

euromicron
Aktiengesellschaft



Annual Report
2004

Highlights

January 2004 – Change in leadership at euromicron subsidiaries

The subsidiaries EUROMICRON Werkzeuge GmbH and euromicron systems GmbH start the fiscal year under new management. The long-serving General Managers Hans Theis and Bernd Köhler retire. Dr. Jürgen Nehler and Michael Theis are the successors at EUROMICRON Werkzeuge. Gerhard Schönhoff and Peter Thiemann take over the helm at euromicron systems.

March 2004 – euromicron at CeBIT

The euromicron Group presents itself at CeBIT for the third time. Among other things, euromicron showcases vendor-independent VoIP solutions for different system sizes in relation to the subject of “Network Expertise” at its booth in Hanover.

April 2004 – euromicron sells elkosta to Gunnebo

As part of its divestment strategy, euromicron sells the elkosta Group to Gunnebo AG.

May 2004 – Further step implemented in acquisition strategy

euromicron acquires 80% in three companies from the NTA Group and so expands its presence in Hesse, Rhineland-Palatinate and Thuringia in the field of communications and security technology.

June 2004 – General Meeting in Frankfurt/Main

Consolidated sales and return on sales reach the level of the previous year. euromicron closes fiscal 2003 successfully at the General Meeting in Frankfurt and decides to pay a dividend of €0.50 a share.

June 2004 – euromicron goes shopping again

With the acquisition of delcom GmbH, headquartered in Essen and with branch offices in Stuttgart, Frankfurt and Berlin, the euromicron Group significantly expands and strengthens itself in all network markets and technologies.

June 2004 – Independent Research – Buy euromicron

Independent Research states that euromicron’s shares have the potential to rise by 45%, i.e. the experts regard around €21 as a fair price.

July 2004 – Further development of the Group’s structure

After taking over the remaining 5% interest in LWL-Sachsenkabel GmbH in March, euromicron then purchases the last 5% stake in the subsidiary Multimedia Montage GmbH and merges this company with euromicron systems GmbH in August.

September 2004 – euromicron once again at GITEX in Dubai

Following its first successful appearance at this trade show in the United Arab Emirates in 2003, the euromicron Group once more presents its expanded product portfolio at the joint German stand.

November 2004 – Successful presence at exponet in Cologne

The euromicron Group presents itself at exponet in Cologne under the slogan “Security by Quality!”. The high standard of quality with which euromicron develops and produces its fiber optic components, among other things, is at the same time our mission and target in planning, implementing and protecting networks.

December 2004 – Repayment of last debts owed to banks

euromicron repays its last long-term bank loan on December 21, 2004 and so increases the company’s equity ratio to 81%.

The euromicron Group – Key figures

	2004	2003
	€ m.	€ m.
Consolidated sales	110.8	134.5
Sales by division		
■ Network and Fiber Optics Technology	72.6	51.5
■ Industrial Holdings	38.2	83.0
Sales by region		
■ Germany	97.3	104.3
■ Euro zone	7.1	10.4
■ Rest of World	6.4	19.8
EBIT (consolidated)	9.7	15.6
EBIT by division		
■ Network and Fiber Optics Technology	6.9	5.8
■ Industrial Holdings	4.0	6.1
■ euromicron AG and consolidation	-1.2	3.7
Consolidated net profit	4.0	12.1
Cash flow	4.6	8.6
Number of shares (thousands)	4,660	4,660
Earnings per share (in €)	0.86	2.59
Cash flow/share (in €)	0.99	1.85
Total assets	107.9	124.1
Equity ratio	59.8%	50.4%
Employees (number as an average for the year)	765	997

The euromicron Group with its more than 700 employees is an established system house in the market for communications technology and data transmission.

We offer our customers innovative products, solutions and services in the field of network technology with a broad-ranging network of branch offices.

The foundation for our success is a portfolio of qualified, efficient development and production operations, professional project and system companies, and international procurement, distribution and consulting teams.

The companies ELABO and FRAKO – market leaders in their sector – round off the investment portfolio.

In all our fields of activity, our aim is to capture leading positions in the European market and achieve sustained profitability. So that we succeed in this, we set store by a clear strategy, supra-regional presence and convinced, motivated executives and employees.

euromicron			
Network and Fiber Optics Technology			Industrial Holdings
Components and Assembly	Projects and Systems	Trade and Services	
EUROMICRON Werkzeuge GmbH LWL Sachsenkabel GmbH rako electronic data technology gmbh	euromicron systems GmbH o-n-e optical networks elements gmbh Pfeiffer GmbH IT-Systemhaus NTA GmbH delcom GmbH	SKM Spezialkabel München GmbH	FRAKO Kondensatoren- und Anlagenbau GmbH ELABO GmbH



Contents

Foreword by the Executive Board	2
Board Members of the Company	5
euromicron Short Profile	7
euromicron's Shares	15
Employees	21
Market, Products and Technology	23
Report of the Executive Board	27
Corporate Governance Code	46
Report of the Supervisory Board	49
Consolidated Financial Statements (US GAAP)	53
Notes to the US GAAP Consolidated Financial Statements	59
Auditor's Report	76
Five-year Overview of the euromicron Group	77
Single-entity Financial Statements (HGB)	79
Glossary	83

Dear Shareholders, Business Partners, Employees and Friends of euromicron AG,

2004 was a successful year for the euromicron Group given that general conditions remained adverse and so is pleasing proof of the Group's efficiency. We succeeded in continuing the high earnings level of 2003. We also achieved our ambitious aim of stabilizing the previous year's figures for orders, sales and earnings and significantly expanding our core business. Both our fine operational development and successful acquisitions are playing their part in this. Intensified sales and marketing activities, as well as rationalization and cost-cutting programs, will enable us to retain a strong economic foundation for the Group and further develop it.

Apart from focusing on development of operational business, euromicron AG also devoted itself intensively again in fiscal 2004 to converting the Group into a system house for network and fiber optics technology. The intended internal structural measures were first implemented as part of this:

acquisition of the remaining shares in LWL-Sachsenkabel GmbH and Multimedia Montage GmbH, as well as the merger of euromicron systems GmbH with Multimedia Montage GmbH. These measures were rounded off with the sale of the elkosta Group in April 2004.

The success of our strategic groundwork can be clearly seen for the first time in the past fiscal year. The acquisition of delcom GmbH and NTA GmbH has allowed us to achieve important milestones in technological and regional expansion of network business. NTA GmbH is a prestigious company in the field of communications and security technology, and delcom GmbH is an acknowledged service company in the network and electrical engineering sector. Both are now simultaneously boosting the euromicron Group's presence in the Rhine/Main and Rhine/Ruhr regions.



*Dr. Willibald Späth
Chairman of the
Executive Board*

*Dr. Edgar Bernardi
Member of the
Executive Board*

We have grown in network business in a controlled and results-oriented manner. euromicron AG now has a sharper profile than ever before. Further acquisition potentials have already been identified and are being measured at present to determine whether they meet our corporate requirements as regards strong earnings, performance potential and whether they can be integrated without any problems.

The "euromicron" brand has also developed since 2001 into an epitome for quality and efficiency and, with our alignment toward data security, has been given added emphasis under the slogan "Security by Quality!".

Despite the fundamental crisis that has lasted since 2001 in the network, information and communications technology sector, in which quite a few competitors have suffered from declining sales figures and income, we have achieved our target margin for operational business and significantly strengthened a number of key economic data. With an equity ratio of around 80% at the Company and over 60% at the Group, as well as solid finances, net assets and earnings, we are in a strong position to operate successfully in future as well. The Company's debts were reduced again by €16.6 million (previous year: €12.2 million) and those at the Group level by €17.4 million. The dividend yield based on the stock price on December 31, 2004 is 4.5 %. Despite heavy burdens, the Group's EBIT is at a respectable level of €9.7 million. Following the investments in new companies and high debt repayment rate in the year, our free liquidity is still €11.4 million. Net financing costs were around 64% better year-on-year.

This development means we have fulfilled all the requirements for not only keeping to our course, but also remaining highly profitable. This is also reflected by our partner banks, who classify euromicron AG as BB to A in their internal rating methods.

We stand for responsible, conservative financial management. Our financial solidity reflects our high sense of responsibility to ensuring the Company's survival and growth and so accords with the basic tenets of corporate governance.

In fiscal 2004, euromicron AG intensively addressed the recommendations of the "German Corporate Governance Code" and developed them for euromicron AG. In the past,

the Company has acknowledged the "German Corporate Governance Code" in the version dated May 21, 2003 as being binding on it and will comply with it in future, with the exception of the deviations explained in the Annual Report and on our Internet pages.

Due to a change in the Securities Trading Law (WpHG) as a result of the Act to Improve Investor Protection, we are obligated under § 15 b WpHG to maintain lists of insiders. In order to ensure the recording and handling of conflicts of interests and the proper treatment of company information and insider matters, the Company has therefore appointed a person in charge of compliance issues who reports directly to the Executive Board

Given the respectable performance of the euromicron Group in the past fiscal year and its fine future prospects, the Executive Board and Supervisory Board propose that the General Meeting on June 23, 2005 adopts a resolution to pay a dividend of €0.60 for fiscal 2004 (following €0.50 in 2003). As a result, euromicron AG is continuing its shareholder-friendly dividend policy based on company value.

More favorable economic trends are expected in Germany for the current fiscal year 2005 and those to follow and should also give positive boosts to our industry. Building on the cornerstones of our strategy and with the expectation of positive economic development, we will continue to do all we can to ensure that customers, employees, business partners and shareholders can identify with the Company in future.

Our success in 2004 is the result of joint efforts by all the individual companies and their executives, as well as the great commitment of all employees in the euromicron Group. The Executive Board thanks every single one very warmly.

Dr. Willibald Späth

Chairman of the Executive Board
Strategy, Acquisitions, Finance,
Public Relations and Investor Relations

Dr. Edgar Bernardi

Member of the Executive Board
Products, Market, Technology and
Operations





BOARD MEMBERS OF THE COMPANY



Board Members of the Company

Executive Board

Dr. Willibald Späth	Chairman Strategy, Acquisitions, Finance, Public Relations and Investor Relations
Dr. Edgar Bernardi	Member of the Executive Board Products, Market, Technology and Operations

Supervisory Board

Dieter Jeschke	Chairman of the Supervisory Board Chairman of the Executive Board of AdCapital AG Chairman of the Supervisory Board of · AdCapital Beteiligungs AG · Maschinenfabrik Hermle AG Member of the Supervisory Board of Schaltbau Holding AG
Günther Leibinger (as of June 24, 2004)	Deputy Chairman of the Supervisory Board General Manager of Paul Leibinger GmbH & Co. KG Deputy Chairman of the Supervisory Board of · Maschinenfabrik Berthold Hermle AG · AdCapital AG
Dietmar Hermle	Spokesman for the Executive Board of Berthold Hermle AG
Dipl.-Ing. Diether Schaudel (until June 24, 2004)	Deputy Chairman Director of Endress & Hauser Member of the Supervisory Board of Burghof Lörrach GmbH
Dr. Hermann Martin (until June 24, 2004)	Lawyer, certified public accountant, tax consultant Member of the Supervisory Board of Gruner AG
Joachim Kletzin (until June 24, 2004)	Trade union secretary Member of the Supervisory Board of · WCM AG (Deputy Chairman) · KHS AG (Deputy Chairman) · Klöckner Werke AG (Deputy Chairman) · Chairman of the Advisory Council of BIB GmbH
Hermann Fleischer (until June 24, 2004)	Electrician, Chairman of the Works Council of elkosta GmbH & Co. KG Member of the Advisory Councils of · Windkraft Vienenburg GmbH & Co. Majesta KG · Windkraft Vienenburg GmbH & Co. Aeolus KG



SHORT PROFILE

Network management



Hans Becker
NTA GmbH

Siegfried Bendig
delcom GmbH

Franz Penzkofer
delcom GmbH

Edmond Grässer
rako GmbH

Dr. Willibald Späth
euromicron AG



Dr. Edgar Bernardi
euromicron AG

Dr. Jürgen Nehler
EUROMICRON GmbH



Michael Theis
EUROMICRON GmbH

Gerhard Schönhoff
SKM GmbH
euromicron systems GmbH

Christoph Pfeiffer
Pfeiffer GmbH

Henry Drechsel
LWL Sachsenkabel GmbH

Peter Thiemann
euromicron systems GmbH

The Group – Products – Services

Components and Assembly

We produce the very highest quality components with the smallest tolerances for optical transmission technology and are one of the leading manufacturers and contacts in this field for data, communications, laser and medical technology. Apart from optical connection elements, we develop and produce high-quality tools such as grinding machines and dies for the cable and wire industry.

Assembly of data network components, copper cables and in particular fiber optic cables from leading European vendors forms a further coordinated, customer-specific

and user-oriented product range. We ensure our high standards of quality by internal quality management systems, intensive cooperation within the euromicron Group and with selected and certified partners, as well as through the great technical expertise and commitment of our employees.

Projects and Systems

The euromicron Group forms the competence center for security, communications and data technology as part of project and system business. As a supra-regional, integrated and financially strong company in this high-tech sector, euromicron offers customer-specific, cross-systems solutions for voice and data networks in copper, fiber optic and wireless technology. Be it delivery of high-quality infrastructures for data centers and server farms, security technology, receiving systems for GSM and UMTS, in-house, wide area or city networks, or systems for video conferences and surveillance – the multi-vendor design

and planning of hardware and software, as well as installation and commissioning of the active and passive network technology, reflect our Group's many years of experience, expertise and strong customer focus. Our maxim is to practice customer orientation, as expressed in particular by service and maintenance with its short response times for all systems and networks, 24-hour service, body leasing agreements and fine technical and practical training.

Trade and Services

In-depth knowledge of the international procurement market and long-term partnerships with leading suppliers of active and passive network products is a necessity for the work of our successful procurement, distribution and consulting teams. The euromicron Group has focused its sourcing activities at SKM Spezialkabel München so as to pool procurement and so offer customers and its own companies the very best technology and optimum terms. Qualified,

vendor-independent consulting in all network matters, our own certified cabling system, a qualified range of training and partner certification in the field of assembly complement the attractive service portfolio for our customers alongside just-in-time delivery.

The locations of the euromicron Group –
Network and
Fiber Optics Technology division



- Company's head office
- 1 to 9 head offices of the companies
- 4 5 6 8 9 branch office



Peter Herbst
General Manager of FRAKO GmbH

FRAKO Kondensatoren- und Anlagenbau GmbH

Secure, made-to-measure energy solutions – that is the slogan under which FRAKO supplies power capacitors, reactive current compensation systems, active network filters and management systems for recording, documenting, billing and visualizing the consumption of electricity, gas, water, compressed air and steam.

FRAKO is certified according to ISO 9001 and ISO 14001 and so can meet the highest quality demands in all areas – in consulting, fulfillment of pledges, and the translation of customers' wishes into products and services.

120 employees develop, produce and sell practical, leading-edge and secure products from the Teningen location. The benefits of these products: they cut energy costs, enable visualization and billing of energy consumption and improve the network voltage quality.

FRAKO is the market leader in reactive current compensation systems in Germany and Finland. Other important markets are Austria, Switzerland, Benelux, the UK, France, Turkey, Iran, UAE, India, Malaysia, China and Australia. Together with its international partners, FRAKO is active in more than 50 countries.

FRAKO is a hallmark for expertise and technology leadership in the fields of reactive current compensation, power quality and energy management systems.

ELABO GmbH

We develop tailor-made, highly flexible systems for our customers in the field of electronic and electrical engineering. Our services range from the design and equipment of technical rooms and workplaces for just about all branches of industry, to engineering and the construction of complex quality assurance systems.

In-depth know-how in electrical engineering, electronics hardware and software, experience in process management and logistics, know-how in and the “seventh sense” for ergonomic qualities that boost the desire to perform and increase the health protection of people who use ELABO equipment, as well as comprehensive knowledge of work safety regulations and technical standards distinguish ELABO. Not least, we have the skills and complete technical equipment required for producing customized solutions. ELABO is a cutting-edge company: a hardware-producing knowledge-driven service provider that focuses its services on the specific customer’s particular requirements.



Dr. Jürgen Berggreen
General Manager of ELABO GmbH





EUROMICRON'S SHARES



euromicron's Shares

The mood on the stock markets worldwide brightened in the year under review. However, the former all-time highs of the indexes during the new economy boom are still far from being attained.

The German Share Index (DAX) performed pleasingly in fiscal 2004 and was able to overcome its low of the previous year. A factor behind the stable sentiment on the stock markets was the positive market psychology due to increasing expectations of global economic growth. Moreover, the cost-cutting programs of past years ensured a significant improvement in the earnings position in industry and the financial sector. Consequently, capital market participants have concentrated more strongly on the positive fundamentals of companies. Players on the capital markets have become more cautious overall. In the spring of 2004, the terrorist attacks in Madrid in particular provoked new uncertainty. The situation in Iraq also continued to generate an undertone of tension on the trading floor. The rise in oil prices and the once again poor euro/US dollar exchange rate are further factors against over-optimism on the stock markets.

euromicron's shares were also listed on the Geregelter Markt in 2004 and are regarded there as one of the solid and constant technology stocks with good future prospects.

Compared with the two indexes of choice, TecDAX and DAX, euromicron's share have performed well. We see this as confirmation of our committed work and the Group's operational successes. The stock market has also rewarded this continuous and sustained performance by the euromicron Group.

The shares peaked in 2004 at €16.00. They started the first day of trading at €13.25 and, following a temporary rise, were listed at €13.41 at the end of the year.

euromicron's shares have been analyzed and valued since the summer of 2004 by Independent Research, an independent financial market analyst. The analysts recommend buying the shares and see them as being undervalued at present by around 50%. They also emphasize that euromicron is well positioned and is successfully continuing the Group's restructuring. Its financial and liquidity situation is rated as being very solid. The cost-conscious control of the euromicron

Group is generally praised and ensures stability in the shares' performance. The detailed explanation of our strategy and prospects to players on the financial market has also contributed to this.

The shareholder structure of euromicron AG also remained stable in 2004. AdCapital AG, Stuttgart, holds around 80% of the Company's equity. The other 20% are broadly spread among shareholders who in some cases have long-standing ties with the Company.

Key figures for all investors and our shareholders are the earnings per share and the dividend yield.

The Company's successful development means that we propose a dividend to the General Meeting.

The Executive Board and Supervisory Board have discussed how to appropriate the profits in detail and have specified the following approach:

The annual financial statements of euromicron AG at December 12, 2004, disclose net retained profits of €2,846,384.24. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €0.60 for 4,660,000 shares
€2,796,000.00

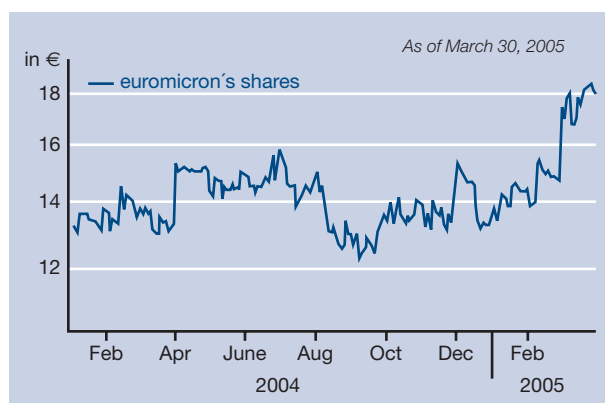
Carryforward to a new account
€50,384.24

This corresponds to a dividend yield of 4.5% relative to the price of €13.41 on December 30, 2004.

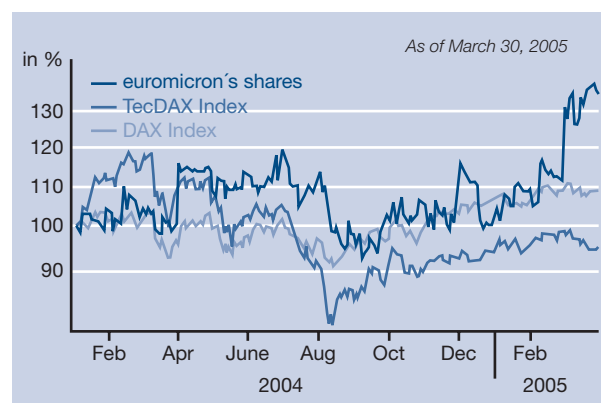
The dividend and its level are to be adopted in a resolution at the General Meeting of euromicron on June 23, 2005.

This step is intended by the Executive Board and Supervisory Board to underscore their confidence in the company's solid economic situation and strong liquidity.

Performance of euromicron's shares



Performance of euromicron's shares as a comparison



Share ratios

	2004	2003	2002
Number of shares	4,660,000	4,660,000	4,660,000
Net income for the period (€ thou.)	4,008	12,073	11,653
Earnings per share (EPS) (€)	0.86	2.59	2.50
EBIT per share (€)	2.09	3.34	3.66
Cash flow per share (€)	0.99	1.85	1.74

Performance of euromicron's shares in 2004

	2004 €	2003 €
52-week high	16.00	17.80
52-week low	12.50	6.80
Closing price at year-end (Xetra)	13.41	13.25
Market capitalization at year-end (in € million)	62.49	61.75
Closing price on March 30, 2005	18.04	13.00*
Market capitalization on March 30, 2005 (in € million)	84.07	60.58*

*March 15, 2004

Shares held by members of the Executive Board and Supervisory Board

	Number of shares
Executive Board	
Dr. Willibald Späth	200
Dr. Edgar Bernardi	–
Supervisory Board	
Dieter Jeschke	–
Günther Leibinger	–
Dipl.-Ing. Diether Schaudel	–
Dietmar Hermle	–
Dr. Hermann Martin	–
Joachim Kletzin	–
Hermann Fleischer	20

As of March 30, 2005



Research and Press Summary

1st quarter 2004

PRIME REPORT / Der Aktionär:

euromicron: Taking new paths

Markt & Technik:

EUROMICRON GmbH has new management –

Founder and managing partner retires

IT-BUSINESS + DRAHT:

New management at euromicron systems GmbH –

Co-founder and General Manager retired at end of year

FAZ.NET:

Favorable euromicron shares wait for new boost –

Gain of 14.35% to €15.30 – Response to sales and earnings figures for fiscal 2003

GSC:

euromicron plans dividend payment after

successful fiscal 2003

DIE WELT:

Study: Conglomerates can also pay off – Who creates value?

euromicron in the midfield of 72 conglomerates

Neue Presse Hannoversche Zeitung:

CeBIT exhibitors showcase the latest trends:

euromicron systems supplies servers

2nd quarter 2004

Handelsblatt:

euromicron increases profit

Frankfurter Allgemeine Zeitung:

Gunnebo buys euromicron subsidiary elkosta

speicherguide:

rako and HDS make SAN solution more transparent euro-

micron subsidiary cooperates with Hitachi Data Systems

Allgemeine Zeitung Mainz:

euromicron takes stake in NTA

Börsen-Zeitung:

euromicron acquires majority in NTA

Handelsblatt:

euromicron strengthens itself with takeover

IT-BUSINESS:

euromicron takes over delcom

Börsen-Zeitung:

euromicron aims to complete restructuring by 2006

EURO am Sonntag:

euromicron: The high-tech wager

FOCUS MONEY:

euromicron among the ten top picks of General Standard.

Seven of the ten recommendations of Independent Research

and FOCUS MONEY post large price gains in some cases after eight months (euromicron +17.1%)

finanzen.net

euromicron: Buy

Study by Independent Research in June –

Upside target €21

PLATOW BÖRSE:

euromicron before the General Meeting

boerse.de

euromicron AG masters difficult year and pays dividend

3rd quarter 2004

Der Aktionär:
Interview with Dr. W. Späth, Chairman of the Executive Board
euromicron: The 100-million euro sound barrier

Finanzen:
Small caps: Expedition to the realms of the deep

Der Aktionär:
euromicron: Takeover of Multimedia Montage GmbH completed

Effekten Spiegel:
euromicron operating profitably: Favorites for speculative investors

Platow Börse:
euromicron: How things go from here

finanzen.net
euromicron: Buy

GSC Research:
euromicron subsidiary NTA wins order for security network

Pforzheimer Zeitung:
euromicron among the winners with +12.80%

finanzen.net:
euromicron continues process of concentration

Focus Money:
euromicron: A shining light from Hesse

Markt & Technik:
euromicron merges euromicron systems GmbH with Multimedia Montage GmbH

LANLine Spezial:
EUROMICRON GmbH: Production of LC connectors perfect

4th quarter 2004

finanzen.net:
euromicron: Buy

GSC Research:
euromicron: Merger of two subsidiaries

Berliner Morgenpost:
euromicron: 1st place among the TOPs = + 6.02%

Börsen Radio:
Is euromicron becoming interesting for large investors?

GSC Research:
euromicron posts sharp growth rates in 3rd quarter

elektronik.net:
euromicron: Acquisitions beginning to have an impact

comdirect News Overview:
Performaxx investor letter column:
euromicron has almost achieved the long-term turnaround

Effekten-Spiegel:
euromicron: "Hold" – A 3.5% rise for the week

Markt & Technik:
euromicron: Stabilization at a high level

Effekten-Spiegel:
euromicron: Still interesting for speculators

Pforzheimer Zeitung:
euromicron: Among the winners: + 6.06%

Berliner Morgenpost:
euromicron: 4th place among the TOPs: + 3.90%

Effekten-Spiegel:
euromicron: Stock market favorites

GITEX Times:
euromicron pushes security networks

Investor Relations

We continued our investor relations activities at our acknowledged high level. The aim is to provide prompt and comprehensive information on all significant events and to present the euromicron Group transparently. euromicron reports to its shareholders on the basis of a firmly set financial calendar, not only in the Half-yearly Report, but also in detail on its business development every quarter in compliance with the international standard US GAAP. As a result, euromicron AG voluntarily fulfills the strict international requirements for transparency and clarity in reporting.

Further information on events of relevance to the company is published by means of ad-hoc communications and in the form of press releases. We were also pleased to be able to follow shareholders' wishes and increasingly publish events and matters relating to the euromicron Group's operational business. Personal contacts with analysts and journalists, investors and banks and dialog with our shareholders are an important concern and of great importance to us. More and more shareholders are therefore asking to be included in our shareholder mailing list and provided directly with information. Radio interviews with the Börsen Radio Network (www.euromicron.de) rounded off the extensive range of communication measures.

The Annual Ordinary General Meeting, which was held for the first time at the premises of the Chamber of Industry and Commerce (Frankfurt Stock Exchange) on June 24, 2004, was a particular highlight of our policy of informing shareholders. The Executive Board gave the numerous shareholders, business partners, bank representatives, analysts and journalists detailed information on the course of business, development and further strategy of the euromicron Group.

Successful appearances at the trade fairs CeBIT in Hanover, exponet in Cologne and GITEX in Dubai corroborate the joint communication strategy pursued by the company. At exponet in Cologne, our qualified employees held specialist talks on the subjects of "virtual private network (VPN)" and "ProfilLINK". The awareness of the euromicron Group as a system house for network technology has been boosted by the various PR and marketing activities.

So that we can provide institutional and other investors, journalists, shareholders and banks with more extensive information, Independent Research, an independent financial market analyst, has examined and valued euromicron's shares and the company. The studies serve to accompany our business development and verify our forecasts. The investment ratings were predominantly positive. Confirmation for our interested shareholders was the statement in June 2004:

"Our valuation model gives a calculated fair value of €21.11 a share. We see euromicron as being excellently positioned, in particular given its successful restructuring and focus on high-margin core business. The vote is therefore: BUY".

This positive rating reflects the fine development and potentials of the Group in a difficult market environment.

Annual Reports, Half-yearly Reports, assessments by analysts, corporate governance issues and further relevant information on the company can be obtained on our Internet pages at www.euromicron.de. You can contact the company if you have any questions and suggestions at IR-PR@euromicron.de. The shareholder mailing list is also a frequently used medium for obtaining information about the Company directly.



EMPLOYEES

Employees

The euromicron team in Frankfurt – Security for the internal network

The diverse, cross-Group tasks of the small team at our Frankfurt management holding were again successfully accomplished in fiscal 2004. Together with the Executive Board and persons responsible at the Group companies, the team is working with all its might to develop the euromicron Group.

Apart from ongoing issues, the team's work in 2004 focused on integrating newly acquired companies, structural realignment of two Group companies, supporting the growth of individual network companies, further expansion of our trade fair activities, and implementation of the wider statutory requirements of the Federal Financial Supervisory Authority relating to insider and compliance issues. Care and continuity in everyone's actions form the foundation for security and quality in handling the euromicron Group's tasks. Personal responsibility, expertise and the willingness to tackle even difficult tasks are the hallmarks of our long-standing team. The philosophy of "translating strategic strengths of the Group into operational successes together with the companies" is the mission that guides the team.

Opportunities for personal development as a result of responsible collaboration in special topics and cross-Group projects, further training and education measures and special subject-related training courses are willingly taken up by the employees and rewarded through their commitment and dedication.

In 2004 an average of around 708 people were employed at the euromicron Group, together with 57 trainees. This means that the euromicron Group's workforce has fallen overall compared with previous years due to the disposal of investments. The number of employees in the network technology division rose by 20%, solely due to the new acquisitions. The company in Frankfurt still has 5 employees.

The competent and focused cooperation of all employees at the company and the subsidiaries thus ensures implementation of the Company's strategy and its long-term sustained success.





MARKET, PRODUCTS AND TECHNOLOGY

euromicron – Security by Quality!

The general economic development in the past fiscal year 2004 was initially characterized by slight optimism, in particular in Germany. After the past years of an economic trough, it was assumed that the economy would pick up slightly. However, this optimism gave way to stagnation in the course of the year, although it is discernable in the current year that the low point must now have been reached.

The information and telecommunications (ITC) industry is at least being shaped by the growth drivers in the field of mobile communications, in the segment of digital consumer electronics, such as DVD and digital photography, as well as in broadband Internet access. In addition, the health sector and public authorities doubtless have at least some pent-up demand for investment in IT and telecommunications equipment, although the strained financial situation in these areas means that funds will only be released initially for absolutely necessary projects.

The growth rate for the German ITC industry was +2.5% in 2004 and had a volume totaling approximately €131 billion, according to the industry association BITKOM. Consequently, this industry has once again far exceeded overall economic growth in Germany (+1.7%) for the first time since 2001. As a result, the ITC industry in 2004 was in third place in terms of its economic importance, behind the construction and energy industries. Telecommunications (+3.2%) made the greatest contribution to this growth rate, compared with information technology (1.9%). This can be explained by the above-mentioned growth drivers. The segment of data and network infrastructure, in which the euromicron Group plays a main role with its portfolio of products and services, once again grew slightly, albeit at a low level.

The continuing stagnation in market volume intensified the battle for orders and caused market prices to fall further. The mainly large and increasingly medium-sized projects were almost exclusively acquired by large groups such as Siemens and T-Systems; only vendors were commissioned with supplying cables and network components in large and increasingly medium-sized volumes, with distribution channels and retail being circumvented in this.

Following further cost cutting and restructuring measures, the only answer to this development, especially in Germany, was a predatory price policy, skilful niche sales, expansion of the product and service portfolio and increased exports.

Consequently, the euromicron Group strengthened its sales activities by means of key account management and expanding cross-Group sales, is catering selectively for niches in the form of innovations and special solutions, coupled with rapid delivery, complemented its service portfolio to include security technology through the acquisition of NTA GmbH and delcom GmbH, and bolstered its activities in other European countries and the Middle East.

Thanks to the acquisitions, the euromicron Group's portfolio of products and services has achieved a breadth and been rounded out so as to enable us to offer customers not only individual products and services, but also to allow the individual companies – thanks to pooling of expertise within the Group – to provide our customers with end-to-end solutions for their communication and security needs.

Apart from speed and volume, security has now become the most important criterion for data and voice networks. With its experience in developing and producing high-quality fiber optic connectors and tailor-made optical components, the euromicron Group pools its expanded know-how in the following competence centers, ranging from assembly solutions, data center and mobile solutions to VoIP solutions:

- Assembly solutions in a form so that any type of pre-assembled and function- and quality-tested network component and module can be delivered promptly within 24 hours and Europe-wide to the construction site to suit the site's needs.
- Data center solutions that, alongside the passive data infrastructure from our own company and the active components from cooperation partners, now also enable access control, video surveillance, warning and alarm systems and the entire infrastructure solution, including the emergency power supply, from a "single source" – planned, installed and maintained by the euromicron Group.

- Mobile solutions: from acquisition of the antenna locations, planning to installation and maintenance of the locations and their components – services that the euromicron Group provides nationwide for public wireless networks complying with the GSM and UTMS standards and for BOS networks for authorities with security tasks.
- Voice-over-IP (VoIP) solutions, i.e. euromicron implements voice transmission using the Internet Protocol on the existing installed network infrastructure for data transfer. Economic and technical consulting and planning for such a vendor-independent VoIP infrastructure always results in an ideal solution that benefits euromicron's customers.

Security technology applications are being increasingly integrated with voice and data transport on communications networks and demand for them is being driven by a growing need for security. Here, for example, video surveillance technology is a growth market that is taking over market share from the stagnating business with intrusion alarm technology. High-quality IP camera surveillance systems with appropriate recording of movements are now a permanent part of high-end and sensitive objects.

The euromicron Group is addressing this market trend with its two new specialists in security technology, NTA GmbH based in Mainz and delcom GmbH headquartered in Essen. As a result, the Group has achieved a further milestone to becoming an integrative system house, leveraging synergies, volume pooling, transfer of specialist know-how and a nationwide footprint to create multipliers within the euromicron Group that are seen by our customers as embodying expertise, efficiency and quality. Prestigious reference projects and customers bear witness to this.

Our products and services are not only in demand in our main sales market of Germany, but in growing volumes also in the foreign markets of Austria, Switzerland, the Netherlands and Poland, as well as in the USA, Russia and the United Arab Emirates. The share of exports in our core business of network and fiber optic technology is still at a low level of around 4%, yet increased by some 75% year-on-year. This was helped by a number of large orders in Switzerland. Overall, this illustrates that the euromicron Group has systematically taken and implemented the next step in its strategy, namely internationalization.



The euromicron Group, a system house with many years of experience in planning, integrating, maintaining and service for data and communications networks and systems has thus complemented its "network expertise" by adding security systems, such as VPNs, firewalls, access control, video surveillance and intrusion and fire detection systems. Be it a data or telephone network, PC or network cabinet, servers or data centers – the euromicron Group plans, implements and maintains not only the network infrastructure, but also protects it physically and logically against all types of risk. The high standard of quality with which the Company develops and produces its fiber optic components, among other things, is also its mission and target in planning, implementing and protecting networks. That is why products and services from the euromicron group embody "Security by Quality!".

With this market slogan, euromicron's intention is to enhance awareness for security and offer solutions that are implemented expertly and in high quality using high-quality products. The price does not play the main role in this discussion, but rather our expertise and experience and the reliability and security of the installation.

In Germany and also in the international markets where we are beginning to operate, the euromicron Group is regarded as a reliable and competent partner in all questions relating to communications and security solutions. Apart from its technical expertise, be it in development and production of network components for the fiber optic arena or in planning, installing and maintaining networks, the euromicron Group boasts sustained financial strength from which customers can expect stable accomplishment of their projects.



REPORT OF THE EXECUTIVE BOARD



Report of the Executive Board

The information and telecommunications industry continued to be hit in the past year by a very difficult overall climate. The basic premise of our planning for 2004, namely that the prolonged reluctance to invest in our markets would gradually slacken, only materialized in part. The positive signals at the start of the year were not followed by any significant actions. There was no general turnaround or a broad, stable and lasting upturn embracing all areas of the economy. Following positive economic figures in Germany in the 2nd and 3rd quarters, economic growth came to a standstill again toward the end of the year. The slight economic recovery was initiated mainly by the upturn in the EURO zone countries and a strong global economy. There were only slight boosts in some areas in our domestic market. Most of our holdings can only participate in the economic growth of other regions as secondary equipment providers to companies that are based in these markets or export strongly to them. Telecommunications companies used their in some cases very large profits in 2004 to again reduce their debt, instead of investing in new networks and infrastructures. The room for maneuver for the public sector when it comes to investing is still very restricted; investments are made there only where a risk to existence has to be avoided.

In this tough environment, euromicron AG focused for a further year on retaining and securing its quality of earnings in the face of constant or in some cases declining volumes. The cost-cutting and flexibilization measures that were instigated promptly in the previous years and extensive rationalization and restructuring programs mean that the operating result was able to be maintained approximately this year, despite lower margins and stronger price pressure. In spite of existing orders, processing of them and so the generation of revenue have become more and more difficult to control, since customers are increasingly deferring projects due to their weaker liquidity. This means that focusing on securing earnings grows particularly in importance. This market behavior also hinders reliable planning.

In view of these conditions, we nevertheless had a satisfactory 2004. Many key figures in 2004 are down year-on-year, mainly due to changes in the consolidated companies. The volume from the companies Lechmotoren GmbH and the elkosta Group that were sold and deconsolidated effec-

tive December 31, 2003 and January 1, 2004 respectively were not able to be fully compensated for by the only pro-rata inclusion of the companies NTA GmbH and delcom GmbH that were acquired in the summer and consolidated for the first time. Allowing for these changes and assuming an identical investment portfolio for the year under review as for the previous year, the level is essentially the same.

Sales fell from €134.5 million to €110.8 million and the return on sales in terms of EBT was 8.1%. Our most important key figure, the operating EBIT of our segments, was 9.9% in the year under review compared with 8.8% in the previous year. This increase underscores the fact that the Group has not only strengthened its earnings power by the changes in the investment portfolio, but that the existing holdings were also able to maintain or even improve the quality of their results, despite lower sales in some cases. In 2004, a tax audit for the years 1997 to 2000 was completed and the results from this largely included in the annual financial statements. This resulted in subsequent payments for the previous years, the main reason for the poorer taxation ratio this year. The high taxation ratio of 52% led to the lower net income of €4.0 million.

Despite the lower net income, we would like our shareholders to share in the Group's result. Consequently, the Executive Board and Supervisory Board propose to the General Meeting a dividend of €0.60 a share, an increase of 20% over last year. The dividend yield based on the price at which euromicron's shares closed on December 31, 2004 is 4.5%.

The high liquid funds of the previous year were mainly used for substantial loan repayments and to acquire new companies. euromicron AG repaid loans totaling €16.6 million and so moved closer to its declared aim of achieving greater independence from the capital markets. Restructuring of the Group's financing was completed in 2004. Outside financing through loans was €15.5 million at December 31, 2004. On the other hand, liquid funds total €11.4 million and the operative cash flow is €8.0 million. The investments in the new companies reaped the desired success in 2004. The companies were able to be integrated smoothly in the Group and the contribution they are making to sales and earnings is above our expectations.

The Group's equity ratio increased from 50.4% to 59.8% due to a fall in total assets and net income. The equity ratio of euromicron AG rose from 70% to 81.7%. The Group was able to take a further step towards its target of long-term financing in the past year. The long-term capital available to the Group is around 72%.

The noncurrent assets are largely composed of goodwill from the holdings and are fully covered by shareholders' equity. The equity-to-fixed assets ratio is 136.4%. The intrinsic value of the holdings was examined at the segment level by means of an impairment test. Given a cautious approach and a realistic and conservative assessment of the market, there were no indications of possible valuation adjustments.

Despite stagnating market volume, the companies in our core division were able to maintain their position and expand it in some cases. The growth in this segment is mainly attributable to the acquisition of the two new companies. In the year under review, we merged Multimedia Montage GmbH and euromicron systems GmbH with each other. This merger has created a powerful company in Northern Germany whose competence and efficiency has been focused to the benefit of the customer; duplicate, out-of-date cost structures will be able to be eliminated in the medium term.

We achieved an EBIT of 9.6%, just short of our target of 10%. This was due to falling margins and continuing price pressure.

The remaining two companies in the Industrial Holdings segment met their targets in 2004. In total, the missing volume in this segment comes from the sold companies. However, comparable sales are on a par with the previous year and the comparable income before income taxes was grown by almost 30%. The EBIT margin in this segment is 10.5% (previous year: 7.4%) above our target.

The Group started the fiscal year with order books of around €51 million, corresponding to almost half the sales of 2004. The lion's share of these orders is to be handled and posted as sales in 2005. We are therefore entering the new year with optimism, and also with the hope that the positive signals from the market at the start of this year and the positive basic mood that emanated from one of the most

important trade fairs, CeBIT, will lead to a perceptible upswing in our markets.

The average number of employees in fiscal 2004 was 765, following 997 in the previous year. This fall is mainly due to changes in the consolidated companies and the sale and acquisition of companies. The Group employed an average of 57 trainees. The ratio of trainees to the total number of employees rose from 5.8% in the previous year to 7.5%. As a result, euromicron is not only ensuring a supply of qualified junior staff to meet future requirements, but is also meeting its social obligation to train following generations.

The euromicron Group still has solid finances, net assets and earnings that will allow it to emerge stronger from the past difficult years and share more in the hoped-for and forecast upturn in the information and telecommunications market.

euromicron Group's consolidated sales for January 1, 2004 to December 31, 2004

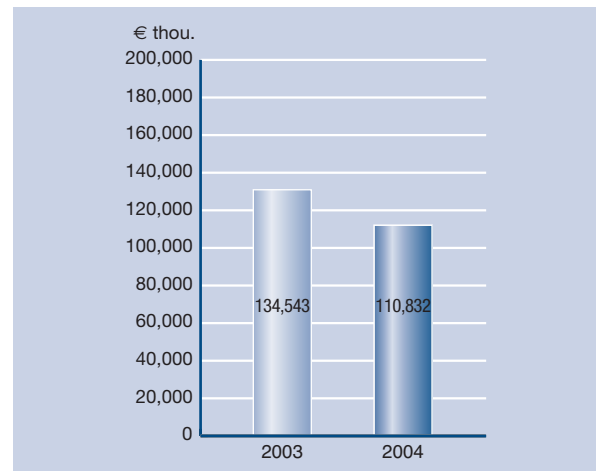
In fiscal 2004, the euromicron Group achieved consolidated sales of €110.8 million. The year-on-year decline of €23.7 million is solely due to the disposal of companies at the end of 2003 and start of 2004 whose sales were fully included in last year's consolidated sales. The newly acquired companies were consolidated pro rata in the year under review as of the date of their purchase (June 1 and July 1 respectively), so that the sold business volume could not be compensated for in full. Sales in the year under review are at the same level as the previous year if the same investment portfolio is used as a basis for both years, i.e. sales of the previous year adjusted to reflect the disposals and the sales of the year under review adjusted to reflect the company acquisitions.

Due to the insecure general climate in the German economy, trends at the Network and Fiber Optics Technology division were again shaped by a continuing reluctance to invest and by considerable postponements of projects to future periods. However, the large volume of our order books gives us cause for optimism in the coming year in this segment. The two new companies were able to meet our expectations and were consolidated pro rata in the year under review. Sales in our core division thus rose from €51.6 million to €72.6 million, an increase of some 41%.

Sales at the Industrial Holdings division fell by €44.8 million, due exclusively to the disposal of companies from this segment. Following adjustment to reflect these disposals, the division posted sales in the year under review at the level of the previous year.

The distribution of sales by region changed as a result of the new composition of the investment portfolio. Companies in the Industrial Holdings segment, which are more greatly export-oriented, were sold, while the newly acquired companies operate exclusively in Germany. This is why there is a shift in sales toward Germany. In particular, disposal of the companies in the elkosta Group reduced sales in the "Rest of World" region.

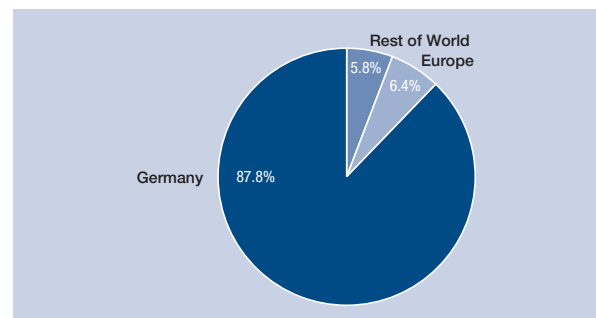
Comparison of consolidated sales 2003/2004



euromicron Group

	2004 € thou.	2003 € thou.	Change
Network and Fiber Optics Technology	72,609	51,553	40.8%
Industrial Holdings	38,223	82,990	-53.9%
Consolidated net sales	110,832	134,543	-17.6%
· Germany	97,364	104,322	-7.6%
· Euro zone	7,065	10,399	-32.1%
· Rest of World	6,403	19,822	67.7%

Sales by region



euromicron Group's income statement from January 1, 2004 to December 31, 2004

Consolidated net sales were €110.8 million and, after deduction of manufacturing costs, the gross profit was €31.4 million, or a gross margin of 28.3% of sales compared with 28.9% in the previous year. Continuing strong pressure on prices reduced the gross margin by 0.6 percentage points. This effect was bolstered by changes in the consolidated companies, due to the sale of a high-margin investment last year.

The changes in the consolidated companies are also mainly responsible for the percentage decline in research and development expenses and selling expenses. The investments in the core division pursue not so much basic research as order-related application research and development. These costs are mainly included in the manufacturing costs and are reimbursed by the customer through sales revenues. The reduction in selling expenses results from the elimination of cost-intensive sales systems for countries outside Europe. Elimination of these costs is offset by the higher expense required for maintaining and expanding existing market positions in Germany and for developing new markets within Europe.

The new Group portfolio's EBIT is €9.7 million, following €15.6 million from the previous year's portfolio. If the EBIT figures for the different Group portfolios are adjusted to reflect the respective consolidation gains, the EBIT for both fiscal years is approximately equal.

Net financing costs improved sharply again by around 64% in the year under review (approximately 35% in the same period for the previous year). Our strategy of significantly reducing dependency on the capital markets in the medium term by extensive loan repayments had a further impact this year. Repayment of loans by euromicron AG totaling €16.6 million reduced interest expenses by more than €0.8 million. In addition, advantageous investments of our free liquid funds on the money and capital markets improved this performance. Our principles for cash investments continue to be based on 100 percent security of the investments coupled with an interest rate structure with an optimized term.

Due to the improvement in net financing costs, income before taxes (following adjustment for the consolidation effects) rose in 2004 by 18% year-on-year.

Consolidated income statement

	2004 € thou.	2003 € thou.	Change
Net sales	110,832	134,543	-17.6%
Cost of goods sold	-79,475	-95,667	-16.9%
Gross profit	31,357	38,876	-19.3%
Research and development expenses	-2,097	-2,791	-24.9%
Selling expenses	-12,167	-17,251	-29.5%
Administrative expenses	-9,510	-11,174	-14.9%
Other operating income and expenses	2,154	7,908	-72.8%
Income before non-operating expense and income taxes (EBIT)	9,737	15,568	-37.5%
Net financing costs	-736	-2,059	-64.3%
Income before income taxes (EBT)	9,001	13,509	-33.4%
Income taxes	-4,742	-1,319	
Minority interests	-251	-117	
Consolidated net income for the period	4,008	12,073	-66.8%
Earnings per share (EPS) in €	0.86	2.59	-66.8%

The taxation ratio in the year under review rose to 52.7%, mainly due to tax repayments from a tax audit for the years 1997 to 2000. Without the tax burdens for previous years, the taxation ratio would be around 42%.

After deduction of minority interests of €251 thousand, the consolidated net income for the period is €4.0, corresponding to earnings per share of €0.86.

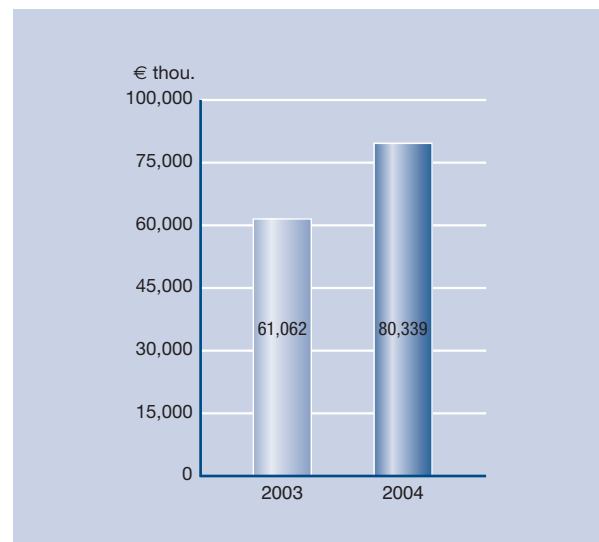
New orders and order books as of December 31, 2004

New orders developed satisfactorily in 2004 despite the tough general economic conditions. Their level as of December 31, 2004, was €118.5 million, around €16 million lower year-on-year. Similarly to sales, this decline is the sole result of the disposal of the companies last year. Not allowing for the changes in the consolidated companies, new orders were approximately at the same level as the previous year.

Despite declining overall investment in the market, the Group again posted stable business in the past fiscal year, which means that the company won market share. In the face of the continuing insecure general economic climate, we were able to maintain and expand our market position thanks to our acknowledged quality and reliability.

In our core division of Network and Fiber Optics Technology, we were able to grow new orders by around 32% to €80.3 million, mainly due to the acquired companies. Trends at the other investments are greatly differing. The companies that operate in highly specialized niche markets, such as networking of data centers or assembly of top-quality connectors for high-performance networks, were able to main-

New orders in the Network and Fiber Optics Technology division



tain or even grow their level of new orders. The unique selling points of their products and services guarantee the success of these companies. The system houses that are faced by fierce competition with low-cost vendors, falling margins and strong price pressure were not able to maintain the unusually high level of new orders of the past year. The Group's decision to acquire projects that do not contribute to earnings only in exceptional cases and to reflect our business strategy is also having an effect here. The euromicron Group has to date not pursued a strategy of displacing competitors from the market by means of cut-rate prices across the board. As in all other branches of the economy, the Trade division continues to suffer from restrained investment and intensified direct business by producers with the end consumer, with circumvention of the existing distribution channels. Given these general conditions, the level of new orders in our core division is satisfactory.

The Industrial Holdings division posted a fall in new orders of €35.6 million to €38.1 million, mainly due to the company disposals. Assuming an identical investment portfolio, new orders rose 5.8% year-on-year. A pleasing aspect of this increase is that it mainly comes from domestic orders, despite the restrictive investment policy of many companies. The development of the euro against the dollar, an especially problematic factor in the past, played a lesser role, since the companies were able to conclude rate-hedging transactions in good time where possible and necessary.

Order books increased pleasingly by 12.9% at December 31, 2004. Assuming an identical investment portfolio, the Group even chalked up an increase of 13.8%.

In our core division of Network and Fiber Optic Technology, order books increased by around 80% to €46.2 million. Not including the newly acquired companies, the "old investments" were able to increase their order books by around 14%. As a result, more than 60% of the sales generated in 2004 are already on the books as orders at December 31, 2004. A large part of these orders is to be completed in 2005 – assuming that customers do not, as in the past, postpone or delay products to a large extent.

Order books at Industrial Holdings fell sharply as of the end of the year by 75% year-on-year. However, this is likewise due to the disposal of companies. The two remaining companies in this segment were able to increase their order books by 13% over the previous year, so they are well prepared for the coming year.

New orders

	2004 € thou.	2003 € thou.	Change
Network and Fiber Optics Technology	80,339	61,062	31.6%
Industrial Holdings	38,123	73,705	-48.3%
Consolidated new orders	118,462	134,767	-12.1%

Order books

	2004 € thou.	2003 € thou.	Change
Network and Fiber Optics Technology	46,166	25,793	79.0%
Industrial Holdings	4,797	19,357	-75.2%
Consolidated order books	50,963	45,150	12.9%

The divisions

Network and Fiber Optics Technology

euromicron AG is a leading manufacturer and service provider in the area of optical components, and a provider of turnkey data network systems. Its range of services covers the development, implementation and maintenance of optical fiber-, copper- and plastic-based data networks, the manufacture of optical components and tools, assembly of fiber optic and all other types of cable, as well as trading in network equipment and components.

The product portfolio includes connectors for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. These are integrated components of WANs and LANs used for data communication at data centers, and in the field of medical and security technology.

In the past fiscal year, the Group's structures were streamlined further and new companies were acquired to increase the comprehensive footprint of the euromicron Group and round out our range of products and services in profitable niche markets.

By purchasing the remaining shares in LWL-Sachsenkabel GmbH and Multimedia Montage GmbH, euromicron AG is now the sole shareholder of these companies. At the same time as the remaining shares in Multimedia Montage GmbH were acquired, this company was merged with euromicron systems GmbH. The new merged company forms a competent and powerful unit in the north of Germany. The out-of-date policy of maintaining independent and cost-intensive small companies that cannot cater for the organizational demands of listed groups economically will mean fine cost-cutting potentials in the short and medium term as a result of the merger as part of euromicron's strategy.

The acquisition of 80% of the shares in the NTA Group expands euromicron Group's range of products and services in the cutting-edge markets of security networks and systems, fire alarm, intrusion detection and electronic access systems. The purchase of all of the shares in delcom GmbH strengthens our presence in the important Rhine/Ruhr region, rounds out our range of services in the field of intelli-

gent solutions for integrating data, communications, security and electrical technology, and also gives the Group know-how in the arena of high-voltage installations, for example for emergency power generating units for networks.

The fiscal year was defined by the continuing difficult general economic conditions in the network market. The forecast turnaround in investments did not materialize. Positive signals in the summer of 2004 did not turn into an across-the-board and lasting trend; on the contrary, insecurity in the investing industry grew again at the end of the year. Customers are still tending to try and optimize existing plant and systems rather than install new systems and processes. The only exceptions to this are in niche markets, for example in security and warning and alarm systems. This was also another year in which the public sector failed to deliver any boost, due to empty coffers. In this tough climate, the development of the Network and Fiber Optics Technology segment must be assessed positively.

Sales in the past fiscal year rose by around 41%, mainly due to the newly acquired companies. The other companies were able to maintain their sales level of the previous year in total. However, the development of the companies varies greatly. Components and Assembly suffered year-on-year sales losses where companies are greatly dependent on large orders from carriers. Carriers achieved large profits in 2004, but used these more for repaying debt than for new investments. Our holdings that operate in niche markets that demand a high degree of quality and flexibility, for example networking of data centers, were able to withstand the generally difficult situation and match and in some cases clearly exceed their results from the previous year. In particular, the URM technology that was newly deployed last year in data centers guaranteed this year's success. Projects and Systems suffered from extreme pressure on prices, massive deferment of orders by customers to future periods and a large number of low-cost vendors of dubious quality that attempted to acquire projects with prices that did not cover their costs. Our system houses, which mainly handle projects in industry, can avoid such ruinous business prac-

tices thanks to their quality and longstanding and trusted cooperation with customers. System house that still handle a large share of public-sector orders tend to be suffering under these market conditions. Public authorities are compelled to give more weight to price than quality. The fact that this often costs the taxpayer dearly in the long run is something that cannot be averted by the existing practices in the award of public orders. Nevertheless, our system houses slightly grew their sales in total year-on-year.

Trade and Services was greatest hit by the tough general economic conditions. Falling margins and increasing direct business between customers and manufacturers, circumventing long-standing distribution channels, made 2004 a difficult year.

Our EBIT margin was 9.6%, just below the target of 10%. A further improvement in non-operating expense due to our systematic policy of debt repayment resulted in an EBT of 9.0%. Higher research and development expenses, which are application-oriented and geared toward cooperation with universities, as well as additional investment in Group sales and distribution, open up potentials for organic growth.

The adjustment process in the market that began in 2002 continued in 2004. The high pressure on margins and prices caused many smaller vendors to withdraw. Thanks to the euromicron's Group financial strength and the decision to acquire orders that do not offer a profit margin only in exceptional cases for reasons of maintaining or winning strategic market positions, we were able to resist this pressure. euromicron AG is still sticking by its decision not to win market share through cut-rate prices across the board.

Apart from regular business, the focus in the coming year will be on expanding solutions in the field of VoIP, intensified use of the possibilities offered by broadband cable technology, and the technical expansion of wireless communication stations. In the area of UMTS technology, we intend to intensify our cooperation with large providers nationwide.

We undertook initial steps to optimize purchasing in the past year. We will push ahead strongly with this transformation and optimization of our procurement processes in 2005, in particular by systematically focusing on a small number of suppliers to provide key products with high purchasing volumes. We will identify and achieve earnings potentials in the short term in this area by strengthening our personnel.

Results of the division

	2004 € thou.	2003 € thou.	Change
Net sales	72,609	51,553	40.8%
Cost of goods sold	-55,867	-37,228	50.1%
Gross profit	16,742	14,325	16.9%
Research and development expenses	-955	-883	8.2%
Selling expenses	-5,147	-4,920	4.6%
Administrative expenses	-3,842	-3,338	15.1%
Other operating income and expenses	140	608	-77.0%
Income before non-operating expense and income taxes (EBIT)	6,938	5,792	19.8%
Non-operating expense	-402	-411	-2.2%
Income before income taxes (EBT)	6,536	5,381	21.5%

We look optimistically to the coming fiscal year. The general economic climate and signals from our target markets indicate the prospect of growth. The most important trade fair, CeBIT, also emanated positive signals. We also assume that, following three years of broad reluctance to invest, new capital spending is necessary to adapt data networks to current demands as regards volume, speed, quality and especially security. Further acquisitions are planned and initial negotiations in German-speaking countries outside Germany are proceeding positively.

Industrial Holdings

The Industrial Holdings division developed pleasingly in 2004. Although it was not able to achieve the volumes of the previous year due to the sale of investments, the two remaining companies in this segment maintained or bettered their performance in the year under review. The companies that were still included in this segment in the previous year, Lechmotoren GmbH and the elkosta Group, were disposed of at the end of 2003 and start of 2004 respectively and deconsolidated effective December 31, 2003, and January 1, 2004.

Comparable sales were €38.2 million, on a par with the previous year, while income before income taxes was increased by 29% compared with the comparable investment portfolio of the previous year. The EBIT ratio was 10.5%, above of target of 10% for the first time and well in excess of the previous year's 7.4%.

Reluctance to invest in Germany is also affecting the companies in the Industrial Holdings segment. In particular, no large orders were acquired from the public sector, with the exception of contracts from the German Army.

However, investment by industry has developed positively in this segment and ensures that the companies have a solid foundation for achieving their budgeted targets. In addition, we were able to avoid the problem areas of the previous year, especially the development of the euro to the US dollar and political tensions in the Middle East, by exchange-rate hedging and by switching to other markets. Export business, in particular to Southeast Asia, developed pleasingly.

The above-proportionate increase in income results from the restructuring efforts of the previous year. Strict cost management, coupled with extensive rationalization measures and intensified outsourcing, led to a turnaround in income in the year under review. Due to the postponement of projects to the next year and non-recurring burdens as part of the restructuring processes, additional income potentials were not able to be achieved. Falling prices, despite a high volume handled, also dampened the increase in income.

With a comparable increase in order books of 12% at the end of the year, this segment can start the new year positively.

Results of the division

	2004 € thou.	2003 € thou.	Change
Net sales	38,223	82,990	-53.9%
Cost of goods sold	-23,624	-58,091	-59.3%
Gross profit	14,599	24,899	-41.4%
Research and development expenses	-1,143	-1,909	-40.1%
Selling expenses	-7,074	-12,413	-43.0%
Administrative expenses	-2,421	-4,862	-50.2%
Other operating income and expenses	47	396	-88.1%
Income before non-operating expense and income taxes (EBIT)	4,008	6,111	-34.4%
Non-operating expense	1	-885	
Income before income taxes (EBT)	4,009	5,226	-23.3%

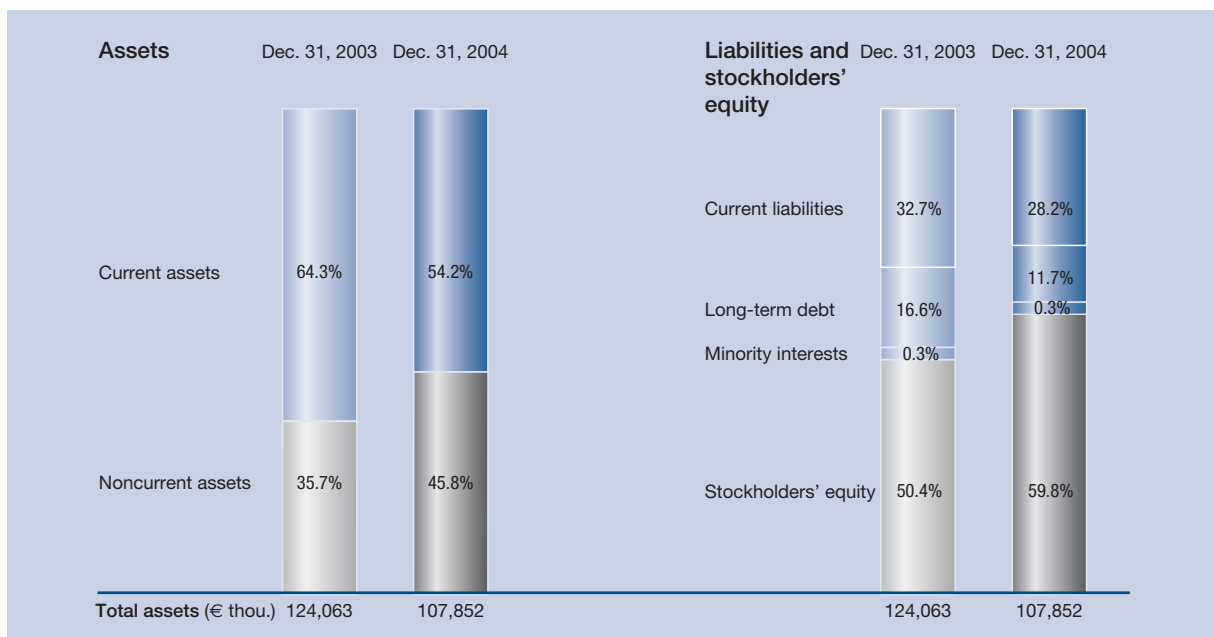
Balance sheet as of December 31, 2004

euromicron AG closed the fiscal year 2004 with total assets of €107,852, a year-on-year fall of €16.2 million or 13.1%. This reduction is mainly due to the extensive repayment of loans from banks and industry in the fiscal year. The changes in the balance sheet structure are attributable to changes in the consolidated companies.

The sale of the companies from the elkosta Group at the start of 2004 and their retroactive deconsolidation effective January 1, 2004, as well the first-time consolidation of the newly acquired companies of NTA GmbH and delcom GmbH, resulted in significant changes in individual balance sheet items. Open accounts receivable were reduced. Due to the acquisition of two project companies, inventories at the end of the year rose, since projects that had been commenced, but not yet billed, due to postponements by customers, were reported to a large extent. Of the noncurrent assets, intangible assets increased as a result of goodwill from the acquisition of the new companies. Property, plant and equipment fell mainly because of the disposal of real estate and buildings as part of the sale of the elkosta Group.

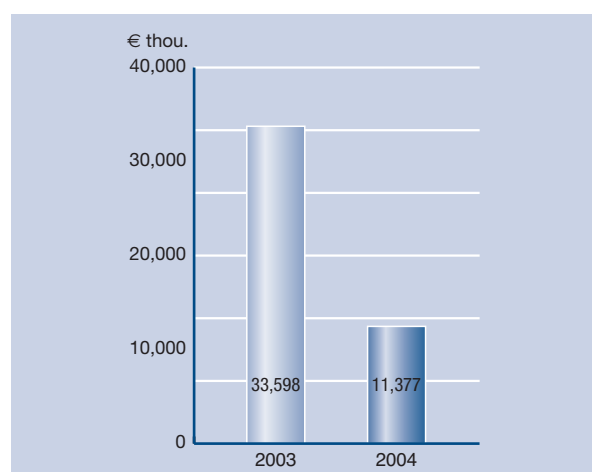
Overall, current assets fell to around 54% of total assets and noncurrent assets rose to some 46% of total assets. Fixed assets are fully covered by shareholders' equity.

The repayment of Group loans of €17.4 million resulted in the year under review in a reduction in liquid funds, as well as current and noncurrent assets. Loans of €8.1 million were repaid in accordance with the agreements, while loans totaling €9.3 million were repaid prematurely at no charge. As a result, historical loan commitments were reduced definitively and the Group's new financing structure given a basis with new financing partners. euromicron funds its associated companies from its own cash pool system, which is supplied from its own cash flow. Only in individual cases is local financing leveraged, due to long-standing mutual business relationships. The instrument of central cash pooling permits local individual loans on a case-by-case basis for reasons of business policy.



The euromicron Group's shareholders' equity rose from 50.4% to 59.8%. The net profit for 2004 and lower total assets resulted in this increase. Despite extensive loan repayments, the Group still has long-term financing. The capital available to the Group long-term is around 72% compared with 67% in the previous year. Solid liquid funds, high available credit lines that have not been used and a strong cash flow from the associated companies will secure the company's strategy and Group's growth in future too.

Cash and cash equivalents at end of period



Statement of cash flows

The high liquid funds of the past year were leveraged to invest in new companies in our core division, increase existing holdings as part of structural changes and to repay considerable financial debt. We continued and advanced our strategy of greater financial independence from the capital markets. Cash and cash equivalents fell by €22.2 million to €11.4 million due to these measures.

Despite a lower net profit due to high tax charges resulting from tax audits for the previous years, the Group's internal financing strength remains high. The net cash provided by operating activities was €8.0 million.

The net cash used in investing activities is mainly attributable to the acquisition of the two new companies. The sales of the companies in the elkosta Group generated liquid funds that compensate our up-front financing. The sales revenue above and beyond this contributes to investments in new companies.

The net cash used in financing activities results from the dividend paid for 2003 and the extensive loan repayments in the year under review.

Consolidated statement of cash flows for the euromicron Group for the period from January 1, 2004 to December 31, 2004

	2004 € thou.	2003 € thou.	2002 € thou.
Net cash provided by operating activities	7,968	9,193	13,612
Net cash used in (provided by) investing activities	-10,739	8,228	9,448
Net cash used in financing activities	-19,702	-12,055	-9,919
Currency translation difference and gain/loss on the valuation of securities	252	-492	162
Change in cash and cash equivalents	-22,473	5,366	13,141
Cash and cash equivalents at beginning of period	33,598	28,724	15,421
Cash and cash equivalents at end of period	11,377	33,598	28,724

Investments, research and development

The euromicron Group is perceived with its products and services as a high-quality vendor, both in the market for its core division of Network and Fiber Optics Technology and those of Industrial Holdings.

So that we keep on improving this level of quality – as part of our corporate policy and to meet customer requirements –, we continuously invest in research and development for innovations and in improving and optimizing our products and processes. The volume of investment in 2004 was €11.2 million and related to new acquisitions, optimization of our Group structure and capital spending on replacements, rationalization and production extensions.

The main emphasis is on the further development and quality of our own products; we demand the very highest standards from our products as part of our quality policy. As a result, we invested extensively in measurement technology in 2004, for instance in special measurement technology to enable highly accurate length measurement of fiber delays for the purpose of qualifying WDM components. As a result, LWL-Sachsenkabel GmbH is the only German company to comply with the precision requirements of a prestigious research institute and supply fiber optic components in large quantities with the demanded accuracy. Those are advantages that set us clearly apart from our competitors.

With the completion of the ProfiLINK / ProfiLIGHT development projects, we have had a system family since 2004 that meets all the requirements demanded of a leading-edge network infrastructure. This comprises ProfiLINK design, a low-cost entry-level solution, ProfiLINK modul, the powerful modular category 6 system, ProfiLINK multimedia for 10 Gbit high-performance applications based on copper of the category 7, and ProfiLIGHT, the high-end fiber optic system based on high-quality components to meet the future requirements of high-speed networks. ProfiLIGHT is a cutting-edge network solution that, like the other products from this family, has been developed by SKM Spezialkabel München and protected by patent.

In product development, we have improved the standardized LC connector by a number of features, such as strain relief, mechanical strength, uniform connection for different cable diameters and fibers and successfully launched this connector on the market. Growing sales figures show that even good and introduced products can be improved and that EUROMICRON Werkzeuge GmbH has its finger on the pulse of customers so that it can translate problems into solutions quickly and flexibly.

Furthermore, an existing connector concept was further developed together with a key account and is already being marketed. We have completed development work on the optical switches with the production of the first prototypes for testing by customers. In particular, EUROMICRON Werkzeuge GmbH has demonstrated its innovative work by applying for several international patents, for example in the field of optical connectors, some of which are being marketed as separate products.

Our industrial holdings ELABO and FRAKO also create sustained and high value for the company by means of innovative products and investments.

The many product developments from ELABO in 2002 and 2003, for example a fully electronic high-voltage testing device, the assembly workstations under the product label “TaMas”, the new line of business “Control rooms” with the brand “TaCom” and various mobile testing devices under the name “TaMo” were developed further in 2004 and also launched on the market to the accompaniment of intensified product marketing.

In the field of energy management, FRAKO has developed a new central unit, the EMIS 1500. With this unit, which administers all data via an “open” database, devices from other vendors can also be integrated in the FRAKO energy management system via defined interfaces. An interface to the energy management system of the company Jean Müller, Eltville, has been developed as the first step in this direction and enables joint operation of the systems. Visualization is carried out with the new software EMVIS-Net from FRAKO, which was also able to be made available punctually.

FRAKO has also acquired several German and also European patents, as well as internationally registered trademarks and proprietary rights. Many of these patents have been incorporated in FRAKO's products.

The breadth of the euromicron Group's product portfolio in conjunction with many high-quality special solutions means that permanent optimization in production, logistics and the range of services of the individual companies is a necessity. Increases in efficiency and cost savings require creativity and investment in process optimization, meaning that a large volume of investment is indispensable for a high-tech company like the euromicron Group. As a result, the euromicron Group has displayed its ability and strength to invest and innovate in its core business, as well as at its Industrial Holdings division, and has been able to generate a significant competitive edge.



Employees

The extraordinary willingness to achieve of employees in the euromicron Group meant that the company was able to adapt successfully to the different market situations in a tough economic climate.

708 people were employed at the euromicron Group on December 31, 2004, 25% less than the average for 2003. The number of trainees is 57, around the level of the previous year. Our aim with these training places is not least to give young people in Germany prospects for the future.

Good training, comprehensive know-how and accordingly high motivation of our employees guarantee the success of euromicron.

The focus remains on fostering our employees and increasing their qualification. Necessary qualification measures are held systematically and to meet needs, and people with the potential to take on greater tasks are identified. We pay heed to filling new posts with young and well-trained employees and to enhance the long-term loyalty to the company of experienced employees who are distinguished by their expertise and professionalism, since they are "key personnel".

A common understanding on the part of all General Managers at the Group as regards qualified encouragement and fostering of our employees and their involvement in the business process creates the foundation for employee identification.

Competence and undiminished willingness of employees form the basis for developing euromicron further as a system house. The workforce's identification with the company and high degree of motivation to achieve the set objectives time and again secure our strong market position.

The Executive Board would like to thank all employees for the trustworthy cooperation in the past fiscal year. It also voices its express thanks to the employee representatives who have backed the interests of the workforce and enterprises. This resulted in acceptance of entrepreneurial decisions and made a major contribution to our overall success.

Risk management system

euromicron AG and its associated companies have complied with statutory obligations to operate an extensive risk management system since 2000. Risk management at the euromicron Group is geared to ensuring that management can recognize significant risks at an early stage and take prompt measures to counter them.

The risk management system is an integral part of the entire planning, control and reporting process at all German associated companies.

The aim is to identify, assess, control and document risks systematically. Taking into account defined risk categories, the main risks are assessed as regards the probability of their occurring and the level of damage. Communication and reporting on relevant risks is controlled by defined thresholds. The risks are reviewed at regular intervals as part of risk monitoring to determine their applicability. A Group-wide policy is in place to ensure compliance with consistent standards in the risk management system.

Risks at euromicron AG and its associates essentially relate – as in previous years – to the general economic data, in particular the continuing structural problems in the German market and the euro zone. The forecasts at the start of 2004 that there would be a sharp improvement in the continuing reluctance to invest of past years failed to materialize to the extent hoped for. Private and public households and industry stuck by their restrictive investment and spending policy. In our core division, Network and Fiber Optics Technology, there was only a partial end to the long-lasting halt to investment by carriers, yet the decline in prices and margins remained constant. The extensive cost-cutting and rationalization measures of the previous years were the reason why the quality of earnings at our companies did not deteriorate under these conditions. Further measures were taken this year to ensure that we achieve our income targets in the future. In particular, we intensified outsourcing of activities that are not key qualifications for our business to subcontractors, enabling us to flexibilize some of our manufacturing expenses. In the area of purchasing, we will focus more strictly and systematically throughout the Group on a smaller number of suppliers in the new fiscal year so

as to obtain far better terms. Existing good purchasing terms at individual associates will be pooled centrally and expanded to the rest of the Group.

The merger of Multimedia Montage GmbH with euromicron systems GmbH means that we now have a powerful company in the north of Germany and that duplicate corporate functions are eliminated. All these measures will allow the euromicron Group to maintain the quality of its results in its core division in a difficult climate.

The risks to the euromicron Group from normal economic fluctuations can be very well compensated for by these measures to cut and flexibilize costs and improve purchasing terms. When the economy picks up again, we will be able to provide the capacities required for handling orders quickly and flexibly, but keep fixed costs at a low level. We therefore expect to increase income above-proportionately.

Exchange rate risks from the price of the dollar against the euro and negative effects from the political instability in the Middle East impacted the earnings situation of individual associates to a subordinate extent only. The predominant share of the Group's sales is conducted in euros in Europe; possible currency hedges for the other transactions are constantly examined and concluded if required.

Further risks of euromicron AG lie solely in the long-term preservation of the value and earnings power of its associates, and to financing of these as part of cash pooling. These risks, which are directly related to the risks of the associates, are constantly monitored, assessed and assigned measures as a result of our permanent, standardized management information system. The flat hierarchies at the Group, short information channels and constant communication at all levels of the companies mean that the risks can be recognized and counteracted promptly.

Risks from investments in new companies are countered by extensive due diligence processes and long-term accompaniment of prospective acquisitions.

The financing of euromicron AG and the euromicron Group does not harbor any risks as far as can be seen at present. Despite the extensive loan repayments of past years, both at euromicron AG and the associated companies, the Group has sufficient liquid funds. Just about all associates obtain funding from the cash pool and do not have any financial debt. In addition, euromicron AG has large credit lines that are not used at present. The Group's further development and continuation of restructuring are secured in terms of liquidity.

We do not see any risks due to pending legal proceedings. The current tax audit for the years 1997 to 2000 was largely processed by December 31, 2004.

In the current assessment of the Executive Board, all the risks will have no significant impact on the financial position, net assets and results of operations of the euromicron Group.

Note on the predictive statements in this Annual Report:

This Annual Report also includes predictive statements and information on future developments that are based on the convictions of euromicron AG's management and on assumptions and information currently available to euromicron. Where the terms "assume", "believe", "assess", "expect", "intend", "can/may/might", "plan" or similar expressions are used, they are intended to indicate predictive statements that are subject to certain elements of insecurity, such as competitive pressure, changes to the law, political and economic changes, changes to business strategy, other risks and uncertainties.

Outlook

“If a company wants to remain successful on a permanent basis, it must be oriented toward long-term aims.” This maxim will also guide our actions in the coming years. We will gear all our decisions to our consistent long-term strategy – one that focuses on our attractive products and services and a yield-oriented business policy.

What we have achieved to date is both confirmation and the starting point for increasing growth and earnings sustainably in future by our own efforts and systematic acquisitions.

A major mission for us in future will remain to optimize and integrate structures and processes. So that we can continue to improve our results overall, the weak units must work with all their might to come closer to their target margins. Our particular attention will be on the project units. Apart from optimizing processes, improving project management and curbing costs tightly, we have instigated a series of initiatives intended to give us added opportunities. For instance, we have begun integrating the Group’s purchasing activities, to push building of our maintenance and service skills, strengthen campaigns for winning customers and increase their loyalty, to further enhance the positive image of the “euromicron” brand.

The euromicron Group is underpinned by the willingness to achieve and skills of all its employees, who will also make a crucial contribution to our success in 2005.

The concept of “decentralism” that is enshrined in the corporate philosophy for the phase of Group restructuring will also ensure in the coming fiscal year that the individual companies and units will be able to respond quickly to market changes, remain profitable as a result and at the same time create a fine starting position for subsequent further organizational integration. The focus in this will be on optimizing operational business processes and knitting the companies and competence centers.

Apart from expansion of network business, the two industrial holdings will play a major role for the euromicron Group in fiscal 2005. Following the premature sale of Lechmotoren GmbH and the elkosta Group, the euromicron Group now needs to do significant catching up in terms of business volume, an aim that is to be achieved by orderly acquisitions in our core business. For the time being, a further disposal is neither necessary from the point of view of liquidity, nor expedient from the commercial stance. This will be a main aspect of our discussion on strategy at the end of 2005 at the earliest.

The Executive Board expects to see a fiercely contested market again in the coming fiscal year, with a difficult competitive situation, but regards euromicron AG as being well prepared to keep to its successful course.

Declaration on Conformity with the Corporate Governance Code

On February 26, 2002, the government commission “German Corporate Governance Code” submitted a code of conduct for Executive Boards and Supervisory Boards of listed companies.

A listed company is obliged to issue an annual declaration of whether the company complies with the code or what recommendations in the code it does not observe. euromicron AG is firmly convinced that it has been practicing a series of principles and recommendations for a long time and has fully satisfied the statutory demands and expectations of its shareholders with its understanding of corporate governance to date and has also fulfilled the vast majority of recommendations in the code.

The Company will also acknowledge the “German Corporate Governance Code” in the version dated May 21, 2003, as binding on it in future and comply with it with the exception of the following deviations. These deviations are due to the Company’s size and business model; in addition, future adjustments are still in preparation.

The Executive Board and Supervisory Board of euromicron AG hereby declare that the Company is to comply with the German Corporate Governance Code, with the exception of the following recommendations:

Re Section 3.8 of the code:

“... If the company takes out a D&O (directors and officers’ liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed.”

Reason:

euromicron AG does not follow this recommendation. The D&O policy does not envisage any deductible for the board members. It is a group insurance policy for a large number of executive employees in which a differentiation by board members and other executives does not appear appropriate.

Re Section 4.2.3 of the code:

“... The salient points of the compensation system and the concrete form of a stock options scheme or comparable instruments for components with long-term incentive effect and risk elements shall be published on the company’s website in plainly understandable form and be detailed in the annual report. This shall include information on the value of stock options. The Chairman of the Supervisory Board shall outline the salient points of the compensation system and any changes thereto to the General Meeting.”

Reason:

euromicron AG does not follow this recommendation since the compensation system for the Executive Board does not envisage granting any stock options. The compensation of the Executive Board consists of a fixed salary plus an earnings-related bonus. Consequently, publishing the salient points of the remuneration system is not regarded as providing investors with any substantial information.

Re Section 4.2.4 of the code:

“Compensation of the members of the Management Board shall be reported in the Notes of the Consolidated Financial Statements subdivided according to fixed, performance-related and long-term incentive components. The figures shall be individualized.”

Reason:

euromicron AG does not follow this suggestion from the code. Compensation for members of the Executive Board is not disclosed in accordance with Section 286 Paragraph 4 HGB (German Commercial Code), since the Company believes that, due to the existing remuneration structure, individualization and breaking down the details does not provide the investors with significant information.

Re Section 5.4.5 of the code:

“... Members of the Supervisory Board shall receive fixed as well as performance-related compensation. ... The compensation of the members of the Supervisory Board shall be reported in the Notes of the Consolidated Financial Statements, subdivided according to components. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular advisory or agency services, shall be listed separately in the Notes to the Consolidated Financial Statements.”

Reason:

euromicron AG does not follow this recommendation of the code. Members of the Supervisory Board are compensated in accordance with the Articles of Association of euromicron AG. Individualized reporting of their compensation does not appear appropriate to us, as it does not entail any more extensive information for shareholders.

Re Section 7.1.2 of the code:

“... The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.”

Reason:

euromicron AG follows the recommendation of the code in that the consolidated financial statements are prepared within 90 days and made accessible to the public after a final examination by the auditor. In current practice, interim reports are made publicly accessible within 60 days of the end of the reporting period. We are planning to speed up preparation of the interim reports and ensure publication of them within the recommended period of 45 days.

Re Section 7.1.4 of the code:

“The company shall publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise. ... The following shall be provided: name and headquarters of the company, the amount of the shareholding, the amount of equity and the operating result of the past financial year.”

Reason:

euromicron AG follows the recommendation of the code in that 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.

Apart from this, the Company now already complies in many parts with the additional suggestions of the German Corporate Governance Code.

Frankfurt/Main, December 2004

For the Supervisory Board

Dieter Jeschke
Chairman of the
Supervisory Board

For the Executive Board

Dr. Willibald Späth
Chairman of the
Executive Board

**Note on Section 5.3
of the Corporate Governance Code:**

Since the General Meeting on June 24, 2004, the Supervisory Board of euromicron AG consists only of three persons in accordance with the Articles of Association. The formation of committees is therefore not expedient, especially since the Supervisory Board constitutes a quorum in accordance with Section 108 Paragraph 2 Sentence 3 AktG (German Stock Corporation Law) only if there are at least three members.





REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

During the fiscal year 2004, the Supervisory Board performed the duties required of it by law and the Articles of Association, advised the Executive Board of euromicron AG and supervised management of the company. In the course of the fiscal year, it was informed in detail of the Company's and Group companies' situation on the basis of written and oral reports by the Executive Board, in joint meetings, regular discussions and telephone calls.

Four ordinary Supervisory Board meetings were held in the year under review, at which the Executive Board of the Company informed the Supervisory Board on the situation and prospects of euromicron AG and its holdings by way of detailed oral and written reports. In addition to current business developments of euromicron AG and the Group, the topics regularly discussed at the meetings of the Super

visory Board were the course of business of the Group companies and their market environment, risk management, basic questions of corporate planning and the Company's corporate policy. As part of corporate planning, the further implementation of the strategy adopted in 2000, including the investment and human resources plans and earnings projections, and the Company's financing, were discussed extensively. In addition, the Supervisory Board kept itself informed of euromicron's AG focus on network and fiber optic technology, the associated divestment actions, acquisitions and alliances, as well as the development of liquidity and the key financial indicators in regular discussions with the Executive Board. The Supervisory Board satisfied itself that the Executive Board has conducted business correctly and has taken all necessary measures in good time.



Dieter Jeschke
Chairman of the Supervisory Board

The Supervisory Board and Executive Board have again analyzed the recommendations and suggestions of the German Corporate Governance Code and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law. The explanations to the declaration on conformance are contained in the Annual Report 2004. The Supervisory Board conducted the efficiency review of the Supervisory Board as intended by the code on the basis of a detail examination catalog.

The annual financial statements of euromicron AG and the Management Report as of December 31, 2004, as well as the US GAAP consolidated financial statements as of December 31, 2004, were audited by BDO Deutsche Waren-treuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and each issued with an unqualified audit opinion. The audit reports of the Company and the Group were available to the Supervisory Board in good time before the balance sheet meeting on April 7, 2005. It examined the financial statements and the Report of the Executive Board, as well as the consolidated financial statements of euromicron AG and the auditor's reports and concurs with the auditor's findings, the Report of the Executive Board and the statements in this relating to the further development of the Company. The auditors who signed the annual financial statements took part in the balance sheet meeting of the Supervisory Board, reported on the main results of their audit of the annual and consolidated financial statements and answered supplementary questions by the Supervisory Board.

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

The Supervisory Board therefore approved the financial statements of euromicron AG and the euromicron Group prepared by the Executive Board at its meeting on April 7, 2005, which are thus adopted.

The Supervisory Board examined the Executive Board's proposal to pay a dividend of €0.60 a share (i.e. a total of €2,796,000.00) and to carry the remaining net income of €50,384.24 forward to a new account, and endorses this proposal of the Executive Board.

The Supervisory Board also examined the Dependent Companies Report and raised no objections to the statement of the Executive Board at the end of this report. It concurs with the findings of the auditors, who issued the following confirmation: "On completion of our audit and assessment in accordance with professional standards, we confirm that the factual information contained in the report is correct and that the consideration paid by the company in the course of the legal transactions listed in the report was not inappropriately high or any disadvantages were compensated for."

There were the following changes to the Company's boards in the course of fiscal 2004.

Diether Schaudel, Dr. Hermann Martin, Jochen Kletzin and Hermann Fleischer retired from the Supervisory Board effective June 24, 2004. The number of members of the Supervisory Board was reduced to 3 pursuant to the amendment of the Articles of Association adopted at the General Meeting. The General Meeting elected Günther Leibinger as a member of the Supervisory Board. The newly composed Supervisory Board confirmed Dieter Jeschke as its Chairman and elected Günther Leibinger as its Deputy Chairman.

The Supervisory Board wishes to express its thanks to the Executive Board, the General Managers and all employees of euromicron's Group companies for their work.

Leinfelden-Echterdingen, April 7, 2005

The Supervisory Board

Dieter Jeschke

Chairman of the Supervisory Board



CONSOLIDATED FINANCIAL STATEMENTS (US-GAAP)

Consolidated balance sheet of the euromicron Group

As of December 31, 2004 (US GAAP)

ASSETS	Note	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Current assets			
Marketable securities and cash	(1)	11,377	33,598
Trade accounts receivable	(2)	19,100	21,016
Receivables from affiliates	(2)	1,351	167
Other receivables and other assets	(2)	3,994	5,022
Inventories	(3)	22,678	19,997
		58,500	79,800
Noncurrent assets			
Intangible assets	(4)	41,142	31,994
Property, plant and equipment	(4)	5,639	10,024
Financial assets	(4)	497	209
Other receivables and assets	(5)	1,469	883
Deferred tax assets	(6)	605	1,153
		49,352	44,263
		107,852	124,063

LIABILITIES AND STOCKHOLDERS' EQUITY

	Note	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Current liabilities			
Trade accounts payable	(7)	4,961	5,778
Liabilities to affiliates	(7)	0	0
Other liabilities	(7)	16,961	27,566
Accrued liabilities	(8)	7,967	6,721
Deferred taxes	(9)	509	511
		30,398	40,576
Long-term debt			
Liabilities	(7)	10,559	17,625
Accrued liabilities	(8)	2,052	2,990
		12,611	20,615
Minority interests	(10)	374	333
Stockholders' equity (59.8% / 50.4%)	(11)		
Subscribed capital (composed of 4,660,000 no-par value shares, authorized capital €5,957 thousand)		11,914	11,914
Additional paid-in capital		61,781	61,781
Consolidated retained earnings		-13,234	-22,977
Net income for the period		4,008	12,073
Currency translation difference		0	-252
Gain on the valuation of derivatives and securities		0	0
		64,469	62,539
		107,852	124,063

Consolidated income statement of the euromicron Group

for the period January 1 to December 31, 2004 (US GAAP)

	Note	2004 € thou.	2003 € thou.	2002 € thou.
Net sales	(12)	110,832	134,543	147,225
Cost of goods sold	(13)	-79,475	-95,667	-104,574
Gross profit		31,357	38,876	42,651
Research and development expenses		-2,097	-2,791	-2,916
Selling expenses		-12,167	-17,251	-17,863
Administrative expenses		-9,510	-11,174	-11,551
Other operating income and expenses	(14)	2,154	7,908	6,732
Income before non-operating expenses and income taxes		9,737	15,568	17,053
Non-operating expense	(16)	-736	-2,059	-3,170
Income before income taxes		9,001	13,509	13,883
Income taxes	(17)	-4,742	-1,319	-1,991
Consolidated net income for the period, before minority interests		4,259	12,190	11,892
Minority interests	(18)	-251	-117	-239
Consolidated net profit		4,008	12,073	11,653
Earnings per share (EPS) in €	(19)	0.86	2.59	2.50

Consolidated statements of cash flows of the euromicron Group

for the period January 1 to December 31, 2004 (US GAAP)

	2004 € thou.	2003 € thou.	2002 € thou.
Consolidated net profit for the period	4,008	12,073	11,653
Depreciation and amortization of noncurrent assets	2,150	3,381	4,413
Disposal of assets, net	-1,543	-7,196	-5,650
Change in accrued liabilities	-7	369	-2,303
Cash flow	4,608	8,627	8,113
Change in deferred taxes	14	-519	-637
Changes in other short- and long-term assets and liabilities:			
– Inventories	6,032	-227	7,398
– Trade accounts receivable	-1,457	941	-752
– Trade accounts payable	-852	-770	-411
– Other operating assets and liabilities	-377	1,141	-99
Cash provided by operating activities	7,968	9,193	13,612
Investments in property, plant and equipment and intangible assets	-7,682	-1,892	-2,445
Changes in goodwill due to consolidation	8,593	0	-4,104
Changes in noncurrent assets due to consolidation	-1,401	-937	2,673
Changes in financial assets due to consolidation	-2,225	76	-2,343
Contributions due to sale of companies	1,650	13,000	23,050
Disbursements due to acquisition of companies	-9,079	0	-5,970
Decrease in fund resources	-595	-2,019	-1,413
Net cash used in (provided by) investment activities	-10,739	8,228	9,448
Dividends paid	-2,330	0	-2,330
Change in financial debt	-17,413	-12,113	-6,462
Change in minority interests	41	58	-1,127
Net cash used in (provided by) financing activities	-19,702	-12,055	-9,919
Currency translation difference	252	-317	12
Gain/loss on the value of derivatives and securities	0	-175	150
Net change in cash and cash equivalents	-22,473	5,366	13,141
Cash and cash equivalents at start of period	33,598	28,724	15,421
Cash and cash equivalents at end of period	11,377	33,598	28,724
Cash and cash equivalents are composed of:			
Cash	7,148	32,402	14,910
Securities	4,229	1,196	13,814
	11,377	33,598	28,724

Statement of changes in stockholders' equity of the euromicron Group

for the period January 1 to December 31, 2004 (US GAAP)

	Subscribed capital € thou.	Additional paid in capital € thou.	Consolidated retained earnings € thou.	Currency translation difference € thou.	Gain/loss on the valuation of derivatives and securities € thou.	Total € thou.
Balance at January 1, 2001	11,914	61,781	-38,042	2	0	35,655
Consolidated net income for 2001	–	–	5,742	–	–	5,742
First-time application of FAS 133	–	–	–	–	-19	-19
Currency translation difference	–	–	–	75	–	75
Gain on the valuation of derivatives and securities	–	–	–	–	31	31
Balance at December 31, 2001	11,914	61,781	-32,300	77	12	41,484
Dividend for 2001	–	–	-2,330	–	–	-2,330
Consolidated net income for 2002	–	–	11,653	–	–	11,653
Currency translation difference	–	–	–	-12	–	-12
Gain on the valuation of derivatives and securities	–	–	–	–	163	163
Balance at December 31, 2002	11,914	61,781	-22,977	65	175	50,958
Dividend for 2002	–	–	–	–	–	0
Consolidated net income for 2003	–	–	12,073	–	–	12,073
Currency translation difference	–	–	–	-317	–	-317
Loss on the valuation of derivatives and securities	–	–	–	–	-175	-175
Balance at December 31, 2003	11,914	61,781	-10,904	-252	0	62,539
Dividend for 2003	–	–	-2,330	–	–	-2,330
Consolidated net income for 2004	–	–	4,008	–	–	4,008
Currency translation difference	–	–	–	252	–	252
Gain/loss on the valuation of derivatives and securities	–	–	–	–	–	0
Balance at December 31, 2004	11,914	61,781	-9,226	0	0	64,469

Notes to the US GAAP consolidated financial statements

for fiscal 2004

General information

1. Description of business activities

euromicron AG (hereinafter referred to as the Company) is mainly active in the areas of network and fiber optic technology. The Company specializes in the development, implementation and maintenance of data networks based on fiber optics. Its key products are optical components, tools and fiber optic cable assembly, as well as system business, trading and services. The Company focuses on niche markets which require highly specialized products and customized solutions and which large system providers usually find too small. The Company is the European leader in some of these sectors. In addition, the company has further industrial holdings that operate in the areas of energy management and technical laboratory furniture and equipment.

2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the US Generally Accepted Accounting Principles (US GAAP) in the valid version at December 31, 2004.

Consolidated companies and consolidation principles

(a) Consolidated companies

Apart from euromicron AG, the consolidated financial statements include eleven companies in which euromicron AG directly or indirectly holds the majority of voting rights. They are all German companies.

A list of consolidated and unconsolidated companies is provided at the end of the notes. Three companies that no longer perform any operational activities were not included in the consolidated financial statements due to their secondary importance for the net assets, financial position and results of operations.

(b) Significant changes in fiscal year 2004

elkosta GmbH, elkosta security systems GmbH & Co. KG and elkosta UK Ltd. were sold effective April 5, 2004. The companies were deconsolidated retroactively as of January 1, 2004.

(c) Significant acquisitions in fiscal year 2004

Effective March 30, 2004, euromicron AG acquired a further 5% of the shares in LWL-Sachsenkabel GmbH. euromicron AG now holds all the shares in this company.

Effective May 28, 2004, euromicron AG acquired 80% of the shares in NTA Nachrichten Technische Anlagen Mainz GmbH, NTA Erfurt Nachrichtentechnische Anlagen GmbH and NTA Rhein-Neckar GmbH. Pursuant to the merger agreement dated September 20, 2004, the three companies were merged with each other retroactively effective June 1, 2004, and renamed NTA GmbH, a euromicron Group company.

Effective June 21, 2004, euromicron AG acquired all the shares in delcom daten-elektro-communications-technik GmbH.

euromicron AG acquired a further 15% of the shares in Multimedia Montage GmbH effective July 27, 2004 and now likewise owns all the shares in this company. On August 26, 2004, euromicron systems GmbH was merged with Multimedia Montage GmbH retroactively effective January 1, 2004. The merged company was renamed euromicron systems GmbH, a euromicron Group company, effective October 7, 2004.

(d) Significant effects from the change in consolidated companies

Due to a lack of information for the newly acquired companies relating to the previous year's figures at the times of consolidation, pro forma financial statements to permit a comparative presentation of the balance sheet and income statement are not possible. The main changes were therefore explained directly in the description of the balance sheet and income statement items.

(e) Consolidation principles

The assets and liabilities included in the consolidated financial statements are carried in accordance with the consistent accounting and measurement principles of euromicron AG in compliance with US GAAP.

Capital consolidation uses the purchase method of accounting in accordance with APB 16.66 ff. Under this, the costs of acquisition of euromicron AG are as a matter of principle offset with the pro rata stockholders' equity of the individual subsidiaries at the time the stake was acquired.

The difference from capital consolidation (first-time consolidation) is in principle analyzed to determine its cause. If it is due to the fact that individual items in the commercial balance sheet II of the subsidiary have to be carried at another value than it should have as part of the value of the shares at the key date for first-time consolidation, the difference – after allowing for deferred taxes against the stockholders' equity – is assigned to the items in the consolidated balance sheet as a result of appropriate corrections. The amount above and beyond this is carried as goodwill under the intangible assets. Existing and acquired goodwill is no longer written off using the regular method of depreciation since July 1, 2001, in accordance with SFAS 142.

Retained earnings that have been formed from the income of included companies after first-time consolidation are carried under the consolidated retained earnings. In addition, any differences from offsetting of receivables and payables and effects from other consolidation measures are recorded here.

As a matter of principle, the Group dispenses with the routine determination and elimination of intercompany profits for reasons of materiality. If significant intragroup deliveries and services are performed, the intercompany profits are eliminated.

Receivables and payables between the companies included in the consolidated financial statements are offset against each other in accordance with ARB 51.1.

As part of consolidation of revenue and expenditure, intercompany sales between the included subsidiaries are offset with the material and other expenses incurred on them.

There are no companies in which euromicron AG either directly or indirectly holds more than 20% but less than 50% of the voting rights, with the result that consolidation using the at equity method has not been carried out.

Accounting principles and methods

(a) Intangible assets

Purchased intangible assets are capitalized at their cost of acquisition and written down over their useful life of 3 to 15 years using the straight-line method. As a rule, extraordinary write-downs are charged if it is necessary to carry intangible assets at a lower fair value at the balance sheet date. Calculation of the fair value is based on the capitalized earnings value of assets.

(b) Property, plant and equipment

Property, plant and equipment is carried at its acquisition or manufacturing cost less regular depreciation. Depreciation is straight-line. The following useful lives are used to calculate depreciation: buildings 10 to 50 years, technical equipment and machinery 5 to 15 years, and other equipment, operating and office equipment 4 to 15 years. Extraordinary write-downs are charged if it is necessary to carry property, plant and equipment at a lower fair value at the balance sheet date.

(c) Leases

The Company has leased property, plant and equipment which it uses. US GAAP contains criteria for deciding whether the benefits and risks of ownership have been transferred to the lessee, in which case it is classified as a capital lease on the books of the lessee, or whether the asset is to be classified as an operating lease on the books of the lessor.

(d) Financial assets

Financial assets are measured at their cost of acquisition less write-downs for permanent impairment.

(e) Inventories

Inventories are carried at the lower of acquisition/historical cost or market price. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. Write-downs take account of inventory risks.

The Group's focus on the Network and Fiber Optics Technology division is increasingly resulting in project and installation services running beyond the key date. This induced the Group in fiscal 2004 to realize gains on a pro rata basis using the percentage-of-completion method for the main services running beyond the key date.

(f) Marketable securities

Securities are measured at their stock exchange or market price in accordance with FAS 115 and qualified as available for sale, with the result that unrealized gains and losses from adjustments in market value are offset in the stockholders' equity.

(g) Accrued liabilities

Measurement of the benefit obligation is based on the projected unit credit method prescribed by SFAS 87.

Tax accruals and other accrued liabilities are recognized in the case of obligations to third parties where utilization is probable and the expected amount of the necessary accrued liability can be measured reliably.

(h) Share options

No share options were granted at euromicron AG in 2004. The existing option from the previous years ended in 2002 and was not exercised.

(i) Financial instruments

As a matter of principle, euromicron AG only uses derivative financial instruments for hedging. In these cases, the hedged item and the hedging transaction (interest rate swap) are aggregated to form a closed position. Since January 1, 2001, euromicron AG is applying FAS 133 for the first time. Up until this point, gains and losses from these closed positions, which are used to hedge against interest rate risks, were not recognized in income until the hedged item was realized. With the application of FAS 133, changes in the closed positions used to hedge against interest rate risks are taken directly to equity, taking account of deferred taxes. Hedging instruments which relate to assets or liabilities in the balance sheet are carried in the balance sheet at their respective fair value, and changes in fair values are directly recognized in the income statement.

Where a hedging relationship does not exist or no longer exists, the components are measured at their fair value at the balance sheet date.

In the year under review, euromicron conducted an interest rate swap effective March 1, 2004, that was concluded with its basic parameters, term and level on the existing Allianz loan and so can be regarded as a hedging transaction. euromicron AG exchanges the fixed rate of interest on the loan against a variable rate of interests calculated on the basis of the 12-month EURIBOR. As of September 1, 2005, the variable rate of interest is capped.

(j) Deferred taxes

Deferred taxes are recognized for differences in carrying values between the US GAAP balance sheet and the tax balance sheet (time differences) and for accumulated losses brought forward using the liabilities method.

(k) Impairment of long-lived assets

According to FAS 144, a valuation adjustment to the fair value must be made for long-lived assets if there are signs or circumstances occur that lead to the assessment that the book value of the objects can no longer be realized at all or at the corresponding amount.

(l) Currency translation

In past years, financial statements of subsidiaries prepared in a currency other than euros were translated using the exchange rates which applied at the time of preparation of the balance sheet or – in the case of the income statements – at a weighted middle rate for the reporting period. Foreign exchange differences were taken directly to equity. In the year under review, there was no subsidiary whose financial statements were prepared in a currency other than euros.

(m) Research and development

Research and development expenses are charged to expenditure.

(n) Revenue recognition

Sales revenues are recognized on transfer of risk or performance of the service, and are stated net of discounts, customer bonuses and rebates.

Sales and earnings from the main projects running beyond the key date were recognized on a pro rata basis using the percentage-of-completion method. This effect on results in the year under review is €457 thousand.

(o) Estimates

Estimates and assumptions must be made to a certain extent in the consolidated financial statements; the value of assets and liabilities, as well as expenses and income in the reporting period, depend on these. The actual figures reported may differ from the estimates.

Explanations on the balance sheet and income statement

1. Marketable securities and cash

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Cash	7,148	32,402
Marketable securities	4,229	1,196
	11,377	33,598

The marketable securities are available for sale. All the items are carried at their fair value. Cash fell by €2,699 thousand due to the changes in the consolidated companies.

2. Receivables and other assets

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Trade accounts receivable	19,511	21,989
Allowances for doubtful accounts	-411	-973
	19,100	21,016
Receivables from affiliates	1,351	167
Other assets	3,492	4,581
Prepaid expenses	502	441
	3,994	5,022
	24,445	26,205

As in the previous year, none of the receivables from affiliates and other assets has a term of more than one year. The allowances for doubtful accounts comprise individual adjustments for dubious receivables. The changes in the consolidated companies resulted in a reduction in trade account receivables of €4,629 thousand on balance.

Receivables from affiliates mainly comprise a trade account receivable from AdCapital AG from a compensation payment for expenses from trade tax consolidation as part of the tax audit for 1997 to 2000.

Other assets mainly comprise prepaid capital gains tax and solidarity surcharge, as well as creditable taxes from dividend payments of the euromicron Group companies.

The decrease in other assets is essentially the result of settlement of open receivables by the fiscal authorities.

3. Inventories

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Raw materials and supplies	5,900	9,203
Work in progress	12,498	7,678
Finished goods and merchandise	4,280	3,116
	22,678	19,997

€18,540 thousand of inventories (previous year: €13,280 thousand) are attributable to the Network and Fiber Optics Technology division and €4,138 thousand (previous year: €6,717 thousand) to the Industrial Holdings division. Inventories increased by around €1.6 million due to changes in the consolidated companies.

4. Noncurrent assets

The residual book values of the mainly domestic non-current assets are €47,278 thousand (previous year: €42,227 thousand) on the balance sheet date and are composed as follows:

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Intangible assets	41,142	31,994
Land and buildings	1,376	4,935
Technical equipment and machinery	1,777	2,476
Other equipment, operating and office equipment	2,430	2,601
Payments on account and tangible assets in course of construction	56	12
Financial assets	497	209
	47,278	42,227

The intangible assets totaling €41,142 thousand (previous year: €31,994 thousand) mainly comprise goodwill totaling €38,352 thousand (previous year: €29,123 thousand).

Goodwill developed as follows in the fiscal year:

	2004 € thou.	2003 € thou.
Goodwill as of January 1	29,123	28,783
Additions	9,237	340
Retirements	-8	0
Goodwill as of December 31	38,352	29,123

The additions relate to NTA GmbH, delcom GmbH, LWL-Sachsenkabel GmbH and Multimedia Montage GmbH. The retirements relate to elkosta GmbH. The Network and Fiber Optics Technology division accounts for goodwill of €29,528 thousand and the Industrial Holdings division for goodwill of €8,824 thousand.

Regular amortization of goodwill is not carried out in accordance with SFAS 14. There are also no extraordinary write-downs as a result of the impairment test conducted by the Company.

Property, plant and equipment totaling €5,639 thousand (previous year: €10,024 thousand) also contains leased technical equipment and operating and office equipment totaling €540 thousand (previous year: €917 thousand). These are classified as a capital lease on the books of the company pursuant to the leasing agreements. The write-downs on these assets in the fiscal year are €378 thousand (previous year: €393 thousand).

The historical acquisition costs of noncurrent assets are €77,052 thousand and include acquisition costs for capital leases of €1,579 thousand.

The share accounted for by land in property, plant and equipment is €189 thousand (previous year: €358 thousand). Developed real estate with a residual book value of €169 thousand has been retired as a result of the sale of elkosta KG.

Changes in the consolidated companies reduced property, plant and equipment by €4,649 thousand.

The increase in financial assets to €497 thousand (previous year: €209 thousand) is mainly attributable to changes in consolidated companies.

5. Other noncurrent receivables and assets

This item essentially comprises the surrender value of reinsurance policies.

6. Noncurrent deferred tax assets

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

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Deferred tax assets for:		
Accrued liabilities	122	201
Tax loss carryforwards	1,550	2,701
Capital leases	98	204
Noncurrent assets	11	481
Deferred tax liabilities	1,781	3,587
Deferred tax assets for:		
Noncurrent assets	-448	-450
Hidden reserves from from first-time capital consolidation	-728	-1,984
Deferred tax liabilities	-1,176	-2,434
Noncurrent deferred tax assets, net	605	1,153

As of December 31, 2004, there were tax loss carryforwards in the Group totaling €4,821 thousand (previous year: €8,060 thousand). Apart from euromicron AG, the loss carryforwards relate to two further domestic holdings. These losses may be carried forward indefinitely in accordance with the current legal position. The deferred tax rates are 17.01% and 37.87% respectively if trade tax or trade tax and corporation income tax are incurred.

The Executive Board is of the opinion that deferred tax assets that have not been written down will most probably be realized.

7. Liabilities

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Bank loans and overdrafts	1,207	16,328
Liabilities from capital leases	540	917
Trade accounts payable	4,961	5,778
Other liabilities	25,765	27,942
Deferred income	8	4
	32,481	50,969

The liabilities have the following terms:

	Total Amount € thou.	Due in					Thereof collateralized amounts € thou.
		2005 € thou.	2006 € thou.	2007 € thou.	2008 € thou.	2009 € thou.	
Bank loans and overdrafts	1,207	1,207	0	0	0	0	0
Liabilities from capital leases	540	262	157	77	41	3	0
Trade accounts payable	4,961	4,961	0	0	0	0	0
Other liabilities	25,765	15,463	5,151	5,151	0	0	0
Deferred income	8	8	0	0	0	0	0
	32,481	21,901	5,308	5,228	41	3	0

Short-term credit lines of €19,563 thousand (previous year: €3,540 thousand) were unused at the year-end.

The other liabilities are composed as follows:

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Long-term loan	15,452	20,452
Tax liabilities	2,670	2,870
Social security contributions	856	910
Payments on account	6,134	2,397
Other	653	1,313
	25,765	27,942

Liabilities fell by €2,991 thousand as a result of charges in the consolidated companies.

8. Accrued liabilities

The accrued liabilities are composed as follows:

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Taxes	1,989	1,507
Other accrued liabilities	5,978	5,214
Short-term accrued liabilities	7,967	6,721
Accrued benefit liabilities	1,945	2,825
Accrued liabilities for anniversaries	107	165
Long-term accrued liabilities	2,052	2,990
Total accrued liabilities	10,019	9,711

(a) Other accrued liabilities

The other accrued liabilities are composed as follows:

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Staff and social security	2,520	2,718
Obligations from company sales	974	0
Provision for outstanding invoices	719	1,147
Warranty commitments	393	405
Restructuring	237	20
Other	1,135	924
	5,978	5,214

(b) Accrued benefit liabilities

Both euromicron's hourly-paid workers (51) and salaried employees (77) benefit from pension commitments.

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.

The following table provides information on the change in the projected benefit obligation in the fiscal year. The presentation complies with the provision of SFAS 132 and measurement is in accordance with SFAS 87.

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Present value of benefit obligation at the beginning of the period under report	2,825	2,933
Service cost	41	59
Interest cost	101	156
Pension payments	-60	-182
Recognized expenses from first-time application of SFAS 87	0	36
Retirements from company disposals	-962	-177
Additions from company acquisitions	0	0
Present value of benefit obligation at the end of the period under report	1,945	2,825

The following table provides information on the assumptions made in the calculation of benefit obligations.

Average measurement factors

	2004	2003
Discount rate	5.5%	5.5%
Rates of increase in compensation levels	2.5%	2.5%
Future pension indexation	1.5%	1.5%

The surrender value of reinsurance policies is carried under other assets. The value of the reported reinsurance policies is €892 thousand. There were no plan assets within the meaning of FAS 87.

9. Current deferred income tax liabilities

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

	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
Deferred taxes for:		
Inventories	148	3
Accrued liabilities	146	0
Other assets	325	676
Deferred tax liabilities	619	679
Deferred taxes for:		
Accrued liabilities	0	25
Capital leases	110	143
Deferred tax assets	110	168
Current deferred tax liabilities, net	509	511

10. Minority interests

The minority interests in the equity of the incorporated subsidiaries relate to NTA GmbH and rako electronic data technology gmbh.

11. Stockholders' equity

(a) Subscribed capital

euromicron AG's subscribed capital comprises 4,660,000 issued no-par value bearer shares. A resolution of the General Meeting on May 31, 2000 authorized the Executive Board to increase the capital stock by up to €5,957,000 on one or several occasions with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions (authorized capital) by May 30, 2005.

(b) Additional paid-in capital

As in the previous year, additional paid-in capital amounts to €61,781 thousand.

(c) Consolidated retained earnings

Consolidated retained earnings of €-13,234 thousand (previous year: €-22,977 thousand) are composed of the retained earnings brought forward by the consolidated companies, the effects of capital consolidation, former amortization of goodwill and hidden reserves and other consolidation measures.

(d) Currency translation difference

There were no currency translation differences any more after the sale of elkosta UK Ltd. effective January 1, 2004.

12. Sales

Sales are broken down by region as follows:

	2004 € thou.	2003 € thou.
Germany	97,364	104,322
Euro zone	7,065	10,399
Rest of World	6,403	19,822
	110,832	134,543

Sales are broken down by division as follows:

	2004 € thou.	2003 € thou.
Network and Fiber Optics Technology	72,609	51,553
Industrial Holdings	38,223	82,990
	110,832	134,543

Changes in the consolidated companies reduced sales on balance by €22.7 million.

13. Costs of goods sold and other expenses

The cost of materials is composed as follows:

	2004 € thou.	2003 € thou.
Cost of raw materials and supplies and goods purchased	41,671	53,170
Cost of purchased services	8,088	7,794
	49,759	60,964

The expense items in the income statement contain the following personnel costs:

	2004 € thou.	2003 € thou.
Wages and salaries	28,238	35,645
Social security	5,578	7,649
	33,816	43,294

Average number of employees per year:

	2004	2003
Hourly-paid employees	374	519
Salaried employees	334	420
Trainees	57	58
	765	997

Research and development expenses

In the year under review, the euromicron Group companies spent €2,097 thousand (previous year: €2,791 thousand) on research and development.

During the fiscal year, amortization of intangible assets and depreciation of property, plant and equipment and capital leases totaled €2,085 (previous year: €3,126 thousand). Accumulated depreciation of noncurrent assets totaled €29,774.

14. Other operating income and other operating expenses

(a) Other operating income is composed as follows:

	2004 € thou.	2003 € thou.
Deconsolidation income	1,528	7,152
Compensation payments	1,336	0
Income from derivatives	165	0
Income from retirement of noncurrent assets	15	39
Exchange rate gains	20	84
Income from property and rent	66	125
Reversal of accrued liabilities	47	443
Other	91	632
	3,268	8,475

The change in other operating income primarily results from the lower deconsolidation gains in the current fiscal year. The companies of the elkosta group were deconsolidated this year. In the previous year, they related to the disposal of Lechmotoren GmbH.

The compensation payment of €1,336 thousand was made by AdCapital AG and relates to expenses incurred from the trade tax consolidation due to the tax audit for the years 1997 to 2000.

(b) Other operating expenses are composed as follows:

	2004 € thou.	2003 € thou.
Obligation from tax audit	974	0
Exchange rate losses	54	291
Depreciation of hidden reserves	65	255
Other	21	21
	1,114	567

The change in other operating expenses primarily results from the expenses from the results of the tax audit for the years 1997 to 2000 as part of the disposal of investments.

15. Effects from carrying of financial instruments

The three fair value hedges that existed in the previous year were no longer carried on December 31, 2004 due to their short remaining term or expiry. This resulted in other operating income of €165 thousand minus deferred taxes of €66 thousand.

16. Net financing costs

	2004 € thou.	2003 € thou.
Other interest and similar income	688	724
Income from securities and loans	5	258
Interest and similar expenses	-1,429	-3,041
	-736	-2,059

17. Income taxes

	2004 € thou.	2003 € thou.
Current taxes		
Germany	3,442	1,848
Deferred taxes		
Germany	1,300	-529
	4,742	1,319

The following table presents a reconciliation of the tax expense expected in each fiscal year to the tax expense actually disclosed. The expected tax expense is calculated from a total tax rate of 37.87% and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 26.38% and the effective trade tax rate of 11.49%.

	2004 € thou.	2003 € thou.
Expected tax expense	3,409	5,116
Deconsolidation profit	-579	-2,708
Effect of consolidation measures	56	259
Effect of loss carryforwards	1,314	-257
Effect of other measurement differences	305	585
Tax arrears/refunds	952	-142
Effect from collection of investments and profit and loss transfer agreements	-851	-1,322
Other	136	-212
Actual tax expense	4,742	1,319
Effective tax rate	52.7%	9.8%

The "Other" item essentially results from the difference between the actual tax rates in the individual financial statements and the assumed average total tax rate in the Group.

18. Minority interests in net income for the period

Minority interests in the net income for the period of the consolidated subsidiaries relate to NTA GmbH and rako electronic data technology gmbh.

19. Earnings per share

The number of no-par value shares issued in 2004 remained constant at 4,660,000.

Earnings per share are calculated as follows:

	2004 € thou.	2003 € thou.
Consolidated net income for the period	4,008	12,073
Issued shares (in thousand)	4,660	4,660
Earnings per share in €	0.86	2.59
Dividend per share in €	0.60	0.50

20. Contingencies and commitments

(a) Contingent liabilities

euromicron AG has extended letters of subordination issued to SKM Spezialekabel München GmbH (€1,100 thousand) and euromicron systems GmbH (€2,500 thousand).

There is no longer any provision of collateral for third party liabilities (contract performance and warranty guarantees) as of December 31, 2004 (previous year: €703 thousand).

(b) Other financial obligations

The liabilities from rental and leasing agreements as of December 31, 2004, amount to €7,754 thousand (previous year: €7,541 thousand). There are also obligations from purchase obligations of €66 thousand.

The carried obligations from capital leasing are due as follows:

	< 1 year € thou.	1-5 years € thou.	> 5 years € thou.	Total € thou.
Future leasing liabilities	282	258	0	540

21. Segment reporting

euromicron AG's structure by divisions is as follows:

Network and Fiber Optics Technology:

This division covers the project-based and systems business, the development, installation and maintenance of data networks based on fiber optics, the production of optical components and tools, the assembly of fiber optic cables, and trading in network components and network material.

Industrial Holdings:

This division is responsible for the development, production, implementation and maintenance of components, generating sets, and energy management systems and customer-oriented design and manufacture of technical laboratory furniture and equipment.

Management measures the divisions' success on the basis of income before income taxes. This report contains income statements for the two divisions ending at the 'income before income taxes' item and provides an overview of assets, investments in property, plant and equipment, and depreciation and amortization. No significant cross-unit, internal Group sales were recorded.

Segment reporting of the euromicron Group

for the period January 1 to December 31, 2004 (US GAAP)

	Network and Fiber Optics Technology	Industrial Holdings	euromicron AG and eliminations	euromicron Group
2004	€ thou.	€ thou.	€ thou.	€ thou.
External sales	72,609	38,223	0	110,832
Income before income taxes	6,536	4,009	-1,544	9,001
Segment assets	44,547	16,844	46,461	107,852
Investments	733	589	9,860	11,182
Amortization/depreciation	1,301	743	41	2,085
2003				
External sales	51,553	82,990	0	134,543
Income before income taxes	5,381	5,226	2,902	13,509
Segment assets	35,267	30,648	58,148	124,063
Investments	672	1,185	35	1,892
Amortization/depreciation	1,375	1,714	38	3,127
2002				
External sales	59,033	88,192	0	147,225
Income before income taxes	5,643	7,244	996	13,883
Segment assets	41,807	66,316	22,619	130,742
Investments	924	1,514	16	2,454
Amortization/depreciation	1,357	2,156	398	3,911

Income statements of the division

Network and Fiber Optics Technology

for the period from January 1 to December 31, 2004

(US GAAP)

	2004 € thou.	2003 € thou.
Net sales	72,609	51,553
Cost of goods sold	-55,867	-37,228
Gross profit	16,742	14,325
Research and development expenses	-955	-883
Selling expenses	-5,147	-4,920
Administrative expenses	-3,842	-3,338
Other operating income and expenses	140	608
Income before non-operating expenses and income taxes	6,938	5,792
Other interest and similar income	47	245
Other interest and similar expenses	-449	-656
Income before income taxes	6,536	5,381

Income statements of the division

Industrial Holdings

for the period from January 1 to December 31, 2004

(US GAAP)

	2004 € thou.	2003 € thou.
Net sales	38,223	82,990
Cost of goods sold	-23,624	-58,091
Gross profit	14,599	24,899
Research and development expenses	-1,143	-1,909
Selling expenses	-7,074	-12,413
Administrative expenses	-2,421	-4,862
Other operating income and expenses	47	396
Income before non-operating expenses and income taxes	4,008	6,111
Other interest and similar income	22	71
Other interest and similar expenses	-21	-956
Income before income taxes	4,009	5,226

22. Related parties

There are business relations with the affiliates of AdCapital AG, which holds a 80.22% interest in euromicron AG as of the balance sheet date.

(a) euromicron Group cash pool management

The Group-wide cash pool management allows the companies of the euromicron Group to obtain a short-term source of finance at favorable conditions. The interest earned and paid is based on market conditions, taking into account availability and collateral, with the result that euromicron AG's participation in this system does not place it at a disadvantage. The standard interest earned amounted to 4.0% p.a. and the standard interest paid 6.0% p.a. as of December 31, 2004.

(b) Relations with Companies of the AdCapital AG Group

Apart from the compensation claim against AdCapital of €1,336 thousand, relations with companies of the AdCapital AG Group relate exclusively to goods and services supplied for manufacturing and service processes. Thus, sales revenues of €15 thousand were generated with affiliates in 2004 (previous year: €669 thousand) and goods were purchased to the value of €154 thousand (previous year: €141 thousand). As of December 31, 2004, receivables from business relations within the AdCapital AG Group amounted to €1,351 thousand (previous year: €167 thousand), mainly due from AdCapital AG. There were no liabilities within the Group.

The goods and services were calculated on an arm's length basis.

23. Significant events after the balance sheet date

There were no significant events that required reporting after the balance sheet date.

24. Supervisory Board and Executive Board

(a) Executive Board

Dr. Willibald Späth

Chairman

Board member responsible for Strategy, Acquisitions, Finance, Public Relations and Investor Relations

Dr. Edgar Bernardi

Board member responsible for Products, Market, Technology and Operations

(b) Supervisory Board

Dieter Jeschke

Chairman

Chairman of the Executive Board of AdCapital AG

Chairman of the Supervisory Board of

- AdCapital Beteiligungs AG
- Maschinenfabrik Berthold Hermle AG

Member of the Supervisory Board of Schaltbau Holding AG

Günther Leibinger

Deputy Chairman

(since June 24, 2004)

General Manager of Paul Leibinger GmbH & Co. KG

Deputy Chairman of the Supervisory Board of

- Maschinenfabrik Berthold Hermle AG
- AdCapital AG

Dipl.-Ing. Diether Schaudel

Deputy Chairman

(retired on June 24, 2004)

Director of Endress & Hauser AG

Member of the Supervisory Board of Burghof Lörrach GmbH

Dietmar Hermle

Spokesman for the Executive Board of Berthold Hermle AG

Dr. Hermann Martin

(retired on June 24, 2004)

Lawyer, certified public accountant, tax consultant

Member of the Supervisory Board of Gruner AG

Joachim Kletzin

(retired on June 24, 2004)

Trade union secretary

Member of the Supervisory Board of

- WCM AG (Deputy Chairman)
- Klöckner Werke AG (Deputy Chairman)
- KHS AG (Deputy Chairman)

Chairman of the Advisory Council of BIB GmbH

Hermann Fleischer

(retired on June 24, 2004)

Electrician

Chairman of the Works Council of

elkosta GmbH & Co. KG

Member of the Advisory Council of

- Windkraft Vienenburg GmbH & Co. Majesta KG
- Windkraft Vienenburg GmbH & Co. Aeolus KG

(c) Remuneration of the board members

In 2004, the Executive Board received a total remuneration of €805 thousand and the Supervisory Board of the Company €45 thousand.

List of companies included in the consolidated financial statements

Parent company

euromicron Aktiengesellschaft
communication & control technology
Frankfurt/Main, Germany

Included subsidiaries

a) Network and Fiber Optics Technology division

delcom daten- elektro- kommunikationstechnik GmbH
Essen, Germany

euromicron systems GmbH
– A euromicron Group company –
Burkhardtsdorf, Germany

EUROMICRON Werkzeuge GmbH
Mittenaar, Germany

LWL-Sachsenkabel GmbH
Special cables and networking technology
Gornsdorf, Germany

NTA GmbH
– A euromicron Group company –
Mainz, Germany

o-n-e optical network elements gmbh
Grünstadt, Germany

Pfeiffer GmbH
– A euromicron Group company –
Ettlingen, Germany

rako electronic data technology gmbh
Grünstadt, Germany

Spezialkabel München GmbH
Cable and connection technology
Computer networks
Garching-Hochbrück, Germany

b) Industrial Holdings division

ELABO GmbH
Crailsheim, Germany

FRAKO Kondensatoren- und Anlagenbau GmbH
Teningen, Germany

List of affiliated companies and holdings not included in the consolidated financial statements

Joulepower OY
Lahti, Finland

Jiangsu Euromicron Technology Co., Ltd., in liquidation
Shanghai, P.R. China

SEB System Elektronik GmbH Berlin, in liquidation
Braunschweig, Germany

Auditor's Report

To euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

We have audited the consolidated financial statements, consisting of the balance sheet, the income statement, the statement of changes in stockholders' equity, the statements of cash flows and the notes, prepared by euromicron Aktiengesellschaft communication & control technology for the fiscal year from January 1, 2004 to December 31, 2004. The preparation and contents of the consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on whether the consolidated financial statements comply with the United States Generally Accepted Accounting Principles (US GAAP) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations 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 we are able to assess with reasonable assurance whether the consolidated financial statements are free of significant misstatements. Evidence supporting the valuations and disclosures in the consolidated financial statements are examined 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. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give, in accordance with US GAAP, a true and fair view of the net assets, financial position and results of operations of the Group, and of its cash flows for the fiscal year.

Frankfurt/Main, March 11, 2005

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Simon-Heckroth
Wirtschaftsprüfer



Braun
Wirtschaftsprüfer

FIVE-YEAR OVERVIEW OF THE EUROMICRON GROUP

Five-year Overview of the euromicron Group

	2004 € m.	2003 € m.	2002 € m.	2001 € m.	2000 € m.
From the income statement					
Net sales	110.8	134.5	147.2	184.6	168.7
■ Germany	97.3	104.3	118.2	138.7	118.6
■ Euro zone	7.1	10.4	10.5	26.9	16.6
■ Rest of World	6.4	19.8	18.5	19.0	33.5
Cost of goods sold	-79.5	-95.6	-104.5	-127.5	-118.0
Gross profit	31.3	38.9	42.7	57.1	50.7
Research and development expenses	-2.1	-2.8	-2.9	-3.6	-3.5
Selling expenses	-12.2	-17.2	-17.9	-21.3	-20.2
Administrative expenses	-9.5	-11.2	-11.5	-13.4	-12.9
Other operating income and expenses	2.2	7.9	6.7	-2.8	-6.6
EBIT	9.7	15.6	17.1	16.0	7.5
EBT	9.0	13.5	13.9	12.7	-5.5
Consolidated net income/loss for the period	4.0	12.1	11.7	5.7	-5.1
Cash flow	4.6	8.6	8.1	11.8	14.8

	2004 € m.	2003 € m.	2002 € m.	2001 € m.	2000 € m.
From the balance sheet					
Current assets	58.5	79.8	81.5	82.2	78.3
Noncurrent assets	49.4	44.3	49.2	60.8	59.0
Current liabilities	30.4	40.6	42.1	58.6	54.7
Long-term debt	12.6	20.7	37.4	41.5	45.5
Minority interests	0.4	0.3	0.3	1.4	1.4
Stockholders' equity	64.5	62.5	50.9	41.5	35.7
Total assets	107.9	124.1	130.7	143.0	137.3
Equity ratio (%)	59.8%	50.4%	39.0%	29.0%	26.0%

	2004 € m.	2003 € m.	2002 € m.	2001 € m.	2000 € m.
Miscellaneous					
Investments in intangible assets and in property, plant and equipment	7.7	1.9	2.4	6.5	5.6
Employees (annual average)	765	997	1,179	1,349	1,336

SINGLE-ENTITY FINANCIAL STATEMENTS (HGB)

Balance sheet as of December 31, 2004

euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

ASSETS	Dec. 31, 2004 € thou.	Dec. 31, 2003 € thou.
A. Assets		
I. Intangible assets		
Concessions, industrial and similar rights	43	10
II. Tangible assets		
Other equipment, operating and office equipment	125	103
III. Financial assets		
1. Shares in affiliated companies	68,983	61,831
2. Loans to affiliated companies	5,000	5,000
	74,151	66,944
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	18,568	22,248
2. Other assets	2,752	4,232
II. Securities		
	3,975	1,000
III. Cash-in-hand, bank balances		
	3,884	25,310
	29,179	52,790
C. Prepayments and accrued income		
	33	32
	103,363	119,766

EQUITY AND LIABILITIES	Dec. 31, 2004	Dec. 31, 2003
	€ thou.	€ thou.
A. Equity		
I. Subscribed capital	11,914	11,914
II. Capital reserves	62,847	62,847
III. Revenue reserves	6,704	4,239
IV. Retained profits	2,846	4,795
	84,311	83,795
B. Provisions		
1. Provisions for pensions and similar obligations	133	103
2. Provisions for taxes	863	865
3. Other provisions	1,359	1,104
	2,355	2,072
C. Liabilities		
1. Liabilities to banks	223	11,600
2. Trade payables	112	72
3. Liabilities to affiliated companies	646	462
4. Other liabilities	15,716	21,765
	16,697	33,899
	103,363	119,766

Income Statement for the period January 1 to December 31, 2004

euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

	2004 € thou.	2003 € thou.
1. Income from investments	2,119	1,727
2. Income from profit and loss transfer agreements	3,227	5,011
3. Other operating income	3,111	3,730
4. Personnel expenses		
a) Salaries	-1,117	-1,369
b) Social security and other pension costs	-87	-87
– thereof pension costs €31 thousand (previous year: €31 thousand) –		
5. Amortization of intangible assets and depreciation of tangible assets	-41	-38
6. Other operating expenses	-2,459	-1,857
7. Income from long-term loans	150	259
– thereof from affiliated companies €150 thousand (previous year: €259 thousand) –		
8. Other interest and similar income	968	1,103
– thereof from affiliated companies €191 thousand (previous year: €431 thousand) –		
9. Amortization of financial assets	-684	-749
10. Interest and similar expenses	-1,451	-2,124
– thereof to affiliated companies €108 thousand (previous year: €248 thousand) –		
11. Result from ordinary activities	3,736	5,606
12. Income taxes	-889	-197
13. Other taxes	-1	0
14. Net profit for the year	2,846	5,409
15. Accumulated profit	0	2,091
16. Allocation to other revenue reserves	0	-2,705
17. Net retained profits	2,846	4,795

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 12, 2004 disclose net retained profits of €2,846,384.24.

It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €0.60 for 4,660,000 shares	€2,796,000.00
Carryforward to a new account	€ 50,384.24

The annual financial statements of euromicron Aktiengesellschaft communication & control technology as of December 31, 2004 were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and granted an unqualified audit opinion. The annual financial statements have been filed with the Frankfurt/Main Local Court.



GLOSSARY

Glossary

ADSL (Asynchronous Digital Subscriber Line)

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

Assembling fiber optic cables

Fiber optic cables are connected to one another by various methods using connectors and couplings so that the light signal is transported with practically none of the signal being lost. This creates network components that are suitable for assembly, have the right length and the right connectors and that are supplied directly to the construction site or as a spare part for storage along with the associated measurement protocol.

Attenuation

Factor by which the quality of a signal deteriorates between the beginning of a cable and the end of a cable.

Backbone

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

Bandwidth

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

BOS wireless communication (public authorities and organizations that perform security tasks)

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

Carriers

Operators of communications networks that install, provide and maintain a network infrastructure for transporting va-

rious information, such as telephony, fax, e-mails, Internet data, TV programs, etc. Service providers lease these network capacities and provide their content to end customers with it. Before global deregulation in the telecommunications sector, network operation and service provision were the responsibility of a single body and were the tasks of the national telecommunications companies. Today, these are also private wireless, metropolitan and cable network operators or providers, as well as radio and television companies.

Category 5, 6, 7, etc.

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

Cladding

Optically transparent fiber optic material that protects the glass core from mechanical damage.

Color

General name for the tiny section of the entire electromagnetic spectrum (from approximately 400 nm to 780 nm) visible to the naked human eye, commonly termed light. Light colors can be filtered, meaning that information can be transferred in different colors (wavelengths), thus multiplying the capacity of a fiber optic cable.

Connector

Mechanically detachable element for connecting two fiber optic cables, or connecting a fiber optic cable to a transmitter/receiver element.

Core

The central, actual transmission medium of an optical fiber. The core diameter of a mono-mode fiber optic cable is only 9 μm . The entire optical fiber, including its coating, has a diameter of 245 μm , which is about the thickness of a human hair.

Ethernet

A medium-independent standard (IEEE 802.3) in packet transmission. It denotes a protocol for coordinating simultaneous access to a transmission medium by different users. The term Ethernet denotes both the type of cabling and transmission methods or frameworks. Ethernet can be

operated at 10, 100, 1,000 and, more recently, 10,000 megabits a second.

Fiber optic cable (optical waveguide)

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

Fiber-to-the-Desk (FTTD)

Terminal device cabling in fiber optic 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.

Fiber-to-the-Home (FTTH)

External cabling in fiber optic technology in which, instead of copper lines, fiber optic connections are established between the optical wide area network and the building cabling.

Fiber-to-the-Office (FTTO)

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

Firewall

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

GSM (Global System for Mobile Communication)

Initially a Europe-wide and now a globally established standard for a digital wireless system (termed D network in Germany in emulation of the analog C network) which works in the frequency range of 900 MHz (Germany: T-Mobile (D1), Vodafone (D2)) and 1800 MHz (Germany: e plus, O2). Also termed 2nd generation (2G). Apart from telephony, fax

applications and data transfer are also possible, albeit at low speed (9,600 Kbits/sec.).

IT (information technology)

A general term for the entire field of electronic data processing. This includes the sector of hardware and software for small computers (servers, PCs, notebooks, palmtops, etc.), large computers (mainframes, storage components, server farms, etc.) and relevant network components (servers, routers, etc.).

LAN (Local Area Network)

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

LASER (Light Amplification by Stimulated Emission Radiation)

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

Last mile

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

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.

Mode

The individual colors or wavelengths of a white light beam are called light modes. They can be sent great distances

through fiber optic cable. Some fiber optic cable has a very small diameter large enough for only a single wave of light. Such fiber optic cables are called mono-mode or single-mode fibers, in contrast to multi-mode fibers.

Multi-mode fiber

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

Multiplexer

Multiplexers concentrate several data streams or channels on one connection line. The data streams are distributed statically, i.e. in accordance with the firmly set connection, unlike with switches or routers, where the data streams are distributed dynamically. Electrical or optical multiplexing technologies are available.

Optical components

Components in a fiber optic data network, with the terms applying analogously to copper or wireless networks. A distinction is made between active and passive components. Connectors and coupling cables transfer the signal without direct or active influence, i.e. they merely attenuate the signal, but do not amplify or distribute it. Active components, such as routers or switches, amplify or distribute the signal and require a dedicated power supply and additional control signals for this.

Optical fiber

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

Optical free space transmission

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

Optical multiplexer

An active optical component of a fiber optic network that simultaneously distributes the different wavelengths of a beam of light according to a prescribed setting.

Optical switches

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

Patch cable

A pluggable, flexible connecting cable between network distributors or transmission systems and between sockets and end systems. Patch cables can be produced using fiber optics or copper. They are used for flexibly bridging 2 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).

Pigtail

A connecting cable that is preassembled at one end, is ready to connect up and can be attached to the other end of a single glass fiber of a multiple cable by means of a splice in order to avoid the need to mount fiber optic connectors on site.

ProfiLIGHT family

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

ProfiLINK family

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

Providers

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

Quantum

Light consists of a large number of light quanta that transport information. The total reflection of the light quanta in

fiber optic cables is used to transport information over hundreds of kilometers.

Quartz glass (silica)

Silicon dioxide in non-crystalline form. The basic material for the core of fiber optic cable.

Router

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

SAN (Storage Area Network)

A communications network, typically within data centers and computer centers, that connects storage media, large computer systems and server farms with each other. It is often termed Fiber Channel, since it involves high-capacity, rapid “data channels” based on fiber optic connections.

Security networks

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

SFF (small form factor)

This denotes the design of optical components, specifically fiber optic connectors. A general designation for a low size.

Single-mode fibers

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

Splice

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

Splicing

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

Switch

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

TC (telecommunications)

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

UMTS (Universal Mobile Telecommunications Systems)

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

URM®

Short name for an innovative fiber optic cable connector produced by EUROMICRON Werkzeuge GmbH: **YOU ARE Modular**. Duplex fiber optic cable connectors built as modules; max. up to 8 fibers; small form factor (SFF) design connector.

Video over IP

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

Voice over IP

Integrated transfer of voice and data in digital form via the Internet Protocol (IP). VoIP technology packages voice in small data packets that, like normal data, are then transferred over data networks by means of the Internet Protocol, dispensing with the need for a second cabling for pure telephony.

VPN (virtual private network)

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

WAN (Wide Area Network)

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

WLAN (wireless LAN)

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

10GE (10 Gigabit Ethernet)

A high-speed data transfer protocol based on the Ethernet standard. 10GE (IEEE 802.3ae), the 10 gigabit/s Ethernet variant, has been standardized since 2002 and is the first Ethernet standard exclusively for fiber optic transmission.

euromicron Aktiengesellschaft

Kennedyallee 97a

60596 Frankfurt/Main

Phone: +49 69 63 15 83-0

Fax: +49 69 63 15 83-17

Internet: www.euromicron.de