

Press Release

euromicron AG publishes its business figures for the third quarter of 2016

- Increased sales and operating EBITDA in the third quarter compared to the previous year
- Reorganization of euromicron Deutschland GmbH is still reducing overall earnings significantly in 2016
- Increase in margins in the report segments “Critical Infrastructures” and “Distribution”
- Significant reduction in working capital; adjusted cash flow from operating activities positive in the third quarter 2016

Frankfurt/Main, November 8, 2016 – euromicron AG, a medium-sized high-tech group and specialist for the Internet of Things (IoT), is today publishing its report on the third quarter of 2016. The euromicron Group systematically continued its strategic realignment in the third quarter of 2016. In this transformation phase, business areas are being geared to the new strategy with focus on digital networks and the Group is positioning itself in the target markets “Digital Buildings”, “Smart Industry” and “Critical Infrastructures”.

The investments in digitization are already reaping success: Initial pilot projects in the “Smart City” sector have been launched; in the “Smart Industry” market segment, ELABO GmbH has won its first orders for the “Smart Industry” solution. In addition, Netzikon GmbH, an operator of wireless-based sensor networks, was founded in the “Critical Infrastructures” segment in August 2016. Jürgen Hansjosten, member of the Executive Board, notes: “In this phase of our reorganization and transformation, we are converting euromicron AG into a technology group with a clear focus on digitized network infrastructures. The pilot projects in innovation areas and the positive trends in the third quarter of 2016 are proof that we’re moving in the right direction with our Group’s realignment.”

“Our biggest challenge is still the reorganization of euromicron Deutschland GmbH,” adds Bettina Meyer, Executive Board Spokeswoman: “Despite the positive trends in the third quarter and the anticipated strong fourth quarter, we still assume that the negative effects on sales and income in the first half of 2016 will not be fully compensated by the end of the year. Even though the business performance of our largest system house stabilized in the third quarter of 2016, the reorganization of euromicron Deutschland GmbH will still reduce the euromicron Group’s overall earnings in 2016. However, these effects have already been reflected in the adjustment to our 2016 forecast after the first half of the year.”

euromicron's consolidated sales at September 30, 2016, were €226.6 million (previous year: €242.7 million), € -16.1 million below the level at September 30, 2015. € -9.5 million of this difference is due to a loss of sales from divisions that have been closed and € -6.6 million is from the Group's continuing operations. As a result, the shortfall in sales from continuing operations was reduced by €4.0 million compared to the figure at June 30, 2016 (€ -10.6 million). Consolidated sales in the third quarter of 2016 were €86.7 million, €0.8 million higher than the previous year's figure of €85.9 million.

There were also positive trends regarding earnings in the third quarter of 2016: Operating EBITDA was €3.1 million, €1.3 million higher than in the third quarter of 2015 (€1.8 million). The cumulative operating EBITDA at September 30, 2016, was €1.4 million compared with €5.8 million at September 30, 2015. That shortfall was reduced to € -4.4 million, compared with a shortfall of € -5.6 million at June 30, 2016.

Sales and earnings in the "Smart Buildings" segment were also significantly impacted by the effects of the reorganization of euromicron Deutschland GmbH at September 30, 2016. Sales fell by 5.2 percent to €133.0 million and the operating EBITDA margin to -0.2 percent following 4.5 percent in the same period of the previous year. Realignment of sales, a restrictive policy in accepting major projects, and unproductive work required in completing old projects are having a negative effect on sales and earnings. Nevertheless, the shortfall in the third quarter compared to the first half of 2016 was reduced: for sales by €2.7 million to € -7.2 million and for operating EBITDA by €0.8 million to € -6.7 million.

As in previous quarters, trends in the report segment "Critical Infrastructures" and "Distribution" continue to be positive. The operating EBITDA margin increased compared to the previous year in both segments, despite slightly lower sales. Sales in the "Critical Infrastructures" segment fell slightly by € -1.0 million to €79.5 million, whereas the operating EBITDA margin rose by 0.3 percentage points to 3.3 percent. The operating EBITDA margin in the "Distribution" segment increased from 12.0 percent to 14.0 percent, although sales were slightly lower (€17.4 million; previous year: €17.8 million).

Other key performance indicators, such as working capital and adjusted operating cash flow, were improved in the third quarter thanks to rigorous cash orientation. Working capital fell by € -15.9 million, resulting in a significant reduction in the Group's working capital ratio (before factoring) of 3.3 percentage points to 26.6%. The Group's cash flow from operating activities after adjustment for the effects of factoring was also improved significantly. Whereas it was still negative in the third quarter of 2015 (€ -6.6 million), a positive adjusted cash flow from operating activities of €3.1 million was achieved in the third quarter of 2016. Consequently, the adjusted cash flow from operating activities at September 30, 2016, is € -18.0 million, €7.5 better than in the previous year.

The full report for the third quarter of 2016 is available as of today on the company's website at www.euromicron.de in the section "Investor Relations/Publications/Financial Reports".

About euromicron

euromicron AG (www.euromicron.de), a company that unites medium-sized high-tech companies from the fields of Digital Buildings, Critical Infrastructures and Smart Industry. As a German specialist for the Internet of Things, euromicron enables its customers to network business and production processes and successfully move to a digital future. From design and implementation, operation, to related services – euromicron implements customized solutions and creates the IT, network and security infrastructures that they require. As a result, euromicron enables its customers to gradually migrate existing infrastructures to the digital age. euromicron's expertise helps the company's customers increase their agility and efficiency, as well as develop new business models that lay the foundation for commercial success down the road. The technology group is headquartered in Frankfurt/Main, has been listed on the stock exchange since 1998 and employs around 1,800 people at 30 locations. The euromicron Group comprises a total of 14 subsidiaries, including the brand names ELABO, LWL-Sachsenkabel, MICROSENS and telent. euromicron AG generated total sales of €345 million in fiscal year 2015.

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