OUT OF THINGS FOR THE INTERNET WE MAKE THE INTERNET OF THINGS

ANNUAL REPORT 2015

euromicron

KEY FIGURES

Key Figures

	2015	2014
	€ m.	€ m.
Consolidated sales	**344.9**	**346.3**
Sales by division		
Smart Buildings	197.9	192.7
Critical Infrastructures	121.4	129.0
Distribution	22.5	24.6
All other segments and reconciliation	3.1	0.0
EBITDA (operating)*	**13.8**	**21.1**
EBITDA (operating)* by division		
Smart Buildings	10.1	12.8
Critical Infrastructures	8.1	14.4
Distribution	2.5	2.8
All other segments and reconciliation	–6.9	–8.9
EBITDA margin (operating)*	**4.0 %**	**6.1 %**
Reorganization costs with an impact on EBITDA	–6.9	0.0
EBITDA	**6.9**	**21.1**
EBITDA margin	**2.0 %**	**6.1 %**
EBIT (operating)*	**4.5**	**11.4**
Reorganization costs with an impact on EBIT	–13.1	0
EBIT	**–8.6**	**11.4**
Consolidated net loss (net income) for the year (attributable to euromicron AG shareholders)	–13.3	2.6
Undiluted earnings per share (in €)	–1.85	0.36
Adjusted weighted average number of shares issued (undiluted; in thousands)	7,176	7,176
Working Capital	**61.4**	**66.6**
Working Capital Ratio	**17.8 %**	**19.2 %**
Cash flow from operating activities	4.6	–1.9
Cash flow from operating activities, adjusted for effects from factoring and customers' monies to be passed on	6.1	3.0[1)]
Order books	103.4	121.5
Equity ratio	35.8 %	38.4 %
Total assets	270.8	287.4
Employees (number as an average for the year)	1,825	1,784

* adjusted for special effects of the reorganization

1) previous year's figure adjusted

euromicron

VISION

Billions of devices will be connected with each other in the near future in the Internet of Things. Everyday objects, machines or infrastructures will become smart. The possibilities for such digitization are countless and result in more value added and completely new business models. Companies who address these issues now will be the pacemakers down the road. The euromicron Group is the first point of contact for these companies when it comes to Digital Buildings, Critical Infrastructures, Smart Industry and related smart services.

MISSION

The euromicron Group enables its customers to make the digital transformation by delivering innovative technical infrastructures, solutions and applications. As a medium-sized group, we understand the demands and challenges the Internet of Things poses for companies, in particular small and medium-sized enterprises. We are a reliable partner who develops and implements tailored, future-proof digital infrastructures. We complement our own expertise with technologies from partners who are leaders in their markets. As a result, we enable our customers to migrate existing infrastructures gradually to the digital age, as well as develop new business models.

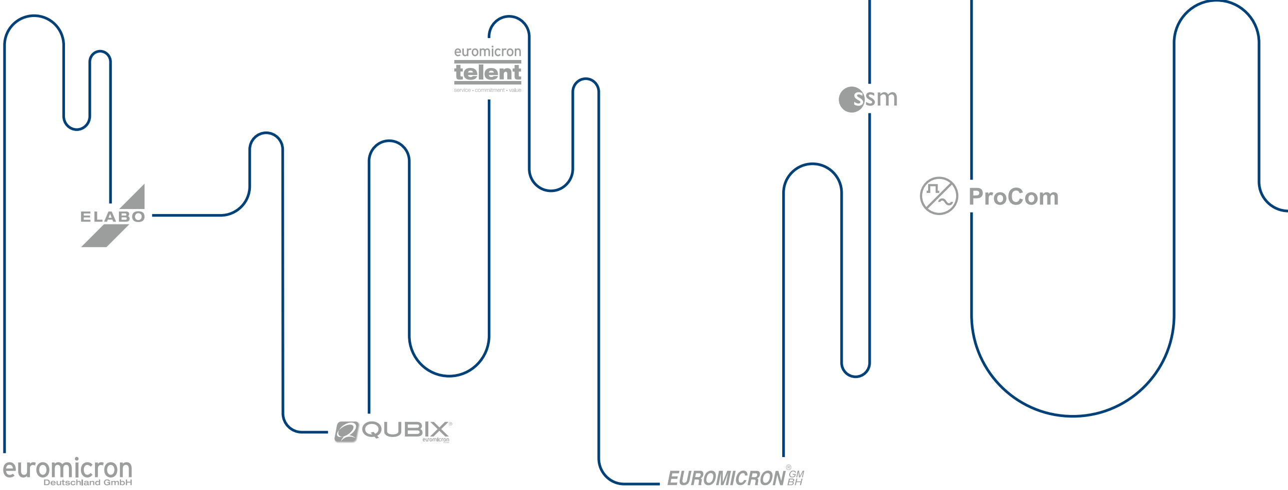
WE LEVERAGE
TECHNOLOGIES FOR
NETWORKS TO
CREATE POTENTIALS
FOR TOMORROW

STRATEGIC ORIENTATION TOWARD THE INTERNET OF THINGS

Under the roof of euromicron AG, our 14 subsidiaries work for the target market of the Internet of Things (IoT). Our focus is on “Digital Buildings”, “Critical Infrastructures” and “Smart Industry”. In these fields of work, we supply our customers with tailored solutions for technologies, system integration and smart services.

For many years now, we have helped our mainly medium-sized customers establish reliable and powerful network infrastructures. Now we are accompanying them in digitization of their business processes. We have placed our technological focus on IT, network and security infrastructures. As part of that we combine the technologies and solutions from our own manufacturing companies with those from market-leading external partners. On the basis of that, we tap further the benefit of digitized infrastructures for our customers by means of smart services and help them develop innovative business models.

THE COMPANIES IN THE EUROMICRON GROUP



OUR STRENGTHS FOR THE IOT

TECHNOLOGY

DEVELOPMENT / PRODUCTION

GERMANY AND INTERNATIONALLY

INTEGRATION

PLANNING / IMPLEMENTATION / OPERATION

GERMANY

DIGITAL BUILDINGS

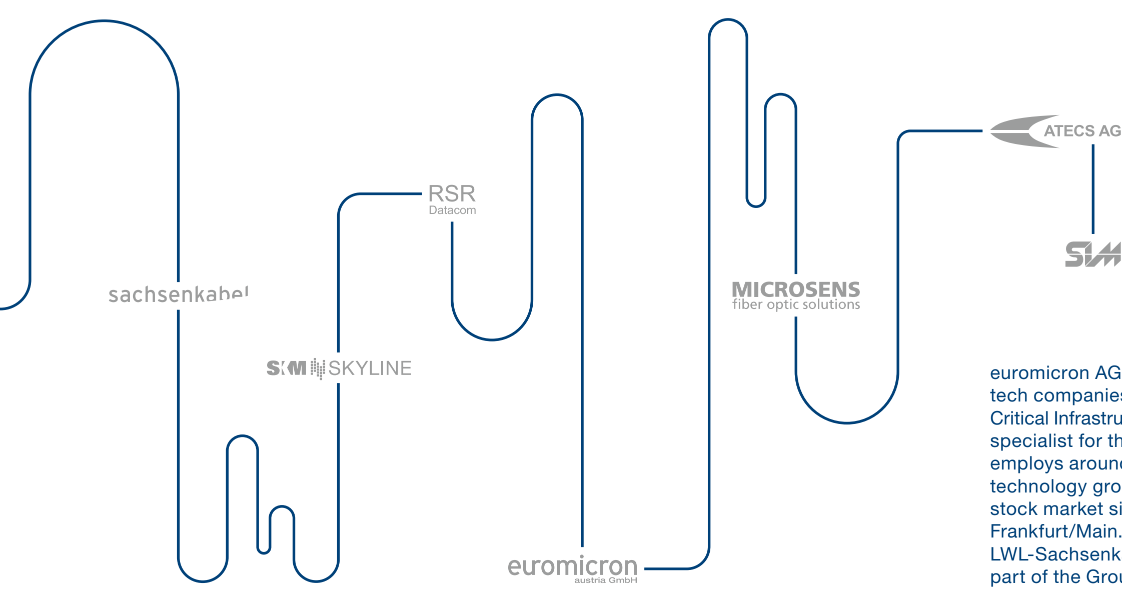
Everything that can be integrated in networks can also be controlled in the Digital Building. Technologies and solutions from euromicron ensure that buildings thus become an integral part of the Internet of Things. Enterprises benefit from that in the shape of energy savings, convenience, simple communication and security at all levels.

CRITICAL INFRASTRUCTURES

Secure networks are vital for modern societies: Banks, the energy sector, public authorities, telecommunications, transportation and healthcare depend on fault-tolerant systems. euromicron develops solutions for Critical Infrastructures on the basis of a wide range of IT and communication technologies.

SMART INDUSTRY

Smart processes, automated small-scale production, lasting quality assurance or innovative working time concepts – companies are increasing productivity and developing new business models on the basis of Smart Industry. The foundation for that is gradual digitization. euromicron implements that for its customers in a forward-looking way that protects investments.



euromicron AG is a group that unites various high-tech companies from the fields of Digital Buildings, Critical Infrastructures and Smart Industry. A German specialist for the Internet of Things, euromicron employs around 1,800 people at 30 locations. The technology group, which has been listed on the stock market since 1998, is headquartered in Frankfurt/Main. The prestigious brand names Elabo, LWL-Sachsenkabel, MICROSENS and telent are part of the Group.

We enable the Internet of Things.

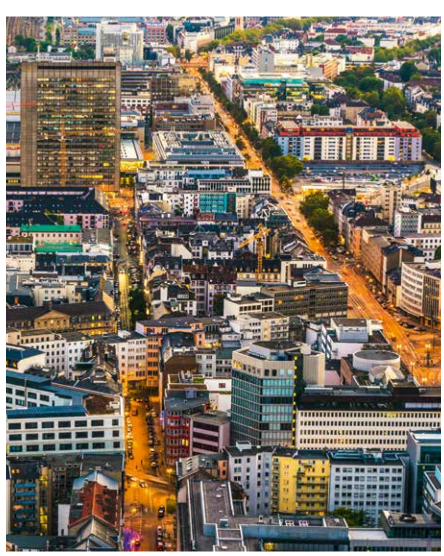
euromicron transforms ideas for the Internet of Things into solutions to touch and feel for medium-sized customers. The evolved network and system expertise and innovative strength of the Group's production companies have already given rise to marketable products and concepts.

WE TURN NETWORKS INTO SMART INDUSTRY

Industrial production operations comprise innumerable processes. Our subsidiary Elabo analyzes them, links them and provides each single process with intelligence. As a result, Smart Industry grows – step by step. PAGE 16

WE TURN LIGHTING INTO A WAY OF CUTTING COSTS

How many power plants are needed to light the countless offices of Germany alone? There's a different way of doing things. LED lights plus digital building infrastructures deliver impressive energy-saving potentials. And that's only the beginning of a clever, all-round Smart Office solution from euromicron's subsidiary MICROSENS. PAGE 10



WE TURN DATA INTO SERVICES

Low power WAN (LPWAN) is the name of a network technology that can send small quantities of data over large distances. Implemented comprehensively, LPWAN can be used to connect countless things. euromicron's subsidiary telent has begun establishing a LPWAN based on the LoRa® standard. The result is new, intelligent services that make our life better, more eco-friendly and safer. PAGE 24

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INTERVIEW WITH THE EXECUTIVE BOARD

THE INTERNET OF THINGS IS OUR FUTURE

Profitable growth through realignment

In an interview, the Executive Board members Bettina Meyer and Jürgen Hansjosten explain how euromicron AG is creating the foundation for profitable growth down the road with its strategic realignment.

→ 2015 was a tough year for euromicron. What milestones have you achieved and how far has the realignment progressed?

BETTINA MEYER With our strategic realignment, we instigated a raft of packages of measures in 2015 and so created the foundations for profitable growth moving ahead. As part of that, we've also shed divisions that didn't fit in with our new strategy. We also streamlined and modernized our structures significantly. In addition, we gave our companies a forward-looking, market-oriented setup in the new segments "Smart Buildings", "Critical Infrastructures" and "Distribution". So you can say we're a different euromicron than a year ago – this euphoric mood of a new departure can also be felt in the corporate culture.

JÜRGEN HANSJOSTEN We completed the main restructuring measures in the past year. Now we need to press ahead rigorously with our strategy and develop holistic solutions for our customers with our system houses and technology companies. On the basis of our solid basic business, we consciously geared our business model to the strategic future market of the Internet of Things (IoT).

With our solutions for digital infrastructures, we're focusing in particular on the target markets of "Digital Buildings", "Critical Infrastructures" and "Smart Industry". We also want to develop innovative smart services for our customers, i.e. create value added by processing and analyzing data from digital infrastructures.

→ Where do you still see potential for improvement?

JÜRGEN HANSJOSTEN We always take a holistic look at our customers' requirements and develop, offer and combine the components to suit them. Thanks to these tailored solutions, we enable our customers to move now toward the digital future. Innovation is the key to success and relates to the system houses and our core technologies alike. As part of a systematic innovation process, we intend to leverage further

significant synergies between these fields. In particular, we see great potential in developing smart services.

BETTINA MEYER It goes without saying that our employees are a key factor in our success. Without them, nothing we plan would be accomplished. That's why we'll take further measures to enhance their loyalty and intensify open dialog with them, other market players and partners. This transparent corporate culture will help us make crucial advances.

» We're now a different euromicron than a year ago – this euphoric mood of a new departure can also be felt in the corporate culture. «

BETTINA MEYER

What else do you plan for 2016? Are large investments envisaged in 2016?

JÜRGEN HANSJOSTEN Establishment of a systematic innovation process is vital to exploiting the potential of the future market of the Internet of Things. To enable that, we've launched an innovation management system at the Group level to develop innovative solutions together with euromicron's companies and customers. We're currently working on six innovation projects that are being piloted with customers. This is an extremely promising approach. Under the name "Smart Lighting", our subsidiary MICROSENS has developed a digital lighting concept where power is supplied and the lighting controlled over a single data network. That enables customers to tap into considerable savings potentials. Together with Elabo, we've also developed a solution for the Smart Factory for another customer. That is "Smart Industry" for the small and medium-sized sector. We're very proud of such developments and want to see more of them in future.

BETTINA MEYER We're pressing on with some of the reorganization measures we've initiated in the past year and intend to complete them by the end of the year. They include IT issues or measures relating to our properties and financing, for example. We estimate costs of €2 to €3 million for

these follow-up issues. We'll keep on improving our business processes in order to optimize working capital. Our aims in that include to reduce inventory management costs and to optimize our receivables management and so increase our liquidity. That will give us a better capital structure, as well as lower financing costs and enhanced profitability.

→ **euromicron offers many solutions for the Internet of Things. Do you believe your customers are ready for them?**

BETTINA MEYER There's no escaping digitization. It's penetrating all spheres of life, posing new challenges for companies and making it necessary to adapt work processes throughout the value chain to changes in general conditions. Innovative, intelligent solutions that make structures at enterprises even more efficient are required. With our system integration expertise in conjunction with our network technologies, we're able to digitize infrastructures and create innovative solutions that fit our customers' needs perfectly. Companies who address these issues now will be the winners down the road. In particular, that's becoming clear to more and more customers in the SME sector – and we are seeing that in growing demand for precisely such solutions.

→ **Your solutions are addressed in particular at small and medium-sized enterprises. What opportunities do you see in this alignment?**

JÜRGEN HANSJOSTEN euromicron itself is a technology group with a medium-sized character. We understand the demands and challenges the Internet of Things poses for companies. We are a reliable partner who develops and implements tailored network solutions and adapts a technology to the specific niche where it's required. As a result, we enable our customers to migrate existing infrastructures to the digital age, as well as develop new business models. Our objective with thus solution-oriented differentiation strategy is to stand out prominently from the competition and leverage the market

» We understand the demands and challenges the Internet of Things poses for companies.«

JÜRGEN HANSJOSTEN

We expect moderate sales growth in the medium single-digit percentage range in fiscal 2016. We aim to increase operating EBITDA sharply over the past year and post an operating EBITDA margin of between 4.5% and 5.5%.

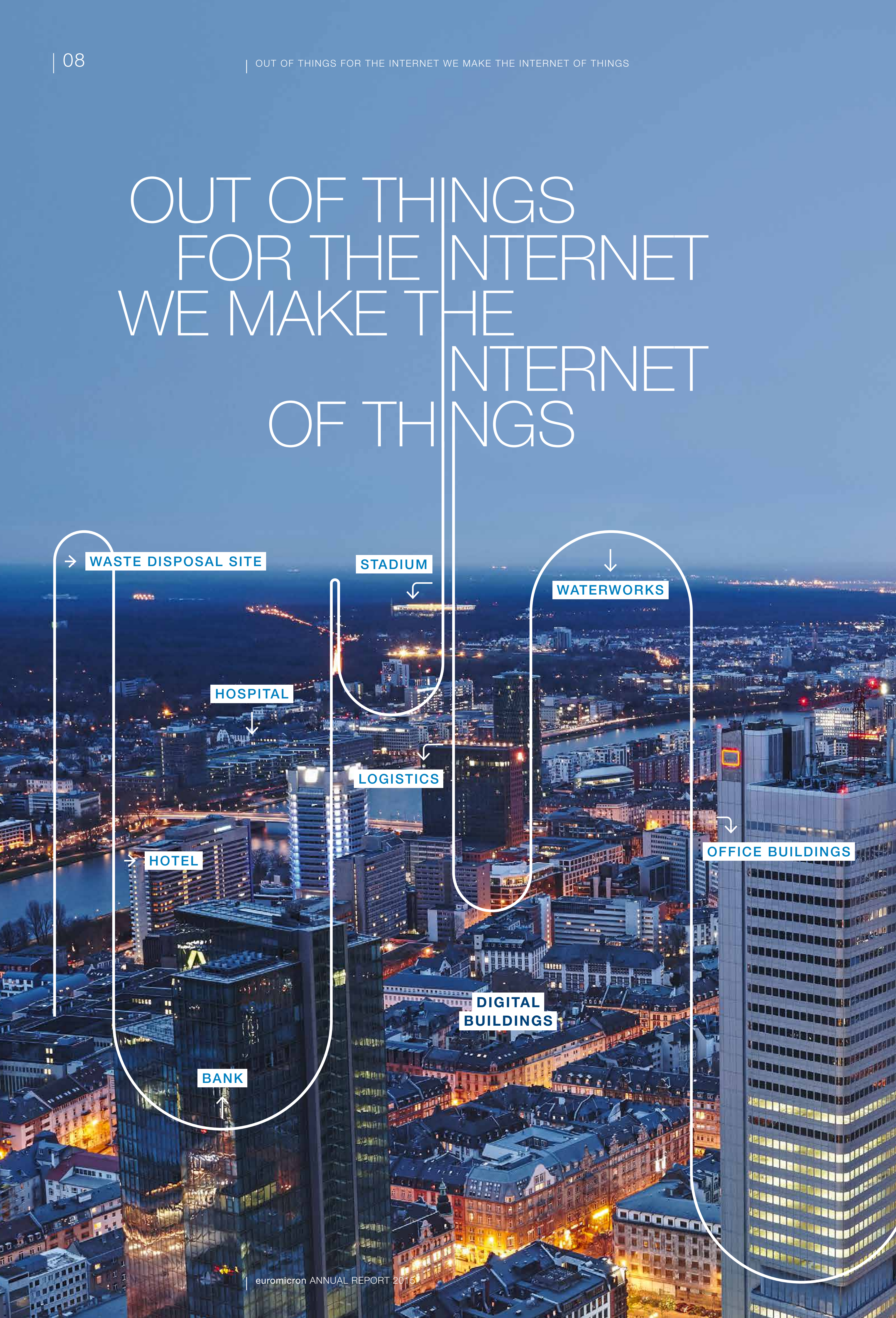
All in all, we believe euromicron is well on the way to growing with sustainable profitability as a specialist for SMEs in the highly promising market of the Internet of Things. By rigorously implementing the strategy and alignment of the Group companies, we feel sure we can achieve attractive margins again in the medium term. As a result, we believe we can again generate EBITDA margins in the target range between 8% and 11% on the back of sales of around €400 million by 2018.

potentials of SMEs in Germany. We're convinced that our customers respect our combination of industry know-how and technological expertise in working with us in a spirit of equal partnership.

⟶ When will the realignment be reflected in the numbers?

BETTINA MEYER We expect a significant increase in the Group's earnings strength in the current fiscal year 2016. We intend to invest further in our business on the basis of stable operating profitability.

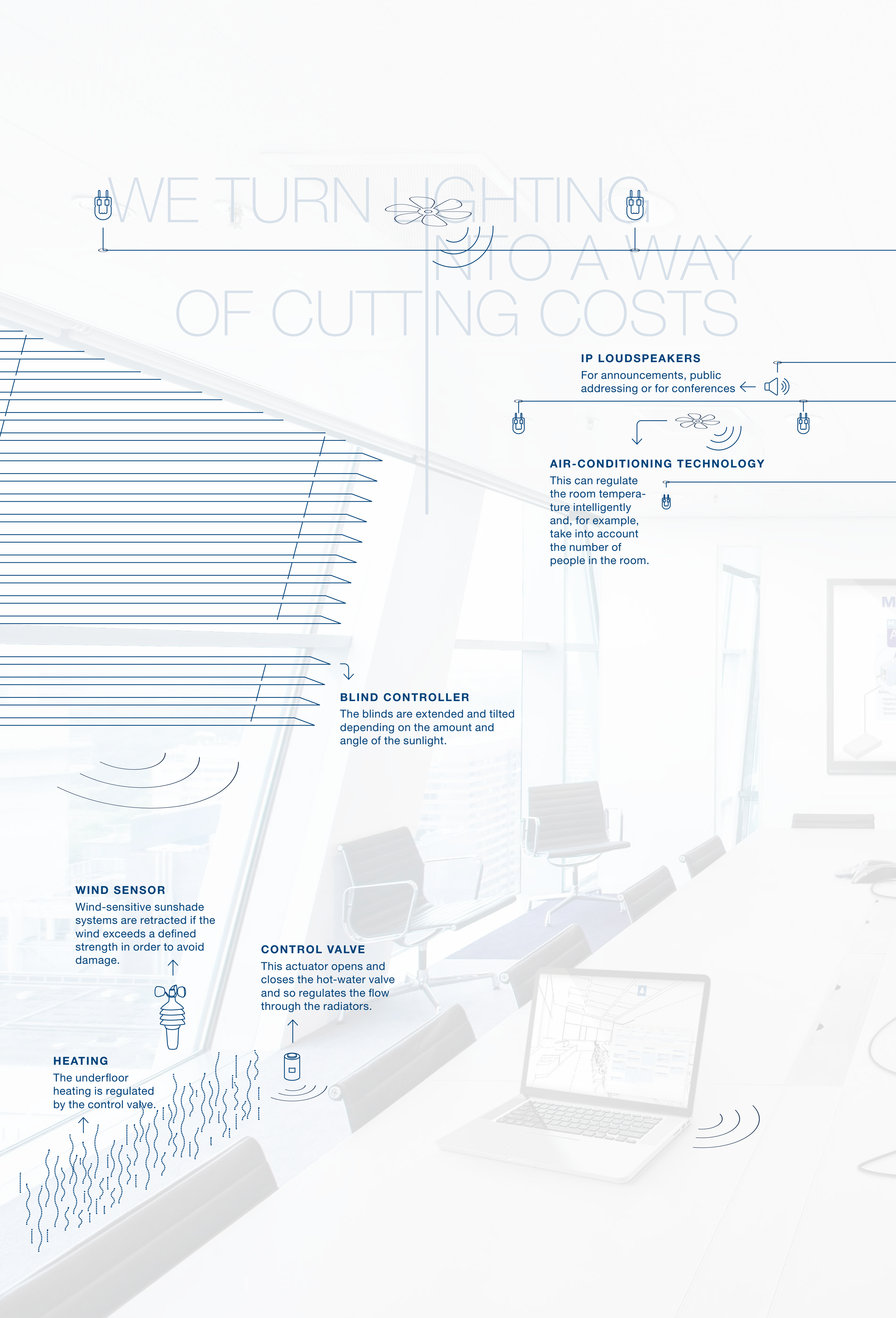
OUT OF THINGS FOR THE INTERNET WE MAKE THE INTERNET OF THINGS

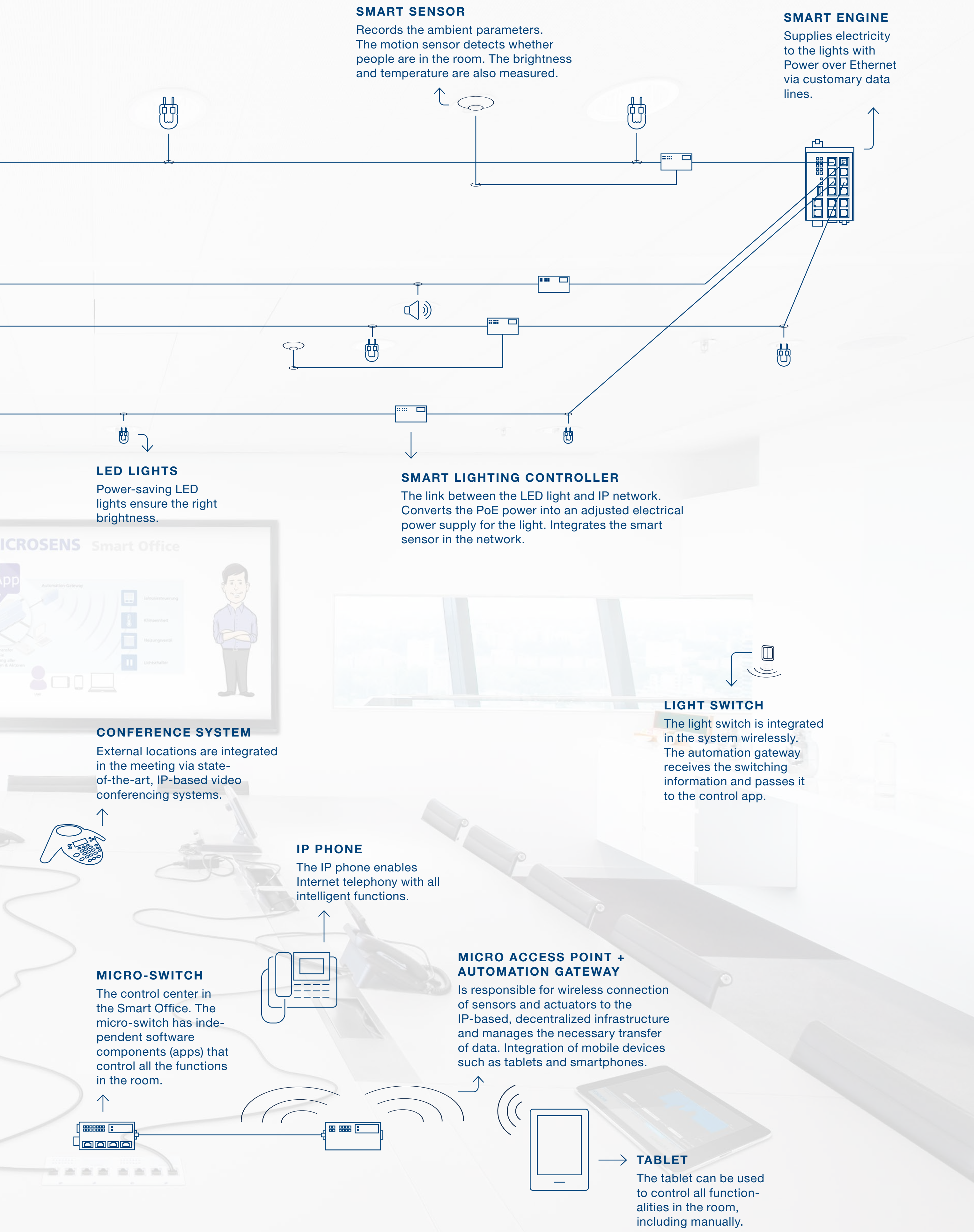



SMART INDUSTRY
AIRPORT
INDUSTRIAL ESTATE
SHOPPING MALL
POWER PLANT
POLICE
CENTRAL STATION
SMART SERVICES
CRITICAL INFRASTRUCTURES

WE TURN LIGHTING INTO A WAY OF CUTTING COSTS

All kinds of things come out of the network
All sorts of information, music, films, photos, texts and maps come from the network. But light? Now it does, too! Under the name “Smart Lighting”, euromicron’s subsidiary MICROSENS recently presented a digital lighting concept where power is supplied and the lighting controlled over the data network. The result is not only extreme convenience, but above all huge savings potential.


WE TURN LIGHTING INTO A WAY OF CUTTING COSTS
IP LOUDSPEAKERS
For announcements, public addressing or for conferences
AIR-CONDITIONING TECHNOLOGY
This can regulate the room temperature intelligently and, for example, take into account the number of people in the room.
BLIND CONTROLLER
The blinds are extended and tilted depending on the amount and angle of the sunlight.
WIND SENSOR
Wind-sensitive sunshade systems are retracted if the wind exceeds a defined strength in order to avoid damage.
CONTROL VALVE
This actuator opens and closes the hot-water valve and so regulates the flow through the radiators.
HEATING
The underfloor heating is regulated by the control valve.

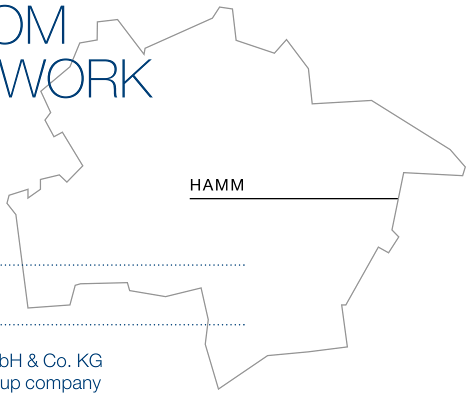

SMART SENSOR
Records the ambient parameters. The motion sensor detects whether people are in the room. The brightness and temperature are also measured.
SMART ENGINE
Supplies electricity to the lights with Power over Ethernet via customary data lines.
LED LIGHTS
Power-saving LED lights ensure the right brightness.
SMART LIGHTING CONTROLLER
The link between the LED light and IP network. Converts the PoE power into an adjusted electrical power supply for the light. Integrates the smart sensor in the network.
ICROSENS Smart Office
LIGHT SWITCH
The light switch is integrated in the system wirelessly. The automation gateway receives the switching information and passes it to the control app.
CONFERENCE SYSTEM
External locations are integrated in the meeting via state-of-the-art, IP-based video conferencing systems.
IP PHONE
The IP phone enables Internet telephony with all intelligent functions.
MICRO ACCESS POINT + AUTOMATION GATEWAY
Is responsible for wireless connection of sensors and actuators to the IP-based, decentralized infrastructure and manages the necessary transfer of data. Integration of mobile devices such as tablets and smartphones.
MICRO-SWITCH
The control center in the Smart Office. The micro-switch has independent software components (apps) that control all the functions in the room.
TABLET
The tablet can be used to control all functionalities in the room, including manually.

MICROSENS
Pioneer for smart solutions

Since 1993, MICROSENS has been a pioneer in Germany in developing and producing powerful fiber-optic transmission systems. They include rugged solutions for industrial environments, fiber optic-based systems for offices, as well as optical transport systems for wide area networks and linking locations. On the basis of smart switches, the engineers at MICROSENS have now also taught building technology how to think for itself. Lighting, heating, air-conditioning and security technology can be assembled in the Smart Office solution to create an intelligent, cost-saving whole.


ICROSENS Smart Office

EFFICIENT LIGHTING FROM THE NETWORK



FOUNDED
1993

THE COMPANY
MICROSENS GmbH & Co. KG
is euromicron Group company

EMPLOYEES
105

LOCATIONS
Hamm, Neu-Isenburg, Paris (France), Wrocław (Poland)

⟶ The basic idea is as simple as it is obvious: Even economical LED lights could save even more power if they were on only at the time they are needed and in the required brightness. Illuminated rooms, corridors or underground car parks that are empty are an issue in many companies and “burn” money. The remedy is an intelligent concept: Lighting that uses its own brain – Smart Lighting.

Smart Lighting is possible by combining intelligent network and LED technology. If both are used together, the savings potentials add up. The use of sensors and actuators means that lighting is provided at the precise point and strength needed: Only when someone is in the room, where the light from outside is not sufficient and only to the extent required to permit pleasant vision. Perfectly lit, yet economical – that’s the motto. “Just by converting conventional lights to LED technology, companies can save between 30 and 50 percent of the power they consume for lighting. The use of intelligent sensor systems can cut costs by a further 25 to 30 percent,” is how Frank Konrad, Managing Director of MICROSENS GmbH & Co. KG, describes the advantages

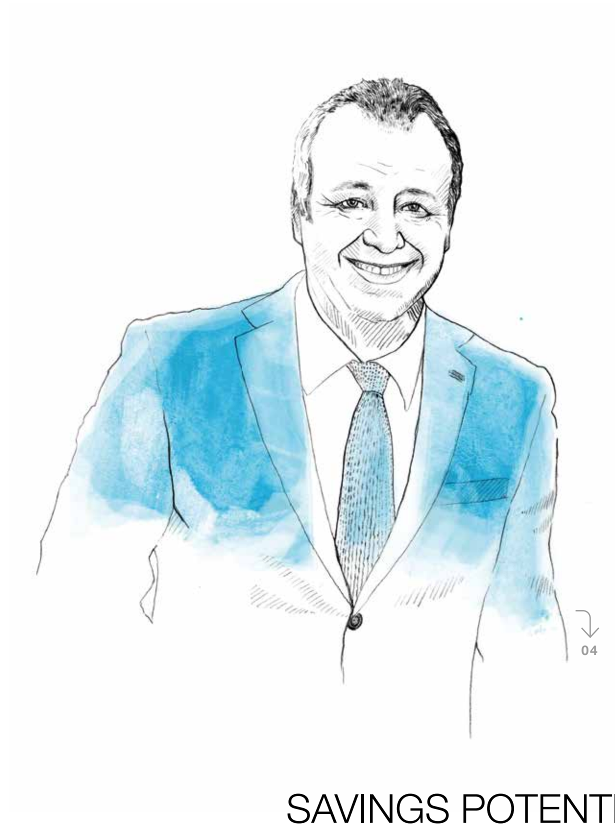
01 Control of lighting from a tablet or smartphone – in a quick, easy and user-friendly way.

02 A state-of-the-art LED panel with an IP-based controller and smart sensor.

01

02

03



04

03 MICROSENS Smart Engine supplies the lights with power behind the scenes.

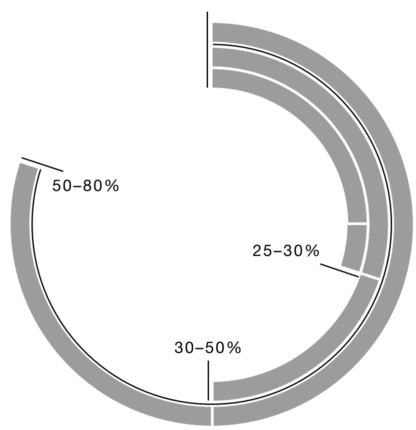
04 Frank Konrad, Managing Director of MICROSENS, confirms the great interest in the Smart Office solutions among customers. Demand from abroad is also high.

» LED technology creates the fundamental prerequisites for Smart Lighting, «

FRANK KONRAD

in hard cash. “A further savings potential is achieved in the summer because the air-conditioning system does not have to compensate for the heat generated by the bulbs. Experts say that power usage can be cut by up to 80 percent overall by means of intelligent lighting concepts.”

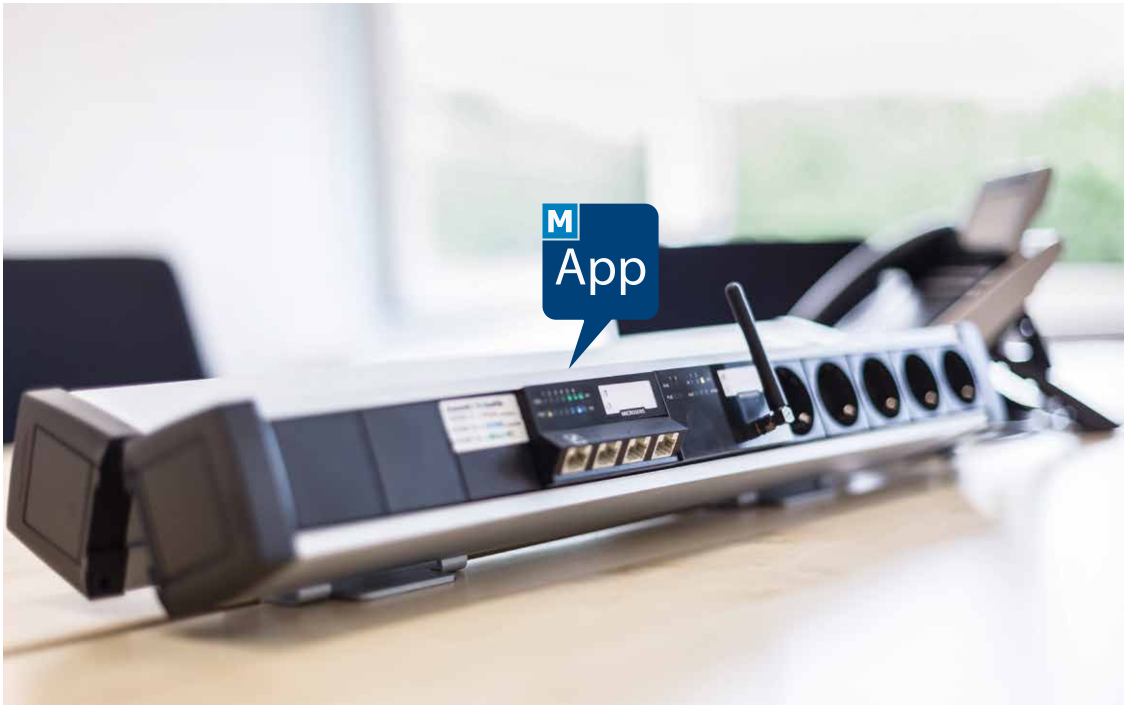
SAVINGS POTENTIAL



50–80%	ENERGY-SAVING POTENTIAL
25–30%	USE OF INTELLIGENT SENSOR SYSTEMS
30–50%	CONVERSION TO LED TECHNOLOGY

STANDARDIZED AND FLEXIBLE

That sounds fine and also has no catches. That’s because the investments needed for smart controlling of the lighting are limited. The solution is based on a standard IP protocol and existing network infrastructure. A proprietary system is not required. Only the switches, sensors, actuators and smart switches from MICROSENS have to be placed and registered in the network. And the solution is highly scalable and flexible. Smart Lighting can be implemented gradually, room by room. If there are changes to the rooms, the lights are regrouped at a click of the mouse. Manual intervention using a smartphone, tablet or PC is always possible – quickly and easily.



01

CONTROLLING THE BUILDING TECHNOLOGY WITH AN APP

"LED technology creates the fundamental prerequisites for Smart Lighting," explains Frank Konrad. That's because the lights are supplied with electricity via Ethernet: Power over Ethernet or PoE. The lights' low power consumption means a low voltage can be used – a common data cable is therefore enough to supply electricity. The lights are fully integrated in the network infrastructure by means of smart controllers. They are then controlled by local switches. "Switches are usually responsible for distributing data in the network," states Frank Konrad. "However, they now have enough computing power to be able to work with independent apps. We can not only organize Smart Lighting with these small programs, but also use them to manage complex building automation applications over the network."

And here's how it's done: Frank Konrad has recorded a meeting for today in his diary. The calendar application informs the building management system of the time and number of participants. In turn, the system turns on the heating in the meeting room in good time, ensures the desired temperature in it, chooses the lighting to suit how bright it is outdoors, and activates the sunshades if necessary. At the same time, the light in Frank Konrad's office can be

QUALITY ASSURANCE WRIT LARGE

Looking at things the other way round: MICROSENS products are made in Germany and installed and used worldwide. Our global customers value quality "Made in Germany". The stainless steel switches not only feel heavy to hold: At the production site in Hamm, Westphalia, they are subjected to multiple quality checks before embarking on their job in the Smart Office.

switched off and the computer put into sleep mode.

What Frank Konrad is demonstrating to us here is part of an overall solution developed by MICROSENS as part of Smart Building concepts. It shows: From the smart locking system to protection of equipment against theft – everything that can be integrated in the building network can also be controlled in a Smart Building. All system components are configured and monitored using an overarching software platform. In addition, statistics – the basis for efficient room and resource management – deliver valuable information on usage of the room and power consumption.

IDEA AND TECHNOLOGY MADE IN GERMANY

"The interest in Smart Office is great and growing steadily," says a delighted Frank Konrad. Although the "Internet of Things" is on everyone's lips, many companies are only now beginning to discover its application areas. MICROSENS can already boast initial experience and solutions here. The company has a unique position in the market with its smart switches. That is also noticeable from the demand from abroad, especially since network components with quality "Made in Germany" have a high reputation.

The meeting is over. It's now evening. The offices and parking lots in front of MICROSENS' building are emptying. When the last person leaves, the light goes off and the building switches automatically to sleep mode.

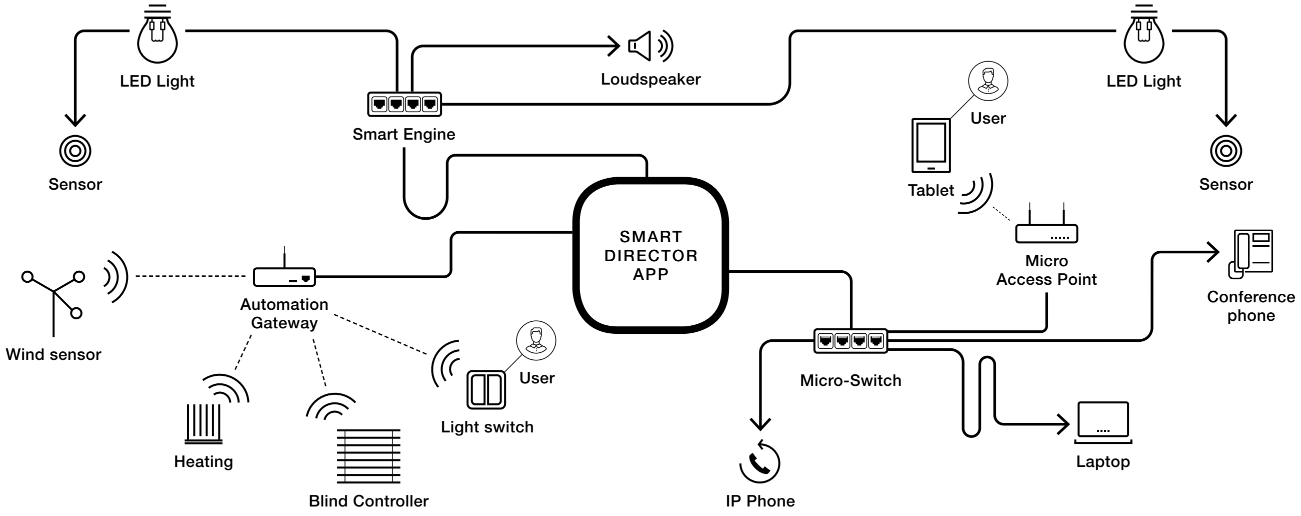
→ 02

01 The control center in the office: MICROSENS' micro-switch, along with the Micro Automation Gateway, controls the room.

02 MICROSENS Smart Engine supplies the LED lights with electricity via PoE.

MICROSENS

DIGITAL INFRASTRUCTURES IN THE SMART OFFICE

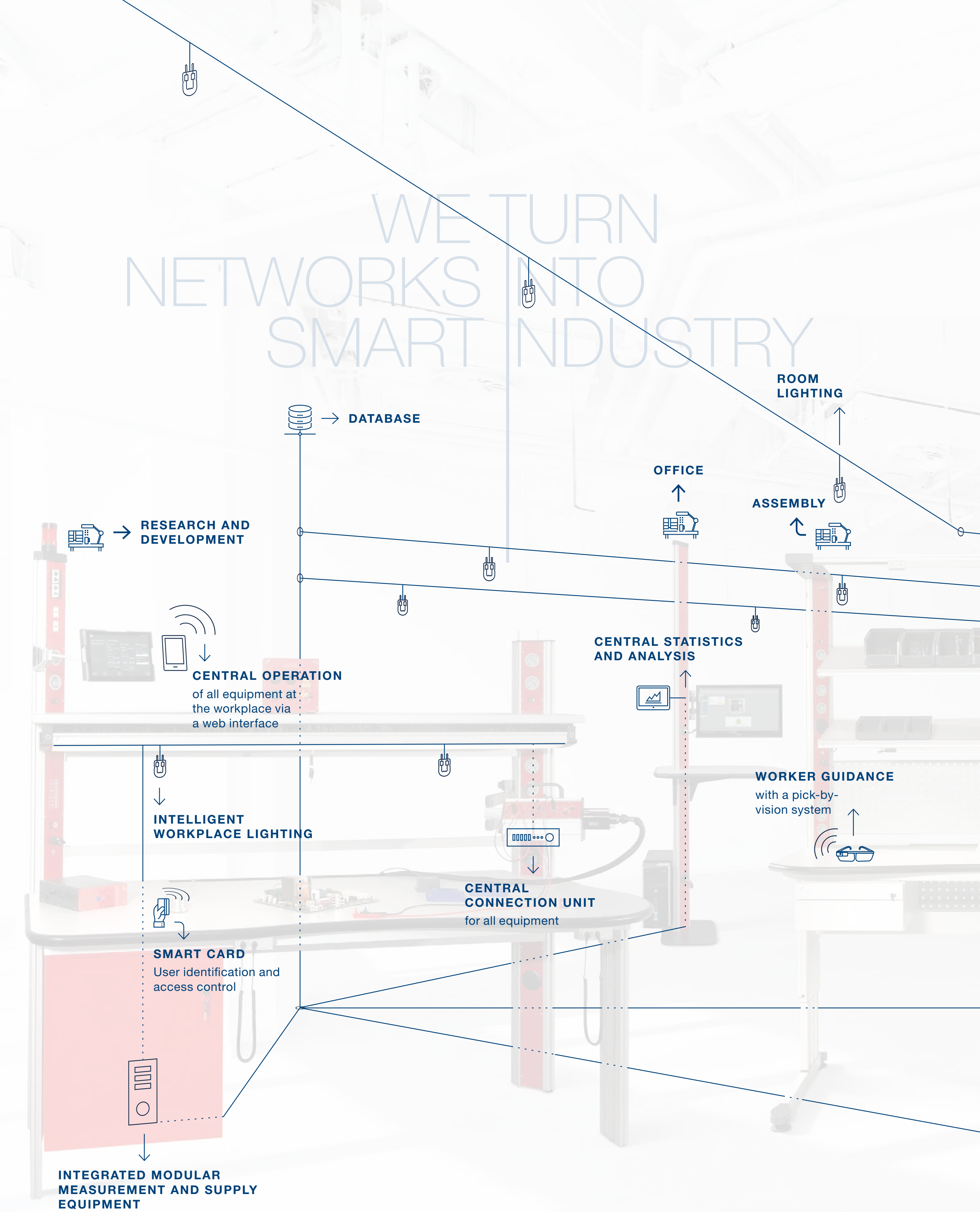


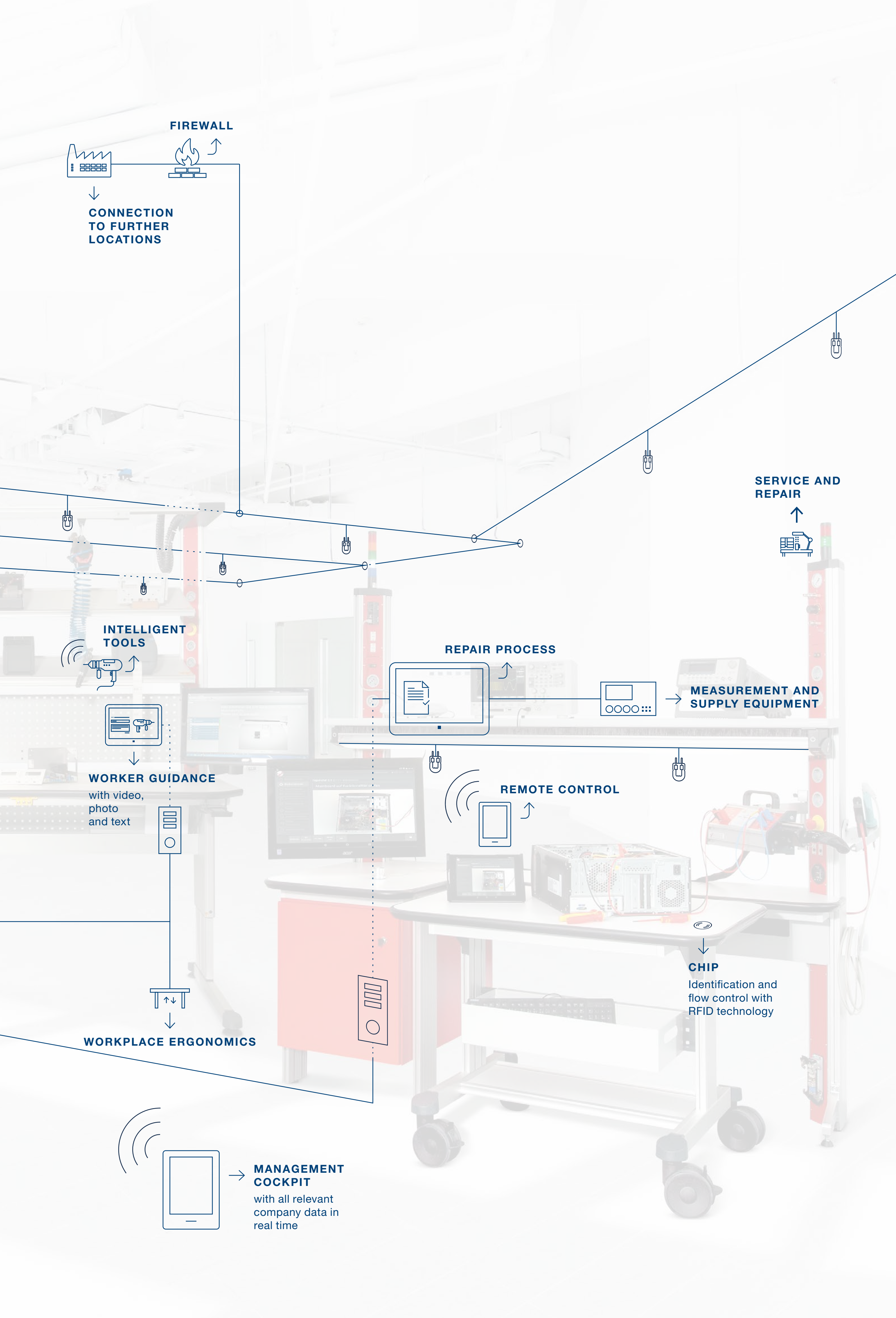
WE TURN NETWORKS INTO SMART INDUSTRY

Smart Industry – what is that?

In Elabo's Smart Industry, company processes are linked in real time on the basis of a powerful network and a software-aided database solution. As a result, relevant information is available at the right time, at the right place. That means workflows are optimized throughout a company's value chain.

WE TURN NETWORKS INTO SMART INDUSTRY





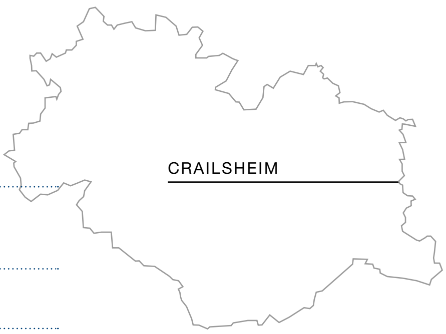
FIREWALL
CONNECTION TO FURTHER LOCATIONS
SERVICE AND REPAIR
INTELLIGENT TOOLS
REPAIR PROCESS
MEASUREMENT AND SUPPLY EQUIPMENT
WORKER GUIDANCE
with video, photo and text
REMOTE CONTROL
CHIP
Identification and flow control with RFID technology
WORKPLACE ERGONOMICS
MANAGEMENT COCKPIT
with all relevant company data in real time

Elabo
From the workbench to the digitized process

Elabo's core business includes high-quality workplace and testing and measurement systems. The products are renowned in the industry for their quality and ergonomics. Elabo has developed software and automation solutions for measurement and testing since the beginning of the 1980s. It has pressed ahead with tackling the issue of networking under euromicron's roof. Today, Elabo has earned a large lead in the market with its Smart Industry model solution and so expanded its traditional business model. It offers its target customers from the SME sector a path-breaking trend in many industries: Customized series production on the basis of lot size 1. The company from Crailsheim won an award for that from the federal state of Baden-Württemberg and the German Federal Ministry of Economics and Energy.

01

THE FUTURE HAS BEGUN IN CRAILSHEIM



THE COMPANY
Elabo GmbH is a euromicron Group company.

EMPLOYEES
150

PROFESSIONAL QUALIFICATIONS
Academics / with specialized training / without specialized training / Trainees / dual study students

SALES AND SERVICE NETWORK
Germany
Near and Far East
Central Europe
Northern Europe

01 Focus on the essentials: Automation creates room for quality.

02 Companies can be given an explanation of the advantages of the Smart Factory in the model factory at Crailsheim.

03 Dietmar Striffler is Head of the Electronics division at Elabo and one of the main contact persons for matters relating to Smart Industry.

→ A box flashes, a young lady with data glasses removes a screw and places it in the printed circuit board in front of her. The screwdriver buzzes shortly. The young lady says “action continue” and the component before her moves one station further on the assembly belt to be controlled by a camera. In the meantime, a robot arrives with fresh screws. “Thank you!” The robot vanishes again. Production of the future might be or look like that at small and medium-sized enterprises. Might? No, can. The engineers at euromicron’s subsidiary Elabo in Crailsheim, Swabia, have embarked on the future. The model factory “Smart Factory” for industrial production: digitized, networked and remarkably clever – and up and running!

Dietmar Striffler is head of the “Electronics” division at Elabo. When he gives visitors a tour of the showroom, he can hardly restrain his enthusiasm at Elabo’s vision: “A new dimension ... new way of thinking ...“ Even non-techies soon notice that the door into another world is opening up. “But let’s begin at the beginning,” suggests Dietmar Striffler – and he’s right. “In front of us you can see the workplace of any random developer. Let’s imagine he’s currently developing an electronic module. It’s Monday morning ...”

THE WORKPLACE: CUSTOMIZED AND FLEXIBLE

As soon as he enters the company, the employee logs on to the system with his smart card. The workplace – configured to suit his individual needs – then sets itself up. As soon as the card’s chip is placed on the workbench, the cupboards are unlocked, and the computer and specific programs are booted. The bench adapts itself automatically to the user’s individual workplace height and light preferences.

02

Our developer now checks whether his new module meets all the specifications from the requirements profile. Using Elabo measurement technology, signals are collected at a wide range of different checkpoints and automatically recorded by the software. These characteristics can be used to analyze and document the module's behavior systematically.

The developer also conducts an endurance test on the module. He tests how the module acts in response to fluctuations in the mains voltage supply. To do that, he can use the Elabo software to simulate voltage curves and record and analyze effects on the module. The results are documented automatically. Deviations can be used to derive ways of optimizing the module's design.

The developer can follow the progress of the test series and the results at all times at the workplace or mobilely on his tablet. That's also possible from home, for example if a child happens to fall ill. When the developer leaves the workplace, he puts the smart card back in his trouser pocket. The workplace is immediately put into idle mode: Everything that consumes power and is not needed switches off – putting an end to waste! Sensitive data and file cabinets are secured. Only the test series continue running in the background.

Above and beyond this typical development work, the developer will now create the assembly and testing instructions – in text or image form – for subsequent production, if required.

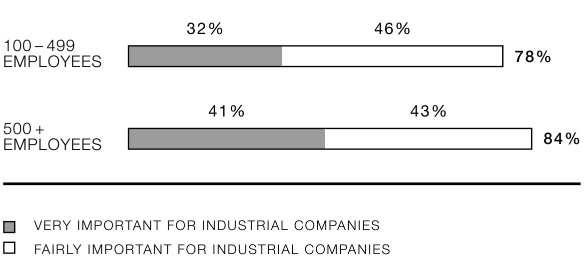
» The enormous potential lies not in collecting data, but the fact that we can order, analyze and selectively make available the large amount of information we have as a result of digitization. «

DIETMAR STRIFFLER

03

SMART INDUSTRY

STRATEGICALLY IMPORTANT FOR SMES AS WELL



01

03

These instructions are stored in digital form in the Elabo database – and accompany the product its whole life long. That considerably simplifies and speeds up transition of a product from development to the production process.

THE BASIS: CENTRAL INFORMATION MANAGEMENT

All that's just a small clip from the holistic vision for the "smart company" that is on view at Crailsheim. The heart is a powerful euromicron network along with Elabo Information Management (EIM) 4.0, a central database that administers all important information.

→ 02

Whether order or product data, test results or error statistics – it supplies all workstations with the “digital knowledge” that ultimately makes Smart Industry so intelligent.

“The enormous potential lies not in collecting data, but also in the fact that we can also order and analyze the large amount of information we have as a result of digitization and make it available to customers profitably,” states Dietmar Striffler. Linking it in the network thus creates value added. One simple example: If the screws are running out in assembly, that is detected by an intelligent screw box equipped a camera and RFID chip. It reports this status to the warehouse and orders replenishments. The database knows the type of screw, size, material, supplier and order number. Ideally, the supplier is integrated in the process – a cross-location solution is possible at any time – and directly arranges for an additional supply to be sent.

However, controlling of the process is also part of the system. In particular quality assurance, product improvement and service benefit from that. Errors can be rectified faster and ISO standards implemented rapidly. Excellent tracking and tracing supplies answers to questions of product liability. In turn, that enhances service and how complaints are handled.

DIGITIZATION: GRADUAL AND CUSTOMIZED

You can spin out this type of networking endlessly. “Smart Industry has incredible dynamism,” stresses Dietmar Striffler. “Once you’ve started thinking in a connected way, you never stop. And the potentials for optimization are captivating.”

That message has also reached customers in the SME sector. The response to “Smart Industry to touch and feel” in Crailsheim is huge. Yet there are still reservations about comprehensive digitization: It appears to be too expensive and too complex. “Such changes gobble up resources. No one knows that better than we do,” says Dietmar Striffler. “Because we’ve set about becoming a Smart Industry based on the example of our own model solution. Perhaps the most important realization: You don’t need to do everything at once. Smart Industry can be rolled out successively – starting from one workplace or department –, even without investing in machinery or factory halls. We see it as a gentle revolution. And that’s precisely why embarking on the world of the Smart Industry is now feasible for small and medium-sized enterprises.”

IoT OR SMART INDUSTRY?

In the Internet of Things, billions of objects are connected and share information with each other. The term Smart Industry denotes communication between machines and networked processes. Smart Industry is therefore part of the Internet of Things.

01 Learning the future – Today’s trainees will shape tomorrow’s Internet of Things.

02 Test specimens pass through a process that can be tracked and traced at all times in the Smart Factory.

03 Mobile devices provide assembly instructions.

THE ADVANTAGE: SERIES PRODUCTION OF SMALL QUANTITIES

Elabo is not shaping this gentle revolution on its own. From the security solutions of euromicron Deutschland, the smart switches of MICROSENS to the high-quality fiber-optic solutions from LWL-Sachsenkabel – the euromicron Group's broad network expertise delivers know-how, components, network technologies and many concrete solutions for Smart Industry.

» Our world of production and work is changing radically as a result of the Internet of Things. We now no longer talk with our customers about hardware and machines, but about solutions and opportunities. «

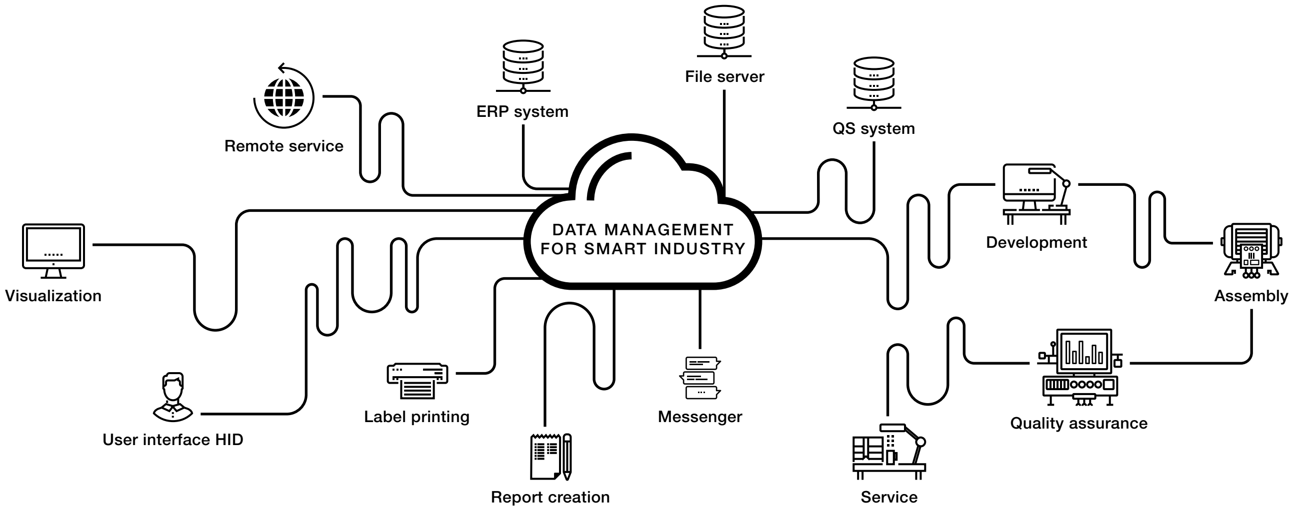
DIETMAR STRIFFLER

However, Elabo has also opened itself up to the outside world. The company from Crailsheim has interfaces to integrate everything that makes sense in Smart Industry into the network. Various partner companies contribute detailed solutions that optimize value added. Whether smart containers for C parts, the screwdriver that knows its torque, or the transport robot that provides its services in assembly for all circumstances: Smart Industry has thus become a hotbed of innovation. That culminates in the possibility of implementing the "one piece flow" principle at ideal costs and with a large variety of variants. The customer is king and its special solution is processed "smartly" in the process chain.

"We're currently experiencing a paradigm shift," is the conviction of Dietmar Striffler. "Our world of production and work is changing radically as a result of the Internet of Things. We now no longer talk with our customers about hardware and machines, but about solutions and opportunities. Not only workplaces play a role here, but also work-life balance and health. And not only software, but also new business models and customer loyalty. That's the real innovation at Elabo." Action continue!

ELABO

DATA MANAGEMENT FOR SMART INDUSTRY



AN INTERVIEW WITH THOMAS HÖSLE

»THE SME SECTOR MUST NOT MISS THIS BOAT«

Thomas Hösle,
Managing Director of
Elabo GmbH

Mr. Hösle, why is Smart Industry such an important issue for the SME sector in Germany?

THOMAS HÖSLE Smart Industry harbors great potential to cut costs and optimize production. The goal is to preserve and enhance Germany as an industrial location and even to bring back value added to the country. The SME sector must not miss this boat. Large companies are pressing ahead with it. The majority of small and medium-sized enterprises have tended to adopt a wait-and-see attitude so far. We're therefore all the more delighted at the keen interest in our Smart Factory, which after all is a solution aimed in particular at SMEs.

What role do people still play between intelligent machines and objects?

THOMAS HÖSLE Smart Industry brings about a change in the world of work. Skilled employees are becoming informed decision-makers more and more and are increasingly being given power to take decisions on the ground. That means it's necessary for the relevant information to be available at the relevant time and place. That's the big challenge, which we can meet with our network and software solutions.

What do you mean by the holistic Smart Industry vision?

THOMAS HÖSLE Smart Industry networks all areas at the company. Smart production, smart development, smart logistics and smart service are linked with each other. And the issue of quality assurance is hovering above that permanently. After all, where errors or deviations occur, the available information helps you make an immediate decision on whether the problem is a structural one. Work schedules or instructions are then changed accordingly and are then available the next second all over the world in optimized form.

What do companies have to change to become "smart"?

THOMAS HÖSLE Above all, the way they think. The way they look at the company and processes has to change completely. Breaks in the media chain are a key issue and smart transitions are important. There's still a big need to explain the related issues, especially to the SME sector.

Who benefits from the Smart Factory?

THOMAS HÖSLE That's the wonderful thing: Everyone benefits. Companies work more efficiently as a whole, while employees enjoy a better work-life balance and improved ergonomics at the workplace. Communication is simpler because everyone has the same information. Suppliers benefit because they increase customer loyalty with their own smart solutions. And, of course, customers benefit because quality and service improve and their specific individual wishes can be addressed.

The following advantages of Smart Industry are the most important for industrial companies:

62%
INCREASING FLEXIBILITY IN PRODUCTION

57%
ACHIEVING FASTER RESPONSE TIMES

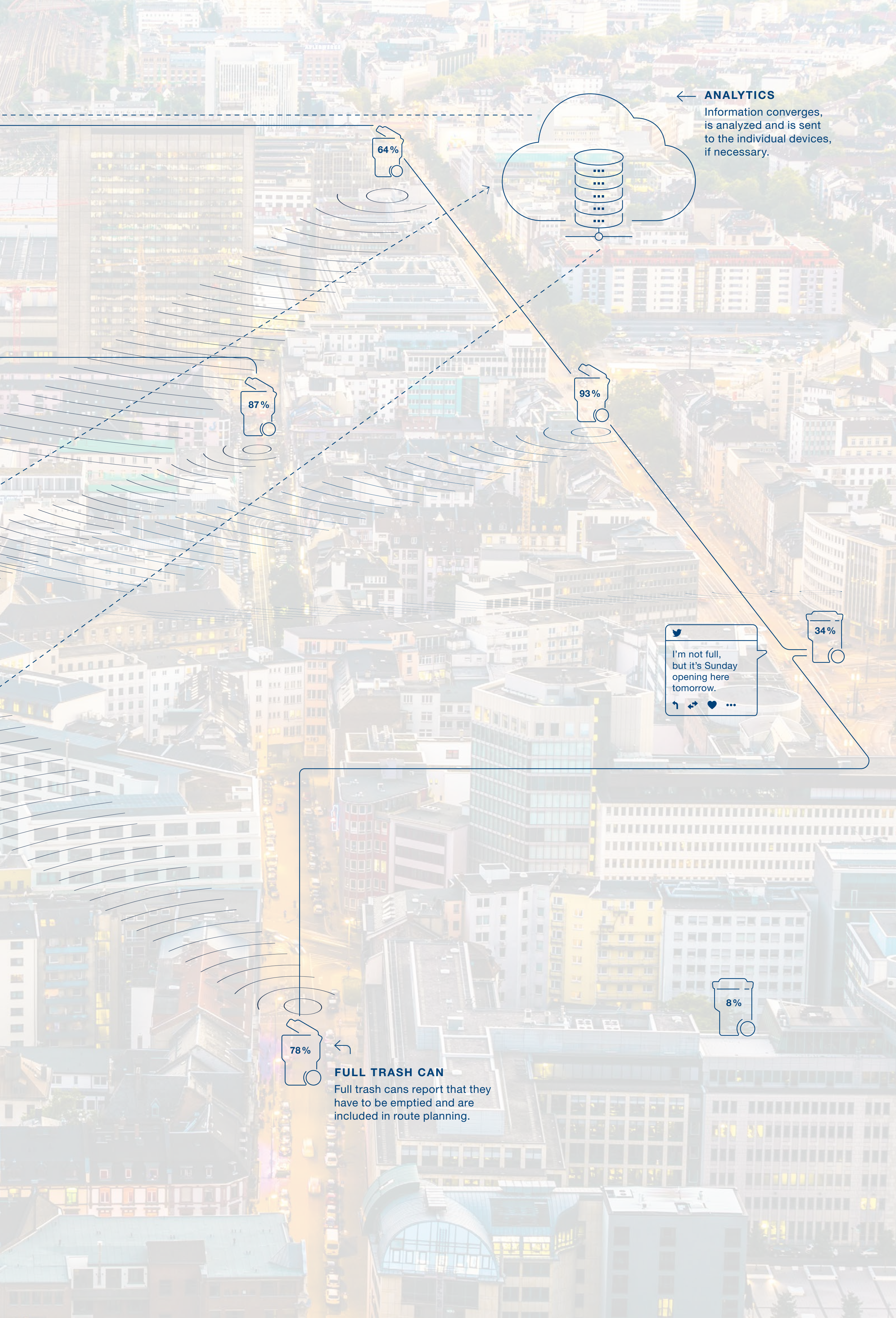
40%
INCREASING OVERALL PLANT EFFICIENCY

WE TURN DATA INTO SERVICE

In future, just about everything will communicate with each other in the Internet of Things

In future, machines, measurement equipment, domestic appliances, medical products and maybe even items of clothing will communicate with each other in the Internet of Things. For them to “talk” with each other does not need any large bandwidths, but a network infrastructure that is designed to transport low data rates reliably – one that is wide-ranging, power-saving and low-maintenance. telent GmbH is one of the pioneers when it comes to setting up IoT infrastructures in Germany.


WE TURN DATA
INTO SERVICE
REFUSE TRUCK
The refuse truck's navigation device puts together the route on the basis of the information received.
41 %
I'm not full, but the weather forecast for tomorrow is 36°C.
19 %
100 %
BASE STATION
Basis stations send and transmit signals with a large range of high degree of penetration.
25 %
87 %
I'm not full but #TrainStation #Demo #AllCome.
12 %
5 %
EMPTY TRASH CAN
Even trash cans that are not filled very much are emptied completely if it can be assumed that all the capacities will be needed in the near future.


ANALYTICS
Information converges, is analyzed and is sent to the individual devices, if necessary.
64 %
87 %
93 %
34 %
I'm not full, but it's Sunday opening here tomorrow.
8 %
78 %
FULL TRASH CAN
Full trash cans report that they have to be emptied and are included in route planning.

telent’s
security infrastructures

telent GmbH offers solutions for Critical Infrastructures, in particular relating to networks and systems for enterprise and security-related communication. The company supports its customers with IP technology for enterprise networks, PMR solutions, network and asset management, and value added services. Its customers are public authorities and enterprises, in particular from the rail, transport infrastructure, energy, IT and telecommunications industries.

A WHOLE NEW COSMOS OF NEW SERVICES

THE COMPANY
telent GmbH is a euromicron Group company

EMPLOYEES
420

BRANCH OFFICES
Backnang, Berlin/Teltow, Radeberg

SERVICE
13 further service locations in Germany

01

Germany is a relatively clean country. Day after day, thousands of refuse trucks and collectors ensure that our towns and cities are not inundated by garbage. They set off on their rounds of the municipal waste containers, calling on them one by one and emptying them if necessary. We spend quite a bit for such cleanliness. One example: The town of Sankt Augustin near Bonn, with around 55,000 inhabitants and an area of some 34 square kilometers, runs up a bill of 95,000 euros a year solely for emptying its trash cans and containers. What is annoying: Even if they are empty, there's still the cost of driving to them. And then there are others whose contents have long been overflowing. That means the garbage lying around has to be gathered up by hand. Isn't there another way of doing things?

TRASH CANS THAT ALSO USE THEIR BRAIN

"There is," says Lars Petermann, Head of Business Development at telent, a subsidiary of euromicron AG. telent is a specialist for Critical Infrastructures and wide area networks. "You merely need to teach the trash cans to think." And why not? If a can knows how full it is and informs the cleaning department, the refuse collection tours can be planned, empty containers can be omitted from the route, and the refuse trucks only need to go to where cans needs to be emptied. That saves time, fuel and personnel costs.

01 Knowing where to go: The services planned by telent enable the town council's cleaning department to plan routes efficiently and to suit requirements.

02 Lars Petermann is responsible for business development at telent: "There are hardly any limits to the service concepts based on LPWAN."

02

» We're currently discussing this project with other infrastructure providers so as to be able to offer the new network comprehensively very soon. «

LARS PETERMANN

THINGS THAT COMMUNICATE ARE ON THE ADVANCE

Such a scenario would be conceivable using low power wide area networks (LPWANs): Networks that have been specially designed to transfer low data rates and, despite their large range, only have low power consumption. These networks are therefore the ideal environment for communication between things or machines – and they're needed. That's because the number of things that communicate will be up to 50 billion by 2020 – and so surpass the number of mobile phones worldwide.

None of the existing communications infrastructures is anywhere near as suited for the Internet of Things as LPWAN. LPWANS have clear advantages even over mobile networks – including the 5G standard that is just being established. They offer a greater range and higher penetration. Reception is good even in basements, meaning that network availability and service reliability are increased. LPWANs are economical to operate and set up and are secure thanks to the encrypted connection. Data transfer via LPWANs also requires very little power, which has earned this technology the nickname of "green network". As a result, the ideal preconditions for battery-driven sensors and actuators are created. It also means network coverage is ensured over many years, even at locations without their own power supply.

LoRa™

BIDIRECTIONAL 868-MHZ CONNECTION

< 2 KM

RANGE IN URBAN AREAS

< 15 YEARS

BATTERY LIFE

< 20 KM

IN RURAL REGIONS

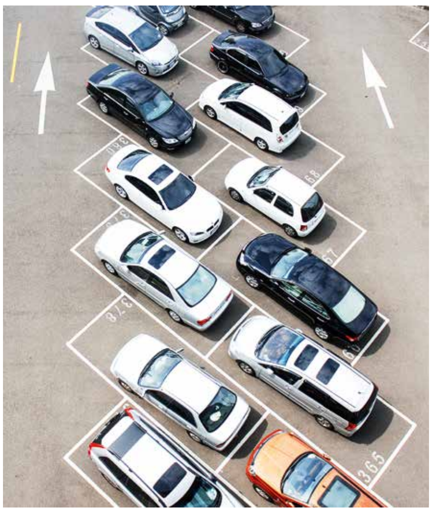
< 100 KBPS

ADAPTIVE SYMMETRICAL DATA RATE

2-FACTOR AES 128

ENCRYPTION

01



02

03

CUTTING COSTS AND PROTECTING THE ENVIRONMENT

telent is thus beginning to establish a bidirectional LPWAN on the basis of the international radio standard LoRaTM. “We’re currently discussing this project with other infrastructure providers so as to be able to offer the new network comprehensively very soon,” is how Lars Petermann explains the approach. In future, this network can be used to transfer, compare and analyze in particular status information, without cabling and at no cost and effort. That is – in conjunction with other information services – the foundation for a complete cosmos of new services and apps: Tracking services that enable pets, valuables or even persons to be traced. Intelligent mailboxes that report whether mail has arrived. Remote controllers that open and close doors as if by magic.

Transfer of the filling level or operating mode of distributed systems and equipment. Transfer of measurement data for research and the readings for heaters, heat meters or water meters. Parking management systems that use sensors to detect whether a car is on the parking lot or not. Smoke detector and theft prevention systems. Or, as we have seen, the smart garbage collection service such as telent is already planning. The refuse containers are fitted with sensors that supply information on how full they are. This data is transferred to a management system that calculates the routes for the refuse trucks on the basis of it and sends them to the navigation systems in the trucks. Such smart city projects have already been implemented in some model cities. Apart from improved hygiene and less garbage littering the surrounding area, another impressive aspect of the system was a sharp reduction in the number of trips and lower CO_2 emissions, cost savings of at least 40 percent and fewer complaints.

LORA™ ALLIANCE

telent is a member of the LoRaTM Alliance and so involved in developing and implementing an innovative radio technology that is regarded as a future carrier medium for the Internet of Things. Providers can offer diverse new IoT services on the basis of wide-scale sensor networks that use little power (low power wide area networks or LPWANs). LPWAN uses a license-free radio frequency on the basis of open standards and offers high performance, security and scalability.

01 Parking management with LPWAN. A sensor on the parking zone indicates free lots.

02 Better service plus more efficient callouts – trash cans that can talk.

03 Where's my dog? Tracking of dogs and cats or even bicycles is simple to implement by means of LPWAN.

04 Large events put a strain on cities' infrastructure. LPWAN enables existing capacities to be leveraged efficiently.

#FANMEETING AT THE #CENTRALSTATION

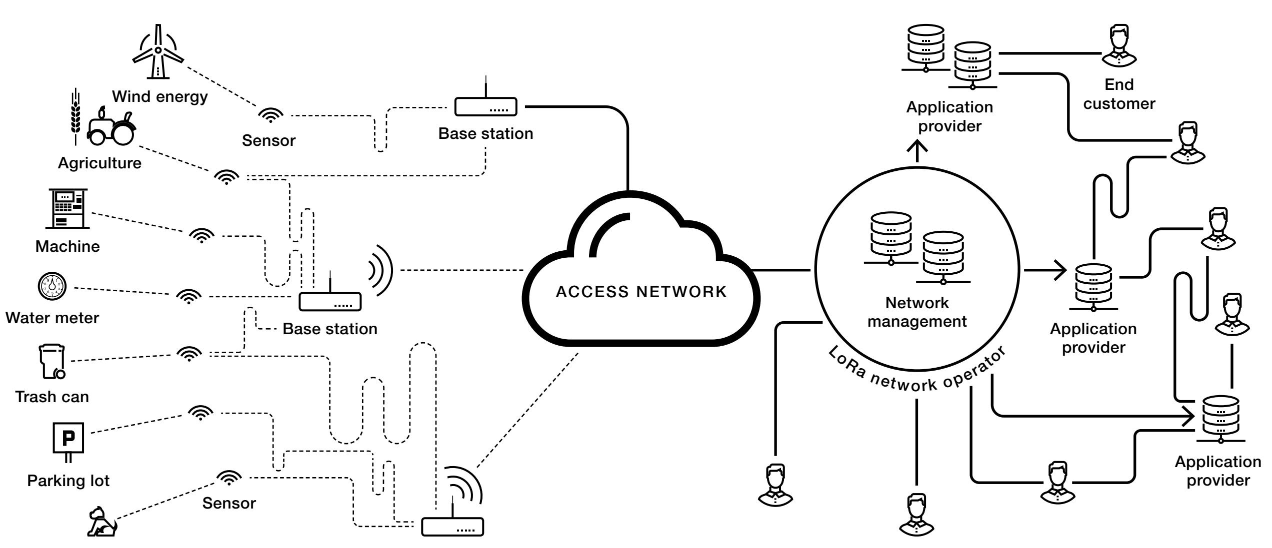
"All of that is much more than refuse collection on demand," is how Lars Petermann emphasizes the service's dimensions. Thing's get really interesting when the analytics software also includes information from the weather service and a city's event calendar. Just imagine: A soccer international in Frankfurt, fine weather. It's hot, fans are congregating at the Central Station – and the trash cans are already a quarter full. So they urgently need to be emptied in the evening. However, if the weather's bad, fans travel later and go directly to the stadium. The cans at the Central Station will hardly fill up any further. The refuse truck can therefore stay at the depot. Unless Twitter is included in the analysis as the game nears the end: Even though it's a very unofficial "#VictoryParty in front of the #CentralStation" – perhaps a vehicle should be sent out after all.

"We're already in talks with a number of local councils and there is great interest," states Lars Petermann – "as always when you can optimize something and cut costs at the same time." The refuse management project is just one of many new ideas for services at telent. "The actual innovation," says the business developer from telent, "is not in the network, but in the services and applications we can offer with it. The value added for our customers lies in these smart services."

→ 04

TELENT

THE LORA™ ECOSYSTEM



TO OUR SHAREHOLDERS

FOREWORD BY THE EXECUTIVE BOARD FISCAL YEAR 2015

→ **Jürgen Hansjosten**
Member of the Executive Board

→ **Bettina Meyer**
Spokeswoman of the Executive Board

DEAR SHAREHOLDERS, DEAR READERS,

2015 was one of the toughest fiscal years in euromicron's history and was dominated by the Group's reorganization. After the discovery of mistakes in and correction of the consolidated financial statements for 2012 and 2013 and the departure of the former management, we conducted a comprehensive analysis of the Group's economic situation and immediately took incisive measures to put the Group on a sustainable and forward-looking footing and restore the basis for solid earnings strength.

As part of that, non-strategic business segments were discontinued and the remaining operating subsidiaries were pooled in the segments "Smart Buildings", "Critical Infrastructures" and "Distribution". One of the most important reorganization measures at the Group means that the "Smart Buildings" business segment now efficiently caters for the German market in the shape of our newly founded system house "euromicron Deutschland GmbH". Overall, we have streamlined our structures, pooled euromicron AG's central controlling functions and focused the 14 operating group companies on the future market of the "Internet of Things".

Consolidated sales in fiscal 2015 were €345 million and so almost at the level of the previous year (€346 million) despite the reorganization. Before the non-recurring special effects of the reorganization, which reduced the EBITDA margin by 2%, we posted an operating EBITDA of €13.8 million, giving an EBITDA margin of 4.0%. We thus achieved our stated objective of sales of €340 to €360 million and an operating EBITDA margin of between 4% and 5%.

All the stated reorganization measures were absolutely necessary to reposition euromicron as a technology group for the future. The negative impact on earnings from these reorganization measures was €13.2 million, a figure that includes €6.3 million in non-cash charges. The reported EBITDA was thus € –8.6 million. Adjusted for the reorganization costs and operating losses of the discontinued business segments (€3.5 million), the result is a sustainable EBIT of €8.1 million.

We are therefore convinced that the strategic realignment and all the measures we have initiated will increase the Group's operating earnings strength lastingly as of 2016 and return euromicron to profitable growth. Despite giving up non-strategic business segments, we expect moderate sales growth in the medium single-digit percentage range and an operating EBITDA margin between 4.5% and 5.5%.

We are now working to gear our core business to the target markets of "Digital Buildings", "Critical Infrastructures" and "Smart Industry". Thanks to synergies between our system houses and technology companies, we will develop new digital infrastructure solutions that are intended to help us increase our profitability. The future market of the "Internet of Things" offers considerable growth potential for that and our core business is a solid springboard.

Dear shareholders, 2015 was a year of radical change for euromicron. Thanks to pinpointed measures, we have laid the foundation for the Group's future and would be delighted if you were to continue to accompany euromicron AG as it moves to the digital future.

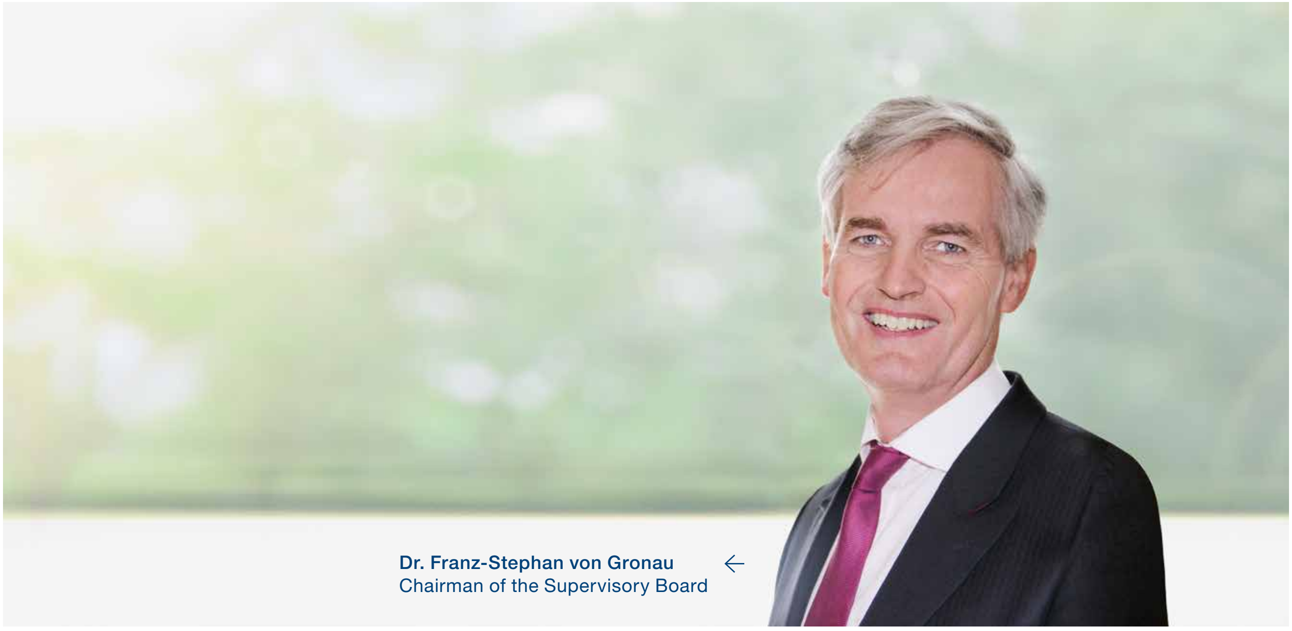
Bettina Meyer

Bettina Meyer
Spokeswoman of the
Executive Board

J. Hansjosten

Jürgen Hansjosten
Member of the
Executive Board

REPORT OF THE SUPERVISORY BOARD 2015



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

DEAR SHAREHOLDERS,

The Supervisory Board of euromicron AG once again discharged the tasks incumbent on it under the law, the Articles of Association, its bylaws and the corporate governance principles in fiscal year 2015.

Composition of the Supervisory Board

There were no changes to the composition of the Supervisory Board in 2015. The Chairman of the Supervisory Board is Dr. Franz-Stephan von Gronau, his deputy is Mr. Josef Martin Ortolf, and a further member is Dr. Andreas de Forestier. All three members of the Supervisory Board were elected for 5 years (until the 2016 Ordinary General Meeting) at the General Meeting on June 9, 2011. There were no conflicts of interest on the Supervisory Board in the year under review.

Cooperation of the Executive Board and Supervisory Board

The Supervisory Board continuously monitored how the Executive Board managed the company and regularly advised the Executive Board. In this regard, the Executive Board met its obligations to provide information and regularly, promptly and comprehensively informed the Supervisory Board in writing and orally about matters of relevance to the company and Group relating to strategy, planning, development of business, the risk situation and risk management at the company. The Executive Board also reported on compliance and any deviations in business development from the original planning and important business transactions of the company and its subsidiaries.

The company's business development was discussed and reviewed on the basis of the Executive Board's reporting at every meeting of the Supervisory Board. In addition, the Supervisory Board obtained additional information from the Executive Board upon request. All information from the Executive Board was examined for plausibility, critically appraised and queried by the Supervisory Board. The members of the Supervisory Board had the opportunity to take an intensive look at the reports by the Executive Board and contribute their own suggestions. The business transactions and measures that are of fundamental importance to the company and for which the Executive Board therefore requires the consent of the Supervisory Board pursuant to the bylaws were discussed by the Supervisory Board with the Executive Board directly and promptly and examined in detail by it. The Supervisory Board consented to each of the submitted business transactions and measures. In addition, the half-yearly and quarterly financial reporting was discussed with the Executive Board.

Focus of deliberations in 2015

The Supervisory Board, which consists of three members and so has not formed any committees, convened seven meetings and one telephone conference in fiscal 2015. In its four regular meetings on May 27, July 15, September 17 and December 8, 2015, the Supervisory Board discussed the company's planning, economic situation and strategic development, as well as the progress made in implementing the integration measures at the Group, in the presence of the Executive Board. The Supervisory Board also convened three extraordinary meetings on March 26, April 15 and April 29, 2015. The Supervisory Board also held a telephone conference on March 30, 2015. All members of the Supervisory Board took part in all of these meetings and telephone conferences.

The Supervisory Board has already stated its detailed opinion – in its report dated May 27, 2015, and at the Ordinary General Meeting on July 16, 2015 – on the effects of the accounting mistakes in fiscal years 2012 and 2013, which were communicated in the ad-hoc announcement dated March 23, 2015, and corrected in the 2014 consolidated financial statements. At the General Meeting, the Supervisory Board also reported on the adjustment to the comparative figures for 2014 that were contained in the quarterly financial statements and half-yearly financial statements for 2015 and were published in the ad-hoc announcement dated June 24, 2015. The internal investigations on the causes of the mistakes have now been completed.

The other focal subjects of the Supervisory Board meetings included the following:

- Adoption of the corporate planning for the fiscal years 2016 to 2020
- Implementation of the reorganization and integration process
- Divestments
- Human resources policy and personnel development
- Data protection and security
- The Group's financing structure and rating
- Risk management and the internal control system of the company
- Compliance activities and organization

In particular, the Supervisory Board discussed with the Executive Board the shedding of divisions that are no longer strategically relevant or profitable in order to achieve success on the path to making the euromicron Group an innovative technology provider. The Supervisory Board supports the Executive Board's strategy to review the existing portfolio of euromicron AG and shed enterprises that are loss-making or not strategically relevant.

We satisfied ourselves that the current Executive Board managed the company's business carefully in the past fiscal year and took necessary measures in good time. The Supervisory Board supports the existing compliance organization of the Executive Board and in particular the "e-learning" programs on the subject of the Code of Conduct and data protection for the entire Group. In addition, we were regularly given 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.

The efficiency of the Supervisory Board's work and decision-making processes was regularly evaluated and optimized.

Corporate governance

The latest version of the German Corporate Governance Code, the amendments to it published on June 12, 2015, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 8, 2015.

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 (AktG). The declarations on conformance are available at all times on the company's Internet site.

Independent auditor

The independent auditor elected for the company and the Group by the 2015 General Meeting for fiscal year 2015 is PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main.

Annual financial statements of euromicron AG and the group

The independent auditor, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, audited the annual financial statements, which were prepared by the Executive Board in compliance with the rules of the German Commercial Code (HGB), and the management report for fiscal year 2015. The auditor issued an unqualified audit opinion for them. The consolidated financial statements of euromicron AG for the fiscal year 2015 and the group management report were prepared in accordance with Section 315a HGB on the basis of International Financial Reporting Standards (IFRS), as are applicable in the European Union. The consolidated financial statements and group management report for the past fiscal year were also issued with an unqualified audit opinion.

The financial statement documents and audit reports for euromicron AG and the Group were available to the Supervisory Board in good time before the balance sheet meeting on March 23, 2016. 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 23, 2016, 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.

In its meeting on March 23, 2016, the Supervisory Board therefore gave its consent to the result of the audit by the independent auditor and the annual financial statements of euromicron AG prepared by the Executive Board and the group management report. The annual and consolidated financial statements of euromicron AG were thus approved.

Thanks

The Supervisory Board wishes to express its thanks to the members of the Executive Board, the employees and the employee representative bodies of the euromicron Group for their personal commitment and achievements in fiscal 2015. Thanks to their vigor and dedication, they all helped ensure that the euromicron Group developed stably.

Frankfurt/Main, March 23, 2016
The Supervisory Board

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

CORPORATE GOVERNANCE

1. Corporate Governance Report

1.1 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 under which the Executive Board is tasked with managing the company and the Supervisory Board with advising and overseeing the Executive Board.

1.1.1 The Supervisory Board

The Supervisory Board consists of three members and is currently made up solely of shareholder representatives in accordance with Section 96 of the German Stock Corporation Law (AktG). The Chairman of the Supervisory Board is Dr. Franz-Stephan von Gronau, his deputy is Mr. Josef Martin Ortolf, and a further member is Dr. Andreas de Forestier.

The regular term of office of the current members of the Supervisory Board expires at the end of the Ordinary General Meeting in 2016.

The composition of the Supervisory Board did not change in fiscal year 2015. The composition of the Supervisory Board corresponds to the following general requirements and concrete objectives for its composition. These take into account the recommendations of the German Corporate Governance Code (referred to as "DCGK" or "Code" in the following) and are 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 (AktG)).

  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 (AktG).

- Concrete objectives for the composition of the Supervisory Board
  The Supervisory Board has specified that, 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 belong to 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 the euromicron Group'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.

Pursuant to the resolution adopted by the Supervisory Board on September 17, 2015, the Supervisory Board defined the target for the ratio of women on the Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Law (AktG) as being 0% in accordance with the current status and set a deadline for implementation by December 31, 2016.

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 for the next regular elections to the Supervisory Board, thus ensuring the focus on what is best for the company.

In the opinion of the Supervisory Board, all its members are independent within the meaning of Section 5.4.2 of the Code. Where members of the Supervisory Board hold a high-ranking post at other companies with which euromicron AG – directly or indirectly – has business relationships, these transactions are conducted at terms and conditions as with third-party companies and, in our opinion, do not affect the independence of the affected members of the Supervisory Board.

The Supervisory Board advises the Executive Board in running the company, supervises its activities and is directly integrated in decisions of fundamental importance for the company. The Supervisory Board discusses the company's business development and strategy as well as planning and implementation of the latter in regular meetings together with the Executive Board.

The Supervisory Board examines the annual financial statements, the consolidated financial statements, the respective management report and the proposal on appropriation of the net retained profits. It deals with the quarterly and half-yearly reports and is also responsible for adoption of the annual financial statements and approval of the consolidated financial statements, taking into account the audit reports of the independent auditor.

The Supervisory Board also deals with compliance with legal requirements, official regulations and internal guidelines on conduct by the company.

Furthermore, the Supervisory Board has the task of appointing the members of the Executive Board, setting the number of its members and defining spheres of authority. The Supervisory Board has defined rules for the work of the Executive Board in bylaws, where this is not already stipulated by the Articles of Association. In particular, the Supervisory Board has defined which important decisions by the Executive Board – such as large acquisitions, divestments and financial measures – require its consent.

The Chairman of the Supervisory Board coordinates its work. Supervisory Board committees have not been formed.

The persons making up the Supervisory Board are presented in Section 1.1.1 of the Corporate Governance Report and in the section **Supervisory Board and Executive Board** of the 168 et seq. of the Annual Report. The specific work of the Supervisory Board is presented in the section “**Report of the Supervisory Board**” on page 34 et seq. of the Annual Report. The remuneration of the members of the Supervisory Board is explained in the section “**Compensation Report**” on page 92 et seq. of the Annual Report.

1.1.2 The Executive Board

The members of the Executive Board manage the company’s business and run it in joint responsibility with the goal of creating sustainable value. They develop the strategic orientation as well as annual and multi-year planning, decide on fundamental matters relating to business policy, agree these with the Supervisory Board and ensure they are implemented. The members of the Executive Board are assigned individual spheres of authority by the Supervisory Board, meaning there are clear responsibilities.

One member of the Executive Board, which consisted of two members at the beginning of fiscal 2015, was Dr. Willibald Späth, who was appointed as Chairman of the Executive Board by the Supervisory Board. The Executive Board likewise consists of two members at present; the Supervisory Board has appointed one member (Ms. Bettina Meyer) as Spokeswoman of the Executive Board. The duties of the Chairman of the Executive Board and now the Chairwoman of the Executive Board include coordinating the work of the Executive Board, in particular as regards chairing its meetings, and representing the company.

The Executive Board prepares the quarterly and half-yearly financial statements of the company, the annual financial statements of euromicron AG and the consolidated financial statements. In addition, the Executive Board ensures compliance with legal requirements, official regulations and internal guidelines on conduct at the company and works to ensure compliance with them at the companies in the euromicron Group as well. You can find more information on the compliance program and related measures in fiscal 2015 in the section “**Compliance Report**” on page 44 et seq. of the Annual Report.

The Executive Board and Supervisory Board work closely together to the benefit of the Group. The Executive Board regularly informs the Supervisory Board promptly and extensively about all matters of relevance to the company as a whole relating to strategy, planning, development of its business, financial position and results of operations, commercial risks and compliance.

In filling management posts, the Executive Board ensures adequate representation of women, as well as a wide range of skill structures (diversity).

The concrete targets for the ratio of women on the Executive Board in accordance with Section 111 (5) of the German Stock Corporation Law (AktG) and for the ratio of women in the management tier below the Executive Board in accordance with Section 76 (4) of the German Stock Corporation Law (AktG) are described in the subsection “Targets” in the **Corporate governance declaration in accordance with Section 289a HGB** (German Commercial Code).

The persons making up the Executive Board are presented in the section “**Supervisory Board and Executive Board**” on page 168 et seq. of the Annual Report. The remuneration of the members of the Executive Board is explained in the section “**Compensation Report**” on page 92 et seq. of the Annual Report.

1.2 Shareholders and General Meeting

All shares in euromicron AG are equal and in principle each share entitles the holder to one vote. Shareholders exercise their voting right, in addition to their other rights under the law and Articles of Association, before or during the General Meeting.

The annual Ordinary General Meeting is held within the first eight months of a fiscal year in accordance with Section 14 of the Articles of Association. The Executive Board submits the annual financial statements, the management report, the consolidated financial statements and the group management report to it. The General Meeting decides on the appropriation of profits, as well as discharge of the Executive Board and Supervisory Board, and regularly elects the shareholder representatives on the Supervisory Board. The General Meeting also decides on changes to the Articles of Association, measures relating to changes in equity, company agreements and other important commercial measures, which are then implemented by the Executive Board.

The General Meeting is convened along with details of the agenda and an explanation of the rights of shareholders. Documents that have to be made accessible and relate to the items on the agenda can be obtained on the homepage of euromicron AG.

1.3 Transparency

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.

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 (directors' dealings). There were no dealings that required reporting in fiscal 2015.

1.4 Independent auditor

PricewaterhouseCoopers (PWC) was appointed as the independent auditor of the financial statements of euromicron AG and as the auditor of the consolidated financial statements for the first time in 2010. The responsible audit partner since fiscal 2013 has been Dr. Ulrich Störk.

2. Corporate governance declaration in accordance with Section 289a HGB (German Commercial Code)

The corporate governance declaration in accordance with Section 289a HGB (German Commercial Code) is part of the management report of euromicron AG and the group management report. In accordance with Section 317 (2) Sentence 3 HGB, the disclosures specified in Section 289a HGB (German Commercial Code) do not have to be included in the audit.

- Wording of the declaration on conformance (Section 161 of the German Stock Corporation Law (AktG)) for the year 2015 dated December 8, 2015
  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 Aktiengesellschaft communication & control technology (referred to in the following as "euromicron AG") issued the last declaration on conformance in accordance with Section 161 AktG (German Stock Corporation Law) on May 11, 2015.

The following declaration relates for the period since publication of the last declaration on conformance on May 11, 2015, to the recommendations of the Code in its version dated June 24, 2014, as published on September 30, 2014, in the electronic Federal Official Gazette ("2014 version").

The following declaration relates for the period from June 12, 2015, to the recommendations of the Code in its version dated May 5, 2015, as published on June 12, 2015, in the Federal Official Gazette ("2015 version").

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. Individualized presentation of the compensation for Executive Board members (Section 4.2.5 (3) and (4) DCGK)

In accordance with the recommendation in Section 4.2.5 (3) and (4) DCGK, the compensation for Executive Board members is to be disclosed in individualized form using model tables for fiscal years starting after December 31, 2013. The model tables in the Code's appendix are to be used for disclosing this information. The company currently deviates from Section 4.2.5 (3) and (4) of the Code and will continue to do so in future.

Reason:
The compensation for Executive Board members is disclosed in compliance with statutory provisions. The company does not provide any further disclosures on or breakdowns of the compensation using the model tables due the work involved in this change and the extra administrative overhead.

2. Formation of Supervisory Board committees (Section 5.3.1 to 5.3.3 DCGK)

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:
In compliance with the Articles of Association, the Supervisory Board of euromicron AG consists of just three members. The formation of committees would not make the work of the three-member Supervisory Board easier, since the committees which adopt decisions would also have to have at least three members of the Supervisory Board on them.

3. Reporting (Section 7.1.2 Sentence 4 DCGK)

Contrary to the recommendation in Section 7.1.2 Sentence 4 DCGK, which euromicron AG had complied with since the introduction of the German Corporate Governance Code –

with the exception of the publication of the consolidated financial statements for fiscal year 2010 –, the consolidated financial statements for fiscal year 2014 and the first quarterly report for fiscal year 2015 were not publicly accessible within 90 days of the end of the fiscal year and within 45 days after the end of the period under review. euromicron AG intends to comply with the recommendation in Section 7.1.2 Sentence 4 DCGK with regard to publication of the subsequent interim reports and consolidated financial statements for the fiscal year 2015 and future fiscal years.

Reason:
Mistakes in the measurement of individual projects were discovered during preparation of the consolidated financial statements for the fiscal year 2014 and had to be corrected. These corrections required time and had to be subsequently examined by the independent auditor of euromicron AG. In view of that, publication of the consolidated financial statements of euromicron AG for fiscal year 2014 within a period of 90 days of the end of the fiscal year and of the first quarterly report for 2015 within 45 days after the end of the period under review was not possible.

4. No list of third party companies (Section 7.1.4 DCGK 2014 version)
euromicron AG does not publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise, including the disclosures in accordance with Section 7.1.4 Sentence 3 of the German Corporate Governance Code. This recommendation is no longer contained in the 2015 version.

Reason:
euromicron AG follows the recommendation of Section 7.1.4 of the German Corporate Governance Code (2104 version) insofar as it presents a list of holdings in the form of clear charts of the company structure. In addition, extensive details of the purpose and role in the Group of the companies that are not of minor importance to the existence and development of euromicron AG and the Group are given. More detailed publication is dispensed with in order to avoid competitive disadvantages as a result of disclosure of details on valuations and the earnings power of individual holdings.

Frankfurt, December 8, 2015

The Executive Board The Supervisory Board

Earlier declarations on conformance in 2015

The company issued further declarations on conformance in accordance with Section 161 of the German Stock Corporation Law (AktG) on April 15, 2015, and May 11, 2015. They can be obtained on the company's Internet site at http://www.euromicron.de/en/investor-relations/corporate-governance-archive.

The earlier corporate governance announcements are grouped in the archive.

Disclosures on corporate governance practices

The company's Code of Conduct contains corporate governance practices that go further than the statutory requirements. It can be viewed on the company's homepage at www.euromicron.de/en/company/code-of-conduct. The Code of Conduct contains in particular guidelines on business dealings with customers and suppliers, conduct toward competitors, third parties and employees, use of information, avoiding conflicts of interest, and health, safety and environment issues.

- Description of the workings of the Executive Board and Supervisory Board
  The persons making up the **Executive Board and Supervisory Board** are presented in the section Supervisory Board and Executive Board on page 168 et seq. of the Annual Report. A general description of the tasks and workings of the Executive Board and Supervisory Board can be found in the section “Composition and workings of the Executive Board and Supervisory Board” in the **Corporate Governance Report** on page 38 et seq. of the Annual Report. The latter is also published in the Internet on our homepage on the section “Corporate Governance”.

- Targets
  Pursuant to the resolution adopted by the Supervisory Board on September 17, 2015, the Supervisory Board defined the target for the ratio of women on the Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Law (AktG) as being 0% in accordance with the current status and set a deadline for implementation by December 31, 2016.

  Pursuant to the resolution adopted by the Supervisory Board on September 17, 2015, the Supervisory Board defined the target for the ratio of women on the Executive Board in accordance with Section 111 (5) of the German Stock Corporation Law (AktG) as being 50% in accordance with the current status and set a deadline for implementation by December 31, 2016.

  In filling management posts, the Executive Board ensures adequate representation of women, as well as a wide range of skill structures (diversity). At present there is one management tier below the Executive Board, consisting of four department heads who hold general commercial power of attorney. In view of the current contracts of employment and successful work, the Executive Board believes there is no need or possibility at present to improve the ratio of women in the management tier below the Executive Board. Under its resolution dated September 14, 2015, the Executive Board therefore defined the ratio of women in the management tier below the Executive Board in accordance with Section 76 (4) of the German Stock Corporation Law (AktG) as being 0% in accordance with the current status and set a deadline for implementation by December 31, 2016. The Executive Board also pledged its commitment to make intensified efforts to develop and acquire women with suitable professional and personal qualifications for management posts.

  The defined targets for the ratio of women on the Supervisory Board, on the Executive Board and in the management tier below the Executive Board are thus met at present.

3. Compliance Report

euromicron’s Code of Conduct as guidelines that represent a framework for our commercial and personal conduct.

For the Executive Board of euromicron AG, corporate governance based on integrity means morally and legally responsible conduct toward executives, employees and all business partners. These maxims are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company’s Code of Conduct, which is intended to ensure that everyone in the Group acts and behaves consistently and ethically. The Code of Conduct can be viewed on the company’s homepage at www.euromicron.de/en/company/code-of-conduct.

3.1 Focus of our compliance work

In addition to the general guidelines for compliance in practice, the Executive Board – in coordination with the compliance officer of euromicron AG – selects each year a special area of focus so as to ensure adequately at all times that our individual divisions are able to cope with the changes that they are subject to. The aim of this is to address the changes in requirements from operational business and in the market environment. Our divisions are to be developed further on the basis of the created compliance structure with reference to the separately defined areas of focus.

Compliance in Human Resources was a focus of our compliance activities in 2015. In particular, various in-person training courses were held on the subject.

3.2 Compliance training

Various training measures ensure that the high standards euromicron AG demands of all executives and employees are implemented and practiced. In addition to on-the-job training in the form of e-learning, the compliance officers identify specific groups of executives and employees to attend in-person courses and learn what compliance involves. As a result, the specific requirements of our various divisions can be better addressed.

3.3 Compliance organization

The Executive Board has created an effective organizational structure to enforce, control and further develop the compliance principles and ensure 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 of euromicron AG. The 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. The staff of euromicron AG's Compliance department will be strengthened in 2016.

Meetings of all compliance officers in the euromicron Group ensures that information and experience are shared and that the guidelines on conduct issued by the Executive Board are carried through effectively and filled with life. To enable that, the compliance and IT officers are in close dialog with the Group's Data Protection Officer.

As a result, the compliance organization of euromicron AG is firmly established in all of the company's units and ensures an effective structure to which employees can address their questions and information.

3.4 Further information

To make sure that the contents of compliance are practiced not only by employees and executives, but also with our business partners, they are also implemented in our general standard terms and conditions of trade and other contractual agreements.

EUROMICRON ON THE CAPITAL MARKET

Overview of the shares

euromicron's share is a technology stock that is traded on the XETRA electronic trading platform and, among other places, at Frankfurt Stock Exchange.

The shares on the market 001

	2015	2014
Number of shares issued at the balance sheet date	7,176,398	7,176,398
– of which treasury shares	–	–
Capital stock (€)	18,347,544.88	18,347,544.88
Highest price * (€)	14.18	15.83
Lowest price * (€)	7.52	10.37
Closing price at the end of the year * (€)	7.57	11.39
Performance in absolute terms	–35.3%	–21.5%
Performance of the TecDAX	+32.5%	+17.6%
Market capitalization at the end of the year (in € million)	54.33	81.74
Undiluted earnings per share (€)	–1.85	0.36
Volume of shares traded (in millions) **	5.69	4.43
Ø volume of shares traded per day (in thousands)	22.49	17.58

* XETRA, closing price

** XETRA and Frankfurt Stock Exchange

Performance of euromicron's share

PERFORMANCE IN €

01. **March 23, 2015** Ad hoc: Corrections according to IAS 8, CEO Dr. Späth resigns

02. **May 31, 2015** Ad hoc: Bettina Meyer and Jürgen Hansjosten appointed to the Executive Board

03. **April 14, 2015** Ad hoc: Postponement in publication of the consolidated and annual financial statements

04. **May 8, 2015** Change on the Executive Board: Thomas Hoffmann resigns

05. **May 28, 2015** 2014 annual financial statements: Fiscal 2014 operationally successful; a new strategic alignment for the future

06. **June 24, 2015** Ad hoc: Correction to the comparative figures for 2014 in the interim financial statements for 2015 / key figures for Q1/2015

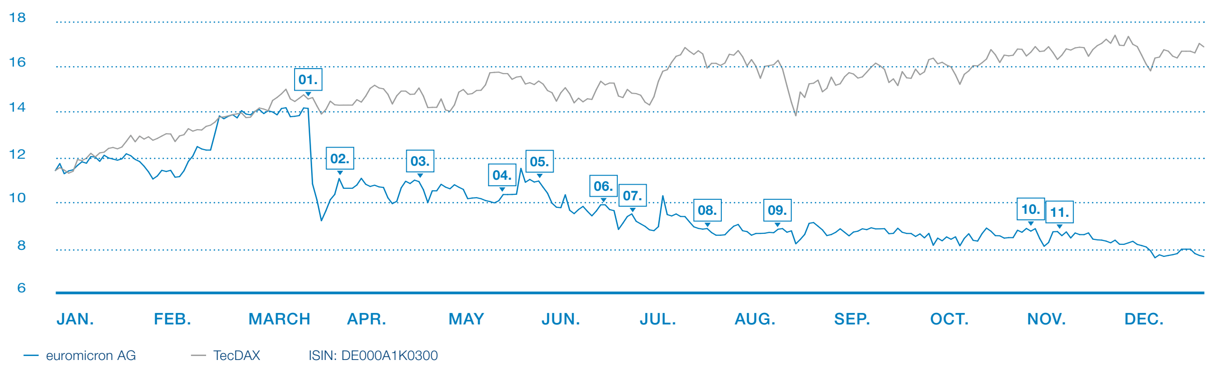
07. **June 30, 2015** Figures for Q1 2015: Forecast confirmed despite restrained start to fiscal 2015

08. **July 16, 2015** General Meeting

09. **August 7, 2015** Figures for the first half of 2015: Realignment results in stable operating performance in Q2

10. **November 4, 2015** Ad hoc: Adjustment to the annual forecast at the EDITDA level, sales stable

11. **November 6, 2015** Figures for the first 9 months of 2015: Stable sales and new orders – Further implementation of the strategic realignment



Investor relations

We attach extremely great importance to satisfying the capital market's need for information. By being listed in the Prime Standard at Frankfurt Stock Exchange, we fulfill the very highest requirements for transparency. As part of that, we conducted numerous further IR activities in fiscal 2015 in addition to meeting our statutory obligations. At roadshows, investor conferences and one-on-one meetings, the Executive Board of euromicron AG maintained constant contact with existing and potential investors and analysts.

Our commitment in the field of investor relations ensures fair and transparent financial communication with all market players. Regular and prompt publication of news of relevance to the company underscores our objective of providing comprehensive information on the company's development. We also offer the possibility at all times to obtain extensive information on our company with our always up-to-date Internet presence and our financial reports.

It is our conviction that honest and transparent communication is the basis for mutual trust. We will continue to be guided by this philosophy in future.

Shareholder structure

The majority of the registered shares in euromicron AG – 72.50% – are held by private investors, Beneficial owners, i.e. investors and legal persons who hold the shares themselves, hold 5.77% of the shares. The proportion of shares held by investors whose identity is not known by us (nominees; legal persons, shares hold by third parties) is therefore 21.72%.

The lion's share of euromicron's shares – 82.60% – are held by investors from Germany, compared to around 17.40% by investors from Switzerland, France, Austria, Liechtenstein and other countries. All shares in euromicron AG are free float.

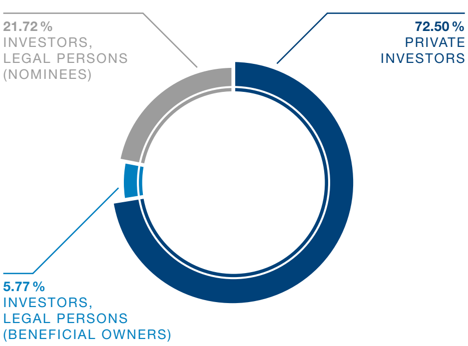
Shareholders that had to be reported in acc. with Section 21 WpHG (> 3%):

3.47%
Lazard Frères Gestion SAS
March 8, 2016

3.04%
Christian Bischoff
August 12, 2015

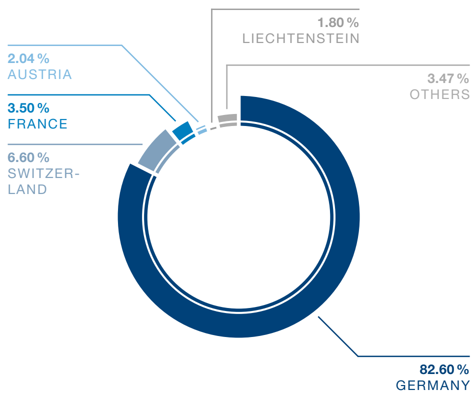
3.01%
Universal-Investment-GmbH
February 22, 2016

SHAREHOLDER STRUCTURE BY TYPE OF INVESTOR



Status: March 10, 2016 | Shares: 7,176,398

SHAREHOLDER STRUCTURE BY COUNTRY



Status: March 11, 2016 | Shares: 7,176,398

Assessments of analysts

The designated sponsor is equinet Bank AG.

The euromicron share was accompanied by five financial analysts in fiscal 2015. 13 “hold” and four “buy” recommendations were issued in the course of the year. There were no recommendations to sell the shares.

The share is also being covered by five analysts in the current fiscal year. The studies by analysts are available on the website of euromicron AG in the section Investor Relations/ Shares.

Analysts’ recommendation on euromicron’s share 002

Institute	Analyst	Date	Recommendation	Upside target
				in €
equinet Bank	Adrian Pehl	Mar. 4, 2016	Buy	13.00
Bankhaus Lampe	Wolfgang Specht	Jan. 28, 2016	Hold	7.70
Independent Research	Markus Friebel	Nov. 6, 2015	Hold	9.00
GBC AG Investment Research	Felix Gode	Oct. 16, 2015	Buy	15.50
Oddo Seydler	Martin Decot	May 29, 2015	Hold	12.50

Status: March 10, 2016

General Meeting

The Ordinary General Meeting of euromicron AG was held this year in the Auditorium of Commerzbank AG, Frankfurt/Main, on July 16, 2015. The Executive Board and Supervisory Board welcomed around 180 guests and reported in detail on the business performance in 2014 and on the outlook for fiscal 2015.

At the event, the shareholders agreed to the merger of euromicron international services GmbH with euromicron AG as part of the Group’s strategic further development. This adjustment will also help make the Group’s structures more efficient and permit more effective exploitation of synergies within the Group. In addition, all the items on the agenda were approved by a large majority. A total of 13.18% of the capital stock with voting rights was represented (previous year: 13.64%, including absentee ballots).

All documents for the General Meetings of euromicron AG.

You can obtain detailed results for the votes and further documents on the General Meeting at any time on the company website at http://www.euromicron.de/en/investor-relations/general-meeting.

Appropriation of net income

The annual financial statements of euromicron AG at December 31, 2015, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € –28,184,220.00 (previous year: € –12,995,969.42). The net accumulated losses are carried forward to a new account.

BOARD MEMBERS OF THE COMPANY
EXECUTIVE BOARD AND SUPERVISORY BOARD

EXECUTIVE BOARD

Bettina Meyer
Member (Spokeswoman)

Finance, Legal Affairs, Human Resources, Auditing, Corporate Marketing, M&A and Investor Relations

Jürgen Hansjosten
Member

Operations, Strategy, IT and Purchasing

SUPERVISORY BOARD

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

Certified public accountant, lawyer,
tax consultant
Partner of the firm LKC Kemper Czarske v. Gronau Berz GbR, Munich

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

Senior Vice President Power Tools and Head of the Business Unit Professional Power Tools, Industrialized Markets of Robert Bosch GmbH, Leinfelden-Echterdingen

Dr. Andreas de Forestier
Member of the Supervisory Board of euromicron AG

- Managing Director of DBE Liegenschaften GmbH, Munich
- Managing Director of KEA Vermögensverwaltungsgesellschaft mbH, Hamm
- Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
- Chairman of the Supervisory Board of CP Consultingpartner AG, Cologne
- Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting the ecological and social market economy, Nuremberg

GROUP MANAGEMENT REPORT

1. FUNDAMENTALS OF THE GROUP

1.1 Business model of the Group

EUROMICRON

Specialist for digital infrastructures

Profile

The euromicron Group unites medium-sized high-tech companies that operate in particular in the target markets of "Digital Buildings", "Critical Infrastructures" and "Smart Industry". As a German specialist for digital infrastructures, euromicron enables its customers to network business and production processes and so successfully move to a digital future.

From design and implementation, operation, to intelligent services – euromicron offers its customers customized solutions for technologies, system integration and smart services and creates the IT, network and security infrastructures required for them. As a result, euromicron lets its customers migrate existing infrastructures gradually to the digital age. Thanks to this expertise, the euromicron Group helps its customers increase their own company's agility and efficiency, as well as develop new business models that lay the foundation for commercial success down the road.

The Group's structure and locations

The central controlling functions are pooled at euromicron AG.

euromicron AG, Frankfurt/Main, is a strategic management holding that discharges overarching tasks at the Group. They include not only strategic controlling, but also assumption of cross-cutting functions such as financing, Group controlling and accounting, taxes, legal affairs, human resources, purchasing and IT as well as corporate marketing, investor relations and innovation management.

Extensive restructuring and reorganization measures were undertaken within the euromicron Group in the course of fiscal 2015. For example, the two large regional system houses in the south (euromicron solutions GmbH) and north (euromicron systems GmbH) and euromicron networks GmbH were merged to create the new company "euromicron Deutschland GmbH" effective January 1, 2015. National system house business for the target market of "Digital Buildings" was pooled at euromicron Deutschland GmbH and its processes reorganized, which will increase efficiency in the medium term. telent GmbH, which is also organized nationally, is the second large system house in the euromicron Group and offers its services in the target market of "Critical Infrastructures".

The Group's holding structures were also streamlined by the merger of euromicron international services GmbH with euromicron AG effective January 1, 2015. The structure of the Austrian Group companies was also optimized by the merger of Qubix distributions GmbH with euromicron austria GmbH.

As part of the strategic realignment, the existing portfolio of the euromicron Group was reviewed and enterprises that were loss-making or not strategically relevant were shed. In this connection, a decision was taken to discontinue the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of 2015.

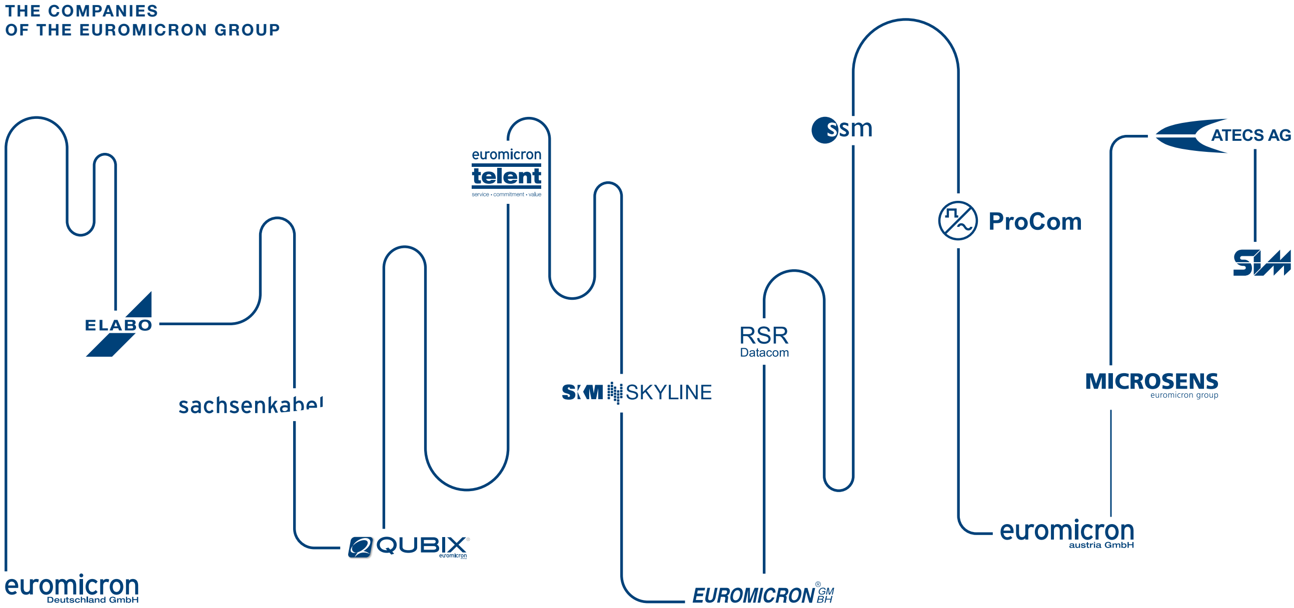
Alongside euromicron AG as the ultimate parent company, the euromicron Group's operating business will thus be conducted by the following 14 group companies:

The investment portfolio is now geared even more strongly to the Group's strategic areas of focus.

14

associated companies are responsible for operating business.

THE COMPANIES OF THE EUROMICRON GROUP



With its three new segments, euromicron has a market-oriented setup.

To reflect its strategic realignment toward the future market of the Internet of Things, the Group will report on operating business on a market-oriented basis in future. The euromicron Group's segments in accordance with its internal reporting structure are as follows:

SMART BUILDINGS	CRITICAL INFRASTRUCTURES	DISTRIBUTION

All the activities of the euromicron Group in the target markets of "Digital Buildings" and "Smart Industry" are pooled in the Smart Buildings segment. The Critical Infrastructures segment comprises the euromicron Group's activities in the target market of the same name. The "Distribution" segment groups consulting and supply of vendor-independent products in all matters relating to active and passive network components in the fiber-optic and copper arena.

30 LOCATIONS

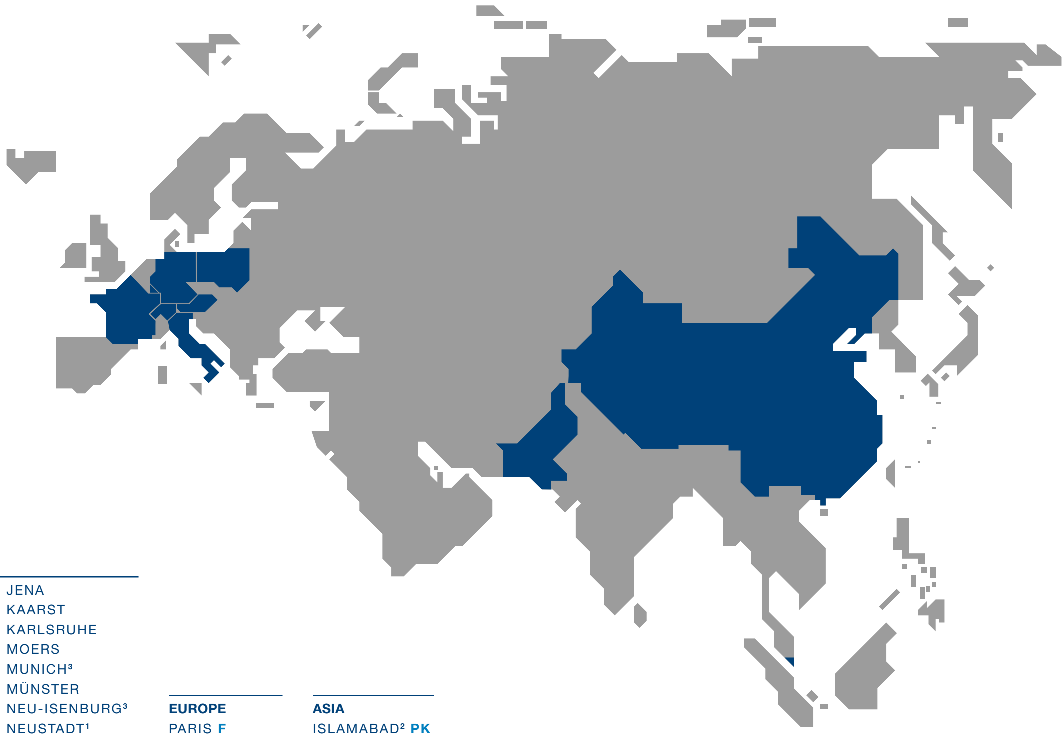
in Germany enable proximity to customers.

The regional focus of the euromicron Group's business operations is on German-speaking countries. euromicron's companies in Germany are represented at a total of 30 locations distributed throughout the country. That enables ideal proximity to and intensive care and support for euromicron's customers.

The companies in the euromicron Group are represented in other European countries with locations in Italy, Austria, France, Poland and Switzerland. Group companies are based in some non-European countries in the shape of project offices, for example in China and Pakistan, so as to cater for country-specific market requirements there. Our activities in emerging markets with their great demand, such as the United Arab Emirates, Turkey, Brazil or the former CIS countries, are growing in importance. We tap these markets through project and export business and intensified international sales activities, with these operations usually being controlled from Germany. As part of its internationalization strategy, the euromicron Group permanently examines its opportunities for tapping interesting foreign markets by acquiring niche companies as a basis for additional business activities.

The chart below shows the regional presence of the euromicron Group's companies:

MAIN EUROMICRON LOCATIONS



GERMANY

AUGSBURG[1]
BACKNANG
BAMBERG
BERLIN[3]
BREMEN
BURKHARDTSDORF
CRAILSHEIM[1]
ERFURT
ESSEN[1,3]
FRANKFURT[3]
GORNSDORF[1]
HAMBURG[3]
HAAN
HAMM[1]
HANOVER
JENA
KAARST
KARLSRUHE
MOERS
MUNICH[3]
MÜNSTER
NEU-ISENBURG[3]
NEUSTADT[1]
PFULLINGEN
RADEBERG
SCHKOPAU
SCHWERIN
SINN-FLEISBACH[1]
STUTTGART
TELTOW
ZWENKAU

EUROPE

PARIS **F**
GMÜND **A**
KLAGENFURT **A**
SEEKIRCHEN **A**
VIENNA **A**
LUXEMBOURG **L**
PADUA **I**
WROCŁAW **PL**
ZUG **CH**

ASIA

ISLAMABAD[2] **PK**
BEIJING[2] **CN**
SINGAPORE **SG**

[1] Production site
[2] Project office
[3] Locations where multiple euromicron companies are based
The other locations mainly discharge administrative, sales, technical and service functions.

Target markets

The euromicron Group pools the know-how of different high-tech companies for the target market of the "Internet of Things", specifically the target markets of "Digital Buildings", "Smart Industry" and "Critical Infrastructures". In each of these target markets, euromicron offers its customers tailored solutions for technologies, system integration and complementary smart services. There is significant market potential for the euromicron Group with its more than 15 years of know-how in IT, network and security infrastructures in view of the growing digitization and networking of these structures.

Digital Buildings / Smart Industry

In the target market of "Digital Buildings", euromicron provides infrastructure-related intelligent services, such as "Smart Office", "Smart Energy" or "Smart Lighting". Services relating to building or process automation, light control, access control, video surveillance, fire prevention or support services as part of efficient energy and building management are planned, implemented and operated as part of that. One application example of that is the intelligent, energy-efficient lighting systems from MICROSENS, which can be integrated as part of our solution-oriented group strategy by the system house euromicron Deutschland GmbH.

You can find out more about our expertise in the field of Digital Buildings at: http://www.euromicron.de/en/areas-of-expertise/digital-buildings

After telephony and security technology, lighting is also following the trend toward IP-capable devices powered by PoE. LED lights are increasingly replacing conventional lighting with fluorescent tubes and ballasts, both in new installations and as part of extensive renovations. Combined with powerful sensors and intelligent controllers from our product portfolio, power savings of up to 80% are possible.

Security, convenience and greater cost-effectiveness through digitization of buildings

The benefits of the Digital Building for our customers are in particular security, convenience and greater cost-effectiveness of their buildings and properties. Existing buildings can also be digitized with euromicron technologies, since digitization of the infrastructure can be carried out gradually, i.e. room by room.

This area also includes equipping data centers with innovative connector systems that have been developed by our technology companies and can also be installed by euromicron Deutschland GmbH.

40
billion euros:

The amount German industry intends to invest in Smart Industry by 2020.

The focus in the target market of “Smart Industry” is on digitizing and networking development, production and service processes in industry. The Smart Industry market is developing at a rapid pace. According to a study by PwC, German industry intends to invest €40 billion a year in applications and network components by 2020. Companies thereby hope to increase efficiency and cut costs, as well as achieve qualitative advantages, such as great flexibility and the possibility of catering for customers’ individual wishes. The euromicron Group develops holistic approaches and the related processes for and with its customers and implements them in a forward-looking way that protects investments.

Smart Industry is based on highly available networks, such as from euromicron Deutschland GmbH.

A highly available, fault-tolerant network infrastructure is a crucial success factor here. In networking and automating digital business processes, the euromicron Group mainly sets store by comprehensive risk analysis. It is developing an IT security solution that is compatible with Smart Industry so that production can be networked with IT securely and with a high level of performance.

For example, ELABO GmbH is showcasing concrete application scenarios for Smart Industry solutions with its “Smart Industry Model Factory” in Crailsheim, Swabia. The model factory is specially tailored to working conditions in production at SMEs and shows how typical subprocesses in industrial production – research and development, production and quality assurance, repair and maintenance – can be networked with each other in a practical way on the basis of central data management software. All production-related information is available in real time at every workplace. Measurement and testing equipment is automatically parameterized. Also integrated are access control, video surveillance and light controlling, as well as intelligent material chutes and equipment storage facilities directly at the assembly line. Special IT security solutions from euromicron Deutschland GmbH protect processes and production data against external intrusion and round out the concept, meaning the technology companies and system integrators of the euromicron Group offer their customers a holistic solution.

You can find out more about our expertise in the field of Smart Industry at:
http://www.euromicron.de/en/areas-of-expertise/smart-industry

Critical Infrastructures

Critical infrastructures are vital business infrastructures whose failure is highly problematic. That may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example. In this target market, telent GmbH is the nationally oriented system integrator within the euromicron Group, boasting a broad customer base in the segments telecommunications, energy and transportation, as well as highly specialized process know-how in this market. In August 2015, telent GmbH won a noteworthy project for a building radio system at the customer Daimler, for example. This contract comprises planning, supplying and implementing the building radio technology for the automotive manufacturer's plants in Stuttgart-Untertürkheim, Esslingen-Mettingen, Stuttgart-Möhringen and Sindelfingen. A further project is the supply of pagers for alerting systems for fire brigades in Germany. Together with its partners TPL for pagers and DB Elektronik for the system technology, telent GmbH was able to clinch an exclusive agreement and so position itself in the field of digital alerting.

Critical Infrastructures are the lifelines of modern societies.

You can find out more about our expertise in the field of Critical Infrastructures at: http://www.euromicron.de/en/areas-of-expertise/critical-infrastructures

Apart from that, professional video, audio and special technology solutions for sensitive security restricted areas round out the euromicron Group's product portfolio in this target market.

Products and solutions

In its target markets, the euromicron Group unites technological and system integration expertise to create holistic, innovative solutions. These are systematically made ready for the market as part of a cross-company, structured innovation process.

The Group's technology suppliers develop and produce active and passive optical network components, high-quality fiber-optic cabling systems, public address systems, testing and inspection equipment, networked workplace systems and highly professional safety and security technology for special applications. Reliable delivery, professional training in how to use our products and comprehensive services round out the portfolio.

As a system integrator, euromicron takes care of handling the entire project – from consulting, planning, selecting the system technology and implementation to service, maintenance and operation. As part of that, euromicron combines all technologies and applications in the field of information and communications technology (ICT) with digital sensor systems and software applications so as to be able to offer its customers tailored solutions in the Internet of Things arena. In doing so, it combines the most innovative internal and external technologies to suit customers' requirements in order to create best-in-class solutions. As a result of the ever-changing and in some cases very specific customer requirements, strategic partnerships with leading technology suppliers are key success criteria for supplying best-in-class solutions. Thanks to our many established partnerships with external vendors who are market leaders in the fields of network, transmission and security technology, we are always able to deliver the ideal solution for the customer's specific needs. At the same time, we have the necessary certification to ensure top quality when it comes to planning, installing and maintaining the products used. Customer proximity by means of on-site service is crucial in consulting-intensive solution business and we achieve that with our comprehensive network of branch offices. We provide services directly on-site and through our central Service and Network Operation Center (NOC).

1.2 Objectives and strategies

After it took office in April 2015, the new Executive Board of euromicron AG adopted a strategic realignment based on the company's existing basic business, with the focus on the growth market of the Internet of Things (IoT). The overriding object is to position the company with a solution-oriented differentiation strategy in the IoT market and so leverage the market's growth potential.

Increasing networking and digitization of all information imaginable are affecting the work- and life environments of existing and potential customers. The terrific pace of technological developments, such as in the Internet of Things, Smart Industry, smart data or cloud computing, pose new challenges for companies. In the past, customers mainly demanded individual communications and IT infrastructures or individual solutions for building technology, but now want complex, holistic solutions as a result of increasing digitization of processes.

Planning, implementing and operating digital infrastructures is the focus of euromicron's business activity. euromicron is positioning itself in a market segment that is at the start of its growth phase. The objective is a profitable growth model in a dynamic market of the future. To supplement that, we envisage targeted, strategic M&A activities in order to expand the portfolio with complementary solutions and technologies and so continuously increase our own competitiveness in the IoT market.

In order to achieve this strategy, necessary reorganization measures were initiated in 2015 and we mainly accomplished them by the end of fiscal 2015. Some of the measures will still be continued and completed in fiscal 2016.

A core component of the strategy for fiscal years 2016 and 2017 is euromicron's transformation into a high-tech solution provider that generates a significant share of its sales from the IoT market. The goal in this phase of transformation is to leverage stable basic business to systematically develop solutions that unite technology expertise and system integration expertise lastingly at the company. euromicron's substantial customer base, broad solution portfolio and enormous innovativeness in the areas of technology and system integration are the foundation for that. By intermeshing collaboration between the technology and system integration companies and pooling know-how, euromicron will be able in future to offer smart services for all target markets in the IoT market. In this way, the Group differentiates itself clearly and lastingly from the competition. This phase is flanked by a tactical M&A strategy.

You can find out more about our expertise in the field of Smart Services at: http://www.euromicron.de/en/areas-of-expertise/smart-services

From 2018 onward, euromicron aims to grow further through rigorous continuation of the IoT strategy. The medium-term goal up to 2018 is profitable sales growth averaging 5% to 6% a year to around €400 million. The share of smart services in the system integration approach is to rise to more than 10%. We assume that we will post an EBITDA margin at the lower end of our medium-term range of 8% to 11% in 2018.

1.3 Control system

Corporate controlling
euromicron AG with its two Executive Board members and implemented cross-cutting functions sees itself as a strategic management holding.

The future target markets of the euromicron Group were defined and the Group was geared toward market needs as part of the strategic alignment. In this connection, the Group's structures and organizational units were re-molded. The focus is on close collaboration between our Group companies so as to leverage synergies. As a result of that, we offer our customers tailored solutions using the full value chain of our Group's portfolio.

IoT
Internet of Things

This strategic focus taps synergies.

Corporate controlling is geared toward liquidity and profitable growth. Securing competitiveness is based on innovativeness, a focus on solutions and proximity to our customers. The core aspect for us is not only to secure our basic business, but also to tap future markets in the growth market of the Internet of Things by means of a structured, Group-wide innovation process. The key success factor as part of that is our excellent employees.

Focus on liquidity and profitable growth.

Internal key control indicators
Our main financial control factors comprise key indicators for our business development, profitability, capital efficiency and liquidity controlling. At present, the operating EBITDA, the operating EBITDA margin, sales and the working capital ratio are the main key indicators used to control the Group.

Operating EBITDA and operating EBITDA margin
The factor for measuring operating results of the business units and Group and so the key earnings ratio for segment reporting is "earnings before interest, taxes, depreciation and amortization". The main focus of the analysis is on return on earnings. To permit better comparison over time, we therefore look at EBITDA adjusted for reorganization costs ("operating EBITDA").

Sales
Profitable organic sales growth is a key element of our strategy to increase the company's value.

Working capital ratio
In addition, the working capital ratio (working capital deployed relative to sales) is used to control the Group so that the Group's tied-up capital and liquidity development can be systematically monitored and continuously optimized. Working capital is defined as the total of inventories, trade accounts receivable and the gross amount due from customers for contract work minus trade accounts payable, the gross amount due to customers for contract work and prepayments.

All the euromicron Group's activities are controlled and monitored on a segment-oriented basis.

Important key figures that are monitored regularly are shown in the table below:

Key figures and control factors **003**

	2015	2014	
	€ m.	€ m.	
Sales	**344.9**	**346.3**	**–0.4 %**
Operating earnings before interest, taxes, depreciation and amortization (operating EBITDA)*	13.8	21.1	–34.7 %
Operating EBITDA margin*	4.0%	6.1%	–34.5%
Reorganization costs (with an impact on EBITDA)	–6.9	0.0	
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6.9	21.1	–67.4 %
EBIT margin	2.0%	6.1%	–67.2%
Working capital	61.4	66.6	–7.8%
Working capital ratio	**17.8%**	**19.2%**	**–7.4%**

* Adjusted for special effects of the reorganization

The development in these key figures is explained in sections 2.2. “Course of business” and 2.3. “Net assets, financial position and results of operations”.

1.4 Research and development

Objectives

Research and development are the foundation of our technological leadership and play a major part in helping us stand out from the competition. Our main goal is to develop products and solutions that enable our customers to make their work processes more efficient. In addition, our innovations should have unique technical selling points, safeguard our position in profitable niche markets and let us tap new markets of the future.

MICROSENS

presented solution packages at Light + Building 2016 in Frankfurt: Smart Office, Smart Lighting and Smart Building.

Significant projects and results

The focus of the development activities of euromicron’s subsidiary MICROSENS in 2015 was on software and hardware components for implementing solutions in the fields of Smart Office, Smart Building and Smart Lighting based on existing intelligent network technology.

At the Light + Building trade fair in Frankfurt in March 2016, MICROSENS showcased its decentralized Smart Office concept, which brings network intelligence to the application’s direct vicinity and so creates an unprecedented level of performance and security. The innovative Smart Lighting concept (light from the network) presented by MICROSENS met with an enthusiastic reception across the board.

With Smart Lighting, the LED lights are supplied with power by means of Power over Ethernet Plus (PoE+) via standards-compliant cabling. Sensors placed near to the lights record ambient parameters (e.g. brightness, incident daylight and the presence of persons in the room). The smart apps installed on the micro-switches use this data and settings to adjust the lighting to suit the users’ needs. The application “Daylight Harvesting”, for example, is used to supplement the incident daylight with LED lighting to achieve the desired brightness, which can be defined individually for each workplace. If rooms are not used or the person leaves them, the lighting is switched off immediately or after a preset waiting period.

The brightness and color of the light can also be controlled from the smartphone or tablet. The use of state-of-the-art lighting technology and smart controlling of it can result in large savings in electricity charges. Rigorous implementation and combination of various measures means power consumption for lighting can be cut by up to 80%.

In 2015, EUROMICRON Werkzeuge GmbH expanded its product family for connection solutions in harsh environments. They include environments where a fiber-optic connection is exposed to crude oil, mud, extreme temperatures or strong vibrations. An 8-channel variant was also developed in addition to the tried-and-tested 2- and 4-channel lens connectors from EUROLENS, which have exceptional tolerance to soiling and vibrations. In addition, the EUROMICRON lens connector euMicron, which is especially suited for harsh environment connections with a high number of mating cycles, was developed further. Thanks to its small diameter, it can be used in particular for expanded beam applications, where size and space requirements play a key role.

One focus of ELABO GmbH's development activities in 2015 was on basic development of a modular small testing system that will enable customers' requirements in the fields of security and functional testing technology to be addressed more flexibly and individually in future. Thanks to the modular concept, customers assemble an overall system to suit their needs from a raft of individual modules. The functionality of the testing system can also be expanded subsequently.

A further focus of development was on software, in particular continuation of the ongoing development work on the measurement and testing software package "Elution". It enables operation of measurement and testing equipment, programing of measurement routines, and processing and analysis of measured results. In addition, the "Elution" package has been extended by a web-based operating and display concept that, among other things, enables controlling of workplace and test systems from the smartphone or tablet. The development concepts were successfully presented to visitors to the Productronica trade show in Munich in November 2015 in the form of initial market studies.

ELABO

focused part of its development work on the measurement and testing software package "Elution". It was supplemented with a web-based operating concept, among other things.

R&D ratios

The continued investments in innovative and competitive new products and solutions are also reflected in the carrying amounts of capitalized development costs and self-developed software, which were €9.5 million at December 31, 2015 (previous year: €10.7 million); amortization of capitalized development costs and self-developed software was €3.8 million (previous year: €3.1 million). The newly capitalized costs in fiscal 2015 totaled €2.6 million (previous year: €2.6 million).

9.5 million EUROS

in capitalized development costs

2. ECONOMIC REPORT

2.1 General economic and industry-specific conditions

2.9%

The rate at which the IfW expects global GDP to increase by in 2016.

General economic conditions

According to the spring economic report of the Kiel Institute for the World Economy (IfW), the global economy's expansion declined in 2015. It also noted that economic growth in emerging countries was also weak recently. In particular, the drop in raw material prices and far-reaching structural problems are preventing a rapid recovery. All in all, global gross domestic product (GDP) in 2015 grew by 3.0%, the lowest rate since the crisis year of 2009. In view of the greater economic uncertainties, the IfW's economists assume that GDP will only grow by 2.9% in the current year. Economic growth will likely strengthen again to 3.5% in 2017.

Trends in the Euro area

According to the Kiel-based institute, the economy in the Euro area is gradually picking up again and is expected to expand in the next two years. The European economy grew by 1.5% in 2015. The economists predict GDP to grow at the level of the previous year in 2016 and at 2.0% in 2017. According to the IfW, economic dynamism in the Euro area is still low as a whole and unemployment, although declining, remains high.

2.0%

growth in German GDP is forecast by the IfW for 2016.

The economic situation in the Federal Republic of Germany

The regional focus of the euromicron Group companies' business operations is on German-speaking countries. According to the Federal Statistical Office, the economic situation in Germany in 2015 was characterized by solid and steady growth. It increased moderately by 0.4% in the first two quarters of 2015 and in each case by 0.3% in the third and fourth quarters of the year compared with the same quarters of the previous year. All in all, the average increase for 2015 as a whole was 1.7% (after price, seasonal and working-day adjustments). According to the IfW, the upturn is still underpinned by private consumption, whose high growth rates are due to the strong rises in real incomes among private households. Foreign business stagnated slightly due to muted activity in industry. The IfW anticipates that gross domestic product will grow by 2.0% in 2016 and 2.2% the year after.

German ICT market grows by 1.9% to €156 billion in 2015

The German Association for Information Technology, Telecommunications and New Media (BITKOM) states that the German ICT market grew by 1.9% to €165 billion in the whole of 2015, compared with 1.6% the year before. The industry's growth driver remains information technology, whose revenue BITKOM expects to increase by 3.5% to €80.4 billion. It also notes that business with IT services rose by 3.0% to €37.3 billion in 2015. Service providers are benefiting from digital transformation of the economy and the related changes in companies as they move toward digitization.

Business with infrastructure systems performed highly positively in 2015, growing by 3.6% to €6.5 billion. According to a survey by BITKOM, around half the industrial companies assume that using Smart Factory applications will be accompanied by an increase in revenue. Revenue from IT hardware also developed surprisingly positively in 2015, rising by 2.8% to €23.0 billion.

The annual report of EITO (European Information Technology Observatory) shows that almost every one in two companies in Western Europe regards applications for mobile devices to be particularly important, a figure that was just every one-in-four in 2013. Projects and initiatives in the fields of cloud computing and big data were likewise classified as particularly important.

The international ICT market is also growing more strongly than anticipated. According to EITO, global revenue from information technology and telecommunications products and services grew by 3.8% to €2.81 trillion in 2015. The drivers here are mobile data services, which grew by 9.2% to €324 billion.

Outlook for 2016

BITKOM expects the overall ICT market to grow by 1.5% to €158.4 billion in 2016. Apart from that fact that weaker business with PCs and saturation effects for end-user devices for telecommunications are expected, the "Volkswagen" effect will in particular cause uncertainty among IT service providers and software vendors. EITO assumes that the global ICT market will grow by 2.6% in the coming year.

1.5%

growth is expected by BITKOM for the ICT industry.

2.2 Course of business

General statement on the performance of the euromicron Group in fiscal year 2015

The euromicron Group closed fiscal year 2015 with sales of €344.9 million (previous year: €346.3 million). Consequently, the sales generated in fiscal 2015 are in the forecast range of between €340 to €360 million.

Operating EBITDA (EBITDA before reorganization costs) was €13.8 million (previous year: €21.1 million), while the operating EBITDA margin (relative to sales) was 4.0% compared with 6.1% the year before. The latter is at the lower end of the target range of 4-5% forecast in the Q3 2015 report (original forecast in the 2014 Annual Report: 6–8%).

€ 13.8 million:

our operating EBITDA.

The decline in operating EBITDA by € –7.3 million is mainly due to an amount of € –7.1 million to the fact that the material usage ratio (cost of materials after adjustment for reorganization effects relative to total operating performance) increased by 2.1 percentage points to 54.7% in fiscal 2015.

The main reasons for that is that in 2015 no contribution margin was generated from further handling and completion of projects assessed as loss-free (see the 2014 consolidated financial statements) within the "Smart Buildings" segment. In addition, closure of the business operations of Avalan GmbH meant that existing projects had to be completed in the fourth quarter of 2015 using third-party services to a greater extent, which likewise increased the material usage ratio. In particular, the planned tapping of future-oriented business segments also temporarily reduced the material usage ratio in the "Critical Infrastructures" segment. Moreover, there was a more unfavorable margin mix compared with the previous year in parts of product and solution business, which is also attributable to the fact that completion of certain innovative and high-margin products extended into 2016.

Reorganization costs with an impact on EBITDA totaled €6.8 million and reduced the EBITDA margin by 2%. The latter is thus at the upper end of the range of 1-2% forecast in the Q3 2015 report (original forecast in the 2014 annual report: 1%).

The effects of write-downs from reorganization measures, which mainly result from divestment of loss-making business segments that are not strategically relevant, are €6.3 million and are in line with the figure in the medium single-digit million range forecast in the Q3 2015 report.

The working capital ratio fell by 1.4 percentage points to

17.8%

The euromicron Group's working capital ratio (working capital relative to sales) was reduced by 1.4 percentage points to 17.8% in 2015. This shows that the measures initiated in 2015 to optimize working capital and so reduce the Group's tied-up capital are already having a perceptible impact. It was in particular thanks to these measures that the cash flow from operating activities, adjusted for factoring effects, increased sharply by €3.1 million to €6.1 million.

The Group's equity ratio is stable at 35.8% following 38.4% in the previous year.

There were no additions to the portfolio of Group companies in fiscal 2015; only one business establishment was acquired by way of an asset deal.

In addition, a division of SKM Skyline GmbH was sold within the Group to euromicron Deutschland GmbH by way of an asset deal effective April 1, 2015.

There were also the following mergers within the Group effective January 1, 2015:

- Sideways merger of euromicron systems GmbH and euromicron networks GmbH with euromicron solutions GmbH, which was then renamed euromicron Deutschland GmbH.
- Sideways merger of Qubix distributions GmbH with euromicron austria GmbH
- Merger of euromicron international services GmbH with euromicron AG

Development of the segments

The key figures for the individual segments of the euromicron Group changed as follows in fiscal 2015:

Sales **004**

	2015	2014
	€ m.	€ m.
Smart Buildings	197.9	192.7
Critical Infrastructures	121.4	129.0
Distribution	22.5	24.6
Non-strategic Business Segments	10.9	10.9
Reconciliation	–7.8	–10.9
Total sales	**344.9**	**346.3**

Operating EBITDA **005**

	2015 € m. Reported EBITDA	2015 € m. Reorganization costs	2015 € m. Operating EBITDA	2014 € m. Reported EBITDA = operating
Smart Buildings	7.5	−2.6	10.1	12.8
Critical Infrastructures	7.9	−0.2	8.1	14.4
Distribution	2.5	0.0	2.5	2.8
Non-strategic Business Segments	−5.0	−1.8	−3.2	−1.6
Central Services	−7.0	−2.3	−4.7	−7.3
Reconciliation	1.0	0.0	1.0	0.0
Total EBITDA	**6.9**	**−6.9**	**13.8**	**21.1**

Working capital ratio **006**

	2015 in %	2014 in %
Smart Buildings	30.3	31.1
Critical Infrastructures	12.5	16.4
Distribution	19.0	12.5
Group	**17.8**	**19.2**

Smart Buildings

In fiscal 2015, euromicron systems GmbH and euromicron networks GmbH were merged with euromicron solutions GmbH, which was then renamed euromicron Deutschland GmbH. As a result, the system houses of the Smart Buildings segment with their regional setup were merged into one national unit in line with the needs of the market. Following the merger, processes and IT systems at euromicron Deutschland GmbH were harmonized, and personnel and real estate structures at individual regional units of the company optimized. This merger created synergies and savings potentials, yet also standardized the portfolio so that it can be offered uniformly throughout Germany.

Sales in the Smart Buildings segment were €197.9 million and so €5.2 million or 2.7% above the previous year's figure of €192.7 million. Sales were thus €6.4 million or 3.1% below planned. Actual sales growth being below budgeted sales growth is mainly due to the fact that the company consciously refrained from accepting risky large projects due to the strategic realignment undertaken by the Executive Board. In addition, capacities for completion of old projects that had been assessed as loss-free were still tied up in fiscal 2015 and could not be used to handle new orders. On the other hand, there were higher sales from passive optical network components and cabling systems.

€ **5.2** million:

The increase in sales at the Smart Buildings segment.

Operating EBITDA decreased by €2.7 million from €12.8 million to €10.1 million, meaning the operating EBITDA margin fell from 6.6% in the previous year to 5.1%. The planning envisaged an increase to 8.6%. The year-on-year decline in the margin is due on the one hand to handling of the previously mentioned old projects, from whose sales no contribution margin can be obtained any more due to the fact that they have been assessed as loss-free. On the other hand, there was a more unfavorable margin mix compared with the previous year in parts of product and solution business, which is attributable in particular to the fact that completion of certain innovative and high-margin products extended into 2016. The additional deviation in the margin compared with the planning is mainly due to a lack of contribution margins from sales that are below budgeted.

The reorganization costs at the Smart Buildings segment were €2.6 million, around €1.0 million higher than planned. This was due in particular to additional measures to optimize the personnel structure that were initiated in December 2015.

0.8%

improvement in the working capital ratio for the Smart Buildings segment.

The working capital ratio improved by 0.8 percentage points from 31.1% to 30.3%. That is attributable in particular to the fact that a number of old projects in which a lot of capital was tied up were able to be billed in fiscal 2015. Due to the completion and billing of further old projects and additional measures to optimize working capital, we expect a further sharp improvement in the working capital ratio by up to 4% for the next year, accompanied by a significant increase in cash flow from operating activities.

We expect sales in 2016 to grow for this segment in the high single-digit percentage range due to development of the market, the fact that new products are ready for the market and the realignment of the organization. The planned operating EBITDA margin is around the level of fiscal 2015. In 2016, we will continue to invest in developing new business segments, which will increase the EBITDA margin in subsequent years. Completion of the reorganization measures that were initiated in 2015 is expected to reduce this segment's EBITDA in 2016 by around €1.0 to €1.2 million.

Critical Infrastructures

3.9%

improvement in the working capital ratio for the Critical Infrastructures segment.

The Critical Infrastructures segment posted sales of €121.4 million, a 5.9% decrease compared with the previous year (€129.0 million). The decline in sales is therefore €5.0 million or 3.9% higher than anticipated in the planning. The segment's operating EBITDA (previous year: €14.4 million) fell by €6.3 million to €8.1 million. The operating EBITDA margin is thus 6.7% compared with 11.1% the year before and is 2.6 percentage points under the already lower planned margin of 9.3%. The planned fall in sales and EBITDA anticipated in part the loss of certain especially high-margin product deliveries and projects in 2014 that were one-off in nature. Apart from that, sales and EBITDA effects from investments in strategic new business segments that were to be tapped were already included in the planning. However, the sales and EBITDA effects from them were actually higher than planned. In addition, the operating EBITDA margin in this segment also declined in 2015 due to the loss of a major order for which the required structures had already been established and whose costs temporarily reduced the segment's income until those structures had been dismantled.

As part of the reorganization, the Group company Qubix distributions GmbH was merged with euromicron austria GmbH in 2015. The decision to not continue distribution business in Austria meant that non-recurring reorganization costs of €0.2 million were incurred in 2015.

This segment's working capital ratio improved sharply from 16.4% to 12.5%, which is attributable in particular to lower up-front financing in project business.

Sales are expected to grow moderately next year by a figure in the medium single-digit percentage range; an operating EBITDA margin at the level of 2015 has been budgeted. We expect to be able to further cut working capital in this segment and are planning to reduce its ratio to below 11% in fiscal 2016.

Distribution

The "Distribution" segment pools consulting and supply of vendor-independent products in all matters relating to active and passive network components in the fiber-optic and copper arena. The segment's sales are €22.6 million, €2.0 million below the previous year's figure of €24.6 million, but exactly in line with as planned for fiscal 2015. The operating EBITDA is €2.5 million (previous year: €2.8 million), giving an operating EBITDA margin of 11.3% almost at the same level of the previous year (11.6%). The operating EBITDA is thus €0.4 million above planned. The cause of the fall in sales, which had already been anticipated in the planning, was the transfer of a division to a sister company in the group in 2015 by way of an asset deal. The main reason for the positive deviation from the budgeted EBITDA is a higher gross profit margin than planned due to an advantageous product and sales mix.

An **11.3%**

operating EBITDA margin means the Distribution segment performed roughly in line with the previous year.

A stable market development for this segment is expected in 2016, so sales at the level of 2015 are anticipated. The EBITDA margin budgeted for 2016 is slightly below that achieved in fiscal 2015, since investments in the sales organization are to made in 2016.

The working capital ratio rose by 12.5% to 19.0%, which – given virtually constant inventories and receivables – is due to very high reporting date-related liabilities in fiscal 2014 that had a positive impact on this key ratio. For the subsequent year, we expect a working capital ratio at the level of fiscal 2015.

Overall, the euromicron Group generated an operating EBITDA of €20.7 million (previous year: €30.0 million) from these segments. The operating EBITDA margin was 6.1% compared with 8.7% the previous year.

Non-strategic Business Segments

In fiscal 2015 a decision was taken to discontinue the business operations of Avalan GmbH, euromicron NBG Fiber Optics GmbH, euromicron benelux S.A. and WCS Fiber Optic B.V., since the loss-making core business of these companies is no longer consistent with the euromicron Group's new strategic orientation. Sales at the non-strategic business segments were €10.9 million and so at the level of the previous year. The negative operating EBITDA increased year on year by € –1.6 million to € –3.2 million. This was due on the one hand to greater utilization of third-party services for handling the existing projects of Avalan GmbH. In addition, the companies did not accept any further orders in the final months of the fiscal year, with the result that the contribution margins required to cover existing structural costs were not generated. Due to the effects of discontinuing the business operations, the segment's sales were €1.2 million and its EBITDA €2.3 million below the figures planned for fiscal 2015.

Strategic decision: The business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH are to be discontinued.

The closure of the companies resulted in 2015 in non-recurring reorganization costs totaling €1.8 million due to the staff reductions, the costs of the closures and write-down of inventories. Apart from that, there was amortization of goodwill totaling €5.3 million and special depreciation and amortization of intangible assets and property, plant and equipment totaling €0.4 million. In line with the management reporting, the amortized goodwill was allocated to the “Non-strategic Business Segments” area. These special effects from reorganization costs were not included in the planning, since the decisions to close these business operations were only taken in the course of fiscal 2015.

Closure of these non-strategic business segments means that the related reduction in EBITDA (€–5.0 million) and EBIT (€–11.0 million) in 2015 will be eliminated in subsequent periods. The only costs from the reorganization planned for 2016 are follow-up costs of the closures totaling €0.3 million.

Central Services

By merging euromicron international services GmbH with euromicron AG, the holding structures were streamlined and euromicron Group’s central controlling functions pooled at euromicron AG in fiscal 2015.

There was a sharp reduction of

€ **2.6** million

in the negative EBITDA in the Central Services segment.

The negative operating EBITDA fell sharply by €2.6 million from € –7.3 million to € –4.7 million and so was €0.2 million better than planned. The improvement over the previous year is due in particular to the decline in bonus expenses of €1.1 million. It should be noted here that parts of the provisions for bonuses (€0.5 million) set up in the previous year were able to be reversed due to the fact that the grounds for entitlement to them no longer applied in 2015. In addition, current personnel costs fell by €0.5 million as a result of the adjusted personnel structure. Other operating expenses were also reduced.

The reorganization costs were €2.3 million, €1.5 million higher than planned, since in addition to the budgeted personnel measures there were also unplanned legal and consulting costs, costs in connection with the realignment of financing and IT costs.

Negative operating EBITDA of around € –5.6 million is anticipated for the subsequent year. This increase is due to the elimination of the special effect in 2015 from reversal of the bonus provisions, as well as higher personnel costs in connection with further expansion of euromicron AG into the strategic management holding.

The reorganization measures initiated in the Central Services segment will likewise be completed in fiscal 2016; we estimate that the reorganization costs incurred as part of that will be €1.1 to €1.3 million.

2.3 Net assets, financial position and results of operations

Net assets

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

Asset and equity structure 007

	Dec. 31, 2015		Dec. 31, 2014	
	€ m.	%	€ m.	%
Noncurrent assets	142.0	52.4	150.7	52.5
Current assets	118.1	43.6	121.1	42.1
Cash and cash equivalents	10.7	4.0	15.6	5.4
Assets	**270.8**	**100.0**	**287.4**	**100.0**
Equity	97.0	35.8	110.4	38.4
Noncurrent liabilities	31.0	11.5	57.6	20.0
of which financial liabilities	22.2	8.2	46.9	16.3
Current liabilities	142.8	52.7	119.4	41.6
of which financial liabilities	69.7	25.7	49.4	17.2
Equity and liabilities	**270.8**	**100.0**	**287.4**	**100.0**

The euromicron Group's total assets at December 31, 2015, decreased by 5.8% to €270.8 million compared with €287.4 million in the previous year.

The fall in noncurrent assets of €8.7 million (€142.0 million; previous year: €150.7 million) is due to write-offs to an amount of €5.3 million on goodwill, which decreased as a result from €113.5 million to €108.2 million. In addition, the other intangible assets declined by €3.3 million to €17.5 million due to amortization. Moreover, deferred tax assets fell by €1.3 million from €1.4 million to €0.1 million. On the other hand, there was in particular an investment-related increase in property, plant and equipment of €1.2 million to €15.3 million.

Capital spending in fiscal 2015 totaled €8.3 million (previous year: €6.5 million). This figure includes additions from the acquisition of a business operation (asset deal) of around €0.2 million (previous year: €0.1 million).

The remaining investments of €8.1 million (previous year: €6.4 million) include €2.4 million (previous year: €2.2 million) on capitalized development costs, €0.9 million (previous year: €1.2 million) on other intangible assets and €4.8 million (previous year: €3.0 million) on property, plant and equipment.

The ratio of equity and long-term outside capital to noncurrent assets is 90.1% (previous year: 111.5%).

Within the current assets, inventories increased slightly by €1.8 million (€30.8 million; previous year: €29.0 million), while trade accounts receivable and the gross amount due from customers for contract work fell sharply year on year (€80.7 million; previous year: €85.8 million).

An **8%**

reduction in working capital.

Working capital (trade accounts receivable, gross amount due from customers for contract work and inventories minus trade accounts payable and prepayments) was €61.4 million at the balance sheet date, a decrease of €5.2 million or around 8% over the previous year (€66.6 million). The Group's working capital ratio (working capital relative to sales) was thus reduced by 1.4 percentage points to 17.8% in 2015. This is attributable in particular to the measures initiated in 2015 to optimize working capital and so reduce the Group's tied-up capital; the company intends to continue with these measures in 2016.

Cash and cash equivalents were €10.7 million, a decline of €4.9 million compared with the figure at December 31 of the previous year (€15.6 million). We refer in this regard to the comments on the Group's financial position.

35.8%

equity ratio – still at a high level.

Equity at December 31, 2015, was €97.0 million, below the level of the previous year (€110.4 million). The equity ratio is 35.8% (previous year: 38.4%) and so is still at a high level. The decline in equity by €13.4 million is mainly due to an amount of €13.1 million to the consolidated net loss in 2015.

Other noncurrent financial liabilities fell by €2.0 million from €2.5 million in the previous year to €0.5 million in particular due to the reclassification of obligations for conditional additional purchase price payments (€1.0 million) and purchase price obligations from preemptive rights (€1.0 million) as other current financial liabilities. Due to the fact that the condition did not arise, the obligation for conditional additional purchase price payments (€1.0 million) that was reclassified as current liabilities was able to be reversed and recognized as income at December 31, 2015.

The liabilities to banks are divided into long-term liabilities of €20.5 million (previous year: €43.2 million) and short-term liabilities of €44.3 million (previous year: €19.9 million).

Trade accounts payable increased from €44.2 million to €47.6 million at the key date.

The reduction in other current financial liabilities of €4.3 million from €29.1 million to €24.8 million consists to an amount of €1.6 million of lower liabilities from customer monies to be passed on as part of factoring. In particular, the current purchase price liabilities from company acquisitions and the liabilities from dividends/profit shares for minority interests fell by €1.5 million and €1.1 million respectively.

The Group's net debt (interest-bearing financial debt minus securities and cash) at December 31, 2015, was €55.8 million (previous year: €49.2 million). The increase in net debt is due in particular to the drop in liquid funds. We refer in this regard to the comments on the Group's financial position.

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 makes a contribution to optimizing the costs of capital and 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, 2015, unutilized promised credit lines of €48.2 million (previous year: €75.8 million) were available to the Group. It was agreed with the long-term financing partners that a review of compliance with the key financial indicators at December 31, 2015, would not be conducted due to the reorganization of the euromicron Group.

The Group's cash funds changed in fiscal 2015 as follows:

Statement of cash flows of the euromicron Group 008

for the period from January 1 to December 31, 2015 (IFRS)	2015	2014
	€ thou.	€ thou.
Net cash provided by/used in operating activities	**4,558**	**–1,930**
Net cash used in investing activities	**–9,868**	**–14,306**
Net cash provided by/used in financing activities	**410**	**–6,972**
Net change in cash funds	–4,900	–23,208
Cash funds at start of period	15,622	38,830
Cash funds at end of period	**10,722**	**15,622**

The reported cash provided by operating activities in fiscal 2015 was €4.6 million, whereas in the previous year there was net cash used in operating activities totaling € –1.9 million. However, the reported cash flow figures from operating activities are mainly impacted by effects resulting from the Group's factoring program.

€ **4.6** million:

The cash flow from operating activities reported in 2015

In order to obtain comparable cash flow figures that permit a statement to be made on the development of cash flows from operating activities, the figure was therefore adjusted to take into account the factoring effects. This involves the following:

- Elimination of the effect from the change in the volume of factoring used between the balance sheet date and the respective balance sheet date for the previous period. This resulted in a negative cash flow effect to be eliminated of € –6.3 million at December 31, 2014, due to the lower volume of factoring compared with at December 31, 2013. The volume of factoring used at December 31, 2015, was unchanged compared with at December 31, 2014, which means there is no need for any adjustment here.

- Where Group companies received monies from customers resulting from receivables sold as part of factoring shortly before the balance sheet date and the Group companies were not able to pay these monies over to the factoring company, this results in a liability from customer monies to be passed on, which is recognized under "Other financial liabilities". The effect on liquidity from the change in these liabilities between the respective balance sheet date and the balance sheet date of the previous period is eliminated for the purposes of analyzing the cash flow from operating activities. This effect, which has to be eliminated, is €1.9 million for 2014 and € –1.6 million for 2015.

- The full amount of the receivable offered for sale is initially not paid out by the factoring company, but a blocked amount is withheld. This receivable due from the factoring company is recognized under "Other financial assets"; here too, the change in the balance sheet item has to be eliminated for the purposes of analyzing the cash flow from operating activities. This effect to be eliminated was € –0.5 million in 2014 and €0.1 million in 2015.

All in all, reconciliation of these three factors results in cash flows from operating activities after adjustment for factoring effects as summarized in the table below:

Adjusted cash flow **009**

	Cash flow from operating activities acc. to statement of cash flows	Effects from factoring and customers' monies to be passed on included in the above	Adjusted cash flow
	€ m.	€ m.	€ m.
2014	–1.9	4.9	**3.0 ***
2015	4.6	1.5	**6.1**

* The previous year's figure has been adjusted.

€**3.1** million

increase in the adjusted cash flow from operating activities.

After adjustment for factoring effects, there is net cash provided by operating activities totaling €6.1 million in fiscal 2015 compared with €3.0 million in the previous year. As a result, the cash flow from operating activities after adjustment for the effects of factoring improved sharply by €3.1 million in fiscal 2015. This is mainly due to the measures implemented in fiscal 2015 to reduce working capital.

Net cash used in investing activities was € –9.9 million in fiscal 2015, €4.4 million below the figure for the previous year (€ –14.3 million). This change is mainly due to lower purchase price payments in connection with the company acquisitions, where were €2.7 million in 2015 (previous year: €8.0 million). Of this, €1.0 million related to conditional purchase price payments, €1.5 million to payments in connection with the exercise of options to purchase company shares, and €0.2 million to purchase price payments as part of asset deals. On the other hand, there were in particular higher payments for the acquisition of property, plant and equipment, which increased in 2015 by €1.0 million from €3.0 million to €4.0 million.

The net cash provided by financing activities in fiscal 2015 was €0.4 million (previous year: net cash used of € –7.0 million). The net cash provided was mainly due to the raising of new loans, which exceeded the net cash used to repay loans by €1.7 million (previous year: net cash used of € –6.8 million). On the other hand, there were payments due to distributions to non-controlling shareholders and from profit shares of minority interests, which totaled € –1.3 million in 2015 (previous year: € –0.2 million).

Cash and cash equivalents of the euromicron Group at December 31, 2015, were thus €10.7 million (previous year: €15.6 million).

Results of operations 010

Income statement of the Group for the period January 1 to December 31, 2015 (IFRS)	Note	2015 incl. reorganization costs	Reorganization costs	2015 Operating*	2014*
		€ thou.	€ thou.	€ thou.	€ thou.
Sales	(11)	**344,887**	**0**	**344,887**	**346,338**
Inventory changes		883	0	883	573
Own work capitalized	(12)	2,942	0	2,942	2,617
Other operating income	(13)	3,073	0	3,073	2,144
Cost of materials	(14)	–189,883	–909	–188,974	–182,468
Personnel costs	(15)	–107,875	–3,193	–104,682	–103,176
Other operating expenses	(17)	–47,104	–2,733	–44,371	–44,879
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**6,923**	**–6,835**	**13,758**	**21,149**
Amortization and depreciation	(16)	–10,238	–1,003	–9,325	–9,702
Impairment of goodwill	(16)	–5,333	–5,333	0	0
Earnings before interest and taxes (EBIT)		**–8,648**	**–13,171**	**4,523**	**11,447**
Interest income	(18)	66	0	66	333
Interest expenses	(18)	–3,791	0	–3,791	–4,012
Other financial expenses	(18)	–332	0	–332	0
Income before income taxes		**–12,705**	**–13,171**	**466**	**7,768**
Income taxes	(19)	–424	0	–424	–4,924
Consolidated net loss/net income for the year		**–13,129**	**–13,171**	**42**	**2,844**
Thereof for euromicron AG shareholders		–13,253	–13,171	–82	2,576
Thereof for non-controlling interests	(20)	124	0	124	268
(Un)diluted earnings per share in €	(21)	**–1.85**	**–1.84**	**–0.01**	**0.36**

* Adjusted for special effects of the reorganization

Consolidated earnings for 2015 are mainly reduced by reorganization costs incurred as part of the strategic realignment. They are distributed over the individual companies of the euromicron Group as follows:

Allocation of reorganization costs 011

	2015
	€ thou.
euromicron AG	–2,850
euromicron Deutschland GmbH	–2,610
euromicron austria GmbH	–217
Avalan GmbH	–923
euromicron NBG Fiber Optics GmbH	–1,238
Impairment of goodwill	–5,333
Total	**–13,171**

€ **13.2** million:

The costs of the Group-wide reorganization measures in 2015

The reorganization costs of euromicron AG are mainly accounted for by legal and consulting costs, financial advice, IT costs, personnel costs and special write-downs. The focus of the reorganization measures was on expanding euromicron AG into a strategic management holding and restructuring of the Group's financing.

The lion's share of the reorganization costs at euromicron Deutschland GmbH were incurred as part of reducing and restructuring the workforce at the locations. The figure includes in particular costs for optimizing real estate structures and other consulting fees.

The reorganization costs at euromicron austria GmbH are mainly due to write-downs on material and legal and consulting costs in connection with the merger of Qubix distributions GmbH in the fiscal year.

Avalan GmbH and euromicron NBG Fiber Optics GmbH, two strategically irrelevant, loss-making divisions, were closed in fiscal 2015. The reorganization costs include in particular the costs of reducing the workforce, write-downs of material due to the closures, special write-downs and other costs incurred by the closure.

The decision to discontinue the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH initiated a trigger, which resulted in an event-driven impairment test of the goodwill allocated to the former CGU 3 "System Houses South". This impairment test revealed a need to write down the goodwill allocated to the former CGU 3 to an amount of €5.3 million. We refer in this regard to the comments in the notes on the consolidated financial statements, section "Notes on the consolidated balance sheet", section 1 (a) "Intangible assets".

The following explains the year-on-year changes in the results of operations of the euromicron Group after adjustment for the effects of the reorganization.

The euromicron Group generated sales of €344.9 in fiscal 2015 and so only slightly – 0.4% – below the previous year's figure of €346.3 million.

€ **291.3** million

in sales in Germany

A breakdown by the various regions shows that most sales were posted within Germany as in previous years: The sales generated in Germany in fiscal 2015 were €291.3 million (previous year: €293.9 million) or a share of 84.5% (previous year: 84.9%). Foreign sales were increased slightly in 2015 from €52.4 million to €53.6 million, with the result that international sales contributed around 15.5% (previous year: 15.1%) to the euromicron Group's total volume of sales.

The euromicron Group's total operating performance (sales plus inventory changes) was €345.8 million, which is only slightly lower by 0.3% compared to the previous year (€346.9 million).

Own work capitalized increased slightly by €0.3 million from €2.6 million in the previous year to €2.9 million. The euromicron Group continues to invest in developing new products to expand its market position and increase its innovativeness.

The rise in other operating income is mainly due to income from the reversal of a conditional purchase price obligation (€ 1.0 million) due the fact that the condition for it did not arise.

As in the previous year, the cost of materials is the largest expense item in the euromicron Group's income statement. The (adjusted) cost of materials in fiscal 2015 was €189.0 million (previous year: €182.5 million); its (adjusted) ratio to total operating performance (material usage ratio) declined by 2.1 percentage points from 52.6% to 54.7%.

The increase in the adjusted material usage ratio is partly due to the work in fiscal 2015 on completing projects in the "Smart Buildings" segment that had been assessed as loss-free in the 2014 annual financial statements, with the result that no contribution margin was achieved from these sales. When the final accounts for these projects are invoiced, there will then be significant cash receipts that will have a positive impact on the Group's liquidity.

In addition, effects from developing new forward-looking business segments during the piloting phase of these projects reduced the material usage ratio in the short term, in particular in the "Critical Infrastructures" segment.

Closure of the business operations of Avalan GmbH meant that existing projects had to be completed in the fourth quarter of 2015 using third-party services to a greater extent, which likewise increased the material usage ratio.

There was also a more unfavorable margin mix compared with the previous year in parts of product and solution business. This effect is also attributable to the fact that completion of certain innovative and high-margin products extended into 2016.

(Adjusted) personnel costs increased in fiscal 2015 by €1.5 million from €103.2 million to €104.7 million, a rise of 1.5%. The average headcount (excluding trainees) in the year under review rose from a total of 1,704 to 1,747 (+2.5%).

(Adjusted) amortization and depreciation totaled €9.3 million, a fall of €0.4 million compared with the previous year (€9.7 million). This is mainly due to lower amortization of hidden reserves disclosed as part of capital consolidation, which declined to €1.4 million (previous year: €2.0 million).

(Adjusted) other operating expenses in the fiscal year were €44.4 million, €0.5 million below the comparative figure for the previous year of €44.9 million. The largest items in the other operating expenses were still vehicle and travel expenses (€13.6 million; previous year: €13.9 million), rent/room costs (€6.6 million; previous year: €6.6 million) and legal and consulting costs (€4.4 million; previous year: €4.9 million).

Operating earnings before interest, taxes, depreciation and amortization (operating EBITDA) totaled €13.8 million, following €21.1 million in the previous year. The operating EBITDA margin was 4.0% (previous year: 6.1%). There was a similar trend for operating EBIT, which was €4.5 million, a decrease of €6.9 million compared with the previous year (€11.4 million).

4.0%

The operating EBITDA margin is therefore within the announced forecast.

The net financial result was € –4.1 million, € –0.4 million up on the previous year (€ –3.7 million). This is mainly due to the write-down of shares in a U.S. listed company in the fiscal year to their lower fair value, which reduced the net financial result by € –0.3 million.

The tax ratio in the year under review was € –3.3% (previous year: 63.4%). The deviation from the anticipated tax ratio of 30% is mainly due to effects from goodwill write-downs with no impact on taxes and other write-downs with no impact on taxes. In addition, the current loss-making situation of a number of companies meant no deferred tax assets were recognized on loss carryforwards incurred in fiscal 2015 in accordance with IFRS regulations. We refer in this regard to the tax reconciliation in section 19 of the notes.

The (adjusted) consolidated net loss for shareholders of euromicron AG was € –0.1 million (previous year: income of €2.6 million). (Adjusted) undiluted earnings per share were € –0.01 versus €0.36 in the previous year.

With adjustment for the effects of the reorganization, the consolidated net loss for shareholders of euromicron AG for fiscal 2015 is € –13.3 million and the undiluted earnings per share € –1.85.

New orders and order books

New orders at the euromicron Group in fiscal 2015 were €326.8 million (previous year: €340.1 million). Order books at December 31, 2015, were €103.4 million (previous year: €121.5 million). The fall in order books is mainly due to orders being postponed to January 2016.

€ **11.8** million:

The year-on-year increase in new orders in January 2016.

New orders at the euromicron Group in January 2016 were €41.5 million, a sharp increase of €11.8 on the figure from January 2015 (€29.7 million). It should be noted in this regard that new orders in January 2015 still contained orders totaling €0.4 million from the divisions that have since been closed. In relation to continuing core business operations, new orders in January 2016 thus increased by €12.2 million.

Order books at January 31, 2016, were €127.9 million, compared with €129.8 million at January 31, 2015. Adjusted for order books of the now closed divisions (€7.1 million), the order books for continuing core business operations at January 31, 2015, were €122.7 million. The order books for continuing core business operations at January 31, 2016, were thus €5.2 million higher than the comparative figure at January 31, 2015.

2.4 Non-financial performance indicators

As a German specialist for the Internet of Things who paves the way to the digital future for its customers, not only key economic ratios are important for us, but also the sustainability of our activities. That is also reflected in our performance indicators. Competent and motivated employees, sparing use of the natural resources available to us, increasing and preserving the value of our brand value, our customers' satisfaction and social responsibility are preconditions for our Group's sustainability. We endeavor to increase and improve them at all times.

Employee development and loyalty

The euromicron Group's success is founded on the skills and commitment of its employees. Our focus as part of that is on close cooperation with the HR departments at our locations and strategic further development and implementation of the Group-wide HR strategy. Organizational development, employee development and employer branding are also important focal areas.

As part of the HR strategy, our HR tools such as performance and career reviews, agreements on objectives and development plans are to be constantly developed further and communication between the team and managers optimized actively. To achieve that, we have formulated communication plans, a system of values and recommended actions relating to communication in various workshops as part of our program “F³ – Mitarbeiter fordern, fördern und führen” (“Challenging, encouraging and leading employees”).

euromicron aims to employ a sufficient number of qualified and committed employees at all times at all business levels and to offer them attractive working conditions and prospects. In fiscal 2015, we were able to acquire further specialists and more highly qualified staff so as to ensure that the company can continue developing positively in future.

The average headcount (excluding trainees) rose from a total of 1,704 to 1,747. The is due to new hirings, although we also had to release employees as part of the reorganization and optimization of the Group’s structure. Personnel costs in fiscal year 2015 were €107.9 million (adjusted for reorganization costs: €104.7 million), compared with €103.2 in the previous year. A slight rise in the headcount is again expected in fiscal 2016 due to planned recruitments, in particular in sales, project management and project handling.

1,747

The average headcount (excluding trainees)

Enhancing the loyalty of our employees to the company remains of major importance for us, since they and their expertise and dedication are the main guarantee of our Group’s sustainable success in the coming years. Especially in times of a shortage of skilled workers and demographic change, it is vital for us to ensure their long-term loyalty. That is why euromicron launched an extensive program linking three levels with each other in 2015: Working environment, corporate/management culture and quality of management.

In the “working environment” area, our goal is to offer our employees a family-friendly job, as well as offer them development paths and programs at all times, and to provide them with modern, technologically leading-edge working equipment and keep this up-to-date.

The corporate/management culture is intended to enhance the degree to which employees identify with the company so that the resultant synergies in the Group can be leveraged. The goal is also to establish a leadership culture in which managers and employees engage in an appropriate and personal communication.

In addition, the aim of quality of management at euromicron remains to enhance clarity and transparency in relation to processes, structures and responsibilities and to keep on promoting the feedback culture at all levels now and in the future. Regular meetings are essential for enhancing the quality of management. The measures that have already been implemented are to be reflected and developed further with a Group-wide employee survey in the current year.

In addition to the extensive employee loyalty program, employees are offered further education to support and encourage them in their day-to-day work, as well as interesting prospects for the future and development opportunities.

For example, we launched a training program that is geared closely to the identified needs of the employees. It addresses a total of 21 subjects from the areas of leadership, sales, project management and other specialist topics. As part of that, euromicron uses a mix of different event formats, such as multi-module programs, seminars, workshops and online training courses. Application of the knowledge acquired to everyday work is ensured by a multi-stage transfer program that includes participants, their managers and HR development alike.

60%

of our project managers have now acquired the status "Certified Project Manager".

The qualification campaign for project managers was continued successfully in 2015. 50% of all project managers gained the certificate "Certified Project Manager" in the previous year, a figure that was increased to 60% in 2015.

There was a growing number of attendants in our in-house seminars. Whereas 337 employees took part in the seminars in 2014, the figure in the year under review was 559.

At **4.2%**

the trainee ratio is once more at a good level.

Trainee ratio and career

As in previous years, training of new employees is of particular importance to euromicron. The euromicron Group's trainee ratio was again at a good level in the year under review: 4.2% compared with 4.6% in the previous year. The objective for fiscal 2016 is to maintain this ratio at the high level of the previous year.

Once again this year, our trainees were some of the best in their year and captured awards. The basis for this success is, apart from the dedication of the trainees themselves, the individual and pinpointed encouragement given to them by the company. Apart from traditional training paths, euromicron offers dual courses of study (bachelor's degree), trainee programs and internships.

As part of its HR strategy, euromicron launched its own career portal for jobseekers in the Internet in the second half of 2015. The content, which up to now was integrated in the group website, has been newly edited and posted in a separate microsite. An Applicant Management System for online applications complements the range of information alongside extensive job ads.

euromicron's online job market offers a diverse range of posts in vocations in the fields of IT, technology, sales and business administration. At this site, we also offer applicants insights into subjects such as career planning, development programs and certification. Topics such as compensation and performance, as well as work and leisure time, are also covered. We at euromicron also give our potential employees authentic impressions of what is it like to work in our fields, as well as what development opportunities they have.

Our objective is to stage successful initiatives and programs in future as well and also develop new measures in response to requirements in the IoT market. We want our employees to keep on contributing their strengths competently to the company and so help make euromicron a success through their motivation and personal successes.

Responsible use of natural resources

Although none of the Group's companies is subject to special environmental protection guidelines, euromicron nevertheless aims to live up to its responsibility for society as a whole and so attaches great importance to complying with environmental protection regulations. Consequently, the Group helps ensure the responsible use of resources voluntarily. As part of that, audits are conducted to identify potentials for increasing efficiency in and reducing power consumption at the Group and appropriate measures are initiated cut the company's ecological footprint further. As part of the DIN EN 16247 energy audit in connection with the requirements of the German Energy Services Act, we had our company audited by external, independent energy consultants in fiscal 2015.

In purchasing additions to the euromicron Group's fleet, we deliberately attach importance to economical and low-CO_2 vehicles. In relation to existing vehicles, we pay attention to pass them on internally, since it makes more sense in terms of procurement costs and CO_2 footprint to deploy energy-saving models under new leasing agreements or if the fleet is otherwise expanded and not to take existing vehicles out of service prematurely. In order to enhance health prevention among employees, the cars used in the fleet also have ergonomic seats as minimum equipment. euromicron is also examining the possibility of converting the fleet to electric vehicles or ones with alternative drives.

As part of moving to new locations, we also ensured that the new buildings meet the latest environmental protection guidelines. The existing and new offices and workplaces have been equipped with energy-efficient equipment whose individual components are predominantly recyclable. All in all, euromicron makes a major contribution to achieving green IT by using hardware that has low power consumption.

A switch to efficient LED technologies for lighting the buildings at the individual locations is also being examined. The production operations of euromicron's technology companies are also geared to energy-saving processes. These include, for example, computer-aided control of the standby switches or the continuous review and rollout of electric motors with higher efficiency classes.

Consequently, euromicron's corporate philosophy, which is geared toward sustainability, is not only manifested in its commercial operations, but also in sparing use of natural resources.

Established brands and growing visibility

Under the umbrella brand "euromicron", the Group and its technology companies have corporate brands that in some cases have been established in their specific market segment for more than 40 years. This brands include, for example, EUROMICRON Werkzeuge GmbH or ELABO GmbH. Both have a high reputation and so a brand value in their segment due to the fact that they have operated so long and successfully in the market.

Preserving and increasing the value of our brands will continue to be a key element of our corporate strategy in future: Continuous investments in product innovations, modern manufacturing methods, patent applications and appropriate sales and marketing activities help entrench our brands lastingly in their special segments.

We still keep on striving to enhance the visibility and image of our umbrella brand. Following our extensive reorganization, positioning of the euromicron brand is especially important so that in particular the realignment can be presented understandably and in detail on the capital market. We aim to increase the value of the euromicron brand on the capital market, as well as ensure transparent, clear reporting as the basis of a trusted relationship with our investors. As part of that, we conduct active investor and public relations work. In the year under review, we presented our company in a raft of investor conferences and roadshows, as well as in programs and articles in various media. In March 2016, we carried out an extensive relaunch of our website in order to give further structure to its contents and create a better overview of the Group's new focal areas.

Customers and quality

Apart from our employees and our visibility as a brand, another aspect of great importance to us is to ensure the products and services we offer give our customers maximum satisfaction. By streamlining our structure and reorganizing the segments, we are able to network our customers' business and production processes and successfully accompany them on the way to the digital future. That demands the very highest standards as regards the quality of our processes, our products and services and our employees.

We gage our customers' satisfaction at our large system houses by means of standardized customer satisfaction surveys and analyses. Appearances at trade fairs have also proven useful in ascertaining and increasing our customers' interest in our products and solutions. We thus use customer feedback to actively achieve potentials for improvement and optimization.

To meet the very highest demands made of the quality of our products and services, some of euromicron's companies are certified in accordance with ISO 9001. In the production arena, we also hold certification, for example for making and assembling certain products, as well as approvals to supply specific products and solutions.

3. POSTSCRIPT REPORT

On February 22, 2016, it was agreed that the existing purchase option for half of the minority stake of 10% of the shares in ATECS AG and for half of the minority stake of 10% of the shares in SIM GmbH would be partially exercised effective March 31, 2016. 5% of the shares in ATECS AG and in SIM GmbH were acquired. The purchase price for exercising the options is €400 thousand for the shares in ATECS AG and €100 thousand for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH rose to 95% in each case. Due to the fact that the existing purchase options are designed as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligations totaling €500 thousand resulting from exercise of the options was already recognized under "Other current financial liabilities" in the financial statements at December 31, 2015.

At the same time, the period for exercising the preemptive right and the purchase option relating to the remaining 5% stakes held by the minority shareholder was extended until December 31, 2017. The options can now be exercised on January 1, 2017, at the earliest and on December 31, 2017, at the latest.

Distributions to the shareholders were resolved at the General Meeting of SIM GmbH and at the Ordinary General Meeting of ATECS AG on February 22, 2016. The distribution to minority shareholders totaling €167 thousand must be transferred from the consolidated equity to the item “Dividend/profit shares for minority interests”, which is presented in the balance sheet item “Other financial liabilities”, effective February 22, 2016.

Talks with the financing partners were continued in the first months of 2016 in relation to follow-up financing and restructuring of the funding of euromicron AG. In view of the talks conducted recently with the financing partners, the Executive Board is convinced that new financing structures will be established by the middle of the year and agreements to this effect can be concluded.

4. FORECAST, OPPORTUNITY AND RISK REPORT

4.1 Explanation of deviations from the previous year’s forecast

The previous year’s forecast envisaged a sales target of €340 million to €360 million and an operating EBITDA margin between 6% and 8% for fiscal 2015. It was also expected that reorganization costs would reduce the EBITDA margin for fiscal 2015 by around one percentage point, with the result that a reported EBITDA margin in the range from 5% to 7% was forecast.

The forecast for fiscal 2015 was adjusted with publication of the interim report for the third quarter of 2015 on November 6, 2015. The forecast was adjusted on the basis of the new Executive Board’s planning analysis, taking into account the effects arising from euromicron’s strategic realignment. The adjusted forecast envisaged sales at the lower end of the forecast range of €340 million to €360 million for fiscal 2015. An operating EBITDA margin in the range between 4% and 5% was forecast. The anticipated reduction in the EBITDA margin was put at one to two percentage points. In addition, the effects from write-offs due to the divestment of loss-making, strategically irrelevant business segments were forecast as being in the medium single-digit million range.

The actual figures for fiscal 2015 are within the adjusted ranges for all forecast numbers. Sales are €344.9 million. The operating EBITDA margin is 4% and so at the lower end of the forecast range. The reorganization costs reduced the EBITDA margin in fiscal 2015 by two percentage points. The write-downs from reorganization measures, in particular from divestment decisions, total €6.3 million.

The budgeting on which the original forecast was based is used as the basis for explaining the deviation between the actual and planned figures for fiscal 2015, regardless of whether the adjusted forecast was achieved.

The following tables present the deviations between the original planning and the actual figures for sales, operating EBITDA and reorganization costs with an impact on EBITDA:

Deviation from forecast sales **012**

	€ m.
Forecast sales for fiscal 2015	358.9
Actual sales for fiscal 2015	344.9
Deviation from the forecast	**–14.0**

Deviation from forecast EBITDA **013**

	€ m.
Forecast sales for fiscal 2015	358.9
Forecast operating EBITDA margin for fiscal 2015	7.1%
Forecast operating EBITDA for fiscal 2015	25.6
Actual operating EBITDA margin for fiscal 2015	4.0%
Actual operating EBITDA for fiscal 2015	13.8
Deviation from the forecast	**–11.8**

Deviation from forecast reorganization costs with an impact on EBITDA **014**

	€ m.
Forecast reorganization costs with an impact on EBITDA for fiscal 2015	–2.3
Actual reorganization costs with an impact on EBITDA for fiscal 2015	–6.8
Deviation from the forecast	**–4.5**

The deviation from the forecast sales totaling € –14.0 million is due to an amount of € –6.4 million to lower sales at the Smart Buildings segment. That is mainly due to the fact that the company consciously refrained from accepting risky large projects due to the strategic realignment. In addition, higher capacities than reflected in the planning for completion of old projects that had been assessed as loss-free were tied up in fiscal 2015 and so could not be used to handle new orders. In addition, sales at the Critical Infrastructures segment were €5.0 million below planned, due to the loss of certain product deliveries and projects in 2014 that were one-off in nature. There are also temporarily negative effects on sales due to investments in new strategic business segments that are to be tapped. These effects were also partly reflected in the planning, but were stronger than planned. A further effect on sales totaling € –1.2 million came from the decision to discontinue the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of fiscal 2015, since negative deviations from the planned sales resulted from the fact that orders could not be accepted. In addition, the effects from cross-segment sales consolidation were € –1.4 higher than assumed in planning.

The € –11.8 million deviation from the forecast EBITDA is, on the back of a planned material usage ratio of 52.7%, due to an amount of € –6.2 million from the lower gross profit due to the fact that total operating performance was € –13.1 million below planned. In addition, the actual material usage ratio for fiscal 2015 was 54.7%, two percentage points above planned, which resulted in a further negative deviation from the planned EBITDA of € –6.7 million. This is partly due to the fact that in fiscal 2015 work was still carried out on completing old projects that had been assessed as loss-free in the "Smart Buildings" segment, but no further contribution margin was achieved from them. In addition, effects from developing new forward-looking business segments during the piloting phase of these projects reduced the material usage ratio in the short term, in particular in the "Critical Infrastructure" segment. In addition, closure of the business operations of Avalan GmbH meant that existing projects had to be completed in the fourth quarter of 2015 using third-party services to a greater extent, which likewise increased the material usage ratio. There was also a more unfavorable margin mix compared with the previous year in parts of product and solution business. This effect is also attributable to the fact that completion of certain innovative and high-margin products extended into 2016.

On the other hand, there was non-budgeted other operating income of €1.0 million resulting from reversal of a conditional purchase price obligation due the fact that the agreed conditions for it did not arise. Netting out the other effects also gave a positive deviation of €1.0 million from the forecast EBITDA.

The reorganization costs with an impact on EBITDA in fiscal 2015 were € –6.8 million, € –4.5 million higher than envisaged in the original planning. This is due on the one hand to the fact that the closure costs with an impact on EBITDA for Avalan GmbH and euromicron NBG Fiber Optics GmbH, which totaled € –1.8 million, were not reflected in the original planning, since the decisions to close them were only taken in the course of fiscal 2015. The reorganization costs in the Critical Infrastructures segment (€ –0.2 million) had not been included in the original planning. In addition, the reorganization costs for euromicron Deutschland GmbH were € –1.0 million above plan, which is due in particular to the personnel measures adopted in December 2015. Moreover, the reorganization costs at the level of euromicron AG were € –1.5 million higher than planned, since in addition to the budgeted personnel measures there were also unplanned legal and consulting costs, costs in connection with the realignment of financing and IT costs.

We refer to the section "Development of the segments" in 2.3 "Net assets, financial position and results of operations" as regards segment-specific reporting on the forecasts.

4.2 Risk report and salient features of the risk management system

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 covers the consolidated accounting processes. 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

85%

of sales are generated in the German market, which is crucial to our success.

In principle, euromicron is dependent on positive economic trends in the Euro zone; as in the previous year, the German market accounts for around 85% of the company's sales and so is crucial to its success. Germany is also the place of activity of most of euromicron's subsidiaries, which benefit from investments in communications, security and data networks. Consequently, the development of the German market is of great significance for the overall Group's earnings. However, given the positive economic forecasts for 2016, the likelihood of potential economic risks occurring in the German market is assessed as being low. According to current assessments, the merely slow recovery in the economies of the Mediterranean region will not have any direct impact on the company. There are currently only few business relationships outside the European economies, which is why distortions there should not have any direct effects 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 and special solutions in niche markets 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 only one customer accounts for more than 10% of total sales (previous year: no customer). The risk of default by large customers is assessed as being low due to their very good creditworthiness. The risk of nonpayment is additionally reduced by factoring of some receivables from customers.

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 euromicron's technology 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 and the quality and quantity of support for them enhanced by enlisting the services of external development partners. As a result, innovativeness is of great importance for the euromicron Group's future economic development. Due to the continued investments in innovative new products and solutions, which is also reflected in the large proportion of capitalized development costs, only low risks to the Group's future earnings performance are seen in this area.

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. Many projects are initially funded up-front in part by the system houses. If a customer does not meet its payment obligations when a project is completed, the result may be financial losses, depending on the size of the project. However, the average default ratio for receivables at the Group in the past three years was below 0.1% of sales. In addition, there are clear stipulations that down-payments and partial invoices should be agreed when the project is accepted so that up-front financing is minimized.

The default ratio for receivables was below

0.1%

of sales in the past three years.

Further project risks are errors in costing or inadequate order processing. In order to minimize risks from project business, a standardized process was developed and implemented at various branch offices in 2015; it is to be rolled out comprehensively in all regions in 2016. It covers all aspects from the process for approval and acceptance of project orders, processes in implementation management, to standardization of project controlling. The general organizational conditions for that were created in fiscal 2015 by the merger of euromicron systems GmbH with euromicron solutions GmbH and the related foundation of the national system house euromicron Deutschland GmbH. A further increase in personnel in project controlling is planned. Moreover, project controlling will be integrated even more strongly in Group reporting in future and accompanied centrally. Thanks to the measures that have already been implemented and those additionally planned in 2016, the impact of risks from project business in subsequent years is regarded as manageable, with the result that project losses above and beyond the customary operational extent are not expected.

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.

A further significant financial risk at the euromicron Group is the earnings strength of its companies. Since the Group companies are part of the centrally managed cash pool of euromicron AG, it is necessary to ensure that there are no risks to financing of them through the cash pool. This is achieved by permanent and standardized finance management and reporting that constantly monitors and assesses the Group companies' activities and assigns measures to them, which is why the likelihood of this risk occurring is assessed as being low.

In fiscal 2015, the euromicron Group had sufficient funds to implement extensive reorganization measures, which will result in a lasting improvement in operating income and cash flow from operating activities from next year on. For example, strategically irrelevant, loss-making business segments that reduced the Group's earnings and liquidity in previous years were closed in 2015. In addition, the Group's structures were realigned in line with the strategy and market requirements. At the core of these reorganization measures was the new euromicron Deutschland GmbH, which was created by mergers within the Group in 2015. It is the largest system house in the euromicron Group and now has a national setup. The reorganization measures within euromicron Deutschland GmbH comprised in particular a reduction and restructuring of the workforce to reflect the requirements of the individual regions, optimization of the real estate structures and working capital, and creation of standardized controlling and IT structures. In addition, a core project for increasing efficiency is being implemented and will result in improvements in all subprocesses in the value chain of euromicron Deutschland GmbH's project business. The goal of these measures is in particular to optimize structures and processes so as to lastingly boost the earnings and financial strength of euromicron Deutschland GmbH and so of the euromicron Group.

So as to secure liquidity in future, euromicron AG needs to refinance the loans that will expire in fiscal 2016. In fiscal 2016, restructuring of funding will therefore be a key focus of the Executive Board's activities. A particular objective is to reconstruct some of the maturity loans to an amount of €15 million and overall increase the proportion of medium- and long-term funding by means of structured financing. Together with our financing partners, we are currently working on a structure that is tailored to the strategic realignment and related requirements of the euromicron Group. Alternatively, the Executive Board will take further measures to secure liquidity, if required, such as selling business assets. If the refinancing cannot be obtained in the planned period of time and/or to the required extent, the reorganization would be delayed.

As things stand at present, however, the Executive Board of euromicron AG – also based on assessments by external experts who are supporting the company in this financing process – expects that refinancing will be completed in the coming months and so the Group will secure the funding it needs. This assessment is based on the fact that all financing partners have indicated that they intend to continue their current commitment at euromicron and work with euromicron to develop a sustainable financing structure tailored to the Group's requirements. Moreover, all the financing partners agreed that a review of compliance with the key financial indicators at December 31, 2015, would not be conducted.

Procurement

As a producer, service provider and operator of IoT and Smart Industry solutions, there are procurement risks as regards the supply of raw materials and delay in delivery of complete technical components.

We counter them with organizational and contractual measures, as well as measures relating to purchasing strategy. There is close coordination between Purchasing, Controlling and Technology so that these measures are implemented efficiently and so costs can also be cut.

Our procurement management delivers the basis for qualified consulting in all portfolio groups. By pooling this expertise, we ensure that our customers and own companies benefit from the very best procurement channels and optimum terms and conditions.

That enables us to leverage synergies to the full, yet also minimize risks at the euromicron group and internal process costs.

Corporate

The departure of qualified personnel is a key risk at a technology group with a medium-sized character like euromicron, in particular in project business, which is highly reliant on the existing staff. That is why the Group offers its employees regular training and further development measures. By gaining systematic further qualifications to reflect needs, 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. In addition, the extensive Group-wide employee loyalty program formulated by the Executive Board and HR department in 2015 was rolled out by means of pilot projects and will be deployed throughout the euromicron Group in fiscal 2016. Due to our existing and planned extensive measures to ensure employees' loyalty and development, we believe the risk of losing highly qualified staff to be limited.

Personnel loyalty thanks to professional and personal further development.

The employee loyalty program will be deployed throughout the Group in 2016.

There are no legal risks from pending legal proceedings above and beyond current business.

In summary: In the assessment of the Executive Board, the currently known risks will probably have no significant impact on the net assets, financial position and results of operations of euromicron.

4.3 Opportunity report

The strategic focus "Enabling the Internet of Things" enables euromicron to open up a virtually unlimited market that is just starting to grow. euromicron's strategic markets are the business segments "Digital Buildings and "Smart Industry" (Smart Buildings segment) and "Critical Infrastructures" (Critical Infrastructures segment) (see also section 1.2 "Objectives and strategies"), since these are already core markets of euromicron.

IoT

opens up a virtually unlimited market that is just starting to grow.

Synergies between the technology companies and system integrators offer potential to improve earnings.

Systematic leveraging of synergies between technology companies and system integrators represents the greatest potential for improving the euromicron Group's results in the medium term. Whereas these synergies have been exploited mainly at the project level to date, this was done in fiscal 2015 by a centrally controlled innovation process for the entire euromicron Group. This central Business Development function at euromicron, whose staff will be strengthened further in 2016, is tasked with gearing the solution portfolio to the target markets and systematically creating synergies between the associated companies. This will result in further differentiation on the market in the medium term and lastingly increase the margins that can be achieved. Initial cross-company innovation projects were launched in fiscal 2015.

Apart from these market-related opportunities, one of our main goals is still to increase efficiency, especially in project business. The initiated measures described in the risk report mean there are great opportunities in future to increase profitability in project business and so help improve results further.

We will reduce the working capital ratio again in 2016.

Further opportunities for euromicron lie in rigorously continuing and expanding the measures initiated in 2015 to reduce working capital and so the Group's tied-up capital. The Group aims to follow up the successes it achieved in 2015 – reflected in a lower working capital ratio and so better cash flow from operating activities – by reducing the working capital ratio significantly again in fiscal 2016. That will also have a positive impact on the euromicron Group's liquidity situation.

Following the realignment of our strategy and the reorganization measures derived from that, a major focus in 2016 will be on professionalizing and optimizing our sales activities. We will therefore continue to expand key account management at our Group for important customers and target industries.

SMART SERVICES

We will offer innovative service concepts under this name.

One strategic objective is to increase the share of services in our solution portfolio. To enable that, we intend to further standardize and professionalize our service structures and processes at the euromicron Group in 2016. Under the euromicron product group "Smart Services", we will launch new innovative service concepts for the IoT market that enable operation of digital infrastructures. Our aim in that is to help customers in the digital transformation of their business processes, strengthen their loyalty to euromicron and so increase our profitability lastingly.

4.4 Forecast for fiscal 2016

Taking into consideration the opportunities and risks we have presented, sales growth in the medium single-digit percentage range is expected for 2016, despite the fact that non-strategic business segments were discontinued in the previous year. Sales for 2016 are expected to be in a range between €350 and €370 million.

An operating EBITDA margin for 2016 of between 4.5% and 5.5% is planned. That is a significant increase over 2015.

The planned increase in operating earnings in 2016 will result in particular from the increase in the operating EBITDA margin of the Smart Buildings segment on the back of positive effects from the reorganization measures at euromicron Deutschland GmbH in 2015 and the fact that new products from the technology companies in that segment will be ready for the market. In addition, there will no longer be the negative contribution to earnings in 2016 from the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH that were shed in 2015.

Some of the reorganization measures initiated in the past year will only be completed in fiscal 2016. These measures will probably reduce the EBITDA reported by the Group in 2016 by around €2–3 million. Overall, however, the reported EBITDA margin will almost double year on year.

After the reduction in the working capital ratio (defined as working capital relative to sales) by 1.4 percentage points to 17.8% in 2015, it is to be cut to below 15% in 2016 by the continuation and further intensification of working capital management up to the end of 2016.

We expect a further significant improvement in our profitability in the coming years. We assume that we will post an EBITDA margin at the lower end of our medium-term target of 8% to 11% in 2018.

This forecast is based on the assumption of a positive economic development in the Federal Republic of Germany and in the general conditions in the IT/ICT industry in 2016, as presented in section 2.1 “General economic and industry-specific conditions”. 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.

5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE CONSOLIDATED ACCOUNTING PROCESS

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. It is integrated in the risk management system of the overall Group, which is described in detail in section 4. under “Risk report and salient features of the risk management system”.

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 recognized, measured and reported accurately in the consolidated financial statements. Optimization of structures and processes in system house business and cross-Group projects were continued in 2015 to harmonize and standardize implementation management and project controlling at the project companies. In addition, a further increase in personnel in project controlling is planned. Moreover, project controlling will be integrated even more strongly in Group reporting in future and accompanied centrally. 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 “four 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 the four 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. The suitability and effectiveness of the internal control system are also examined constantly by the work of the Internal Auditing department.

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. We refer you in this regard to the comments in section 4.2. under "Risk report and salient features of the risk management system".

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 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 any derivate financial instruments in the balance sheet. The data, which is provided by other organizational units, is subjected to a plausibility check in Accounting before being further processed as part of preparation of the consolidated financial statements.

At the euromicron Group, the segments are assessed among other things by their achievement of earnings- or cash flow-based targets. 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. 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.

6. CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A HGB (GERMAN COMMERCIAL CODE)

2015 Corporate Governance Report and corporate governance declaration in accordance with Section 289a HGB (German Commercial Code)

The corporate governance declaration in accordance with Section 289a HGB (German Commercial Code) can be found in the 2015 Corporate Governance Report, which is available at all times on the homepage of euromicron AG at http://www.euromicron.de/en/investor-relations/corporate-governance-code-15.

7. 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 – with the exception explained below – the recommendations of the German Corporate Governance Code (DCGK) in the version dated June 24, 2014, which was published on September 30, 2014, or as of June 12, 2015, in its amended version dated May 5, 2015. It explains the level and structure of compensation for the respective members of the Executive Board. In addition, it specifies the principles for and level of compensation for the members of the Supervisory Board.

In accordance with the recommendation in Section 4.2.5 (3) and (4) DCGK that was newly introduced in the 2013 version, the compensation for Executive Board members is to be disclosed in individualized form using model tables for fiscal years starting after December 31, 2013. The model tables in the Code's appendix are to be used for disclosing this information. The company currently deviates from Section 4.2.5 (3) and (4) of the Code. The compensation for Executive Board members is disclosed in compliance with statutory provisions. The company has not provided any further disclosures on or breakdowns of the compensation using the model tables due the work involved in this change and the extra administrative overhead in 2015.

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 oriented toward 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) 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")).

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, who departed in March 2015, was higher than that of the other member of the Executive Board. The new Executive Board members who have held office since April 2015 each receive identical fixed compensation. 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 EBITDA and is calculated taking the Group's business results into account. In addition, the compensation of Executive Board members includes variable components that are measured on the basis of the achievement of qualitative targets. An upper limit (cap) avoids entitlement to an excessively high bonus in the event of highly positive developments.

In addition, the system for compensation for the Executive Board includes variable components with a multi-year basis of assessment (LTI). For the contribution made to increases in the company's value, the Executive Board members can receive a long-term compensation component geared to the individually agreed targets. Payment of it will be due after the consolidated financial statements for the final year of the performance period have been approved; annual payments on account will be set off against this.

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.

For their work in fiscal year 2015, the individual members of the Executive Board received the following payments:

The total compensation for all members of the Executive Board was €1,038 thousand. The performance-unrelated, fixed basic compensation accounted for €721 thousand (plus other non-cash compensation of €25 thousand) and the variable, performance-related compensation for €317 thousand.

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

- Dr. Willibald Späth (until March 23, 2015): €157 thousand (performance-unrelated compensation €157 thousand, including €7 thousand in other remuneration, performance-related compensation €0 thousand and €0 thousand from the variable component with a long-term incentive effect).
- Thomas Hoffmann (until May 8, 2015): €176 thousand (performance-unrelated compensation €143 thousand, including €9 thousand in other remuneration, performance-related compensation €22 thousand and €11 thousand from the variable component with a long-term incentive effect).
- Bettina Meyer (since April 1, 2015): €354 thousand (performance-unrelated compensation €212 thousand, including €6 thousand in other remuneration, performance-related compensation €104 thousand and €38 thousand from the variable component with a long-term incentive effect).
- Jürgen Hansjosten (since April 1, 2015): €351 thousand (performance-unrelated compensation €209 thousand, including €3 thousand in other remuneration, performance-related compensation €104 thousand and €38 thousand from the variable component with a long-term incentive effect).

The fixed compensation for Dr. Willibald Späth was paid until March 31, 2015, after he ended his work on the Executive Board effective March 23, 2015.

In connection with the termination by mutual consent of the work of Mr. Thomas Hoffmann on the Executive Board effective May 8, 2015, it was agreed to end his contract of employment effective July 31, 2015. The contractual payments and benefits were still granted up to that date.

No compensatory or special payments were made in connection with the ending of the work of Dr. Späth and Mr. Hoffmann on the Executive Board.

Due to the fact that the contractually agreed thresholds were not reached, the provisions of €417 thousand for variable components with a long-term incentive effect set up for departed Executive Board members were reversed in fiscal 2015. Of this figure, €405 thousand were set up for entitlements on the part of Dr. Späth and €12 thousand for entitlements on the part of Mr. Hoffmann.

In addition, bonus entitlements of the departed Executive Board members from 2014 totaling €260 thousand (net payment amount) were offset by claims by euromicron AG for recovery of excess bonuses paid in previous periods in fiscal 2015. Of this figure, €177 thousand were set up for bonus entitlements on the part of Dr. Späth and €83 thousand for bonus entitlements on the part of Mr. Hoffmann.

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 2015, 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 of members of the Supervisory Board is governed by the Articles of Association of euromicron AG. Apart from being reimbursed for their outlays, the members of the Supervisory Board receive a fixed annual remuneration of €30 thousand. The Chairman of the Supervisory Board receives double and his/her deputy one-and-a-half times the fixed remuneration. The overall compensation for the Supervisory Board for 2015 in accordance with the Articles of Association was thus €135 thousand, which is broken down as follows:

- Dr. Franz-Stephan von Gronau: €60 thousand
- Josef Martin Ortolf: €45 thousand
- Dr. Andreas de Forestier: €30 thousand

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 €42 thousand was paid for the services.

8. DISCLOSURES IN ACCORDANCE WITH SECTION 315 (4) HGB (GERMAN COMMERCIAL CODE)

a.) The subscribed capital of euromicron AG on the balance sheet date comprises 7,176,398 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

The General Meeting on May 14, 2014, adopted a resolution to create new authorized capital totaling €9,173,770.00. Under it, the Executive Board is authorized to increase the capital stock of euromicron AG by May 13, 2019, by up to a total of €9,173,770.00 on one or more occasions with the approval of the Supervisory Board by issuing new registered shares in exchange for cash or non-cash contributions. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right. The previously existing authorized capital, which was still €1,310,541.28 following its partial use for the capital increase, was rescinded.

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

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2015.

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

Frankfurt/Main, March 22, 2016

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

CONSOLIDATED FINANCIAL STATEMENTS FRS

AUDITOR'S REPORT

Following the final results of our audit, we have issued the following unqualified audit dated March 23, 2016:

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, 2015. 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 23, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk	ppa. Diana Plaum
Wirtschaftsprüfer	Wirtschaftsprüfer

BALANCE SHEET

of the euromicron Group as of December 31, 2015 (IFRS)

Assets 015

	Note	Dec. 31, 2015	Dec. 31, 2014	Change
		€ thou.	€ thou.	€ thou.
Noncurrent assets				
Goodwill	(1)	108,217	113,479	–5,262
Other intangible assets	(1)	17,520	20,795	–3,275
Property, plant and equipment	(1)	15,306	14,121	1,185
Other financial assets	(1)	733	888	–155
Other assets	(1)	61	85	–24
Deferred tax assets	(2)	120	1,370	–1,250
		141,957	**150,738**	**–8,781**
Current assets				
Inventories	(3)	30,763	29,024	1,739
Trade accounts receivable	(4)	33,248	33,731	–483
Gross amount due from customers for contract work	(4)	47,480	52,070	–4,590
Claims for income tax refunds	(4)	1,496	1,202	294
Other financial assets	(4)	2,879	2,971	–92
Other assets	(4)	2,304	2,078	226
Cash and cash equivalents	(5)	10,722	15,622	–4,900
		128,892	136,698	–7,806
		270,849	**287,436**	**–16,587**

Equity and liabilities

016

	Note	Dec. 31, 2015	Dec. 31, 2014	Change
		€ thou.	€ thou.	€ thou.
Equity				
Subscribed capital	(6)	18,348	18,348	0
Capital reserves	(6)	94,298	94,298	0
Gain/loss on the valuation of securities	(6)	0	98	–98
Currency translation difference	(6)	–2	–1	–1
Consolidated retained earnings	(6)	–16,010	–2,747	–13,263
Stockholders' equity		96,634	109,996	–13,362
Non-controlling interests	(6)	404	405	–1
Total equity		**97,038**	**110,401**	**–13,363**
Noncurrent liabilities				
Provisions for pensions	(7)	1,255	1,194	61
Other provisions	(7)	1,802	1,912	–110
Liabilities to banks	(8)	20,484	43,231	–22,747
Liabilities from finance lease	(8)	1,193	1,206	–13
Other financial liabilities	(8)	474	2,457	–1,983
Other liabilities	(8)	189	234	–45
Deferred tax liabilities	(9)	5,606	7,362	–1,756
		31,003	**57,596**	**–26,593**
Current liabilities				
Other provisions	(7)	2,081	1,748	333
Trade accounts payable	(8)	47,593	44,238	3,355
Gross amount due to customers for contract work	(8)	851	0	851
Liabilities from current income taxes	(8)	3,232	3,009	223
Liabilities to banks	(8)	44,307	19,888	24,419
Liabilities from finance lease	(8)	516	457	59
Other tax liabilities	(8)	7,141	6,039	1,102
Personnel obligations	(8)	8,876	9,127	–251
Other financial liabilities	(8)	24,838	29,086	–4,248
Other liabilities	(8)	3,373	5,847	–2,474
		142,808	**119,439**	**23,369**
		270,849	**287,436**	**–16,587**

INCOME STATEMENT

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Income statement 017

	Note	2015	2014
		€ thou.	€ thou.
Sales	(11)	**344,887**	**346,338**
Inventory changes		833	573
Own work capitalized	(12)	2,942	2,617
Other operating income	(13)	3,073	2,144
Cost of materials	(14)	–189,833	–182,468
Personnel costs	(15)	–107,875	–103,176
Other operating expenses	(17)	–47,104	–44,879
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**6,923**	**21,149**
Amortization and depreciation	(16)	–10,238	–9,702
Impairment of goodwill	(16)	–5,333	0
Earnings before interest and taxes (EBIT)		**–8,648**	**11,447**
Interest income	(18)	66	333
Interest expenses	(18)	–3,791	–4,012
Other financial expenses	(18)	–332	0
Income before income taxes		**–12,705**	**7,768**
Income taxes	(19)	–424	–4,924
Consolidated net loss/net income for the year		**–13,129**	**2,844**
Thereof attributable to euromicron AG shareholders		–13,253	2,576
Thereof attributable to non-controlling interests	(20)	124	268
(Un)diluted earnings per share in €	(21)	**–1.85**	**0.36**

STATEMENT OF COMPREHENSIVE INCOME

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Statement of comprehensive income 018

	Note	2015	2014
		€ thou.	€ thou.
Consolidated net loss/net income for the year		**–13,129**	**2,844**
Items to be subsequently recognized in profit or loss			
Gain/loss on the valuation of securities	(6)	–98	–79
Currency translation differences	(6)	–1	–1
Items not to be subsequently recognized in profit or loss			
Revaluation effects from pensions	(7)	830	–3,272
Other comprehensive income		**731**	**–3,352**
Total comprehensive income		**–12,398**	**–508**
Thereof attributable to euromicron AG shareholders		–12,522	–776
Thereof attributable to non-controlling interests		124	268

STATEMENT OF CHANGES IN EQUITY

of the euromicron Group as of December 31, 2015 (IFRS)

Statement of changes in equity

	Subscribed capital	Capital reserves	Contribution made to carry out the adopted capital increase
	€ thou.	€ thou.	€ thou.
December 31, 2013	**17,037**	**88,771**	**6,838**
Consolidated net income for 2014	**0**	**0**	**0**
Other comprehensive income			
Gain/loss on the valuation of securities	0	0	0
Currency translation differences	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**0**
Transactions with owners			
Transfer of the contribution made to carry out the adopted capital increase to the subscribed capital or capital reserves	1,311	5,527	−6,838
Transfer of profit shares for minority interests to liabiliites	0	0	0
Distributions to/drawings by minority interests	0	0	0
	1,311	**5,527**	**−6,838**
December 31, 2014	**18,348**	**94,298**	**0**
Consolidated net loss for 2015	**0**	**0**	**0**
Other comprehensive income			
Gain/loss on the valuation of securities	0	0	0
Currency translation differences	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**0**
Transactions with owners			
Distributions to/drawings by minority interests	0	0	0
	0	**0**	**0**
December 31, 2015	**18,348**	**94,298**	**0**

019

Consolidated retained earnings	Gain/loss on the valuation of securities	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
−2,052	**177**	**0**	**110,771**	**392**	**111,163**
2,577	**0**	**0**	**2,577**	**267**	**2,844**
0	−79	0	−79	0	−79
0	0	−1	−1	0	−1
−3,272	0	0	−3,272	0	−3,272
−3,272	**−79**	**−1**	**−3,352**	**0**	**−3,352**
−695	**−79**	**−1**	**−775**	**267**	**−508**
0	0	0	0	0	0
0	0	0	0	−129	−129
0	0	0	0	−125	−125
0	**0**	**0**	**0**	**−254**	**−254**
−2,747	**98**	**−1**	**109,996**	**405**	**110,401**
−13,253	**0**	**0**	**−13,253**	**124**	**−13,129**
0	−98	0	−98	0	−98
0	0	−1	−1	0	−1
830	0	0	830	0	830
830	**−98**	**−1**	**731**	**0**	**731**
−12,423	**−98**	**−1**	**−12,522**	**124**	**−12,398**
−840	0	0	−840	−125	−965
−840	**0**	**0**	**−840**	**−125**	**−965**
−16,010	**0**	**−2**	**96,634**	**404**	**97,038**

STATEMENT OF CASH FLOWS

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Statement of cash flows 020

	2015	2014
Note (22)	€ thou.	€ thou.
Income before income taxes	–12,705	7,768
Net interest income/loss	4,057	3,679
Depreciation and amortization of noncurrent assets	15,572	9,702
Disposal of assets, net	10	2
Allowances for inventories and doubtful accounts	1,771	1,882
Change in provisions	433	–537
Changes in short- and long-term assets and liabilities:		
– Inventories	–2,784	–1,432
– Trade accounts receivable and gross amount due from customers for contract work	4,598	–3,239
– Trade accounts payable and gross amount due to customers for contract work	4,148	–11,436
– Other operating assets	–368	–591
– Other operating liabilities	–5,122	–3,940
– Income tax paid	–2,147	–5,062
– Income tax received	791	4,596
– Interest paid	–3,727	–3,615
– Interest received	31	293
Net cash provided by/used in operating activities[1)]	**4,558**	**–1,930**
Proceeds from		
– Retirement of property, plant and equipment	65	52
Payments due to acquisition of		
– Intangible assets	–3,302	–3,374
– Property, plant and equipment	–3,959	–2,956
– Subsidiaries Purchase price payments of €2,672 thousand (previous year: €8,028 thousand) There are no (contingent) purchase price payments that have not yet been made (previous year: €2,510 thousand)	–2,672	–8,028
Net cash used in investing activities	**–9,868**	**–14,306**
Proceeds from raising of financial loans	18,338	31,390
Cash repayments of financial loans	–16,661	–38,202
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–1,267	–160
Net cash provided by/used in financing activities	**410**	**–6,972**
Net change in cash and cash equivalents	–4,900	–23,208
Cash and cash equivalents at the beginning of the period	15,622	38,830
Cash and cash equivalents at the end of the period	**10,722**	**15,622**
[1)] Adjusted for factoring effects:		
Net cash provided by operating activities:	**6,102**	**2,990***

*) The previous year's figure has been adjusted.

GENERAL DISCLOSURES

1. Description of business activities

euromicron AG (hereinafter referred to as the "company") is a registered stock corporation under German law whose shares are traded on the stock market and has its registered offices at Zum Laurenburger Hof 76, 60594 Frankfurt/Main, Germany. The euromicron Group unites medium-sized high-tech companies that operate in particular in the target markets of "Digital Buildings", "Smart Industry" and "Critical Infrastructures". As a German specialist for digital infrastructures, euromicron enables its customers to network business and production processes and so successfully move to a digital future. From design and implementation, operation, to intelligent services – euromicron supplies its customers with customized solutions for technologies, system integration and smart services and creates the IT, network and security infrastructures required for them. As a result, euromicron lets its customers migrate existing infrastructures gradually to the digital age. Thanks to this expertise, the euromicron Group helps its customers increase their own company's agility and efficiency, as well as develop new business models that lay the foundation for commercial success down the road.

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, 2015. All the mandatory standards at the balance sheet date were applied.

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

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal 2015: TABLE 021

IFRS standards as of 2015 021

	Standard/interpretation	Mandatory application in the EU	Adoption by the EU Commission
IFRIC 21	Levies	June 17, 2014	Yes
AIP	Annual improvements to IFRSs, cycle 2011–2013	January 1, 2015	Yes

IFRIC 21 "Levies"
IFRIC 21 contains regulations on recognition of obligations to pay public charges that are not levies within the meaning of IAS 12 "Income Taxes" and of amounts that are paid only on behalf of governments (in particular value-added tax). The interpretation clarifies in particular when obligations to pay such charges must be recognized as liabilities or provisions in the financial statements. The regulation on adoption of the interpretation by the EU ("endorsement") was published in the Official Journal of the EU on June 14, 2014. The mandatory date of adoption – contrary to the original regulation, which envisages adoption for reporting periods beginning on or after January 1, 2014 – for companies within the EU was modified, with the result that the interpretation must be applied to fiscal years that begin on or after June 17, 2014. First-time application of this interpretation did not have any effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to IFRSs, 2011–2013 cycle ("Improvements to IFRS")
The collection "Annual improvements to IFRSs, 2011 – 2013 cycle" contains amendments to the following IFRSs:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards"
- IFRS 3 "Business Combinations"
- IFRS 13 "Fair Value Measurement"
- IAS 40 "Investment Property"

The amendments to the individual IFRSs as part of the "Annual improvements to IFRSs, 2011 – 2013 cycle" are as follows:

IFRS 1 "First-time Adoption of International Financial Reporting Standards"
A change to the basis for conclusions clarifies the importance of the effective date in connection with IFRS 1. If there are two published versions of a standard at the time of transition to IFRS – namely a version that currently applies and one that is mandatory in future, but can already be applied voluntarily – first-time adopters of IFRSs will be free to choose which of the two versions to use. However, the chosen standard version – subject to differing regulations in IFRS 1 – must always be applied to all periods presented in the financial statements.

IFRS 3 "Business Combinations"
The amendment reformulates the existing exemption of joint ventures from the scope of application of IFRS 3. It clarifies that the exemption applies to all joint arrangements within the meaning of IFRS 11, as well as the fact that the exemption applies only to financial statements of the joint venture or joint arrangement itself and not to financing reporting at the parties involved in the joint arrangement. The change must be applied prospectively.

IFRS 13 "Fair Value Measurement"
IFRS 13.48 allows companies that control a group of financial assets and financial liabilities on the basis of their net market risk or counterparty credit risk to measure the fair value of that group in accordance with how market participants would measure the net risk exposure at the measurement date (portfolio exception). The proposed amendment clarifies that this exemption on measuring fair value applies to all contracts covered by the scope of IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 9 "Financial Instruments", even if they do not meet the definition of a financial asset or financial liability in IAS 32 "Financial Instruments: Presentation" (such as certain contracts to purchase or sell non-financial items that can be fulfilled by settlement in cash or other financial instruments). The change is applied prospectively from the beginning of the fiscal year in which IFRS 13 has been adopted for the first time.

IAS 40 "Investment Property"
The amendment clarifies that the scope of application of IAS 40 "Investment Property" and IFRS 3 "Business Combinations" are independent of each other, i.e. do not mutually exclude each other. In this regard, any acquisition of investment property must be examined on the basis of the criteria in IFRS 3 as to whether it relates to acquisition of a single asset, a group of assets or a business within the scope of application of IFRS 3. In addition, the criteria of IAS 40.7 et seq. must be applied in order to establish whether it is investment property or owner-occupied property. In principle, the change applies prospectively to all acquisitions of investment property made as of the beginning of the first period in which the change is applied for the first time, which means that it is not necessary for the previous years' figures to be adjusted. The change can be applied voluntarily to individual previous acquisitions if the information required is available.

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 regulation on adoption of the "Annual improvements to IFRSs" by the EU ("endorsement") was published in the Official Journal of the EU on December 19, 2014. The changes must be applied to fiscal years beginning on or after January 1, 2015. They can be applied before then. First-time application of these amendments did not have any effects on the consolidated financial statements.

The following new or changed accounting regulations of the IASB have recently been adopted. However, since their application is not yet 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, 2015: TABLE 022

IFRS standards to be applied in future (2015) 022

	Standard/interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 1	Disclosure Initiative (amendment)	January 1, 2016	Yes
IAS 7	Disclosure Initiative (amendment)	January 1, 2017	No
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses (amendment)	January 1, 2017	No
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization (amendment)	January 1, 2016	Yes
IAS 16 and IAS 41	Bearer Plants (amendment)	January 1, 2016	Yes
IAS 19	Defined Benefit Plans: Employee Contributions (amendment)	February 1, 2015	Yes
IAS 27	Equity Method in Separate Financial Statements of an Investor (amendment)	January 1, 2016	Yes
IFRS 9	Financial instruments	January 1, 2018	No
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	n/a	No
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (amendment)	January 1, 2016	No
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (amendment)	January 1, 2016	Yes
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	No
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	No
IFRS 16	Leases	January 1, 2019	No
AIP	Annual improvements to IFRSs, cycle 2010 – 2012	February 1, 2015	Yes
AIP	Annual improvements to IFRSs, cycle 2012 – 2014	January 1, 2016	Yes

Amendment to IAS 1 "Presentation of Financial Statements":
Disclosure Initiative
The amendment to IAS 1 "Presentation of Financial Statements" adopted as part of the Disclosure Initiative on December 18, 2014, comprises in particular clarifications on assessing the materiality of disclosures in financial statements, the presentation of additional items in the balance sheet and statement of comprehensive income, presentation of other comprehensive income for associated companies and joint ventures recognized using the equity method, the structure of disclosures in the notes and presentation of the applicable accounting methods. The regulation on adoption of the amendments to "IAS 1 – Presentation of Financial Statements" by the EU ("endorsement") was published in the Official Journal of the EU on December 19, 2015. The changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

Amendment to IAS 7 "Statement of Cash Flows":
Disclosure Initiative
As part of its Disclosure Initiative, the IASB published an amendment to IAS 7 "Statement of Cash Flows" on January 29. Under this amendment, the financial statements are to

include a reconciliation showing the development of those outside capital items in the balance sheet during the period under review whose cash changes have to be recognized in the net cash used in/provided by financing activities in the statement of cash flows. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2017. Voluntary early adoption – subject to a still outstanding endorsement – is permitted. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IAS 12 "Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses"

On January 19, 2016, the IASB published an amendment to IAS 12 "Income Taxes" that clarifies the recognition of deferred tax assets for unrealized losses from available-for-sale financial assets.

The amendment to IAS 12 clarifies that deferred tax assets must be recognized for deductible temporary differences resulting from unrealized losses from available-for-sale financial assets in the form of debt instruments if the company has the ability and the intention to hold the securities until they recover their value (if applicable to their maturity). It also clarifies that there must be positive taxable income before reversal of the the deductible temporary differences before the deferred tax assets can be used, unless there are sufficient deferred tax liabilities. Accordingly, realization of a value above the IFRS carrying amount is conceivable for estimating the future taxable income, if there is adequate proof that that is probable.

The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2017. Voluntary early adoption – subject to a still outstanding endorsement – is permitted. Any effects on the consolidated financial statements are still being examined at present.

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

The amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" adopted on May 12, 2014, contain guidelines on the methods to be applied for depreciation of property, plant and equipment and for amortization of intangible assets. According to them, the revenue-based method is not an acceptable method of depreciation and amortization under IAS 16. This also applies refutably and analogously for IAS 38. The regulation on adoption of the amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" by the EU ("endorsement") was published in the Official Journal of the EU on December 3, 2015. These changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

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

Under the amendments to the IAS 16 and IAS 41 standards published on June 30, 2014, bearer plants, such as grape vines, banana trees and oil palms, will be covered by IAS 16 in future. The regulation on adoption of the amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" by the EU ("endorsement") was published in the Official Journal of the EU on November 24, 2015. These changes must be applied to fiscal years beginning on or after January 1, 2016. Voluntary early adoption is permitted. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IAS 19 "Employee Benefits": Defined Benefit Plans: Employee Contributions

The IASB published an amendment to IAS 19R in November 2013. The amendment adds an option relating to accounting of defined benefit plans to which employees (or third parties) make obligatory contributions to the standard. Taking into account the now published amendment to IAS 19R, it is acceptable to continue to recognize employee contributions that are related to service and not to the number of years of service in the period in which the corresponding service is performed, without following the described method of calculation and distribution using the projected unit credit method. The regulation on adoption of the amendments to IAS 19R (2011) by the EU ("endorsement") was published in the Official Journal of the EU on January 9, 2015. The changes must be applied to fiscal years beginning on or after February 1, 2015. Voluntary early adoption is permitted. Their first-time application will probably have no effects on the consolidated financial statements.

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

The amendments to IAS 27 "Separate Financial Statements" published on 12, 2014, readmits the application of the equity method as an option for carrying interests in subsidiaries, associated companies and joint ventures in the separate financial statements of an investor. There is still (as before) the option of recognizing them at amortized acquisition cost or in accordance with IAS 39 or IFRS 9. The regulation on adoption of the amendments to "IAS 1 – Presentation of Financial Statements" by the EU ("endorsement") was published in the Official Journal of the EU on December 23, 2015. The changes come into effect for fiscal years beginning on or after January 1, 2016. Voluntary early adoption is permitted. Their first-time application will have no effects on the consolidated financial statements.

IFRS 9 "Financial Instruments"

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

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

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

There is the irrevocable possibility of applying an FVOCI option for equity instruments provided the respective instruments are not held for trading. The amounts recognized in other comprehensive income are not transferred to the income statement for these instruments (no recycling).

The classification of financial liabilities has not changed compared with IAS 39. Only the regulations relating to a change to the own credit risk for financial liabilities measured at fair value using the fair value option have changed. They have to be recognized in the other comprehensive income.

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

Consequently, a risk provision for expected payment losses must now generally be formed in accordance with IFRS 9. In order to determine the extent of provisions for risks, there is a three-steps model under which following the initial recognition generally the expected losses for the following 12 month period have to be recognized, and, in the event of a significant deterioration in the credit risk, the anticipated total losses are to be recognized.

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

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

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

The new standard must be applied to fiscal years beginning on or after January 1, 2018. Generally IFRS 9 must be applied retrospectively; however, various simplification options are granted. They can be applied before then voluntarily. Any effects on the consolidated financial statements are still being examined at present.

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

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

The changes should be applied prospectively as of January 1, 2016. However, the IASB specified in December 2015 that the mandatory first-time-adoption date can be postponed for an indefinite period, as proposed in an exposure draft published in August 2015. However, voluntary early adoption of the regulations is still acceptable. The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" have not been endorsed by the EU, accordingly they are not yet applicable to entities that report in accordance with IFRS as adopted by the EU.

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

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

These changes must be applied to fiscal years beginning on or after January 1, 2016. Voluntary early adoption is permitted. Any effects on the consolidated financial statements are still being examined at present.

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

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

The regulation on adoption of the amendments to "IFRS 11 – Joint Arrangements" by the EU ("endorsement") was published in the Official Journal of the EU on November 24, 2015. The changes must be applied prospectively to the acquisition of interests in fiscal years beginning on or after January 1, 2016. Voluntary early adoption is permitted. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 14 "Regulatory Deferral Accounts"

The standard introduces an optional exemption for first-time adopters in accordance with IFRS 1 with which, subject to restrictive conditions, these companies can continue the recognition of regulatory deferral accounts from price regulation on the basis of their existing accounting principles. The new standard is intended as an interim solution until there are final extensive provisions on accounting of rate-regulated activities. As part of the extensive project, a discussion paper was published in September 2014 as part of the ongoing IASB research project. The EU's endorsement process was not carried out by the EU commission for the interim standard IFRS 14, since a decision was taken to wait for the final standard. Voluntary early adoption of the regulations is permitted. It is still open as to when the regulations can be expected to be endorsed by the EU. First-time adoption of the regulations will not have any effects on the consolidated financial statements, since their application is only envisaged for first-time adopters of IFRSs and companies that already report using IFRSs are exempted from applying it.

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 15 contains particularly extensive regulations on recognition of revenue from contracts with different service components (multi-component contracts). Under these regulations, revenue must be recognized if the customer has obtained control of the agreed goods and services and can obtain benefits from them. The revenue must be measured at the amount of consideration which an entity expects to receive. The new model envisages a five-step framework to determine revenue recognition, under which the customer contract and the separate performance obligations in it must first be identified. The transaction price for the customer contract must then be determined and allocated to the individual performance obligations. Finally, under the new model, revenue to the amount of the allocated pro-rata transaction price must be recognized for each performance obligation, as soon as the agreed obligation has been satisfied or the customer has obtained control of it. A distinction must be made here – on the basis of defined criteria – between whether the performance obligation is satisfied at a point in time or over time. The new standard does not differentiate between different types of contract and performance, but defines uniform criteria on when performance has to be recognized as being at a point in time or over time. In addition, IFRS 15 expands existing disclosure requirements and introduces extensive qualitative and quantitative disclosures on contracts with customers, the main discretionary decisions and subsequent changes to them, and assets resulting from capitalized costs for obtaining or fulfilling contracts with customers so as to provide more useful information for decision-making for the target audience of the financial statements.

In July 2015, the IASB published the exposure draft ED/2015/6, which envisages clarification of the following issues in IFRS 15:

- Identifying performance obligations (delimitation in the context of a contract)
- Principal versus agent consideration (principles for differentiating between a principal and agent)
- Licensing (determination of the type of license and sales-based and use-based license fees) and
- Transition regulations (exemption for retrospective application of IFRS 15).

In September 2015, the IASB also published an amendment to the standard, under which the mandatory date of first-time adoption of the standard is postponed to fiscal years beginning on or after July 1, 2018. Voluntary early adoption of the regulations is permitted. The effects of the new standard on the consolidated financial statements are still being examined at present.

IFRS 16 “Leases”

On January 13, 2016, the IASB published its long-awaited standard on future lease accounting “IFRS 16 – Leases”. IFRS 16 thus replaces the previous regulations of IAS 17 – “Leases” and related interpretations (IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases: Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”).

Under the new regulations, the lessee must prospectivly recognize all leases in the balance sheet in the form of a right of use and corresponding lease liability. They are presented in the income statement as a financing transaction, i.e. the right of use is regularly amortized using the straight-line method and the lease liability amortized using the effective interest method. Only leases with a total maximum term of twelve months and leases for low-value assets (IT equipment and operating and office equipment with a value when new of up to USD 5,000, if they are not closely linked to other assets) are exempted from being recognized in the balance sheet. In these cases, the lessee can elect to recognize the assets in a similar way as for the previous operating lease under IAS 17 “Leases”.

The new standard does not contain any major changes for lessors. The IASB has adopted the regulations of IAS 17 for lessors in the new standard almost without any changes. As a result, the lessor still classifies every lease from the aspect of risk and reward, for the purpose of both financial statement presentation and recognition in the income statement. As a result, there is no longer a corresponding accounting treatment between the lessor and lessee.

In addition, the IASB has established the control principle established in IFRS 10 "Consolidated Financial Statements" and IFRS 15 "Revenue from Contracts with Customers" in IFRS 16 "Leases". Accordingly, a contract will prosprectivly constitute a lease, if fulfillment of the contract depends on use of an identified asset and the contract also gives the customer the right to control the use of that asset.

Further changes from previous regulations relate to sale and leaseback transactions, in which in a first step it is necessary to assess where there is a sale in accordance with IFRS 15 "Revenue from Contracts with Customers", which did not have to be taken into account under IAS 17 "Leases". In addition, IFRS 16 contains amended regulations on the separation of lease and service components, accounting in the event of modification to existing contracts, and a significant expansion in disclosure obligations on the part of both the lessor and lessee.

Subject to its EU endorsement, IFRS 16 must be applied for the first time to fiscal years beginning on or after January 1, 2019. It can be implemented earlier, but that requires simultaneous application of the revenue recognition regulations in IFRS 15. The effects of the new standard on the consolidated financial statements are still being examined at present.

Annual Improvement Project (AIP) – Annual improvements to IFRSs, 2010-2012 cycle ("Improvements to IFRS")
Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after February 1, 2015. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to IFRSs, 2012–2014 cycle ("Improvements to IFRS")
Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

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

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

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

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

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

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

Foreign currency transactions are translated into the functional currency at the exchange rates at the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement.

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

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

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

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

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

The financial statements of euromicron AG and its German and foreign subsidiaries included in the consolidated financial statements have been prepared in accordance with Group-wide accounting and measurement methods.

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

The Group renounces the elimination of intercompany profits in inventories and noncurrent assets since the amounts that would result are of minor importance.

Company acquisitions

Acquired subsidiaries are accounted for using the purchase method of accounting in accordance with IFRS 3. The consideration transferred for the acquisition correspond to the fair value of the assets transferred, of the issued equity instruments and the liabilities assumed at the time of the transaction. They also include the fair values of any recognized assets or liabilities resulting from a contingent consideration. Identifiable assets, liabilities and contingent liabilities as part of a business combination are upon initial recognition measured at their fair value at the time of acquisition. Any positive difference remaining after allowance for deferred taxes is recognized as goodwill and presented under the intangible assets.

If the transferred consideration is less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the income statement.

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

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

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

Intangible assets – Goodwill

Goodwill from business combinations is not amortized, but is tested for impairment at least once a year in accordance with the regulations of IAS 36 (impairment test). euromicron tests goodwill for impairment every year at December 31 of the respective year. An impairment test is also conducted if there are indications or circumstances (triggering events) indicating that there may be an impairment.

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 of retirement and value in use of a CGU. Since 2015, the fair value less costs of retirement has been used for the purposes of the impairment test at the euromicron Group. The fair value 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). The value in use was applied in impairment tests conducted before fiscal 2015.

In order to determine the fair value less costs of retirement, for the groups of cash-generating units, cashflows for the next five years were forecast on the basis of past experience, current operating results and management’s best-possible assessment of future developments, as well as on market assumptions. The 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. 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 and purchase prices. The planning figures are updated for subsequent years using a long-term growth rate of 1%. The fair value determined for the groups of cash-generating units was assigned to level 3 in the hierarchy of fair values.

Other intangible assets

The other intangible assets comprise concessions, industrial and similar rights, brand names, capitalized development costs and self-developed software. Other intangible assets are recognized at cost and amortized using the straight-line method, on the basis of the following useful lives: TABLE 023

Useful lives of other intangible assets 023

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

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

In the case of self-developed intangible assets, development costs are capitalized in accordance with IAS 38, provided the expenses can be clearly assigned, technical feasibility is ensured, there is the intention and ability to create and sell the intangible assets, and marketing of products based on development work is likely to result in future cash inflows.

Capitalized development costs and own work capitalized for self-developed software and IT solutions include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs.

Research expenditure – where incurred – is recorded as an expense, but is not material in the euromicron Group.

Property, plant and equipment

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

Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives: TABLE 024

Useful lives of property, plant and equipment 024

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

Financing costs are capitalized as 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 get ready for its intended use or sale. There were no capitalized borrowing costs in accordance with IAS 23 in the current or the previous fiscal year.

Impairment of noncurrent assets

Noncurrent assets (other intangible assets and property, plant and equipment) are tested for impairment if, due to events or changes in circumstances, there are indications that the carrying amount can no longer be recovered (triggering events). As part of the impairment test, assets are grouped at the lowest level for which cash flows can be separately identified (CGU). The recoverable amount is the higher of its fair value less costs to sell and its value in use. The fair value of the asset is the price that would be obtained for the asset on the measurement date in an arm's lenght's transaction between market participants.

Value in use is the present value of the estimated future cash flow expected to be derived from continued use of an asset and its retirement at the end of its useful life. If the reasons impairments recognized in earlier reporting periods no longer exist, the assets – with the exception of goodwill – are written up again.

Leasing

If, in accordance with IAS 17, the lessee bears the main risks and reward in relation to leased assets, economic ownership is assingned to the lessee ("finance lease"). In the case of the assets leased by the euromicron Group, the leased asset under a finance lease is recorded upon its initial recognition at the lower of its fair value or the present value of the minimum lease payments. Capitalized leased assets are depreciated using the straight line method over their scheduled useful lives or over the lease agreement's term. The corresponding liability to the lessor is recognized at the same amount under "Liabilities from finance lease" upon initial recognition and amortized by means of the effective interest method.

If the main risks and rewards from a lease remain with the lessor, this constitutes an operating lease. Payments in connection with an operating lease are recognized in the income statement on a straight-line basis over the term of the lease.

When the euromicron Group leases out assets in a finance lease, the present value of the minimum lease payments is recognized as the lease receivable. The difference between the gross receivable (minimum lease payments before discounting) and the present value of the receivable is recognized as unrealized financial income. Lease contracts are recognized over the term of the lease in income in such a way that there is a constant interest rate on the leasing receivable.

Assets that are leased by the euromicron Group as part of an operating lease are allocated on the balance sheet on the basis of their nature. Income from operating leases is recognized on a straight-line basis over the term of the lease.

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

Construction contracts
The euromicron Group's portfolio includes project companies that report project and installation services running beyond the key date in their balance sheet. Sales and earnings for projects that run beyond the key date and whose costs and pro-rata profit can be clearly identified are recognized using the percentage of completion (PoC) method in accordance with IAS 11. The input-oriented cost-to-cost method is used to determine the percentage of completion, which is calculated by comparing the contract cost incurred at the respective balance sheet date to the total contract cost. In general, only contract cost that reflect the progress of the service are included in these costs. The project progress at the respective balance sheet date and the recognition of revenues is determined based on the cost and contribution margin budgeting for each project. Management of the project companies regularly examines the estimates of the project contracts, including potential default risks and the costs still to be incurred in the project, which are required to be estimated properly in order to determine the overall success of a project with sufficient reliability. The PoC sales revenues determined using the cost-to-cost method are derived from the contract costs incurred up to the balance sheet date plus a pro-rata profit.

The balances of projects running beyond the key date are reported in the separate balance sheet items "Gross amount due from customers for contract work" and "Gross amount due to customers for contract work". They are presented net of the partial settlements covered by the services provided up to the key date.

Financial assets
In principle, financial assets are allocated into the following categories:

a) At fair value through profit or loss,

b) Loans and receivables,

c) Held to maturity investments and

d) Available for sale.

The classification depends on the purpose for which the respective financial asset was acquired. Management defines the classification of financial assets upon initial recognition.

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

Financial assets in the "Available for sale" category are initially recognized at their fair value. Related transaction costs are recognized in profit or loss in the case of equity instruments. After initial recognition, financial assets in the category "Available for sale" are measured at fair value. Changes in the fair value of financial assets in the "Available for sale" category are generally recognized under "other comprehensive income" (OCI), unless a sustainable impairment is determined.

If securities classified as "Available for sale" are sold, the accumulated changes in fair value previously recognized under other comprehensive income are recognized in the income statement.

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

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

Impairments of financial assets

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents are measured at nominal value.

Current and deferred taxes

The tax expense for the period is composed of current and deferred taxes. Taxes are recognized in the income statement, unless they relate to items that are recognized directly in equity or in other comprehensive income. In that case, the taxes are likewise recognized in equity or in other comprehensive income. The current tax expense is calculated using the tax regulations that apply (or are soon to apply) on the balance sheet date for the countries in which the company and its subsidiaries earn taxable income.

Deferred taxes are formed on temporary differences in carrying values between the consolidated balance sheet and tax balance sheet and on loss carryforwards using the liabilities method in accordance with IAS 12. In this, deferred taxes at the level of the individual companies and from consolidated effects are taken into account.

Deferred tax assets are recognized to the extent that is it probable that there will be a taxable result in future. The tax rates that are enacted or can be expected to be enacted on the balance sheet at the time of realization are used to calculate deferred taxes. In general, deferred taxes are presented in the noncurrent balance sheet items.

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

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

Equity

Equity comprises the shares in euromicron AG. There are no preference shares or shares with a mandatory repayment of the nominal amounts.

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

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

Liabilities

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

When recognized for the first time, liabilities are measured at fair value. Current liabilities are measured at their repayment amount or settlement amount. Long-term debt is measured at its amortized cost. The amortized costs are determined using the effective interest method.

Financial liabilities

Financial liabilities can basically be split into two categories:

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

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

When recognized for the first time, financial liabilities at fair value through profit or loss are measured at fair value, minus directly attributable transaction costs. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Changes to fair value are recognized in the period they occur in the income statement. All other financial liabilities are measured in subsequent periods at amortized cost using the effective interest method. Financial liabilities are derecognized on the balance sheet only if they have been repaid, i.e. if the underlying obligation has been fulfilled or canceled or has elapsed.

Provisions for pensions and similar obligations

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

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

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

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

Past service costs are recognized immediately in the income statement.

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

New valuations due to experience adjustments and changes to actuarial assumptions are recognized in equity under other comprehensive income in the period in which they occur.

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

Other provisions
Provisions are recognized in the case of a current legal or constructive obligation to third parties from a past event where utilization is probable and the expected amount of the necessary provision can be measured reliably. The provisions are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Provisions are reversed against the expense item where the original allocation to a provision was recognized. If the discounting effect for long-term provisions is material, the provisions are recognized at the present value of the anticipated future cash flows.

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

3. Discretionary decisions and uncertainties in estimates

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

Predictive estimates and assumptions are essentially made for the following:

- Measurement of goodwill: €108,217 thousand (previous year: €113,479 thousand)

  Goodwill is tested for impairment every year and as warranted (event-driven test). As part of this impairment test, specific measurement parameters, such as future sales growth and future EBITDA margin, are estimated, with management making assessments as regards the development of markets, market share and prices. We refer in this regard to the notes on the consolidated balance sheet, section 1.(a).

- Measurement of capitalized development costs: €8,594 thousand (previous year: €9,572 thousand)

  We refer in this regard to the notes on the consolidated balance sheet, section 1.(a).

- Payment of income taxes (claims for refunds (+) and income tax liabilities (–) netted off): € –1,736 thousand (previous year: € –1,807 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 €47,480 thousand (previous year: €52,070 thousand)

- Gross amount due to customers for contract work €851 thousand (previous year: €0 thousand)

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

- Measurement of the other provisions (short- and long-term): €3,883 thousand (previous year: €3,660 thousand)

  Measurement of the other provisions is 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: €1,255 thousand (previous year: €1,194 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): €5,486 thousand (previous year: €5,992 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

CONSOLIDATED COMPANIES

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 22 companies to be consolidated (previous year: 26). euromicron AG directly or indirectly holds the majority of voting rights in all the associated companies and so controls them. euromicron AG holds the majority of voting rights in all the companies included in the consolidated financial statements, so that no significant discretionary decisions and assumptions were necessary to include them in the consolidated group. All companies are included in the consolidated financial statements by way of full consolidation.

With the notarized agreement dated August 3, 2015, euromicron systems GmbH and euromicron networks GmbH were merged with euromicron solutions GmbH effective January 1, 2015. The merger was entered in the commercial register on September 4, 2015. At the same time, euromicron solutions GmbH was renamed euromicron Deutschland GmbH.

With the notarized agreement dated August 3, 2015, euromicron international services GmbH was also merged with euromicron AG effective January 1, 2015. The merger was entered in the commercial register on August 14, 2015.

In addition, with the notarized agreement dated August 19, 2015, Qubix distribution GmbH was merged with euromicron austria GmbH effective January 1, 2015. The merger was entered in the commercial register on September 19, 2015.

These mergers within the Group reduced the number of companies included in the consolidated financial statements from 26 to 22. Of these companies, 14 (previous year: 17) are based in Germany and 8 (previous year: 9) in other European countries.

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2015: TABLE 025

Number of consolidated companies 025

	2015	2014
January 1	26	27
First-time consolidation	0	0
Mergers within the Group	–4	–1
December 31	22	26

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

2. Acquisition of companies and divisions

In fiscal 2015 there were no changes to the consolidated companies due to newly established companies or significant acquisitions of subsidiaries and other business units in accordance with IFRS 3. Only one business establishment was acquired by way of an asset deal.

Acquisition of the business operations of Auvida GmbH by euromicron solutions GmbH (asset deal)
Under the notarized purchase agreement dated March 4, 2015, euromicron solutions GmbH acquired the business operations of Auvida GmbH (which was in insolvency proceedings) by way of an asset deal. The date of acquisition was March 1, 2015. euromicron solutions GmbH acquired the business operations at a total purchase price of €190 thousand. The goodwill of €71 thousand resulting from the difference between the total purchase price and the provisionally measured net assets of €119 thousand is mainly attributable to the well-trained workforce in the field of communications technology. We expect tax-deductible goodwill to the same amount. No incidental costs were incurred in connection with the acquisition. Ten employees were taken over. The earnings and sales of the business operation cannot be identified reliably for the period in which it was part of the Group (from March 1 to December 31, 2015), since the sales attributable to the acquired assets cannot be ascertained separately from the sales of euromicron solutions GmbH or euromicron Deutschland GmbH. The acquisition had no effect on the consolidated companies. It enables the euromicron Group to build its expertise in the field of video technology.

3. Disclosures on company acquisitions from previous years

ATECS AG, Zug/Switzerland and Secure Information Management GmbH, Neustadt an der Weinstraße

The cash price for the 80% stake in ATECS AG, Zug/Switzerland (referred to as ATECS AG in the following) and the 80% stake in Secure Information Management GmbH, Neustadt an der Weinstraße (referred to as SIM GmbH in the following), which were both acquired effective December 20, 2013, was paid in fiscal 2014. The cash price totaled €8,000 thousand, of which €6,400 thousand was for the 80% stake in ATECS AG and €1,600 thousand for the 80% stake in SIM GmbH.

As part of these share acquisitions, agreements on additional purchase price payments if contractually defined targets are reached were also concluded. Under the agreement, a further purchase price of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH was payable if the cumulated EBIT of ATECS AG and SIM GmbH exceed a firmly agreed amount in fiscal 2014. This threshold was surpassed for fiscal 2014, resulting in a corresponding payment obligation in fiscal 2015, which was settled in May 2015. A further purchase price payment of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH is due if the cumulative EBIT of these two companies also surpasses the agreed amount in 2015. This threshold was not reached in fiscal 2015, with the result that at the end of the year the corresponding liabilities from the (conditional) purchase price payment, which had a present value totaling €999 thousand (SIM: €200 thousand; ATECS: €799 thousand) at December 31, 2015, were dissolved, giving other operating income to the same amount.

The minority shareholders also obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them; this can be exercised for a minority interest of 10% in the period from October 1 to December 31, 2014 (in each case effective January 1, 2015) and for a further minority interest of 10% in the period from October 1 to December 31, 2015 (in each case effective January 1, 2016). The option involves a firmly agreed purchase price of in each case €800 thousand (ATECS AG) and €200 thousand (SIM GmbH) for a 10% minority interest. Due to this put/call option, ATECS AG and SIM GmbH were fully consolidated in the consolidated financial statements of euromicron AG in 2013, the year in which 80% of the shares were acquired in each case.

On January 13, 2015, it was agreed that the existing purchase options for a minority stake of 10% of the shares in ATECS AG and for 10% of the shares in SIM GmbH would be exercised effective January 1, 2015. The purchase price for exercising the options was €800 for the shares in ATECS AG and €200 for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH was 90% in each case. Due to the fact that the existing purchase options are designated as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligation of €1,000 thousand resulting from exercise of the options was already recognized under “Other current financial liabilities” in the financial statements at December 31, 2014.

The amount of the liabilities from preemptive rights discounted to the present value was €1,000 thousand at December 31, 2015 (previous year: €1,998 thousand), of which €800 thousand (previous year: €1,598 thousand) is for ATECS AG and €200 thousand (previous year: €400) for SIM GmbH. These liabilities from preemptive rights are recognized with an amount of €0 thousand (previous year: €998 thousand) under “Noncurrent financial liabilities” and to an amount of €1,000 thousand (previous year: €1,000 thousand) under “Current financial liabilities”. As regards the preemptive right of the minority shareholders and the identical purchase option of euromicron AG, which could be exercised between October 1 and December 31, 2015, the parties agreed an extension under which the options and preemptive rights can be exercised between February 15 and February 29, 2016, effective March 31, 2016. There were no significant discounting effects from this extension.

MICROSENS GmbH & Co. KG, Hamm

As part of the acquisition of 80% of the shares in MICROSENS GmbH & Co. KG, Hamm, in 2006, the minority shareholders obtained a preemptive right to tender the remaining 20% and euromicron AG an option to purchase them. As a result of the mutual put/call options, this company was fully consolidated. The option comprised a fixed purchase price and a conditional purchase price component.

euromicron AG exercised its option to acquire 10% of the shares in fiscal 2012. Following an extension in fiscal 2012, the option on the remaining 10% of the shares was able to be exercised no earlier than January 1 and no later than December 31, 2014.

Under the agreement dated December 19, 2014, euromicron AG exercised its option to acquire half the remaining shares (5%). The liability from preemptive rights recognized in previous years from the combined put/call option was allocated to a pro-rata amount of €50 thousand to a conditional purchase price component. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 (in its 2004 version), the €50 thousand from the conditional purchase price component, which did not have to be paid due to the fact that the targets were not achieved, were treated as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition in fiscal 2014 was reduced by that amount. The purchase price obligation from exercise of half the option in 2014 was €451 thousand at December 31, 2014, and was recognized under “Current financial liabilities”. These obligations were settled in the first quarter of 2015.

At the same time as exercise of half the option in 2014, the period for exercising the preemptive right and the purchase option relating to the remaining 5% stake held by the minority shareholders was extended until December 31, 2017. The option can now be exercised on January 1, 2017, at the earliest and on December 31, 2017, at the latest. According to the contractual arrangements, the purchase price must be increased by up to €50 thousand if a defined EBIT is exceeded in the fiscal years 2016 to 2017. The present value of this liability from preemptive rights (fixed purchase price plus the conditional purchase price component) at December 31, 2015, is €474 thousand (previous year: €462 thousand) and is recognized under “Noncurrent financial liabilities”. As a result of interest accrued on this liability, there were interest expenses of €12 thousand in fiscal 2015 (previous year: €20 thousand)

List of companies included in the consolidated financial statements 026

	Share in capital in %
Parent company	
euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, Germany	
Consolidated subsidiaries	
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
euromicron austria GmbH, Seekirchen, Austria	100.00
ATECS AG [2], Zug, Switzerland	90.00
Secure Information Management GmbH [2], Neustadt an der Weinstraße, Germany	90.00
euromicron Deutschland GmbH, Neu-Isenburg, Germany	100.00
Stark- und Schwachstrommontage GmbH, Hamburg, Germany	100.00
MICROSENS GmbH & Co. KG [1], Hamm, Germany	95.00
MICROSENS Sp.z.o.o.[1], Wroclaw, Poland	95.00
Microsens Beteiligungs GmbH [1], Hamm, Germany	95.00
EUROMICRON Werkzeuge GmbH – ein Unternehmen der euromicron Gruppe –, Sinn-Fleisbach, Germany	100.00
LWL-Sachsenkabel GmbH-Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
ELABO GmbH – ein Unternehmen der euromicron Gruppe, Crailsheim, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe, Spiesen-Elversberg, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
WCS Fiber Optic B.V., Amersfoort, Niederlande	100.00
euromicron benelux S.A., Ellange, Luxembourg	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00

[1] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 5% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

[2] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 10% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes (see also section 30 "Significant events after the balance sheet date").

NOTES ON THE CONSOLIDATED BALANCE SHEET

The decision taken at the end of September 2015 to discontinue the business operations of the subsidiaries Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of the fiscal year meant there was a triggering event for the groups of CGUs within the meaning of IAS 36.12(f). At the time of the impairment test that was conducted, the business activities were still pooled in the North and South Segments and, for supra-regional activities, in the WAN services Segment. The groups of cash-generating units System Houses and Production Companies have developed within the North and South segments; the group of CGUs Distributors also exists in the South segment alongside the groups of cash-generating units System Houses and Production Companies, whereas the WAN services segment constitutes its own CGU group. Since both Avalan GmbH and euromicron NBG Fiber Optics GmbH were assigned to CGU 3 “System Houses South”, the goodwill for the affected CGU was tested for impairment. In the impairment test, the carrying amount of the affected cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. We refer you to section 1 (a) for further disclosures.

Appropriate impairment tests were previously carried out for the individual companies, i.e. Avalan GmbH and euromicron NBG Fiber Optics GmbH. These revealed write-downs on intangible assets totaling €317 thousand, on property, plant and equipment totaling €80 thousand, and on inventories to the net realizable value of €651 thousand.

Property, plant and equipment was written down to an amount of €55 thousand and inventories were written down only to an amount of €168 thousand in the interim financial statements at September 30, 2015, due to a simplified approach.

1. Fixed assets

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

a) Intangible assets

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

Goodwill

Goodwill developed as follows in the fiscal year:

TABLE 027

Goodwill 027

	2015	2014
	€ thou.	€ thou.
Goodwill at January 1	113,479	113,529
Additions	71	0
Disposals	–5,333	–50
Goodwill at December 31	108,217	113,479

The addition in goodwill was due to the acquisition of the business operations of Auvida GmbH by way of an asset deal (see section 2 “Acquisition of companies and divisions”). The disposals of goodwill result from the goodwill write-downs in the CGU 3 “System Houses South” in fiscal 2015.

Goodwill impairment test

The decision taken at the end of September 2015 to discontinue the business operations of the subsidiaries Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of the fiscal year meant there was a triggering event for CGU 3 “System Houses South” within the meaning of IAS 36.12(f).

A impairment test on the goodwill of CGU 3 “System Houses South” was therefore conducted at September 30, 2015. In the impairment test, the carrying amount of the affected cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount.

The goodwill was allocated to the CGUs as follows at the time the impairment test was conducted: TABLE 028

Allocation of goodwill to CGUs at September 30, 2015 028

	2015
	€ thou.
CGU 1 System Houses North	18,616
CGU 2 Production Companies North	19,086
CGU 3 System Houses South	35,401
CGU 4 2 Production Companies South	12,653
CGU 5 Distributors South	5,688
CGU 6 WAN services	22,106
	113,550

Interest assumptions in the impairment test at September 30, 2015 029

	2015	2014
Borrowing rate after taxes	1.70%	1.52%
Risk-free interest	1.15%	1.17%
Markup for return on equity	7.68%	6.26%
Beta factor	1.09	1.04
Ratio of outside capital to equity	14.56%	15.06%
Weighted average cost of capital (WACC)	**6.92%**	**6.65%**
Growth rate	**1.00%**	**1.00%**
WACC perpetuity	**5.92%**	**5.65%**

The impairment test for CGU 3 “System Houses South” is based on the following main planning and measurement assumptions:

The planning for fiscal 2016 envisages a decline in sales of around 2.5%, mainly attributable to the loss of sales from the strategically irrelevant divisions that were closed in 2015. The medium-term planning for the years 2017 to 2020 is based on annual sales growth between 6.5% and 11.5%. The EBIT margin is still budgeted to be negative for 2016 at –1.7% and will increase moderately each year in subsequent years up to 2020 to 6.2%.

Since individual business risks have already been taken into account in preparing the budgeting for the respective CGUs and will reduce the derived free cash flow, the following parameters were applied uniformly to all CGUs for calculating the WACC for the impairment test at September 30, 2015: TABLE 029

As a result of the impairment test conducted at September 30, 2015, goodwill in CGU 3 “System Houses South” was written down to an amount of €5,332 thousand. This is presented in the statement of comprehensive income for the euromicron Group under the item “Impairment of goodwill”.

An additional €4,703 thousand would have to be written down for the CGU 3 “System Houses South” if the weighted average cost of capital (WACC) were to rise by 0.5 percentage points to 7.42%. A 0.5% reduction in the sustained sales growth rate in perpetuity of 1% would mean an additional €2,544 thousand would need to be written down. In addition, a decline in the planned EBITDA margin of 0.5 percentage points over the whole planning period (including perpetuity) would mean an additional €5,855 thousand would need to be written down.

Impairment of just €1,818 thousand was recognized in the interim financial statements at September 30, 2015, due to a simplified method of calculation.

The euromicron Group realigned its organizational and reporting structures effective October 1, 2015. As part of that, the euromicron Group's segment reporting was adjusted in accordance with IFRS 8. In accordance with the reporting, which is based on the new management reporting, the adjustments in the value of the goodwill were assigned to the area "Non-strategic Business Segments" in segment reporting.

The goodwill was – on the basis of relative values (fair value minus retirement costs) – reallocated in accordance with the reorganized reporting structure. The cash-generating units at euromicron are in principle represented by one segment each. That means there will be three groups of cash-generating units in future:

- Smart Buildings
- Critical Infrastructures
- Distribution

The goodwill at the euromicron Group is distributed over these CGUs as follows: TABLE 030

Allocation of goodwill to CGUs at December 31, 2015 030

	2015
	€ thou.
Smart Buildings	67,857
Critical Infrastructures	35,129
Distribution	5,231
	108,217

The redistribution did not entail any need to write down the goodwill. As part of a sensitivity analysis, changes to the parameters that were considered possible were simulated stepwise in a model calculation for each of the groups of cash-generating units and examined as to whether there was a need to reduce the value for the group of cash-generating units. This did not reveal any need to do so.

Regardless of any event-driven impairment tests, euromicron conducts the obligatory annual goodwill impairment test at December 31 of the reporting period. This annual impairment test was conducted at the end of fiscal 2015 on the basis of the cash-generating units identified at the end of the year.

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

Planning for the CGU "Smart Buildings" envisages sales growth in the high single-digit percentage range in 2016. Sales are expected to remain flat in 2017; annual sales growth of between around 5% and 8% is assumed for the years 2018 to 2020. The EBIT margin is budgeted to be 5% for 2016 and will increase moderately each year in subsequent years up to 2020 to up to 11%.

Sales for the CGU "Critical Infrastructures" are expected to increase by 6% in the next fiscal year. The anticipated sales growth in the years 2017 and 2020 will be in a range between 4% and 6%. The EBIT margin is budgeted to be 6% for 2016 and will increase moderately each year in subsequent years to 10%.

The planning for the CGU “Distribution” envisages sales growth of 2% to 5% for the years 2016 to 2020. An EBITDA margin of 9% is planned for 2016. It will grow slightly up to 11% in subsequent years.

In particular, estimates by management of how the markets, market shares and prices will develop are subject to some uncertainty.

Since individual business risks have already been taken into account in preparing the budgeting for the respective CGUs and will reduce the derived free cash flow, the following parameters were applied uniformly to all CGUs for calculating the WACC for the impairment test at December 31, 2015: TABLE 031

Interest assumptions in the impairment test at December 31, 2015 031

	2015	2014
Borrowing rate after taxes	2.28%	1.52%
Risk-free interest	1.29%	1.17%
Markup for return on equity	6.50%	6.26%
Beta factor	1.08	1.04
Ratio of outside capital to equity	14.42%	15.06%
Weighted average cost of capital (WACC)	**7.01%**	**6.65%**
Growth rate	**1.00%**	**1.00%**
WACC perpetuity	**6.01%**	**5.65%**

The goodwill impairment test at December 31, 2015, did not reveal any need to reduce the value of the goodwill of individual CGUs (previous year: €0 thousand).

Sensitivity analysis

As part of a sensitivity analysis, changes to the parameters that were considered possible were simulated stepwise in a model calculation for each of the cash-generating units and examined as to whether there was a need to reduce the value for the CGU.

Given the described assumptions and sustained sales growth of 1% at the end of the planning period, the recoverable amount of the CGUs will significantly exceed the carrying amount. Even in the event of a sharp, unanticipated reduction in the assumptions for sustained sales growth (0.5% reduction in the estimated sales growth rate of 1%), discounting (increase in WACC by 1%) and the EBITDA margin (a 0.5% lower EBITDA margin over the whole planning period, including perpetuity), there would be a recoverable amount above the carrying amount and so no need for write-downs.

Other intangible assets

Development costs for self-developed intangible assets of €2,412 thousand (previous year: €2,225 thousand) were recognized in the year under review.

In addition, own work for self-developed software and IT solutions was capitalized to an amount of €215 thousand (previous year: €345 thousand) in the year under review.

Intangible assets were written down to an amount of €859 thousand in the year under review (previous year: €0 thousand). Of these write-downs, €388 thousand (previous year: €0 thousand) were attributable to euromicron AG and mainly related to licenses. In the segment reporting, these write-downs were allocated to the "Central Services" area. Further write-downs totaling €317 thousand (previous year: €0 thousand) were identified as part of the event-driven impairment test and are attributable to the companies Avalan GmbH and euromicron NBG Fiber Optics GmbH. In the segment reporting, these write-downs were allocated to the "Non-strategic Business Segments" area. In addition, write-downs totaling €154 thousand were recognized at companies in the "Smart Buildings" segment in fiscal 2015 (previous year: €0 thousand). This was mainly due to write-downs of capitalized development costs, since certain self-created product groups will no longer be sold in future.

b) Property, plant and equipment

The manufacturing cost of capitalized, self-created property, plant and equipment contains the cost of direct materials and prime costs, as well as attributable overhead costs, and resulted in own work capitalized of €314 thousand in fiscal 2015 (previous year: €47 thousand).

There were write-downs in the current fiscal year to an amount of €116 thousand (previous year: €0 thousand). Of this figure, €80 thousand (previous year: €0 thousand) were identified as part of the event-driven impairment test and are attributable to the companies Avalan GmbH and euromicron NBG Fiber Optics GmbH. In the segment reporting, these write-downs were allocated to the "Non-strategic Business Segments" area. In addition, write-downs of property, plant and equipment totaling €36 thousand were recognized at companies in the "Smart Buildings" segment (previous year: €0 thousand).

In accordance with IAS 16.74, at the balance sheet date there are no restrictions on title to, nor any contractual commitments to acquire property, plant and equipment. In addition, no property, plant or equipment has been attached and there were no compensation payments to third parties due to value impairments in or loss of property, plant or equipment.

CHANGES IN THE GROUP'S ASSETS IN 2015

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2015

	Costs				
	Jan. 1, 2015	Additions	Disposals	Additions from company acquisitions	Reclassi-fication and other
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,050	0	0	71	0
Intangible assets					
Concessions, industrial and similar rights	29,473	675	−273	77	−1
Brand names	12,530	0	0	0	0
Capitalized development costs	20,110	2,412	−1,021	0	0
Self-developed software	1,616	215	0	0	0
	63,729	3,302	−1,294	77	−1
Property, plant and equipment					
Land and buildings	8,675	190	−6	0	26
Technical equipment and machinery	8,723	1,954	−70	0	−229
Other equipment, operating and office equipment	23,430	2,648	−944	39	204
	40,828	4,792	−1,020	39	1
	225,607	**8,094**	**−2,314**	**187**	**0**

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	Amortization and depreciation					Carrying amounts	
Dec. 31, 2015	Jan. 1, 2015	Additions	Disposals	Reclassification and other	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2014
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
121,121	−7,571	−5,333	0	0	−12,904	108,217	113,479
29,951	−23,444	−2,669	273	80	−25,760	4,191	6,029
12,530	−8,418	−229	0	0	−8,647	3,883	4,112
21,501	−10,538	−3,310	1,020	−79	−12,907	8,594	9,572
1,831	−534	−445	0	0	−979	852	1,082
65,813	−42,934	−6,653	1,293	1	−48,293	17,520	20,795
8,885	−3,475	−357	6	−25	−3,851	5,034	5,200
10,378	−5,735	−799	70	218	−6,246	4,132	2,988
25,377	−17,497	−2,429	882	−193	−19,237	6,140	5,933
44,640	−26,707	−3,585	958	−1	−29,334	15,306	14,121
231,574	**−77,212**	**−15,571**	**2,251**	**0**	**−90,531**	**141,043**	**148,395**

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

	Costs				
	Jan. 1, 2014	Additions	Disposals	Additions from company acquisitions	Reclassi-fication and other
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,100	0	–50	0	0
Intangible assets					
Concessions, industrial and similar rights	29,284	805	–592	80	–104
Brand names	12,426	0	0	0	104
Capitalized development costs	17,885	2,225	0	0	0
Self-developed software	1,271	345	0	0	0
	60,866	3,375	–592	80	0
Property, plant and equipment					
Land and buildings	7,357	2	–5	0	1,321
Technical equipment and machinery	8,586	182	–45	0	0
Other equipment, operating and office equipment	22,975	2,853	–1,077	0	–1,321
	38,918	3,037	–1,127	0	0
	220,884	**6,412**	**–1,769**	**80**	**0**

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	Amortization and depreciation					Carrying amounts	
Dec. 31, 2014	**Jan. 1, 2014**	**Additions**	**Disposals**	**Reclassification and other**	**Dec. 31, 2014**	**Dec. 31, 2014**	**Dec. 31, 2013**
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
121,050	−7,571	0	0	0	−7,571	113,479	113,529
29,473	−20,994	−3,042	590	2	−23,444	6,029	8,290
12,530	−8,187	−229	0	−2	−8,418	4,112	4,239
20,110	−7,701	−2,837	0	0	−10,538	9,572	10,184
1,616	−275	−259	0	0	−534	1,082	996
63,729	−37,157	−6,367	590	0	−42,934	20,795	23,709
8,675	−3,250	−230	5	0	−3,475	5,200	4,107
8,723	−5,050	−721	36	0	−5,735	2,988	3,536
23,430	−16,147	−2,384	1,034	0	−17,497	5,933	6,828
40,828	−24,447	−3,335	1,075	0	−26,707	14,121	14,471
225,607	**−69,175**	**−9,702**	**1,665**	**0**	**−77,212**	**148,395**	**151,709**

Leased equipment (€2,191 thousand; previous year: €1,692 thousand) and operating and office equipment (€418 thousand; previous year: €577 thousand) were recognized as finance leases with a net carrying amount of €2,609 thousand at December 31, 2015 (previous year: €2,269 thousand). Finance leases are used to fund assets with a useful life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group. There was no subleasing at the euromicron Group. See section 8 "Liabilities" for an explanation of the liabilities from financial leases.

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

c) Other noncurrent assets

The table below presents the components of the other noncurrent financial assets: **TABLE 034**

Other noncurrent financial assets 034

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Shares in Track Group Inc. [1]	340	770
Long-term receivables from finance leases	326	0
Rent deposit/deposits by third parties	55	102
Other noncurrent financial assets	12	16
	733	**888**

[1] Operating under the name "SecureAlert Inc." at December 31, 2014

The shares in the listed company Track Group Inc., Utah, U.S., (which operated under the name "SecureAlert Inc." until May 28, 2015) that are presented under "Other noncurrent financial assets" were acquired by euromicron AG in 2009. The stake held in its capital stock on the balance sheet date was 0.61% (previous year: 0.62%). The shares in Track Group Inc. are classified as a financial asset under the category "Available for sale" and are measured at fair value. They were first measured at fair value on the day of trading (€934 thousand). Their carrying amount at December 31, 2014, was €770 thousand and their fair value at December 31, 2015, was €340 thousand. In order to recognize this impairment, a recovery in value (€98 thousand) recognized in the OCI is previous periods was initially reduced in full. The surplus amount (€332 thousand) was recognized as income in the net financial result.

We also refer in this regard to section 6d.) "Gain/loss on the valuation of securities".

The receivables from finance leases are calculated as follows: **TABLE 035 / 36**

Long-term receivables from finance leases 035

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Long-term receivables		
Gross receivables from finance leases	405	0
Financial income not yet realized	–79	0
	326	**0**

Short-term receivables from finance leases 036

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Short-term receivables		
Gross receivables from finance leases	85	0
Financial income not yet realized	–32	0
	53	**0**

The table below shows the reconciliation of gross investments in leases to the present value of the future minimum lease payments: **TABLE 037**

Reconciliation of gross investments in finance leases 037

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Gross receivables from finance leases		
Up to 1 year	85	0
1 to 5 years	338	0
More than 5 years	67	0
	490	**0**
Financial income not yet realized	–111	0
Net investment in finance leases	**379**	**0**

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

d) Other noncurrent assets

The table below presents the components of the other noncurrent assets: TABLE 038

Other noncurrent assets 038

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Other noncurrent assets	61	85

The other noncurrent assets include in particular the corporation income tax credit balance in accordance with Section 37 (4) KStG (German Corporation Tax Act), which is €43 thousand at the balance sheet date (previous year: €60 thousand).

2. Deferred tax assets

Deferred tax assets are calculated on the basis of measurement differences in the following balance sheet items: TABLE 039

Deferred tax assets 039

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Intangible assets	19	129
Inventories	19,833	21,769
Other receivables and other assets	141	128
Provisions	2,531	2,633
Liabilities from finance lease	459	413
Other liabilities	1,130	1,206
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	4,147	2,593
Total deferred tax assets before netting off	**28,260**	**28,872**
Netting off	–28,140	–27,502
Total deferred tax assets after netting off	**120**	**1,370**

There are long-term deferred tax assets (after netting off) totaling €116 thousand (previous year: €841 thousand); they result from deferred tax assets on measurement differences for intangible assets and from deferred tax assets on tax loss carryforwards.

Of the deferred tax assets remaining after netting off and totaling €120 thousand (previous year: €1,370 thousand), no amounts (previous year: €1,340 thousand) are attributable to the Group companies that made a tax loss in fiscal 2015 or the year before (previous year: five Group companies).

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

As of December 31, 2015, the Group had corporation income tax loss carryforwards totaling €45,689 thousand (previous year: €35,082 thousand), trade tax loss carryforwards totaling €34,948 (previous year: €24,600 thousand) and loss carryforwards for income taxes abroad totaling €23,207 thousand (previous year: €21,001 thousand). The loss carryforwards relate to six (previous year: six) domestic holdings and euromicron AG and five (previous year: seven) foreign holdings. These losses may be carried forward without restriction in accordance with the current legal position. The deferred tax rates are 15.825% if only corporation income tax (including solidarity surcharge) is incurred and around 30.0% if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25.0% in Austria and 25.5% in the Netherlands.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €78,303 thousand (previous year: €65,275 thousand). Of this, €56,422 thousand (previous year: €45,981 thousand) were for Germany and €21,881 thousand (previous year: €19,294 thousand) for abroad.

3. Inventories

The euromicron Group's inventories on the balance sheet data are broken down as follows: TABLE 040

Inventories 040

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Raw materials and supplies	11,517	12,003
Work in progress	3,946	2,181
Finished goods and merchandise	14,718	13,966
Prepayments	582	874
	30,763	**29,024**

In accordance with IAS 2.34, there were write-downs on inventories totaling €979 thousand (previous year: €379 thousand); the reversals totaled €10 thousand (previous year: €0 thousand).

4. Receivables and other current assets

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

The receivables and other assets on the balance sheet date are composed as follows: TABLE 041

Receivables and other current assets 041

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Trade accounts receivable (gross)	36,800	38,394
Allowances for doubtful accounts	–3,552	–4,663
Trade accounts receivable (net)	33,248	33,731
Gross amount due from customers for contract work	47,480	52,070
Claims for income tax refunds	1,496	1,202
Other current financial assets	2,879	2,971
Other current assets	2,304	2,078
	87,407	**92,052**

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

Trade accounts receivable

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and receivables". As in the previous year, all trade accounts receivable at December 31, 2015, were short-term.

If there are indications that receivables cannot be recovered, an appropriate allowance is recognized. The allowances for doubtful accounts result from individual adjustments for receivables; expenses from transfer to the allowances are recognized under the item "Other operating expenses" in the income statement.

There were the following changes in the allowances for trade accounts receivable: TABLE 042

Allowances for trade accounts receivable 042

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Balance at the beginning of the period	–4,663	–3,295
Allocation	–726	–1,741
Utilization	1,814	228
Reversals	23	145
Balance at the end of the period	**–3,552**	**–4,663**

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €53 thousand in 2015 (previous year: €150 thousand) due to events that had an impact on their value. As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date, along with the net carrying amount of the trade accounts receivable for which an allowance has been made on the balance sheet date: TABLE 043

Trade accounts receivable by times due 043

		Accounts for which no allowance has been made and that are not overdue at the reporting date	Accounts for which no allowance has been made and are overdue in the following periods of time Days					For which an allowance has been made
			< 60	60–120	121–180	181–360	>360	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Dec. 31, 2015							
Trade accounts receivable	33,248	13,927	9,965	2,898	798	1,120	1,615	2,925
	Dec. 31, 2014							
Trade accounts receivable	33,731	9,464	12,180	3,145	1,990	2,962	711	3,279

The trade accounts receivable include receivables in foreign currency (US$) totaling €5,065 thousand (previous year: €1,155 thousand). If the exchange rate of the euro to the US dollar at December 31, 2015, had been 5% higher, the consolidated net income for the year would have been €218 thousand lower (previous year: €56 thousand lower). However, if the exchange rate of the euro to the US dollar had been 5% lower, the consolidated net income for the year would have been €248 thousand higher (previous year: €57 thousand higher). There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivable include receivables from supplier rebates totaling €402 thousand (previous year: €460 thousand), which may be offset with corresponding trade accounts payable.

Individual companies in the euromicron Group sell some of their receivables from customers to forfaiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €40,000 thousand (previous year: €40,000 thousand). At December 31, 2015, receivables with a volume of €39,999 thousand (previous year: €39,999 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 recognizes the receivables at the amount of the continuing involvement of €187 thousand (previous year: €199 thousand); it is presented under "Other current financial assets". The continuing involvement comprises the maximum amount that euromicron would have had to pay to the buyer of the receivables up to receipt of payment relative to the carrying amount of the receivables sold on the key date. The continuing involvement is offset by an associated liability totaling €199 thousand (previous year: €245 thousand); it is recognized under "Other current financial liabilities". The difference between the asset and liability items reflects the remaining claims from or obligations to the factor from the interest rate guarantee and the administration fees euromicron still has. In accordance with the requirements of IAS 39, the sold receivables are partly derecognized at the balance sheet date; the share remaining as continuing involvement is low compared with the total amount of sold receivables. Interest expenses and charges resulting from the sale of receivables are recognized in the net financial result.

Gross amount due from customers for contract work

The gross amount due from customers for contract work was €47,480 thousand (previous year: €52,070 thousand). The total of accrued costs and reported profits (minus any losses) was €260,326 thousand (previous year: €235,782 thousand).

Sales from production contracts in the year under review were €128,319 thousand (previous year: €137,832 thousand). Payments on account received in connection with production contracts totaled €66 thousand (previous year: €73 thousand); they are recognized under "Other liabilities".

Claims for income tax refunds

Receivables of €872 thousand from creditable capital gains tax due to euromicron AG are presented under "Claims for income tax refunds" in fiscal 2015 (previous year: €0 thousand). These tax claims are offset to the amount of €806 thousand (previous year: €0 thousand) by tax liabilities of the subsidiaries, which are presented under the balance sheet item "Liabilities from current income taxes".

Other current financial assets

The other current financial assets are broken down as follows: TABLE 044

Other current financial assets 044

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Claim from withheld factoring monies	2,137	2,186
Claim for recovery of bonus	273	417
Continuing involvement (factoring)	187	199
Deposits	116	92
Receivables from finance leases	53	0
Recovery claims from excess payment of interest	51	0
Other	60	77
	2,879	2,971

Other current assets

The other current assets changed as follows: TABLE 045

Other current assets 045

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Prepayments and accrued income	1,077	1,031
Claims for refunds from other taxes	857	601
Claims against employees	132	293
Other	238	153
	2,304	2,078

5. Cash and cash equivalents

Cash includes checks, cash on hand, demand deposits at banks and cash equivalents with a term of no more than three months and are classified in the category "Loans and receivables".

The cash and cash equivalents are as follows: TABLE 046

Cash and cash equivalents 046

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Cash in banking accounts	10,686	15,575
Cash on hand	36	48
	10,722	15,622

6. Equity

a) Subscribed capital and authorized capital

Upon entry of the capital increase adopted in December 2013 in the commercial register on January 8, 2014, the number of shares in euromicron AG in circulation increased by 512,599 from 6,663,799 to 7,176,398 and the capital stock of euromicron AG by €1,310,537.44 from €17,037,017.44 to €18,347,554.88. The nominal amount per share is around €2.56. The shares are fully paid up. TABLE 047

Shares in circulation 047

	2015	2014
Sales in circulation at December 31	7,176,398	7,176,398

The General Meeting on May 14, 2014, adopted a resolution to create new authorized capital totaling €9,173,770.00. Under it, the Executive Board was authorized to increase the capital stock of euromicron AG by May 13, 2019, by up to a total of €9,173,770.00 on one or more occasions with the approval of the Supervisory Board by issuing new registered shares in exchange for cash or non-cash contributions. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right. The previously existing authorized capital, which was still €1,310,541.28 following its partial use for the capital increase, was rescinded.

Treasury shares

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

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

The shares are to be acquired on the stock market or by means of a public offering addressed to all shareholders of the company, at the discretion of the Executive Board. The details defined in the resolutions proposed to the General Meeting on 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 shall be 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 shall also be authorized to adjust the number of shares in the Company in the Articles of Association (Section 237 (3) No. 3 AktG (German Stock Corporation Law)).

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2015. At December 31, 2015, the company did not hold any treasury shares that could be offset with equity in accordance with IAS 32.33.

b) Capital reserves

The capital reserves at December 31, 2015, were €94,297,543.35 (previous year: €94,297,543.35).

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

c) Consolidated retained earnings

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

d) Gain/loss on the valuation of securities

The valuation reserve includes changes to the market valuation of securities that qualify as available-for-sale financial assets in accordance with IAS 39. Due to the impairment in the value of the shares of Track Group Inc. (which operated under the name "SecureAlert Inc." until May 28, 2015) in fiscal 2015, the recovery in value in the OCI at December 31, 2015 was completely reversed (previous year: €98 thousand).

The amounts in the reserve are broken down as follows: TABLE 048

Valuation reserve 048

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Shares in Track Group Inc. [1]	0	98
	0	**98**

[1] Operating under the name "SecureAlert Inc." at December 31, 2014

e) Currency translation difference

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

The difference resulting from translation of the financial statements of MICROSENS Sp.z o.o. at December 31, 2015, is € –2,204.86 (previous year: €–1,314.09).

f) Distributions in the fiscal year

There were no dividend payouts in fiscal 2015.

g) Non-controlling interests

The non-controlling interests reported at December 31, 2015 (€404 thousand; previous year: €405 thousand) relate exclusively to Qubix S.p.A., Padua/Italy (10%). The non-controlling interest should be regarded as not being material in relation to the consolidated financial statements.

h) Disclosures on capital management in accordance with IAS 1

The objective of capital management is to increase the equity ratio in order to give the Group unrestricted access to the capital market, ensure its ability to repay debt at the most favorable terms possible, and to retain its financial substance. To ensure that, reduction of the working capital and net financial debt is constantly tracked by management. Balance sheet equity and net financial debt are used as performance indicators. The equity ratio is 35.8% (previous year: 38.4%) and is calculated as follows: TABLE 049

Equity ratio 049

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Equity acc. to consolidated balance sheet	97,038	110,401
Total assets	270,849	287,436
Equity ratio	**35.8%**	**38.4%**

The net debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term), less cash and cash equivalents. It is €55,778 thousand at December 31, 2015 (previous year: €49,160 thousand) and is calculated as follows: TABLE 050

Net debt 050

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liabilities to banks	64,791	63,119
Liabilities from finance lease	1,709	1,663
Cash and cash equivalents	10,722	15,622
Net debt	**55,778**	**49,160**

It was agreed with the long-term financing partners that a review of compliance with the key financial indicators at December 31, 2015, would not be conducted due to the reorganization of the euromicron Group.

7. Provisions

a) Other provisions

euromicron expects provisions of €2,081 thousand (previous year: €1,748 thousand) will be used within one year, €1,300 thousand (previous year: €1,395 thousand) in the next two to five years and €502 thousand (previous year: €517 thousand) in the period after five years.

The provisions developed as follows in the fiscal year: TABLE 051

Provisions 051

	Jan. 1, 2015	Reclassi-fication from liabilities	Utilization	Reversal	Accrued interest	Allocation	Dec. 31, 2015
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Provision for anniversaries and death benefits	602	0	–61	0	11	94	646
Provision for severance payments	432	0	–120	–26	3	68	357
Provision for restoration obligations	294	0	–28	0	0	0	266
Provision for warranties and follow-up costs	300	0	0	–49	0	0	251
Provision for archiving	113	4	0	0	0	18	135
Provision for impending losses	48	0	–48	0	0	9	9
Other provisions	123	0	–6	0	0	21	138
Total for other long-term provisions	**1,912**	**4**	**–263**	**–75**	**14**	**210**	**1,802**
Provision for warranties and follow-up costs	1,373	0	–733	–73	0	388	955
Provision for impending losses	62	0	–19	0	2	510	555
Provision for legal disputes	27	0	0	0	0	88	115
Other provisions	286	50	–21	–53	0	194	456
Total for other short-term provisions	**1,748**	**50**	**–773**	**–126**	**2**	**1,180**	**2,081**
Total for other provisions	**3,660**	**54**	**–1,036**	**–201**	**16**	**1,390**	**3,883**

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

The other long-term provisions include in particular a provision for severance payments to freelance commercial agents of a Group company based abroad.

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

b) Provisions for pensions and similar obligations

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

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

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

In order to cover a large part of the obligation, the euromicron Group has established a CTA (euromicron Pension Trust e. V.); the funds allocated to it are based on the level of the obligation. There reinsurance policy that existed last year to cover individual commitments no longer exists; the expected payment is 2016 is €0 thousand (previous year: €26 thousand).

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

The changes in the present value of the defined benefit obligation (DBO) in the fiscal year are as follows: TABLE 052

Changes in the present value of the defined benefit obligation (DBO) 052

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Present value of benefit obligation at the beginning of the period under report	20,305	15,389
Transfer	–526	0
Current service cost	390	321
Interest cost	390	530
Pension payments	–411	–328
Revaluation effects	–1,446	4,299
Of which		
Change in financial assumptions	–1,531	4,216
Change in demographic assumptions	0	0
Experience adjustments	85	83
Contributions by plan participants	75	94
Present value of benefit obligation at the end of the period under report	**18,777**	**20,305**

The plan assets measured at fair value changed as follows: TABLE 053

Changes in the plan assets 053

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Plan assets at the beginning of the period under report	19,111	14,442
Retransfer of plan assets due to excess funds allocated to it	–526	0
Interest income from plan assets	372	506
Revaluation effects	–261	–374
Employer's contributions/ withdrawals	–1,174	4,537
Plan assets at the end of the period under report	**17,522**	**19,111**

The plan assets consist to 100% (previous year: 97.2%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA. These assets are not traded on an active market. The reinsurance policies from the previous year no longer exist (0.0%; previous year: 2.8%).

Due to the reduction in the revaluation effects from pensions taken directly to equity, the deferred tax assets recognized via the other comprehensive income directly in equity fell in the year under review by € –434 million; they had increased in the previous year by €1,288 thousand. In addition, deferred tax expenses of €78 thousand (previous year: €113 thousand) from application of the net interest method were recognized in other comprehensive income.

The provision on the balance sheet changed as follows: TABLE 054

Provision on the balance sheet 054

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Provision at the beginning of the period under report	1,194	947
Current service cost	390	321
Net interest cost/income	18	24
Pension payments	–411	–328
Employer's contributions/ withdrawals	1,174	–4,537
Contributions by plan participants	75	94
Revaluation effects	–1,185	4,673
Provision at the end of the period under report	**1,255**	**1,194**

The net interest cost/income is recognized 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 recognized under the personnel costs.

The revaluation effects are recognized in other comprehensive income and are included in equity in the item "Consolidated retained earnings".

The following parameters, which are based on assumptions, were used to measure the future level of benefits: TABLE 055

Measurement factors 055

	2015	2014
	In %	In %
Discount rate	2.50	2.00
Rates of increase in compensation levels	3.25	3.25
Future pension indexation	1.75	1.75

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

If the assumptions vary by +/– 1 percentage points or +/– 1 year, the effects on the DBO are as follows: TABLE 056

Variation in the assumptions by +/–1% or +/–1 year 056

	2015		2014	
	+1% or +1 year	–1% or –1 year	+1% or +1 year	–1% or –1 year
Discount rate	–13.82%	17.35%	–14.78%	18.59%
Life expectancy	1.49%	–1.59%	1.60%	–1.63%
Age at expiry of financing	–3.37%	2.02%	–2.84%	1.71%

A range of +/– 0.25% was used for the future pension trend.
TABLE 057

Variation in the assumptions by +/– 0.25% 057

	2015		2014	
	+0,25%	–0,25%	+0,25%	–0,25%
Future pension indexation	2.27%	–2.24%	2.40%	–2.33%

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

The pension payments anticipated in the subsequent year are €810 thousand (previous year: €573 thousand), while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The weighted average duration of the commitment at the balance sheet date is 16.71 years (previous year: 17.74 years).

Contributions of €7,759 thousand (previous year: €7,603 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

The euromicron Group's liabilities on the balance sheet data are broken down as follows: TABLE 058

Liabilities 058

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liabilities to banks	64,791	63,119
Liabilities from finance lease	1,709	1,663
Trade accounts payable	47,593	44,238
Liabilities from current income taxes	3,232	3,009
Gross amount due to customers for contract work	851	0
Other tax liabilities	7,141	6,039
Personnel obligations	8,876	9,127
Other financial liabilities	25,312	31,543
Other liabilities	3,562	6,081
	163,067	**164,819**

The euromicron Group's liabilities have the following terms:
TABLE 059

Term of the liabilities 059

	Total	Due in			Fair value with DVA
		Up to 1 year	1 to 5 years	More than 5 years	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	64,791	44,307	20,484	0	64,813
Liabilities from finance lease	1,709	516	1,059	134	–[1]
Trade accounts payable	47,593	47,593	0	0	–[1]
Liabilities from current income taxes	3,232	3,232	0	0	–[1]
Gross amount due to customers for contract work	851	851	0	0	–[1]
Other tax liabilities	7,141	7,141	0	0	–[1]
Personnel obligations	8,876	8,876	0	0	–[1]
Other financial liabilities	25,312	24,838	474	0	25,301
Other liabilities	3,562	3,373	189	0	–[1]
	163,067	**140,727**	**22,206**	**134**	**90,114**
(Previous year)	**164,819**	**117,691**	**47,078**	**50**	**94,757**

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

The fair value of the fixed-interest long-term debt is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

Liabilities to banks

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

euromicron AG concluded a borrower's note loan with a volume of €24,500 thousand in fiscal 2011. The loan consists of various tranches with different maturities. An amount of €5,000 thousand was repaid prematurely in fiscal 2013 and a further amount of €5,000 thousand was rapid prematurely in fiscal 2014. The remaining liabilities from this borrower's note loan at December 31, 2015, totaling €14,500 thousand have a term until July 15, 2016. The bank retained €122.5 thousand (0.5%) as the arrangement fee; this affected net cash in 2011 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €122.5 thousand at the time it was disbursed. In fiscal 2015, this resulted in a pro-rata amount of €14 thousand (previous year: €31 thousand), which was recognized in the income statement as an interest expense.

euromicron AG concluded a further borrower's note loan with a volume of €20,000 thousand in October 2014. The borrower's note loan consists of two tranches of €10,000 each, one of which has a variable interest rate and the other has a fixed interest rate. Both tranches have a term of five years. The banks retained €80 thousand (0.4%) as the arrangement fee; this affected net cash in 2014 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €80 thousand at the time it was disbursed. When the borrower's note loan was concluded, euromicron AG also paid an incentive fee of €30 thousand, which was likewise recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is deferred and distributed over the term of the agreement using the effective interest method. In fiscal 2015, these two circumstances resulted in a pro-rata amount totaling €21 thousand (previous year: €3 thousand), which was recognized in the income statement as an interest expense.

So as to ensure its solvency at all times, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of €48,220 thousand (previous year: €75,815 thousand) were unused at the year-end.

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

Liabilities from finance lease

The present value of the liabilities from finance lease and the future interest expense from finance lease are as follows:
TABLE 060 / 061

Liabilities from finance lease in 2015 060

	Total	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	1,709	516	1,059	134
Interest	159	62	92	4
Minimum lease payments	1,868	578	1,151	138

Liabilities from finance lease in 2014 061

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

Trade accounts payable

Trade accounts payable in foreign currency (mainly US$ and CHF) amount to €2,425 thousand (previous year: €3,466 thousand).

Gross amount due to customers for contract work

The gross amount due to customers for contract work in fiscal 2015 totaled €851 thousand (previous year: €0 thousand). This results from ongoing contracts in which the partial settlements exceed the incurred costs plus the reported profits (minus any losses).

Liabilities from current income taxes

Capital gains tax to be paid by subsidiaries of euromicron AG are recognized under "Liabilities from current income taxes" to a total of €806 thousand (previous year: €0 thousand). These tax liabilities recognized were offset in the same amount by receivables from creditable capital gains tax totaling €872 thousand (previous year: 0 thousand) due to euromicron AG which were recognized under the balance sheet item "Claims for income tax refunds".

Personnel obligations

The personnel obligations (€8,876; previous year: €9,127 thousand) are made up of financial obligations totaling €5,363 thousand (previous year: €4,884 thousand) and non-financial obligations totaling €3,513 thousand (previous year: €4,243 thousand). The financial personnel obligations mainly comprise obligations from wages and salaries, severance payments and bonuses. The non-financial personnel obligations mainly comprise obligations from vacation and flexitime credit balances that have been not been used by employees, as well as obligations from semi-retirement.

Other financial liabilities

The other financial liabilities are composed as follows:
TABLE 062

Other financial liabilities 062

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liabilities from preemptive rights	474	1,460
Purchase price liabilities	0	997
Other noncurrent financial liabilities	**474**	**2,457**
Customers' monies to be passed on	21,927	23,520
Dividend/profit shares for minority interests	1,712	2,791
Purchase price liabilities	0	1,513
Obligations from preemptive rights	1,000	1,000
Miscellaneous	199	262
Other current financial liabilities	**24,838**	**29,086**
Total of other financial liabilities	**25,312**	**31,543**

At the euromicron Group, financial liabilities are all assigned to the category "Other financial liabilities measured at amortized cost" at the balance sheet date and measured at amortized costs using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €227 thousand (previous year: €68 thousand) and was recognized in the income statement.

Other liabilities

The other liabilities are composed as follows: TABLE 063

Other liabilities 063

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liability from rent smoothing	170	189
Liability from retained security	9	45
Miscellaneous	10	0
Other noncurrent liabilities	**189**	**234**
Payments on account	1,690	3,996
Liabilities from social security (incl. mutual indemnity association)	911	1,100
Deferred income	421	364
Liability from compensation for members of the Supervisory Board	135	135
Liability from rent smoothing	31	31
Miscellaneous	185	221
Other current liabilities	**3,373**	**5,847**
Total for other liabilities	**3,562**	**6,081**

The payments on account include payments that cannot be set off. They also include payments on account from production contracts in accordance with the percentage of completion method (€66 thousand; previous year: €73 thousand).

The contractually agreed (undiscounted) interest payments and repayments for the financial obligations of the euromicron Group are shown below: TABLE 064 / 065

Cash flow from liabilities in 2015 064

	Carrying amount at Dec. 31, 2015	Cash flow in 2016 Up to 1 year			Cash flow 2017–2020 More than 1 year to 5 years			Cash flow 2021 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	64,791	652	257	44,307	707	570	20,484	0	0	0
Liabilities from finance lease	1,709	62	0	516	92	0	1,059	4	0	134
Trade accounts payable	47,593	0	0	47,593	0	0	0	0	0	0
Other financial liabilities	25,312	27	0	24,838	14	0	474	0	0	0
	139,405	**741**	**257**	**117,254**	**813**	**570**	**22,017**	**4**	**0**	**134**
(Previous year)	**140,563**	**1,058**	**336**	**93,669**	**1,425**	**897**	**46,894**	**0**	**0**	**0**

Cash flow from liabilities in 2014 065

	Carrying amount at Dec. 31, 2014	Cash flow in 2015 Up to 1 year: Interest Fixed	Cash flow in 2015 Up to 1 year: Interest Variable	Cash flow in 2015 Up to 1 year: Repaym.	Cash flow 2016–2019 More than 1 year to 5 years: Interest Fixed	Cash flow 2016–2019 More than 1 year to 5 years: Interest Variable	Cash flow 2016–2019 More than 1 year to 5 years: Repaym.	Cash flow 2020 et seq. More than 5 years: Interest Fixed	Cash flow 2020 et seq. More than 5 years: Interest Variable	Cash flow 2020 et seq. More than 5 years: Repaym.
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,119	1,002	336	19,888	1,296	897	43,231	0	0	0
Liabilities from finance lease	1,663	19	0	457	106	0	1,206	0	0	0
Trade accounts payable	44,238	0	0	44,238	0	0	0	0	0	0
Other financial liabilities	31,543	37	0	29,086	23	0	2,457	0	0	0
	140,563	**1,058**	**336**	**93,669**	**1,425**	**897**	**46,894**	**0**	**0**	**0**
(Previous year)	**163,773**	**1,254**	**265**	**121,975**	**1,313**	**560**	**41,725**	**2**	**0**	**73**

All financial instruments held on the balance sheet date December 31, 2015, 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, 2015 (previous year: December 31, 2014). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment.

euromicron uses derivative financial instruments exclusively to hedge interest rate risks resulting from financial transactions. A decision on this is taken on a case-by-case basis. They are not held for the purposes of short-term speculation. No derivative financial instruments were held either at December 31, 2015, or at December 31, 2014.

9. Deferred tax liabilities

In accordance with IAS 12.39, no deferred tax liabilities were recognized on taxable temporary differences between the shares in subsidiaries compared with their tax base of €635 thousand (previous year: €1,077 thousand), since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary difference will not be reversed in the foreseeable future ("outside basis differences").

The deferred tax liabilities result from measurement differences in the following balance sheet items: TABLE 066

Deferred tax assets 066

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Intangible assets	7,504	7,440
Property, plant and equipment	883	786
Inventories	22	30
Other receivables and other assets	24,075	25,576
Provisions	1,239	942
Other liabilities	23	91
Total deferred tax liabilities before netting off	**33,746**	**34,864**
Netting off	–28,140	–27,502
Total deferred tax liabilities after netting off	**5,606**	**7,362**

There are long-term deferred tax assets (after netting off) totaling €3,436 thousand (previous year: €5,258 thousand); they result from deferred tax assets on measurement differences for intangible assets. In the previous year, these measurement differences related to intangible assets.

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

Financial instruments by measurement category

	Measurement category acc. to IAS 39	Carrying amount at Dec. 31, 2015	Value acc. to IAS 39: Amortized acquisition cost	Acquisition cost	Fair value recognized directly in equity
		€ thou.	€ thou.	€ thou.	€ thou.
Assets					
Cash and cash equivalents	LaR [1]	10,722		10,722	
Trade accounts receivable	LaR [1]	33,248	33,248		
Gross amount due from customers for contract work	LaR [1]	47,480	47,480		
Other financial assets	AfS [3] LaR [1] IAS 17	3,612	2,893 379		340
Equity and liabilities					
Trade accounts payable	FLAC [2]	47,593	47,593		
Liabilities to banks	FLAC [2]	64,791	64,791		
Other financial liabilities	FLAC [2]	25,313	25,313		
Financial personnel obligations	FLAC [2]	5,363	5,363		
Liabilities from finance lease	IAS 17	1,709	1,709		

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

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Measurement category acc. to IAS 39	Carrying amount at Dec. 31, 2014	Value recognized in the balance sheet acc. to IAS 39 Amortized acquisition cost	Acquisition cost	Fair value recognized directly in equity
	€ thou.	€ thou.	€ thou.	€ thou.
LaR 1)	15,622		15,622	
LaR 1)	33,731	33,731		
LaR 1)	52,070	52,070		
AfS 3) LaR 1) IAS 17	3,858	3,089 0		770
FLAC 2)	44,238	44,238		
FLAC 2)	63,119	63,119		
FLAC 2)	31,543	31,543		
FLAC 2)	4,884	4,884		
IAS 17	1,663	1,663		

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

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

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

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

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

The fair values of the shares in Track Group Inc. (balance sheet item: “Other financial assets”) were measured on the basis of the 1st level, since the share price can be observed on an active market.

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

The opposite put/call option for the remaining shares in ATECS AG, SIM GmbH and MICROSENS GmbH & Co. KG not held by euromicron were measured on the basis of the 2nd level. It is presented as “Obligations from preemptive rights” under the other financial liabilities. The fair value of the long-term components was calculated as the present value of the contractually agreed selling or purchase prices using a market rate of interest.

The fair value calculated as part of the goodwill impairment test was measured on the basis of level 3. The fair value 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). Assumptions as to the future sales growth or anticipated EBITDA margin are made here.

There were no transfers between the levels during the fiscal year. There is no collateral received for financial instruments at the euromicron Group.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

11. Sales

The Group’s sales include sales from production contracts totaling €128,319 thousand (previous year: €137,832 thousand). The related production costs were €116,115 thousand (previous year: €120,734 thousand).

There were no changes in sales as a result of changes in the consolidated companies in fiscal year 2015 (previous year: €0 thousand).

Consolidated sales are divided into those from the sale of goods totaling €214,436 thousand (previous year: €212,647 thousand) and from the provision of services totaling €130,451 thousand (previous year: €133,691 thousand).

12. Own work capitalized

Own work capitalized totals €2,942 thousand (previous year: €2,617 thousand) and results to an amount of €2,413 thousand (previous year: €2,225 thousand) from capitalization of development costs, to an amount of €215 thousand (previous year: €345 thousand) from own work capitalized for self-developed software and IT solutions and to an amount of €314 thousand (previous year: €47 thousand) from own work capitalized for property, plant and equipment.

13. Other operating income

The other operating income is composed as follows: TABLE 068

Other operating income 068

	2015	2014
	€ thou.	€ thou.
Currency gains	740	612
Income from property and rent	287	270
Refunds for health insurance/reintegration/passed-on charges	275	160
Compensation paid from insurance	103	126
Income from retirement of noncurrent assets	37	18
Income from cash received from written-down receivables	36	105
Income from damages	32	4
Reduction in allowances for doubtful accounts	23	145
Income from derecognition of liabilities	0	291
Revenue from the reversal of the earn-out liability for SIM/ATECS	999	0
Other	541	413
	3,073	2,144

In relation to the revenue from the reversal of the earn-out liability for SIM/ATECS, we refer you to section 3 “Disclosures on company acquisitions from previous years”. The “Other” item contains a large number of individual items; a presentation of them is dispensed with.

14. Cost of materials

The cost of materials is composed of: TABLE 069

Cost of materials 069

	2015	2014
	€ thou.	€ thou.
Cost of raw materials and supplies and goods purchased	124,096	124,276
Cost of purchased services	65,787	58,192
	189,883	182,468

15. Personnel costs

The personnel costs are composed as follows: TABLE 070

Personnel costs 070

	2015	2014
	€ thou.	€ thou.
Wages and salaries	91,344	87,020
Social security	16,531	16,156
	107,875	103,176

Average number of employees per year: TABLE 071

Employees 071

	2015	2014
Hourly-paid employees	920	878
Salaried employees	828	826
Trainees	77	80
	1,825	1,784

16. Depreciation/amortization and impairment of goodwill

The depreciation/amortization and impairments of goodwill in the fiscal year were as follows: TABLE 072

Depreciation/amortization and impairments 072

	2015	2014
	€ thou.	€ thou.
Impairment of goodwill	5,333	0
	5,333	0
Amortization of intangible assets	6,653	6,367
Depreciation of tangible assets	3,585	3,335
	10,238	9,702

Hidden reserves totaling €77 thousand (previous year: €0 thousand) before deferred taxes were identified and recognized as part of purchase price allocation in the acquisition of a business by way of an asset deal in 2015. The amortization and depreciation for this in fiscal 2015 was €15 thousand (previous year: €0 thousand).

17. Other operating expenses

Other operating expenses are composed as follows: TABLE 073

Other operating expenses 073

	2015	2014
	€ thou.	€ thou.
Vehicle and travel expenses	13,621	13,893
Rent/room costs	6,996	6,589
Legal and consulting costs	6,214	4,897
IT costs	2,471	1,878
Commission	2,106	1,092
Cost of goods consignment	1,956	1,857
Communication expenses	1,956	1,831
Trade fair and advertising costs	1,741	1,566
Personnel leasing	1,346	2,153
Further training costs	994	952
Maintenance and repair	831	718
Exchange rate losses	780	407
Running costs	750	633
Allocation of allowances for receivables	726	1,741
Administrative expenses	390	542
Expenses incidental to monetary transactions	160	156
Losses of receivables	53	150
Miscellaneous	4,013	3,824
	47,104	**44,879**

18. Net interest income/loss

Net interest/income loss is composed as follows: TABLE 074

Net interest income/loss 074

	2015	2014
	€ thou.	€ thou.
Interest income	66	333
Interest expenses	–3,791	–4,012
Net interest income/loss	**–3,725**	**–3,679**

The total interest income and total interest expense for financial instruments not carried at fair value in accordance with IAS 39 are shown in the table below: TABLE 075

Total interest income and expense 075

	2015	2014
	€ thou.	€ thou.
Total interest expense	–3,536	–3,698
Total interest income	31	333

The other financial expenses (€332 thousand; previous year: €0 thousand) comprise the cost from the impairment to the value of available-for-sale assets (shares in Track Group Inc.).

Net gains and losses from financial instruments for the measurement categories at the euromicron Group are presented in the following: TABLE 076

Net gains and losses from financial instruments 076

	2015	2014
	€ thou.	€ thou.
Loans and receivables	–650	–1,316
Available-for-sale financial assets	–430	–79
of which recognized in other comprehensive income	–98	–79
of which recognized in the income statement	–332	0
Financial liabilities measured at amortized cost	–3,544	–3,493

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

19. Income taxes

Income taxes 077

	2015	2014
	€ thou.	€ thou.
Current taxes in Germany	347	2,438
Deferred taxes in Germany	–804	1,588
Current taxes abroad	937	918
Deferred taxes abroad	–56	–20
	424	**4,924**

In fiscal 2015, a reduction in deferred tax assets totaling € –434 thousand (previous year: an increase of €1,288 thousand) was recognized directly in equity. As in 2014, it results in 2015 solely from deferred tax assets that had to be recognized in other comprehensive income as part of the application of IAS 19 R. In 2015, as in the previous year, there were no deferred tax liabilities from company acquisitions that were taken directly to equity. Application of the net interest method resulted in the year under review in deferred tax expenses of €78 thousand (previous year: €113 thousand) which did not result in recognition of deferred tax liabilities in the balance sheet, since there was a balancing entry in other comprehensive income.

The item "Income taxes" includes income taxes for previous years totaling €55 thousand (previous year: €190 thousand) and tax refunds of €73 thousand (previous year: €308 thousand).

The table below presents a reconciliation of the tax expense expected in each fiscal year to the tax expense actually disclosed. As in the previous year, the expected tax expense is calculated from a total tax rate of 30.00% and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 15.825% and the effective average trade tax rate of 14.175%. TABLE 078

Tax reconciliation 078

	2015	2014
	€ thou.	€ thou.
Income before income taxes	–12,705	7,768
Expected tax expense	–3,811	2,330
Non-deductible expenses	318	213
Non-recognition of deferred taxes on loss carryforwards	2,698	2,856
Effect from write-downs with no impact on taxes (goodwill, etc.)	1,499	0
Effects of different national tax rates	36	–181
Effect from reversal of the earn-out liability (no impact on taxes)	–294	0
Tax arrears/refunds	–18	–118
Use of loss carryforwards not included to date/change in allowance	–3	–191
Other	–1	15
Actual tax expense	424	4,924
Effective tax rate	**–3.3%**	**63.4%**

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

The consolidated net income for the period for non-controlling interests relates solely to Qubix S.p.A., Padua, Italy (10%). The non-controlling interest should be regarded as not being material in relation to the consolidated financial statements.

21. Earnings per share

Undiluted earnings per share are calculated as follows: TABLE 079

Undiluted earnings per share 079

	2015	2014
Earnings for euromicron AG shareholders in € thousand	–13,253	2,576
Weighted average number of shares issued	7,176,398	7,176,398
Undiluted earnings per share in €	**–1.85**	**0.36**

The earnings for euromicron AG shareholders correspond to the consolidated net loss (previous year: consolidated net income) for the year minus the earnings for non-controlling interests.

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

APPROPRIATION OF NET INCOME

The annual financial statements of euromicron AG at December 31, 2015, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € –28,184,220.00 (previous year: € –12,995,969.42).

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

Net cash provided by operating activities is derived indirectly by the income before income taxes being adjusted for the effects of non-cash transactions and allowing for changes in current assets and liabilities and paid and received interest and income taxes.

The cash provided by operating activities in fiscal 2015 was €4,558 thousand, whereas in the previous year there was net cash used in operating activities totaling € –1,930 thousand. However, comparison of these figures is not meaningful due to effects from factoring (change in the volume of factoring used at the balance sheet date, the claim from retained factoring monies and the liability from customers' monies to be passed on). A detailed presentation of these effects can be found in section 2.3 "Net assets, financial position and results of operations", subsection "Financial position", of the group management report for 2015. Aggregated reconciliation to a cash flow from operating activities adjusted for factoring effects supplies the following comparative figures: TABLE 080

Adjusted cash flow 080

	Cash flow from operating activities acc. to statement of cash flows	Effects from factoring and customers' monies to be passed on included in the above	Adjusted cash flow from operating activities
	€ thou.	€ thou.	€ thou.
2014	–1,930	4,920	2,990*
2015	**4,558**	**1,544**	**6,102**

* The previous year's figure has been adjusted.

After adjustment for factoring effects, there is net cash provided by operating activities totaling €6,102 thousand in fiscal 2015 compared with net cash provided by operating activities totaling €2,990 thousand in the previous year. As a result, the cash flow from operating activities in fiscal 2015 improved sharply by €3,112 thousand, which was mainly due to positive effects from the measures to reduce working capital that were initiated in 2015.

Under the contractual trust agreement, trade accounts receivable of €1,173 thousand were withdrawn from the plan assets in fiscal 2015. Receivables of €4,513 thousand were contributed to the plan assets in the previous year.

Net cash used in investing activities is calculated from the net cash from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as company acquisitions. The net cash used in the fiscal year was € –9,868 thousand, €4,438 lower than in the previous year (€ –14,306 thousand). This is mainly attributable to lower purchase price payments from company acquisitions (2015: € –2,672 thousand; 2014: € –8,028 thousand). On the other hand, there was an increase in payments for the acquisition of property, plant and equipment (2015: € –3,959 thousand; 2014: € –2,956 thousand).

The net cash provided by financing activities in fiscal 2015 was €410 thousand (previous year: net cash used of € –6,972 thousand). The net cash provided was mainly due to the raising of new loans, which exceeded the net cash used to repay loans by €1,677 thousand. On the other hand, there was an increase in payments due to distributions to non-controlling shareholders and from profit shares of minority interests (2015: € –1,267 thousand; previous year: € –160 thousand).

23. Contingencies and other financial obligations

a) Contingencies

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

b) Other financial obligations

There are the following other financial obligations on the balance sheet date: TABLE 081

Other financial obligations 081

	Total	Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Bill commitments	3,131	3,131	0	0
Operating lease	19,919	7,952	10,748	1,219
Purchase obligation	8,511	8,511	0	0
	31,561	**19,594**	**10,748**	**1,219**
Previous year	**37,025**	**24,987**	**10,432**	**1,606**

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

As in the previous year, there were no contingent liabilities in the euromicron Group in fiscal 2015.

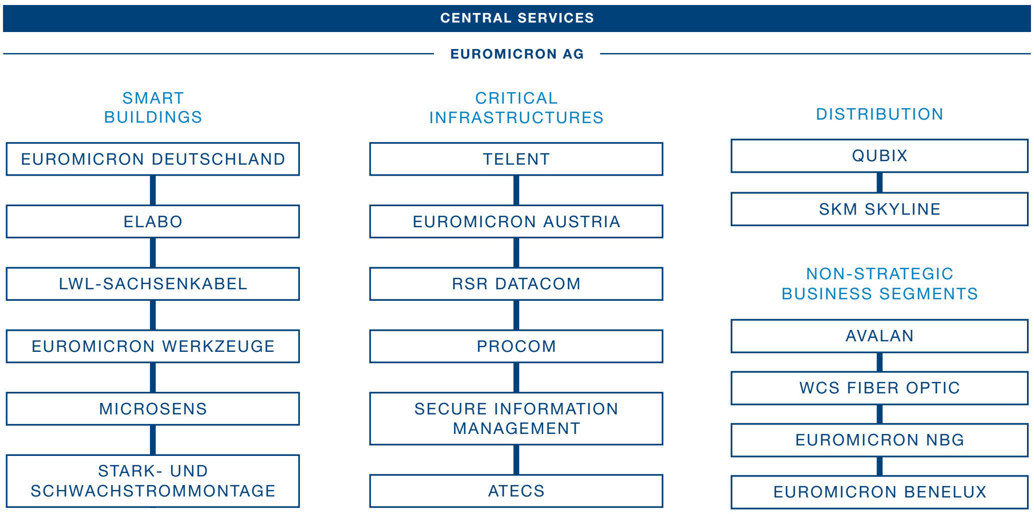
Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminable agreements and mainly relate to rental and leasing agreements for operating and office equipment, such as cars, office machines or PC workstations, and communications technology and total €19,919 thousand (previous year: €21,455 thousand). In fiscal 2015, payments from these leasing relationships totaling €13,396 thousand (previous year: €11,218 thousand) were recognized in income. Conditional lease payments of €50 thousand (previous year: €19 thousand) were recognized. Future proceeds of €72 thousand (previous year: €163 thousand) are expected from subleasing as part of operating lease agreements up to when they can be terminated for the first time.

24. Segment reporting

The Executive Board is the main decision-maker in the Group. The business segments were identified on the basis of the internal reporting the Executive Board uses to allocate resources and assess earnings strength.

Under its new strategic alignment, the euromicron Group focuses on three three main business segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. Controlling is in line with the orientation toward target markets and the underlying value chain within the Group. In this connection, the organizational and reporting structures have also been changed, with the result that these three business segments will be reported on in future.

SEGMENT STRUCTURE



Description of the segments: Smart Buildings

All the activities of the euromicron Group in the target markets of “Digital Buildings” and “Smart Industry” are pooled in the Smart Building segment. In the target market of “Digital Buildings”, euromicron provides infrastructure-related intelligent solutions, such as “Smart Office”, “Smart Energy” or “Smart Lighting”. Services relating to building or process automation, light control, access control, video surveillance, fire prevention or support services as part of efficient energy and building management are planned, implemented and operated as part of that. The focus in the target market of “Smart Industry” is on digitizing and networking development, production and service processes in industry. The euromicron Group develops holistic approaches and the related processes for and with its customers and implements them in a forward-looking way that protects investments. This segment also includes services relating to the equipment of data centers with innovative connector systems.

Critical Infrastructures

The Critical Infrastructures segment deals with vital business infrastructures whose failure is highly problematic. Such infrastructures may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example. System integration comprises the planning, production and operation of digitized critical infrastructures. In addition, the technology manufacturing companies in this segment round out the product portfolio in this target market with their professional video, audio and special technology solutions for sensitive security restricted areas.

Distribution

The “Distribution” segment advises and supplies customers in a vendor-independent manner in all matters relating to active and passive network components in the fiber-optic and copper arena.

All other segments

“All other segments” consists of the Non-strategic Business Segments and Central Services areas. The Non-strategic Business Segments area includes the business units that have been identified by the Executive Board as no longer being of relevance at Avalan GmbH (in liquidation), euromicron NBG Fiber Optics GmbH, euromicron benelux S.A. and WCS Fiber Optics B.V., whose business operations were discontinued effective December 31, 2015. The Central Services area mainly includes euromicron AG as the strategic management holding company. euromicron AG also pools the corporate departments of financing, group controlling and accounting, taxes, legal affairs, human resources, purchasing, IT, corporate marketing, investor relations and innovation management, which act as service providers within the Group.

The reconciliation contains the consolidation of the cross-segment network of services and various other items that cannot be assigned to the individual areas, since the Executive Board believes they do not reflect the services provided by the areas.

The change in reporting means that the previous year’s figures have been adjusted accordingly.

Control factors

The Executive Board assesses the earnings strength of the business segments on the basis of operating EBITDA and the operating EBITDA margin (operating EBITDA relative to sales). Operating EBITDA excludes effects from one-off expenses in the business segments, such as reorganization costs due to personnel measures. Apart from these key figures, sales and the working capital ratio (working capital used relative to sales) are the most important control factors.

The sales and earnings, as well as the current assets and liabilities included in the working capital, that are reported to the main decision-maker are measured in accordance with the same principles and standards as in euromicron’s consolidated financial statements. Transactions within and between the segments are reflected at market prices (at arm’s length principle).

The working capital is calculated from the total of inventories, trade accounts receivable and the gross amount due from customers for contract work minus trade accounts payable, the gross amount due to customers for contract work and prepayments.

SEGMENT REPORTING

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Segment reporting

	Smart Buildings		Critical Infrastructures		Distribution	
	2015	2014	2015	2014	2015	2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	193,479	187,656	120,807	128,310	20,017	19,767
Sales within the Group	4,391	5,103	638	705	2,437	4,801
Total sales	**197,870**	**192,759**	**121,445**	**129,015**	**22,454**	**24,568**
EBITDA	7,502	12,808	7,886	14,357	2,538	2,848
EBIT margin	3.8%	6.6%	6.5%	11.1%	11.3%	11.6%
of which reorganization costs	2,574	0	217	0	0	0
Operating EBITDA	**10,076**	**12,808**	**8,103**	**14,357**	**2,538**	**2,848**
Operating EBITDA margin	**5.1%**	**6.6%**	**6.7%**	**11.1%**	**11.3%**	**11.6%**
Amortization and depreciation	–5,672	–5,500	–2,089	–2,861	–562	–564
Write-downs of property, plant and equipment, intangible assets and goodwill	–190	0	0	0	0	0
EBIT	1,640	7,308	5,797	11,496	1,976	2,284
of which reorganization costs	2,610	0	217	0	0	0
Operating EBIT	4,250	7,308	6,014	11,496	1,976	2,284
Order books	53,264	60,836	50,494	52,921	1,433	1,445
Working capital	59,877	59,912	15,129	21,179	4,258	3,060
Working capital ratio	**30.3%**	**31.1%**	**12.5%**	**16.4%**	**19.0%**	**12.5%**

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	Total for all operating segments that must be reported		All other segments: Non-strategic Business Segments		All other segments: Central Services		Total for the segments		Reconciliation		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	334,303	335,733	10,584	10,605	0	0	344,887	346,338	0	0	344,887	346,338
	7,466	10,609	283	330	0	0	7,749	10,939	−7,749	−10,939	0	0
	341,769	**346,342**	**10,867**	**10,935**	**0**	**0**	**352,636**	**357,277**	**−7,749**	**−10,939**	**344,887**	**346,338**
	17,926	30,013	−4,994	−1,607	−7,007	−7,260	5,925	21,146	999	2	6,924	21,148
	5.2%	8.7%	−46.0%	−14.7%			1.7%	5.9%			2.0%	6.1%
	2,791	0	1,764	0	2,279	0	6,834	0	0	0	6,834	0
	20,717	**30,013**	**−3,230**	**−1,607**	**−4,728**	**−7,260**	**12,759**	**21,146**	**999**	**2**	**13,758**	**21,148**
	6.1%	**8.7%**	**−29.7%**	**−14.7%**			**3.6%**	**5.9%**			**4.0%**	**6.1%**
	−8,323	−8,925	−304	−356	−637	−420	−9,264	−9,701	0	0	−9,264	−9,701
	−190	0	−5,730	0	−388	0	−6,308	0	0	0	−6,308	0
	9,413	21,088	−11,028	−1,963	−8,032	−7,680	−9,647	11,445	999	2	−8,648	11,447
	2,827	0	7,494	0	2,850		13,171	0	0	0	13,171	0
	12,240	21,088	−3,534	−1,963	−5,182	−7,680	3,524	11,445	999	2	4,523	**11,447**
	105,191	115,202	0	7,537	0	0	105,191	122,739	−1,834	−1,247	103,357	121,492
	79,264	84,151	48	1,623	−981	−1,036	78,331	84,738	−16,974	−18,147	61,357	66,591
	23.2%	**24.3%**					**22.2%**	**23.7%**			**17.8%**	**19.2%**

Explanation of selected items

A detailed explanation on the goodwill impairment of €5,333 thousand at CGU 3 “System Houses South” in the fiscal year is contained in section 1. Fixed assets, subsection (a) “Intangible assets”. The event-driven impairment test described there was conducted pursuant to the decision to shed business units that were unprofitable or not strategically relevant and related to the segment “South” in the segment structure existing at the time. In the new means of presentation for segment reporting, this impairment is recognized – in line with internal management reporting – under “All other segments” in the area “Non-strategic Business Segments”.

The reconciliation with the working capital item includes offsetting and netting off of the plan assets, consisting of trade accounts receivable, with the relevant provisions for pensions. The reversal of the conditional purchase price obligation that was carried out in the year under review is shown in the reconciliation for earnings. For an explanation of the composition of the reorganization costs, we refer you to our comments in the management report (section 2.3 “Net assets, financial position and results of operations”, subsection “Development of the segments” and subsection “Results of operations”).

Sales by region

Sales in Germany were €291.3 million (previous year: €293.9 million), in the Euro zone €35.2 million (previous year: €31.3 million) and in the Rest of the World €18.4 million (previous year: €21.1 million). The sales relate to the geographical location of the customers.

Sales by category

Breakdown of sales for all products and services: Consolidated sales are divided into those from the sale of goods totaling €214,436 thousand (previous year: €212,647 thousand) and from the provision of services totaling €130,451 thousand (previous year: €133,691 thousand).

Sales by customer

There are sales exceeding the thresholds defined by IFRS 8.34 with one customer. These sales total €38,026 thousand and were generated in the segments “Smart Buildings” and “Critical Infrastructures”.

Noncurrent assets

In accordance with IFRS 8.33b, noncurrent assets are €116,669 thousand in Germany (previous year: €119,255 thousand) and €25,168 thousand in the Euro zone (previous year: €30,113 thousand). They are composed of:

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

25. Risk management

Principles of risk management

As a result of its business activity, the euromicron Group is exposed to various risks. They are countered by a risk management system that has been implemented throughout the Group and is closely geared to its business strategy. The internal control system and compliance policies are inseparable from the risk management system. They ensure that financial reporting is performed correctly and the rules of conduct are observed by employees. The existing system of controls and policies enables the euromicron Group to comply with the stipulations of the corporate governance guidelines. The focus is in particular on finance and controlling, legal and compliance and the main operating processes.

Risk control

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

Market risks
In principle, euromicron is dependent on economic trends in the Euro zone; the German market accounts for 84.5% (previous year: 84.9%) of sales and so is crucial to the Group's success. Germany is also the area of activity of most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers and special solutions in niche markets so as to be able to offer top-quality products and services at competitive prices.

Risks of default
Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned. Only one customer accounted for more than 10% of consolidated sales in fiscal 2105 (previous year: one customer). In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, credit sale insurance policies were concluded for specific companies.

The maximum risk of default is to the carrying amounts of the financial assets recognized on the balance sheet which are not secured by credit sale insurance policies.

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

A further financial risk for the euromicron Group is the provision of sufficient liquidity for the subsidiaries' business operations. euromicron AG must ensure that the receivables resulting from financing of the operating units through the cash pool retain value. This is achieved by a permanent and standardized finance management and reporting that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

As regards measures to safeguard future liquidity, refinance loans that will expire in fiscal 2016 and restructure financing, we refer you to the comments in section 4.2 "Risk report and salient features of the risk management system" in the group management report for 2015.

Interest rate risks
Interest rate risks are restricted exclusively to the Euro zone. To protect against these risks, the euromicron Group relies on a balanced mix of a variable and fixed financing structure. Interest rate derivatives can also be used to optimize the net interest income/loss on a case-by-case basis. As in the previous year, however, there were no interest rate derivatives at December 31, 2015.

The financing that was contractually agreed and utilized at December 31, 2015, resulted in interest expenses of around €2.3 million (previous year: €3.7 million) by the end of its term. A sensitivity analysis is used to assess the interest rate risks. This shows the effects of different market interest rates on interest payments, interest income and interest expenses.

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

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

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

If the average market level for interest rates in 2015 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €335 thousand lower (€335 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 2015 on monitoring its main corporate processes. In particular, the internal controls are aimed at minimizing operational risks and avoiding mistakes in sensitive areas of the company. For example, the company ensures that key functions are kept strictly separate from each other and that the four eyes principle is applied comprehensively. Moreover, Finance and Accounting, and Controlling very closely observe changes in accounting and employees are given extensive training by external consultants if and when required.

The controls are carried out throughout the Group and their suitability and comprehensiveness are reviewed regularly on a test basis.

Appropriate measures to minimize risks from project business were implemented in previous years. Further enhancement of these structures was also a focus of the euromicron Group's risk management activities in 2015. For further details, please refer to the comments in section 4.2 "Risk report and salient features of the risk management system" in the group management report for 2015.

In fiscal 2015, euromicron AG's risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) AktG (German Stock Corporation Law). The risk identification system is suitable for promptly detecting developments that might jeopardize the company's continued existence.

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

Compliance in Human Resources was one of the focuses in fiscal 2015. In particular, various in-person training courses were held on the subject.

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 €42 thousand (previous year: €75 thousand) was paid for the services; there is still a liability of €20 thousand (previous year: €63 thousand) due on this at December 31, 2015. Business transactions with related parties are conducted at the same prices as with outside third parties (at arm's length). Further relations with members of the Executive Board and Supervisory Board are explained in section 32.

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

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

In 2015, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated September 30, 2014, which was published on June 24, 2014, and in its amended version dated May 13, 2012, as of June 12, 2015. The exceptions, which are due to the company's size and business model and to preparations for future adaptations, are listed in the declaration on conformance by the Executive Board and Supervisory Board dated December 8, 2015, which can be read on the company's homepage at:
http://www.euromicron.de/en/investor-relations/declaration-on-conformance-2015-III.

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 €835 thousand (previous year: €914 thousand). €560 thousand (previous year: €623 thousand) relate to auditing of the financial statements of the companies and the Group. This figure includes expenses of €73 thousand (previous year: €50 thousand) not related to the period. It also includes costs for other confirmation or valuation services (€4 thousand; previous year: €16 thousand), tax consulting services (€263 thousand; previous year: €247 thousand) and other services (€8 thousand; previous year: €28 thousand) for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

On February 22, 2016, it was agreed that the existing purchase option for half of the minority stake of 10% of the shares in ATECS AG and for half of the minority stake in SIM GmbH would be partially exercised effective March 31, 2016. 5% of the shares in ATECS AG and in SIM GmbH were acquired. The purchase price for exercising the options is €400 thousand for the shares in ATECS AG and €100 thousand for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH was 95% in each case. Due to the fact that the existing purchase options are designed as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligations totaling €500 thousand resulting from exercise of the options was already recognized under "Other current financial liabilities" in the financial statements at December 31, 2015.

At the same time, the period for exercising the preemptive right and the purchase option relating to the remaining 5% stakes held by the minority shareholder was extended until December 31, 2017. The options can now be exercised on January 1, 2017, at the earliest and on December 31, 2017, at the latest.

Distributions to the shareholders were resolved at the General Meeting of SIM GmbH and at the Ordinary General Meeting of ATECS AG on February 22, 2016. The distribution to minority shareholders totaling €167 thousand must be transferred from the consolidated equity to the item "Dividend/profit shares for minority interests", which is recognized under the balance sheet item "Other financial liabilities", effective February 22, 2016.

31. Publication of the consolidated financial statements

On March 23, 2016, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 24, 2016, by the Supervisory Board following their submission by the Executive Board and deposited with the operator of the electronic Federal Official Gazette.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to prepare notes and/or a management report and to audit and disclose annual financial statements and management reports and fulfills all the necessary conditions. This goes for all subsidiaries (see "List of companies included in the consolidated financial statements" in the section "Consolidated companies") with the exception of the following. Exceptions are Avalan GmbH, Spiesen-Elversberg, ATECS AG, Zug, Switzerland, MICROSENS Sp.z o.o., Wroclaw, Poland, Microsens Beteiligungs GmbH, Hamm, RSR Datacom Verwaltungs GmbH, Essen, euromicron austria GmbH, Seekirchen, Austria, euromicron holding GmbH, Seekirchen, Austria, NBG Fiber Optics GmbH, Gmünd, Austria, WCS Fiber Optic B.V., SV Amersfoort, Netherlands, euromicron benelux S.A., Ellange, Luxembourg, 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

Dr. Willibald Späth, Chairman of the Executive Board
Responsible for strategy, acquisitions, finance, public relations and investor relations (until March 23, 2015)

Thomas Hoffmann
Responsible for strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets (until March 23, 2015)
Sole Executive Board member (March 24 to 30, 2015)
Responsible for strategy, corporate marketing, IT, M&As and capital market communication (from March 31 to May 8, 2015)

Bettina Meyer
Responsible for finance, legal affairs, human resources, accounting/controlling; Spokeswoman of the Executive Board (since March 31, 2015)
Also responsible for corporate marketing/IR, M&As and capital market communication (since May 8, 2015)

Jürgen Hansjosten
Responsible for operations (since March 31, 2015)
Also responsible for strategy, IT and purchasing (since May 8, 2015)
Chairman of the Supervisory Board of AMS Technologies AG, Planegg

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 the Business Unit Professional Power Tools, Industrialized Markets of Robert Bosch GmbH, Leinfelden-Echterdingen

Dr. Andreas de Forestier
Managing Director of DBE Liegenschaften GmbH, Munich
Managing Director of KEA Vermögensverwaltungs-gesellschaft mbH, Hamm
Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
Chairman of the Supervisory Board of CP Consulting-partner AG, Cologne
Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting the ecological and social market economy, Nuremberg

c) Remuneration of the board members

In total, the members of the Supervisory Board received compensation of €135 thousand (previous year: €135 thousand) in accordance with the Articles of Association; it consisted solely of fixed compensation. The fixed compensation for members of the Supervisory Board is €30 thousand, with the Chairman of the Supervisory Board receiving twice and his deputy one-and-a-half times the fixed compensation.

In fiscal 2015, the Executive Board received a total remuneration of €1,038 thousand (previous year: €1,788 thousand); the variable payments made up €317 thousand of this (previous year: €912 thousand). No expenses from the pension commitments to Executive Board members were recognized in fiscal 2015 (previous year: €25 thousand).

The total compensation for the Executive Board included short-term benefits totaling €1,012 thousand (previous year: €1,644 thousand) and long-term benefits totaling €26 thousand (previous year: €144 thousand).

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 22, 2016

Bettina Meyer
Spokeswoman of the
Executive Board

Jürgen Hansjosten
Member of the
Executive Board

SINGLE-ENTITY FINANCIAL STATEMENTS (HGB)

BALANCE SHEET AS OF DECEMBER 31, 2015

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Assets

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	Note	Dec. 31, 2015	Dec. 31, 2014
		in €	in €
A. Fixed assets	(1)		
I. Intangible assets			
Purchased concessions, industrial and similar rights		238,253.00	486,187.00
II. Property, plant and equipment			
Other equipment, operating and office equipment		331,369.00	124,881.82
III. Financial assets			
1. Shares in affiliated companies		145,427,728.00	146,732,467.81
2. Loans to affiliated companies		19,700,000.00	25,400,000.00
3. Other long-term equity investments		0.00	770,692.00
4. Securities classified as noncurrent assets		340,325.00	0.00
5. Prepayments		20,000.00	40,000.00
		165,488,053.00	172,943,159.81
		166,057,675.00	**173,554,228.63**
B. Current assets			
I. Receivables and other assets	(2)		
1. Receivables from affiliated companies		32,291,872.47	27,033,918.20
2. Other assets		1,453,429.43	642,121.11
		33,745,301.90	27,676,039.31
II. Cash-in-hand, bank balances		3,223,988.97	8,559,534.68
		36,969,290.87	**36,235,573.99**
C. Prepayments and accrued income	(3)	**190,792.96**	**109,549.14**
		203,217,758.83	**209,899,351.76**

Equity and liabilities

084

	Note	Dec. 31, 2015	Dec. 31, 2014
		in €	in €
A. Equity			
I. Subscribed capital	(4)	18,347,554.88	18,347,554.88
II. Capital reserves	(5)	96,689,403.69	96,665,441.92
III. Revenue reserves			
Other revenue reserves	(6)	6,433,729.53	6,433,729.53
IV. Net accumulated losses	(7)	–28,184,220.00	–12,995,969.42
		93,286,468.10	**108,450,756.91**
B. Provisions			
1. Provisions for taxes	(8)	948,681.23	711,103.23
2. Other provisions	(9)	1,950,067.15	4,014,413.83
		2,898,748.38	**4,725,517.06**
C. Liabilities	(10)		
1. Liabilities to banks		61,271,283.65	60,589,214.21
2. Trade accounts payable		624,532.06	394,481.67
3. Liabilities to affiliated companies		44,127,392.90	35,361,341.50
4. Other liabilities (of which from taxes €1,009,333.74; previous year: €372.514.51)		1,009,333.74	378,040.41
		107,032,542.35	**96,723,077.79**
		203,217,758.83	**209,899,351.76**

SINGLE-ENTITY FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Income statement 085

	Note	2015	2014
		in €	in €
1. Income from investments		2,126,252.49	6,569,391.15
(thereof from affiliated companies €2,126,252.49; previous year: €6,569,391.15)			
2. Income from profit and loss transfer agreements		9,544,965.83	10,664,404.72
(thereof from affiliated companies €9,544,965.83; previous year: €10,664,404.72)			
3. Expenses from assumption of losses		–13,741,030.29	–15,902,486.92
(thereof from affiliated companies €13,741,030.29; previous year: €15,902,486.92)			
4. Other operating income	(11)	4,248,629.88	2,882,063.66
5. Personnel costs			
a) Salaries		–3,775,961.72	–2,674,322.55
b) Social security and other pension costs		–322,809.00	–273,837.94
(of which in respect of old age pensions €22,463.97; previous year: €32,300.46)			
6. Amortization of intangible assets and depreciation of tangible assets	(12)	–794,912.26	–184,784.30
7. Other operating expenses	(13)	–8,000,379.16	–6,673,956.92
8. Income from long-term loans		321,666.67	626,332.71
(thereof from affiliated companies €321,666.67; previous year: €626,332.71)			
9. Other interest and similar income	(14)	1,290,902.79	1,718,865.66
(thereof from affiliated companies €626,332.71; previous year: €1,494,667.81)			
10. Write-down of long-term financial assets	(15)	–2,278,069.32	–78,683.00
11. Interest and similar expenses	(16)	–3,427,125.65	–3,228,520.98
(thereof to affiliated companies €756.197,91; previous year: €590,684.14)			
(of which expenses from interest accrued for provisions €21,631.12; previous year: €86,349.26)			
12. Result from ordinary activities		**–14,807,869.74**	**–6,555,534.71**
13. Income taxes		–189,165.45	–988,570.45
14. Other taxes		–191,215.39	–168,378.25
15. Net loss for the year		**–15,188,250.58**	**–7,712,483.41**
16. Loss carried forward		–12,995,969.42	–5,283,486.01
17. Net accumulated losses		**–28,184,220.00**	**–12,995,969.42**

MORE INFORMATION

FIVE-YEAR OVERVIEW

Values from the income statement

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	2015	2014	2013	2012	2011
	€ m.	€ m.	€ m.	€ m.	€ m.
Sales	344.9	346.3	325.7	323.1	305.3
Germany	291.3	293.9	287.6	292.0	267.8
Euro zone	35.2	31.3	27.4	25.5	34.2
Rest of World	18.4	21.1	10.7	5.6	3.3
EBITDA (operating)*	13.8	21.1	8.7	18.0	30.8
EBITDA	6.9	21.1	8.7	18.0	30.8
EBIT (operating)*	4.5	11.4	–0.2	10.0	24.2
EBIT	–8.6	11.4	–0.2	10.0	24.2
EBT	–12.7	7.8	–4.0	5.2	17.8
Consolidated net income for the period for shareholders of euromicron AG	–13.3	2.6	–6.5	2.8	12.2
Net cash provided by operating activities	4.6	–1.9	39.4	7.0	0.5

* Adjusted for special effects of the reorganization

Values from the balance sheet

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	2015	2014	2013	2012	2011
	€ m.	€ m.	€ m.	€ m.	€ m.
Current assets	128.8	136.7	161.5	130.3	126.8
Noncurrent assets	142.0	150.7	155.0	146.5	138.4
Current liabilities	142.8	119.4	152.5	106.8	99.2
Noncurrent liabilities	31.0	57.6	52.8	56.7	46.0
Minority interests	0.4	0.4	0.4	0.5	0.5
Equity	97.0	110.4	111.2	113.2	120.0
Total assets	270.8	287.4	316.5	276.8	265.2
Equity ratio	35.8	38.4	35.1	40.9	45.3
Working capital ratio (in %)	17.8	19.2	17.1	21.9	28.7

Miscellaneous

088

	2015	2014	2013	2012	2011
	€ m.	€ m.	€ m.	€ m.	€ m.
Investments in intangible assets and in property, plant and equipment	8.1	6.4	6.4	10.8	8.2
Employees (number as an average for the year)	1,825	1,784	1,741	1,699	1,455

GLOSSARY

Big data
Big data denotes quantities of data that are too large or too complex to analyze using conventional data processing methods. Large volumes of data are created in particular in the Internet of Things, for example from the areas of industry, communication, the energy sector and transportation. The source for collecting this data may be intelligent sensors, smart metering systems or video cameras that store, analyze and prepare the data using special software tools. This form of processing is regarded as the basis for smart services.

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.

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.

Cybersecurity
Attacks on information infrastructures are growing in number and professionalism. Cybersecurity deals with all aspects of security in information and communications technology. The field of activity of traditional IT security is expanded to cover the whole of cyberspace. The latter comprises all information technology that is connected to the Internet and similar networks, including means of communication, applications and processes based on it. Cybersecurity is the sum total of suitable and reasonable measures to protect against attacks.

Digital Buildings
In Digital Buildings, state-of-the-art building technologies with IP-based information and communications technology are linked with each other so that, for example, office buildings, industrial complexes or multi-story car parks can be operated cost-effectively, in an ecologically balanced manner and as best suited to needs. Numerous application areas are conceivable. One example of cross-discipline interaction between the technologies is controlling of the lighting at the workplace (use of daylight, sun shades and glare protection, energy-saving use of bulbs) with the aid of blind controllers and sensors that are able to communicate for detecting movement and measuring light intensity, wind strength and room temperature. In addition, such solutions enable all information of relevance to overarching tasks, such as visualization, maintenance management, incident management, etc., to be made available anywhere in the world. Smart Buildings with their integrated disciplines, such as building automation, fire prevention, safety, security, lighting or access control, thus become an integral part of the Internet of Things.

Elabo Information management (EIM)
Smart Factory solutions also make a major contribution to increasing efficiency in production in the small and medium-sized sector. They support the mainly manual work operations by means of an optimized information flow and so reduce time losses and error rates. Elabo Information Management (EIM), a software solution from euromicron's subsidiary Elabo, enables comprehensive controlling and networking of a company's production and value added processes. The special nature of the software is shown by the fact that all the latest process-related information is available in real time at every workplace of a business establishment. In order to achieve that, EIM accesses a database in which all the company's process data is archived centrally. The use of Smart Industry solutions such as EIM means that developers and producers of electronic modules can thus achieve comprehensive process controlling that supports and simplifies operations at many points. This EIM-based means of process management can also be supplemented by process-integrated safety and security measures, as well as special workplace configurations.

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).

Firewall
A firewall protects individual computers or an entire computer network against unwanted access from the network and consists of a group of network components at the interface between the Internet and internal network. A firewall's task is to prevent unpermitted network access as part of a security concept.

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.

Building automation
Building automation denotes the sum total of all facilities (including software) that enables overarching and automatic monitoring, control, regulation and operational optimization of systems in one or more buildings. As a key component of facility management, building automation aims to control functional processes automatically and across all disciplines and to simplify their operation and monitoring. Special control stations are used as the management center, depending on the size and complexity of the object or property to be automated. Other terms used for building automation, but not necessarily synonyms, are: "e-house", "smart building" or "smart home". Alerting systems (for fire, burglary or assaults), access control systems and monitoring systems are not part of building automation. However, these systems can be linked to the building automation.

Industry 4.0
The term "Industry 4.0" stands for the fourth industrial revolution and so for a radical change in production technology. It follows on from the third industrial revolution, which was initiated in the 1970s and is characterized by increasing automation of production through the use of electronics and IT. From today's vantage point, the first industrial revolution comprised mechanism using water and steam power. It was followed by the second industrial revolution, in which mass production was enabled by assembly lines and electrical energy. As part of the German government's high-tech strategy, Industry 4.0 is a key future-oriented project that is intended to drive computerization of production technology and lastingly strengthen Germany as a place to do business. The goal is to achieve the "smart factory", which is characterized by adaptability, resource efficiency, ergonomic design of workplaces and integration of customers and business partners in business and value added processes. The technological foundation of Industry 4.0 is cyber-physical systems and the Internet of Things.

Industrial Ethernet
Industrial Ethernet denotes all efforts to enable the Ethernet standard to be used for networking equipment in industrial production. Industrial Ethernet is now a firmly established term that, among other things, describes the use of Ethernet-based components such as industrial switches ("ruggedized switches") in harsh environments. Such components, which are needed to control and monitor production processes, for example, are particularly sensitive to dust, dirt and large temperature fluctuations.

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.

Internet of Things
The term "Internet of Things" (IoT) generally denotes the objective of networking the virtual world with the real one. The emergence of the IoT means that not only people and (personal) computers will interact in future, but also intelligent things (devices). Essentially, IoT denotes the linking of unambiguously identifiable physical devices or sensors over the Internet. These smart devices are to think, learn, act independently and interact with other process participants. As part of the growing digitization of business processes and networking over the Internet, all parties involved in a process are provided with specific status information via IoT, so that interaction between them in real time is enabled. Instead of being the subject of attention as it is now, IoT is intended in future to help people almost unnoticed in their activities and so offer them direct benefits. The IoT enables new business models. The information that is collected and made available can be used to tap potential for optimization. One possible scenario, for example, is prompt reporting of an impending defect together with automatic notification of a maintenance service (see also "Predictive maintenance").

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.

Critical Infrastructures (KRITIS)
Modern, technologically highly developed societies depend on a reliable infrastructure, for example in energy and water supply or for emergency/rescue services. Disruptions and outages may entail considerable economic damage and directly impact large parts of the population. That also goes for information and communications technology, on which 40 percent of value added worldwide is already based. Consequently, secure and solid infrastructures are a factor that underpins a good business location with a future. The German government has therefore adopted the IT Security Act in order to establish Germany as one of the most secure digital locations in the world. Among other things, this act defines special requirements for the IT security technology used for Critical Infrastructures (KRITIS), which are vital to society and the economy. Critical infrastructures ensure the basic supply needs of the economy and society in such important areas as energy, information technology and transportation and, last but not least, in government and administration, the media and culture. These infrastructures are increasingly controlled by IT systems that are connected to the Internet. These infrastructures need to be classified as critical because if they fail or their operability is impaired, there would be lasting supply bottlenecks or significant disruptions to public safety.

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.

Low power wide area networks (LPWAN)
A low power wide area network (LPWAN), also termed a low power network (LPN), is a special network for the Internet of Things (IoT) and machine-to-machine communication (M2M). It covers a large distance, is narrow-band, has a low data rate and is distinguished by low power consumption. These properties are ideal for battery-powered sensors and actuators and ensure a long battery life. Unlike known radio-based networks, LPWANs also cover a larger geographical area.

LoRa
LoRa™ is an international radio standard for wireless transmission of small data volumes over large distances (up to 20 km). It is an innovative radio technology that is regarded as a future carrier medium for the Internet of Things. LoRa is distinguished by a high resistance to interference and lower power consumption. The diversity of application areas for the B2B (including transportation and logistics) and B2C arena (including tracking or the smart home) opens up new dimensions and can optimize existing business processes worldwide. The LoRa Alliance is committed to harmonizing LoRa technology on the basis of open standards.

Lot size
Lot size is a term from industrial management or the production industry and indicates the quantity of a batch, variety or series that is produced in one go without conversion or interruption to production (manufacturing method). Companies that use just-in-time systems keep lot size stocks as low as possible; the ideal lot size in these cases is therefore 1. Smart Industry applications can enable customized needs up to “lot size 1” to be addressed thanks to the selective use of automation technologies and networking of production processes.

Machine to machine (M2M)
The term “machine to machine” (M2M) denotes automated exchange of information between terminal devices (machinery, machines or control devices) or between terminal devices and a control center. M2M applications are used in particular in industry, where they control production facilities. Increasing use of the Internet and the growing prevalence of wireless sensor networks based on various access technologies, such as LTE or WLAN, also opens up additional possible applications in the fields of logistics, security, surveillance, transportation and energy. One conceivable M2M application is, for example, remote monitoring, control and maintenance of plant, machinery and systems.

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.

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. In this way, the security requirements of the company in question can be provided with ideal support. Operating and service staff are also controlled efficiently in normal everyday situations, while the service for end customers is improved and operating costs are cut.

Network operation center (NOC)
A network operation center (NOC) fulfills central monitoring and operating tasks within a network and ensures IT security. The NOC monitors critical system components continuously and identifies possible weak points. Since operation and administration of an NOC require know-how and diverse resources, companies often hire specialist service providers for those tasks. NOCs and their administration staff work round the clock, thus ensuring fail-safe, redundant connection channels.

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.

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

Physical security
A general term for a wide range of measures for physical protection and surveillance of a room, building or campus and the critical components there. Physical protection and surveillance denotes securing an object against fire, intrusion, unauthorized access, theft, vandalism and manipulation, as well as surveillance by means of fire alarms, video cameras, access control systems and control station technologies.

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.

Predictive maintenance
As part of service management, predictive maintenance denotes all measures that are used in proactive maintenance of machinery and production plant. Preventive handling of problems means maintenance resources can be used more cost-effectively, the operating times of machinery and equipment maximized and relevant ordering and replacement processes improved. The objective is to avoid production-critical downtimes and maintenance work.

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). LED lights or VoIP phones can also be supplied with power in this way.

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).

RFID
Radio-frequency identification is a technology consisting of transmitter/receiver systems for automatic, contactless identification and location of objects and living beings using radio waves. RFID enables numerous applications that could not be implemented with conventional identification systems. An RFID system consists of a data carrier (transponder) and a reading device with an antenna. RFID uses weak electromagnetic waves that are emitted by the reading device. If this device is placed near to the transponder, information can be read contactlessly from the transponder’s memory or, vice versa, data can be transferred to the transponder.

SaaS (Software as a Service)
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. 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.

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.

Service level agreement (SLA)
The term "service level agreement" (SLA) denotes an agreement or the interface between the customer and service provider for recurrent services. The objective is to give the customer a transparent means of controlling whether the services are delivered by precisely describing warranted qualities of the services, such as their scope, response time and speed of handling. An important component is the service level, which defines the agreed quality of service.

Smart Industry/Smart Factory
"Smart Factory" (or "Smart Production" or "Smart Industry") is part of the future-oriented project Industry 4.0 under the German government's high-tech strategy. As a term in production technology, smart factory denotes a cutting-edge production environment in which production plants and logistics systems largely organize themselves without human intervention. The smart factory is thus a complex system of numerous individual players that have their own intelligence. Its technical foundation is cyber-physical systems that communicate with each other with the aid of the Internet of Things. One possible application example is communication between a workpiece and production plant: The workpiece supplies its own production information in machine-readable form. Its path through the production plant and individual production steps are controlled on the basis of this data.

Smart Office
The Smart Office concept of euromicron's subsidiary MICROSENS is an open, decentralized and scalable building management concept based on IP. It ensures greater security and cost-effectiveness, as well as more convenience and higher productivity at the workplace thanks to customization. It brings network intelligence to the application's direct vicinity and so creates an unprecedented level of performance and security. Based completely on IP, the concept uses standard IT cabling infrastructure that exists in every office building and so offers an open, standards-compliant solution. The sensors, actuators and system management communicate via secure, encrypted IP network protocols. The Smart Office concept uses the existing IP network with Power over Ethernet, both for controlling the devices and for supplying them with power. As a result, even lighting with energy-efficient LEDs can be fully integrated in the all-round concept. The Smart Office concept can be scaled and expanded as desired. Existing rooms can be integrated gradually and depending on needs. That enables gentle migration to state-of-the-art building management.

Smart lighting
Smart lighting denotes intelligent, ergonomic and energy-efficient lighting solutions and has become established as a standard in modern office environments. LEDs are increasingly displacing conventional fluorescent tubes, which began to be used more than eighty years ago. So that LED lights can unfold their advantages to full effect, they should be used together with sensors and intelligent IP network switches. As part of that, they are integrated in the LAN infrastructure, which is required anyway in office environments, via Power over Ethernet in a standards-compliant manner and so are supplied with power over the IP network. This solution is extremely economical: Powerful sensors, combined with intelligent controllers, ensure energy savings of up to 80%.

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

Smart services
The term "smart services" denotes data-based service offerings, such as online portals or software platforms. Smart services are based on the increasing intelligence of machinery and end-to-end digitization of work processes. The underlying value chains are being connected over the Internet more and more. The quantities of data created as part of that (big data) are perhaps the most important raw material in the 21st century. The data can be analyzed, interpreted, linked and mutually supplemented in order to control, maintain and improve products, solutions and services. With the appropriate intelligence and relevant process know-how, it can be used to generate knowledge that can in turn be leveraged as the basis for new business models. The possibilities for using smart services range from specific individual functions, support in making business decisions, to controlling of complex systems in the IoT arena.

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.

Unified communications and collaboration (UCC)
The term "unified communications and collaboration" (UCC) is a concept that describes the integration of communications and information in a single application environment. Combining all communications services (telephony, video conferencing, e-mail, fax, chat or social media) and using presence functions – including at distributed locations – means users can be more easily reached, collaboration is enhanced and, ultimately, work processes are sped up. UCC is intended to enable unrestricted access to devices and information anytime, anywhere.

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.

Virtual machine
A virtual machine (VM) is a computer that is not executed directly on the hardware, but by virtualization. A virtual machine is provided by a hypervisor. Multiple virtual machines can be operated simultaneously on one physical computer. This feature is leveraged in particular on servers.

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.

Wireless local area network (WLAN)
Wireless local area network (WLAN) denotes a local radio network that, for example, enables access to the Internet via a WLAN router. WLANs are used in Germany in the frequency ranges 2.4 and 5 Gigahertz (GHz). The synonymous term WiFi is used in some countries (e.g. the U.S., the UK, Canada, the Netherlands, Spain, France and Italy).

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FINANCIAL CALENDAR

March 24, 2016	Publication of the 2015 Annual Report, Analysts' Conference and accounts press conference
May 10, 2016	Publication of the business figures for the 1st quarter of 2016
June 7, 2016	General Meeting, Frankfurt/Main
August 9, 2016	Publication of the business figures for the 2nd quarter of 2016
November 8, 2016	Publication of the business figures for the 3rd quarter of 2016

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In cases of doubt, the German version is authoritative.

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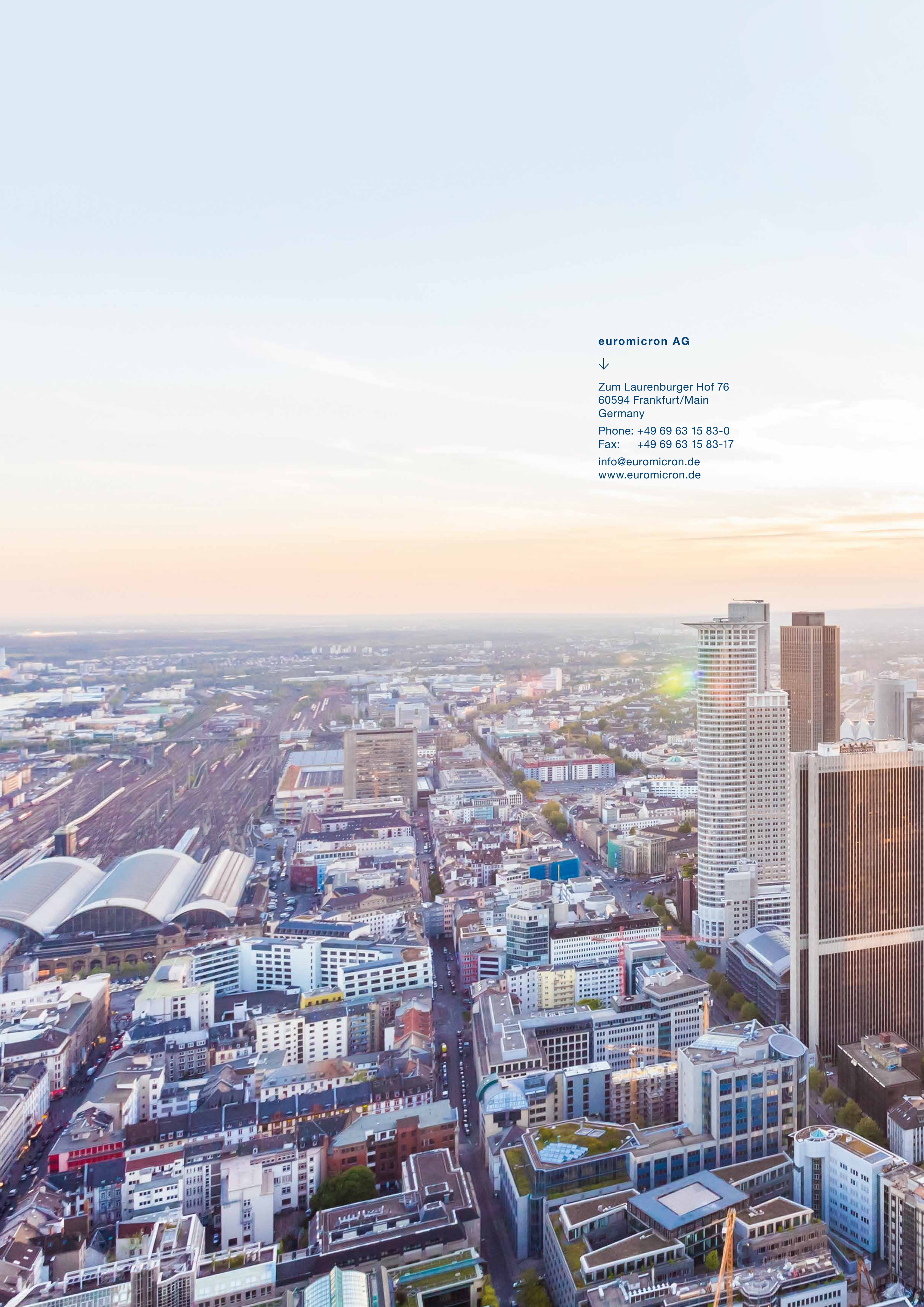

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