



Annual Report
2008

Integration

Solutions by Experts

Key figures and financial data for the Group

KEY FIGURES:

	2008 Mio. EUR	2007 Mio. EUR
Consolidated sales	164.6	136.5
Sales by division		
euromicron North	80.0	61.5
euromicron South	90.6	79.1
Segment-related consolidation	-6.0	-4.1
Sales by region		
Germany	134.0	115.4
Euro zone	24.0	17.3
Rest of World	6.6	3.8
EBIT (operating)*	19.4	16.3
EBIT (consolidated)	16.0	12.0
EBIT by division		
euromicron North	14.6	9.2
euromicron South	4.8	7.1
euromicron AG and consolidation	-3.4	-4.3
EBITDA	18.8	15.2
Consolidated net profit	8.1	7.0
Cash flow	12.0	9.0
Number of shares in circulation (thousands)	4,503	4,578
Undiluted earnings per share (in EUR)	1.78	1.53
Total assets	172.1	148.0
Equity ratio	42.9%	47.6%
Employees (number as an average for the year)	979	929

* Before non-recurring expenses and holding costs

The Group's operating units

They operate under central coordination and are networked, yet flexible and independent of each other

euromicron components

euromicron develops and produces high-quality components for optical transmission technology with the smallest of tolerances. They are used in data, communications, laser, measurement and automation technology. We also produce tools for the cable and wire industry and assembled data network components and copper and fiber optic cables. At our own manufacturing facilities, we produce top-quality components in series as well as tailored to our customer's individual wishes. With our development work, we drive the market and set a new innovative flair. The result is creative freedom for new solutions.



euromicron solutions

Security, communications and data technology have become highly complex subject areas. Only an end-to-end view of all the technologies and trades involved yields future-proof results. In project and system business, we offer our customers a one-stop shop for tailored, cross-system solutions. In this, we strike an ideal balance between what is technically feasible and economically acceptable. Our Mobile Solutions, Data Center Solutions and Voice Solutions Competence Centers pool specialist know-how and enable all of euromicron's customers to leverage it. In this way, we are advancing on the path toward convergent networks and services.



euromicron distribution

Long-term relationships based on a spirit of partnership are the foundation for successful procurement and distribution. euromicron contributes in-depth knowledge of the international market for active and passive network products. Our procurement management delivers the basis for qualified, vendor-independent consulting in all matters related to networks. We have grouped all sourcing activities at SKM Delwave in Munich and Hamburg. By pooling this expertise, we ensure that our customers and own companies benefit from the very best technology and optimum terms and conditions in convergent network systems.



euromicron international services

This unit assumes strategic and cross-business control tasks for the Group, in addition to operational tasks that are not part of the immediate core business, such as real estate and buildings, financing and specific investments.



Company profile

Development and production of components and product categories

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

Planning and integration of systems and solutions

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

Consulting, distribution and services

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

Multifunctional network solutions

Dividend

Consolidated sales

EBIT

EBITDA

Employees

2008

EUR 0.80

+21%

+33%

+24%

+5%

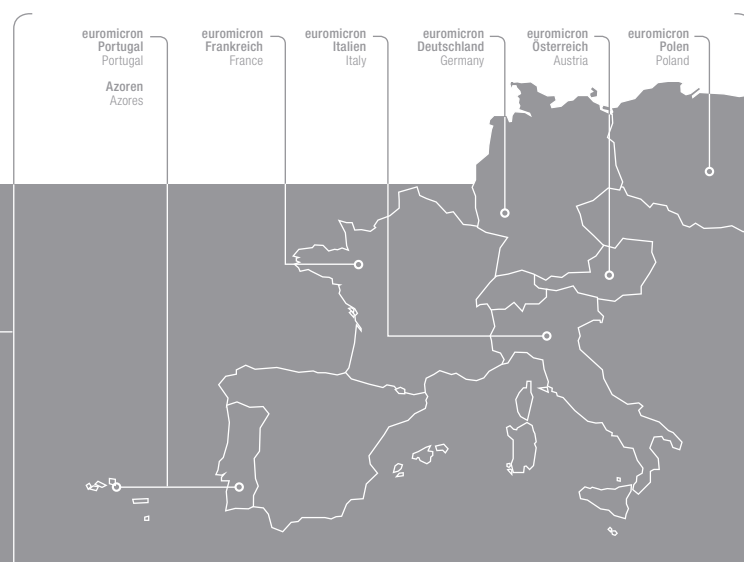
Under the roof of the euromicron Group, we integrate people, companies and technologies

We systematically leverage and unite our wide range of expertise to create solutions. We develop efficient communications networks on the basis of our know-how and innovativeness. As a result, we give our customers a secure foundation for successful work and operations in their various markets.

euromicron AG gives its customers access to the future market of network and fiber optic technology. In the field of voice and data transport and the market of security technology, we provide our customers everywhere with the very best communication and data transmission solution. Thanks to our broadly spread network of branch offices, we have a comprehensive footprint in Germany and have now strengthened our position abroad.

International growth in
network solutions
over five years

150%



euromicron 2008
A Europe-wide presence

Solutions for Europe

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Growth through Integration

Our whole Group profits from the individual strengths of its individual companies.

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Integration by pooling expertise

At our Competence Centers, we unite know-how from all subject areas across technologies.



Innovation through integration

Smaller, quicker, better – we tackle these requirements demanded of modern network technologies with the innovativeness of a high-tech Group.

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Interaction of people, competence
and technology is our objective and
the basis for our success.

Dr. Willibald Späth, Chairman of the Executive Board, and
Dr. Edgar Bernardi, Member of the Executive Board



Dear Shareholders,

Dear Readers,

2008 was an extremely good year. The fiscal year for the euromicron Group was guided by the leitmotif of “integration”. Our objective was to make strategic acquisitions with the aim of bringing together all competences along the technological value chain of our market under the roof of euromicron. That also means we must offer all the main components in the field of network infrastructure – from production to planning and implementation – and occupy interesting niche markets. As planned, we made crucial progress in 2008 in putting our strategy into action. We had set ourselves ambitious objectives and have achieved almost all of them.

Although the issue of the financial and economic crisis dominated the headlines in the last months of the past fiscal year, we have not felt any effects of it in our market. A good operational performance and successful acquisitions confirmed our expectations. Especially in the fourth quarter, we posted very positive results for sales and new orders.

There are various reasons for this: first, our sales markets have only been impacted to a small extent by the economic weakness up to now. State-of-the-art, reliable communications and information systems are proving to be important for people and enterprises, particularly in times of crisis. Copper cables are no longer able to cope with the volumes of data required in modern communication. They are being replaced by fiber-optic technology – and we are specialists in that. The large investors in network business are putting their money into expanding broadband

networks. The associated infrastructure, among other things for DSL and V-DSL, was driven especially by Telekom in 2008. Competitors had to and must follow suit. And the government is also helping to expand the infrastructure through its economic stimulus packages. Data centers and surveillance and security solutions also require fast and secure data lines. Investments in network infrastructure are accorded high priority in this market segment. euromicron was able to capture an above-average slice of this overall pleasing market situation. 16% organic growth in 2008, that is an excellent result – also measured by the average growth for the market of 2 to 5%. Our strategy is reaping fruit: as a competent niche provider, we gear our portfolio to value-adding services and customized solutions. We are perceived as a vendor of end-to-end solutions for infrastructure matters who offers a high level of quality and security.

Sales at the euromicron Group rose in 2008 by 21% year-on-year to around EUR 165 million (2007: EUR 136 million). Income before interest and taxes was EUR 16 million, an increase of 33% over the EUR 12.0 million in 2007. The EBIT margin rose from 8.8% to 9.7%.

Despite all these fine results: our shareholders can look on a difficult year on the stock market. A solid security such as euromicron's share was also not able to buck a nervous trading climate worldwide, with in some cases landslide plunges. The share's recovery in the spring was brief. The great uncertainty on the stock markets in the final quarter sent all shares and indexes plunging. Our share's current price by no means reflects our Group's situation or its prospects. The recommendations from research reports are still "buy".

The share buyback program adopted by the General Meeting in June 2006 was also continued in 2008. Over the year, we acquired own shares to a value of EUR 1.3 million. At December 31, euromicron AG held 157,234 of its own shares, or 3.37% of the capital stock.

euromicron's good results in fiscal 2008 confirm the course we have taken for eight years now as part of our buy and build strategy. The buy phase was virtually completed in the past fiscal year with further selective acquisitions. In March 2008, euromicron strengthened its distribution activities in the field of passive network components by acquiring agu Datentechnik. In June 2008, euromicron AG bought 80% of the shares in NetWays Netzwerk Consulting GmbH, Ettlingen. Thanks to this expert in active network technology, we have plugged a gap in our company's offering in Southern Germany. In July 2008, euromicron solutions GmbH purchased the network division of NEEF IT Solutions AG, Karlsruhe. This company gives our Group access to further interesting large customers. Finally, we strengthened our internationalization efforts by acquiring Qubix S.p.A., Italy, in December 2008. As a result, we have succeeded in taking a big step into non-German-speaking European countries, especially since Qubix and its network solutions are already established in the market of Eastern Europe.

The development of Cteam in Austria, which we acquired in 2007, proved to be more difficult. The company's business shrank as a result of aggressive consolidation of the Austrian mobile communications market. We are dealing with this issue constantly and intensively and will gear our investments in Cteam to reflect the new situation and on the basis of euromicron's overall business in order to overcome the hard times.

As planned, fiscal 2008 marks the transition from the buy phase to a continuous build phase. That means: the acquired companies are now part of our ongoing corporate development. We are focusing more strongly on consolidation and targeting merging of our existing energies. We are operating here at three levels: at the acquired companies, we are pressing ahead with day-to-day business in a spirit of commitment – we are supporting and developing their operational

business. At the same time, we are laying a sound bedrock, such as a good capital structure, that will enable our growth to take root and develop. Third, we are tapping the strengths of the individual companies with skills that complement each other and leveraging them to the benefit of our company. "Share individual strengths" is the challenging message for all executives and employees.

What does that mean in deed? We have continued the structural realignment we commenced back in 2006. Several companies were integrated in the Northern grouping, euromicron systems GmbH, or the Southern grouping, euromicron solutions GmbH. We are this pooling the expertise of the various companies into two large system houses that offer our entire portfolio of products and services on the market. In order to expand our powerful component production and assembly activities, rako electronic data technology GmbH was merged with LWL Sachsenkabel GmbH.

The people at our Group must also come together. That is especially true in a group that constantly adds new employees as a result of selective acquisitions. We set store by carefully drawing people more closely together as a result of continuity in cooperation and expanding their expertise through comprehensive training and further development. In this spirit, in 2008 we implemented programs for junior executives, training in project management and additional sales training. Such measures ensure that the entire Group is experienced by our employees as an environment where they can develop personally and all of them act with a common euromicron vision and mission vis-à-vis customers.

We offer every single company, its employees and management the strength of the entire euromicron Group to leverage opportunities for growth and proactive action in their markets. That is a challenge for every one of us – and for us together it is a great opportunity. We will rigorously continue pursuing the approach we have taken – consolidation and integration, personnel development and encouragement – in the new fiscal year. Our company is well prepared to meet the tasks ahead of it.

The fact that we achieved our main sales and earnings targets in 2008 underscores the great desire to achieve on the part of management, the General Managers and all employees. We express our warmest thanks for this. In particular, we thank all shareholders and lenders, as well as all business partners and friends, for their trust in and loyalty toward the company.



Dr. Willibald Späth
Chairman of the Executive Board



Dr. Edgar Bernardi
Member of the Executive Board

Our Business Environment

Further growth expected

Communication brings together people and enterprises all around the world – and euromicron provides the infrastructure for this.



Sending large quantities of data around the world at speed has long since been a part of daily life for all of us. ITC has now become a factor of production like water and electricity. A video conference with Shanghai is today just as natural as Internet access using a mobile phone or paying by credit card at any hotel in the world. ITC systems have developed into the central nervous system of the economy – there is hardly any activity that cannot be performed without professional information technologies. That is especially why security of the systems is a prime focus. And particularly why the issue of energy-efficient IT solutions are now of such great importance.



DR. HOCINE BEZZAOUI
MANAGING DIRECTOR
AT COMPONENTS



SILVIA DUUS
MANAGING DIRECTOR
AT COMPONENTS



EM-RJ
IM IP67 HOUSING



In the interaction between what is required and what is possible, high-quality products and components, as well as know-how and innovativeness, play a key role. What is demanded are vendors that anticipate the short innovation cycles in this dynamic market and deliver technologies that have a viable future in every respect.

Specifically Germany – and, despite our stronger international commitment, it is still our main market – experienced and is experiencing a broadband boom. At the end of 2008, around 23 million households, or 58%, had high-speed access to the Internet via DSL. The cable network operators have also upgraded their networks in many regions to enable broadband Internet access. Falling prices, coupled with higher bandwidths, ensure a growing number of users. Copper technology represents a basic connection and wireless connectivity ensures mobility; however, both are not able to cope with the data volumes required for state-of-the-art ITC systems. That is why the major network operators are making large investments in fiber-optic technologies – our specialist area.

The industry association BITKOM registered an increase in sales of 1.2% in the IT and telecommunications sector compared with 2007, with the main contribution to this coming from IT software, IT services and telecommunications infrastructure. Although the slowdown since September 2009 has also left its mark on this market, BITKOM still expects rising IT sales in a contracting economy. In order to counter the crisis, the public sector is making greater investments in infrastructure measures. This also includes network infrastructure, which is now being expanded strongly and modernized with government aid. Our Group can benefit very directly from these measures. In January 2009, we recorded the highest level of new orders in our Group's history.



GREEN IT

Energy-saving communications technology uses less power and generates less heat, with the result that data centers and server rooms do not overheat.

HIGHLY EFFICIENT DATA CENTERS

The volume of data in all enterprises is growing. euromicron develops end-to-end concepts for high-speed, highly available and secure data center architectures.

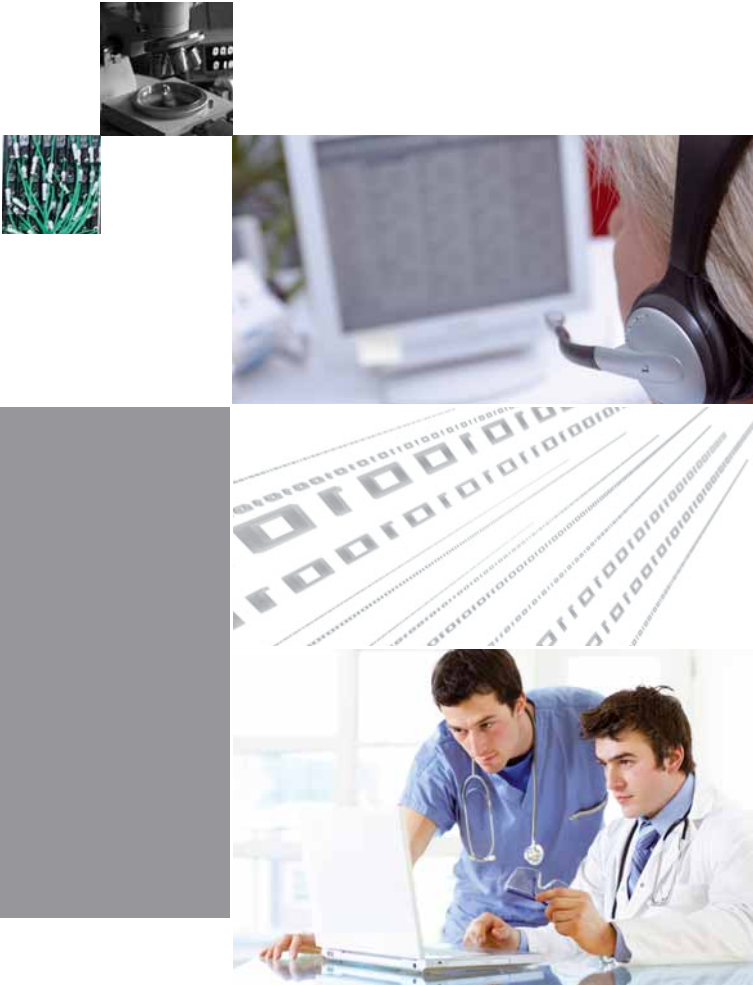


As the volume of data rises sharply, companies are demanding highly efficient data centers where storage capacities and computing power can be outsourced. The quantity and nature of the data stored there means that greater requirements are placed on the security facilities. euromicron can profit from this trend. As a full-line supplier of equipment for data centers, we also offer security technology in every configuration.

In view of the rapid rise in energy costs up to mid-2008, energy efficiency – alongside environmental aspects – also plays a considerable role in more economical data center operation. The issue of Green IT is now highly topical in relation to data centers. Under this term, energy-saving systems at large data centers provide additional protection against overheating and so ensure availability. That energy prices have been falling again since September 2008 cannot blind us to the fact that energy-efficient concepts must be leveraged in the long term. The euromicron Group has been very prompt to build know-how in this field and can now offer its customers cost-effective Green IT solutions.

Mobile communications has proven to be the most difficult segment of the ITC sector at present. The sharp drop in prices on the customer side is creating enormous pressure on prices and very recently had a massive impact on our business in the Austrian market. We have already addressed this intensively by now offering euromicron's broad overall portfolio to our customers in Austria: "euromicron Austria", not just a mobile communications expert, but a vendor of all-round solutions.





PATIENT EMERGENCY CALL

More and more elderly people are connected to emergency systems by means of modern data transmission. euromicron provides components and services for this.

An interesting future market for us is healthcare, which has to be equipped with high-end security technology and high-speed data lines due to the growing complexity of applications. Large hospitals today offer their patients state-of-the-art methods of diagnosis and treatment, they store large quantities of sensitive data and exchange bulky diagnosis and image data via information technologies. The many private patients expect them to be ideally equipped, especially when it comes to medical facilities. This includes the digital mobile doctor's round, control systems or the patient emergency call system. In the past year, euromicron implemented projects in this segment that demonstrate very well how healthcare can be supported and improved by the combination of security, speed and availability. We are recording significant growth in the healthcare sector and also geared our sales work to expanding this business in 2008.

In its reports, BITKOM repeatedly indicated that the continuing lack of skilled workers was one of the great impediments in our sector. As an innovative technology group, we also depend on highly qualified and well-trained junior staff. In order to secure know-how carriers in our subject areas, we collaborate with universities and gain a lead in knowledge through cooperation linkups, for example with the Fraunhofer Institute or the Research Institute in Karlsruhe. One thing has long become clear: education does not come for nothing. Apart from the many places for trainees and further training programs at our Group, we therefore also invest in educational establishments, for example by equipping them with ITC solutions.

euromicron is a competent niche provider that offers end-to-end solutions in the field of network infrastructure and communications technologies, even in large-volume projects. We counter the price war conducted by some vendors by solutions that have a high value for our customers. Our particular competence is where the areas of data, voice, video and security technology converge.



Growth through Integration

The key foundation for our excellent sales growth is the fine cooperation within the euromicron Group. In this, the objective of all our company acquisitions is to systematically boost our existing strengths. That is a long-term concept that reaps rewards, because we put people at the center of our integration measures.

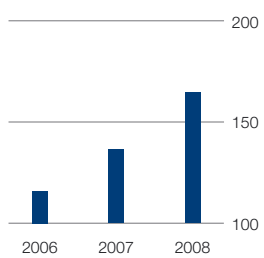
+21% sales growth in 2008





**SALES
GROWTH**

IN EUR MILLION



With its continuous sales growth in network business, euromicron AG has been on the road to success for ten years.

euromicron solutions GmbH

Our joint strength benefits our customers

The merger of the Southern grouping was an important step in integration of the euromicron Group.

CHRISTOPH PFEIFFER
THOMAS HOFFMANN
HANS A. BECKER



In fiscal 2008, the euromicron Group successfully concluded integration of the companies in the Southern grouping under a common roof. We laid the foundation for this on October 1, 2007 – the date that marks the official starting signal, when the companies in our Southern grouping were merged legally into one company: euromicron solutions GmbH. The objective: to jointly leverage their individual strengths so as to be also able to offer our customers large-volume, diversified service packages competently with a complete range and from a single source.

At our first strategy meeting in January 2008, we were able to formulate the three most important stages for the new fiscal year: the branch offices expand their respective portfolio and intensify selling of our new acquired competences. Both the overall company and the individual branch offices restructure themselves in a new organization. A new control and management process was introduced. As part of this reorganization, we act at three levels: we support operational business, we entrench the pillars on which growth can unfold, and we leverage the opportunities and potentials that our Group can tap from this.



COMPANY PROFILE OF EUROMICRON SOLUTIONS

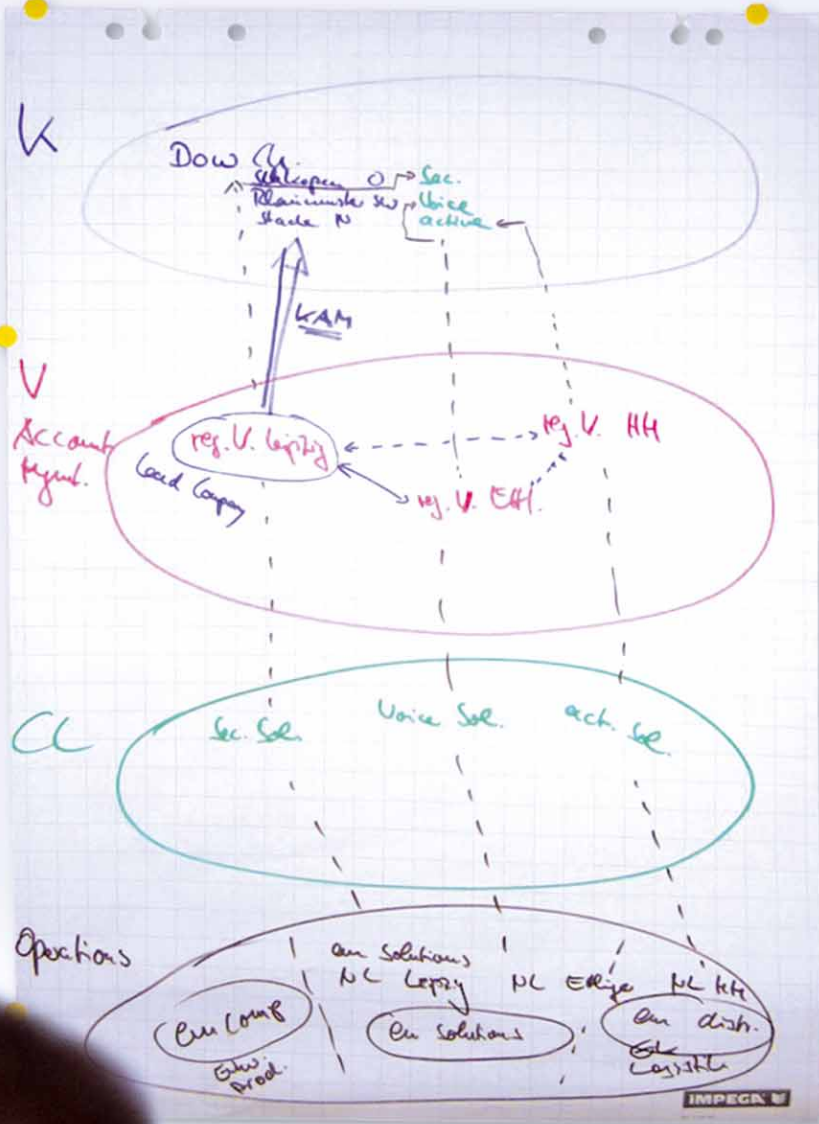
euromicron solutions offers its customers tailor-made solutions from a single source in the fields of networks and communications and security applications. As part of this, it leverages the focused know-how at our Mobile Solutions, Data Center Solutions and Voice Solutions Competence Centers. euromicron solutions thus boasts an end-to-end portfolio in a lucrative niche market. euromicron solutions is headquartered in Mainz. Further branch offices are located in Frankfurt/Langen, Karlsruhe, Stuttgart, Mannheim and Munich.



The extensive integration measures embraced NTA Mainz and Mannheim, Krumm Telekom Langen, Pfeiffer Ettlingen, Stuttgart and Munich, o-n-e Grünstadt, Telefonbau Schneider Munich and Gustav Hartmann GmbH Munich. We also integrated NEEF IT Solutions AG, Karlsruhe, in the course of 2008: i.e. seven small to medium-sized enterprises that – each in itself – already had a history of success and now tackle new challenges with new customers in a powerful amalgamation as euromicron solutions GmbH. The particular challenge: apart from reorganizing their structures and processes, each of the branch offices still had to handle its day-to-day business. Because – in accordance with the principle of everyone responsible – we do not wish to lose a single customer on our way to achieving our new strength. On the very contrary: the transformation creates new value for our customers, allowing us to offer them even more benefit and strengthen our partnership.

From standardized calling cards to harmonized creation of offers, from reorganization of the information structure to redefinition of the corporate culture – such a change is a far-reaching learning process in which people are at the center. After all, the increase in size also means an advance into a new dimension for every single one of us. And a feel has to be developed for this, particularly at management levels. How is success defined in this context? How do we leverage synergy effects optimally? How do we organize efficient processes? A review of fiscal 2008 enables us to draw an initial positive summary: we are successful in most cases in exploiting the individual companies' recipes for success to the benefit of the joint euromicron solutions GmbH. At the same time, we set structures that are adapted to the new scale. As a result, we offer the branch offices the chance to leverage the Group's power vigorously on the ground.

2. Strategischer Dialog e



Niederlassung
2009 / 10

Wie kann sie aussehen?
Wer muß was tun?

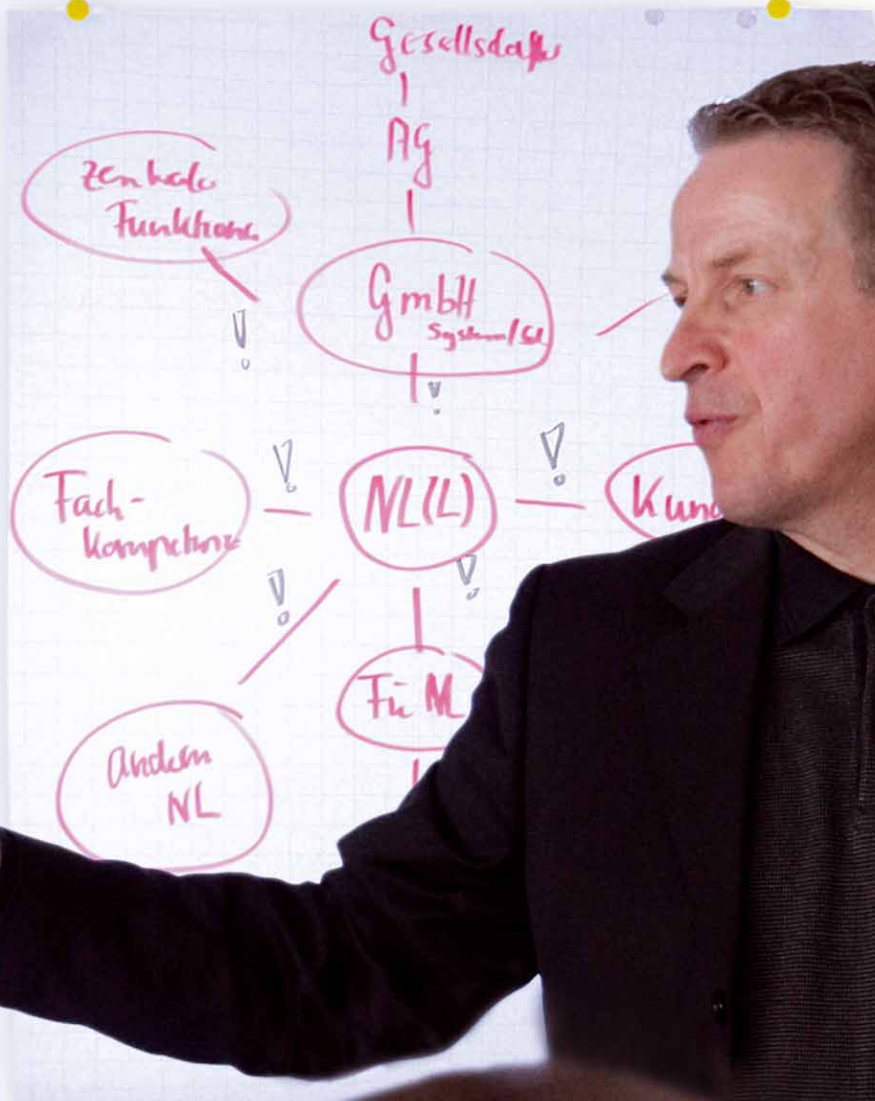
Pooling expertise through integration

We create value added in our Group by pooling expertise. At our Competence Centers, we group overarching know-how from the business segments and company units and make it available to all

target groups, internally and externally. The result is end-to-end solutions that mean benefit and success for our customers.

9.7% EBIT margin in 2008

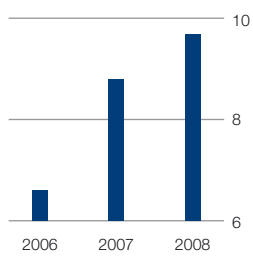
euromicron AG



euromicron
Dr. Edgar Bernward

GROWTH

IN %



Growth at the euromicron Group is geared toward value. That is proven by the figures of the last five years.



FRANK BRAUN
CC SECURITY SOLUTIONS



JÜRGEN KRUMM
CC VOICE SOLUTIONS

CHRISTOPH PFEIFFER
CC MOBILE SOLUTIONS



KARL-JOSEF HACKMANN
CC DATA CENTER SOLUTIONS



THOMAS STRETZ
CC US BUSINESS



The people behind our Competence Centers



DR. PETRA HESSELBARTH
CC DATA CENTER SOLUTIONS

Data Center Solutions Competence Center

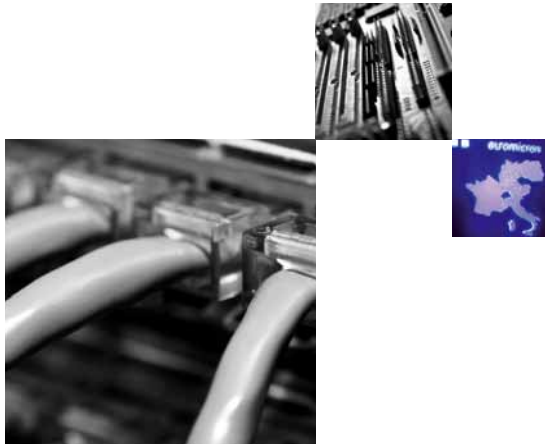
Through integration we pool expertise to offer
a one-stop shop for solutions

As part of its buy and build strategy, the euromicron Group has merged different companies with different customers and competences under its roof. The objective is for every single company to be able to comprehensively offer its customers the complete portfolio of our whole Group. We do not provide the different skills and expertise for this at every location. Instead, we specifically leverage the offerings and know-how at the other companies. Such a structure is complex and demands supportive coordination, an active approach and professional knowledge management. Consequently, we have established overarching Competence Centers for key focal areas.

The Data Center Solutions Competence Center brings together specialist services in the field of data center equipment. As one of the few genuine general contractors on the market, euromicron is able to put together extensive service packages here. From data cabling, control station technology to video surveillance and security technology, we provide our customers with all the products and services required for reliable operation of a data center.



MODEL DATA CENTER IN
FRANKFURT/MAIN



**INAUGURATION
OF THE MODEL DATA CENTER IN
FRANKFURT/MAIN**



Competence ensures quality – quality guarantees reliability

In 2008, we were able to test the success of our Group-wide cooperation in a large project for an insurance company from Lower Saxony. euromicron systems GmbH assumed the lead role and acted as the point of contact for the customers, while euromicron solutions GmbH supplied and implemented the urm® cabling, which was in turn produced by euromicron components. The data network products for the copper cabling were supplied by our trading company and a further part of the components was procured from partner companies. The positive experience from this project in every respect demonstrates: cooperation of our customers with just a single point of contact avoids friction at the interfaces. Execution of the whole order from a single source ensures harmonized coordination processes. As general contractor, we can also secure key parts of the order for our Group.

In a project involving multiple trades, we combined all specialist fields in one order in the past year – from planning and project management to completion of a server protection room. We pooled the know-how of several partner companies with our own expertise to achieve the best solution for our customer at the end of the day. This added value is perceived and acknowledged – we can beat off the competition with our offers and generate a high level of customer satisfaction in handling orders.



DATA CENTER TO TOUCH AND FEEL

With its involvement in Germany's first model data center, in Frankfurt/Main, the euromicron Data Center Solutions Competence Center took an effective step in training and informing customers in 2008. In this model data center, we can demonstrate the structure and possibilities of a data center and stage events and training courses for employees and customers. The otherwise rather abstract field of data centers is transformed into something that can be imagined and experienced – from access control to their equipment with system furniture.



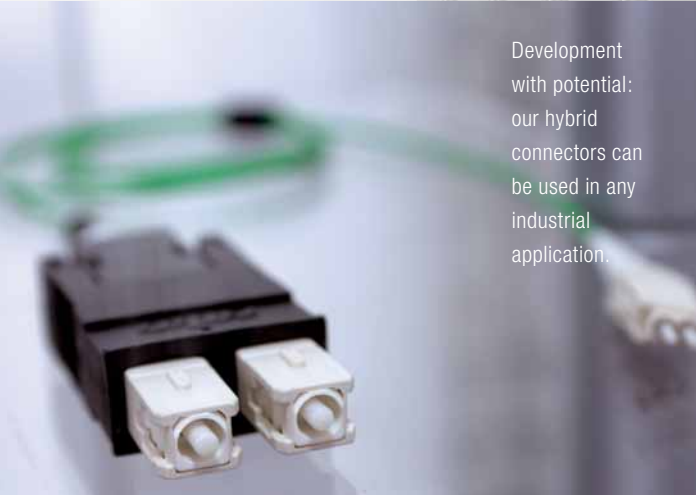
euromicron's branch offices increasingly use the Competence Centers for support in their projects and rely on assistance flanked by the Group's know-how. As part of this, we initiate a process: with every accomplished project, we transfer knowledge to the branch offices. We build experience and know-how there, enabling the individual locations to push our overall portfolio aggressively.



Innovation through integration

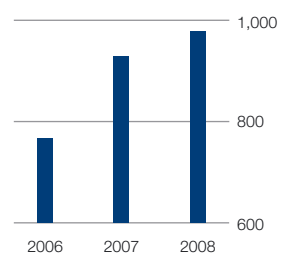
We operate in a sector where innovation cycles are growing shorter and shorter. We achieve our innovative strength by pooling and managing know-how. That is why we develop and encourage our employees. The ideas, commitment and teamwork ensure that we will continue to consolidate and expand our market position with outstanding developments.

5% more employees than in the previous year



Development with potential: our hybrid connectors can be used in any industrial application.

EMPLOYEE GROWTH



euromicron's workforce has grown from 765 in 2004 to 979 today.

Electricity Without a Power Supply Unit

The hybrid connector system from euromicron

DR. JÜRGEN NEHLER
MANAGING DIRECTOR AT COMPONENTS



Smaller and handy – that is how state-of-the-art electronic terminal devices look. However, their power supply still looks bulky. Hulky power supply units for petite phones, for example, block power sockets and make it difficult to place furniture. The reason: the terminal devices need electricity and that necessitated a separate supply line – with a weighty plug and device technology at the end. Up to now, that is – because in fiscal 2008 the euromicron Group was able to launch series production of the em-net[®], a complete hybrid connector and cable system that transports the data via optical fiber and the electricity required via the copper line and so does away with the need for bulky power supply units for many applications in future.

em-net[®] is based on the EM-RJ Hybrid connector. This has two connections made of optical fiber or plastic (polymer optical fiber) for high-speed data transfer and eight copper contacts that comply with the RJ-45 standard. The appropriate cable has two fiber-optic or plastic lines in its interior. The copper cables lie around these lines.

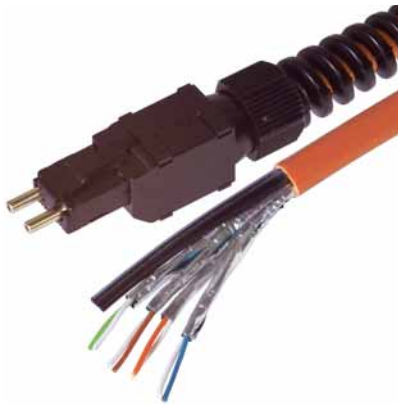
Now, hybrid connectors in themselves are not an innovation – for a number of years there have been plug-in and cable connections that conduct digital data via optical fiber as well as electricity. What is special about the EM-RJ Hybrid: it is a very small, yet extremely stable connector that has the form of a common RJ-45 PC plug. Despite its handy size, it complies with all common standards. The requirements of these standards are even far surpassed as regards many technical parameters. The EM-RJ Hybrid can be used in offices and even in places where protection class IP 68 is required. It can be accommodated just about anywhere and enables standard housings to be used.

**EM-RJ HYBRID JACK**

- KEYSTONE JACK COMPLIANT WITH RJ-45 WITH 2 X 8 INTERIOR SPRING CONTACTS FOR ELECTRICAL CURRENT AND/OR DATA TRANSFER IN ACCORDANCE WITH IEEE 802.3AF
- TWO-FOLD KEYSTONE COUPLING, FITS IN STANDARD BOXES

**EM-RJ HYBRID CONNECTOR**

- DUPLEX CONNECTOR WITH 2.5 MM FERRULE DIAMETER
- FACE IN COMPLIANCE WITH THE RJ45 STANDARD
- SUITABLE FOR ALL OPTICAL FIBERS (POF, MM, SM, APC)
- ASSEMBLY COMPARABLE WITH SC ASSEMBLY
- 8 IEEE 802.3AF-COMPLIANT ELECTRICAL CONTACTS

**SUMMARY OF THE EM-RJ**

- Duplex connector with a common face (RJ 45)
- Low-cost thanks to:
 - Very simple assembly (like SC);
 - Can be assembled in the field
- Technical parameters like SC
- High mechanical stability
- Hybrid connector
- POE with optical fiber possible
- High packing density (SFF) at the price of an SC connector

In particular, its versatility is a considerable competitive advantage: the possible uses of the new hybrid connector system are virtually unlimited. It proves its worth in industrial plants, as well as in office networks, security technology or for terminal devices in the household. In the field of video surveillance, for example, the small hybrid connector opens up new possibilities, since cameras need electricity and can now also be used at locations that are not suited for large power supply units and power cabling.

euromicron Werkzeuge GmbH put two years into developing the hybrid connector system – a time in which we invested manpower and tooling costs and were able to build the know-how and processes that are the foundation for a successful market launch. This again demonstrates the importance that our own research & development and production have at our Group. They deliver important stimuli and boast employees who develop many of the skills and expertise that set us apart in our markets and underpin its recognition as a quality-oriented Group.

The em-net® system family is far superior to all current rival products thanks to its combination of miniaturization, standard format, high data rates and connection security. This innovative development harbors considerable potential for our Group in future.

Outlook for 2009

The future has begun for euromicron



Dr. Willibald Späth, Chairman of the Executive Board:

“We have brought together many competent people and successful companies under the roof of euromicron in the past years. This strength is also a great challenge for all of us in leveraging the individual recipes for success to spur our joint activities.”

Integration is a process that must be accomplished gradually and so organically to be a success. We will actively drive it in the current fiscal year and consolidate structures and processes. With a new management and a new management concept, as well as pinpointed personnel development measures, we are exploiting existing potentials and learning with other corporate cultures how to shape the future together.

Our starting situation for 2009 is highly promising: our order books are full, our competences are bundled and the people in our Group underpin our successful course with their commitment. In terms of strategy, technology and personnel – where it was in our power, we laid the groundwork for growth in 2008. Our customers are responding to this achievement with trust: in January 2009, we recorded the highest level of new orders in our company’s history.

In its 25th Industry Barometer, the BITKOM association surveyed the technological trends for the ITC sector in 2009. According to this, broadband, convergence and Green IT – three of our Group’s core competences – will spur our market. We expect growing demand here and a dynamic development, from which we can profit.

FIBER OPTIC-BASED VIDEO SURVEILLANCE

Highly available, interference-free and tap-proof video transport via optical waveguides ensures an extremely wide range (up to 70 km) and integration in the Internet.



Dr. Edgar Bernardi, Member of the Executive Board:

“We are a specialized vendor of communications and network technology for voice, video, data and security. The future is where these areas overlap – in the convergence of applications.”



GREEN IT

Green ITC is a sector with enormous potential. According to a study on combating climate change, emissions of pollutants can be reduced worldwide by 15% and the global industry can cut costs by around EUR 500 billion a year up to 2020.



DATA STORAGE

Volume, performance, security, availability: storing data also means having them available again quickly and where possible protecting it against loss, unauthorized access and manipulation.



OPTICAL FIBERS

Interference-free, tap-proof, rapid and able to handle large quantities of data: there is only one transmission medium that meets these requirements: optical fibers!

Despite all the cause for optimism: it is not possible at present to forecast seriously how the economic crisis will actually impact the overall economy and so ultimately our market, too. However, dear shareholders, we can give you the certainty that we aim to continue tapping the biggest possible slice of all existing market potentials for the euromicron Group. Once again in 2008, we – the Executive Board and Supervisory Board – wish to let you share in the improvement in earnings and so are proposing an attractive dividend to the General Meeting. Our dividend policy remains result-oriented, with the consequence that increasing earnings not only mean further financial freedom to develop your company, but also attractive dividend payouts. We will be delighted if you as shareholders were to accompany euromicron AG on this path.

euromicron's Shares

The stock market



Performance
of euromicron's
share (XETRA)

in EUR



Stock markets performed negatively in fiscal 2008 in view of the global financial market crisis and related beginnings of the economic crisis. After plunging initially at the start of 2008, prices recovered somewhat in the second quarter of 2008, yet the dramatically worsening situation on the financial markets since the fall led to a rapid and sharp plunge on all stock markets worldwide.

Growing fears of recession, a great loss of confidence among investors and high volatility on the stock markets are dampening the mood on the international stock markets significantly. The DAX closed 2008 at 4,810 points, a fall of 40% in the year. Experts do not see an end to this.

The S-Dax and Tec-Dax suffered even sharper losses. The S-Dax closed 2008 at 2,801 points following 5,192 in the previous year, a slide of 46%. The Tec-Dax dropped a little more. It ended 2008 at 508 points compared with 974 at the same date in the previous year – a slump of around 48%.

The course of these three stock indexes was almost parallel and identical in the past year, which means that investors have moved out of all shares, regardless of size and industry.

"euromicron's share was unfortunately not able to evade the impact of the general market environment, despite the company's good business figures in 2008."

HENRIETTE DOMHARDT
HEAD OF CUSTOMER RELATIONS,
CLOSE BROTHERS



Share profile (key data)

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

euromicron's shares

The performance of euromicron's shares was essentially in line with the course of the major indexes. Despite positive opinions from analysts, a good operating performance by the Group and successful continuation of the buy and build strategy and earnings-oriented growth, euromicron's share could not evade the impact of the overriding sentiment and developments such as the financial market crisis or emerging fears of recession. After falling in the first quarter of 2008 to a price of EUR 12.55, the share was able to recover most of the lost ground in the second quarter to stand at EUR 17.36. However, it was not able to withstand the slump on all international stock markets as of the summer of 2008. Large numbers of investors moved out of shares – not just the small & mid caps, which are traditionally the first items to be sold, but also all DAX securities. After bottoming at EUR 8.21 on December 12, 2008, the share was able to recover somewhat by the end of fiscal year and closed it at EUR 10.45.

The market capitalization of euromicron AG at the end of the year was around EUR 48.7 million.

The positive volume of trading of past years was not able to be continued in 2008. The financial market crisis induced many institutional and private investors to withdraw their liquidity from the stock markets. In particular, the volume of trading in small & mid caps fell sharply. Around 1.5 million euromicron's shares were traded in 2008.

The stock buyback program commenced in 2006 was also continued in 2008. Up to August 14, 2008, euromicron AG acquired a further 75,649 of its own shares and at December 31, 2008, held 157,234.

**Performance of
euromicron's share
(XETRA)
in EUR**



The shares on the market

	2008	2007
Number of shares issued at the balance sheet date	4,660,000	4,660,000
– of which own shares	157,234	81,585
Capital stock (EUR)	11,914,000	11,914,000
Highest price (XETRA) (EUR)	18.65	22.50
Lowest price (XETRA) (EUR)	8.21	16.31
Closing price at the end of the year (XETRA) (EUR)	10.45	19.00
Market capitalization at the end of the year (in EUR million)	48.7	88.5
Undiluted earnings per share (EUR)	1.78	1.53
Volume of shares traded	1,527,439	4,194,540



A successful year
A good General Meeting



Dividend

The Executive Board and Supervisory Board of euromicron AG will probably propose to the General Meeting on June 18, 2009, to distribute a dividend for fiscal 2008 of EUR 0.80 a share due to the company's good business performance. That is 68.5% of euromicron AG's net profit. If the dividend per share is put in relation to the price of euromicron's share at the end of fiscal 2008 (EUR 10.45), this gives a dividend yield of around 7,7%; measured against the current price of EUR 8.45, the yield is 9.5%.

The Executive Board and Supervisory Board are thus adhering to their shareholder-friendly dividend policy, giving shareholders a share of the company's continuing good business performance, yet suitably taking into account the company's capital needs to ensure its further growth and development and the stability of shareholders' equity.

Investor Relations

In dialog with investors

The goal and understanding of our investor relations work is and will remain to provide our shareholders, institutional and other investors, journalists and banks with comprehensive, prompt and transparent information on the euromicron Group's strategy, which is geared toward a sustained increase in its value, in a spirit of equal treatment and also in compliance with the Corporate Governance Code. Continuous and transparent dialog with analysts and institutional and private investors is accorded high importance at the euromicron Group. As part of a persuasive presence in the capital market, we aim to illustrate the Group's strategy and potential and achieve a fair and realistic valuation of the euromicron share.

Once again in 2008, we maintained our dialog with the capital market on the customary scale, despite the financial market crisis and related withdrawal of many investors from the stock markets. As in past years, the Executive Board and Investor Relations team informed investors and financial analysts regularly and in detail of the euromicron Group's current business performance, strategic orientation and objectives.

A focus of our IR work remains on winning long-term, value-oriented investors. At the Analysts' Conference in Frankfurt/Main in March 2008, the past fiscal year 2007 and our sales and earnings expectations for 2008 were explained to the financial analysts and business press in detail.

The representatives of euromicron AG fielded questions from analysts and investors at nine investor conferences and roadshows in the past fiscal year. In addition, there were a large number of one-to-one meetings, telephone conferences and presentations to discuss the current business situation, significant developments at the company and investment highlights.

Operational management from individual associated companies was also integrated in communication with the capital market. As a result, investors were given the opportunity to obtain a direct insight into the operations of individual companies and first-hand information from operational management on products, markets and future prospects.

The constantly updated Internet presence of euromicron AG gives shareholders and potential investors a fine means of acquiring information about the company. All financial reports, analysts' assessments and presentations can be obtained promptly at **www.euromicron.de**. The homepage also offers a wide range of ways to get to know the euromicron Group in detail.

Many private investors used the General Meeting on June 12, 2008, to obtain comprehensive information on the company's business development from the Executive Board and Supervisory Board of euromicron AG. The shareholders who attended demonstrated their confidence in the boards and management of euromicron AG by voting by more than 99% in favor of the items on the agenda.

Despite the difficult environment on the capital markets, our investor relations activities will be continued at their same high level in fiscal 2009, as well. The objective is – through intensive communication – not only to support existing shareholders to their satisfaction, but also to win new investors in Germany and abroad. Consequently, a large number of one-to-one meetings have already been conducted, we have taken part in an investor conference, and an Analysts' Conference for presenting the 2008 financial statements has been scheduled for March 30, 2009.

As in past years, the euromicron Group uses CeBIT in Hanover to give analysts and investors an insight into what the company does in practice, as well as to present and explain the latest products and solutions.

Coverage: continued high interest among analysts

The recommendations of financial analysts are used by institutional and private investors alike as an important basis for taking decisions. At present, five firms regularly report on current developments at the euromicron Group in studies and commentaries and issue recommendations. A new addition to them in 2008 was the prestigious investment house Close Brothers Seydler Research AG, Frankfurt/Main, which euromicron has commissioned with designated sponsoring.

The analysts' judgments remain positive and are unanimously "buy". However, they adjusted their price expectations accordingly due to the disappointing performance of stock markets in the course of the year.

Employees

Develop evolved structures, learn a new dimension



BERND EHRENTRAUT
HUMAN RESOURCES

Our employees are our most important potential. That is why we challenge and encourage junior staff at all levels.

Personnel development proved to be a core issue for the euromicron Group in the past fiscal year. The changes as a result of restructuring entail a lot of new aspects for employees in their day-to-day processes and requirements profile. The objective was therefore to tune all the activities precisely to the needs of our company. The buy and build strategy, which was essentially completed in the past fiscal year, has ensured that many people from different smaller units have been able to come together and cooperate fruitfully under the roof of euromicron.

That is a challenge in every single case: the actions that were previously tailored to modest circumstances had to be compensated for by selective development programs and qualification measures. Even though the changes initially demand flexibility and a willingness to learn from all employees: in particular, the dimensions and strength of our Group harbor interesting perspectives for every individual's personal career development.

One of the central personnel development measures was our second junior executive program, which we began in 2008. A total of 25 employees in two groups took part in the first of a total of four modules of this training in the fall. Thanks to competent development of junior staff, long-term planning of future executives and rapid internal filling of posts are achieved. In addition, the seminars promote stronger networking and mutual understanding at the management level.

We have cooperated with our Managing Directors to jointly define the contents for a seminar on the fundamentals of project management, which has now been attended by around 80 project management employees. We are currently planning further qualification measures in this field at a wide range of company levels in order to develop the expertise and responsible independence of our employees.

The euromicron Group hired more than 100 new employees in the past fiscal year. They strengthen our company in all subject areas and at all levels. This positive trend reflects our stable market position. In 2008, a total of 979 people were employed at the euromicron Group, 5% more than the year before. Trainees learn technical and clerical vocations at our company. euromicron solutions GmbH in Mainz won an accolade last year from the German Labor Agency for its above-average range of training.



THE EUROMICRON TEAM

Every single person has interesting development opportunities under the roof of the euromicron Group.



We strengthened our sales and distribution team in fiscal 2008 by a total of ten employees, including four key account managers. We hope to achieve organic growth from this as a result of enhanced customer loyalty and an aggressive market presence.



We endeavor to fill vacancies from our own ranks as often as possible and so have advertised them internally since the past fiscal year. As a growing company in a dynamic market, we offer very interesting vocational prospects. As a result, we increase the loyalty of qualified employees to our company and retain know-how and innovativeness.

At all levels of the company, fiscal year 2008 was shaped by the very extensive restructuring, company mergers and integration of new companies. An additional challenge last year was international expansion, which makes certain demands on knowledge of foreign languages and shows a cultural diversity at the euromicron Group. We accompanied this process of change with intensive communication: through dialog and information, we encourage the people at the euromicron Group to play their part in our joint future. Our employee magazine "euromicron/inside" is becoming established as an important communication instrument that goes down well among employees. In numerous intensive discussions, we have repeatedly explained our objectives and felt enthusiasm for our visions. We would like to thank all employees for this, their commitment and their loyalty to our company.

Report of the Supervisory Board

Dear shareholders,



DR. FRANZ-STEPHAN VON GRONAU
CHAIRMAN OF THE SUPERVISORY BOARD

The Supervisory Board dealt regularly and in detail with the situation and development of the euromicron Group in fiscal 2008. In compliance with the law, the Articles of Association and the Corporate Governance Code, we supported the Executive Board in managing the company and advised it in all related matters.

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

The Executive Board regularly, promptly and comprehensively informed the Supervisory Board at its meetings, in writing and orally, about the company's situation, development of its business and financial situation, the Group's situation, including risks and risk management, investment and acquisition projects and basic questions of corporate policy and strategy and compliance. It informed the Supervisory Board about the most important key financial indicators on the basis of monthly reports and submitted matters requiring approval in good time so that a resolution on them could be adopted. The Supervisory Board approved these after examining extensive documents, queries to the Executive Board and intensive discussions with the members of the Executive Board. It was also informed comprehensively of special business transactions and budget variances between the meetings and, where necessary, asked to adopt resolutions by circularization so that expedient measures could be initiated. In addition, the Chairman of the Executive Board informed the Chairman of the Supervisory Board about all important developments and impending decisions in regular one-on-one meetings and phone calls.

Subjects of the Supervisory Board meetings in 2008

The Supervisory Board held five meetings in fiscal 2008 – on March 26, June 11, September 25, November 21 and December 10 – at which it examined in detail the company's economic situation and strategic development. All members took part in the meetings. In addition, resolutions were adopted by circularization in writing in relation to urgent business transactions.

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

- Acquisition plans
- The current shareholder structure and possible changes
- Organizational development and strategy 2010 – 2015
- Public relations work, expansion of the euromicron Group's perception
- Development of Cteam Consulting & Anlagenbau GmbH, in particular from the aspects of the risk situation, financing and realignment
- Risk management
- Questions of corporate planning and business policy
- Questions of Group integration
- The Group's financing situation

In addition, the Supervisory Board kept itself informed in regular meetings and talks with the Executive Board of euromicron's AG ongoing growth strategy. Points of emphasis in this context were external growth through company acquisitions, organic growth and the costs required for this, as well as the development of liquidity and the key financial indicators.

The Supervisory Board satisfied itself that the Executive Board has conducted business correctly and has taken all necessary measures in good time.

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

Corporate governance

The latest version of the German Corporate Governance Code, the amendments to it published on August 8, 2008, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on November 21, 2008.

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the German Corporate Governance Code and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law. Both bodies have thus fulfilled the obligation to ensure transparent and responsible management and control of the company. The declaration on conformance is contained in the Annual Report 2008 and is available at all times on the company's Internet site.

SUPERVISORY BOARD



Examination of the 2008 financial statements

The annual financial statements of euromicron AG and the Management Report as of December 31, 2008, as well as the IFRS consolidated financial statements including the group management report as of December 31, 2008, along with the bookkeeping and the risk identification system, were audited by BDO Deutsche Warentreuhand 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 March 26, 2009. The Supervisory Board examined the financial statements and the management report, as well as the consolidated financial statements and group management report of euromicron AG and the auditor's reports and concurs with the auditor's findings following detailed discussion with the Executive Board. At the balance sheet meeting of the Supervisory Board on March 26, 2009, the auditors reported extensively 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 March 26, 2009. The financial statements of euromicron AG are thus adopted. The Supervisory Board examined the Executive Board's proposal to pay a dividend of EUR 0.80 a share (i.e. a total of EUR 3,602,212.80) and to carry the remaining net income of EUR 5,114,123.44 forward to a new account, and endorses this proposal of the Executive Board.

Composition of the Supervisory Board

There were no changes in the members on the company's boards in the fiscal year.

Thanks

The Supervisory Board wishes to express its thanks to the Executive Board, management, the General Managers and all employees of the euromicron Group for their personal commitment and achievement in fiscal 2008. All of them contributed to euromicron's positive positioning with their great dedication.

Frankfurt/Main, March 26, 2009

The Supervisory Board

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

Corporate Governance

Report by the Executive Board and Supervisory Board of euromicron AG for 2008

The Executive Board and Supervisory Board of euromicron AG expressly approve the recommendations in the German Corporate Governance Code for transparent management and monitoring of companies.

Cooperation of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board of euromicron AG work together for the benefit of the company. The Supervisory Board is involved in all significant business transactions as a control and advisory instance. The Executive Board requires the Supervisory Board's consent to fundamental decisions. The Supervisory Board has also defined the duties of the Executive Board to provide information and report to it, as well as the responsibilities of the Executive Board's members, in rules of internal procedure.

Declaration on conformity (Section 161 AktG (German Stock Corporation Law))

euromicron AG is firmly convinced that it has been practicing a series of principles and recommendations in the code for a long time and has fully satisfied the statutory demands and expectations of its shareholders with its understanding of corporate governance.

The Company will also acknowledge the German Corporate Governance Code in the version dated June 6, 2008, as binding on it in future and comply with it with the exception of a small number of deviations. These deviations are mainly due to the Company's size and business model.

The Executive Board and Supervisory Board of euromicron AG hereby declare in accordance with Section 161 AktG that that the company has complied in principle with the recommendations of the government commission on the "German Corporate Governance Code" in the version dated June 6, 2008, since the declaration of conformity from December 2006 and will comply with them in future. The following recommendations were not and will not be applied:

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 Sections 4.2.4 and 4.2.5 of the code:

“The total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components ...
... Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable way.”

Reason:

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

Re Section 5.3 of the code:

“Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise. ...”

Reason:

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

Re Section 5.4.7 of the code:

“The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components.”

Reason:

In accordance with Section 13 of the Articles of Association, the members of the Supervisory Board receive compensation that consists of a fixed and a variable component. In addition, the overall compensation is published in the Annual Report, with the result that no further disclosure is envisaged. Company acquisitions entailed consulting services, mainly for six due diligence processes, that were provided by an auditing firm in which a member of the Supervisory Board has an interest. A total fee of EUR 157 thousand was paid for this.

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.

Stock option program

The General Meeting on June 23, 2006, adopted a resolution to authorize the Executive Board of euromicron AG, with the consent of the Supervisory Board, to issue up to 466,000 stock options with a subscription right to shares in euromicron AG as part of the 2006 stock option program by December 31, 2009. The stock options are intended solely for subscription by members of the Executive Board of euromicron AG, members of the management bodies of subordinate affiliated companies of euromicron AG and selected executive employees of euromicron AG (including assistants to the Executive Board members).

No stock options were issued in fiscal year 2008.

Securities transactions requiring disclosure

Director's dealing transactions in accordance with Section 15a WpHG (German Securities Trading Law) in fiscal 2008:

Acquisition of 1,000 shares in euromicron AG by Dr. Willibald Späth, Chairman of the Executive Board, on September 19, 2008, at a price of EUR 13.49.

Acquisition of 3,000 shares in euromicron AG by Dr. Willibald Späth, Chairman of the Executive Board, on October 6, 2008, at a price of EUR 13.13.

The members of the Executive Board and Supervisory Board do not hold more than 1% of the shares issued by euromicron AG directly or indirectly.

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

Frankfurt, December 2008

For the Supervisory Board:



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

For the Executive Board:



Dr. Willibald Späth
Chairman of the Executive Board

Board Members of the Company

Executive Board

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, Technologies and
Operations

Supervisory Board

Dr. Franz-Stephan von Gronau

Chairman of the Supervisory Board of
euromicron AG

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

Josef Martin Ortolf

Deputy Chairman of the Supervisory Board of
euromicron AG

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

Dr. Andreas de Forestier

Member of the Supervisory Board
of euromicron AG

Managing Director of DBE Deutsche Bauent-
wicklung GmbH / DBE Liegenschaften GmbH /
DBE Immobilienverwaltung GmbH / RBF
Immobilien GmbH / GVG Grundstücksverwal-
tungs- und Beteiligungs-GmbH / DBG Immobilien
Management GmbH

Unlimited partner of DG Immobilien Anlage-
gesellschaft No. 49, Stuttgart, Industriestraße
and Berlin Kronenstraße 5 and 6 / No. 24
Hanover, Hamburger Allee / Nr. 31 Berlin,
Holzmarktstr. 15–18

Chairman of the Board of the Noris Stiftung,
a civil-law foundation, Nuremberg

Group Management Report

For the fiscal year
from January 1 to December 31, 2008

- Sales increase 21% to EUR 164.6 million.
- Above-proportionate rise in consolidated EBIT by 33% to EUR 16.0 million
- Earnings per share (undiluted) are EUR 1.78 (previous year: EUR 1.53).

1. Business and general conditions

Profile

The euromicron Group is a leading solution provider of communications systems and security networks and boasts production expertise in the field of fiber optics technology. Its range of services covers the planning, implementation and maintenance of communications and security networks and the development, production and distribution of network components based on copper, optical fiber and wireless technology. The product portfolio includes smaller active network components, connectors and connection technology 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.

Structure and organization

A local presence and customer orientation are key components of euromicron's business model. In the period under review, the euromicron Group consisted of the parent company euromicron AG and a further 14 companies, which are included in the consolidated financial statements. The focus of its regional lineup is the German market; in addition, internationalization was driven since 2007 with company acquisitions in Austria and Italy. The Group is represented with branch offices in France and Poland and also supplies large parts of Europe from Germany.

Its management is headed by two Executive Board members. Operational business is run by the subsidiaries, whose General Managers report directly to the Executive Board.

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

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

Internal control system

Management of the euromicron Group has set itself the objective of securing and expanding the Group sustainably as part of a value-oriented growth strategy. After completion of the buy and build phase at the end of 2008 and a subsequent period of consolidation, the Group will strive to achieve its strategic growth target of EUR 500 million in sales by 2013/2014. This goal is proactively supported by the internal control system.

All the euromicron Group's activities are controlled and monitored as part of this target system. Among other things, management uses monthly reporting to constantly analyze and control the Group companies, the business segments and the Group. As part of this, the financial statements prepared by all Group companies and the important key figures are consolidated and analyzed. Moreover, there are quarterly calculations on expectations at the end of the fiscal year, which are likewise analyzed and consolidated.

Budget variances are examined to determine their impact on the financial targets and measures to fulfill the budget are initiated. Risk reporting complements quarterly reporting and the annual forecast by contributing information on potential decreases and increases in assets. Proposals on measures to ensure that targets are achieved are constantly analyzed in terms of their efficiency and discussed.

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

KEY FIGURES AND CONTROL FACTORS

	2008 EUR m.	2007 EUR m.
Sales revenue	164.6	136.5
Earnings before interest and taxes (EBIT)	16.0	12.0
EBIT margin	9.7%	8.8%
Working capital	39.7	31.7
Order books	70.6	69.4

2. General economic conditions

Development of the market and sector

Fiscal year 2008 was shaped by two very different halves. The financial crisis that started in the USA exhibited its first effects in the early months of 2008, although these were initially restricted to the capital and financial markets. A clear sign were the first price falls on the stock markets worldwide; however, the real economy did not show any indications of being impacted by this. The global economic growth of the past years continued unchecked in the first months of 2008. The German economy, which is traditionally very export-dependent, was able to profit from this without suffering any damage. The slow pickup in domestic economic activity after years of weakness strengthened economic growth in Germany. Both industry and the public sector, whose economic situation had eased significantly at the beginning of the fiscal year after years of consolidation, displayed a high willingness to invest in new network infrastructures to meet permanently increasing demands for ever-larger data volumes, faster and faster transfer speeds, greater security and new technologies.

The second half of 2008, in particular the fourth quarter, brought a radical change in general economic conditions. The financial crisis worsened dramatically. Stock prices plunged to an extent and at a speed not seen since the Great Depression. Dozens of banks had to be sold off, supported by the government and taken over or went insolvent. Entire states teetered on the edge of bankruptcy as a result of the financial crisis. The real economy was then also hit by this crisis in the fourth quarter. The major Western economies slipped into recession at unprecedented speed and severity. The emerging nations of Southern Asia, long seen as a stabilizing element in the global economy, also suffered sharp declines in growth and likewise slipped into recession.

This rapid change in general conditions meant that many German companies faced great challenges. On the one hand, their financing had to be secured. This was and still is no easy task given the growing crisis of trust between banks that massively disrupted the supply of credit to the economy. Basically, large parts of the capital and money markets have not existed since October. On the other hand, a number of sectors were confronted with a slump in demand that was unprecedented in speed and scale. This particularly hit export-oriented sectors, first of all the automotive industry, then mechanical engineering and electro-technology. First waves of layoffs followed at the end of 2008, which will doubtless have an effect on domestic demand.

In this arena, and despite the worsening general conditions, the euromicron Group was able to continue its pleasing performance of the past years. Demand for solution-oriented, intelligent network infrastructures remained high. The rationalization and cost flexibilization measures initiated and repeatedly adjusted in the past periods meant that the Group's business development was still positive. The Group's financing is secure in the medium and long term, despite the financial crisis.

In the past fiscal year, our Company very ably overcame the strong competition in system business that has prevailed constantly for years. The niche markets in which our production companies operate were uninfluenced by the general economic setting and allow us to look back on a successful year. The euromicron Group is well positioned to tackle the strong competition and any tough economic environment in the next fiscal year, too. The decision to gear the Group's portfolio of products and services more to qualitative aspects and not solely price has proven correct.

Course of fiscal year 2008 for the euromicron Group

The buy and build strategy was completed in its existing orientation at the end of 2008. With its last company acquisitions in fiscal 2008, euromicron has achieved its objective of obtaining a comprehensive presence in Germany, mastering all technologies in its core business and, through the acquisition of foreign companies, implementing internationalization in its key European countries. We have taken a large stride toward the goal of the last years, namely to become a clearly structured technology group with its first international orientation.

Under the purchase and assignment agreement dated March 25, 2008, euromicron AG, Frankfurt/Main, acquired all the shares in AGU Datentechnik GmbH, Friedberg. AGU Datentechnik GmbH is a manufacturing and distribution company that contributes a new customer base to the euromicron Group and offers interesting, cost-effective procurement opportunities as well as refining skills. As part of the Group's ongoing integration process, the company was merged with SKM Delwave GmbH, Munich, retroactively effective January 1, 2008.

Under the purchase and assignment agreement dated June 11, 2008, euromicron AG, Frankfurt/Main, acquired 80% the shares in NetWays Netzwerk Consulting GmbH, Ettlingen. By acquiring this company, euromicron is expanding its portfolio of products and services by partnerships and certification by Nortel, Check Point, Hirschmann and Nokia and strengthening its presence in Southern Germany and can build its expertise thanks to the special qualifications of the company's employees.

Effective October 27, 2008, euromicron AG, Frankfurt/Main, took over all the shares in the previously unconsolidated KASYS-Netzwerktechnik GmbH, Munich. On the same date, the company was renamed euromicron international services GmbH and its head office relocated from Munich to Frankfurt/Main.

Under the purchase and assignment agreement dated November 27, 2008, euromicron AG acquired a 90% stake in Qubix S.p.A. networking solutions, Padua, Italy, through euromicron international services GmbH. This acquisition means a further milestone has been achieved in the Group's internationalization strategy. The company is a specialist in end-to-end consulting in network and security solutions. Its integration in the euromicron Group means that Qubix S.p.A. can offer its solutions on euromicron's traditional markets, while the euromicron Group can use Qubix S.p.A. as a distribution platform for its products on the Italian market. In addition, the Group as a whole obtains new opportunities for procurement from Asia.

Apart from the portfolio changes as a result of company acquisitions, further steps in Group integration were accomplished. There were other mergers apart from those mentioned above.

Under the purchase and assignment agreement dated February 18, 2008, euromicron AG, Frankfurt/Main, acquired the remaining 20% stake in BCK-Systeme Datentechnik GmbH, Oberhaid, and now holds all the shares in this company. Effective September 30, 2008, SSM euromicron GmbH, Zwenkau, was merged with BCK-Systeme Datentechnik GmbH and then renamed SSM-euromicron GmbH. The merged company is based in Zwenkau.

Under the purchase and assignment agreement dated March 17, 2008, euromicron AG, Frankfurt/Main, acquired the remaining 20% stake in Gustav Hartmann Nachrichten- und Fernmeldetechnik GmbH, Munich, and so holds all the shares in this company. This company was merged with euromicron solutions GmbH, Mainz, retroactively effective January 1, 2008, as part of Group integration.

Engel & Co. GmbH, Schwerin, and TPB Telecom Partner in Berlin GmbH, Berlin, were merged with euromicron systems GmbH, Essen, retroactively effective January 1, 2008.

rako electronic data technology GmbH, Grünstadt, was merged with LWL Sachsenkabel GmbH, Gornsdorf, retroactively effective January 1, 2008, following transfer of its production operation to LWL Sachsenkabel GmbH, Gornsdorf, in 2007.

With the agreement dated March 27/28, 2008, the Erfurt branch office of euromicron solutions GmbH, Mainz, was affiliated with SSM euromicron GmbH, Zwenkau, by means of an asset deal.

There were also two other asset deals in the past fiscal year.

With the notarized agreement dated May 27, 2008, euromicron systems GmbH, Essen, acquired assets and liabilities of UniTech Gesellschaft für Daten- und Kommunikationstechnik mbH, Lohmar.

With the notarized agreement dated July 8, 2008, euromicron solutions GmbH, Mainz, acquired assets and liabilities of Neef IT Solutions AG, Karlsruhe.

We also pressed ahead with integrative cooperation between the Group companies in the past fiscal year by means of a large number of content-related steps. Apart from the existing "Data Center Solutions", "Voice Solutions" and "Mobile Solutions" Competence Centers, which create and offer specific, customized end-to-end solutions, two further Competence Centers were established: "Security Solutions" and "Industrial Solutions".

Apart from new hirings, cooperation between the individual associated companies in the field of distribution was strengthened further. A wide range of sales and marketing training courses are intended to further intensify cross-selling and promote an understanding that, despite consisting of a large number of different companies, euromicron is perceived and represented as a whole, both internally and externally. There was also initial restructuring in distribution, with a division into Regional Sales and Key Accounts.

There was also restructuring in the field of intangible assets. All the patents and utility models that were spread throughout the individual associates or whose rights were held by individual persons were transferred to the name of euromicron AG so as to secure these rights for and make them available to the entire Group.

The project to roll out a Group-wide ERP program that was commenced in 2007 with the aim of harmonizing and standardizing the many different IT platforms was driven forward and allocated greater resources. The fundamental work on standardizing process flows and definitions throughout the Group was largely completed.

The earnings situation of the vast majority of euromicron Group companies was pleasing in the past fiscal year. The companies were able to share in the positive overall economic development. LWL Sachsenkabel GmbH, Gornsdorf, which reported the most successful year in its history in 2007, outdid this success in the past fiscal year by around 26%. This company is an acknowledged partner to large carriers who are investing in expanding high-speed networks with an eye to the future. The system houses also had a successful year, despite the strong competition that has prevailed for years and the great pressure on prices and margins, and increase their earnings year-on-year. Although, as in previous years, delays in projects also reduced the planned volume of sales, we were able to improve the quality and level of earnings. Our prudent and foresighted cost awareness, permanent process adjustments and constant optimization in the past ensure this success. One company, Cteam Consulting & Anlagenbau GmbH, failed to achieve its targets by a wide margin. This is due to fundamental consolidation of markets and customers of this company, in a speed and scope that was unforeseeable. Although the company responded rapidly with personnel and other cost-cutting measures, these measures will take time to have a full impact, with the result that positive earnings could not be generated for the past year due to the non-recurring burdens. Further stabilization measures with more non-recurring burdens will follow in 2009 with the aim of realigning the company.

Regardless of the current success of euromicron's companies, we also ensure lean cost structures in future and try to counter competition, pressure on prices and margins and economic developments in good time through rationalization and flexibilization.

Share price and investor relations

euromicron AG's share began 2008 very promisingly at EUR 19.00. However, it was also not able to evade the negative stock market trends worldwide. Following the slump in January to March, the share achieved a small intermediate high in the spring, but the dramatic stock market crash in the second half of the year meant that the share again fell sharply and closed at a low of EUR 8.40. At the end of the year, it recovered to EUR 10.45 and so was able to outperform the S-Dax slightly over the year. The many discussions with investors, roadshows and one-on-one meetings were able to retain interest in

euromicron AG; however, the interest in buying stock in small caps mainly tended to be low as a result of the general stock market situation. Many investors suffered large losses in the course of the year, with the result that top priority was given to safeguarding existing liquidity and there was hardly any interest in making new investments. The pressure on the share continued for just about the whole year and it was not until toward the end of 2008 that a slight easing could be felt.

The Chairman of the Executive Board underlined his confidence in euromicron and acquired a further 4,000 shares in the past fiscal year.

As part of the share buyback program that was launched for the first time in 2006, euromicron AG acquired a further 75,649 of its own shares by August 14, 2008. As a result, euromicron AG now holds 157,234 of its own shares, or 3.37% of the capital stock.

3. Net assets, financial position and results of operations

Due to the change in consolidated companies, the following data is comparable to a limited extent only. The main effects from the changes in consolidated companies are additionally stated in the following. Reference is made to the explanations in the notes to the consolidated financial statements.

Assets and equity

The table below provides an overview of the asset and equity structure of the euromicron Group:

ASSET AND EQUITY STRUCTURE	Dec. 31, 2008		Dec. 31, 2007	
	EUR thou.	%	EUR thou.	%
Noncurrent assets	96.3	56.0	83.1	56.1
Current assets	64.6	37.5	52.5	35.5
Marketable securities and cash	11.2	6.5	12.4	8.4
Assets	172.1	100	148.0	100
Stockholders' equity	73.8	42.9	70.4	47.6
Long-term debt	28.3	16.4	27.4	18.5
of which: financial debt	23.4		22.9	
Current liabilities	70.0	40.7	50.2	33.9
of which: financial debt	45.1		29.4	
Equity and debts	172.1	100	148.0	100

The euromicron Group's total assets at December 31, 2008, were EUR 172.1 million, up 16.3% year-on-year. This increase is mainly the result of additions to the consolidated companies.

The increase in noncurrent assets is mainly the result of the growth in acquisition-related goodwill. This is EUR 78.8 million at December 31, 2008, compared with EUR 66.9 million in the previous year. The remainder of the increase in noncurrent assets is largely due to capitalization of development costs. The ratio of equity and long-term outside capital to assets is 106.0% (previous year: 116.6%).

As part of the current assets, inventories rose only slightly year-on-year by EUR 1.9 million. This is solely the result of changes in the consolidated companies (EUR 2.0 million). The main increase among current assets is for trade accounts receivable, which rose EUR 9.0 million (of which EUR 4.5 million is from changes in the consolidated companies). This is attributable to the greater business volume of the euromicron Group, especially at the project and system companies. Since the business model of these companies means that they record the largest volume of sales and invoicing in the final quarter of a fiscal year, trade accounts receivable inevitably increase at December 31 of every fiscal year. In the first two to three months of the new fiscal year, the companies accordingly expect a large inflow of liquidity.

Working capital (current assets excluding securities and cash, minus current non-interest-bearing liabilities) was EUR 39.7 million (previous year: EUR 31.7 million) at the reporting date.

Stockholders' equity at December 31, 2008, was EUR 73.8 million (previous year: EUR 70.4 million), a year-on-year increase of 4.8%. The shares (157,234) acquired since 2006 as part of the share buyback program have been deducted from this figure to an amount of EUR 2.9 million. Own shares are offset against stockholders' equity at their acquisition cost without any impact on profit.

The rise in total assets meant that the equity ratio at December 31, 2008, fell to 42.9% despite an increase in stockholders' equity in real terms.

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

Long-term debt is at the level of the previous year. Current liabilities rose sharply. Virtually all balance sheet items relating to short-term debt contributed to this, although the main rise is the result of greater utilization of short-term credit lines from banks. This rise in financial debt is due to the acquisitions in the fiscal year, as well as temporary up-front financing for projects at the end of the year. Changes in the consolidated companies contributed EUR 5.6 million to total liabilities and accrued liabilities.

The Group's net debt (financial debt minus securities and cash) at December 31, 2008, is EUR 57.3 million. It should be taken into account that project financing is traditionally heavy at the end of the year. Payments by customers then mean a sharp reduction in net debt in January and February 2009.

Results of operations

In fiscal 2008, the euromicron Group achieved consolidated sales of EUR 164.6 million, an increase of 21% on the previous year (EUR 136.5 million). The share of sales generated by the companies acquired in 2008 was EUR 5.9 million, giving organic growth of 16%. This development is more pleasing because the growth we hoped to achieve in the Austrian market did not materialize as a result of the very far-reaching and ongoing consolidation of the mobile communications market there.

In terms of secondary reporting segments, all the segments – production operations, project companies and distribution – participated in this overall growth (in EUR million):

SALES ANALYSIS	2008 EUR m.	2007 EUR m.	Change %
Components and Assembly	52.7	49.1	+ 7.3
Projects and Systems	106.4	85.1	+ 25.0
Distribution and Services	12.7	8.1	+ 56.8
Consolidations	-7.2	-5.8	+ 24.1
Sales	164.6	136.5	+ 20.6

Sales outside the German market were EUR 30.6 million (previous year: EUR 21.1 million), a share of 18.6% in relation to total sales.

The euromicron Group's total operating performance was EUR 163.2 million, just under the reported sales.

The largest expense item in the income statement of the euromicron Group was cost of materials at EUR 83.5 million (of which from changes in the consolidated companies: EUR 2.5 million). The ratio of cost of materials on the basis of sales revenues was 50.7% compared with 45.7% in the previous year. This was primarily due less to price increases, than to the project structure in the past year. More projects with a high level of material usage were acquired than in the previous years. Personnel costs at the Group relative to sales therefore falls in line with the increase in the ratio of cost of materials.

After cost of materials, personnel costs are the second largest expense item. Personnel costs in the past fiscal year 2008 were EUR 43.0 million compared with EUR 39.6 million in the previous year (of which from changes in the consolidated companies: EUR 0.7 million). In relation to sales, they fell to 26.1% (previous year: 29.0%). The increase in personnel costs in absolute terms is primarily attributable to the employees added due to the acquisitions in 2007 and 2008, as well as changes in qualification within the existing portfolio of euromicron companies.

On the basis of an average workforce of 924 in 2008 (excluding trainees), average sales per employee were EUR 178.2 thousand, compared with just EUR 157.3 thousand in the previous year.

The decrease in depreciation and amortization expense to EUR 2.8 million from EUR 3.2 million the year before is primarily due to lower depreciation and amortization of dormant reserves as part of purchase price allocation in accordance with IFRS 3.

Other operating expenses in 2008 were EUR 20.8 million compared with EUR 19.7 million in the previous year (of which from changes in the consolidated companies: EUR 0.5 million). Vehicle and travel expenses (EUR 6.2 million), rent/room costs (EUR 2.9 million) and legal and consulting costs (EUR 2.1 million) are the largest items within the other operating expenses. Only moderate research and development costs were incurred, since our companies do not conduct basic research, but just application-oriented development and carry them as assets and write them off if the requirements stipulated by IAS 38 are met. The other operating expenses include fees for auditing of the financial statements of EUR 415 thousand.

Earnings before interest and taxes (EBIT) were EUR 16.0 million, an increase of more than 33% over the previous year (EUR 12.0 million). The companies acquired in 2008 contributed EUR 2.1 million to this. The EBIT margin, relative to sales, was grown from 8.8% to a pleasing 9.7% and is in the middle of our planned long-term horizon of 8 to 11%. The rise in the EBIT margin is primarily attributable to higher productivity as a result of process optimizations, as reflected in the increase in average sales per employee, as well as lower non-recurring burdens due to company acquisitions and restructuring, as in the previous years.

Net financing costs were EUR –4.0 million, a further decline over the previous year (EUR –1.9 million). This is mainly due to outside financing of the acquired companies and greater working capital requirements in the wake of the Group's growth. With the exception of funding of the purchase prices, changes in the consolidated companies did not impact net financing costs.

The tax ratio is around 27.5% (previous year: 25.7%). This increase is due to the reduction of deferred tax assets as a result of lower tax loss carryforwards.

Net financing costs, a higher tax ratio and higher profit shares for minority shareholders means that the Group's consolidated net profit was EUR 8.1 million compared with EUR 7.0 million the year before. Undiluted earnings per share increased from EUR 1.53 to EUR 1.78. The positive effect from changes in the consolidated companies on net profit was EUR 1.5 million and EUR 0.33 on earnings per share.

Overview of the results of operations:

RESULTS OF OPERATIONS	2008		2007	
	EUR m.	%	EUR m.	%
Net sales	164.6	100.0	136.5	100.0
Inventory changes	-1.4	-0.9	-2.6	-1.9
Own work capitalized	0.3	0.2	0.8	0.6
Other operating income	2.6	1.6	2.2	1.6
Cost of materials	-83.5	-50.7	-62.4	-45.7
Personnel costs	-43.0	-26.1	-39.6	-29.0
Depreciation and amortization expense	-2.8	-1.7	-3.2	-2.3
Other operating expenses	-20.8	-12.6	-19.7	-14.4
Income before interest and taxes (EBIT)	16.0	9.7	12.0	8.8
Net financing costs	-4.0	-2.4	-1.9	-1.4
Income taxes	-3.3	-2.0	-2.6	-1.9
Minority interests	-0.6	-0.4	-0.5	-0.4
Consolidated net profit	8.1	4.9	7.0	5.1
Earnings per share (EPS) in EUR (undiluted)	1.78		1.53	

Financial position

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

At December 31, 2008, unutilized promised credit lines of EUR 17 million were available to the Group. These lines usually increase sharply as a result of the traditionally high cash flow in the first two months of the new fiscal year. After completing the buy and build phase and entering a year of consolidation, the Group thus has sufficient liquidity reserves.

The Group's financial position for fiscal 2008 is as follows:

CASH FLOW ANALYSIS	2008 EUR thou.	2007 EUR thou.
Net cash provided by operating activities	3.9	5.6
Net cash used in investing activities	-14.8	-24.8
Net cash provided by financing activities	8.5	23.6
Change in cash flow	-1.0	4.4
of which due to changes in the consolidated companies	1.6	1.7
Other changes	-0.2	-0.2
Cash and cash equivalents at beginning of period	12.4	8.2
Cash and cash equivalents at end of period	11.2	12.4

Cash and cash equivalents of the euromicron Group at December 31, 2008, decreased from EUR 12.4 million to EUR 11.2 million. Of this, EUR 0.3 million is not freely available.

The net cash provided by operating activities is mainly attributable to the net profit for 2008 (EUR 8.1 million) and the large year-on-year changes in non-cash movements for deferred taxes (EUR 2.2 million). The EUR 8.0 million increase in working capital had an opposite effect. Here, trade accounts receivable increased significantly, since business is traditionally strong at the end of the year, meaning that invoices are issued, but usually not paid until after the reporting date. As in the previous year, the net cash used in investing activities is almost solely attributable to the company acquisitions.

The net cash provided by financing activities results from raising of medium-term loans for funding the acquisitions and short-term utilization of credit lines – mainly for financing projects (total: EUR 14.7 million). The main counter-effect was the dividend payment for the past fiscal year (EUR 3.6 million).

The net cash and cash equivalents at the end of the period of EUR 11.2 million allow us, together with unutilized promised credit lines, to embark on the year of consolidation in a sound position. There is reliable funding for any acquisitions planned from 2008 and the Group companies' operational business. Diversification in financing ensures that we retain a reasonable independence from the capital markets. At the same time, we aim to maintain the trusted and fine cooperation with all banks.

New orders and order books

New orders in the fiscal year developed in line with our expectations against the backdrop of largely pleasing general economic conditions in 2008. They rose by around 14% to EUR 161.9 million (previous year: EUR 142.1 million). This increase relates to new orders excluding the changes in the consolidated companies in the current fiscal year.

Order books at December 31, 2008, were EUR 70.6 million, again slightly above last year's top mark (EUR 69.4 million). Once again, this figure does not take into account changes in the consolidated companies. A gratifying aspect is that in particular our large system houses account for a major share of these high order books. In past years, the system houses essentially had to acquire their orders in the current fiscal year; these companies are now starting fiscal 2009 with well-filled order books. However, the basic tendency in the past years to increasingly shorter-term commissions by our customers, as well as the issue of project postponements that straddle the reporting date, something that is an inherent part of our business, still remain.

These orders on hand, which are mainly expected to be accomplished in 2009, mean that there are contractual agreements for a not insignificant portion of the sales planned for 2009.

Segments

The dominant structure at the Group is a regional division of business, mainly underpinned by the strategy being implemented by euromicron to generate a structurally and operationally powerful Northern grouping and Southern grouping in project and system business. Consequently, the following comments relate to the primary segments of euromicron North and euromicron South.

SEGMENT SALES

	2008 EUR thou.	2007 EUR thou.
euromicron North	80.0	61.5
euromicron South	90.6	79.0
euromicron AG and consolidations	-6.0	-4.0
Total sales	164.6	136.5

SEGMENT EARNINGS

	2008 EUR thou.	2007 EUR thou.
euromicron North	14.6	9.2
euromicron South	4.8	7.1
Operating EBIT	19.4	16.3
euromicron AG and consolidations	-3.4	-4.3
Total consolidated EBIT	16.0	12.0

The North segment was able to benefit from the good general economic conditions in the past fiscal year. Every company in the North segment was able to increase its sales and earnings (EBIT) year-on-year. Apart from the general economic situation, special topics – such as continuing expansion by Deutsche Telekom of its high-speed network – contributed to this success. Demand from Deutsche Telekom in 2008 exceeded that in euromicron's top year 2007.

Sales at the North segment were grown by 30.1% to EUR 80.0 million. EBIT rose above-proportionately by around 60%. This increase is a result of the elimination of non-recurring burdens in the previous year due to restructuring measures and the expansion of high-margin business and services.

Following a number of mergers in the fiscal year, the North segment comprises five companies: two project and system and three production companies.

The South segment increased its sales by around 15%. 9 percent of this increase is primarily due to the acquisitions in fiscal 2008 and around 6 percent to organic growth. The EBIT was not able to match sales growth. This is solely attributable to the consolidating mobile communications market in Austria, which did not allow our Austrian associated company Cteam Consulting & Anlagenbau GmbH to post earnings in the quality of the previous year. The other companies were able to increase their EBIT by a total of more than 20%.

This segment comprises eight companies: one production, six project/system and distribution companies and one intermediate holding.

With its operating companies, the euromicron Group posted further operational growth in its EBIT. Operating EBIT was 19.4 million, around 19% up year-on-year.

In the remaining segment – euromicron AG and consolidations (central costs) –, the EBIT was EUR – 3.4 million, compared with EUR –4.3 million in the year before. Apart from holding costs, merger and acquisition costs and cross-segment expenses are allocated to this segment.

Summary

The net assets, financial position and results of operations show that the euromicron Group was in a good and solid economic position when the management report was prepared.

4. Employees

The euromicron Group makes high demands on the quality of its products and services, founded on the high qualifications and motivation of its employees. The Group can offer them interesting challenges, as well as forward-looking opportunities for development and secure jobs.

In fiscal 2008, the Group employed an average of 979 people (including 55 trainees), an increase of 5.4% over the previous year (929 employees). That is primarily due to changes in the consolidated companies, i.e. as a result of the company acquisitions in 2007, which had a full impact in the past fiscal year, and on a pro-rata basis as a result of the companies added in 2008.

The good economic situation in the past fiscal year also allowed our companies to make selective new hirings.

An increasingly important goal of the Group is to secure and expand its base of qualified employees and their potential. Only a sufficient workforce with high qualifications will ensure its future success. Individual development and future-oriented, systematic qualification of our employees in line with requirements is a core element of our business policy.

In this context, the Group gives 55 young people the chance of practical vocational training. Apart from taking social responsibility for training the next generations, euromicron also secures potential employees for future tasks with this policy. In addition, the Group will satisfy growing demand for highly specialized experts not only by buying in services and knowledge, but also through its own internal and external qualification programs.

5. Market and Technology

The key source of economic growth is innovations.

The ITC sector – with around 750,000 employees, sales of some EUR 150 billion and exports in excess of EUR 50 billion – is one of the most important branches of industry in Germany and also occupies a strong position internationally. Information and communications systems are a cross-sectional technology and a major driver of innovation and offer excellent growth options. The aim in this sector is still to occupy strategic growth segments and play a leading role in selected market segments. After positive development across the board in fiscal year 2008, the industry association BITCOM is also predicting growth in information technology in 2009. Key parameters in growth are services and infrastructure solutions. This trend was confirmed in the fourth quarter of the fiscal year by the euromicron Group's companies. The Group was able to participate in these trends with its solutions and tackle and hold its own in an increasingly aggressive competitive environment.

By incorporating NetWays GmbH in the Group, it achieved an excellent complement to its product portfolio in the field of active components, industrial Ethernet solutions and network monitoring. In addition, access to key customers was intensified.

As a result of several innovations and further developments in selected market segments, the euromicron Group was also able to build on its leading role in the area of euromicron solutions and euromicron components.

Examples of tailored components and solutions in fields of innovation with excellent growth opportunities are the optical-fiber products of the euromicron Group, intensified expansion of DSL connections by Deutsche Telekom, and expansion of the metropolitan area network by NetCologne or the optical-fiber network by Telemaxx.

It is mainly utilities and municipalities that have recognized the importance of a good communications infrastructure and are increasingly meeting demands for speed, higher quality and secure transfer of data. To address this, more and more optical-fiber networks are being provided as infrastructures in our cities. As part of the expansion work by NetCologne, the euromicron Group is installing optical fibers with connections in the building (FTTB: fiber to the building). Fiber optic cables are blown through empty pipes so as to avoid time-consuming and labor-intensive building and civil engineering work. The euromicron Group again demonstrated its competence as an optical fiber specialist here.

Its expertise in creating Internet-based passenger information systems at train stations served as a platform for systematically broadening euromicron's portfolio. In a first project, IP-based visitor guidance systems for public buildings were put into operation.

The euromicron Group is also qualified in and certified to integrate IP-based surveillance, security and fire prevention solutions in the railway arena, in sensitive buildings and in hospitals and data centers in an overall concept, plan them as a project and then install and maintain them.

There is demand for this expertise outside the company's domestic market of Germany. In Kazakhstan, euromicron installed one of the most modern intruder alarm and video technology for a top-class residential complex. Further expansion of this solution and implementation of an extensive security solution at a 5-star hotel are planned.

euromicron Group gears its developments to customers' requirements. All ideas for innovations and development are assessed in a multi-stage process and successfully prepared for marketing. euromicron components has developed a system for mobile industrial cabling, for example for use at shipyards, large building sites and outdoor events, and started marketing it. It has been protected as a registered utility model and a patent has been filed for it.

The new connector EM-RJ® has been successfully launched as a hybrid variant in an IP-67 housing, a standard that is customary in industry and protects against soiling. Typical application areas are Power over Ethernet solutions in industry and the LAN and FTTH/B arenas.

A lens connector has been developed for use in harsh environments and marketing of it has commenced. With it, the euromicron Group once again underscored its development competence and ability to produce high-precision components in the field of optical fibers. The connector, which is also available with protection class IP 67, is suitable for military and industrial applications. Its functional principle is based on optical focusing of the beam of light between two optical fibers, instead of mechanical contact of polished optical-fiber surfaces, and it is more resistant to soiling. Accordingly, the demands on mechanic precision of this connector are far higher.

Another focus of euromicron's R&D activities apart from new developments is adaptation and further development of our standard products for special conditions of use and the needs of our customers. In line with the increasing need for mobility as part of handicraft activities as well, the euromicron Group has now developed a mobile and extremely handy mini polishing machine, out of the polishing machine used in production; in a small tool case with all the accessory parts, it provides an installer on site with everything needed for fiber optic installation.

euromicron's subsidiary ELABO was able to combine its own skills and experience in developing fully automatic measurement and testing systems for "white goods" with the expertise of its sister companies in the field of active and passive network technology. In line with requirements, constantly increasing volumes of test data can now be included and processed. An order worth half a million euros from the Far East proves that there is now also worldwide demand for this expertise.

In times where there is a shortage of skilled workers, training is all the more important again. euromicron's subsidiary ELABO has made remarkable contributions in this field for many years, be it by participating in the European vocation training program LEONARDO DA VINCI or equipping a school in Abu Dhabi with technical workplaces.

Be it industry or training, ELABO and its core competence of measurement and testing systems and technical workplace and assembly stations is being integrated in the euromicron Group, with its core competence of active and passive network technology, at increasing speed, driven by greater market requirements and customer needs.

Integration of the competences within the euromicron Group – coupled with a focus on selling solutions – was significantly expanded by strengthening of the sales team by around 20%. Individual sales training and coaching underscore this integration process, with the aim of ensuring end-to-end customer care and support and a focus on professional key account management.

Continuous further qualification of our employees with regard to convergence of data transport solutions by means of cable or air and intensification of specialist know-how enable our employees to plan and implement solutions that meet our customers' needs. We thus address the rapid pace of development in the ITC and security sectors so as to offer our customers top-class consulting.

6. Compensation report of the Executive Board

The total remuneration of the members of the Executive Board consists of a number of components. These are a fixed amount, the bonus and a component with a long-term incentive effect (stock options), as well as fringe benefits. The fringe benefits are non-cash compensation, such as use of a company car, on which tax is paid in accordance with the applicable fiscal guidelines, as well as pension commitments.

The structure of the remuneration system is discussed and reviewed regularly by the Supervisory Board. The Supervisory Board is responsible for setting the remuneration for the Executive Board.

Criteria for assessing the reasonableness of the remuneration are in particular the tasks of the respective member of the Executive Board, the performance of the Executive Board and the company's economic situation, and the company's success and future prospects on a comparative basis with other companies.

The stock option program has been introduced as a long-term remuneration component since 2006.

At the General Meeting on June 23, 2006, the Executive Board was authorized, with the consent of the Supervisory Board, to issue up to 466,000 stock options with a subscription right to shares in euromicron AG by December 31, 2009. The total volume of stock options (subscription rights) for members of the Executive Board must not exceed 375,000.

At December 31, 2007, 375,000 subscription rights were issued to members of the Executive Board. The stock options can be exercised at the earliest after a waiting period of two years after the respective date of issue within a period of two further years.

The earliest possible time at which the options issued to executive employees could be exercised was August 10, 2008, if the shares of euromicron AG perform better in the reference period than the TecDAX of Deutsche Börse AG or if the stock market price of shares in euromicron AG has increased by more than an average of 5% per annum in the reference period.

The average exercise price for all entitled persons is EUR 19.21. At the time they were granted, the subscription rights of the first tranche had a fair value of EUR 4.46 per subscription right and those of second tranche EUR 4.93. This corresponds to a total amount of EUR 1,759 thousand.

7. Corporate Governance

In fiscal 2008, the company again essentially complied with the recommendations of the German Corporate Governance Code, with a number of exceptions. The exceptions are due to the size and business model of the company; in some cases, future adjustments are being prepared.

The exceptions to the recommendations are listed on the company's homepage at <http://www.euromicron.de> and can be viewed at the company.

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

- a.) The company's capital stock is EUR 11,914,000.00. It consists of 4,660,000 no-par bearer shares.
- b.) Capital stakes that exceed 10% of the voting rights and have last been reported to the company:
Norddeutsche Bank Girozentrale, Hanover: 19.99%
VATAS Belgique S.A., Brussels, Belgium: 11.34%
- c.) The Executive Board is appointed and removed by the Supervisory Board in accordance with the Articles of Association in compliance with Section 84 AktG (German Stock Corporation Law). Amendments to the Articles of Association require the consent of the General Meeting.

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

The Executive Board was authorized by the General Meeting on June 23, 2006, to increase the capital stock by up to EUR 5,957,000 on one or several occasions with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions (authorized capital) by June 20, 2010.

The authorization to acquire own shares adopted by the General Meeting on June 20, 2007, was revoked by a resolution by the General Meeting on June 12, 2008. In addition, the General Meeting on June 20, 2007, authorized the company pursuant to Section 71 (1) No. 8 AktG to acquire its own shares up to at a maximum proportional amount of the capital stock of EUR 1,191,400.00 for these shares. This is 10% of the Company's capital stock at the time of the General Meeting of EUR 11,914,000.00. The company has acquired 157,234 own shares up to now, corresponding to 3.37% of the capital stock.

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

9. Environment

The euromicron Group with its associated companies does not own any large production sites that are subject to strict environmental protection guidelines. Nevertheless, the protection of people, the air, soil and water and sparing use of natural resources have high priority at the euromicron Group. Consequently, compliance with all pertinent regulations is observed in all environment-related areas in order to ensure that products and services are produced and delivered in an ecologically friendly way as possible.

10. Postscript report

Up to March 13, 2009, there were no significant operational or structural changes at the euromicron Group, nor any business events, that might necessitate a change to the presentation of the company's situation as part of its reporting obligations.

11. Risk report

Risk strategy and general risk management

The euromicron Group and its associated companies have complied with their statutory obligation and since 2000 have maintained an extensive risk management system. This system 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 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 in the individual risk categories

Risks at euromicron's associates essentially relate – as in previous years – to the general economic data, in particular the continuing structural problems specifically in the German market and in general in the euro zone compared with other large economic zones. The good economic situation in the first three quarters of the year under review made the basic risks in our markets appear manageable. The economic slump in the fourth quarter means that the market risk is a greater focus again. Our companies did not perceive any effects on operational business up to the end of the year.

Investment by large carriers was as pleasing as it has been for years in the year under review. Since carriers, in particular Deutsche Telekom and NetCologne, are driven to continue allocating large capital spending budgets as a result of rapid technological progress, customer requirements and the need to expand their network infrastructures, we believe we can profit from this trend in the coming year, as well. We also assume that the niche markets for security networks will continue to grow above-proportionately.

Competitive pressure will continue in the vast majority of markets. We have taken proactive steps against this risk for years by means of extensive restructuring, cost-cutting and rationalization measures, a process that necessitates permanent observation of markets and process optimization. Our companies' quality of earnings is testimony to the fact that this risk has been successfully controlled in the past. In addition, we will initiate and implement all measures to achieve our earnings targets in future in good time and rigorously. The particular focus here is on further flexibilization of our cost structures, be it through outsourcing or shifting of simple activities to contractors, in order to optimize costs and adapt the entire Group to market conditions.

The risks of a difficult economic year for us in 2009 cannot yet be assessed at present. Although many sectors are now suffering sharp falls in new orders, our associates have been spared up to now. On the contrary: some of them began 2009 with the highest level of order books in their history. The orders on hand at December 31, 2008, already account for more than 30% of our planned sales for 2009.

Although we currently assume that the economic downturn may not impact us significantly – although serious forecasts are not possible at present –, we are taking precautions to protect our companies. Apart from strengthening and restructuring sales and distribution, all associates are developing concepts to cut personnel and material costs as well as other expenses. These cost-cutting concepts will be implemented in staggered form, depending on the economic situation, so as to secure the companies' quality of earnings and act as a precaution against the risks of further unforeseeable declines in economic activity.

We see the German government's planned economic stimulus packages as an opportunity for our companies. Some of the funds from the stimulus packages are to be channeled toward network infrastructure, something from which our companies can benefit.

The mergers of associated companies already carried out or planned in the future will give us larger units that can better cope with market risks, yet through their medium size still have the flexibility to seize and exploit all opportunities quickly. In addition, synergy potentials can be leveraged by means of optimized internal communication and the elimination of duplicate functions.

Exchange rate risks from the price of the dollar against the euro and negative effects from politically unstable regions of the world have little impact on the euromicron Group at present since it predominantly operates in Germany and the euro zone. The possibilities of currency hedges for the other transactions are constantly examined and they are concluded as and when required.

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

euromicron AG assesses its associated companies on the basis of their earnings from operational activities, among other things. Business performance is assessed during the year using the submitted sales, earnings and order figures and liquidity, profitability and other key indicators as compared with planning. In the course of a fiscal year, three calculations on expectations with forecasts for the end of the year are conducted. However, far more criteria than pure key indicators are required as a basis for investment and business decisions in fast-moving technology markets. This is underpinned and assisted by the operational independence and responsibility of the Group companies. The company's management also bases its decisions on analyses by the specialists who are involved in the process and have extensive market, product and sector know-how. A wide range of different evaluation criteria are used, tailored to the specific case.

As a result of the financial and banking crisis, euromicron AG was compelled at the end of 2008 to conduct an extraordinary analysis of the risk profile for the Group's financing outside the standardized risk management system. Contacts with the banks were intensified and their strategy and corporate policy was scrutinized regularly at short intervals so as to assess whether the individual bank could be regarded as a common partner in future or whether there was a threat of its withdrawing from its commitment to euromicron. All the banks stand by their current commitment to euromicron. An exception is a small institute that initially reduced the generous credit line, which had however not been utilized, by half. This is due to its specific ownership structure. Two institutes applied to expand the credit line. Agreements to this effect were signed. Of particular importance is the statement by all banks that euromicron AG in itself is graded as a risk-free investment commitment; however, they always factored in the overall economic situation in making decisions to extend loans. At present, this means that euromicron AG's financing appears secure and does not represent a risk. This must be seen in relation to its further development, the overall economic situation and the specific development of the banks. There are currently no signs that this assessment might change in the short term.

Due to the phase of consolidation as of 2009, euromicron AG's debt will probably peak at December 31, 2008. High anticipated liquidity from projects billed at the beginning of 2009 and no significant outflow of funds, in conjunction with the current cash flow from fiscal 2009, will reduce euromicron AG's debt again. As a result, euromicron AG's risk in relation to outside funding will also be lower if banks tighten their lending in the course of 2009. We therefore assume that the latent risk potential as regards financing is limited.

The associates obtain almost all their funding from the cash pool and have no significant external debt. Liquidity for the associates was provided for the whole of year under review and is also ensured for 2009. The Group's further development and continuation of restructuring and integration are not exposed to any discernable risks in terms of liquidity.

Interest rate risks for the Group are exclusively in the Euro zone. They are minimized by a balanced mix of funding with fixed and variable rates of interest. The historically very unusual situation of the past years, where the curves for short-term and long-term interest rates ran very closed together, came to an end in the year under review and will probably not recur for a very long time. Long-term interest rates increased sharply, while short-term rates fell due to the weakening economy. euromicron AG is trying to exploit this situation, taking the risks into account. For example, a further short-term amount was converted into a medium-term loan, which entails higher interest, but on the other hand greater security in planning ahead for the next four years. The higher interest on this medium-term loan will be compensated for by reduced interest on short-term borrowings. In 2009, we plan to convert a further amount of short-term funding into a medium- or long-term loan. As a result, euromicron AG will have laid its financing structure for the coming years: around 50% medium- and long-term financing that can be planned and 50% short-term for operational business. Taking into account the given and planned structure of financing, interest rate derivatives are used to optimize the amount of interest paid.

There are no risks of dependency on customers and suppliers at euromicron. Although individual subsidiaries generate significant sales with individual customers, this risk must be relativized from the perspective of the Group, since at the Group level there is no customer that accounts for more than 8% of total sales.

euromicron remains a vendor-independent system house, irrespective of the fact that cooperation agreements have been concluded with various suppliers. Consequently, there is likewise only a limited risk in relation to procurement.

There are no risks due to pending legal proceedings. A tax audit for the years 2001 to 2005 has largely been completed. As far as can be seen at present, this does not entail any financial risks for the Group.

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

12. Outlook

The euromicron Group expects stable and constant business in the coming fiscal year, despite the tough general economic conditions with which 2008 ended and 2009 began. There are currently no serious forecasts on how sharp the present recession will be and how long it will last or whether it will hit all sectors of the economy alike. euromicron expects a level of new orders in its markets on a par with the past year, albeit with shifts in individual sectors. The Group's broad lineup in terms of customers, sectors and technologies helps compensate for economic fluctuations. Demand for more powerful networks for voice, data and video transport, as well as for security, surveillance and alarm and detection networks should continue, since temporarily declines in orders from our customers bear no relation to the network infrastructures that are planned and required in the medium and long term. As an experienced and competent niche provider, euromicron believes it has good opportunities for development here in the new fiscal year.

euromicron does not compete with cut-price vendors from the Far East, but sets store by quality, service and reliability and its philosophy of offering an overall concept geared toward solving customers' problems. The results of past years show that our strategy is the right path and that customers appreciate this and are increasingly critical of the quality of low-cost vendors where security-related, cost-intensive or vital aspects of data networks of all types are concerned. We are confident that this perspective will win through, even in difficult times. Our demanding and profitable niche markets have high barriers to entry, with the result that quick and extensive additional competitive pressure from new market players is not to be expected.

After the years of the buy and build strategy, 2009 will be one of integration. The Group's portfolio will be rounded out by the company acquisitions of the past years. A small number of intended acquisitions that were not able to be completed last year may be successfully concluded in 2009. As regards further interesting companies that are offered to us for purchase in future, we will examine on a case-by-case basis whether integration of them appears expedient.

Integration of the new companies in the Group and future-oriented cooperation between its existing companies will be deepened. The goal at the end of the fiscal year will be – with one strategic exception – to have just two large, powerful system houses in Germany that can offer a full range of products and services nationwide. If further companies in system business are acquired, they are to be merged immediately with the existing large system houses; their continuation as legally independent units is no longer classified as strategically expedient.

As part of structural integration of the companies, we will press ahead with the project for a consistent IT platform in 2009 in order to ensure standardization of processes and process definitions throughout the company. The software is to be rolled out at the first companies this year. The project has a long-term nature and will take at least 2 to 3 years to be finally completed.

The difficult general economic conditions also mean that euromicron has to take measures to ensure its continued successful performance. euromicron is addressing various points in this regard: first, new sales employees were hired last year, each with different experience and customer relationships, with the aim of supporting, sustaining and boosting the Group's organic growth.

Second, we have formulated concepts for cost-cutting measures that can be implemented in 2009. These are intended to safeguard the quality of earnings in the event of an unexpected decline in sales. The measures relate to all areas: personnel costs, cost of materials and other expenses. With the exception of the concept for cutting personnel costs, which will be implemented only depending on the volume of orders, the concepts for the other two cost blocks will definitely be put into action.

With its portfolio of associated companies at the end of the year, euromicron has exceeded the annualized sales mark of EUR 200 million in its planning for 2009. With the acquisitions from 2008 that may possibly be completed, the Group would aim for a sales target of EUR 250 million. The target EBIT return remains at 8 to 11%. Following completion of the consolidation phase, the Group is striving to achieve the EUR 300 million mark in the short term. Apart from organic growth, this is to be assisted above all by even stronger expansion abroad, larger acquisitions if required and cooperation deals.

In order to achieve its goals, the euromicron Group – through euromicron AG – has a financing line of around EUR 71 million (previous year: EUR 70 million) from the banks. Of this, around EUR 10 million was unutilized at the reporting date. Large refluxes of liquidity by the end of February 2009 and so repayment of short-term credit lines meant that the free credit lines increased again to EUR 20 million. As a result, the Group not only has a good and stable cash flow from its own activities, but an adequate financial framework to be able to achieve its future objectives. Following intensive discussions with all banks in the fourth quarter of 2008, initiated by the financial crisis, we currently assume that this funding will continue to be available to the company, even if the general economic situation should deteriorate again.

Since various investors indicated to us last year that their spell as investors in euromicron AG is drawing to a close due to reasons of internal rules and regulations, we will try to replace a largish number of our shares this year. The objective in this will be to find investors who accompany us for the medium to long term and do not seek short-term success. Crucial factors in our eyes will be for the investors to understand our business model, give management support in developing the Group commercially in accordance with its strategy and provide the company with the resources required for this.

Despite the difficult situation on the capital markets, we again continued our investor relations activities in 2008 at their acknowledged high level in order to increase attention to the share. In numerous road-shows and one-on-one meetings, we worked to persuade and acquire potential investors with our conviction that the euromicron share is an attractive investment for the future, despite the increasingly difficult general economic conditions. We expect the dividend in 2009 to remain stable at last year's level, which would result in a yield of 7.6% for shareholders.

With our clear and persuasive business model, a secure basis for financing in conjunction with a stable cash flow, and our still comfortable equity ratio, we believe we are excellently equipped to develop the company successfully and so give our shareholders promising long-term perspectives.

Despite a tough economic setting and in some cases very negative forecasts for parts of the global economy, the Executive Board looks optimistically to the future of euromicron AG and the euromicron Group.

Summary

Assuming the above, the Executive Board of the euromicron Group assumes that sales and earnings will continue to develop positively in the coming fiscal years. Despite a tough economic setting and in some cases very negative forecasts for parts of the global economy, the Executive Board looks optimistically to the future of the euromicron Group. We have used the past good years to gear the Group to the future and believe we will be able to master the challenges ahead of us. Future investments will be pinpointed at responsible and continuous growth that supports a sustained increase in the value of euromicron AG and means the company remains attractive to new investors.

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

Frankfurt/Main, March 16, 2009



Dr. Willibald Späth

Dr. Edgar Bernardi

Chairman of the Executive Board

Member of the Executive Board

Consolidated Financial Statements (IFRS)

Consolidated balance sheet of the euromicron Group

as of December 31, 2008 (IFRS)

ASSETS	Note	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Noncurrent assets			
Intangible assets	(1)	86,103	72,660
Property, plant and equipment	(1)	8,965	8,009
Financial assets	(1)	44	66
Other receivables and assets	(4)	108	84
Deferred tax assets	(2)	1,042	2,296
		96,262	83,115
Current assets			
Inventories	(3)	14,353	12,523
Trade accounts receivable	(4)	45,126	36,243
Other receivables and other assets	(4)	5,128	3,689
Marketable securities and cash	(5)	11,246	12,442
		75,853	64,897
		172,115	148,012

**LIABILITIES AND
STOCKHOLDERS'
EQUITY**

	Note	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Stockholders' equity (equity ratio 42.9% / 47.6%)	(6)		
Subscribed capital (composed of 4,660,000 no-par value shares / authorized capital EUR 5,957 thousand)		11,914	11,914
Own shares at acquisition cost		-2,941	-1,680
Additional paid-in capital		61,781	61,781
Gain/loss on the valuation of securities		-429	-170
Consolidated retained earnings		-5,689	-9,086
Net income for the period		8,067	7,002
Minority interests		1,098	684
		73,801	70,445
Long-term debt			
Accrued liabilities	(7)	446	644
Liabilities	(8)	23,607	23,615
Deferred taxes	(9)	4,295	3,111
		28,348	27,370
Current liabilities			
Accrued liabilities	(7)	3,515	1,731
Trade accounts payable	(8)	13,620	11,514
Other liabilities	(8)	52,831	36,952
		69,966	50,197
		172,115	148,012

Income Statement

of the euromicron Group for the period January 1 to December 31, 2008 (IFRS)

INCOME STATEMENT

	Note	2008 EUR thou.	2007 EUR thou.
Net sales	(11)	164,628	136,457
Inventory changes		-1,427	-2,576
Own work capitalized	(12)	358	784
Other operating income	(13)	2,618	2,153
Cost of materials	(14)	-83,517	-62,345
Personnel costs	(15)	-43,009	-39,543
Depreciation and amortization expense	(16)	-2,847	-3,210
Other operating expenses	(17)	-20,804	-19,711
Operating profit		16,000	12,009
Net financing costs	(18)	-3,962	-1,933
Income before income taxes		12,038	10,076
Income taxes	(19)	-3,305	-2,592
Consolidated net income for the period, before minority interests		8,733	7,484
Minority interests	(20)	-666	-482
Consolidated net profit		8,067	7,002
Undiluted earnings per share (EPS) in EUR	(21)	1.78	1.53

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2008 (IFRS)

STATEMENT OF CASH FLOWS

	2008 EUR thou.	2007 EUR thou.
Consolidated net profit for the period	8,067	7,002
Depreciation and amortization of noncurrent assets	2,847	3,210
Reversal of write-downs of noncurrent assets	-215	0
Disposal of assets, net	-48	-448
Allowances for inventories and doubtful accounts	784	716
Partial profits realized using the POC method	-1,577	-943
Change in accrued liabilities	-93	-468
Change in deferred taxes	2,234	-91
Cash flow	11,999	8,978
Changes in short- and long-term assets and liabilities:		
– Inventories	-10,995	871
– Trade accounts receivable	8,778	-5,843
– Trade accounts payable	572	-40
– Other operating assets	-1,004	5,188
– Other operating liabilities	-5,488	-3,556
Cash provided by operating activities	3,862	5,598
Proceeds from retirement/disposal of		
– Intangible assets	4	0
– Property, plant and equipment	203	1,265
– Financial assets	28	122
Disbursements due to acquisition of		
– Intangible assets	-2,222	-2,088
– Property, plant and equipment	-1,927	-2,602
– Financial assets	-4	-17
– Consolidated companies	-10,921	-21,471
Net cash used in investing activities	-14,839	-24,791
Dividends paid	-3,605	-3,205
Proceeds from raising of financial loans	14,690	32,444
Disbursements due to repayment of financial loans	-1,750	-5,150
Change in minority interests	414	244
Own shares	-1,261	-681
Net cash provided by financing activities	8,488	23,652
Gain/loss from derivatives and securities	-259	-259
Change in cash and cash equivalents due to consolidation	1,552	1,729
Net change in cash and cash equivalents	2,489	2,730
Cash and cash equivalents at start of period	12,442	8,242
Cash and cash equivalents at end of period	11,246	12,442
Cash and cash equivalents are composed of:		
Cash	10,166	11,112
Securities	1,080	1,330
	11,246	12,442

Statement of changes in stockholders' equity

of the euromicron Group up to December 31, 2008 (IFRS) euromicron

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Subscribed capital EUR thou.	Additional paid-in capital EUR thou.	Own shares EUR thou.
Balance at December 31, 2005	11,914	61,781	0
Dividend for 2005			
Consolidated net income for 2006			
Purchase of own shares			-828
Gain/loss on the valuation of securities			
Profit share for minority interests			
Balance at December 31, 2006	11,914	61,781	-828
Dividend for 2006			
Consolidated net income for 2007			
Purchase of own shares			-852
Gain/loss on the valuation of securities			
Profit share for minority interests			
Balance at December 31, 2007	11,914	61,781	-1,680
Dividend for 2007			
Consolidated net income for 2008			
Purchase of own shares			-1,261
Gain/loss on the valuation of securities			
Profit share for minority interests			
Other changes in stockholders' equity			
Balance at December 31, 2008	11,914	61,781	-2,941

Consolidated retained earnings EUR thou.	Gain/loss on the valuation of derivatives and securities EUR thou.	Minority interests EUR thou.	Total EUR thou.
-7,454	0	234	66,475
-2,796			-2,796
4,368			4,368
	-92		-828
		206	-92
			206
-5,882	-92	440	67,333
-3,204			-3,204
7,002			7,002
	-78		-852
		244	-78
			244
-2,084	-170	684	70,445
-3,605			-3,605
8,067			8,067
	-259		-1,261
		666	-259
		-252	666
			-252
2,378	-429	1,098	73,801

Notes to the IFRS consolidated financial statements for fiscal year 2008

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

General information

1. Description of business activities

euromicron AG (hereinafter referred to as the Company) is a registered company under German law with headquarters in Frankfurt/Main and is mainly active in the areas of network and fiber optics 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, distribution 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.

2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315a (1) of the German Commercial Code (HGB), in the valid version at December 31, 2008. All the mandatory standards at the balance sheet date were applied.

The following standards, whose application is not yet mandatory, were also not used by euromicron AG before they apply:

IFRIC 13	Mandatory application for fiscal years that start on or after July 1, 2008 (endorsement has been given)
IFRS 1	Mandatory application for fiscal years that start on or after January 1, 2009 (endorsement has been given)
IFRIC 14	Mandatory application for fiscal years that start on or after July 1, 2008 in conjunction with IAS 19 (endorsement has been given)
IFRS 2	Mandatory application for fiscal years that start on or after January 1, 2009 (endorsement has been given)
IFRS 7	Mandatory application for fiscal years that start on or after July 1, 2008 (endorsement has been given)
IFRS 8	Mandatory application for fiscal years that start on or after January 1, 2009 (endorsement has been given)
IAS 1	Mandatory application for fiscal years that start on or after January 1, 2009 (endorsement has been given)
IAS 23	Mandatory application for fiscal years that start on or after January 1, 2009 (endorsement has been given)
IAS 27	Mandatory application for fiscal years that start on or after January 1, 2009 (endorsement has been given)

IAS 32	Mandatory application for fiscal years that start on or after January 1, 2009 (endorsement has been given)
IAS 39	Mandatory application as of July 1, 2008 (endorsement has been given)

The changes in IFRS 8 and IAS 1 will result in added details in the notes. First-time application of the other standards will not have any significant impact on presentation of the financial statements as far as can be assessed at present.

3. Other details

The consolidated financial statements of euromicron AG are presented in thousands of euros, unless stated otherwise.

The balance sheet is presented by noncurrent and current assets and liabilities in accordance with IAS 1. Current assets and liabilities are items that are due within a year. Depending on when they are due, inventories, trade accounts receivable and trade accounts payable are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle.

The income statement has been prepared in accordance with IAS 1.94 using the type of expenditure format.

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

Consolidated companies

Apart from euromicron AG, the consolidated financial statements include fourteen companies in which euromicron AG directly or indirectly holds the majority of voting rights. The majority of them are German companies, with three being foreign companies. The included financial statements of the companies were audited by independent auditors and each granted an unqualified audit opinion or certification relating to their inspection.

A list of consolidated and unconsolidated companies is provided at the end of the notes. Two companies that do not 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.

There were the following changes to the consolidated companies in the fiscal year:

CHANGES IN CONSOLIDATED COMPANIES	2008	2007
January 1	16	17
First-time consolidation	4	6
Mergers within the Group	-6	-7
December 31	14	16

(a) Significant acquisitions in fiscal year 2008

With the notarized agreement dated February 18, 2008, euromicron AG acquired the remaining stake of 20% in BCK-Systeme Datentechnik GmbH, Oberhaid, at a purchase price (including incidental costs) of EUR 0 thousand. There is a provision under which a further payment of a maximum of EUR 128 thousand is due to the former shareholders, depending on the earnings for the period from January 1, 2008, to December 31, 2009.

With the notarized agreement dated March 17, 2008, euromicron AG acquired the remaining stake of 20% in Gustav Hartmann Nachrichten- und Fernmeldetechnik GmbH, Munich, at a purchase price (including incidental costs) of EUR 220 thousand from the outside shareholder and the 80% stake held by euromicron solutions GmbH, Mainz, at a purchase price (including incidental costs) totaling EUR 884 thousand.

With the notarized agreement dated March 25, 2008, euromicron AG acquired AGU Datentechnik GmbH, Friedberg (Augsburg), at a purchase price (including incidental costs) of EUR 149 thousand.

With the notarized agreement dated June 11, 2008, euromicron AG acquired 80% of the shares in NetWays Netzwerk Consulting GmbH, Ettlingen, at a purchase price (including incidental costs) of EUR 3,780 thousand.

With the notarized agreement dated October 27, 2008, euromicron AG acquired all the shares in KASYS-Netzwerktechnik GmbH, Munich, from SKM Delwave GmbH, Munich, at a purchase price of EUR 0 thousand. Subject to a resolution by the shareholders, the company's headquarters were subsequently relocated to Frankfurt/Main and it was renamed euromicron international services GmbH – A euromicron Group company.

With the purchase agreement dated November 27, 2008, euromicron international services GmbH, Frankfurt/Main, acquired 90% of the shares in QUBIX S.p.A., Padua (Italy), by purchasing shares to the amount of EUR 4,998 thousand (including incidental costs).

With the notarized agreement dated May 27, 2008, euromicron systems GmbH, Essen, purchased assets, liabilities and contractual relationships from UniTech Gesellschaft für Daten- und Kommunikationstechnik mbH, Lohmar, at a price of EUR 1,200 thousand under an asset deal agreement. On July 2008, euromicron solutions GmbH, Mainz, also purchased the assets, liabilities and contractual relationships of Neef IT Solutions AG, Karlsruhe, at a price (including incidental costs) of EUR 100 thousand under an asset deal agreement.

The acquiring companies are fully entitled to the rights to participate in profits at the acquired stock corporations for fiscal 2008.

In the year under review, there was no subsidiary whose financial statements were prepared in a currency other than euros.

The additions to assets and liabilities of the newly acquired companies upon first-time consolidation are shown below.

**ADDITIONS FROM
NEWLY ACQUIRED
COMPANIES**

	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
	Unitech	Neef	AGU	NetWays	Qubix	Total
Noncurrent assets	157	76	2	211	689	1,135
Current assets, excluding cash and cash equivalents	692	646	170	917	6,210	8,635
Cash and cash equivalents	0	0	29	689	834	1,552
Long-term liabilities	0	0	0	0	525	525
Short-term liabilities	1,019	1,049	200	1,260	6,086	9,614
Short-term accrued liabilities	357	1,436	15	413	0	2,221

The newly acquired companies were consolidated at different times in the Group. The sales from the new companies carried on a pro-rata basis in the Group are EUR 5,877 thousand (Qubix EUR 1,544 thousand and Netways EUR 4,333 thousand); the pro-rata net profit is EUR 1,248 thousand after minority interests (Qubix EUR 455 thousand and Netways EUR 793 thousand).

The newly acquired companies generated sales of EUR 19,610 thousand on the basis of 2008 and a net profit for the whole of 2008 of EUR 1,871 thousand.

The relevant details in relation to the asset deals and AGU Datentechnik GmbH can no longer be ascertained due to the mergers in the year under review.

(b) Other changes to the consolidated companies

With the notarized agreement dated March 17, 2008, Gustav Hartmann Nachrichten- und Fernmelde-technik GmbH, Munich was merged with euromicron solutions GmbH, Mainz, effective January 1, 2008.

As part of an asset deal agreement dated March 27/28, 2008, the assets, liabilities and contractual relationships of the partial business establishment of euromicron solutions GmbH, Mainz, in Erfurt – formerly NTA GmbH, Erfurt branch – were sold to SSM euromicron GmbH, Zwenkau.

As part of the merger, the headquarters of BCK-Systeme Datentechnik GmbH were relocated from Oberhaid to Zwenkau pursuant to the shareholder resolution dated November 20, 2008. With the notarized agreement dated December 22, 2008, SSM euromicron GmbH, Zwenkau, was merged with BCK-Systeme Datentechnik GmbH, Zwenkau, retroactively effective October 1, 2008; at the same time, the company was renamed SSM euromicron GmbH – A euromicron Group company.

With the notarized agreement dated April 30, 2008, TPB Telecom Partner in Berlin GmbH based in Berlin and Engel & Co. GmbH, Schwerin, were merged with euromicron systems GmbH, Essen, effective January 1, 2008.

With the notarized agreement dated August 18, 2008, rako electronic data technology gmbh, Grünstadt, was merged with LWL Sachsenkabel GmbH, Gornsdorf, effective January 1, 2008.

With the notarized agreement dated August 18, 2008, AGU Datentechnik GmbH, Friedberg (Augsburg), was merged with SKM Delwave GmbH, Munich effective January 1, 2008.

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 IAS 27.

Company acquisitions are carried using the purchase method of accounting. Under this, the costs of acquisition of euromicron AG are 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 analyzed as part of purchase price allocation to determine its cause. If it is due to the fact that dormant reserves or dormant charges have to be distributed over the individual assets and debts, 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 not written off using the regular method of depreciation, in accordance with IFRS 3, but examined for impairment at least once a year in accordance with the regulations of IAS 36.

The Group dispenses with the elimination of intercompany profits since the resultant amounts are of minor importance.

If valuation adjustments for shares of consolidated companies or intragroup receivables are carried in individual financial statements, they are reversed as part of consolidation.

Receivables and payables between the companies included in the consolidated financial statements are offset against each other. Any differences resulting from this are recognized as income and carried in the income statement under the other operating income and expenses.

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.

For the assets and liabilities acquired as part of an asset deal (UniTech Gesellschaft für Daten- und Kommunikationstechnik mbH, Lohmar, and Neef IT Solutions AG, Karlsruhe) and for AGU Datentechnik GmbH, Friedberg (Augsburg), no details on changes to the consolidated companies are made for items in the balance sheet and income statement due to the merger.

Explanations on the balance sheet and income statement

1. Noncurrent assets

A fixed asset movement schedule can be found on pages 122/123 of these notes.

Impairment of long-lived assets:

Property, plant and equipment and intangible assets are tested for impairment if, due to events or changes in circumstances, there are indications that the book value of the objects can no longer be recovered. The recoverable amount is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties. Value in use is the present value of the future cash flow expected to be derived from continued use of an asset and its retirement at the end of its useful life. If the reasons for the earlier write-off no longer exist, the assets are written up again.

(a) Intangible assets

Intangible assets comprise software, licenses, industrial rights and goodwill, as well as capitalized development costs. Purchased intangible assets, with the exception of goodwill, are capitalized at their cost of acquisition and written down over their useful life of 3 to 15 years. Borrowing costs are not capitalized, but charged as expense at the time they arise in accordance with their cause. 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.

Intangible assets with an unlimited useful life, such as goodwill from company acquisitions, are not written off in accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, but are tested for impairment once a year in compliance with the regulations of IAS 36. In this impairment test, the book values at December 31 of the cash generating units on which the goodwill is based are compared with their recoverable amount. The individual companies in conjunction with the regions as primary segments are defined as cash generating units at euromicron AG. The recoverable amount is calculated using the discounted cash flow (DCF) method. The future cash flows to be discounted using the DCF method are determined on the basis of medium-term planning for net assets, financial position and results of operations. If the book value exceeds the recoverable amount according to the DCF method, there is value impairment and the asset has to be written down to the recoverable amount.

The following parameters were applied in the impairment test:

	in %
Borrowing rate after taxes	4.28
Risk-free interest	3.71
Markup for return on equity	5.00
Beta factor	1.06
Weighted average cost of capital (WACC)	8.11
Growth rate	1.00

The impairment test in 2007 did not reveal any need to reduce the value of the goodwill. If the weighted average cost of capital (WACC) were to rise by 1%, there would be a need to reduce the value by EUR 2.0 million for Cteam Consulting & Anlagenbau GmbH, Seekirchen, Austria.

Goodwill developed as follows in the fiscal year:

GOODWILL

	2008 TEUR	2007 TEUR
Goodwill as of January 1	66,910	49,486
Additions	11,916	17,438
Amortization	-10	-14
Goodwill as of December 31	78,816	66,910

The additions relate to the following companies:

ADDITIONS TO GOODWILL

	2008 TEUR
Qubix S.p.A	3,965
NetWays Network Consulting GmbH	3,536
euromicron systems GmbH	285
Gustav Hartmann Nachrichten- und Fernmeldetechnik GmbH	170
SKM Delwave GmbH	168
AGU Datentechnik GmbH	158
Other	20
	8,302
UniTech Gesellschaft für Daten- und Kommunikationstechnik mbH (asset deal)	1,751
Neef IT Solutions AG (asset deal)	1,863
	11,916

Development costs are carried at manufacturing cost, provided the expenses can be clearly assigned, technical feasibility and future marketing is ensured and it is sufficiently likely that the development work will result in future inflows of funds. Borrowing costs are not carried. Development costs of EUR 1,759 thousand (previous year: EUR 1,812 thousand) were carried in the year under review.

(b) Property, plant and equipment

Property, plant and equipment is carried at its acquisition or manufacturing cost less regular depreciation. Interest on borrowing costs is not carried. Depreciation is straight-line. The following useful lives are used to calculate depreciation:

**PROPERTY, PLANT
AND EQUIPMENT**

	Useful life in years
Buildings	10–50
Technical equipment and machinery	5–15
Other equipment, operating and office equipment	4–15

In accordance with the new tax regulations, minor assets with a procurement cost of up to EUR 150 are depreciated in full in the year of their acquisition, whereas minor assets with a procurement cost of between EUR 150 and EUR 1,000 are depreciated over a period of five 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.

The Company has leased property, plant and equipment which it uses. The criteria of IAS 17.8 are used to examine whether the benefits and risks of ownership have been transferred to the lessee (finance leases). If the criteria are met, the assets and liabilities are recognized at the inception of the lease to the same amount in the balance sheet, at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Leased equipment, operating and office equipment totaling EUR 54 thousand (previous year: EUR 186 thousand) were carried as finance leases at December 31.

Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The future payment obligations from lease agreements are carried under the other liabilities.

All other lease agreements in which euromicron AG is the lessee are recognized as operating leases. The leasing payments are charged to expenditure.

A detailed breakdown of property, plant and equipment is contained in the fixed asset movement schedule.

(c) Financial assets

Additions of financial assets are measured in principle at their cost of acquisition, including transaction costs.

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

2. Deferred tax assets

Deferred taxes are recognized for differences in carrying values between the IFRS balance sheet and tax balance sheet (time differences) using the liabilities method in accordance with IAS 12, if these differences are temporary ones.

In this, deferred taxes at the level of the individual companies and consolidated entities are taken into account. Deferred tax claims are recognized to the extent that it is probable that there will be a taxable result in future. The tax rates that are enacted or can be expected to be enacted on the balance sheet at the time of realization are used to calculate deferred taxes.

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

DEFERRED TAX ASSETS

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Deferred tax assets for:		
– Tax loss carryforwards	1,036	2,289
– Other assets	6	7
Deferred tax assets	1,042	2,296

As of December 31, 2008, the Group had corporation income tax loss carryforwards totaling EUR 7,382 thousand (previous year: EUR 7,952 thousand) and trade tax loss carryforwards totaling EUR 3,401 (previous year: EUR 7,266 thousand). The loss carryforwards relate to five domestic holdings and one foreign holding. These losses may be carried forward indefinitely in accordance with the current legal position. The deferred tax rates are 15.83% if only corporation income tax is incurred and 30.0% respectively if 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.

No deferred taxes have been formed on the tax loss carryforwards that cannot be used totaling EUR 1,751 thousand (previous year: EUR 0 thousand). The resultant deferred tax amount is EUR 356 thousand (previous year: EUR 0 thousand).

3. Inventories

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. Borrowing costs are not carried.

The Group's portfolio includes project companies that increasingly report project and installation services running beyond the key date in their balance sheet. In the case of significant services that run beyond the key date and whose costs and pro-rata profit realization can be clearly identified, the Group applies the percentage of completion (POC) method. The stage of completion is determined as part of the POC method in principle on the basis of the costs incurred in relation to the total anticipated costs.

INVENTORIES

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Raw materials and supplies	5,518	5,647
Work in progress	1,275	2,037
Finished goods and merchandise	7,560	4,839
	14,353	12,523

EUR 6,602 thousand of inventories (previous year: EUR 6,476 thousand) are attributable to the euromicron North division and EUR 7,751 thousand (previous year: EUR 6,047 thousand) to the euromicron South division. Despite the acquisition of new companies, their increase (14.61%) was able to be kept well under the growth in sales (20.64%). The increase in finished goods and merchandise is mainly due to the new acquisition Qubix S.p.A. in Italy. Inventories totaling EUR 1,987 thousand were carried due to changes in the consolidated companies compared with the previous year.

In accordance with IAS 2.34, there were write-downs on inventories totaling EUR 501 thousand (previous year: EUR 452 thousand). There were no reversals in fiscal 2008 (previous year: 218 thousand).

4. Receivables and other assets

Accounts receivable are measured at their depreciated acquisition cost. Individual value adjustments are made if the accounts receivable are not recoverable or cannot probably be recovered; the amount of the value adjustments must, however, be able to be determined with sufficient accuracy.

**RECEIVABLES
AND OTHER ASSETS**

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Trade accounts receivable	45,726	36,725
Allowances for doubtful accounts	-600	-482
Other assets	5,236	3,773
	50,362	40,016

Apart from an amount of EUR 499 thousand, none of the trade accounts receivables and other assets has a term of more than one year. The allowances for doubtful accounts comprise individual adjustments for receivables and are carried under the item "Other operating expenses" in the income statement. Changes in the consolidated companies resulted in an increase in trade account receivables of EUR 4,494 thousand.

TERMS FOR THE TRADE ACCOUNTS RECEIVABLE	Accounts for which no allow- ance has been made and that are not overdue at the reporting date		Accounts for which no allowance has been made and are overdue in the following periods of time				
	EUR thou.	EUR thou.	< 60 days EUR thou.	60–120 days EUR thou.	121–180 days EUR thou.	181–360 days EUR thou.	> 360 days EUR thou.
Trade accounts receivable Dec. 31, 2008	45,126	34,990	6,798	1,212	1,169	458	499
Trade accounts receivable Dec. 31, 2007	36,243	27,866	5,944	676	1,014	276	467

As regards the accounts for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations.

The trade accounts receivable include receivables in foreign currency totaling EUR 60 thousand (previous year: EUR 350 thousand). Losses from receivables in foreign currency as a result of the exchange rate on the reporting date were EUR 1 thousand (previous year: EUR 2 thousand).

The trade accounts receivable also include receivables from production contracts in accordance with the percentage of completion method. The costs associated with the contracts, including a pro-rata profit corresponding to the stage of completion, are recognized as income as the cumulative outcome from production contracts. The production contracts are recognized in income as receivables from production contracts if the cumulative result exceeds the payment on account received from the customer. The amount from these receivables is EUR 20,030 thousand (previous year: EUR 16,724 thousand) and is carried under trade accounts receivable. Received payments on account of EUR 8,118 thousand (previous year: EUR 3,662 thousand) were offset against these receivables from production contracts.

Other assets mainly comprise prepaid capital gains tax and solidarity surcharge, as well as creditable taxes from dividend payments of the euromicron Group companies. Changes in the consolidated companies resulted in additional other assets totaling EUR 1,464 thousand being charged compared with the previous year.

The other assets do not contain any amounts with payment periods that are overdue.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banking accounts, as well as marketable securities. The cash and cash equivalents are as follows:

CASH AND CASH EQUIVALENTS

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Cash	10,166	11,112
Marketable securities	1,080	1,330
	11,246	12,442

The decrease in cash is mainly due to company acquisitions. In contrast, quicker settlement of trade accounts receivable, in particular at the project companies, was achieved due to rigorous receivables management.

The securities are exclusively qualified as available for sale in accordance with IAS 39. They are measured at their fair value.

Cash not freely available totaled EUR 313 thousand (previous year: EUR 619 thousand).

6. Stockholders' equity

(a) Subscribed capital

euromicron AG's subscribed capital comprises 4,660,000 issued no-par value bearer shares. The calculated par value per share is EUR 2.56.

In accordance with Section 7 of the German Stock Corporation Act (AktG), the minimum nominal value of the subscribed capital is EUR 50 thousand. The Company's subscribed capital totals EUR 11,914 thousand.

Own shares

The General Meeting on June 12, 2008 authorized the Company effective June 13, 2008, to acquire its own shares up to December 12, 2009, at a maximum proportional amount of the capital stock of EUR 1,191,400.00 for these shares. This is 10% of the Company's capital stock at the time of the General Meeting. The acquired shares – together with other shares that are owned by the Company or can be ascribed to it pursuant to Sections 71 a ff. AktG – must at no time exceed 10% of the Company's capital stock.

The authorization may not be used for the purpose of trading in the Company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the Company or by third parties for the Company's account. The authorization to acquire own shares adopted by the Company's General Meeting on June 20, 2007, will be revoked at the time the newly adopted authorization takes effect.

The shares are to be acquired on the stock market or by means of a public offering addressed to all shareholders of the Company, at the discretion of the Executive Board.

The provisions of the Wertpapiererwerbs- und Übernahmegesetz (German Security Purchase and Takeover Law) must be observed insofar as and if they are applicable.

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

1. Reselling of shares to an arithmetic amount of up to 10% of the capital stock in exchange for a cash sum, if the cash sum is not significantly below the applicable stock market price. Exclusion of the subscription right pursuant to other authorizations in accordance with Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) (cf. in particular Section 5 (4) of the Articles of Association) must also be taken into account in relation to the question of utilizing the 10% limit. The applicable stock market price shall be the mean value for the closing prices in the XETRA trading system (or a comparable successor system) on the three days of trading before the shares are sold.
2. Assignment of the shares as a consideration for the purpose of acquiring companies or holdings in companies.

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

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

The Executive Board had not made use of this authorization at December 31, 2008.

As a result of the share buyback program, there have been the following changes in the number of shares in circulation:

OWN SHARES

	Number
Total bearer shares	4,660,000
Own shares at December 31, 2007	81,585
Purchase of own shares in the year under review	75,649
= shares in circulation at December 31, 2008	4,502,766

At the balance sheet date, a total of 157,234 bearer shares were held by the Company with a value of EUR 402 thousand (previous year: EUR 209 thousand) measured by the capital stock or 3.37% (previous year: 1.75%) of the capital stock. The value of its own shares at acquisition cost is EUR 2,941 thousand. In accordance with IAS 32.33, the value of its own shares was deducted in one sum from stockholders' equity.

Contingent capital

Pursuant to the resolution adopted by the General Meeting on June 23, 2006, the capital stock of the Company was increased conditionally by up to EUR 1,191,400 through the issue of up to 466,000 no-par value bearer shares ("contingent capital"). The contingent capital serves to secure subscription rights from stock options that are issued pursuant to the authorization of the General Meeting of euromicron AG on June 23, 2006, as part of the 2006 stock option program in the period from June 24, 2006, to December 31, 2009. The contingent capital increase will be conducted only to the extent that stock options are issued and the holders of these stock options make use of their right to subscribe to shares in the Company. The new shares will participate in profits in each case from the beginning of the fiscal year in which they accrue through exercise of the subscription right. The Executive Board with the consent of the Supervisory Board – and, if stock options are issued to members of the Executive Board, the Supervisory Board – is authorized to define further details of the contingent capital increase and its implementation.

The Executive Board had not made use of this authorization at December 31, 2008.

Exclusion of the subscription right in sale of own shares

The General Meeting on June 12, 2008 authorized the Company effective June 13, 2008, to acquire its own shares up to December 12, 2009, at a maximum proportional amount of the capital stock of EUR 1,191,400.00 for these shares. The Executive Board was further authorized to use shares acquired in the Company, with the consent of the Supervisory Board and excluding shareholders' subscription right, as consideration for the purpose of acquiring companies or holdings in companies. In addition, the Executive Board was authorized to exclude shareholders' subscription right in corresponding application of Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) for new shares to an arithmetic amount of up to 10% of the capital stock. Specifically:

1. The anticipated possible exclusions of the subscription right are justified from the following points of view:
 - a. The authorization to exclude the subscription right in accordance with e) 2) is intended to enable the Company to hold its own shares so as to be able to offer them as a consideration for acquiring companies or holdings in companies. This form of consideration is increasingly required as a result of globalization of the economy in the face of international and national competition. The proposed authorization will give the Company the flexibility it needs to use its own shares as currency for acquisitions.
 - b. If the authorization of the Executive Board further envisages that the Executive Board, with the consent of the Supervisory Board, can sell shares in the Company for a cash payment with exclusion of the subscription right of shareholders in a way other than on the stock market or through an offering to all shareholders (cf. e) (1)), the Company is to be enabled as a result to issue shares, for example to institutional investors, financial investors or other cooperation partners. The Company is subject to strong competition on the capital markets.

Adequate availability of equity is of special importance to the Company's future business development. This also includes the possibility of being able to raise equity on the market at any time and at reasonable terms and if applicable to sell its own shares flexibly within the stated constraints. In this respect, the Company must also be able to tap further groups of investors. In individual cases, this may also require the Company to acquire its own shares and pass on these shares to specific investors. Market-oriented price fixing will ensure as high as possible proceeds from a sale and the greatest possible strengthening of internal funds.

2. The interests of shareholders will be adequately safeguarded as part of this. As regards the authorization to exclude the subscription right pursuant to e) (1), the following applies:
 - a. The authorization is restricted to a maximum total of 10% of the Company's capital stock. The acquired shares in the Company may only be sold to third parties at a price that does not significantly differ from the stock market price of Company shares with the same features at the time of the sale. The applicable stock market price here is the mean value of the closing prices as established in the XETRA trading system (or a comparable successor system) at Frankfurt Stock Exchange during the last three days of trading before sale of the Company's own shares. The relevant stock market price will be determined on the basis of the closing prices in floor trading and electronic trading at Frankfurt Stock Exchange, which as a whole is a liquid trading center and where there is admission to trading, with the result that the price is as true a reflection as possible. The definitive selling price for the Company's own shares shall be set shortly before sale of the shares by the Executive Board with the consent of the Supervisory Board. The markdown on the stock market price at the time the authorization is utilized will not be more than 5%. Relevant impairment of shareholders' assets is therefore not to be feared.
 - b. If own shares are sold to third parties for a cash payment, shareholders' interests are largely protected by the fact that the own shares sold with exclusion of the subscription right – as a whole and together with other shares issued with exclusion of the subscription right pursuant to Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) from a capital increase or authorized capital – must not exceed 10% of the capital stock that exists at the time of the sale. This ensures in the interests of shareholders that as a result there is no dilution of their stake that could not be compensated for as part of subsequent purchase of shares on the stock market, something that is also assumed by the relevant underlying assessment of legislators in Section 186 (3) Sentence 4 AktG (German Stock Corporation Law).

Authorized capital

A resolution of the General Meeting on June 23, 2005, rescinded the authorization for the Executive Board to increase the capital stock by up to EUR 5,957,000 on one or several occasions by issuing new shares against cash or non-cash contributions by May 30, 2005.

The Executive Board was authorized to increase the capital stock by up to EUR 5,957,000 on one or several occasions with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions (authorized capital) by June 20, 2010. A subscription right will be granted to shareholders. However, the Executive Board is authorized to exempt fractional amounts from the subscription right of shareholders. The Executive Board is further authorized with the consent of the Supervisory Board to exclude the subscription right of shareholders if the authorization is used provided the

capital increase in exchange for cash contributions does not exceed 10% of the capital stock and the issue price of the new shares is not significantly below the stock market price of the already listed shares with the same features at the time when the issue price is definitively set. Finally, the Executive Board is authorized with the consent of the Supervisory Board to exclude the subscription right if the capital increase is made for the purpose of acquiring companies or holdings in companies. The Executive Board is further authorized with the consent of the Supervisory Board to define the further details of the issue and features of the new shares.

The authorized capital has not been used up to now.

(b) Additional paid-in capital

In accordance with Section 150 (2) AktG, one-twentieth of the net income for the year, minus any loss carried forward from the previous year, must be transferred to the additional paid-in capital until the latter amounts to one-tenth of the capital stock.

As in the previous year, the Company's additional paid-in capital amounts to EUR 61,781 thousand and so meets this requirement.

(c) Gain/loss on the valuation of securities

The difference of EUR 429 thousand is the result of the valuation of securities that are qualified as available for sale in accordance with IAS 39.

(d) Consolidated retained earnings

Consolidated retained earnings of EUR –5,689 thousand (previous year: EUR –9,086 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.

(e) Currency translation difference

There were no currency translation differences in fiscal 2008, since all the consolidated associated companies of euromicron AG prepare their financial statements in euros.

(f) Distributions in the fiscal year

Dividends from the net profit for 2007 of EUR 0.80 per share, or a total of EUR 3,605 thousand, were paid out in fiscal 2008.

(g) Minority interests

Under IFRS, minority interests are disclosed as part of stockholders' equity in accordance with the entity point of view.

The minority interests in stockholders' equity relate to three companies: Microsens GmbH & Co. KG, Hamm, (20%), NetWays Netzwerk Consulting GmbH, Ettlingen, (20%), and Qubix S.p.A., Padua, (10%).

7. Accrued liabilities

Tax accruals and other accrued liabilities are recognized in the case of legal or constructive obligations to third parties where utilization is probable and the expected amount of the necessary accrued liability can be measured reliably. The accrued liabilities are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Long-term accrued liabilities are measured at their cash value on the balance sheet date. They include accrued liabilities for pensions.

The accrued liabilities are composed as follows:

ACCRUED LIABILITIES

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Taxes	1,828	1,475
Other short-term accrued liabilities	1,687	256
Short-term accrued liabilities	3,515	1,731
Accrued benefit liabilities	342	529
Accrued liabilities for anniversaries	5	7
Other long-term accrued liabilities	99	108
Long-term accrued liabilities	446	644
Total accrued liabilities	3,961	2,375

(a) Other accrued liabilities

The other accrued liabilities are composed as follows:

OTHER ACCRUED LIABILITIES

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Severance payments	1,038	108
Legal disputes	38	24
Semi-retirement	114	42
Other	596	190
	1,786	364

There are no effects from changes in the consolidated companies.

The accrued liabilities developed as follows in the fiscal year:

**DEVELOPMENT
OF ACCRUED LIABILITIES**

	Jan. 1, 2008 EUR thou.	First- time consoli- dation EUR thou.	Utiliza- tion EUR thou.	Reversal EUR thou.	Transfer EUR thou.	Changes in reinsurance EUR thou.	Dec. 31, 2008 EUR thou.
Noncurrent							
Accrued benefit liabilities	529	0	8	220	84	43	342
Anniversary	7	0	0	2	0	0	5
Other	108	0	29	0	20	0	99
Current							
Tax provisions	1,475	512	481	77	399	0	1,828
Other	256	1,404	180	53	260	0	1,687
	2,375	1,916	698	352	763	43	3,961

(b) *Accrued benefit liabilities*

The Company and a number of associates maintain a company pension scheme for certain active and retired employees. 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.

Provisions for pensions and similar obligations are calculated using the projected unit credit method prescribed in IAS 19. The resultant obligation is recognized in the balance sheet as an accrued liability.

The 10% band rule of IAS 19 is not applied at euromicron AG in measuring the pension obligations and determining personnel costs. euromicron AG uses the method of immediate and complete payment, in which actuarial gains and losses are recognized in income, in particular if the calculation parameters change. The option of recognizing these actuarial gains and losses without any affect on income using the statement of recognized income and expense (SORIE) was not utilized.

If pension obligations were reinsured with insurance companies, the surrender values are offset with the pension obligations.

The following table provides information on the change in the projected benefit obligation in the fiscal year.

**PENSION
PROVISIONS**

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Present value of benefit obligation at the beginning the period under report	823	1,113
Service cost	49	2
Interest cost	35	34
Pension payments	-8	-7
Reversal	0	-319
Actuarial gains	-220	0
Present value of benefit obligation at the end of the period under report	679	823
Balance of the surrender value of reinsurance policies	-337	-294
Value carried in balance sheet	342	529

The service cost and interest cost are carried in the personnel costs in the income statement.

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

Average measurement factors	2008 %	2007 %
Discount rate	6.00	4.25
Rates of increase in compensation levels	2.5	2.5
Future pension indexation	1.5	1.5

8. Liabilities

Current liabilities are measured at their repayment amount or amount required to discharge them. Long-term debt is measured at its depreciated acquisition cost.

The liabilities are composed as follows:

LIABILITIES	Dec. 31, 2008	Dec. 31, 2007
	EUR thou.	EUR thou.
Bank loans and overdrafts	58,479	42,257
Liabilities from finance lease	113	186
Trade accounts payable	13,620	11,514
Other liabilities	17,846	18,124
	90,058	72,081

The liabilities have the following terms:

TERMS OF THE LIABILITIES	Total amount EUR thou.	Up to 1 year EUR thou.	Due		
			1 to 2 years EUR thou.	2 to 5 years EUR thou.	More than 5 years EUR thou.
Bank loans and overdrafts	58,479	45,053	5,503	7,923	0
Liabilities from finance lease	113	74	39	0	0
Trade accounts payable	13,620	13,620	0	0	0
Other liabilities	17,846	7,704	142	3,333	6,667
	90,058	66,451	5,684	11,256	6,667
(previous year)	72,081	48,466	4,739	8,861	10,015

Trade accounts payable in foreign currency amount to EUR 927 thousand (previous year: EUR 368 thousand).

The bank loans and overdrafts are secured at the associated companies by individual provision of security or by a real estate lien of EUR 368 thousand.

The interest rates for bank loans and overdrafts range from 3.25% to 11.5%.

So as to ensure its solvency at all times and underpin the buy and build strategy, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of EUR 17,079 thousand (previous year: EUR 27,756 thousand) were unused at the year-end.

The other liabilities are composed as follows:

OTHER LIABILITIES	Dec. 31, 2008	Dec. 31, 2007
	EUR thou.	EUR thou.
Industry loans	10,000	10,000
Tax liabilities	2,748	2,157
Personnel obligations	1,206	1,198
Payments on account	203	683
Other	3,689	4,086
	17,846	18,124

The payments on account received do not include those that can be directly assigned to production contracts on the basis of the percentage of completion method and can be offset. Trade accounts payable of EUR 2,337 thousand, bank loans and overdrafts of EUR 1,989 and other liabilities of EUR 797 thousand are carried as a result of changes in the consolidated companies.

The tables below present the contractually agreed (undiscounted) interest payments and repayments for the original financial obligations and the derivative financial instruments of the euromicron Group.

They include all financial instruments that were held at the balance sheet date of December 31, 2008, and for which payments have already been contractually agreed. The variable interest rate payments from the financial instruments were calculated using the interest rates last fixed before December 31, 2008. Financial obligations that can be repaid at any time are always assigned to the earliest time slot.

	Cash flow 2009			Cash flow 2010			Cash flow 2011–2014			Cash flow 2015 foll.			
	Book value 31.12.2008 EUR thou.	Interest		Repaym. EUR thou.	Interest		Repaym. EUR thou.	Interest		Repaym. EUR thou.	Interest		Repaym. EUR thou.
		Fixed EUR thou.	Var. EUR thou.		Fixed EUR thou.	Var. EUR thou.		Fixed EUR thou.	Var. EUR thou.		Fixed EUR thou.	Var. EUR thou.	
Bank loans and overdrafts	58,479	113	765	45,101	220	415	5,503	229	276	7,875	0	0	0
Liabilities from finance lease	113	0	7	74	0	6	39	0	0	0	0	0	0
Other interest-bearing liabilities	10,000	532	0	0	532	0	0	1,537	0	3,333	414	0	6,667

9. Deferred tax liabilities

Deferred taxes are recognized for differences in carrying values between the IFRS balance sheet and tax balance sheet (time differences) using the liabilities method in accordance with IAS 12, if these differences are temporary ones.

In this, deferred taxes at the level of the individual companies and consolidated entities are taken into account. In principle, deferred tax debts are recorded for all temporary differences on which tax is to be paid and reported separately as deferred tax liabilities.

There are taxable temporary differences between the shares in subsidiaries compared with the tax carried of EUR 464 thousand (previous year: EUR 240 thousand) for which no deferred tax liabilities were recognized in accordance with IAS 12.39, since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary difference will not be reversed in the foreseeable future.

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

DEFERRED TAX LIABILITIES

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Deferred tax liabilities for:		
Noncurrent assets	1,915	1,547
Dormant reserves from capital consolidation	726	588
Other assets and liabilities	1,654	976
Deferred tax liabilities	4,295	3,111

10. Additional details on the financial instruments

**ADDITIONAL
DETAILS ON THE
FINANCIAL
INSTRUMENTS**

	Measure- ment cate- gory acc. to IAS 39	Book value at Dec. 31, 2008 EUR thou.	Value carried in the balance sheet	
			Depreciated acquisition cost EUR thou.	Acquisition cost EUR thou.
Assets				
Cash and cash equivalents	LaR ¹⁾	10,166		10,166
Accounts receivable	LaR ¹⁾	45,126	45,126	
Other receivables	LaR ¹⁾	5,236	5,236	
Other financial assets				
– Held-to-maturity investments	HtM ³⁾			
– Available-for-sale financial assets	AfS ⁴⁾	1,080		
– Financial assets held for trading	FAHfT ⁵⁾			
Liabilities				
Accounts payable	FLAC ²⁾	13,620	13,620	
Bank loans and overdrafts	FLAC ²⁾	58,479	58,479	
Other interest-bearing liabilities	FLAC ²⁾	10,000	10,000	
Other non-interest-bearing liabilities	FLAC ²⁾	9,180	9,180	
Liabilities from finance lease	FLAC ²⁾	113	113	

¹⁾ LaR = Loans and Receivables

²⁾ FLAC = Financial Liabilities Measured at Amortised Cost

³⁾ HtM = Held to Maturity

⁴⁾ AfS = Available for Sale

⁵⁾ FAHfT = Financial Assets Held for Trading

acc. to IAS 39		Value carried in the balance sheet acc. to IAS 39				
Fair value recognized directly in equity EUR thou.	Fair value recognized as income EUR thou.	Book value at Dec. 31, 2007 EUR thou.	Depreciated acquisition cost EUR thou.	Acquisition cost EUR thou.	Fair value recognized directly in equity EUR thou.	Fair value recognized as income EUR thou.
		11,112		11,112		
		36,243	36,243			
		3,773	3,773			
1,080		1,396		66	1,330	
		11,514	11,514			
		42,257	42,257			
		10,000	10,000			
		8,124	8,124			
		186	186			

11. Sales

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

Sales and earnings from the main projects running beyond the key date were recognized in compliance with IAS 11 on a pro rata basis using the percentage of completion method. The stage of completion of the contracts is derived from the ratio of the costs incurred to date and the estimated total costs of the contract. The POC sales revenues recognized using this method correspond to the production costs for the contract plus a pro-rata profit based on the stage of completion at the balance sheet date. Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The sales include amounts from application of the percentage of completion method totaling EUR 3,373 thousand (previous year: EUR 5,911 thousand).

The effect on earnings in the year under review compared with the single-entity financial statements (HGB) is EUR 1,539 thousand (previous year: EUR 943 thousand).

There were sales of EUR 5,877 thousand as a result of changes in the consolidated companies.

Sales are broken down by secondary segment reporting as follows:

SALES BY SECONDARY BUSINESS SEGMENTS	2008	2007
	EUR thou.	EUR thou.
Components and Assembly	52,734	49,042
Projects and Systems	106,425	85,140
Distribution and Services	12,674	8,112
Cross-segment consolidation	-7,205	-5,837
	164,628	136,457

12. Own work capitalized

Own work capitalized is carried at EUR 358 thousand (previous year: EUR 784 thousand) and, as in the previous year, is mainly due to the sharp increase in development costs to secure the company's market position and achieve unique selling points. Changes in the consolidated companies did not result in any own work capitalized.

13. Other operating income

(a) The other operating income is composed as follows:

OTHER OPERATING INCOME	2008 EUR thou.	2007 EUR thou.
Income from reversal of accrued liabilities	352	466
Income from reversal of write-downs of noncurrent assets	215	0
Reduction in allowances for doubtful accounts	177	410
Income from property and rent	168	124
Currency gains	144	77
Income from retirement of noncurrent assets	97	477
Compensation paid from insurance	69	111
Other	1,396	488
	2,618	2,153

The changes in other operating income primarily result from the lower income from retirement of noncurrent assets and the reduction in allowances for doubtful accounts receivable. Changes in the consolidated companies resulted in other income of EUR 28 thousand.

14. Cost of materials

The cost of materials is composed of:

COST OF MATERIALS	2008 EUR thou.	2007 EUR thou.
Cost of raw materials and supplies and goods purchased	59,420	43,985
Cost of purchased services	24,097	18,360
	83,517	62,345

Changes in the consolidated companies resulted in costs of materials totaling EUR 2,468 thousand.

15. The personnel costs are composed as follows:

PERSONNEL COSTS	2008	2007
	EUR thou.	EUR thou.
Wages and salaries	35,083	32,974
Social security	7,926	6,569
Total	43,009	39,543

Changes in the consolidated companies resulted in personnel costs totaling EUR 692 thousand.
Average number of employees per year:

EMPLOYEES	2008	2007
	EUR thou.	EUR thou.
Hourly-paid employees	563	551
Salaried employees	361	317
Trainees	55	61
	979	929

Changes in the consolidated companies resulted in an addition of 13 employees.

16. Amortization and depreciation is composed as follows:

AMORTIZATION AND DEPRECIATION	2008	2007
	EUR thou.	EUR thou.
Amortization of intangible assets	1,219	1,482
Depreciation of tangible assets	1,628	1,728
	2,847	3,210

Dormant reserves totaling EUR 153 thousand were identified and carried as part of purchase price allocation in the acquisition of new companies in 2008. The amortization and depreciation for this in 2008 was EUR 153 thousand. Changes in the consolidated companies resulted in amortization and depreciation of EUR 37 thousand.

17. Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES	2008 EUR thou.	2007 EUR thou.
Vehicle and travel expenses	6,166	5,245
Rent/room costs	2,857	3,160
Legal and consulting costs	2,060	2,056
Trade fair and advertising costs	1,297	1,226
Communication expenses	1,138	892
Cost of goods consignment	1,092	966
Allowances for inventories and inventories	784	716
Commission	686	380
Maintenance and repair	632	582
Insurance / charges & contributions	597	723
Exchange rate losses	146	37
Retirement of noncurrent assets	49	23
Other	3,300	3,705
	20,804	19,711

Changes in the consolidated companies resulted in other operating expenses of EUR 481 thousand.

18. Net financing costs

NET FINANCING COSTS	2008 EUR thou.	2007 EUR thou.
Other interest and similar income	180	382
Interest and similar expenses	-4,142	-2,315
	-3,962	-1,933

Changes in the consolidated companies resulted in net financing costs of EUR 7 thousand.

19. Income taxes

INCOME TAXES

	2008 EUR thou.	2007 EUR thou.
Current taxes in Germany	1,560	2,626
Deferred taxes in Germany	2,497	-473
Current taxes abroad	61	10
Deferred taxes abroad	-813	429
	3,305	2,592

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 30.00% (previous year: 37.87%) and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 15.825% (previous year: 22.26%) and the effective trade tax rate of 14.175% (previous year: 15.61%). The differences in the rates of tax from the previous year are due to the corporate income tax reform, which came into effect in 2008.

**TAX
RECONCILIATION**

	2008 EUR thou.	2007 EUR thou.
Expected tax expense	3,611	3,816
Effect of changes in tax rates	0	-214
Tax-free income from investments	-940	-883
Non-deductible expenses	117	121
Effect of other measurement differences	23	6
Non-capitalized loss carryforwards	356	0
Effects of different national tax rates	195	-250
Tax arrears/refunds	17	501
Other	-74	-505
Actual tax expense	3,305	2,592
Effective tax rate	27.5%	25.7%

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.

20. Minority interests in net income for the period

The minority interests in the net income for the period of the consolidated subsidiaries relate to Microsens GmbH & Co. KG, Hamm, NetWays Netzwerk Consulting GmbH, Ettlingen, and Qubix S.p.A., Padua.

21. Earnings per share

The number of no-par value shares issued in 2008 remained constant at 4,660,000.

Undiluted and diluted earnings per share are calculated as follows:

Undiluted earnings per share

**UNDILUTED EARNINGS
PER SHARE**

	2008	2007
Consolidated net income for the period in EUR thou.	8,067	7,002
Number of shares issued	4,660,000	4,660,000
Weighted own shares	125,768	74,716
Adjusted weighted average number of shares issued (undiluted)	4,534,232	4,585,284
Undiluted earnings per share in EUR	1.78	1.53

The consolidated net income for the period is after income tax (net income for the year) and the income to which other shareholders are entitled. The total number of all issued shares is used to calculate undiluted earnings per share. Bought-back own shares were included in fiscal 2008 in calculating the undiluted earnings per share in accordance with their pro rata temporis weighting. The own shares that were bought back up to fiscal year 2007 were included in full.

Diluted earnings per share

**DILUTED EARNINGS
PER SHARE**

	2008	2007
Consolidated net income for the period in EUR thou.	8,067	7,002
Adjusted weighted average number of shares issued (undiluted)	4,534,232	4,585,284
Shares from potential stock options with a diluting effect	0	10,684
Weighted average number of shares issued (diluted)	4,534,232	4,595,968
Diluted earnings per share in EUR	1.78	1.52

The method of calculating diluted earnings per share is basically the same as that for calculating undiluted earnings per share. However, the quantities included in the calculation must also be adjusted for all equity dilution effects resulting from potential shares.

The equity instruments that may dilute undiluted earnings per share in future include the stock options of euromicron AG, which were included in calculating diluted earnings per share.

There were no dilution effects from the tranches of the stock option program (please refer to the comments under "Stock option program") that were included in calculating diluted earnings per share for fiscal 2008.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2008, disclose net retained profits of EUR 8,716,336.24. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of EUR 0.80 for 4,502,766 shares	EUR 3,602,212.80
Carryforward to a new account	EUR 5,114,123.44

22. Contingencies and commitments

(a) Contingencies

euromicron AG has extended letters of subordination issued to euromicron international services, Frankfurt/Main, (EUR 4,919 thousand), Cteam Consulting und Anlagenbau GmbH, Seekirchen, Austria, (EUR 5,200 thousand) and Cteam Kommunikationstechnik GmbH, Munich, (EUR 1,181 thousand).

(b) Other financial obligations

Derivative 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.

In fiscal year 2007, euromicron AG concluded an interest rate swap with Taunus Sparkasse on June 12, 2007. The procurement amount was EUR 2,000,000 and its term ends on September 30, 2008. The volume, rate of interest and term of this interest rate swap were identical to the underlying hedged item, a euro loan.

There are the following other financial obligations:

OTHER FINANCIAL OBLIGATIONS	Up to 1 year EUR thou.	2 to 5 years EUR thou.
Guaranties and sureties	6,427	3,437
Rental agreements	2,230	2,761
Other	1,796	738
Leasing	1,686	1,711
Purchase obligation	1,514	0
	13,653	8,647

There are further contingent liabilities of EUR 50 thousand at the euromicron Group outside the guaranties and sureties.

Obligations under operating lease agreements mainly relate to operating and office equipment and amount to EUR 3,397 thousand (previous year: EUR 2,265 thousand). In 2008, payments from these leasing relationships totaling EUR 2,110 thousand (previous year: EUR 1,451 thousand) were recognized as income. Amounts totaling EUR 1,686 thousand (previous year: EUR 1,171 thousand) will be due within the next year and EUR 1,704 thousand (previous year: EUR 1,094 thousand) in a period of between one and five years.

23. Segment reporting

euromicron AG is structured into the business segments euromicron North and euromicron South. The structure of primary reporting, which has been converted to a regional alignment since 2006, was further strengthened by the mergers of smaller project companies in Northern and Southern Germany in 2008. Further mergers as part of the Group's structural reorganization will follow in 2009.

Management measures the success of the segments on the basis of income before interest and taxes on income. The details on primary segment reporting required under IFRS are contained in the following table.

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2008 (IFRS)

	euromicron North EUR thou.	euromicron South EUR thou.	euromicron AG and eliminations EUR thou.	euromicron Group EUR thou.
2008				
Sales	80,008	90,587	-5,967	164,628
of which sales to third parties	77,255	87,373		
of which sales to affiliated companies	2,753	3,214		
Income before interest and income taxes	14,621	4,800	-3,421	16,000
Assets	74,268	93,997	1,523	169,788
of which goodwill	33,282	45,534		78,816
Liabilities	29,127	57,867	5,197	92,191
Investments in intangible assets and property, plant and equipment	4,393	11,805	178	16,376
Amortization/depreciation	1,490	1,308	49	2,847
Reversals of write-downs	0	215	0	215
Other non-cash expenses	351	1,071	0	1,422
	euromicron North EUR thou.	euromicron South EUR thou.	euromicron AG and eliminations EUR thou.	euromicron Group EUR thou.
2007				
Sales	61,529	79,043	-4,115	136,457
of which sales to third parties	59,920	76,534		
of which sales to affiliated companies	1,609	2,509		
Income before interest and income taxes	9,144	7,124	-4,259	12,009
Assets	59,246	98,699	-13,415	144,530
of which goodwill	25,872	37,290		
Liabilities	22,183	63,600	-14,959	70,824
Investments in intangible assets and property, plant and equipment	4,561	14,925	642	20,128
Amortization/depreciation	1,385	1,766	59	3,210
Other non-cash expenses	667	405	405	1,477

The assets are broken down by secondary segment reporting as follows:

ASSETS		2008	2007
SECONDARY SEGMENT REPORTING		EUR thou.	EUR thou.
Components and Assembly		55,452	50,307
Projects and Systems		96,583	88,275
Distribution and Services		29,626	19,005
euromicron AG and eliminations		-11,873	-9,575
		169,788	148,012

The investments in intangible assets and property, plant and equipment are broken down by secondary segment reporting as follows:

INVESTMENTS		2008	2007
SECONDARY SEGMENT REPORTING		EUR thou.	EUR thou.
Components and Assembly		2,487	4,272
Projects and Systems		9,359	14,676
Distribution and Services		4,354	538
euromicron AG		176	642
		16,376	20,128

24. Risk management

Principles of risk management:

The euromicron Group is subject in particular to risks from changes in exchange rates and interest rates that may impact its assets, liabilities and buy and build strategy. The aim of financial risk management is to limit these risks by means of ongoing operational and finance-related activities.

The basic elements of financial policy are defined annually by the Executive Board and monitored by the Supervisory Board. Finance and Controlling is responsible for implementing the financial policy and constant risk management. Transactions of a certain size require the prior consent of the Executive Board and Supervisory Board, which is also informed regularly of the scope and volume of the current risk portfolio.

Currency risks

The euromicron Group's currency risks result solely from operational activities. Foreign currency risks that affect the Group's cash flow are of minor significance, with the result that they are only hedged against on a case-by-case basis. The operational companies in the euromicron Group operate almost only in the Euro zone. Foreign currency risks that do not affect the Group's cash flow (translation of assets and liabilities from foreign currencies to the Group currency on the reporting date) are not hedged against in principle.

There are currently no foreign currency risks at the Group in the areas of investments and financing.

Interest rate risks

Interest rate risks for the euromicron Group are exclusively in the Euro zone. They are minimized by a balanced mix of financing with fixed and variable interest rates. Taking into account the given and planned structure of financing, interest rate derivatives are also used to optimize the net interest paid (please also refer to the comments under "Derivative financial instruments").

The euromicron Group began in 2007 to reorganize its financing structure by increasingly converting short-term financial debt into medium- and long-term contractual obligations. This was continued in 2008. The financing that was contractually agreed and utilized at December 31, 2008, will result in interest expenses of around EUR 5.0 million by the end of their term. Interest rate risks are presented by means of sensitivity analyses in accordance with IFRS 7. These show the effects from changes in market interest rates on interest payments, income and expenses. The interest rate sensitivity analyses are based on the following assumptions:

Changes in market interest rates for original financial instruments with a fixed rate only have an impact on the result if these instruments are measured at their fair value. All financial instruments with a fixed rate that are measured at their depreciated acquisition cost are not therefore exposed to the risk of any change in interest rates in accordance with IFRS 7.

Changes in market interest rates for original financial instruments that have a variable rate and whose interest payments are not designed as a hedged item as part of cash flow hedges against risks of interest rate changes have an effect on the interest paid and are included in calculation as part of the earnings-oriented sensitivity analysis.

If the average market level for interest rates in 2008 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been EUR 604 thousand lower (EUR 604 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Details on capital management

The prime objective of capital management is to ensure that the Group's financial substance is also retained in future.

Other price risks

As part of the analysis of market risks, IFRS 7 demands details of how hypothetical changes to risk variables affect prices of financial instruments. Particular risk variables are indexes and stock market prices.

Risks from rising prices of raw materials are protected against by conclusion of long-term purchasing agreements. If this is not possible, the Group tries to pass the increase in procurement prices on to customers.

At December 31, 2008, the euromicron Group did not hold any significant investments that are categorized as available for sale.

Risks of default

The companies in the euromicron Group are exposed to a risk of default as a result of their operational and financing activities. In the operational arena, accounts receivable are monitored constantly for each associate. The risk of default is reflected by means of individual and general allowances for doubtful accounts.

In the area of financing, there is no significant financing outside euromicron AG.

The risk of default by large customers can be regarded as being low in relation to the total risk of default, since the euromicron Group does not have a large customer that accounts for more than 8% of total sales. Consequently, there is no discernable extraordinary concentration of risks; nevertheless, this risk is a special point in our general risk management activities.

The maximum risk of default is to the amount of the book values of the financial assets carried on the balance sheet. At the reporting date, there were no significant agreements that alleviate the maximum risk from default.

Liquidity risks

Please refer to the comments under "Liabilities".

25. Related parties

There are business relations for the entire fiscal year with the Executive Board and the Supervisory Board and with the companies in the list of those included in the consolidated financial statements, in which euromicron AG has a direct or indirect participating interest.

(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, 2008.

euromicron international services GmbH, Frankfurt/Main, has been granted a loan by euromicron AG to finance acquisition of a company, with a rate of interest that differs from market terms, namely 1.0%. SKM GmbH, Munich, has also been granted a loan to finance company assets of euromicron AG, Frankfurt/Main, with a rate of interest of 0.5%.

(b) Relations with related persons

Apart from the compensation for the Executive Board and Supervisory Board, there are no significant relations with related persons.

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

In fiscal 2007, the Company complied with the recommendations of the Corporate Governance Code, with a number of exceptions. The exceptions are due to the size and business model of the Company; in some cases, future adjustments are being prepared.

The declaration on conformance and the exceptions to the recommendations are listed on the Company's homepage at <http://www.euromicron.de> and can be viewed at the Company.

27. Stock option program

At the General Meeting on June 23, 2006, the Executive Board was authorized, with the consent of the Supervisory Board, to issue up to 466,000 stock options with a subscription right to shares in euromicron AG by December 31, 2009. The total volume of stock options (subscription rights) for members of the Executive Board must not exceed 375,000.

At December 31, 2008, 415,000 subscription rights were issued to members of the Executive Board, General Managers and employees. The stock options can be exercised at the earliest after a waiting period of two years after the respective date of issue within a period of two further years.

Detailed information on the individual tranches is provided in the table below.

TRANCHES	Tranche	Total options	Of which for the Executive Board	Exercise price in EUR	Exercisable	
					from	to
	1	40.000	0	18.00	2008	2010
	2	190.000	190.000	18.50	2008	2010
	3	185.000	185.000	19.94	2009	2011

The earliest possible time at which the options issued to executive employees could be exercised was August 10, 2008, if the shares of euromicron AG perform better in the reference period than the TecDAX of Deutsche Börse AG or if the stock market price of shares in euromicron AG has increased by more than an average of 5% per annum in the reference period. The options have not been exercised to date.

The option rights cannot be exercised in full or in part within the following periods:

- 30 calendar days before announcement of quarterly results, if euromicron AG publishes these
- 30 calendar days before announcement of half-yearly results, for example in the form of an interim report
- 30 calendar days before the Ordinary General Meeting.

The exercise price of the options is the arithmetic mean of the final prices of shares in euromicron AG in XETRA trading of Deutsche Börse AG during the ten days of stock market trading directly preceding the respective day of issue.

The development of the issued stock options is shown in the table below.

DEVELOPMENT OF STOCK OPTIONS

	Number of options rights	Weighted average price in EUR
Number at start of year	415,000	19.09
Options granted in 2008	0	0.00
Number at end of year	415,000	19.09

Liabilities totaling EUR 87 thousand and income of EUR 524 thousand were generated by the stock option program in fiscal 2008.

A Monte Carlo simulation is used to value the subscription rights. In this, the log-normally distributed processes for the price of euromicron's share and the TecDAX Index are simulated in order to reflect the performance goal in the form of outperformance by euromicron's share compared with the index or the performance goal that increases over time.

The parameters included in calculating the fair value and the overall values based on this are shown in the table below.

Tranche	1	2	3
Implied volatility at the time of issue	43.42 %	42.30 %	38.24 %
Risk-free interest rate	1.75 %	1.77 %	1.96 %
Term in years	0.61	0.63	1.47
Fair value per option right in EUR			
– at the date of valuation	0.26	0.25	0.21
– at the date of issue	4.15	4.46	4.93
Total value per program in EUR thou.	10.40	48.00	29.00

The forecast dividends used for calculating the total value are:

	2009 EUR	2010 EUR	2011 EUR
Anticipated dividend	0.87	0.88	0.93

28. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, BDO Deutsche Warentreuhand AG, of EUR 320 thousand. These fees relate solely to the audits of the financial statements of the companies.

29. Significant events after the balance sheet date

There have not been any significant events after the balance sheet date.

30. Publication of the consolidated financial statements

The consolidated financial statements were released for publication on March 30, 2009, by the Supervisory Board following their submission by the Executive Board.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to disclose annual financial statements and management reports and fulfills all the necessary conditions. Exceptions to this are Cteam Kommunikationstechnik GmbH, Munich, Cteam Consulting & Anlagenbau GmbH, Seekirchen, Austria, and euromicron holding gmbh, Seekirchen, Austria, which disclose their annual financial statements.

31. Supervisory Board and Executive Board

(a) Executive Board

The members of the Executive Board of euromicron AG are:

Dr. Willibald Späth, Chairman

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

Dr. Edgar Bernardi

Board member responsible for Products, Market, Technology and Operations

(b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman

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

Josef Martin Ortoft, Deputy Chairman

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

Dr. Andreas de Forestier

- Managing Director of DBE Deutsche Bauentwicklung GmbH / DBE Liegenschaften GmbH / DBE Immobilienverwaltung GmbH / RBF Immobilien GmbH / GVG Grundstücksverwaltungs- und Beteiligungs-GmbH / DBG Immobilien Management GmbH
- Unlimited partner of DG Immobilien Anlagegesellschaft No. 49, Stuttgart Industriestraße and Berlin Kronenstraße 5 and 6 / No. 24 Hanover, Hamburger Allee / No. 31 Berlin, Holzmarktstraße 15–18
- Chairman of the Board of the Noris Stiftung, a civil-law foundation, Nuremberg

(c) Remuneration of the board members

The total remuneration of the members of the Executive Board consists of a number of components: a fixed amount, bonus, a component with a long-term incentive effect (stock option program) and fringe benefits.

In 2008, the Executive Board received a total remuneration of EUR 1,179 thousand (previous year: EUR 937 thousand); the variable payment made up EUR 640 thousand of this (previous year: EUR 423 thousand).

Individual disclosure of the remuneration of the members of the Executive Board was waived pursuant to a resolution adopted by the General Meeting on June 23, 2006

Section 5.4.7 of the German Corporate Governance Code proposes that performance-related compensation of Supervisory Boards should also contain components based on the long-term performance of the enterprise. euromicron AG has complied with this recommendation since 2006 with a modification of its previous remuneration system.

The remuneration of the members of the Supervisory Board is composed of a fixed and performance-related component.

Apart from being reimbursed for their outlays, the members of the Supervisory Board receive a fixed annual remuneration of EUR 6 thousand and an annual performance-related payment of EUR 100.00 for each cent of dividend distributed per share that exceeds four cents per share. The Chairman of the Supervisory Board receives double and his deputy one-and-a-half times the fixed and variable remuneration.

In the past fiscal year, the members of the Supervisory Board received remuneration of EUR 61 thousand (previous year: EUR 76 thousand). The company acquisitions entailed consulting services, mainly relating to due diligence process, which were conducted by the auditing firm of a member of the Supervisory Board. A fee totaling EUR 190 thousand was paid for this.

**LIST OF
COMPANIES
INCLUDED IN THE
CONSOLIDATED
FINANCIAL
STATEMENTS**

	Share in equity %	Equity acc. to IFRS EUR thou.
Parent company		
euromicron Aktiengesellschaft communication & control technology Frankfurt/Main, Germany		
Included subsidiaries:		
a) Segment North		
euromicron systems GmbH – A euromicron Group company – Essen, Germany	100.00	4,890
EUROMICRON Werkzeuge GmbH, Mittenaar, Germany	100.00	1,307
LWL-Sachsenkabel GmbH, Spezialkabel und Vernetzungstechnik Gornsdorf, Germany	100.00	1,902
Microsens GmbH & Co. Gesellschaft für Entwicklung und Vermarktung von Optoelektronischen Systemen für Datenverarbeitung KG, Hamm, Germany	80.00	1,722
SSM euromicron GmbH – A euromicron Group company – (formerly BCK-Systeme Datentechnik GmbH, Oberhaid, Germany) Zwenkau, Germany	100.00	1,656
b) Segment South		
Cteam Consulting & Anlagenbau GmbH, Seekirchen, Austria	100.00	275
Cteam Kommunikationstechnik, Errichtung von Mobilfunkanlagen GmbH, Munich, Germany	100.00	–224
ELABO GmbH, Crailsheim, Germany	100.00	3,767
euromicron holding gmbh, Seekirchen, Austria	100.00	730
euromicron international services GmbH, Frankfurt, Germany	100.00	1
euromicron solutions GmbH, Mainz, Germany	100.00	5,481
NetWays Netzwerk Consulting GmbH, Ettlingen, Germany	80.00	1,000
Qubix S.p.A., Padua, Italy	90.00	1,803
SKM Delwave GmbH – A euromicron Group company – Munich, Germany	100.00	770
LIST OF AFFILIATED COMPANIES AND HOLDINGS NOT INCLUDED IN THE CONSOLIDATED FINANCIAL		
Jiangsu Euromicron Technology Co., Ltd (JET), in liquidation, Shanghai, P.R. China	100.00	0
Macrogate Deutschland GmbH, Berlin, Germany	49.00	0

The annual financial statements of the affiliated companies and holdings not included in the consolidated financial statements are not available.

Group fixed-asset movement schedule 2008

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2008

	Acquisition costs					
	Jan. 1, 2008* EUR thou.	Additions EUR thou.	Retire- ments EUR thou.	Change in first-time consolidation EUR thou.	Reclassifi- cation EUR thou.	Dec. 31, 2008 EUR thou.
Intangible assets						
Goodwill	74,545	11,916	0	0	0	86,461
Concessions, industrial and similar rights	14,300	463	-48	1,053	55	15,823
Own work capitalized	3,454	1,759	-61	0	0	5,152
Tangible assets						
Land and buildings	7,678	141	-11	0	0	7,808
Plant and machinery	3,596	387	-328	8	598	4,261
Other fixtures and fittings, tools and equipment	12,765	1,706	-1,752	1,017	-653	13,083
Financial assets						
Other loans and investments	92	4	-54	2	0	44
	116,430	16,376	-2,254	2,080	0	132,632

* Adjusted figures for the previous year without any effect on earnings

Depreciation and amortization						Book values		
Jan. 1, 2008*	Additions	Retire- ments	Reversal of write-downs	Change in first-time consolidation	Reclassifi- cation	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2007
EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
-7,635	-10	0	0	0	0	-7,645	78,816	66,910
-11,595	-653	48	0	-581	0	-12,781	3,042	2,705
-409	-556	58	0	0	0	-907	4,245	3,045
-3,443	-187	12	215	0	0	-3,403	4,405	4,235
-2,607	-359	230	0	-8	-456	-3,200	1,061	989
-9,980	-1,082	1,691	0	-669	456	-9,584	3,499	2,785
-26	0	26	0	0	0	0	44	66
-35,695	-2,847	2,065	215	-1,258	0	-37,520	95,112	80,735

Frankfurt/Main, March 16, 2009



Dr. Willibald Späth



Dr. Edgar Bernardi

Declaration by the Executive Board

The Executive Board of euromicron AG is responsible for the preparation, completeness and correctness of the consolidated financial statements and group management report, as well as the other information given in the Annual Report. The International Financial Reporting Standards (IFRS), as well as the principles of proper accounting, were observed in preparing the consolidated financial statements and, where necessary, appropriate estimates made. The group management report contains an analysis of the Group's net assets, financial position and results of operations, as well as further details that are required pursuant to the provisions of the German Commercial Code, and accords with the consolidated financial statements.

There is an effective internal control system to ensure the reliability of the data, both for preparing the consolidated financial statements and group management report and for internal reporting. It includes consistent Group-wide policies on accounting and risk management in accordance with KonTraG (German Corporate Control and Transparency Act), which are continuously reviewed and developed further, and an integrated controlling concept as part of value-oriented management and audits by Group Controlling. This enables the Executive Board to identify significant risks and initiate counter-measures promptly.

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

BDO Deutsche Warentreuhand Aktiengesellschaft has been appointed by the Supervisory Board in accordance with the resolution adopted by the General Meeting as the auditor for euromicron AG's 2008 fiscal year. It has audited the consolidated financial statements prepared in accordance with the International Financial Reporting Standards and granted the following unqualified audit opinion.

The consolidated financial statements, the group management report, the audit report and the risk management system were discussed in detail together with the auditors at the balance sheet meeting of the Supervisory Board.

The result of the examination by the Supervisory Board is stated in the report of the Supervisory Board (please refer to pages 38 to 40 of the Annual Report).

Dr. Willibald Späth

Dr. Edgar Bernardi

Auditor's Report

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, Frankfurt/Main, and the group management report for the fiscal year from January 1, 2008 to December 31, 2008. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as are to be applied in the EU, and in addition the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (Handelsgesetzbuch – German Commercial Code) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/Main, March 16, 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Simon-Heckroth
Auditor

Heckhäuser
Auditor

Five-year Overview of the Group

**VALUES FROM THE
INCOME STATEMENT**

	2008 EUR m.	2007 EUR m.	2006 EUR m.	2005 EUR m.	2004 EUR m.
Consolidated sales	164.6	136.5	115.9	114.1	110.0
Germany	134.0	115.4	106.2	100.9	96.5
Euro zone	24.0	17.3	6.8	7.9	7.1
Rest of World	6.6	3.8	2.9	5.3	6.4
EBIT	16.0	12.0	7.7	8.3	10.1
EBT	12.0	10.1	7.2	7.7	9.4
Consolidated net income/ loss for the period	8.1	7.0	4.4	5.6	4.5
Cash flow	12.0	9.0	5.9	4.2	1.3

**FROM THE
BALANCE SHEET**

	2008 EUR m.	2007 EUR m.	2006 EUR m.	2005 EUR m.	2004 EUR m.
Current assets	75.8	64.9	48.2	57.1	57.6
Noncurrent assets	96.3	83.1	61.6	43.7	50.1
Current liabilities	70.0	50.2	38.1	26.5	30.3
Long-term debt	28.3	27.4	4.4	7.8	13.6
Minority interests	1.1	0.7	0.4	–	–
Stockholders' equity	73.8	70.4	67.3	66.5	63.8
Total assets	172.1	148.0	109.8	100.8	107.7
Equity ratio	42.9	47.6	61.3	66.0	59.2

MISCELLANEOUS

	2008 EUR m.	2007 EUR m.	2006 EUR m.	2005 EUR m.	2004 EUR m.
Investments in intangible assets and in property, plant and equipment	4.1	4.7	2.4	1.5	7.7
Employees (annual average)	979	929	767	805	765

Single-entity Financial Statements (HGB)

Balance sheet as of December 31, 2008

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

ASSETS

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
A. Assets		
I. Intangible assets		
Concessions, industrial and similar rights	16	28
II. Tangible assets		
Other equipment, operating and office equipment	136	79
III. Financial assets		
1. Shares in affiliated companies	89,738	83,896
2. Loans to affiliated companies	21,825	17,387
	111,715	101,390
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	30,406	21,229
2. Other assets	4,451	2,760
II. Securities	2,676	2,839
III. Cash-in-hand, bank balances	4,857	6,103
	42,390	32,931
C. Prepayments and accrued income	187	55
	154,292	134,376

**EQUITY AND
LIABILITIES**

	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
A. Equity		
I. Subscribed capital	11,914	11,914
II. Capital reserves	62,847	62,847
III. Revenue reserves		
1. Reserves for own shares	1,602	1,509
2. Other revenue reserves	5,102	5,195
IV. Retained profits	8,716	6,878
	90,181	88,343
B. Provisions		
1. Provisions for pensions and similar obligations	288	239
2. Provisions for taxes	512	604
3. Other provisions	394	400
	1,194	1,243
C. Liabilities		
1. Liabilities to banks	51,469	32,320
2. Trade payables	89	181
3. Liabilities to affiliated companies	1,126	1,990
4. Other liabilities	10,233	10,299
	62,917	44,790
	154,292	134,376

Income statement for the period January 1 to December 31, 2008

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

INCOME STATEMENT

	2008 EUR thou.	2007 EUR thou.
1. Income from investments	3,663	2,359
2. Income from profit and loss transfer agreements	9,986	8,749
3. Other operating income	428	624
4. Personnel expenses		
a) Salaries	-2,100	-1,838
b) Social security and other pension costs – thereof pension costs EUR 48 thousand (previous year: EUR 36 thousand) –	-175	-120
5. Amortization of intangible assets and depreciation of tangible assets	-48	-58
6. Other operating expenses	-8,574	-6,485
7. Income from long-term loans – thereof from affiliated companies EUR 309 thousand (previous year: EUR 279 thousand) –	309	278
8. Other interest and similar income – thereof from affiliated companies EUR 927 thousand (previous year: EUR 668 thousand) –	7,289	4,735
9. Amortization of financial assets	-1,424	-247
10. Interest and similar expenses – thereof to affiliated companies EUR 196 thousand (previous year: EUR 155 thousand) –	-3,302	-1,763
11. Result from ordinary activities	6,052	6,234
12. Income taxes	-600	-967
13. Other taxes	-9	-2
14. Net profit for the year	5,443	5,265
15. Accumulated profit	3,273	1,614
16. Net retained profits	8,716	6,879

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2008, disclose net retained profits of EUR 8,716,336.24. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of EUR 0.80 for 4,502,766 shares	EUR 3,602,212.80
Carryforward to a new account	EUR 5,114,123.44

The annual financial statements of euromicron Aktiengesellschaft communication & control technology as of December 31, 2008, 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

ADSL (Asymmetric Digital Subscriber Line)

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

Assembling fiber optic cables

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

Attenuation

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

Backbone

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

Bandwidth

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

BITKOM

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

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

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

Bot net

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

Carriers

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

Category 5, 6, 7, etc.

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

(Optical fiber) coating

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

Connector

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

Control station (process control center)

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

(Optical fiber) core

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

DSL (digital subscriber line)

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

em-net®

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

EM-RJ®

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

Ethernet

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

Fiber optic cable (optical waveguide)

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

Fiber-to-the-building (FTTB)

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

Fiber-to-the-curb (FTTC)

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

Fiber-to-the-desk (FTTD)

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

Fiber-to-the-home (FTTH)

External cabling in fiber optics technology in which fiber optic connections are established between the optical wide area network and the building cabling.

Fiber-to-the-office (FTTO)

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

Firewall

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

Gerontotechnology (living at an old age)

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

GSM (Global System for Mobile Communication)

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

Intrusion detection and prevention system (IDS and IPS)

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

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 systems, 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) and quasi-monochromatic and focused light. Today, lasers are the most important high-performance sources of light for the optical transfer of data using fiber optic cables. The data information is modulated onto the light signal of the laser and fed into the fiber optic cable at high power. An optical receiver at the other end of the fiber optic cable converts the modulated data information back into signals.

Last mile

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

Malware

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

MAN (Metropolitan Area Network)

A communications network typically set up within towns, cities and municipalities, for transmitting data, voice, TV programs and other electronic information.

Managed services

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

Media converter

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

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

Mode

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

Multi-mode fiber

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

Multiplexer

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

Network management

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

Optical fiber

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

Optical free space transmission

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

Optical multiplexer

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

Optical switches

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

Patch cable

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

Phishing

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

Pigtail

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

POF (Polymer optical fiber)

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

Power over Ethernet (PoE)

Terminal devices that are connected to a copper or fiber-optic based data network (Ethernet) are powered from this data connection instead of from an additional power supply unit. In particular in data networks based on fiber optic cables, such a data and power supply connection can be created by means of a hybrid cable (optical fiber and copper wire in one cable). However, VoIP phones can also be supplied with power by this means.

ProfiLIGHT® family

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

ProfiLINK family

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

Providers

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

Quartz glass (silica)

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

RoHS (restriction of the use of certain hazardous substances in electrical and electronic equipment)

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

Router

An active component of a data network that distributes the information which is split into individual data packets and does not 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, often using Fiber Channel technology, since high-capacity, rapid “data channels” usually based on fiber optic connections are involved.

Security networks

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

SFF (small form factor)

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

Single-mode fibers

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

Smartphones

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

Splice

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

Splicing

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

Switch

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

Telecommunications technology

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

Triple play

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

UMTS (Universal Mobile Telecommunication System)

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

URM®

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

VDSL (Very High Speed Digital Subscriber Line)

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

Video over IP

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

Voice over IP (VoIP)

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

VPN (virtual private network)

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

WAN (Wide Area Network)

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

WDM (Wavelength Division Multiplex)

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

SDM (Space Division Multiplex):

Spatial separation of individual signals, for example on separate lines

FDM (Frequency Division Multiplex):

Individual signals are modulated onto different frequencies

TDM (Time Division Multiplex):

Individual, usually digital, signals are transferred chronologically after each other

CDM (Code Division Multiplex):

Code words are assigned to the individual digital signals

DWDM (Dense Wavelength Division Multiplex):

An optical Frequency Division Multiplex method with a very dense channel (signal) spacing

WDM (Coarse Wavelength Division Multiplex):

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

WLAN (wireless LAN)

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

10 years of euromicron

1998

- Birth and creation of euromicron AG from the Berliner Elektro group and flotation on June 28, 1998
- euromicron – a financial holding

1999

- euromicron successful on the capital market and in ten different industrial markets
- Good technology platform for fiber-optic infrastructures

2000

- Dr. Willibald Späth, Chairman of the Executive Board, initiates realignment of the company with the focus on network technology
- Buy and build strategy is launched

2001

- Dr. Edgar Bernardi joins the Executive Board. He is responsible for Market and Technology and, thanks to his experience, adds mobile communications applications to the portfolio

2002

- Special project aimed at growing the Group organically
- Initial acknowledgement as a network system house with a joint appearance at CeBIT
- Divestments are implemented successfully

2003

- Purchase of new and sale of existing companies form the focus of the Group's work
- Sales from network business rise to EUR 52 million
- Switch to the Geregelter Markt stock exchange segment

2004

- Expansion of the system business portfolio to include security networks, fire alarm systems and data centers
- Business relationships with well-known major customers are forged
- Further growth in core business to EUR 72 million

2005

- Internal restructuring
- Strengthening of the sales force
- Change in personnel structure
- VATAS supports euromicron in replacement of 80% of euromicron AG
- The last company from the industrial sector is sold

2006

- Continuation of the acquisition strategy: purchase of nine companies
- Start of integration work
- Change to the Prime Standard stock exchange segment
- euromicron – an operational management company

2007

- Expansion of internationalization
- Innovation Circle is established, new products are created
- Building of the Competence Centers
- Establishment of regional branch offices
- Sales grow to EUR 138 million

2008

- euromicron turns 10
- 20 DAX-listed companies are customers or partners of euromicron
- Discontinuation of the buy and build strategy and move to "normal" company development
- Sales are EUR 165 million and the consolidated EBIT almost 10%

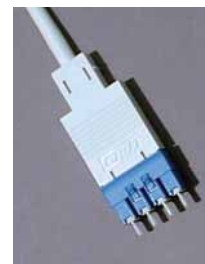
A Chronicle of 2008

January

euromicron looks back on a particularly successful fiscal year 2007. EBIT increased by 56% to EUR 12 million



February



Application availability means ensuring that applications are operational at all times. euromicron highlights this important issue at CeBIT 2008 – from the URM® fiber-optic system to entire data centers.

March

euromicron acquires AGU Datentechnik, Augsburg, a successful company in the field of passive network components.



April



euromicron expands its operations in the mobile communications segment further with the Mobile Solutions Competence Center.

May

The members' meeting of the VAF (the German Telecommunications Association) elects Hans A. Becker, Managing Director of euromicron solutions GmbH, as its 1st Chairman. Becker not only stands for the convergence of information and communications technology within euromicron, but stresses at the association's congress that an integrated ITC strategy is one of the key factors in the future market of system houses.



June



euromicron AG expands its competence in active network technology by acquiring an 80% stake in NetWays Netzwerk Consulting GmbH, Ettlingen.

The General Meeting was held on June 12, 2008, at the Commerzbank, Frankfurt/Main. A vote was taken following the discussions with the shareholders: they voted in favor of all six items on the agenda by a majority of more than 99%.

July



The six-month review is positive: consolidated sales rose year-on-year by 23% to around EUR 74.2 million in the first half of the year.

August

To mark the tenth anniversary of flotation, the first issue of the employee magazine euromicron*Inside* is published. The informational publication appears twice a year.



September



Germany's first model data center opens in Frankfurt/Main – and euromicron is also involved in it. An area of 200 m² showcases cutting-edge infrastructure technology solutions for highly available data centers.

October



euromicron acquires Neef IT Solutions AG. The company operates in the fields of network technology, client/server systems and IT security and offers a full range of services relating to IT infrastructure and IT security.

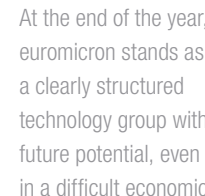


November



euromicron strengthens its international commitment and acquires a 90% stake in Qubix S. p.A., Italy. This also means the company has made a large stride toward accessing the markets of Eastern Europe, where Qubix operates.

December



At the end of the year, euromicron stands as a clearly structured technology group with future potential, even in a difficult economic environment. That is because network infrastructure, with a functional and intelligent design as regards speed and volume, is the backbone of modern information societies.



euromicron stands for evolved network competence and future-proof solutions.

We make important contributions to making data traffic secure, cost-effective and environmentally friendly.

Our Competence Centers are in greater demand than ever. Thanks to their know-how, we enhance the benefit of products and services for our customers.

Our solution expertise gives us attractive growth potentials to boost the value of our company.

Financial Calendar 2009

March 30, 2009	Publication of the Annual Report 2008
March 30, 2009	Analysts' Conference
May 15, 2009	Publication of the business figures for the 1st quarter of 2009
June 18, 2009	General Meeting
August 14, 2009	Publication of the business figures for the 2nd quarter of 2009
June 18, 2009	Publication of the business figures for the 3rd quarter of 2009

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www.euromicron.de

Contact

Investor Relations: Ulrike Hauser, Rainer Ehses
Phone: +49 69 63 15 83-0, Fax: +49 63 15 83-20

E-Mail: IR-PR@euromicron.de

Registry court: Frankfurt HRB 45562

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Both versions can also be downloaded from the Internet at www.euromicron.de.

In cases of doubt, the German version is authoritative.

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Note/disclaimer

This report also includes predictive statements and information on future developments that are based on the convictions and current views of euromicron AG's management and on assumptions and information currently available to euromicron. Where the terms "assume", "believe", "assess", "expect", "intend", "can/may/might", "plan" or similar expressions are used, they are intended to indicate predictive statements that are subject to certain elements of insecurity and risks, such as competitive pressure, changes to the law, political and economic changes, changes to business strategy, other risks and uncertainties that euromicron AG in many cases cannot influence and that may result in significant deviations between the actual results and predictive statements.

euromicron Aktiengesellschaft

Speicherstraße 1

60327 Frankfurt am Main

Phone: +49 69 63 15 83-0

Fax: +49 69 63 15 83-17

Internet: www.euromicron.de