under report	11,544	1,009
Current service cost	361	220
Past service costs and effects from plan settlements	0	0
Interest cost	586	339
Pension payments	–86	–15
Revaluation effects	2,933	167
Of which		
Change in financial assumptions	3,082	29
Change in demographic assumptions	–329	0
Experience adjustments	180	138
Change in consolidated companies	0	9,673
Contributions by plan participants	87	151
Present value of benefit obligation at the end of the period under report	**15,425**	**11,544**

The plan assets measured at fair value changed as follows:

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Plan assets at the beginning of the period under report	10,816	353
Anticipated income from plan assets	550	18
Revaluation effects	–256	2
Employer's contributions	3,332	10,443
Pension payments	0	0
Change in consolidated companies	0	0
Plan assets at the end of the period under report	**14,442**	**10,816**

The plan assets consist to 3.0% (previous year: 3.6%) of reinsurance policies and to 97.0% (previous year: 96.4%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA.

The provision on the balance sheet chanced as follows:

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Provision at the beginning of the period under report	728	656
Current service cost	361	220
Past service costs and effects from plan settlement	0	0
Net interest cost/income	36	321
Pension payments	–86	–15
Employer's contributions	–3,332	–10,443
Contributions by plan participants	87	151
Revaluation effects	3,189	165
Change in consolidated companies	0	9,673
Provision at the end of the period under report	**983**	**728**

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

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

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

Average measurement factors

	2012	2011
Discount rate	3.20 %	5.10 %
Rates of increase in compensation levels	3.25 %	3.25 %
Future pension indexation	2.00 %	2.25 %

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 included for the first time using the standard values defined by Heubeck; industry-specific values were used in previous years. Since the pension commitments are mainly at euromicron Group companies in Germany, the parameters relate to the economic situation in Germany.

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

	+ 1% or + 1 year	– 1% or - 1 year
Discount rate	–12.0 %	14.7 %
Future pension indexation	6.0 %	–4.8 %
Life expectancy	1.2 %	–1.3 %
Age at expiry of financing	–1.3 %	1.4 %

The effects were determined using the same methods as for valuation of the commitment at the end of the year.

The pension payments anticipated in the subsequent year are €86 thousand, while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The weighted average duration of the commitment at the balance sheet date is 14.0 years.

Contributions of €5,234 thousand (previous year: €5,589 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

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

The liabilities are composed as follows:

Liabilities

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Liabilities to banks	68,585	54,436
Liabilities from finance lease	2,757	1,756
Trade accounts payable	42,867	31,617
Other liabilities	38,687	47,007
	152,896	**134,816**

euromicron's liabilities have the following terms:

Terms of the liabilities

		Fällig in				
	Total € thou.	Up to 1 year € thou.	1 to 2 year € thou.	2 to 5 year € thou.	More than 5 year € thou.	Fair value € thou.
Liabilities to banks	68,585	30,995	4,690	27,900	5,000	61,473
Liabilities from finance lease	2,757	599	564	1,280	314	2,757
Trade accounts payable	42,867	42,867	0	0	0	42,867
Other liabilities	38,687	30,662	4,692	3,333	0	37,895
	152,896	**105,123**	**9,946**	**32,513**	**5,314**	**144,993**
(Previous year)	134,816	97,894	4,008	27,613	5,301	129,133

Trade accounts payable in foreign currency (mainly US$ and JPN) amount to €1,948 thousand (previous year: €1,389 thousand).

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

The interest rates for liabilities to banks and overdrafts are fixed or variable and range from 1.05% to 12.5% (previous year: 2.20% to 8.25%). The high interest rates relate to terms for overdraft lines under individual agreements between newly acquired subsidiaries and their banks, but are not used or are terminable at short notice (with a view to optimizing financing).

euromicron AG utilized a borrower's note loan with a volume of €24,500 thousand in fiscal 2011. The loan consists of various tranches with different maturities. €19,500 thousand have a term of 5 years and €5,000 thousand a term of 7 years. The bank retained €122.5 thousand (0.5%) as the arrangement fee; this affected net cash in 2011 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with IFRS, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €122.5 thousand at the time it was disbursed. A pro-rata amount of €22 thousand for fiscal year 2012 was recognized in the income statement in accordance with the effective interest method.

So as to ensure its solvency at all times and underpin the build and integrate strategy, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of €57,038 thousand (previous year: €54,968 thousand) were unused at the year-end.

The other liabilities are composed as follows:

Other liabilities

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Industry loans	10,000	10,000
Obligations from preemptive rights	963	2,005
Purchase price liabilities	2,747	1,085
Liabilities from derivatives	0	11
Retention of security for suppliers	204	0
Other	890	655
Total of other financial liabilities	**14,804**	**13,756**
Payments on account	3,526	4,713
Other tax liabilities	6,130	7,608
Personnel obligations	9,833	9,671
Liabilities from current income taxes	1,850	2,096
Other	2,544	9,163
Total of other non-financial liabilities	**23,883**	**33,251**
	38,687	**47,007**

All financial liabilities at December 31, 2012, are assigned to the category "financial liabilities measured at amortized cost" in accordance with IAS 39 and, when recognized for the first time, are carried at fair value less transaction costs. In the subsequent periods, they are measured at amortized acquisition cost using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €33.5 thousand (previous year: €120.5 thousand) and was recognized in the income statement.

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

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

		Cash flow 2013 Up to 1 year			Cash flow 2014 1 to 2 years			Cash flow 2015–2017 2 to 5 years			Cash flow 2018 ff. More than 5 years		
	Book value Dec. 31, 2012	Interest Fixed	Interest Variable	Repaym	Interest Fixed	Interest Variable	Repaym	Interest Fixed	Interest Variable	Repaym	Interest Fixed	Interest Variable	Repaym
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	68,585	891	437	30,995	768	437	4,690	994	960	27,900	0	81	5,000
Liabilities from finance lease	2,757	90	0	599	69	0	564	115	0	1,280	12	0	314
Trade accounts payable	42,867	0	0	42,867	0	0	0	0	0	0	0	0	0
Other interest-bearing liabilities	14,804	499	0	6,779	317	0	4,692	118	0	3,333	0	0	0
	129,013	**1,480**	**437**	**81,240**	**1,154**	**437**	**9,946**	**1,227**	**960**	**32,513**	**12**	**81**	**5,314**
(Previous year)	101,565	1,465	1,186	64,643	1,035	543	4,008	1,541	1,441	27,613	12	281	5,301

All financial instruments held on the balance sheet date December 31, 2012, 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, 2012 (previous year: December 31, 2011). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment. Foreign currency amounts were translated at the spot rate on the balance sheet date. Foreign currency transactions are translated into the functional currency, which is the Euro for all Group companies at the exchange rates on the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement.

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

In the past, euromicron had concluded a payer's interest rate swap to hedge the cash flow risk of variable-interest liabilities. The payer's interest rate swap expired effective December 14, 2012, and the hedging relationship was thus ended. Last year there was a difference in the valuation of the interest rate swap of €1 thousand, which was recognized directly in equity and carried in the valuation reserve; in fiscal 2012, with the expiry of the hedging relationship, it was recognized in the income statement and shown in the interest expenses. euromicron did not hold any derivative financial instruments at December 31, 2012.

9. Deferred tax liabilities

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

In accordance with IAS 12.39, deferred tax liabilities were not recognized on taxable temporary differences of €963 thousand (previous year €907 thousand) between the carrying amount of the shares in subsidiaries and the correspending tax book values, 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, 2012 € thou.	Dec. 31, 2011 € thou.
Intangible assets	7,650	6,732
Property, plant and equipment	1,011	781
Inventories	172	38
Other receivables and other assets	30,765	26,167*
Accrued liabilities/Provisions	1,444	945
Other liabilities	75	62
Total deferred tax liabilities before netting off	**41,117**	**34,725**
Netting off	**−33,381**	**−26,853***
Total deferred tax liabilities after netting off	**7,736**	**7,872**

*Changed from the previous year due to better data collection

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

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

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

			Value carried in the balance sheet	
	Measurement category acc. to IAS 39 € thou.	Book value at Dec. 31, 2012 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.
Assets				
Cash and cash equivalents	LaR [1]	5,414		5,414
Accounts receivable	LaR [1]	40,806	40,806	
Gross amount due from customers for contract work	LaR [1]	55,960	55,960	
Other financial assets	AfS [3]	946		
Equity and liabilities				
Accounts payable	FLAC [2]	42,867	42,867	
Liabilities to banks	FLAC [2]	68,585	68,585	
Other financial liabilities	FLAC [2]	14,804	14,804	
Derivates (hedge accounting)	n/a	0	0	
Liabilities from finance lease	IAS 17	2,757	2,757	

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

acc. to IAS 39			Value carried in the balance sheet acc. to IAS 39			
Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.	Book value at Dec. 31, 2011 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.	Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.
		7,300		7,300		
		44,268	44,268			
		43,800	43,800			
847	99	1,884			1,758	126
		31,617	31,617			
		54,436	54,436			
		13,745	13,745			
0		11			11	
		1,756	1,756			

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

Level 1: The fair value is determined 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 was applied 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. The fair value of the swap (classification: derivates) was measured in the previous year on the basis of the 2nd level.

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

Notes on the consolidated income statement

11. Sales

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

Sales and earnings from the projects running beyond the balance sheet date were recognized in compliance with IAS 11 on a pro-rata basis using the percentage of completion method. The zero-profit method is also used. The percentage of completion is determined using the input-oriented cost-to-cost method. The POC sales revenues determined using the cost-to-cost method are derived from the costs of contracts incurred up to the balance sheet date plus a pro-rata profit. In contrast, no profit markups are included in sales ascertained using the zero-profit method. Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The collection of IFRS data on the sales from production contracts and the production costs incurred in this connection was essentially revised in 2012. The structure of the Notes was adjusted for 2011 to reflect the improvement in data collection. This did not have any effect on the amounts to be carried in the income statement. The Group's sales include sales from production contracts totaling €104,883 thousand (previous year: €98,814 thousand). The related production costs were €94,182 thousand (previous year: €86,628 thousand).

Changes in sales as a result of changes in the consolidated companies amounted to €9,916 thousand (previous year: €70,038 thousand).

Consolidated sales are divided into those from the sale of goods totaling €179,219 thousand (previous year: €174,710 thousand) and from the provision of services totaling €150,811 thousand (previous year: €130,596 thousand).

We refer to the segment reporting for a further breakdown of the sales (section 24).

12. Own work capitalized

The own work capitalized was €5,607 thousand (previous year: €1,948 thousand) and, as in the previous year, mainly results from capitalization of development costs. The scope of development activities to secure the company's market position, increase its innovativeness and to achieve unique selling points was increased sharply in fiscal 2012. Moreover, the inclusion of the companies acquired in the previous year for the first time for the year as a whole resulted in an increase in own work capitalized.

13. Other operating income

The other operating income is composed as follows:

Other operating income

	2012 € thou.	2011 € thou.
Currency gains	350	308
Reduction in allowances for doubtful accounts	316	211
Income from retirement of noncurrent assets	265	59
Compensation paid from insurance	257	58
Income from property and rent	216	207
Refunds for health insurance / reintegration / income from passed-on charges	206	332
Supplier grants	192	111
Income from damages	59	68
Income from written-down receivables	40	0
Income from reversal of write-downs of noncurrent assets	0	584
Other	896	786
	2,797	**2,724**

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

14. Cost of materials

The cost of materials is composed as follows:

Cost of materials

	2012 € thou.	2011 € thou.
Cost of raw materials and supplies and goods purchased	111,352	97,342
Cost of purchased services	59,650	62,277
	171,002	**159,619**

15. Personnel costs

The personnel costs are composed as follows:

Personnel costs

	2012 € thou.	2011 € thou.
Wages and salaries	78,507	64,483
Social security	15,081	12,447
	93,588	**76,930**

Average number of employees per year:

Employees

	2012	2011
Hourly-paid employees	812	703
Salaried employees	785	651
Trainees	102	101
	1,699	**1,455**

The increase in personnel costs and the workforce is mainly due to the divisions that were newly acquired in fiscal 2011 and that were included for the whole year in fiscal 2012.

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

16. Amortization and depreciation expense

Amortization and depreciation is composed as follows:

Amortization and depreciation

	2012 € thou.	2011 € thou.
Amortization of intangible assets	4,751	3,673
Depreciation of tangible assets	3,192	2,890
	7,943	**6,563**

Dormant reserves totaling €915 thousand (previous year: €3,762 thousand) before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2012. The amortization and depreciation for this in fiscal 2012 was €82 thousand (previous year: €971 thousand).

17. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses

	2012 € thou.	2011 € thou.
Vehicle and travel expenses	13,175	9,974
Rent/room costs	6,334	4,853
Legal and consulting costs	4,061	4,305
Trade fair and advertising costs	2,586	2,002
Cost of goods consignment	2,093	1,371
Communication expenses	1,802	1,705
Administrative expenses	1,719	1,128
Maintenance and repair	1,438	1,229
Commission	1,361	1,172
Further training costs	1,153	1,017
Running costs	873	1,186
Exchange rate losses	19	25
Other	6,355	5,294
	42,969	**35,261**

The increase in these expenses is mainly due to the first-time inclusion of telent GmbH for a full fiscal year and integration costs and non-recurring effects. The “Other” item mainly relates to expenses from the introduction of new IT and software structures, costs in connection with optimizing the real estate structure and the costs for other smaller integration measures and non-recurring expenses.

18. Net financial result

Net financial result

	2012 € thou.	2011 € thou.
Interest income	175	77
Interest expenses	–4,520	–5,407
Net interest income/loss	**–4,345**	**–5,330**
Other financial expenses	–511	–1,034
Net financial result	**–4,856**	**–6,364**

The other financial expenses of –€511 thousand (previous year: –€1,034 thousand) are mainly changes in the value of financial assets of € –261 thousand (previous year: € –371 thousand) and expenses in connection with securities lending transactions of –€250 thousand (previous year: –€323 thousand).

Total interest income and expense

	2012 € thou.	2011 € thou.
For financial instruments not carried at fair value in acc. with IAS 39:		
Total interest expense	–4,265	–4,978
Total interest income	157	59

Net gains and losses from financial instruments

	2012 € thou.	2011 € thou.
Cash and cash equivalents and receivables	–503	–1,457
Available-for-sale financial assets	–192	–544
of which carried in the other comprehensive income	0	–169
of which carried in the income statement	–192	–371
Financial liabilities measured at amortized cost	–3,508	–4,883

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

19. Income taxes

Income taxes

	2012 € thou.	2011 € thou.
Current taxes in Germany	3,057	2,560
Deferred taxes in Germany	–400	1,372
Current taxes abroad	617	975
Deferred taxes abroad	124	31
	3,398	**4,938**

Deferred tax assets totaling €1,244 thousand were recognized directly in equity in fiscal 2012. €880 thousand of this was from deferred tax assets that had to be recognized in the other comprehensive income as part of the first-time application of IAS 19 R. In addition, there were (net) deferred tax assets of €364 thousand that were recognized as part of the business combination in 2012. There were no deferred taxes that were taken directly to equity in the previous year.

Net income taxes include income taxes for previous years totaling €275 thousand (previous year: €365 thousand) and tax refunds of €104 thousand (previous year: €218 thousand).

The table below presents a reconciliation of the expected tax expense in each fiscal year to the actual tax expense 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

	2012 € thou.	2011 € thou.
Income before income taxes	12,226	17,798
Expected tax expense	3,668	5,340
Income from securities lending	–1,500	–1,215
Non-deductible expenses	314	119
Non-recognition of deferred taxes on loss carryforwards	554	651
Use of loss carryforwards not recognised to date/change in allowance	–18	–160
Effects of different national tax rates	109	–78
Tax arrears/refunds	171	147
Other	100	134
Actual tax expense	3,398	4,938
Effective tax rate	27.8%	27.7%

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

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

21. Earnings per share

The number of issued shares in 2012 was still 6,663,799 registered shares.

Undiluted earnings per share are calculated as follows:

Undiluted earnings per share

	2012	2011
Earnings for euromicron AG shareholders in € thousand	8,568	12,190
Number of shares issued at the beginning of the fiscal year	6,663,799	5,125,999
Weighted shares from capital increase	0	122,181
Adjusted weighted average number of shares issued (undiluted)	6,663,799	5,248,180
Undiluted earnings per share in €	**1.29**	**2.32**

The earnings for euromicron AG shareholders correspond to the consolidated net income for the period minus the earnings for non-controlling interests. The average number of all shares issued in the fiscal year is used to calculate 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. There was no dilution effect at the time the consolidated financial statements were prepared. As a result, both figures are the same.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2012, in accordance with the German Commercial Code (HGB) disclose net retained profits of €3,857,776.20. The Executive Board and Supervisory Board want shareholders to participate adequately in the company's success, yet also to strengthen the equity of euromicron Aktiengesellschaft in order to secure the foundation for planned growth and the integration course. By mutual agreement, the Executive Board and Supervisory Board propose to the General Meeting to pay a dividend of €0.30 (previous year: €1.15) for the 6,663,799. That corresponds to a total distribution of €1,999,139.70 (previous year: €7,663,368.85). An amount of €1,858,636.50 (previous year: €2,585,675.19) is to be carried forward to a new account.

Other details

22. Notes on the statement of cash flows

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

Net cash provided by operating activities is derived indirectly by the income before income taxes being adjusted for the effects of non-cash transactions and allowing for changes in current assets and liabilities and paid and received interest and income taxes. It should also be noted that trade receivables of €3,599 thousand were additionally contributed to the plan assets in fiscal 2012 under the Contractual Trust Agreement. The net cash provided by operating activities was €6,958 thousand, a year-on-year increase of €6,485 thousand. The improvement in the cash flow from operating activities was achieved by efficient receivables management, optimized stock management and systematic utilization of suppliers' terms and conditions. The increase in outpayments for the other operating liabilities was partly caused by the decline in payments on account for deliveries and services.

Net cash outflow from investing activities is calculated from the cash inflow from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as noncurrent financial assets and company acquisitions. It was €13,289 thousand, €7,108 thousand below the previous year's figure of €20,397 thousand. The decline is due in particular to the fact that the cash flow from investing activities in the previous period was substantially impacted by the acquisition of telent. The increase in outpayments for intangible assets in fiscal 2012 is attributable to the increase in own work capitalized.

The net cash provided by financing activities was €4,445 thousand and so lower than the previous year's €18,651 thousand. The net cash provided by financing activities in the previous period was sharply impacted by a capital increase and the emission of a borrower's note loan.

23. Contingencies and other financial obligations

(a) Contingencies

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

(b) Other financial obligations

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

Other financial obligations

	Total € thou.	Up to 1 year € thou.	1 to 2 years € thou.	3 to 5 years € thou.	More than 5 years € thou.
Bill of exchange obligation	2,910	2,910	0	0	0
Operating lease	8,242	4,131	2,802	1,309	0
Rental agreements	17,499	5,008	3,804	6,650	2,038
Purchase obligation	18,735	18,325	328	82	0
	47,386	**30,374**	**6,933**	**8,041**	**2,038**
Previous year	43,200	27,480	6,374	7,506	1,840

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

As in the previous year, there were no contingent liabilities at the euromicron Group in fiscal 2012.

Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminable agreements and mainly relate to operating and office equipment, such as cars, office machines or PC workstations, and communication technology and total €8,242 thousand. In fiscal 2012, payments from these leasing arrangements totaled €4,294 and were recognized in the income statement. Conditional lease payments of €15 thousand (previous year: €0 thousand) were recognised. There was no subleasing as part of operating lease agreements at the euromicron Group.

24. Segment reporting

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

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

Management measures the success of the segments on the basis of sales and earnings before interest and income taxes (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 companies right down to procurement of individual components at the distributors. Despite the depth of expertise, the system houses offer vendor independence in the market, which is documented by their certification for key technologies. In the second phase of its strategy ("buy and build"), euromicron expanded its business 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 area coverage 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 "Central services" and "Group 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 area coverage develops so that analysis of the segments is assessed as being adequate. After the purchase of the business operations of telent GmbH, which mainly focuses on the new area for euromicron of planning, construction and servicing of supraregional network structures (WANs), a decision was taken to pool all the activities focused on wide area network services in the new segment "WAN services" as of 2011, regardless of the region where the services are provided. As a result, this important segment can be controlled and developed transparently in the future.

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

The sales and earnings reported to the main decision-maker are measured in accordance with the same principles as in the income statement.

Transactions within and between the segments are reflected at market prices (arm's length principle).

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

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2012 (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

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

2011	Sales North € thou.	Sales South € thou.	Sales WAN services € thou.	Total Segments € thou.	Headquarters Services and Group consolidations € thou.	euromicron Group € thou.
External sales	111,969	126,532	66,805	305,306	–	305,306
Sales within the Group	4,817	11,101	44	15,962	–15,962	–
Total sales	**116,786**	**137,633**	**66,849**	**321,268**	**–15,962**	**305,306**

Sales in Germany were €298.9 million (previous year: €267.8 million), in the Euro zone €25.5 million (previous year: €34.2 million) and in the Rest of the World €5.6 million (previous year: €3.3 million). The sales relate to the geographical location of the customers.

EBIT by report segments: summary for euromicron and consolidation

	2012 € thou.	**2011** € thou.
EBIT North	14,450	18,936
EBIT South	520	6,880
EBIT WAN services	7,995	4,132
Central services and Group consolidations	–5,883	–5,786
Consolidated EBIT for the Group	**17,082**	**24,162**

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

Amortization and depreciation

	2012 € thou.	2011 € thou.
North, consolidated	–3,275	–2,861
South, consolidated	–2,368	–2,441
WAN services, consolidated	–1,989	–1,136
Central services and Group consolidations	–311	–125
Consolidated depreciation / amortization for the Group	**–7,943**	**–6,563**

In accordance with IFRS 8.33b, noncurrent assets are €122,614 thousand in Germany (previous year: €117,078 thousand) and €21,958 thousand in the Euro zone (previous year: €21,419 thousand). The noncurrent assets are composed of

- Goodwill
- Intangible assets
- Property, plant and equipment
- Financial assets
- Other assets.

25. Risk management

Principles of risk management

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

Risk control

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

Market risks

In principle, euromicron is dependent on economic trends in the Euro zone; as in the previous year, the German market accounts for around 90% of the company's sales and so is crucial to its success. Germany is also home to most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers so as to be able to offer top-quality products and services at competitive prices.

Risks of default

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual and general allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned, since no one customer accounts for more than 8.0% of total sales (previous year: 7.9%). 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 the amount of the book values of the financial assets carried on the balance sheet.

Financing and liquidity risks

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

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

Interest rate risks

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

The financing that was contractually agreed and utilized at December 31, 2012, will result in interest expenses of around €5.8 million (previous year: €7.9 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 2012 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €402 thousand lower (€402 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Internal control system

In order to comply with statutory requirements, the euromicron Group continued to focus in fiscal 2012 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 2012, euromicron AG's risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) AktG (German Stock Corporation Law). The risk identification system is suitable for promptly detecting developments that jeopardize the company's continued existence.

Compliance

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

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

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

26. Related parties

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

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €54 thousand was paid for the services. Further relations with members of the Executive Board and Supervisory Board are explained in section 32.

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

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

In fiscal 2012, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May, 2010, which was published on July 2, 2010, and in its amended version dated May 15, 2012, as of its publication on June 15, 2012. 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-12 and can be read in the annual financial statements.

28. Stock option program / securities transactions requiring disclosure

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

29. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of €925 thousand (previous year: €1,028 thousand). €629 thousand (previous year: €711 thousand) relate to auditing of the financial statements of the companies and the Group. They include expenses of €85 thousand (previous year: €181 thousand) for prior periods. They also include costs for other confirmation or valuation services (€12 thousand; previous year: €13 thousand), tax consulting services (€274 thousand; previous year: €44 thousand) and other services (€10 thousand; previous year: €260 thousand) for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

No events that require reporting in accordance with IAS 10 (Events after the Balance Sheet Date) occurred after December 31, 2012.

31. Publication of the consolidated financial statements

On March 26, 2013, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 27, 2013, by the Supervisory Board following their submission by the Executive Board and deposited with the operator of the electronic Federal Official Gazette.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to prepare notes and / or a management report and to audit and disclose annual financial statements and management reports and fulfills all the necessary conditions. The subsidiaries this applies to can be seen in the list of companies included in the consolidated financial statements on page 107. Exceptions are Stark- und Schwachstrom Montage GmbH, as well as euromicron austria GmbH, Seekirchen, Austria, euromicron holding GmbH, Seekirchen, Austria, Qubix distributions GmbH, Seekirchen, Austria, NBG Fiber Optics GmbH, Gmünd, Austria, WCS Fiber Optics B.V., SV Amersfoort, Netherlands, and Qubix S.p.A., Padua, Italy, which disclose their annual financial statements in accordance with their respective national regulations.

32. Supervisory Board and Executive Board

(a) Executive Board

The members of the Executive Board of euromicron AG are:

Dr. Willibald Späth, Chairman
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 LKC Kemper Czarske v. Gronau Berz GbR, Munich

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

Dr. Andreas de Forestier
Managing Director of EMBE Immobiliengesellschaft mbH, Munich
Managing Director of BEGO Immobilien Management GmbH, Hamm
Managing Director of BEGO Immobilien Verwaltung GmbH, Hamm
Managing Director of BEGO Vermögens- und Verwaltungs-GmbH, Hamm
Managing Director of DBE Immobilienverwaltungs GmbH, Munich
Managing Director of DBE Liegenschaften GmbH, Munich
Managing Director of DBG Immobilien Management GmbH, Munich
Managing Director of Grund + Renten Gesellschaft für Anlagen Consult mbH, Hamm
Managing Director of GVG Grundstücksverwaltungs- und Beteiligungs GmbH, Munich
Managing Director of RVB Immobau GmbH, Hamm
Chairman of the Supervisory Board of cp consultingpartner AG, Cologne

(c) Remuneration of the board members

The members of the Supervisory Board received total compensation in compliance with the Articles of Association of €63 thousand (previous year: €120 thousand), which is composed of a fixed payment of €45 thousand (previous year: €45 thousand) and a performance-related payment of €18 thousand (previous year: €75 thousand).

In fiscal 2012, the Executive Board received a total remuneration of €1,533 thousand (previous year: €2,029 thousand); the variable payment made up €775 thousand of this (previous year: €1,385 thousand). In addition, €22 thousand (previous year: €26 thousand) from the pension commitments to Executive Board members was recognized in the income statement in fiscal 2012.

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

33. Declaration by the legal representatives

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

Frankfurt / Main, March 25, 2013

Dr. Willibald Späth	Thomas Hoffmann
Chairman of the Executive Board	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, March 25, 2013

euromicron AG

Dr. Willibald Späth　　　　Thomas Hoffmann

Single-entity financial statements (HGB)

Balance sheet
as of December 31, 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Assets

	Note	Dec. 31, 2012 €	Dec. 31, 2011 €
A. Fixed assets			
I. Intangible assets	(1)		
Purchased concessions, industrial and similar rights		684,405.00	753,806.00
II. Tangible assets			
Other equipment, operating and office equipment		212,280.42	172,544.00
III. Financial assets			
1. Shares in affiliated companies		128,499,520.71	123,884,892.60
2. Loans to affiliated companies		27,418,750.00	14,676,996.40
3. Other long-term equity investments		672,693.00	934,090.00
4. Prepayments		40,000.00	80,000.00
		156,630,963.71	139,575,979.00
		157,527,649.13	**140,502,329.00**
B. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	(2)	44,761,315.39	51,096,116.47
2. Other assets		3,468,547.51	2,553,729.52
		48,229,862.90	53,649,845.99
II. Securities	(3)		
Other securities		227,500.00	1,098,800.00
III. Cash-in-hand, bank balances		22,593.05	1,024,993.13
		48,479,955.95	**55,773,639.12**
C. Prepayments and accrued income		**120,875.04**	**23,857.00**
		206,128,480.12	**196,299,825.12**

Equity and liabilities

	Note	Dec. 31, 2012 €	Dec. 31, 2011 €
A. Equity			
I. Subscribed capital	(4)	17,037,017.44	17,037,017.44
II. Capital reserves	(5)	90,871,357.22	90,871,357.22
III. Revenue reserves	(6)		
Other revenue reserves		6,433,729.53	6,433,729.53
IV. Retained profits	(7)	3,857,776.20	10,249,044.04
		118,199,880.39	**124,591,148.23**
B. Provisions			
1. Provisions for pensions and similar obligations	(8)	0.00	0.00
2. Provisions for taxes		40,501.80	5,570.00
3. Other provisions	(9)	1,648,050.00	1,400,205.01
		1,688,551.80	1,405,775.01
C. Liabilities	(10)		
1. Liabilities to banks		64,703,084.38	53,621,960.67
2. Trade accounts payable		397,170.85	217,915.88
3. Liabilities to affiliated companies		5,706,305.67	2,093,412.94
4. Other liabilities		15,433,487.03	14,369,612.39
(of which from taxes €3,026,994.33;			
previous year €3,975,685.06)			
		86,240,047.93	**70,302,901.88**
		206,128,480.12	**196,299,825.12**

Income statement
for the period from January 1 to December 31, 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Income statement

	Note	2012 €	2011 €
1. Income from investments		4,247,095.03	7,535,804.04
(thereof from affiliated companies € 4,247,095.03;			
previous year €7,535,804.04)			
2. Income from profit and loss transfer agreements		10,083,081.51	12,950,779.36
(thereof from affiliated companies €10,083,081.51;			
previous year €12,950,779.36)			
3. Expenses from assumption of losses		−5,194,996.90	−2,925,303.98
(thereof from affiliated companies €5,194,996.90;			
previous year €2,925,303.98)			
4. Other operating income		1,708,401.39	2,342,287.38
5. Personnel expenses			
a) Salaries		−2,611,528.77	−3,757,138.75
b) Social security, post-employment and employee benefit costs		−190,332.73	−213,358.86
(of which in respect of old age pensions €23,544.16;			
previous year €48,559.97)			
6. Amortization of intangible assets and depreciation of tangible assets		−160,814.40	−124,054.08
7. Other operating expenses	(11)	−6,380,492.88	−6,557,397.60
8. Income from long-term loans		712,234.36	380,796.92
(thereof from affiliated companies €712,234.36;			
previous year €380,796.92)			
9. Other interest and similar income	(12)	12,475,523.77	10,056,794.60
(thereof from affiliated companies €2,434,710.02;			
previous year €1,921,742.80)			
10. Write-down of long-term financial assets and securities classified as current assets	(13)	−261,397.00	−126,000.00
11. Interest and similar expenses	(14)	−12,874,804.86	−11,413,809.32
(thereof from affiliated companies €303,092.23;			
previous year €242,274.20)			
(of which expenses from interest accrued for provisions			
€3,484.84; previous year €2,604.62)			
12. Result from ordinary activities		**1,551,968.52**	**8,149,399.71**
13. Income taxes		−248,796.44	−204,857.81
(of which income from changes to recognized deferred			
taxes €0.00; previous year: expenses of €287,167.07)			
14. Other taxes		−31,071.07	−4,117.63
15. Net profit for the year		**1,272,101.01**	**7,940,424.27**
16. Accumulated profit		2,585,675.19	2,308,619.77
17. Net retained profits		**3,857,776.20**	**10,249,044.04**

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2012, in accordance with the German Commercial Code (HGB) disclose net retained profits of €3,857,776.20. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €0.30 for 6,663,799 shares	€1,999,139.70
Carryforward to a new account	€1,858,636.50

The annual financial statements of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, as of December 31, 2012, 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.

Further information

Five-year overview of the Group

Values from the income statement

	2012 € m.	2011* € m.	2010* € m.	2009* € m.	2008 € m.
Consolidated sales	330.0	305.3	203.6	179.6	164.6
Germany	298.9	267.8	174.0	154.5	134.0
Euro zone	25.5	34.2	26.0	22.6	24.0
Rest of World	5.6	3.3	3.6	2.5	6.6
EBIT	17.1	24.2	20.1	16.4	16.0
EBT	12.2	17.8	17.2	13.4	12.0
Consolidated net income for the period for shareholders of euromicron AG	8.6	12.2	11.5	9.8	8.1
Cash flow	24.5	31.0	25.0	17.2	12.0

Values from the balance sheet

	2012 € m.	2011* € m.	2010* € m.	2009* € m.	2008 € m.
Current assets	137.4	126.8	86.6	77.5	75.8
Noncurrent assets	146.5	138.4	109.6	103.9	96.3
Current liabilities	107.2	99.2	81.5	81.2	70.0
Long-term debt	57.7	46.0	25.5	28.8	28.3
Minority interests	0.5	0.5	0.4	0.3	1.1
Equity	119.0	120.0	89.3	71.4	73.8
Total assets	283.9	265.2	196.2	181.4	172.1
Equity ratio	41.9	45.3	45.5	39.4	42.9

Miscellaneous

	2012 € m.	2011 € m.	2010 € m.	2009 € m.	2008 € m.
Investments in intangible assets and in property, plant and quipment	10.8	8.2	4.6	6.5	4.1
Employees (number as an average for the year)	1.699	1.455	1.081	1.149	979

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

Glossary

AAL (ambient assisted living)
Ambient assisted living involves methods, concepts, (electronic) systems, products and services that support the elderly and disadvantaged people in everyday life, situatively and discreetly. The technologies are user-centric, i.e. geared toward people and their needs, and integrate in their direct living environment. The technology consequently adapts to the needs of the user and not the other way round.

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 fiber-optic cables that are pre-assembled at the factory, are suitable for mounting, have the exact length and that are supplied directly to the construction site or as a spare part for storage with the right connectors for the network components to be connected and 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.

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.

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.

Cloud computing.
Cloud computing describes the approach for providing abstracted IT infrastructures (e.g. computing capacity, data storage, network capacities or ready software) over a network and dynamically adapted to requirements. From the user's perspective, the abstracted IT infrastructure that is provided appears remote and opaque, as if surrounded by a "cloud". These services are offered and used only via defined technical interfaces and protocols. The services offered in cloud computing cover the full range of information technology and include infrastructure (e.g. computing power, storage space), platforms and software.

(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.

(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.

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.

Ethernet.
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).

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.

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.

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.).

Infrastructure as a Service (IaaS).
Infrastructure as a Service denotes a business model where computer infrastructure is not purchased as customary, but instead leased on demand.

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.

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.

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.

LTE (Long Term Evolution).
LTE is a new mobile communications standard and future successor to UMTS which can achieve far higher download rates at up to 300 megabits a second (also termed 4G). The basic schema of UMTS is retained in LTE. That enables rapid and low-cost upgrading of UMTS technology infrastructures (3G standard) to LTE (4G standard).

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.

Mica (Modular Information, Communications and Application platform).

Mica is a state-of-the-art software and hardware platform for the control station of a security and service center, such as used by the police, fire brigade, power utilities and on autobahns, in railways and at public transport companies. Thanks to integration of existing individual systems, operational and security-related processes can be automated end-to-end if required.

Multi-mode fiber.

Fiber optic cables 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).

Network monitoring.

Network monitoring denotes the observation and regular control of networks, their hardware (e.g. servers, routers, switches) and services (e.g. Web servers, DNS services, e-mail services). A distinction is made between external and internal monitoring. In external monitoring, an additional monitoring device is connected to the network, which is not the case in internal monitoring. It is further characterized by the terms “active” and “passive”. In active monitoring, additional packets are sent into the network, whereas only eavesdropping is carried out in passive monitoring.

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. The patch cable is used for flexibly bridging two cable ends and so “patches” 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).

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.

Platform as a Service (PaaS).
Platform as a Service (PaaS) denotes a service that provides developers of Web applications with a computer platform in the cloud. This can be runtime environments that can be used quickly (typically for Web applications), as well as development environments that can be used at little administrative overhead and without the need to purchase the underlying hardware and software.

PMR (Professional Mobile Radio).
Mobile radio which, in order to distinguish it from other radio services, such as maritime radio and aeronautical radio, was also called “non-public mobile land radio”. It includes all radio services that are used by individual institutions, industrial enterprises, the transport industry, trade and craft, as well as emergency services and public authorities that perform regulatory and security tasks. A common feature of all of them is the non-public, virtually private use of the radio service for a defined user group, such as taxi or haulage companies, airports or industrial plants, regardless of the radio technology used.

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.

Privus Manager®.
Privus Manager® is a network management solution that can be tailored flexibly to the specific network scenarios in question. Privus Manager® also enables network management solutions when existing PDH/SDH networks are migrated to packet-based networks (IP or IP/MPLS).

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.

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

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 measure the amounts of electricity fed into or taken from them and for control, distribution and billing (smart meter).

Software as a Service (SaaS).
Software as a Service (SaaS) is a sub-area of cloud computing. The SaaS model is based on the principle of the software and IT infrastructure being run at the premises of an external IT service provider and used by the customer as a service. Just an Internet-capable PC and an Internet connection to the external IT service provider are needed to use the services. The software is usually accessed via a Web browser. The party utilizing the services pays a usage-based charge (usually per user and month) for use and operation of the services. The SaaS models means that the party using the services can cut its procurement and operating costs in part. The service provider assumes responsibility for all IT administration work and other services, such as maintenance and updates. To this end, the entire IT infrastructure, including all administrative tasks, are outsourced, enabling the party using the services to focus on its core business.

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.

Transmission technology
The term transmission technology is very extensive. In principle, it relates to how information is sent from A to B via a defined transmission medium. The transmission network supplies the transport capacity for bit streams required by applications and networks that work on higher protocol layers. Transmission technology also includes specific functions for operation and maintenance.

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.

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 is not necessary.

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:
CDM (Code Division Multiplex): Code words are assigned to the individual digital signals
CWDM (Coarse Wavelength Division Multiplex): An optical Frequency Division Multiplex method with a wide (coarse) channel (signal) spacing; a lower-cost alternative to DWDM
DWDM (Dense Wavelength Division Multiplex): An optical Frequency Division Multiplex method with a very dense channel (signal) spacing
FDM (Frequency Division Multiplex): Individual signals are modulated onto different frequencies
SDM (Space Division Multiplex): Spatial separation of individual signals, for example on separate lines
TDM (Time Division Multiplex): Individual, usually digital, signals are transferred chronologically after each other

Financial Calendar 2013

March 27, 2013	Publication of the 2012 Annual Report and Analysts' Conference
May 8, 2013	Publication of the business figures for the 1st quarter of 2013
May 17, 2013	General Meeting
August 9, 2013	Publication of the business figures for the 2nd quarter of 2013
November 8, 2013	Publication of the business figures for the 3rd quarter of 2013

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