

Integrati
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ANNUAL REPORT 2009
euromicron AKTIENGESELLSCHAFT

Development

From technology
to solution

Entwicklun
klun
Innovation
Integration
on
Entwicklung
Integration

euromicron

Key figures and financial data for the Group

KEY FIGURES

	2009 Mio. EUR	2008 Mio. EUR
Consolidated sales	187,3	164,6
Sales by division		
euromicron North	92,5	80,0
euromicron South	102,5	90,6
Segment-related consolidation	-7,7	-6,0
Sales by region		
Germany	162,2	134,0
Euro zone	22,6	24,0
Rest of World	2,5	6,6
EBIT (operating) *	22,5	19,4
EBIT (consolidated)	18,0	16,0
EBIT by division		
euromicron North	15,3	14,6
euromicron South	7,2	4,8
euromicron AG und consolidation	-4,5	-3,4
EBITDA	21,1	18,8
Consolidated net profit	10,7	8,1
Cash provided by operating activities	14,2	4,5
Number of shares in circulation (thousands)	4.503	4.503
Undiluted earnings per share (in EUR)	2,39	1,78
Total assets	185,9	172,1
Equity ratio	43,2 %	42,9 %
Employees (numer as an average for the year)	1.149	979

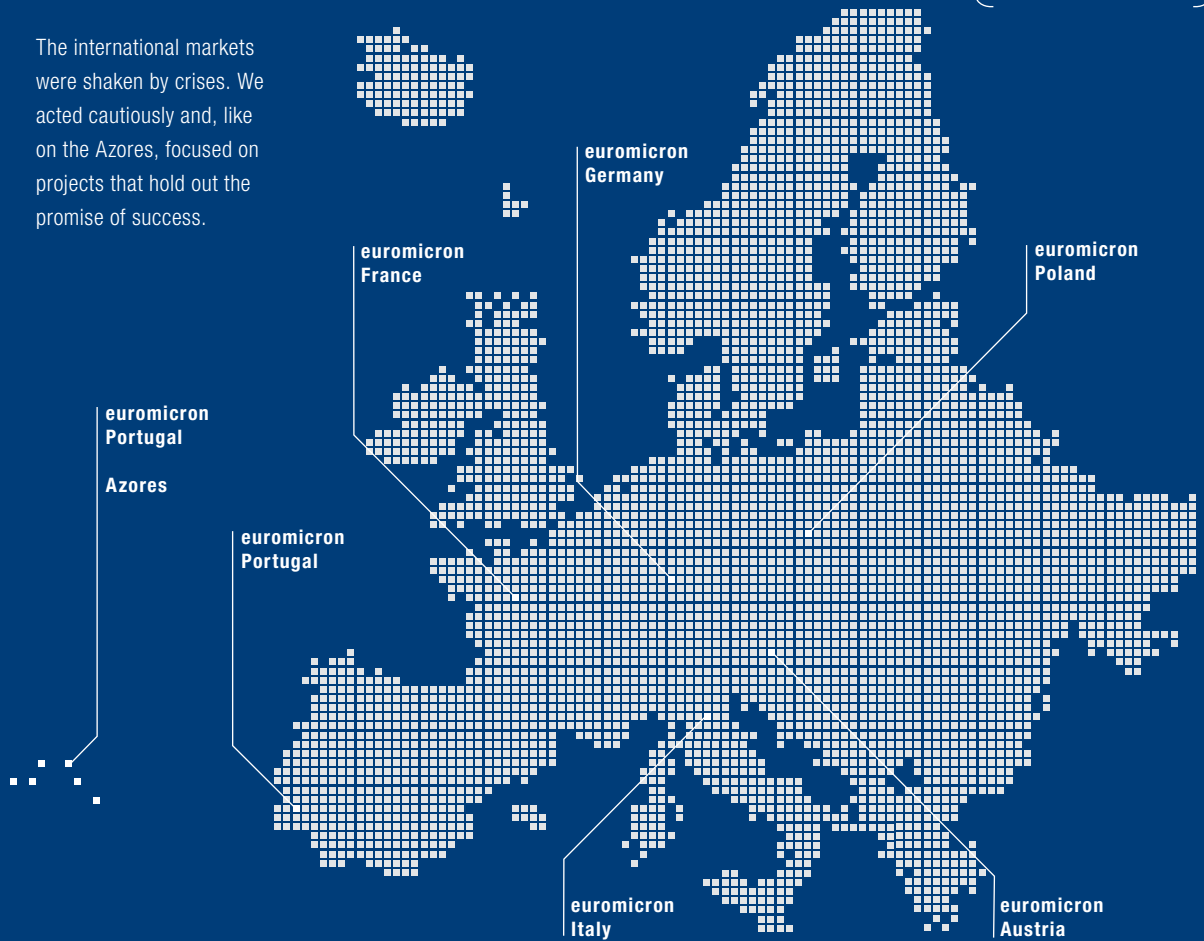
* Before holding costs



From Technology to Solution

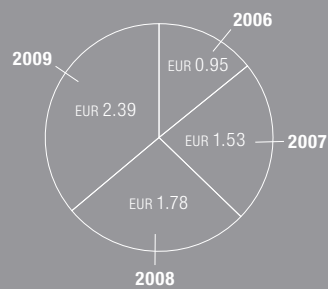
euromicron 2009
A Europe-wide
presence

The international markets were shaken by crises. We acted cautiously and, like on the Azores, focused on projects that hold out the promise of success.

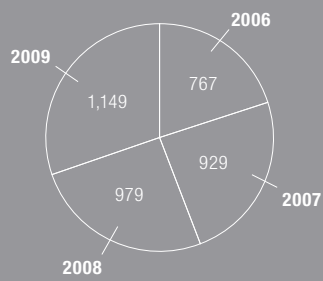


KEY FIGURES FOR 2006 TO 2009 – A COMPARISON

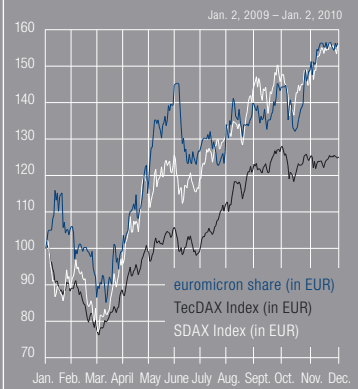
EARNINGS PER SHARE



EMPLOYEES (ANNUAL AVERAGE)



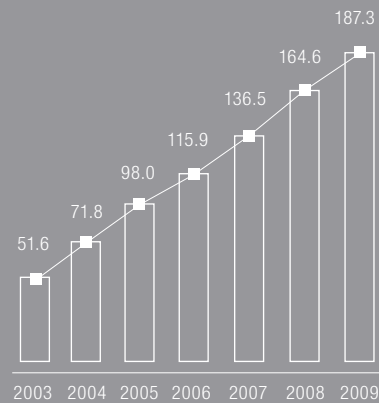
STOCK MARKET CONTEXT



SHARPLY GROWING CORE BUSINESS

From a specialist to a universal solution provider

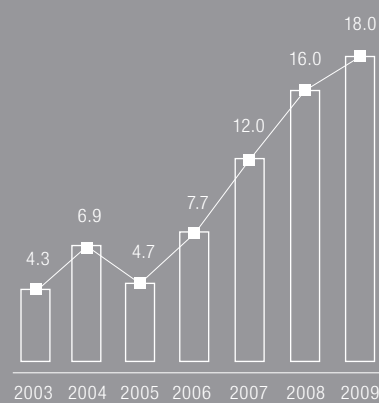
Sales trend
Network technology (in € million)



SUSTAINED SUCCESS IN CORE BUSINESS

Synergies and expansion of expertise reap growing results

EBIT trend
Network technology (in € million)



EBIT
+13%

EBITDA
+12%

Earnings per share
+34%

The interplay of our market-leading competences in data transmission gives our customer benefits that are unique on the market.

euromicron AG delivers networks and infrastructure for data transfer based on all media.

We boast proficiency throughout the entire process chain for transmission of data, voice and video. We unite this expertise with knowledge of the special requirements that different industries demand of communication. Our customers in Germany, and increasingly in international business, profit from that:

We create the infrastructure our customers need to be successful in their markets.

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by the
Executive Board



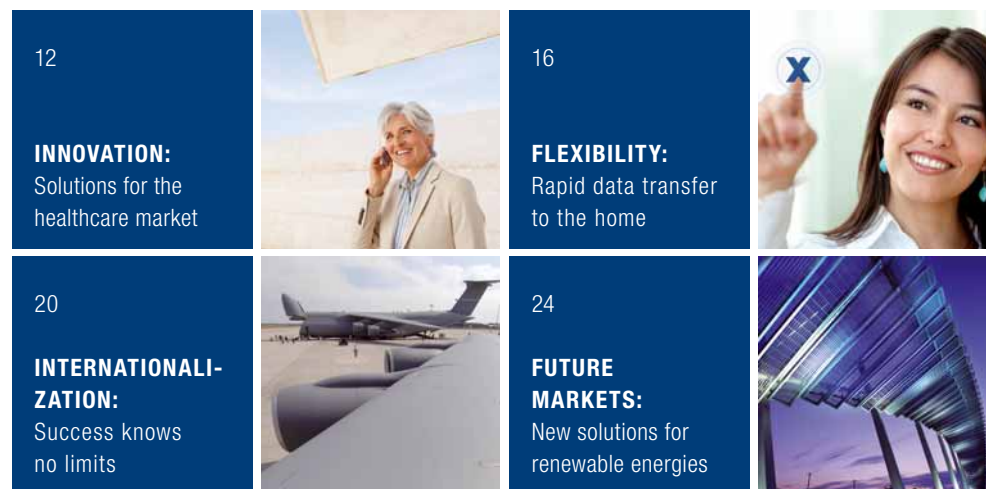
euromicron



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euromicron Magazine



Group Management Report



Glossary



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Development

Integration
Integration
Innovation

Dear shareholders,

Dear Readers,

The year under review was shaped by the consequences of the financial and economic crisis.

Allowing for the adverse general conditions, we can look back on a successful 2009. euromicron AG has continued its integration and cost-cutting programs and aligned itself further as an innovative technology group. We rigorously stuck to our path as a group with in-depth specialist know-how, system competence and production expertise in the field of fiber optics. We offer our customers lasting solutions for a wide range of very different tasks in their specific market.

Since fiscal 2008, the leitmotif of euromicron has been “integration”, and we have further sharpened our profile and added to our competences by means of specific acquisitions. Our declared objective was to make three to four medium-sized acquisitions in Germany and abroad in the year under review. In the course of the year, the companies we were eyeing up were performing very critically under the impact of tough conditions on the financial markets. Following a detailed examination, we therefore refrained from purchasing them. Instead, we focused to a greater extent on welding the euromicron Group and on organic growth – in which we achieved the excellent result

Innovation

Development

“We transform ideas into solutions – from technology to solution. That is the mission on which our success is founded.”

DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD

THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD



of more than 10% growth. At first sight, we failed to reach our sales target sales by the €20 to €30 million planned from the acquisitions. However, we gladly accept this cosmetic blemish, since our actions are guided by our philosophy: We do not want to weaken the solid growth we have generated internally over the years by purchasing ailing companies. Our success proves us right – the Group's results are healthy through and through again this year. With sales of €187 million – or an increase of 14%, almost exclusively from organic growth – we are within our defined target corridor of €180 to €200 million. Earnings before interest and taxes are €18 million, up 13% over the previous year. We also reached our EBITDA target, posting a figure of €21.1 million and so stable quality of earnings overall.

We attained our operational objectives and pressed ahead with our strategic goals – developing the company – by means of intensified integration measures. Streamlining of our corporate structures was coupled with enhancing the quality of our workforce and management team, as well as further development of the financing structure. A fine example of this was focusing and merging our customer support activities in the various regions of Germany into a customer-oriented organization. This system has become established and ensures that our customers nationwide have specific contact persons, perceive us as a large company that operates across regions and can leverage what we offer to their advantage.

The overall economic situation remained strained in 2009; the financial and economic crisis was very much on the public's mind and was reflected in a dramatic fall in GDP. In this adverse environment we were able to hold our own as a niche vendor with a profitable concept, without getting involved in every price war, which weakens margins and jeopardizes the quality of the customer's solution. Our customers attach importance to the quality of what we offer. The benefits we create with our customized, end-to-end and reliable solutions is the basis of our success.

Dear shareholders, after a restrained start to 2009, euromicron's share rose sharply in the course of the year. That is partly due to the general trend on the stock markets, which – anticipating a brightening of the economic picture – emerged from their lows after the first quarter and increasingly recovered. The increase in our share's value also expresses the acknowledgement of its fundamental strength, as “solid as rock” as analysts put it – a strength our Group has exhibited even in difficult times. As a result, the share had climbed higher compared with the general upward trend by the end of the year. The recommendation of analysts remains: Buy.

We gave our commitment in Austria a new thrust in fiscal 2009. We acceded to requests from mobile communications customers in the Austrian market only in technically demanding special projects where we offer professional solutions with our expertise. Vendors in large project business are engaged in ruinous price warring and we do not intend to join in.

Outside mobile communications business, there was repeated demand for our specialist network technology know-how as part of technically sophisticated orders. For example, we concluded a master agreement with the power utility Wien Strom to supply, install and maintain active network components. Such expert services at a high level are acknowledged and rewarded. We believe this realignment to be the right forward strategy in the changing market and it accords with our strategic orientation.

We expanded the competence center structure we launched in 2007 in the past fiscal year: With a Competence Center for Mobile Communications in Stuttgart and two further ones relating to active network technology in Northern and Southern Germany, we complemented transfer of know-how within the company with two further focal areas.

As a vendor of sophisticated special solutions, we regard it as our supreme duty to keep on sharpening our technological profile. We expanded our voice technology skills by taking over SSM

Servicegesellschaft in October 2009. This company specializes in voice communication, is the largest service partner of NEC Phillips in Germany and also operates in various European countries. Distribution of and services for NEC Phillips products now lie with euromicron. Our constructive and rapid development of FTTX activities culminated in presentation of the distributor system eFOS at CeBIT 2010 and the FTTH Conference in Lisbon. As a result, we bring fiber-optic technology a whole lot closer to customers. Since December 2009, we have been actively shaping the framework for this groundbreaking technology as a member of the European FTTH Council. We are excellently positioned in the field of control center technology and monitoring stations thanks to the competences of ELABO GmbH and cater for the area of stationary and mobile monitoring for the future segments of healthcare, care, law enforcement and security at a high level. We thus offer our customers all aspects of protection and monitoring on the basis of innovative fiber-optic transmission technology and cutting-edge video and image surveillance technology.

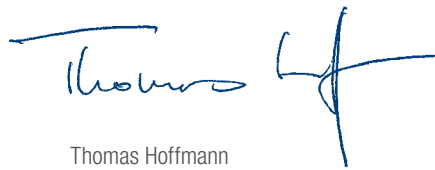
Internationalization is one of our corporate goals and we continued to pursue it in fiscal 2009. However, the German economy's performance clearly surpassed that of its neighboring countries, where markets proved weaker than on our domestic turf. In this regard, we acted with reasonable caution and pursued a policy of small steps, only staking the company's money – the money of our shareholders – if there were prospects of success.

There were key changes on the Executive Board of euromicron AG in the past fiscal year: Dr. Edgar Bernardi resigned his seat for health reasons. He was succeeded by Thomas Hoffmann, who has been responsible for strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets, since the middle of the year.

“Development” – that is the word we have placed on the cover page of our Annual Report and adopted as our eternal motto. It underlines our company’s development into a medium-sized technology group, innovative solution provider and partner to our customers. We transform ideas into solutions – from technology to solution. That is the mission on which our success is founded. A key pillar in this is the desire to achieve on the part of management, the General Managers and all our employees. We express our warmest thanks to all of them for this. We also thank all our shareholders and lenders, as well as all business partners and friends, for their commitment and trust toward euromicron.



Dr. Willibald Späth
Chairman of the Executive Board

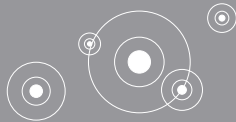


Thomas Hoffmann
Member of the Executive Board



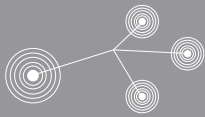
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From technology to solution

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Help for helpers and patients

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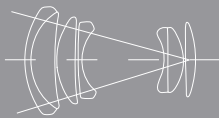
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INNOVATION

FRANKFURT/MAIN, GERMANY

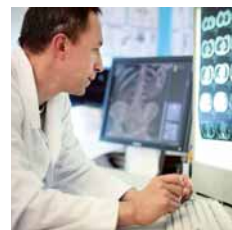
50° 06' 04" N, 8° 39' 52" O

**Reliable
and secure**

For several years now, euromicron has made a good name for itself as a partner to hospitals and operating companies in the complex market of healthcare.

Healthy growth

In fiscal 2009, euromicron AG positioned itself as a competent partner with a broad lineup in many projects for companies in the health sector and care of the elderly. Hospitals, nursing homes and patients benefit from the numerous services that can be generated from a powerful network infrastructure for rapid data transfer.



A network infrastructure based on fiber-optic cabling boosts the quality and speed of data transfer in a wide range of different areas of hospital operation.

When Frederike H. returns to her bed in the rehabilitation clinic after a large number of therapy sessions, she is happy to be able to switch off. And she manages that by switching something on: The TV, for example, or the Internet portal to retrieve her e-mails. The days are over when a bulky television set hovered below the room's ceiling and someone had to watch soccer although he would have liked to see a talk show. Every bed has a sort of infotainment center, consisting of a screen and remote controller. And that enables what is part and parcel of every hotel room. TV, radio, Internet and information on patients – everything that can be transferred can also be seen and heard.

What makes Frederike H.'s stay at the clinic more pleasant is just a small part of the technology that is increasingly changing the already dynamic health and care sector. Full-coverage networks with high bandwidths help make many healthcare processes more secure and cost-effective. Operators of hospitals and health and nursing centers are seeking solutions that deliver comprehensive answers to medical, security and administrative questions. euromicron AG consolidated its position as a competent partner with successful and exemplary healthcare projects in 2009.



THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE
BOARD OF EUROMICRON AND
MENTOR FOR THE NEW
HEALTHCARE BUSINESS
SEGMENT

“Especially in complex projects, we earn plaudits with our own and specially tailored products. And that is an advantage in a market where data security and reliability of an application have top priority.”

Reliable and secure

A network infrastructure based on fiber-optic cabling boosts the quality, security and speed of data transfer in a wide range of different areas of hospital operation. That firstly involves patient-related applications, such as a nurse call, sending data on patients and high-resolution X-ray images or for assistance in complicated operations by means of videoconferencing. In addition, important services “behind the scenes” are also based on network technology: The fire alarm system, security concepts, cooling of important medication or stored blood and all office applications of the hospital's administrative department.

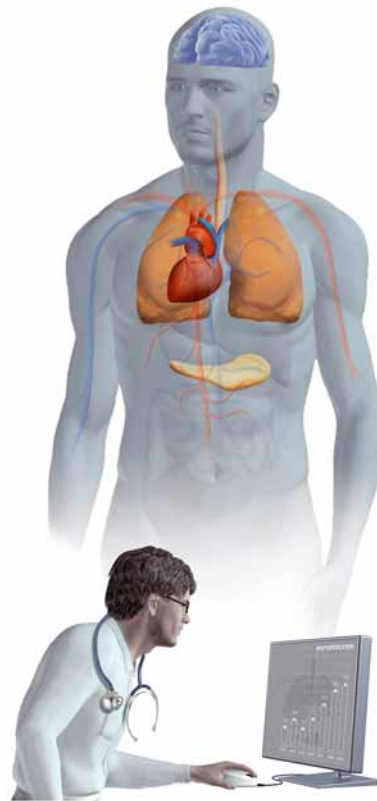


The chance to live longer at home

“mobile care center” – that is the name of the solution that euromicron has developed for the healthcare market and which captured second place at the Vodafone Innovation Days in 2009. It is a service for elderly people and those who need care and enables mobile monitoring of them. A small portable device transfers voice, data and location information over the mobile network to a control center.

MONITORING OF PATIENTS

In the past fiscal year, we developed a concept for monitoring patients by means of a video and intercom system for the Interventional Radiology unit of a large German university hospital. The system enables live transfer of telemetry data from every connected bed. Its objective is to relieve the workload on nursing staff and enhance the quality of care.



Market with a future

For several years now, euromicron has made a good name for itself as a partner to hospitals and operating companies of all sizes in the complex market of healthcare. As a result, it has laid a solid foundation for taking a slice of the dynamic growth in this sector. “We contribute great expertise and cater for the full range of topics,” is how Thomas Hoffmann, member of the Executive Board of euromicron, summarizes the reasons why. “We offer our customers a virtually unique depth of value added. Especially in complex projects, we earn plaudits with our own and specially tailored products. And that is an advantage in a market where data security and reliability of an application have top priority.”

„euromicron implemented a comprehensive network solution for a nationwide operator of rehabilitation clinics in fiscal 2009. The core application is the nurse call. euromicron also implemented the infrastructure for telecommunications and the security system with the fire alarm system. In particular, this interdisciplinary expertise ensured that euromicron had a good competitive position when it came to award of the contract.“

THOMAS HOFFMANN

MEMBER OF THE EXECUTIVE BOARD OF EUROMICRON AND
MENTOR FOR THE NEW HEALTHCARE BUSINESS SEGMENT

The challenges in healthcare are not just technological complexity, but also in its rich diversity of specialist and organizational aspects. On the one hand, system know-how such as that needed in other markets is required. On the other, the health system demands specialist knowledge and a good understanding of the market. That is because of the complex interaction of forces: Between patients and doctors and administration departments, operators and health insurers. Then there are newer and newer medical possibilities that result in a far wider understanding of what healthcare services should comprise. “The issue of prevention is gaining in importance, since in the long run it saves health insurers and patients a lot of money,” is how Thomas Hoffmann describes the trend. In technical terms, that means: Monitoring will grow in importance in future. Monitoring of vital functions supports treatment, gives security and can improve medical results.

Concepts for care of the elderly

Such scenarios also make sense in care and nursing homes for the elderly. A suitable monitoring and emergency call system can ensure that aid comes right away when it is needed. Failure of vital functions is reported to a central control station, from where the chain of reaction can be initiated purposefully. euromicron designs the network infrastructure, along with the entire control station technology and all emergency call functionalities, for such systems. In view of demographic trends throughout Europe, technical concepts for care of the elderly also harbor the potential to help solve many economic and social questions.

Those issues lie in the distant future for Frederike H.; she is undergoing therapy for the consequences of a sport accident at the rehabilitation clinic. In six months at the latest, according to the prognosis, she will be able to ride her bike through the woods again – for hours on end on lonely, steep paths. Mobile monitoring on call, with an integrated location system, would be a service she would be glad to use on her travels. Otherwise no-one might find her if she has a fall. Frederike H. knows that from bitter experience.

FIBER TO THE X
RAPID TRANSFER OF LARGE
VOLUMES



FLEXIBILITY		



The future will be faster

Fiber to the X (FTTX) – a term that denotes a radical change worldwide in network infrastructures for transferring voice, data and video. Its foundation is fiber-optic technology, which enables greater volumes to be transferred at a far higher speed than copper cable. euromicron is one of the key players in this future market in Germany. And it has earned itself a unique selling point thanks to cooperation between its group companies.

It's a bit like entering a new dimension. Fiber-optic cabling enables transmission rates in the gigabits per second range, less cable volume and services that used to belong to the realm of fantasy: Videoconferences in perfect quality, live broadcasts from all over the world, control of all household technology and appliances at the touch of a button, and intelligent energy management – there is hardly a sphere of our life that will not benefit from the advantages of lightwave technology.

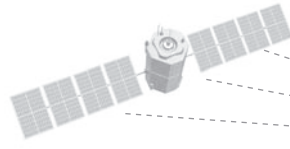
The general conditions

And yet: Less than 1% of German households have FTTH or FTTB – fiber to the home or fiber to the building – and so a means of direct access to high-speed fiber-optic technology, according to a study by the FTTH Council from June 2009. Even though the picture is generally rosier when it comes to fiber to the curb – i.e. a fiber-optic connection up to the distribution cabinet by the sidewalk – Germany, like the other major Western European countries, is lagging well behind the world's leading fiber optic nations Japan, South Korea and the USA. "That's partly to do with the general technical conditions, and also in part due to regulatory decisions on network expansion," states Dr. Petra Hesselbarth, General Manager of euromicron systems GmbH. "That in particular is why the signals from successful example projects are so important." In fiscal 2009, euromicron systems implemented a large project for the telecommunications provider NetCologne in Cologne. As part of this project, a total of 1,600 buildings were equipped with a high-speed fiber-optic connection; euromicron acted as general contractor and controlled the project, providing an end-to-end overall solution – from initial planning to blowing in of the 950 km of optical fibers to construction of the sleeves. "The fact that everything went well made our customer highly satisfied and helped us capture a follow-up order right away," says Dr. Hesselbarth about the successful collaboration. This expansion is a gain for Cologne, because it creates the vital infrastructure for many multimedia companies who have settled or would like to set up business in what is Germany's largest city for the media industry. The project can thus be a boost to other municipalities and their public utilities.



DR. PETRA HESSELBARTH
MANAGING DIRECTOR OF
EUROMICRON SYSTEMS

"That in particular is why the signals from successful example projects are so important. The fact that everything went well made our customer highly satisfied and helped us capture a follow-up order right away."

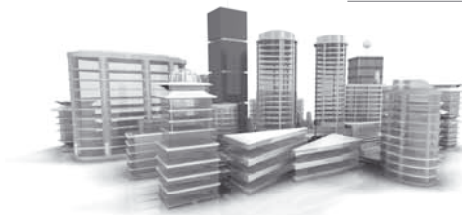


FTTS = FIBER TO THE SATELLITE



FTTH = FIBER TO THE HOME

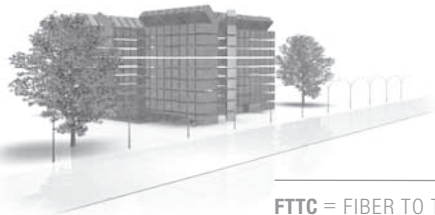
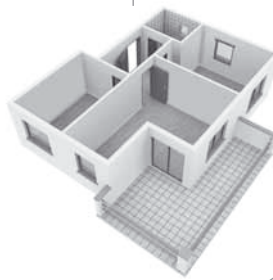
FTTB = FIBER TO THE BUILDING



FTTX

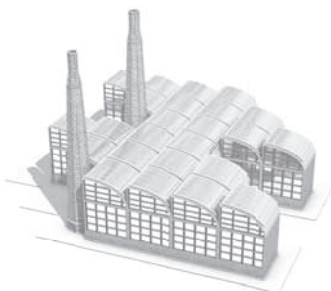
FTTX = FIBER TO THE X

FTTO = FIBER TO THE OFFICE



FTTC = FIBER TO THE CURB

FTTI = FIBER TO THE INDUSTRY



FTTD = FIBER TO THE DESK



EUROMICRON LENS CONNECTOR

In 2009, euromicron launched a lens connector that is excellently suited for harsh environments. It proves its worth in broadcasting of soccer games, for example, where it connects the outside broadcast van to the camera – in sludge, snow and heat.

EUROMICRON FIBER OFFICE SYSTEM

(eFOs) is the name of the main distributor system that euromicron developed last fiscal year together with SKM Delwave GmbH and put on the market at the start of the new fiscal year. The rack optimizes ease of use, functionalities and serviceability over the last mile between the distributing box and user.

FTTH COUNCIL

euromicron AG has been a member of the European FTTH Council since 2009. This association has set itself the objective of driving expansion of the fiber-optic network infrastructure in Europe and so secure the long-term competitiveness of European markets. In February 2010, euromicron took part in the FTTH Council's conference in Lisbon and will collaborate in its bodies in future.



LENS CONNECTOR

CONNECTS A CABLE DRUM WITH A FIBER-OPTIC CABLE ON THE ONE HAND AND THE OUTSIDE BROADCAST VAN WITH THE CAMERA ON THE OTHER.

Depth of value added plus system expertise

euromicron offers a full range for FTTX in terms of breadth and depth – from the connector to the networking solution. The euromicron Group has a product portfolio specially developed to implement broadband infrastructures. In addition to services, a key advantage in the technology group's range is the production expertise in the field of fiber optics of its companies, such as LWL Sachsenkabel, SKM Delwave or MICROSENS. "We formulate a tailored solution for our customers from a single source and with the ideal technology for their needs. As a result, we offer our customers very clear value added," stresses Dr. Hesselbarth.

INTER-
NATIONA-
LIZATION

TERCEIRA, AZORES

38° 43' 15" N, 27° 13' 5" W



**Strength
and expertise**

euromicron is converting the entire network of the US airbase on Terceira to optical waveguides.

MD 5160 F 110

euromicron on a high in the Azores

A new data transmission infrastructure at Lajes Airfield: euromicron's project on the Azores completed its most critical phase very successfully in fiscal 2009. Going live is envisaged as scheduled in mid-2010.

We mainly know them from the weather forecast: The Portuguese island group of the Azores, situated in the middle of the Atlantic, some 1,500 km distant from Portugal's mainland. As a result, these verdant islands have a strategically favorable location: For example, as a US base where aircraft can be refueled in the middle of the vast ocean. On Ilha Terceira – the "Third Island" – is Lajes Airfield, which is used as an American airbase and also for Portugal's civil and military aircraft.

From the tower to the utility buildings, from the maintenance hangars to the tank farm to its own port – an airport is a complex system where only fast and smooth data transmission guarantees that everything works as it should. And that also goes for Lajes. The old copper systems would no longer meet the requirements demanded for modern communications in future. The American government, which is responsible for part of the airfield's infrastructure, therefore planned to convert the entire network there to fiber optics by 2010.



THOMAS STRETZ
HEAD OF THE BAMBERG
BRANCH OFFICE,
BCK DATENTECHNIK

"We could only accept the order because, as a medium-sized group, we boast all the resources to offer our customer here an all-round solution from a single source. Irrespective of whether it was technical know-how, English-speaking project management, material logistics over two continents or European fiscal questions, where our partner banks contributed their international experience: **We as euromicron were able to offer the solution.**"

Strength and expertise

The project was launched in 2006 and the American customers brought euromicron on board as a partner. And for good reason: The order's requirements profile exactly matched the core competences of the fiber optics expert from Germany. "In addition, we had already worked successfully as a partner to the American government in other projects," states Thomas Stretz, head of the Bamberg branch office of BCK Datentechnik, which was awarded the contract for the project. "This fine collaboration in the past was also one of the crucial factors in the decision by our American partners to entrust euromicron with this large, long-term project."

From the first design proposal for the new fiber-optic network to the civil engineering work to the data centers – the project on the Azores was and is a challenge in terms of size and logistics. 45 km of fiber-optic cables had to be laid within and outside the buildings, spliced, measured and connected. To enable that, underground construction work was carried out, shafts were

Corvo
Flores



The island Terceira has around 55,000 inhabitants, some 5,000 of whom work at or around the airfield, large parts of which are used as an American airbase. The locals have to speak English – and that also contributed to the project going positively overall.

Graciosa
Terceira
Sao Jorge
Faial
Horta
Pico
Angra de Heroismo

Sao Miguel
Ponta Delgada
Santa Maria
Vila do Porto

AZORES:
38° 43' 15" N, 27° 13' 5" W

AZORES
PORTUGAL

Island and airfield
Ilha Terceira has an area of 402.2 km². And 10.2 km² of it is covered by Lajes Airfield in the northwest. It has one of the longest runways in the world – and is the only one outside the US on which even the space shuttle can land.



The cutover planned in 2010 will see the latest generation of Cisco switches go live, together with a VoIP telecommunications system for more than 1,200 extension stations.



Since October 2009, the entire video surveillance system at the airfield has been connected to the fiber backbone with its very high transfer rates)

dug, protection tubes laid and the new cabling implemented in the buildings. The electrical installations for the data centers were implemented in 110 V to comply with the US standard. One to two euromicron employees were always on site. They coordinated the work and the various Portuguese subcontractors who were commissioned with the individual aspects of the work in Lajes. However, additional skilled workers were flown in from Germany, especially in the critical phases in 2009. "We could only accept the order because, as a medium-size group, we boast all the resources to offer our customer here an all-round solution from a single source. Irrespective of whether it was technical know-how, English-speaking project management, material logistics over two continents or European fiscal questions – we as euromicron were able to offer the solution," states Thomas Stretz as regards the group's potential. "We could never have managed it as a single company."



High-speed technology

The new fiber-optic network means the US forces will be able to use triple play technology in full. Apart from acceptance measurements for data networks, the network has been completely tested for its suitability for Voice over IP (VoIP).

Cutover in 2010

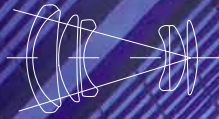
The contract also demanded quite a bit from euromicron's specialists in terms of technical expertise. All the systems were designed in compliance with US standards. "The difference in the unit of measure between our metric system and the Anglo-American inch posed us some tricky questions and demanded special designs," recalls Stretz. "That required flexible thinking on our part." And under unusual logistical conditions, too: Materials were only delivered every fortnight to Lajes by ship from the USA or Europe – so foresight was vital.

The big moment – the cutover – is scheduled for mid-2010. Then the old system will be replaced by the new one and the equipment will have to prove it works. Most of the work has already been accomplished. Consequently, Stretz can already venture a small look back: "The project went really smoothly. The customer is very satisfied thus far. And our experience with our Portuguese partner companies has been very good: They are extremely reliable and competent. Our time here on the Azores has enriched us with many experiences."

One of them is definitely: euromicron has the technical know-how and resources to steer complex and technically demanding projects in other European countries to success. "Our customers have a one-stop shop for everything – and moreover from a data transmission expert with a broad lineup." And euromicron has proved exactly that with huge success at the airfield on Ilha Terceira. And that also means the project on the small island in the Atlantic can open the door to a large market.

BARI, APULIA

41° 4' 28" N, 16° 56' 24" O



**FUTURE
MARKETS**

Services and expertise form network specialists

Remote surveillance of a photovoltaic plant in Bari

A solution as clear as daylight

In fiscal 2009, SKM Delwave GmbH, a subsidiary of euromicron AG, supplied the network design and components for remote surveillance of a photovoltaic plant in Apulia. The solution increases security and cost-effectiveness of the remotely located plant for its operator – important aspects for many wind and solar energy farms.

It's hot in Apulia. The region in southeastern Italy with Bari as its capital is famous for almonds, olives and vineyards that produce rich red wines. All that sounds like a lot of sun, and because Apulia has some 300 days of sun a year and a lot of flat countryside, the region is ideal for generating energy from solar power. Photovoltaic plants, which can operate especially cost-effectively here under mostly cloudless skies, are testimony to that.

In 2009, Obrist GmbH set up a photovoltaic plant near Bari which captures the energy from the sun's rays with its 4,500 solar modules over a total area of 0.025 km² and converts it into electricity. Such a plant can only pay off if all the technical parts in it work all year round and above all if the solar modules are undamaged and tilt toward the sun. Yet the photovoltaic plant is located relatively remotely and above all unstaffed in the plain. And experience shows that operators of solar power farms can repeatedly expect theft, break-ins and vandalism. Consequently, the investors decided in favor of surveillance of the entire plant by means of video cameras. And to install them, Obrist – the company commissioned to build the plant – enlisted the expertise of SKM Delwave GmbH. "We sought a new solution from the concept to commissioning, one that included everything demanded of communication and video surveillance," is how Andreas Nerbl, head of Sales South at the euromicron group company SKM Delwave GmbH, outlines the project. "That included a fence alarm system, video surveillance and transmission of the pictures to a security service."



ANDREAS NERBL
SKM DELWAVE GMBH

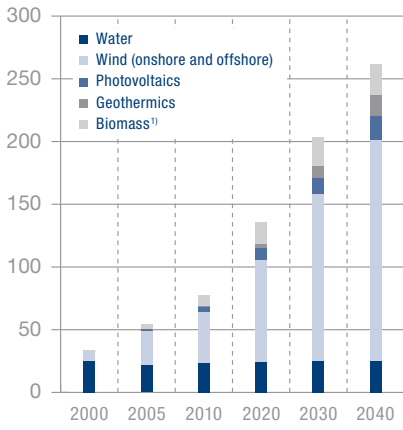
"We have made our partner strong and provided him with know-how and a refined data transmission concept. As a result, he can offer his customers a reliable surveillance concept."

Optical fiber meets copper

The cameras are exposed to great heat, as well as wind, weather, dust and occasionally – even in Apulia – rain. Rugged technology with solid components is therefore a must for the transmission technology. Networking was carried out using a fiber-optic ring on which the cameras are arranged. Conversion from optical fiber to copper is only carried out at the point of surveillance by means of a media converter. "This point is crucial. We ensured that migration could be achieved in such a way that the solution is weatherproof, technically sophisticated and yet low-cost. All the components are suited for harsh environments.

**FEDERAL MINISTRY OF THE ENVIRONMENT:
GUIDELINE SCENARIO FOR 2006**

Total gross electricity generation 2000 to 2040 (TWh/a)



¹⁾ and biological waste; source: Federal Ministry of the Environment

SKM Delwave GmbH delivered the concept, network design and all passive components, whereas euromicron's subsidiary MICROSENS GmbH & Co. KG contributed the active network components. Hand-in-hand, euromicron thus offers a one-stop shop for solutions that benefit the customer. The cameras mean that remote surveillance can be used to control the plant 24 hours a day, 365 days a year.

Smart solutions with a future

The fewer installations and less cabling, the lower the costs and risks of failure at the plant. That is why the IP cameras are directly supplied with electricity via Ethernet. "That's a fine example of a smart solution detail that makes our partner strong, because they can persuade their customers with it," states Nerbl. "In the construction project in Apulia, we were able to contribute our skills – from the initial idea to concept design to support in the solution process. Careful planning and our great willingness to deliver a service were a good foundation for the



**4,500
SOLAR
MODULES**

**OVER A TOTAL OF
25 m²**

According to a report by the German Association of Energy and Water Industries (BDEW), some 470,000 renewable energy plants were generating electricity in Germany alone at the beginning of 2009. They fed almost 90 billion kilowatt-hours of electricity into the German network in 2008. Retaining and increasing this figure demands cutting-edge

collaboration.” Such commitment pays off: A further six to eight photovoltaic plants are to be built at the location in Apulia using euromicron technology. And finally, euromicron is issuing a signal in a changing market here: Be it wind or solar power – remote surveillance and control is an important future issue for operators of renewal energy plants.

NETWORKING OF SECURITY AND TECHNOLOGY



The cameras mean that remote surveillance from the monitoring center can be used to control the plant 24 hours a day, 365 days a year.

transmission technology. From surveillance of the plants to transfer of measurement and control data – the changing energy market requires the services and expertise of network specialists. Further potentials are opening up in the European and US markets.





euromicron 2009: The euromicron Group



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Integration and development: euromicron remains on course for growth



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Executive Board and Supervisory Board

euromicron's Shares

The stock markets were able to trend positively again in the course of fiscal 2009. After the plunge from the previous year had continued in the first two months of 2009, the tumble in prices not only came to an end in March, but the indexes even rose as of the middle of the month and had compensated for a large part of the losses suffered during the financial and resultant global economic crisis by the end of the year.

The stock market in Germany bucked real economic trends in the course of the year. In 2009, the German economy slumped to a degree unprecedented in the history of the Federal Republic. The Federal Statistical Office put the decline in gross domestic product at 4.9% over the previous year. The EU Commission has stated that the decline in Europe was 4.1%.

The positive overall performance in 2009 can be attributed to the stock market's role as an important early indicator of economic trends, one that anticipates the real economy by up to twelve months. Despite recurring uncertainty, this bolsters the hope that the real economy is picking up again and the recession has been overcome.

The DAX closed the year at 5,957.43 points, a gain of just under 20% within a year. The S-DAX performed similarly, recovering by more than 24% to stand at 3,549.02 points. The TecDAX even surged by more than 54% to 817.58 points.

euromicron's shares

The price of euromicron share in fiscal 2009 performed largely in line with the S-DAX and was able to rise by more than 52% to €15.62 from €9.98 at the start of the year. Contrary to the performance of the DAX and TecDAX, euromicron's share initially rose in January to €11.57. It was not until mid-January that the share was not longer able to avoid being dragged down by the general decline on the national stock markets and slipped to its low for the year at €8.50 on March 17. However, this fall was more moderate than that of the three German stock indices. In the further course of the year, euromicron's share largely matched the S-DAX and so performed far better than the DAX and TecDAX.

Positive opinions by analysts and a successful transition from the buy and build to the build and integration phase of euromicron's strategy, as proven by good quarterly results, accompanied the continuous rise in our share price as of the second quarter of 2009.



RA BETTINA MEYER
ADVISOR TO EUROMICRON
IN ALL LEGAL AND CAPITAL
MARKET QUESTIONS

“A stable regulatory framework is of substantial importance to the growth-oriented public company euromicron and is a particular concern of mine.”

PERFORMANCE OF EUROMICRON'S SHARE (XETRA)

IN €



euromicron's share price of € 15.60 at the end of the year roughly corresponds to its high for the year, which it reached a few days earlier at € 15.62.

The market capitalization of euromicron AG at the end of 2009 was around € 72.7 million compared with € 48.7 million in the previous year.

Moreover, 1.9 million shares were traded in the whole of 2009, once again far more than in the previous year. In 2009, euromicron AG did not make use of the authorization granted to it by the 2006 General Meeting to buy back its own shares. Consequently, the number of treasury shares held by euromicron AG at December 31, 2009, was still 157,234.

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/Main/XETRA
Abbreviation	EUC.GY
Designated sponsor	Close Brothers Seydler AG, Frankfurt/Main

PERFORMANCE OF EUROMICRON'S SHARE (XETRA)

IN €

— euromicron share
— TecDAX Index
— SDAX Index



THE SHARES ON THE MARKET

	2009	2008
Number of shares issued at the balance sheet date	4,660,000	4,660,000
– of which treasury shares	157,234	157,234
Capital stock (€)	11,914,000	11,914,000
Highest price (XETRA) (€)	15.62	18.65
Lowest price (XETRA) (€)	8.50	8.21
Closing price at the end of the year (XETRA) (€)	15.60	10.45
Market capitalization at the end of the year (in € million)	72.7	48.7
Undiluted earnings per share (€)	2.39	1.78
Volume of shares traded	1,894,440	1,527,439



Dividend

The target for fiscal 2009 was to achieve earnings per share of €2.00 so as to be able to propose a dividend of €1.00 to the General Meeting again. This goal was attained thanks to the company's good business performance. Consequently, the Executive Board and Supervisory Board of euromicron AG is expected to propose to the General Meeting on June 17, 2010, to distribute €1.00 per share in line with its continuous dividend policy, i.e. around 50% of operating profit, for the fiscal year 2009. Since only moderate taxes had to be paid, the result is

THE GENERAL MEETING
WHERE SHAREHOLDERS
MEET AND COMMUNICATE
EVERY YEAR



higher earnings per share and so the Executive Board recommends carrying forward this non-operating portion of the profits to a new account as a provision in the current tough economic times. By taking this step, we aim to live up to our strategy of acting with an eye to the future and not be swayed by short-term considerations, something that would not accord with our responsibility to ensure cost-effective corporate governance that is geared to the longer term.

This means a dividend yield of around 6.4% relative to the euromicron share's stock market price of €15.60 at the end of fiscal 2009. A continuous dividend policy that balances the interests of lenders, shareholders and future security, as well as the company's opportunities for development, is the maxim and commercial principle of the Supervisory Board and management and makes euromicron a stable investment.

ULRIKE HAUSER
EXECUTIVE BOARD
OFFICE AND
INVESTOR
RELATIONS



Investor Relations

In trusted dialog with investors

The corporate strategy of euromicron AG is geared to a sustained increase in its value and trusted relationship with all its shareholders. The mission of our investor relations work is therefore to provide our private and institutional investors, as well as our banks and interested journalists and the public, with comprehensive, prompt and transparent information on all activities of relevance to euromicron AG. In 2009 – in the spirit of the Corporate Governance Code – we again accorded great importance to open and continuous dialog with analysts, banks, investors and journalists.



We aim to live up to the trust placed in our company at all times through transparent documentation of our corporate strategy and the resultant decisions and activities. We reveal the successes and potentials of our company, but also point out possible risks and how we intend to counter them, in order to enable the financial market to arrive at a fair and realistic assessment of euromicron AG.

The main focus of euromicron AG's investor relations activities is on winning long-term, value-oriented investors. That is why the Executive Board, the Investor Relations team and the operational management team make use of numerous opportunities to demonstrate to the financial market euromicron AG's strategy of a sustainable increase in the company's value.

The Executive Board of euromicron AG fielded questions from financial analysts, journalists and investors at a total of ten investor conferences, roadshows and one-on-ones in Germany and abroad. In addition, there were numerous one-to-one meetings, telephone conferences and presentations to discuss the economic development, strategy and objectives of euromicron AG.

For instance, the transition in euromicron's strategy from the buy and build to the build and integration phase was explained to the financial analysts and journalists at the Analysts' Conference and the press conference for presenting the 2008 financial statements on March 30, 2009. The financial market demonstrated afterwards that it had grasped and understood the long-term corporate strategy of euromicron's Executive Board and also rewarded it appropriately.

Explanation of the operational report segments euromicron North and euromicron South, which are the controlling units within the euromicron Group, was also a major part of our investor relations work in 2009. The operational management team of the business segments was integrated in this to a greater extent. They supervise "Projects and Systems" (information, communications and security networks), "Components and Assembly" (fiber-optic and hybrid networks) and "Distribution and Services" and provide support with customer-specific solutions.

Our Internet presence is permanently expanded as an instrument of our investor relations work. At www.euromicron.de (and www.euromicron.com), analysts and investors can find the latest ad-hoc announcements and press releases of euromicron AG in the freely accessible Investor Relations section. Up-to-date publications and presentations can be read and downloaded at any time. The Web presence also offers numerous ways of getting to know the euromicron Group and contacting the persons responsible.

The General Meeting is the most important event in the fiscal year for management of euromicron AG in the area of investor relations. Direct contact and expert dialog, as well as a chance to nurture the personal relationships that have grown up over the years with investors, analysts, journalists and bank representatives, are the highlight of euromicron AG's annual communication with the financial markets.

At the world's largest ITC trade show, CeBIT in Hanover, euromicron AG again took the chance to give analysts and investors an insight into its operational business. Presentation of euromicron's products and solutions in a competitive environment improves the possibility of making an objective assessment of the company's market opportunities and potentials.

Coverage

The recommendations of financial analysts are of great importance to an objective and fair evaluation of euromicron's share. Analysts' interest in euromicron AG remains keen. Five houses report on developments at euromicron AG at regular intervals in the form of researches, analyses, studies and commentaries.

The investment house Close Brothers Seydler Research AG, Frankfurt/Main, was again commissioned with designated sponsoring for euromicron's share in fiscal 2009.

The analysts again unanimously gave a "buy" verdict in 2009. In the course of fiscal year, the share price expectations were raised to up to €24.00.

Developing competences, tapping potentials

Development needs continuity, as well as curiosity and openness. Our employees are faced with challenging and demanding tasks in just about every unit – from development to sales, from assembly and maintenance to administration. To position our company for the future, we need people who are passionate about what they do, wish to learn new things and want to contribute their knowledge and skills.



BERND EHRENTRAUT
HUMAN RESOURCES

“Experience is a key asset. That’s why we are always interested in developing junior managers from our own ranks. Because knowledge of our own group, its solutions, its corporate culture and not least its people helps tap important synergy potentials.”

Even though the Integration process has not yet been completed: Fiscal 2009 has shown that we have made a good deal of progress. We have become stronger at working together. Employees who used to work at different individual companies have been able to get to know each other through internal seminars, events and many joint projects. They are now aware of the expertise from other areas of the company, can find contact persons there for technical questions and can leverage its know-how. In this way, we tap the existing synergy potentials and secure ourselves a lead in our fast-moving market. An important contribution to mutual understanding and a good internal flow of information was again made by our employee magazine “euromicroninside”. It is always filled with life by our employees and their many good ideas – proof of the importance internal sharing of ideas and views now has in our group.

Strengthening sales

One of our strengths is our comprehensive solution portfolio and the depth of our value added. Precisely these characteristics are a challenge for sales: After all, explaining our solutions persuasively and selling them demands in-depth technical knowledge and industry and system know-how. In fiscal 2009, we therefore paid particular attention to developing sales further. In October, we launched a specially created training program for sales trainees that offers far more than conventional training: In a dual training system, 14 young sales employees acquire product-, customer- and company-specific information on the job at euromicron’s companies. Alongside this, they learn the theoretical basics of sales in seminars. In order to gain a trained eye for group’s portfolio and its technological solution expertise, the trainees complete spells at several euromicron companies as part of a rotational system. Experienced employees from our group are trained as mentors to provide them with ideal support. They are on hand to assist the trainees during their training from the technical and pedagogical point of view.

Securing the future

Our workforce increased to a total of 1,149 at the end of fiscal 2009 as a result of the integration of new companies in the group and new hirings. The work at our growth-oriented, medium-sized group is diverse and always offers new, interesting posts. Such merits always appeal to new applicants: The fact that we are perceived as an attractive employer is shown by the many responses to our job advertisements and the growing number of unsolicited applications. In fiscal 2009, we continued to work on our junior management program and accompanied the first young people to complete it into their first responsible posts. Together with selected project managers, we developed a guide for ensuring optimal management of projects of different sizes. With this manual, we offer our project managers a foundation for training measures. A total of 78 trainees learned clerical and technical vocations at our group in fiscal 2009; they make our team younger and enrich it. As a result, we have a trainee ratio of 8%, which is representative of our sector.



THE EUROMICRON-TEAM

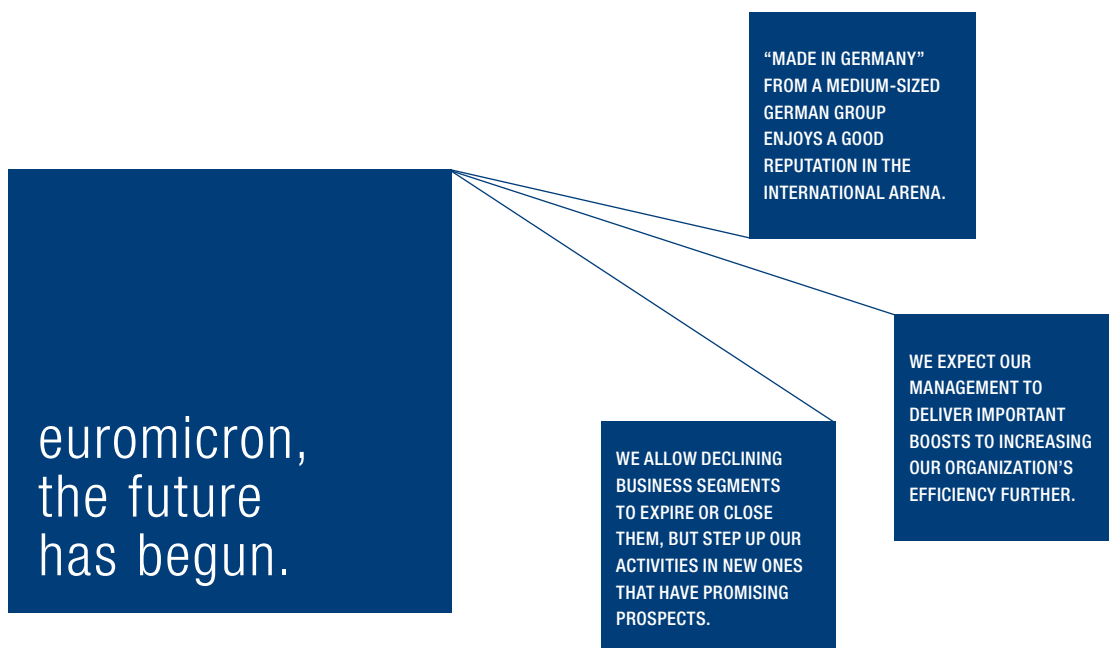
We are a growing company and can offer employees at all levels new and interesting posts in-house.

Shaping 2010

We continue to create the know-how, personalities and structures for success. A new further training program for sales has already been formulated. In addition, we continue to focus on developing our executives and our project management. The buy phase, i.e. the phase of growth through acquisition of small and medium-sized companies, has been completed. The build phase poses new challenges for all of us. Bringing together people and work cultures will still require time, sensitivity and joint experience in the current fiscal year. We are gratified that the increasing togetherness is already bearing fruit at many points in our company. We are working to ensure that this process of growing together remains geared to the future. The fact that we have been able to demonstrate our expertise and competitiveness so convincingly in many projects is down to all our employees, who are working actively and with commitment to help us achieve our integration goals. We would like to thank them warmly for that and for their loyalty, dedication and flexibility.

Outlook for 2010

Integration and development of our group is the motto of the new fiscal year 2010. We review ourselves continuously, both at the technological and commercial levels, and adapt our orientation rigorously to the requirements of the market. We are now shaping the build and integration phase in this spirit.



A system house with production expertise – that is what differentiates us sharply from our competitors. We will continue to strengthen our production operations in the current fiscal year: By using patented solutions and further qualified OEM products, as well as products from international development partnerships. Thanks to such partnerships, we improve our innovativeness and develop products we can place on international markets.

We can see from all our business segments: Maintenance, service and operation of plant and systems are gaining in importance, especially in phases of cautious investment, and are becoming a key component of organic growth. Customers often entrust us with supporting their equipment and gradually modernizing it in order to avoid or postpone high one-off investments. We therefore intend to devote more attention to these activities. Particularly when it comes to new technologies and innovative products, our customers attach great importance to their functionality and technical support for them being ensured. As a result, we set an example above and beyond technical functionality: euromicron stands by the service it offers and customers pay for and ensures security even for innovative solutions.



DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD



THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD

“euromicron stands by the service it offers and ensures security even for innovative solutions.”

Through our experienced former managing partners, most of whom still work for us in an advisory capacity, we forged contacts in the Middle East, the USA and Europe in the past fiscal year, where there is demand for our know-how and expertise in special projects. “Made in Germany” from a medium-sized German group still enjoys a good reputation in the international arena. Initial personal contacts and visits to our production operations are often followed by concrete requests for offers.

We began to reshape our branch structure in fiscal 2009. In future, we will strive to achieve branch office sizes with a sales volume of €10 million – a size that has proven to be cost-effective, flexible and with a viable future. In addition, there are to be three large fundamental branch offices with a sales volume of around €25 million, representing the North, Central and South Centers. We have created the basis for this by means of suitable structures and management to match. The individual branch offices can be run and developed independently and cost-effectively on this foundation.

One objective for fiscal 2010 remains to improve cost structures throughout the group as a basis for economical running of our company. As part of the continuous improvement process, we are pursuing the objective of allowing declining business segments to expire or closing them, but stepping up our activities in new ones that have promising prospects. This parallel process, in which we are aiming to improve cost structures and expand the company, will be the focus of our work in the coming years. As befits this, we are directing special attention in personnel development to improving our management and leadership structures further. We expect our management to deliver important boosts to increasing our organization’s efficiency and the qualifications of our employees further.

2010 has got off to a positive start for the euromicron Group and all the forecasts point to growth. We aim to let our shareholders share in this positive development – through investments that drive innovation at euromicron and by paying out an attractive dividend. We are working to ensure that our lenders continue to put their trust in us in this way.

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board dealt regularly and in detail with the situation and development of the euromicron Group in fiscal 2009. 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 2009

The Supervisory Board held five meetings in fiscal 2009 – on February 5 and 6, March 26, May 8, June 17, October 1 and December 8, 2009 – 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:



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

- 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
- Transaction in connection with the acquisition of shares and license agreements from Remote MDx Inc.
- Development of euromicron austria GmbH, formerly Cteam Consulting & Anlagenbau GmbH, in particular in terms of risks, financing and restructuring
- Risk management
- Questions of corporate planning and business policy
- Questions of Group integration
- The Group's financing situation and rating

In addition, the Supervisory Board kept itself informed in regular meetings and talks with the Executive Board of euromicron's AG ongoing growth and integration strategy. Points of emphasis in this context were rounding out the Group's external growth through company acquisitions, organic growth and the costs required for this, consolidation and integration measures, 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 June 18, 2009, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 8, 2009.

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. In this connection, the Supervisory Board and Executive Board have examined the effects of the changes in law pursuant to the German Reasonableness of Management Remuneration Act (VorstAG) dated

July 31, 2009, with the result that a deductible satisfying statutory requirements is to be agreed under the D&O insurance by July 1, 2010.

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 2009 and is available at all times on the company's Internet site.

Examination of the 2009 financial statements

The annual financial statements of euromicron AG and the Management Report as of December 31, 2009, as well as the IFRS consolidated financial statements including the group management report as of December 31, 2009, along with the bookkeeping and the risk identification system, were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, and each issued with an unqualified audit opinion. The audit reports of euromicron AG and the Group were available to the Supervisory Board in good time before the balance sheet meeting on March 25, 2010. 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 25, 2010, the auditors reported extensively on the main results of their audit of the annual and consolidated financial statements, as well as the internal control and risk management system, 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 25, 2010. The financial statements of euromicron AG are thus adopted. The Supervisory Board examined the Executive Board's proposal to pay a dividend of €1.00 a share (i.e. a total of €4,502,766.00) and to carry the remaining net income of €6,540,143.23 forward to a new account, and endorses this proposal of the Executive Board.

Composition of the Supervisory Board

Dr. Edgar Bernardi retired as a member of the Executive Board of euromicron AG for health reasons effective June 30, 2009, and left the company at the same time at his own request. The Supervisory Board and Executive Board thank Dr. Bernardi for his successful work and wish him all the best.

Thomas Hoffmann was appointed as a member of the Executive Board of euromicron AG effective July 15, 2009. Mr. Hoffmann had been responsible for strategy and integration in euromicron AG's management team since October 1, 2006, and as Managing Director of the associated company SKM Delwave GmbH. He has many years of experience in industry and consulting. The Supervisory Board and Executive Board wish Mr. Hoffmann every success.

There were no other changes to the board members at the company in fiscal 2009 apart from those described for the Executive Board.

Thanks

The Supervisory Board wishes to express its thanks to the Executive Board, management, the General Managers and all employees of the euromicron Group for their personal commitment and achievements in fiscal 2009. All of them contributed to euromicron's positive performance with their great dedication.

Frankfurt/Main, March 25, 2010

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 2009

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 closely together for the benefit of the company and to ensure its existence and that its creation of sustained value added. 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))

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

The Executive Board and the Supervisory Board of euromicron AG adopted this declaration on conformance at the meeting of the Supervisory Board on December 8, 2009. It relates for the period from December 19, 2008, to August 4, 2009, to the recommendations of the code in its version dated June 6, 2008, as published on August 8, 2008, in the electronic Federal Official Gazette ("2008 version"). The following declaration relates for the period from August 5, 2009, to the recommendations of the code in its version dated June 18, 2009, as published on August 5, 2009, in the electronic Federal Official Gazette ("2009 version").

This having been stated, the Executive Board and the Supervisory Board of euromicron AG declare in accordance with Section 161 of the German Stock Corporation Law:

euromicron AG complied and complies with the recommendations of the government commission on the "German Corporate Governance Code", with the following exceptions:

Re Section 3.8 of the code:

Section 3.8 (2) (2008) version

“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.”

Section 3.8 (2) and 3 (2009 version)

“If the company takes out a D&O (directors’ and officers’ liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon. A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.”

Reason:

In principle, euromicron AG does not believe that the commitment and responsibility with which the members of the Executive Board and the Supervisory Board discharge their duties will be improved by agreeing a deductible. Contrary to section 3.8 of the code in its 2008 version and, where it affects the Supervisory Board, also contrary to Section 3.8 of the 2009 version, the existing D&O policy for members of the Executive Board and Supervisory Board of euromicron AG does not envisage any deductible.

The D&O policy for the Executive Board and the Supervisory Board will be modified by July 1, 2010, so that it comprises a deductible in compliance with statutory regulations and also complies in future with the recommendation in Section 3.8 of the code (2009 version).

Re Section 5.3 of the code:

“Formation of Committees” (2008 and 2009 versions)

Reason:

The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future. 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 committee would not make the work of the three-member Supervisory Board easier, since the committees (which adopt decisions) must also have at least three members of the Supervisory Board on them.

Re Section 5.4.6 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.” (2008 and 2009 versions)

Reason:

euromicron AG refrains from reporting the compensation of the Supervisory Board members individually in the Corporate Governance Report. 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. The

variable part of their compensation is geared to the company's profitability and is calculated on the basis of the dividend adopted at the General Meeting. In addition, the overall compensation is published in the Annual Report, with the result that the individual compensation of the members of the Supervisory Board is not difficult to deduce. By dispensing with separate disclosure of information that is not difficult to discover, the company also pursues the goal of reducing the size of the Annual Report, which has increased over the past years, and so of making it clearer.

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." (2008 and 2009 version)

Reason:

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

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

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 2009.

Securities transactions requiring disclosure

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.

Compensation report

Executive Board

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 a) Sentences 5 to 9 and Section 314 (1) Sentence 1 No. 6 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. 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.

The compensation system for members of the Executive Board is defined by the Supervisory Board. The Executive Board's compensation consists of a non-performance-related component (fixed salary) and a performance-related component (earnings-related bonus). The variable components of Executive Board members are calculated on the basis of the euromicron Group's result from ordinary activities. A cap has been agreed to limit their total compensation.

There are no commitments to provide benefits that have been granted to a member of the Executive Board if he ends his work as a member of the Executive Board prematurely or at the normal time or that have been changed during the fiscal year.

Supervisory Board

The company acquisitions entailed consulting services, mainly relating to three due diligence processes, which were conducted by the auditing firm of a member of the Supervisory Board. A total fee of €123 thousand was paid for this.

Frankfurt/Main, December 2009

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

(until June 30, 2009)
Member of the Executive Board

Products, Market, Technologies
and Operations

Thomas Hoffmann

(as of July 15, 2009)
Member of the Executive Board

Strategic sales and marketing,
business development and
internationalization, IT and
process optimization, as well
as areas of communication with
the capital markets

Supervisory Board

Dr. Franz-Stephan von Gronau

Chairman
of the Supervisory Board of euromicron AG

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

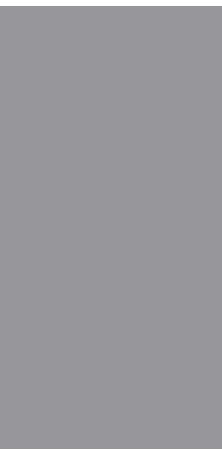
Senior Vice President Power Tools and
Head of Product Group Professional Power Tools
Europe, Africa, Near/Middle East of Robert Bosch
GmbH, Leinfelden-Echterdingen

Dr. Andreas de Forestier

Member of the Supervisory Board of euromicron AG

Chairman of the Supervisory Board of Consulting-
partner AG, Cologne

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, 2009

- Sales increase by 14% to €187.3 million
- Consolidated EBIT rises 13% to €18.0 million
- Consolidated EBITDA increases 12% to €21.1 million
- Earnings per share (undiluted) grow by 34% to €2.39.

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 19 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.

The euromicron Group is divided into the two report segments euromicron North and euromicron South, which represent the controlling units within the euromicron Group. Within these units are the three functional areas with various customer-specific solutions. "Projects & Systems" (information, communications and security networks), "Components & Assembly" (fiber-optic and hybrid networks) and "Distribution & Services" can, together with the integrated approach of a system house with production expertise, provide customers with ideal, solution-oriented advice and support. We ensure proximity to customers and a balanced portfolio of products and services through independent companies in the respective fields.

The euromicron Group's 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's success sustainably as part of a value-oriented growth strategy. Following completion of the buy and build phase at the end of 2009 and commencement of the build and integration phase, the Group is striving to attain its next strategic growth target: a sales volume of €300 million. This objective is supported proactively 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. The details from the Group companies explained in the notes are consolidated and analyzed as part of this. 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 potential changes. 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

	2009 € Mio.	2008 € Mio.
Sales revenue	187.3	164.6
Earnings before interest and taxes (EBIT)	18.0	16.0
EBIT margin	9.6%	9.7%
Order books	69.8	70.6

2. General economic conditions

Development of the market and sector

In the wake of the global financial crisis, which began in 2007 to 2008 in the markets of the advanced economies, the global economy was plunged in 2009 into its deepest recession since the Second World War. During fiscal year 2009, the crisis had a faster and more extensive impact than expected – despite intensive efforts by policymakers in major economies. Newly industrializing and low-income countries, which were not very exposed to mortgage-based assets in the USA and so were relatively sheltered from the financial troubles, were eventually sucked in when the international credit, trade finance and many foreign exchange markets also came under strong pressure.

This greater financial stress resulted in fiscal 2009 in an unprecedented global contraction in production and trade, propagated through various channels. The effects of the credit squeeze and slump in asset prices were very soon passed on via the banking system to a large number of sectors and countries in the world economy and further exacerbated by a collapse in trust on the part of consumers and companies. Far-reaching and sometimes unusual political measures helped some progress be made in stabilizing markets in 2009, even though they were not able to halt the negative reciprocal cycle between growing financial strain and weakening economic activity.

Economic activity and commodity trading slumped in all markets since the last quarter of 2008 and continued heading south rapidly at the start of 2009. Global GDP contracted in the fourth quarter of 2008 and the first quarter of 2009 by more than 6 percent (annualized figure). The advanced economies were impacted substantially by the financial strains and deterioration in markets. The newly industrializing countries of Europe and the Commonwealth of Independent States, which had essentially stoked their growth through inflows of capital, soon suffered considerable damage through financial channels. Countries with a heavy dependence on exports from the manufacturing sector, such as the countries of East Asia, Japan, Germany and Brazil, were hard hit by a decline in demand on export markets. Countries in Africa, Latin America and the Middle East faced the problem of plunging commodity prices, dwindling demand for exports and lower cash from remittances and influxes of foreign capital.

A sharp correction in the third quarter of 2008 then also put a stop to the boom in commodity prices. The IMF's Commodity Price Index fell by almost 55 percent in the second half of the year – a plunge that mainly reflected the negative impact of the global decrease in demand for commodities. Above all, the unexpectedly strong turndown in mid-2008 in emerging and less developed economies – which had been primarily responsible for the rise in demand during the boom – proved to be a key factor in the decline of commodity prices. Prices generally stabilized at the end of 2008. Commodities closely linked to the production of capital goods were hardest hit, whereas commodities with a lower income elasticity of demand, such as food, recorded a milder decline in prices.

Inflationary pressure quickly receded in most regions of the world, and the growing economic slackness curbed the upward pressure on prices. Overall inflation fell below 1 percent in the advanced economies at the beginning of 2009.

Inflation decreased perceptibly in the newly industrializing countries, although falling exchange rates abated the downward trend in some cases.

In this situation, national and international political steps were taken to initiate a coordinated political response to stabilize the financial system.

In their "Gemeinschaftsdiagnose" forecast of fall 2009, the participating economic research institutes assume that the German economy has stabilized since the summer of 2009, albeit it at a far lower level of output. The progressing crisis of trust led to a slump in foreign orders and caused industrial production to plummet to an unprecedented extent. The ensuing stabilization is mainly attributable to massive economic intervention since the fall of 2008. Central banks worldwide cut their interest rates and supplied banks with virtually unlimited liquidity as a substitute for the inter-bank markets that had dried up. At the same time, governments helped troubled banks by giving guarantees and injecting capital and also increased the guarantee for private savings. In this way, an impending collapse of the banking system was also able to be averted in Germany. The German government also passed various measures to stabilize the economy. As a consequence, confidence among financial market players increased again and non-financial companies also looked less and less pessimistically to the future.

Gross domestic product grew again slightly in the second quarter of 2009, mainly on the back of private consumer demand. Falling energy prices, the high pay deals of last year, tax cuts, higher transfers and presumably the “Cash for Clunkers” program meant that households increased their expenditure noticeably. This was definitely underpinned by the fact that the situation on the labor market remained relatively stable, also thanks to the statutory arrangements in place for short-time work. The early indicators point to a pretty strong pickup in the economy in the third quarter. However, expectations are that the recovery that has been going on since this time might not be sustained: There are considerable forces that could put a brake on a quick upturn.

Although there are increasing signs since the fourth quarter of a pickup in German exports, which were particularly hit by the global recession, the prospects for the industrialized countries remain muted and so strong export-driven growth cannot be expected for the time being. In addition, the situation on the labor market remains difficult, albeit pretty favorable in view of the recession. Job cuts in line with the decline in output have been able to be prevented up to now through the intensive use of short-time work and by reducing time accounts. However, this has resulted in a surge in labor costs, which is having a huge negative impact on companies' profitability. A gradual reduction in short-time work would possibly mean an increase in unemployment. The fall in employment is likely to bottom out at the start of the next year and will last until the end of the year, with lessening intensity.

In addition, the terms of finance in Germany have tightened since the beginning of the financial crisis. Lending to non-financial companies has risen only slowly since the end of 2008 and was last in sharp decline. Although this is predominantly a reflection of economic factors, the exacerbated conditions also led to a huge credit squeeze. Financing conditions may well worsen further in the period covered by the forecast. This view is backed by the fact that banks must still write off large amounts of risky securities and corporate loans, which means that further equity losses are foreseeable. Since the likelihood of defaults on business loans is also growing, banks will probably tighten their lending conditions further, if the German government does not strengthen its demands for the banks to lend more.

There were upward trends again in the ITC market towards the end of 2009. The Industry Index of BITKOM, the German Association for Information Technology, Telecommunications and New Media, rose by 18 points in the third quarter of 2009 – the strongest increase for five years. Further industry surveys by BITKOM revealed that, unlike other branches of the economy, IT and telecommunications have pulled through the crisis in very good shape.

The companies surveyed by BITKOM see further positive economic signs in the high-tech industry in 2010, and just about all of them consequently expect a perceptible pickup in demand.

Boosts to growth in 2010 are mainly anticipated from Germany.

Despite the tough economic conditions on national and international markets, the euromicron Group was able to continue establishing itself successfully on the market and follow up its pleasing performance of the past years.

A significant advantage here is that we are an integrated system house that is perceived throughout Germany as a competent partner in all areas of network technology, including for complex solutions.

With our focus as a “system house with production expertise”, we have succeeded in fully satisfying the market’s demand for solution-oriented, intelligent network infrastructures.

Apart from the pleasing trends in the German market, however, we had to cope with falls, in particular in the markets of Austria, Italy, France and Poland, whose markets in our segment are recovering more slowly from the global financial and economic crisis.

Course of fiscal year 2009 for the euromicron Group

We were once again able to increase the earnings strength of our group in the past fiscal year by means of consolidation. As part of this, we remain true to the maxim of increasing expansion of technology, market access and market volume, as well as entering new, forward-looking markets and business segments, for example by addressing the growing requirements in the field of health and care.

The buy and build strategy in the orientation it has had since 2001 was completed in fiscal 2009. With its last company acquisitions in fiscal 2009, euromicron has achieved its objective of obtaining a comprehensive footprint in Germany, mastering all technologies in its core business and, through the acquisition of foreign companies, implementing internationalization in its key European countries.

By focusing on value-oriented growth in the subsequent build and integration phase, we have laid the foundation for establishing our company as a reliable partner with perspectives, even in choppy times and against the market trend.

To round out its integrated portfolio, euromicron AG acquired all the shares in SSM Service GmbH in Hamburg under the purchase and assignment agreement dated October 15, 2009. SSM Service GmbH is a system house which focuses on voice transmission.

Its great competence in NEC Philips telecommunications systems is a sensible and important complement to euromicron’s expertise in medium-sized and large voice transmission systems.

Under the purchase and assignment agreement dated November 27, 2009, euromicron AG acquired all the shares in FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH in Darmstadt. Purchase of this company means that euromicron has rounded out its offering in the Rhine/main region as a competent and vendor-independent provider of telecommunications systems and data networks.

Under the purchase and assignment agreement dated November 30, 2009, euromicron AG acquired all the shares in Engel Vermietungs- und Servicegesellschaft mbH in Haan. The company has accompanied the growth in telecommunication technology and its development. Its experts now offer complex IT and communications concepts and implementation of them. With its workforce, the company is one of the most powerful medium-sized vendors in Germany in the business segments of communication, information, security and energy.

By pooling various competences, the company is able to develop and deliver future-proof all-round solutions built from a large number of individual systems available on the market.

The acquisition also rounded out euromicron's portfolio in the Rhine/Ruhr region and the whole of North Rhine-Westphalia.

Under the purchase and assignment agreement dated December 22, 2009, euromicron AG acquired all the shares in Skyline Communication Systems GmbH in Hamburg / Kaarst. This distribution company represents a logical rounding out of euromicron's profile in the field of small and medium-sized telecommunications systems, with the focus on NEC Philips.

Renaming of Cteam Consulting & Anlagenbau GmbH in Seekirchen, Austria, as euromicron austria GmbH marked a key step in strengthening and integrating international business in Austria.

In addition, Cteam Kommunikationstechnik GmbH, Errichtung von Mobilfunkanlagen, was renamed ckt GmbH and is headquartered in Munich.

EUROMICRON Werkzeuge GmbH, Mittenaar, has relocated its registered offices to Sinn-Fleisbach, since it was able to move into modern, yet cheaper premises there.

The company pressed ahead with the internal project launched in 2007 to harmonize and standardize the various IT platforms and provided it with additional resources. The preparatory work on standardizing process flows and definitions throughout the Group was largely completed in the year under review.

The results of operations of the vast majority of euromicron's group companies remained pleasingly stable in the past fiscal year, contrary to the general market trend, and some of them were even able to post sharp increases in sales and earnings. The companies are profiting from the still great need for large carriers to invest in expanding high-speed networks and for industry to modernize its data transmission systems. Despite the fact that competition remained fierce, the system houses were able to record a successful 2009 and grow their earnings year-on-year. Although, as in previous years, delays in projects also reduced the planned volume of sales, we were nevertheless able to improve the quality and absolute level of earnings. Our prudent and foresighted cost awareness, permanent process adjustments and constant optimization in the past enabled this success in economically tough times. A proactive cost-cutting program was launched at the start of the past fiscal year to secure our forecast results and had a positive impact on our results of operations.

euromicron's internationally based companies and units, especially in Austria, Italy, Poland and France, were not able to achieve their sales and earnings targets.

In particular, this reflects the local economic development of the individual countries.

After our deliberate withdrawal from ruinous mobile communications projects, we realigned our business in Austria and succeeded in establishing euromicron austria GmbH as a competent partner in the field of network technology and successfully placing initial orders in euromicron's traditional business.

In fiscal 2009, Dr. Edgar Bernardi retired as a member of the Executive Board of euromicron AG for health reasons effective June 30, 2009, and left the company at the same time at his own request.

Dr. Bernardi is succeeded by Thomas Hoffmann, a graduate in industrial engineering, who joined the Executive Board of euromicron AG on July 15, 2009. He will be responsible for the functional areas of strategic sales and marketing, business development and internationalization, IT, process optimization and areas of communication with the capital markets.

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

Share price and investor relations

euromicron AG's share got off to a very restrained start in 2009 at a price of €9.98.

Following the turmoil on the international financial markets, there was growing interest in less speculative securities that are fundamentally strong in the course of fiscal 2009.

According to the assessment of the analysts from Close Brothers Seydler for euromicron's half-yearly financial statements, our company has been "solid as a rock", even in turbulent times.

euromicron AG was not able to withstand a brief general downward trend on stock markets at the end of the second quarter, but then soon continued its successful performance.

Overall, euromicron AG's share was able to outperform the general upward trend of the DAX and TecDAX to close the year at €15.60.

The keen interest shown in talks with investors, roadshows and one-on-ones confirms our conservative strategy of focusing on long-term, sustainable earnings.

As part of the share buyback program that was launched for the first time in 2006, euromicron AG did not acquire any further shares of its own in the fiscal year. As a result, the number of treasury shares held by euromicron AG remains constant at 157,234, 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 presents the asset and equity structure of the euromicron Group:

ASSET AND EQUITY STRUCTURE	Dec. 31, 2009		Dec. 31, 2008	
	€ thou.	%	€ thou.	%
Noncurrent assets	107.2	57.7	96.3	56.0
Current assets	68.9	37.1	64.6	37.5
Securities and cash	9.8	5.3	11.2	6.5
Assets	185.9	100	172.1	100
Stockholders' equity	80.3	43.2	73.8	42.9
Long-term debt	25.0	13.4	28.3	16.4
of which: financial debt	18.2		23.4	
Current liabilities	80.6	43.4	70.0	40.7
of which: financial debt	49.8		45.1	
Equity and debts	185.9	100	172.1	100

The euromicron Group's total assets at December 31, 2009, were €185.9 million, up 8.0% 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 was €84.0 million at December 31, 2009, compared with €78.8 million in the previous year. The remainder of the increase in noncurrent assets is largely due to capitalization of development costs and the acquisition of licenses for lucrative markets of the future. The ratio of equity and long-term outside capital to assets is 98.2% (previous year: 106.0%).

As part of the current assets, inventories fell year-on-year by €1.1 million (after adjustment for first-time consolidations), despite the sharp rise in volumes. This is mainly due to an improvement in working capital management. The main increase among current assets is for trade accounts receivable, which rose €6.1 million (of which €2.9 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 €38.1 million (previous year: €39.7 million) at the reporting date.

Stockholders' equity at December 31, 2009, was €80.3 million (previous year: €73.8 million), a year-on-year increase of 8.8%. The treasury shares (157,234) acquired since 2006 as part of the share buyback program have been deducted from this figure to an amount of €2.9 million. Treasury shares are offset against stockholders' equity at their acquisition cost without any impact on profit.

Despite the growth in total assets, the equity ratio at December 31, 2009, rose to 43.2%, in particular due to the increase in earnings.

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 below the level of the previous year due to the repayment of loans as planned. Among the current liabilities, trade accounts payable and short-term credit lines at banks rose as a result of the increase in business volume. Changes in the consolidated companies contributed €5.3 million to total liabilities and accrued liabilities.

The Group's net debt (financial debt minus securities and cash) at December 31, 2009, is €58.2 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 2010.

Results of operations

In fiscal 2009, the euromicron Group achieved consolidated sales of €187.3 million, an increase of 14% on the previous year (€164.6 million). The share of sales generated by the companies acquired in 2009 was €5.6 million, giving organic growth of 10.4%. This is all the 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.

Sales outside the German market were €25.2 million (previous year: €30.6 million), a share of 13.4% in relation to total sales.

The euromicron Group's total operating performance was €182.1 million.

The largest expense item in the income statement of the euromicron Group was cost of materials at €92.5 million (of which from changes in the consolidated companies: €2.0 million). The ratio of cost of materials on the basis of sales revenues was 49.4% compared with 50.7% in the previous year.

After cost of materials, personnel costs are the second largest expense item. Personnel costs in the past fiscal year 2009 were €48.1 million compared with €43.0 million in the previous year (of which from changes in the consolidated companies: €1.2 million). In relation to sales, they fell to 25.7% (previous year: 26.1%). The increase in personnel costs in absolute terms is primarily attributable to the employees added due to the acquisitions in 2008 and 2009, as well as changes in qualification within the existing portfolio of euromicron companies.

Given a workforce of 1,062 in 2009 (excluding trainees) at the balance sheet date, average sales per employee were €176.4 thousand.

Depreciation and amortization were €3.0 million, almost at the level of the previous year (€2.8 million).

Other operating expenses in 2009 were €22.6 million compared with €20.8 million in the previous year (of which from changes in the consolidated companies: €0.3 million). Vehicle and travel expenses (€5.8 million), rent/room costs (€2.9 million) and legal and consulting costs (€2.6 million) are the largest items within the other operating expenses. The other operating expenses include fees for auditing of the financial statements of €414 thousand.

Earnings before interest and taxes (EBIT) were €18.0 million, an increase of more than 12.5% over the previous year (€16.0 million). The companies acquired in 2009 contributed €1.8 million to this. The EBIT margin, relative to sales, was 9.6%, i.e. at the pleasing level of the previous year (9.7%) and is in the middle of our planned long-term horizon of 8 to 11%. Earnings strength is underpinned by permanent monitoring of cost structures.

Net financing costs were reduced from EUR € -4.0 million in the previous year to € -2.8 million as a result of improvements in cash management and better market interest rates. With the exception of funding of the purchase prices, changes in the consolidated companies did not have any significant impact on net financing costs.

The tax ratio is around 24.7% (previous year: 27.5%). This reduction is mainly attributable to reversals of provisions for taxes in the fiscal year.

Despite higher profit shares for minority interests, the operating performance, improvements in net financing costs and the lower tax ratio meant that consolidated net profit was €10.7 million compared with €8.1 million the previous year. Undiluted earnings per share increased from €1.78 to €2.39. The positive effect from changes in the consolidated companies on the Group's net profit was €1.5 million and €0.33 on earnings per share.

Overview of the results of operations:

RESULTS OF OPERATIONS	2009		2008	
	€ m.	%	€ m.	%
Net sales	187.3	100.0	164.6	100.0
Inventory changes	-6.9	-3.7	-1.4	-0.9
Own work capitalized	1.7	0.9	0.3	0.2
Other operating income	2.1	1.1	2.6	1.6
Cost of materials	-92.5	-49.4	-83.5	-50.7
Personnel costs	-48.1	-25.7	-43.0	-26.1
Depreciation and amortization expense	-3.1	-1.7	-2.8	-1.7
Other operating expenses	-22.5	-12.0	-20.8	-12.6
Income before interest and taxes (EBIT)	18.0	9.6	16.0	9.7
Net financing costs	-2.8	-1.5	-4.0	-2.4
Income taxes	-3.8	-2.0	-3.3	-2.0
Minority interests	-0.7	-0.4	-0.6	-0.4
Consolidated net profit	10.7	5.7	8.1	4.9
Earnings per share (EPS) in € (undiluted)	2.39		1.78	

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, 2009, unutilized promised credit lines of €10.8 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 2009 is as follows:

CASHFLOW ANALYSIS	2009 € thou.	2008 € thou.
Net cash provided by operating activities	14.2	4.5
Net cash used in investing activities	-9.9	-13.3
Net cash used in / provided by financing activities	-5.9	7.8
Change in cash flow	-1.5	-1.0
Cash and cash equivalents at start of period	10.1	11.1
Cash and cash equivalents at end of period	8.6	10.1

Cash and cash equivalents of the euromicron Group at December 31, 2009, decreased from €10.1 million to €8.6 million.

The net cash provided by operating activities is mainly attributable to the income before income taxes for 2009 (€15.2 million) and the high year-on-year changes for accrued liabilities (€1.3 million). The reduction in working capital (in particular trade accounts payable) had an opposite effect. The net cash used in investing activities is due not only to the company acquisitions, but also the Group's investments in property, plant and equipment, with the aim of meeting the greater requirements and volumes expected in future.

Net cash used in financing activities is attributable to the dividend paid for fiscal 2008 and the repayment of medium-term loans as part of the financing arranged in the past to fund acquisitions.

The net cash and cash equivalents at the end of the period of €8.6 million allow the Group, together with unutilized promised credit lines, to tackle the year of consolidation in a sound position. As a result, the operational business of the group companies is financially secure. Diversification in financing ensures that we retain a reasonable independence from the capital markets. We aim to maintain and intensify 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 2009. They rose by around 15% to €186.5 million (previous year: €161.9 million).

Order books at December 31, 2009, were €69.8 million, almost at the level of the previous year (€70.6 million). 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 2010 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 2010, mean that there are contractual agreements for a not insignificant portion of the sales planned for 2010.

Segments

In accordance with the internal management instruments of the euromicron Group and the strategy now being implemented, the Group's business structure is divided by region into the North and South segments.

SEGMENT SALES	2009 € thou.	2008 € thou.
euromicron North	92.5	80.0
euromicron South	102.5	90.6
euromicron AG and consolidations	-7.7	-6.0
Total sales	187.3	164.6

SEGMENT EARNINGS	2009 € thou.	2008 € thou.
euromicron North	15.3	14.6
euromicron South	7.2	4.8
Operating EBIT	22.5	19.4
euromicron AG and consolidations	-4.5	-3.4
Total consolidated EBIT	18.0	16.0

The North segment was able to benefit from the good general economic conditions in the past fiscal year and increase its sales and EEBIT 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 2009 exceeded that in euromicron's top year 2008. Sales at the North segment were grown by 15.6% to €92.5 million. Its EBIT rose by some 4.8%.

The South segment increased its sales by around 13%, despite the continuing weakness of the foreign market. Its EBIT rose above-proportionately in relation to sales by 50%. This is mainly due to the successful reorganization of cost structures in the disastrous mobile communications unit in Austria, which has now been geared to successful implementation of network technology.

With its operating companies, the euromicron Group posted further sharp operational growth in its EBIT. Operating EBIT was €22.5 million, some 16% up year-on-year.

In the remaining segment – euromicron AG and consolidations (central costs) –, the EBIT was € –4.5 million, compared with € –3.4 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. Existing residual risks relating to the term of bank funding are permanently examined.

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.

At the end of fiscal 2009, the Group employed an average of 1,149 people (including 87 trainees), an increase of 15.4% over the previous year (979 employees). This is mainly due to the changes in the consolidated companies, i.e. the acquisitions in 2009, which had a full impact in the past fiscal year.

At the old companies, the total number of employees remained constant, with new hirings being offset by structural adjustments. New employees are being hired in particular for highly qualified activities in project controlling and monitoring. In addition, our sales staff have been strengthened considerably, both in key account management and regional and product sales. The good economic situation in the past fiscal year also allowed our companies to continue 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. Consequently, we have launched qualification programs in a wide range of fields so as to address steadily growing requirements in project controlling and monitoring, in particular in project management and production. 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 87 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

“We fill visions with life”.

The ITC market, in which euromicron operates, continues to exhibit potential for expansion and growth thanks to the catching up done in the past years and increasingly as a result of the Infrastructure Initiative of the German government as part of its economic stimulus programs.

Although Germany still invests less than other countries in information technology and telecommunications, the number of broadband connections has nevertheless trebled in the past three years and demand for them, and the greater data volumes and speeds they offer, remains unbroken.

The number of WLAN hotspots, i.e. points of mobile access to the Internet at hotels, airports, stations, cafés and exhibition centers, is doubling almost every year in Germany. In particular, the major telecommunications network operators and infrastructure providers, such as Deutsche Bahn, still display the same willingness to invest.

The last mile based on today's two-wire copper line is now running up against its physical limits, with the result that carriers, network installers and manufacturers are increasingly working on fiber-to-the-home and related solutions.

However, the global financial crisis and, in some sectors, the subsequent economic crisis resulted in a complete about-turn in investment and consumption: industry froze new purchases at the beginning of the year and invested more in rationalization and optimization, whereas consumers made purchases over the Internet or used communications and entertainment from home to a greater extent. Policymakers identified the communications infrastructure as a necessary production factor for industry and for private users alike, and injected financing for it to stimulate the economy.

In the meantime, this part of the high-tech industry is steering its way out of the crisis without any major losses. The industry association BITKOM estimated the sales volume in Germany's ITC market in 2009 at €142 billion, a year-on-year decline of around 2.5%, which still means that the ITC industry performed better than the overall economy in 2009.

Private consumption in this sector is virtually stable. Every one-in-four mobile communications user plans to buy a new cellphone; in particular, smartphones, such as iPhone and iPad, for mobile applications are particularly popular. According to the German Society for Consumer Research (GfK), sales of these mobile end-user devices more than doubled year-on-year in the first three quarters of 2009, while an increase of around 4% in total mobile phone sales is anticipated in 2010. BITKOM estimates sales of notebooks to end consumers will grow by some 30%. In contrast, however, IT hardware prices will fall.

Business customers are mainly setting store by process optimization and outsourcing: Outsourcing services grew by around 5.1% in the crisis year 2009.

In the telecommunications market, sales from telephone calls declined sharply: by 7.6% in the fixed network and 4.5% in the mobile network arena, according to estimates by BITKOM. This is due to a shift from fixed-network to mobile calls, the fall in prices and the boom in data services. Sales from private Internet access increased by 3.9% and mobile data services even by 8.1% in 2009.

Such technological changes and also a change in user behavior, coupled with the requirement to optimize processes in the crisis, are the breeding ground for future growth, especially in sectors in the infrastructure segment, such as ITC.

Intelligent, Internet-based display, surveillance and security solutions are now used in applications that were not previously feasible due to technological restrictions. Public places, train stations, airports and places where a lot of people congregate, such as stadiums, etc., not only have a more aesthetic appearance, but are also more secure.

In care of the ill and elderly, administrative tasks for health professionals and nursing staff are simplified thanks to the IT&C infrastructure and data storage, allowing them to devote more of their time to their patients; patients' needs for communication and entertainment are also addressed. For this, euromicron supplies tailored solutions created on the basis of the Group's now diverse and wide-ranging expertise and experience.

In line with these market requirements, we have again increased our spending on innovations and development and, in particular, further developed components from euromicron components to create complete solutions.

Examples are the switches for installation in ducts and for use in industry that we market under the brand name MICROSENS®, which contain a microprocessor system with integrated software and firmware and which we have developed further to enable them to be monitored and configured over the connected network.

The requirements by the market of such a "management agent" are growing from year to year, since as networks increase in complexity, the demands placed on services provided by the devices keep on growing.

One key issue is the demand for greater protection of networks against manipulation. This requires the unprotected communications protocols used to date to be replaced by secure alternatives. Our development efforts are thus concentrated on an improved, standardized and secure protocol for MICROSENS® products.

To cater for mobile and short-term outside use in harsh environments, such as are frequently encountered by carriers, in TV broadcasting and in industry, there is now a fiber-optic system for installation in containers, with a special duct to the outside in combination with a mobile fiber-optic cable drum, providing a robust and reliable means of enabling the complete communications performance of a data center to be deployed quickly for mobile assignments. With the newly developed fiber-optic connector EUROLENS®, whose connection principle is no longer based on mechanical contact between the optical fibers, but on optical focusing by means of small lenses, this fiber-optic cable drum can likewise be fitted and even used securely and reliably for military operations.

euromicron is now taking the next logical step forward and, on the basis of this experience and expertise, is designing applications to help people and make society safer.

The need for security, as well as greater awareness among the younger generation, who usually live apart from the older generation and who care for parents and grandparents, or at least want to be assured that they are safe and healthy as part of as regular communication as possible, demand more and more smarter applications to enable this or at least make it easier. As a solution provider in communications and security technology, euromicron has invested to a greater extent in this field to meet these growing requirements and so make a further contribution to society.

euromicron is already active in various ITC infrastructure projects in the healthcare market, with the result that in May 2009 we secured exclusive Europe-wide licensing rights for a mobile care and surveillance system and have now taken the first steps to market it under the name "euromicron mobile care center". With this system, elderly people or those who need help can still move about freely in their customary domestic surroundings thanks to relatively simple mobile communications technology and enjoy their familiar environment, yet have the peace of mind that they are not only provided with medical surveillance via a supervision center thanks to this system, but can communicate with the center if required or be put through to relatives. In an emergency, they can also be located with the system, allowing medical aid to be sent to them quickly and purposefully.

Since the proportion of the population of persons aged over 60 has grown from approximately 15% (1950) to around 23% (2000) and is expected to increase to around 35% in 2025, and approximately 70% wish to live at home or with relatives in their old age, this application has great growth opportunities.

A similar system can be used in humane law enforcement, where there is a growing focus on enabling offenders to serve their sentence on probation with greater freedom and in their familiar environment so as to ensure that the chances of successful rehabilitation are as high as possible. This system likewise uses a mobile device that is worn by offenders and allows them to be monitored by a supervision center so that it always knows where they are, their movements can be restricted and, in the event of transgressions, intervening action can be taken at the behest of the supervision center until the probation officer is called.

This form of monitored freedom thus increases the chances of rehabilitation thanks to the possibility of contacting persons on probation and sharply reduces the recidivism rate, as proven by an MPI study accompanying the pilot project that was conducted over several years in Hesse.

euromicron is thus systematically pursuing its adopted strategy of always successfully participating in the forefront of market trends by means of growth, innovation and specialization – from product development and solutions to leveraging of its own potential, through acquisitions, by obtaining licenses and with partnerships.

"No broadband, no future": that is the pithy slogan of euromicron's "Broadband" network, in which we have pooled our competence in fiber-optic and high-capacity wireless technology. By transferring this competence to the operating subsidiaries, euromicron is well positioned as a one-stop shop that offers enterprises, municipalities, public utilities and carriers customized solutions for broadband networks – from planning and construction to complete project controlling. This has now given rise to a complete FTTH product line eFOS (euromicron Fiber Optics System), which we presented to the entire market at CeBIT 2010.

The positive effects of the synergies from the expertise we have acquired are now unfolding in many individual projects. Our know-how in the various fields of wireless communications technology is increasingly being leveraged in projects of our associated companies, for example in installation of a radio relay system for a district administrative authority in Central Germany, with which two schools are connected with each other, or in a similar project in which two branch officers of a health insurer now communicate by radio relay.

The dense regional coverage we now boast – and which is likewise the result of the buy and build strategy – is now helping us to acquire and execute supraregional projects. Examples are an international DIY chain, where we are taking over responsibility for Europe-wide service at more than 100 of its stores, including in Germany, Austria, Switzerland, the Netherlands and Sweden.

Although it is much more difficult to introduce the entire euromicron portfolio in countries outside Germany, we are nevertheless making faster progress than planned. In Austria, where our focus had been on mobile communications, we have concluded a master agreement with Wien Strom to supply, install and maintain active system components. Further projects we have acquired in the field of active and passive network technology show that the transfer of know-how and renaming of our local company as “euromicron austria” at virtually the same time is the right forward strategy for this changing market.

In the field of transportation, the focus of our largest and most important customer, Deutsche Bahn AG, up to now and also next year is to invest in passenger stations. As a result, construction measures to modernize a total of almost 2,500 stations will be implemented in this and the coming year. To improve the quality of information, euromicron is collaborating in projects such as the construction of new and replacement of existing passenger information systems, the construction of new passenger warning systems and dynamic displays (LED technology) at 1,700 smaller stations.

We are also strengthening fire prevention systems at many stations (OPVA = over-ground passenger transport system) and in tunnels and installing digital video surveillance and fire alarm systems (installation of new and extension of existing ones).

In the past fiscal year 2009, euromicron has again proven with its strategic farsightedness, financial solidity and operating strength that it is an innovative, reliable and serious player in the information and telecommunications market. Whether high-quality products developed among other things on the basis of system integration requirements, customized special solutions or, as now in the next phase, purpose-designed applications – euromicron is one of the most competent solution providers on the ITC market.

6. Compensation report of the Executive Board

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 a) Sentences 5 to 9 and Section 314 (1) Sentence 1 No. 6 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. 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.

The compensation system for members of the Executive Board is defined by the Supervisory Board. The Executive Board's compensation consists of a non-performance-related component (fixed salary) and a performance-related component (earnings-related bonus). The variable components of the remuneration of Executive Board members are calculated on the basis of the euromicron Group's result from ordinary activities. A cap has been agreed to limit their total compensation.

There are no commitments to provide benefits that have been granted to a member of the Executive Board if he ends his work as a member of the Executive Board prematurely or at the normal time or that have been changed during the fiscal year.

7. Corporate Governance

In fiscal 2009, 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 €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 Landesbank Girozentrale, Hanover: 19.99% (since January 21, 2010: 14.91%).
- 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 €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 12, 2008, was revoked by a resolution by the General Meeting on June 18, 2009.

In addition, the company was authorized 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 €1,191,400.00 for these shares, up to December 18, 2010. This is 10% of the Company's capital stock at the time of the General Meeting of €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 as ecologically friendly way as possible.

10. Postscript report

With the notarized agreement dated January 12, 2010, euromicron AG acquired the remaining shares in NetWays Netzwerk Consulting GmbH, Ettlingen, for a purchase price of €920 thousand. Apart from that, up the March 19, 2020, there were no significant operational or structural changes at the euromicron Group, nor any business events, that might change the statements given in the 2009 annual financial statements.

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.

In addition, the risks, including in relation to the group accounting process, are reviewed at regular intervals as part of risk monitoring to determine their applicability within the framework of the internal control and risk management system. This is supported by a centrally controlled MIS system that is used throughout the Group. A Group-wide policy is in place to ensure compliance with consistent standards in the group accounting and risk management system.

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 international European markets.

Since euromicron's group companies only maintain insignificant business relationships in economies outside the Euro zone, turmoil in them does not generally have an impact on us.

The good pickup in the banking and insurance sector gives a certain early indication of the economic development that can be expected, with the result that the basic risks in our market appear manageable.

Investment by large carriers was as pleasing as it has been in the past 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 deficits in their established network infrastructures, we expect to be able to 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.

euromicron is also countering pressure from the competition by concentrating its business and processes in the current build and integration phase, the focus of which is end-to-end planning, consulting and implementation services for network solutions.

This relates less to individual product sales than to solution sales, which generate far greater value added.

The number of competitors in this market is modest and they mainly comprise a small number of larger market players and general contractors.

As a result of the short information channels and decision lines, as well as due to the fact that we have constant access to the development departments of our production operations within the euromicron Group, we boast the advantage of having the flexibility of a medium-sized enterprise, yet the merits of a group.

The mergers of associated companies already carried out or still planned 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 identical individual functions where they exist more than once.

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.

Companies that buy in the procurement market in the far East on the basis of dollars have short-term sales price lists based on foreign currency, with the result that no significant risk can be seen at present from the procurement markets outside the Euro zone, either.

The far-reaching risks for euromicron AG are mainly in the permanent value of its associates, their earnings strength and the intrinsic value of financing of its associates as part of cash pooling. These risks, which are directly connected to the risks of the associated companies, are constantly monitored, assessed and assigned measures by means of our standardized management information system. The Group's flat hierarchies, short information channels and constant communication at all levels of the company ensure early detection of risks and effective steps to counter them.

We do not see any risks from investment in new companies due to the fact that we have ended our acquisition phase.

euromicron AG assesses its associated companies on the basis of their earnings from operational activities and cash flow-based targets, 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 and these are obtained through permanent monitoring and reviews. This is underpinned and assisted by the operational independence and responsibility of the Group companies. The company's management also bases its decisions on analyses by the specialists and persons responsible who are involved in the process and have extensive market, product and sector know-how. A wide range of different evaluation criteria are used, tailored to the specific case.

The companies are accompanied permanently by investment controlling by euromicron AG; deviations are identified and countermeasures initiated immediately.

During the financial and banking crisis, euromicron AG again intensified contacts with banks in 2009 and regularly discussed their strategy and corporate policy so as to assess whether the individual bank could be regarded as a reliable partner in funding the company or whether there was a threat of its withdrawing from its commitment to euromicron. We do not see any risk here at present, in particular as regards short-term financing.

All financing partners have confirmed their existing commitment to euromicron, acknowledged the company's good rating and also offered to expand the business relationship. Of particular importance is the statement by all of them that euromicron AG in itself is graded as a risk-free commitment. At present, this means that euromicron AG's financing appears secure and does not represent a risk.

In addition, euromicron AG has strengthened its staff in relation to optimizing and monitoring working capital and its financing structure.

As a result, changes to euromicron AG's and the Group's liquidity situation are permanent reviewed.

We assume that net debt at the balance sheet date will have reached its peak following completion of the buy and build phase in 2009 and euromicron's typical periodical project financing.

Although commissioning of projects by our customers in the final quarter in particular is common business practice, the shifts in the past fiscal year 2009, especially to December, were unusual.

As a result, our customers are mainly billed at the end of the year and so cash from them can be expected in the first quarter.

One objective for fiscal 2010 is to repay euromicron AG's debt appropriately in order to reduce the risks for euromicron AG from outside borrowing. We aim to ensure that the latent risk potential as regards financing is limited.

The associates essentially obtain their funding from the cash pool and have no significant external debt of their own. Liquidity for the associates was provided for the whole of year under review and is also ensured for 2010. There are no liquidity risks to the Group's further development as regards the aspect of integration.

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. euromicron AG was able to utilize the volatility of interest rate markets in the past fiscal year, in particular for short-term loans. In 2010, it again plans to convert further short-term loans to medium- and long-term lines and so optimize the balance in the risk structure as part of financing of the Group. The objective is a financing structure consisting of around 50% medium- and long-term financing that can be planned and 50% short-term for operational business.

There are no major risks of dependency on customers and suppliers at euromicron at present. 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 one customer that accounts for more than 6% of total sales. The risk of nonpayment is reduced by factoring of some receivables from customers.

euromicron is still a vendor-independent system house that has cooperation agreements and nurtures active collaboration with various suppliers. Consequently, there is likewise only a limited risk in relation to procurement.

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

12. Outlook

Following the most successful fiscal year in the company's history, we expect to share in the market's revival in 2010. We are tackling the still tough general economic conditions by means of appropriate cost-cutting precautions and selective investments in personnel development so as to enable us to strengthen our market presence as a company that boasts of the advantages of a solution-oriented system house with production expertise.

The euromicron Group expects a slight rise in new orders in its markets compared with the past fiscal year, albeit with possible shifts in individual sectors. The Group's broad lineup in terms of customers, sectors and technologies helps compensate for economic fluctuations.

We assume that demand for powerful networks for voice, data and video transmission, as well as for security, surveillance and alarm networks, will continue.

In line with the slogan "We fill visions with life", we are systematically tackling development products in important growth markets for us in the field of health and care so that we can proactively recognize the changes in these segments and participate in these markets when they pick up.

To this end, we acquired relevant licenses in 2009 and are systematically developing appropriate applications.

euromicron does not generally compete with cut-price vendors from the Far East, but sets store by integrated quality, service and reliability and its philosophy of offering an overall concept geared toward solving customers' problems. The performance 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 continue to win through, even in difficult times.

The intensified phase of build and integration in the company's development in the past fiscal year will continue to follow the objective of further optimizing the Group's structures in future. We anticipate positive effects in terms of process efficiency and organic growth. The integration and consolidation measures that have been planned and accomplished to date are basically geared to market needs and so to improving service delivery for our customers.

Apart from strategic further development of the company, we have begun to optimize our cash flow, financing, capital flow and outside debts as part of the integration phase following completion of our small and medium-sized acquisition activities. To this end, the company's financing will be developed toward a balanced structure that ensures our strategic and operational growth and also enables further optimization of our balance sheet ratios.

Among our existing financing partners, individual banks have redefined their commitment to a future partnership and so increased our good rating considerably. All of them regard the greater financing needed for current business as a result of the company's new size and the possibility of assisting euromicron with other financial services and flanking us with professional financial support in our next strategic steps as an interesting challenge.

euromicron is now regarded as an established company among the leading network specialists in the market and as an all-round provider of communications and security solutions, from planning, project planning, execution to turnkey handover, as well as maintenance and service. We have the blanket coverage to offer customers any desired solution tailored to their needs. In addition, we are continuously examining new and lucrative market potentials so as to identify and leverage opportunities in the nursing, care and health market and in surveillance of persons by mobile communications. The focus here is on merging technology and the defined solution. We will also continue to actively review our portfolio, as well as take up innovative ideas and, where of commercial interest, develop them to market maturity.

In particular, our objective for fiscal year 2010 is therefore still to continue to establish the brand name euromicron in the market as a byword for quality, solution-oriented expertise and know-how in all areas relating to network-based information, communications and security needs and to keep up our active PR and investor relations work in order to actively support our share performance and give institutional investors opportunities for interesting replacements that look to the company's future.

We assume that we will exceed the €200 million mark in the coming fiscal year as a result of further organic growth.

The smaller investments made towards the end of 2009 will be able to make a not insignificant contribution to this.

The EBIT target at the Group level remains 8 to 11%. Following completion of the consolidation phase of build and integration, the Group aims to achieve the €300 million mark for the years following 2011. This is to be assisted not only by organic growth, but above all by focused and stronger growth abroad, largish mergers or mutual investments in companies, as well as cooperation deals and partnerships.

In order to achieve its goals, the euromicron Group has a promises of finance of around €76.5 million (previous year: €71 million) from the banks; of this, around €9.3 million was unutilized at the reporting date. As a result, the Group not only has a good and stable cash flow of its own, but an adequate financial framework to be able to achieve its objectives. Following intensive discussions with all banks in 2009, we currently assume that this funding will continue to be available to the company, even if the general economic situation should deteriorate again.

We feel certain that this path also reflects the interests of our shareholders and company as best possible. We will continue to work towards this goal in future.

If investors in euromicron AG indicate that they wish to replace a large number of our shares, our objective 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 and provide the company with the resources required for this.

With our business model, a secure basis for financing and a stable cash flow in conjunction with our still comfortable equity ratio, we are convinced that we are well equipped to secure the company's long-term development and also give our shareholders promising perspectives.

Summary

The Executive Board's overall statement is that it is optimistic of achieving the objectives set for euromicron AG and the euromicron Group once more in 2010.

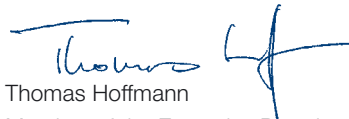
We have used a number of opportunities in the past to gear the group to a secure future and believe we will be able to skillfully master the challenges in the market ahead of us. Future strategic investments will be pinpointed at responsible and continuous growth that supports a sustained increase in the value of euromicron AG and means the company remains attractive to new investors.

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

Frankfurt/Main, March 19, 2009



Dr. Willibald Späth
Chairman of the Executive Board



Thomas Hoffmann
Member of the Executive Board

Consolidated Financial Statements (IFRS)

For the fiscal year 2009

Consolidated balance sheet of the euromicron Group

as of December 31, 2009 (IFRS)

ASSETS	Note	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Noncurrent assets			
Intangible assets	(1)	93,623	86,103
Property, plant and equipment	(1)	10,913	8,965
Financial assets	(1)	1,082	44
Other assets	(4)	188	108
Deferred tax assets	(2)	1,405	1,042
		107,211	96,262
Current assets			
Inventories	(3)	13,235	14,353
Trade accounts receivable	(4)	51,197	45,126
Other assets	(4)	4,489	5,128
Securities and cash	(5)	9,773	11,246
		78,694	75,853
		185,905	172,115

**LIABILITIES AND
STOCKHOLDERS'
EQUITY**

	Note	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Stockholders' equity (equity ratio 43.2%/42.9%)	(6)		
Subscribed capital (composed of 4,660,000 no-par value shares/authorized capital €5,957 thousand)		11,914	11,914
Treasury shares at acquisition cost		-2,941	-2,941
Additional paid-in capital		61,781	61,781
Gain/loss on the valuation of securities		-358	-429
Consolidated retained earnings		-2,124	-5,689
Net income for the period		10,744	8,067
Minority interests		1,248	1,098
		80,264	73,801
Long-term debt			
Accrued liabilities	(7)	1,011	446
Liabilities to banks	(8)	8,158	13,426
Liabilities from finance lease	(8)	543	39
Financial debt	(8)	10,000	10,000
Other liabilities	(8)	102	142
Deferred taxes	(9)	5,189	4,295
		25,003	28,348
Current liabilities			
Accrued liabilities	(7)	1,467	3,515
Trade accounts payable	(8)	20,519	13,620
Liabilities to banks	(8)	49,814	45,053
Liabilities from finance lease	(8)	199	74
Tax liabilities	(8)	2,608	2,748
Personnel obligations	(8)	1,105	1,206
Other current liabilities	(8)	4,926	3,750
		80,638	69,966
		185,905	172,115

Income statement

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

INCOME STATEMENT

	Note	2009 € thou.	2008 € thou.
Net sales	(11)	187,334	164,628
Inventory changes		-6,882	-1,427
Own work capitalized	(12)	1,702	358
Other operating income	(13)	2,101	2,618
Cost of materials	(14)	-92,468	-83,517
Personnel costs	(15)	-48,136	-43,009
Depreciation and amortization expense	(16)	-3,060	-2,847
Other operating expenses	(17)	-22,554	-20,804
Operating profit		18,037	16,000
Interest income	(18)	103	181
Interest expenses	(18)	-2,935	-4,143
Income before income taxes		15,205	12,038
Income taxes	(19)	-3,758	-3,305
Consolidated net income for the period, before minority interests		11,447	8,733
Minority interests	(20)	-703	-666
Consolidated net profit		10,744	8,067
Undiluted earnings per share (EPS) in €	(21)	2.39	1.78

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

STATEMENT OF CASH FLOWS

Note (22)	2009 € thou.	2008 € thou.
Income before income taxes	15,205	12,038
Net interest income/loss	2,832	3,962
Depreciation and amortization of noncurrent assets	3,060	2,847
Reversal of write-downs of noncurrent assets	0	-215
Disposal of assets, net	-284	-48
Allowances for inventories and doubtful accounts	309	784
Partial profits realized using the POC method	-3,232	-1,577
Change in accrued liabilities	-1,309	-447
Change in deferred taxes	1,204	2,234
Cash flow	17,785	19,578
Changes in short- and long-term assets and liabilities:		
– Inventories	5	-10,995
– Trade accounts receivable	3,935	8,778
– Trade accounts payable	860	572
– Other operating assets	888	-1,085
– Other operating liabilities	-2,344	-4,731
– Income tax paid	-4,585	-3,406
– Income tax received	76	536
– Interest paid	-2,671	-5,070
– Interest received	276	351
Cash provided by operating activities	14,225	4,528
Proceeds from retirement/disposal of		
– Intangible assets	0	4
– Property, plant and equipment	640	203
– Financial assets	0	28
– Consolidated companies	0	0
Disbursements due to acquisition of		
– Intangible assets	-2,977	-2,222
– Property, plant and equipment	-3,557	-1,927
– Financial assets	-934	-4
– Consolidated companies	-3,044	-9,378
Net cash used in investing activities	-9,872	-13,296
Dividends paid	-4,503	-3,605
Proceeds from raising of financial loans	0	14,690
Disbursements due to repayment of financial loans	-836	-1,750
Distributions to/drawings from minority interests	-552	-252
Treasury shares	0	-1,261
Net cash provided by financing activities	-5,891	7,822
Net change in cash and cash equivalents	-1,538	-946
Cash and cash equivalents at start of period	10,166	11,112
Cash and cash equivalents at end of period	8,628	10,166

Statement of changes in stockholders' equity

of the euromicron Group up to December 31, 2009 (IFRS) euromicron

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Subscribed capital € thou.	Additional paid-in capital € thou.	Treasury shares € thou.
Balance at December 31, 2007	11,914	61,781	-1,680
Dividend for 2007			
Consolidated net income for 2008			
Purchase of treasury 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
Dividend for 2008			
Consolidated net income for 2009			
Purchase of own shares			
Gain/loss on the valuation of securities			
Profit share for minority interests			
Distributions to/drawings from minority interests			
Balance at December 31, 2009	11,914	61,781	-2,941

Consolidated retained earnings € thou.	Gain/loss on the valuation of derivatives and securities € thou.	Minority interests € thou.	Total € thou.
-2,084	-170	684	70,445
-3,605			-3,605
8,067			8,067
			-1,261
	-259		-259
		666	666
		-252	-252
2,378	-429	1,098	73,801
-4,503			-4,503
10,744			10,744
			0
	71		71
		703	703
		-552	-552
8,619	-358	1,249	80,264

Statement of comprehensive income

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

	2009 € thou.	2008 € thou.
Consolidated net income for the period, before minority interests	11,447	8,733
Gain/loss on the valuation of securities	71	– 259
Other profit/loss	71	– 259
Total result	11,518	8,474
Of which minority interests	703	666
Of which shareholders of euromicron AG	10,815	7,808

Since there were no tax effects in the other profit/loss as part of the statement of comprehensive income, a detailed presentation has been dispensed with.

Notes to the IFRS consolidated financial statements for fiscal year 2009

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 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.

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, 2009. All the mandatory standards at the balance sheet date were applied.

The following standards that had to be applied for the first time for fiscal year 2009 had effects on the period under review for the euromicron Group. Standards that had to be applied for the first time and which did not result in any changes in preparation of the financial statements for the euromicron Group have not been listed.

IFRS 8 Business segments

Segment reporting is carried out on the basis of information used by management to control the company. The regulations are of relevance to the euromicron Group and are applied in compliance with the standard. The change in application of IFRS 8 resulted in changes of presentation.

IAS 1 Presentation of financial statements

Changes in presentation of financial statements in accordance with IAS 1 are of relevance to the euromicron Group and have been taken into account in the shape of the first-time presentation of a statement of comprehensive income.

IFRS 1/
IAS 27 First-time application of the International Reporting Standards / consolidated and separate financial statements
The changes relating to the costs of acquiring shares in subsidiaries (cost of an investment) are of relevance to the euromicron Group, but did not result in any changes in fiscal 2009.

As part of the Annual Improvement Project, adaptations in formulation were made to a number of existing standards (terminological or editorial corrections or clarifications), as well as adaptations with an effect on the recognition, measurement and reporting of business transactions. Possible effects have been examined and implemented by the euromicron Group, but did not result in any corrections.

The following standards that have been published by the EU Commission, but whose application is not yet mandatory, were also not used by euromicron AG before they apply:

IFRS 3
revised
2008/
IAS 27 Business combinations / consolidated and separate financial statements Mandatory application for fiscal years that start on or after July 1, 2009 (endorsement has been given). The main new features relate to the measurement of minority interests, treatment of contingent components of the purchase price, treatment of incidental acquisition costs and accounting of step acquisitions.

Minority interests are measured either at their fair value (full goodwill method) or at the proportionate fair value of the identifiable net assets.

Adjustments to contingent components of the purchase price are recognized as income. In future, incidental acquisition costs will be carried as expense.

The regulation is of relevance to the euromicron Group and its impact when applied in fiscal year 2010 is being examined.

IAS 23 Borrowing costs
The changes to IAS 23 eliminate the option of recognizing interest on borrowings as part of the acquisition, construction or production of qualifying assets directly as expense. As of January 1, 2009, such borrowing costs must be included in the costs of acquisition, construction or production for qualifying assets.

The changes are of relevance to the euromicron Group, but did not have any impact in the past fiscal year.

IAS 39 Financial instruments – Recognition and measurement
Mandatory application for fiscal years that start on or after July 1, 2009 (endorsement has been given). In particular, the changes provide additional guidelines for the designation of hedging transactions. The regulation is of relevance to the euromicron Group and its impact when applied in fiscal year 2010 is being examined.

Other standards which can be applied in the fiscal year, but are not mandatory and not relevant to the euromicron Group, are not listed here.

Standards that have been published, but not adopted into EU law, are not applied and are also not explicitly listed here. The euromicron Group expects that application of the standards published at the balance sheet date, but not yet in force, will not have any significant effects on the Group's financial position, net assets and results of operations in future periods.

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 1,102 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 19 companies in which euromicron AG directly or indirectly holds the majority of voting rights and/or can determine the financial and business policy of a company. They comprise 16 German and 3 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.

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

CHANGES IN CONSOLIDATED COMPANIES

	2009	2008
January 1	14	16
First-time consolidation	5	4
Mergers within the Group	0	-6
December	19	14

(a) Significant acquisitions of subsidiaries and other business units in fiscal year 2009 in accordance with IFRS 3

With the notarized agreement dated October 15, 2009, euromicron AG acquired SSM Service Gesellschaft mbH (hereinafter referred to as SSM Service GmbH), Hamburg, at a price (including incidental costs) of €1,842 thousand. SSM Service GmbH is a system house that focuses on voice transmission and boasts great expertise, in particular in NEC Philips telecommunications systems.

With the notarized agreement dated December 22, 2009, euromicron AG acquired Skyline Communication Systems GmbH, Kaarst (hereinafter referred to as Skyline GmbH), at a price (including incidental costs) of €275 thousand. Skyline GmbH is a distribution company that rounds out euromicron AG's profile in the field of small and medium-sized telecommunications systems.

With the notarized agreement dated November 20, 2009, euromicron AG acquired Engel Vermietungs- und Servicegesellschaft mbH, Haan (hereinafter referred to as Engel VuS GmbH), including its subsidiary Engel Technik GmbH, Haan (hereinafter referred to as Engel Technik GmbH), at a price (including incidental costs) of €1,281 thousand. Since both companies form an entity in organizational and commercial terms, their figures have been combined in the following presentations. Engel VuS GmbH develops and delivers complex IT and communication concepts in the business segments of communication, information, security and energy.

With the notarized agreement dated November 27, 2009, euromicron AG acquired FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH, Darmstadt at a price (including incidental costs) of €729 thousand. The focus of the system house's activity is on telecommunications systems and data networks.

All the shares were acquired in each case. With the exception of €526 thousand, all the purchase prices were paid in cash. In the case of Engel Vermietungs- und Servicegesellschaft mbH, we assumed liabilities of the seller with a nominal and fair value of €526 thousand as part of the purchase price.

The acquiring shareholders are fully entitled to the rights to participate in profits at the acquired stock corporations for fiscal 2009.

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

The book values directly before the combination and the dormant reserves (fair values) of the assets and liabilities of the newly acquired companies upon first-time consolidation and the resultant goodwill are shown below. Consequently, the additions from changes to the consolidated companies are no longer shown separately in the following notes on the balance sheet items.

**ADDITIONS FROM
NEWLY ACQUIRED
COMPANIES**

	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Skyline	FED	Engel VuS/ Engel Technik	SSM Service	Qubix	Total
Noncurrent assets	1	121	222	82	0	426
Inventories	0	23	385	235	0	643
Receivables and other assets	434	71	1,555	816	0	2,876
Cash and cash equivalents	149	244	66	177	0	636
Prepaid expenses and deferred taxes	0	3	95	110	0	208
Assets acquired	584	462	2,323	1,420	0	4,789
Pension provisions	0	0	0	514	0	514
Tax provisions	0	0	19	31	0	50
Other provisions	0	113	0	0	0	113
Liabilities to banks	0	0	329	0	0	329
Trade accounts payable and payments on account	696	37	955	591	0	2,279
Other liabilities	70	297	1,908	454	0	2,729
Deferred income	0	36	285	36	0	357
Liabilities acquired	766	483	3,496	1,626	0	6,371
Balance of acquired assets and liabilities = equity at the time of acquisition	-182	-21	-1,173	-206	0	-1,582
Purchase price	275	729	1,281	1,842	80	4,207
Dormant reserves on order books	0	-53	-479	-265	0	-797
Deferred taxes on dormant reserves	0	16	144	79	0	239
Goodwill	457	713	2,119	1,862	80	5,231

80 thousand of subsequent incidental costs for the acquisition of Qubix S.p.A. have been carried as an asset.

The newly acquired companies were consolidated at different times in the Group. The pro-rata sales and net profit from the new companies reported in the Group and the sales and net profit for the whole of 2009 are shown below.

**ADDITIONS FROM
NEWLY ACQUIRED
COMPANIES**

	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Skyline	FED	Engel VuS/ Engel Technik	SSM Service	Total
Pro-rata figures – consolidated					
Sales	269	197	2,464	2,718	5,648
Net profit	3	147	860	510	1,520
2009 as a whole					
Sales	1,326	834	7,443	7,883	17,486
Net profit	-428	-119	-2,004	153	-2,398

(b) Other changes to the consolidated companies

The name of Cteam Consulting & Anlagenbau, Seekirchen am Wallersee, Austria, was changed to euromicron austria GmbH, Seekirchen, pursuant to the resolution adopted by the General Meeting on March 31, 2009.

The name of Cteam Kommunikationstechnik GmbH Errichtung von Mobilfunkanlagen, Stuttgart, was changed to ckt GmbH pursuant to the resolution adopted by the General Meeting on August 20, 2009; its registered offices are in Munich.

EUROMICRON Werkzeuge GmbH, Mittenaar, moved its registered offices to Sinn-Fleisbach effective January 1, 2009, pursuant to the resolution adopted by the General Meeting on June 9, 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, including the directly attributable incidental acquisition costs, 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, and if their value has been impaired, in accordance with the regulations of IAS 36.

The Group dispenses with the elimination of intercompany profits in inventories and noncurrent assets 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.

Investments below 20% have not been consolidated.

Notes on the consolidated balance sheet

1. Noncurrent assets

A fixed asset movement schedule can be found on pages 134 to 137 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 – with the exception of goodwill – 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. In accordance with IAS 23, borrowing costs are in principle carried as assets if they are related to a qualifying asset and can be directly attributed to it. 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 operating 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. Past experience, knowledge of current operating results and estimates by management of future developments are included in this planning. In particular, estimates by management of future developments, such as sales, have the weak point of not being certain. 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	3.84
Risk-free interest	4.25
Markup for return on equity	5.00
Beta factor (free of debt)	0.81
Weighted average cost of capital (WACC)	8.12
Growth rate	1.00
WACC perpetuity	7.12

The input tax for WACC (perpetuity) in fiscal year 2009 was 7.87%.

The impairment test in 2009 did not reveal any need to reduce the value of the goodwill.

If the weighted average cost of capital (WACC) should rise by 3.5% (previous year: 1%), this would result in a need to reduce the value by €1.3 million at a cash generating unit (CGU).

In addition, there would be a need to reduce the value by €1.3 million if EBIT is 33% below expectations.

Goodwill developed as follows in the fiscal year:

GOODWILL

	2009 € thou.	2008 € thou.
Goodwill as of January 1	78,816	66,910
Additions	5,231	11,916
Amortization	-3	-10
Goodwill as of December 31	84,044	78,816

The goodwill carried was split over the segments as follows:

ADDITIONS TO GOODWILL

	Goodwill 2009 € thou.	Segment
Engel Vermietungs- und Servicegesellschaft mbH and Engel Technik GmbH	2,119	North
SSM Service Gesellschaft mbH	1,862	North
FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH	713	South
Skyline Communication Systems GmbH	457	North
Subsequent incidental acquisition costs for Qubix S.p.A.	80	South
	5,231	

The standard for measuring assets, liabilities or contingencies is the fair value at the time the company was acquired.

Dormant reserves on order books totaling €557 thousand after deduction of deferred taxes were identified as part of purchase price allocation for companies acquired in the fiscal year. The anticipated surpluses from this were discounted at a rate of interest that reflects the risks. The useful life of order books is between one and three years. Due to the lack of legal binding force and the fact that only access to the existing customer structures in the euromicron Group was increased as a result of the company acquisitions, a customer base was not at the company's disposal and so, for lack of controllability, was not identifiable or separable as an asset. Development costs in the narrower sense were not material and were only be identifiable as part of customary individual order costs. Patents, trademarks or licenses for which dormant reserves could be formed do not exist and there are no contingent liabilities.

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 carried in accordance with IAS 23 if they can be attributed to an individual asset. Development costs of €1,689 were carried in the year under review (previous year: €1,759 thousand) and written down using the straight-line method over their individual useful life (3 to 6 years). Depreciation/amortization expense is reported in the depreciation/amortization in the income statement. There were also other own work capitalized of €13 thousand (total: €1,702 thousand).

(b) Property, plant and equipment

Property, plant and equipment is carried at its acquisition or manufacturing cost less regular depreciation. Borrowing costs are carried as assets in accordance with IAS 23 if they can be attributed to an individual assets. 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 €150 are depreciated in full in the year of their acquisition, whereas minor assets with a procurement cost of between €150 and €1,000 are depreciated over a period of 5 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 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. The amount is 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 €790 thousand net (previous year: €54 thousand) were carried as finance leases at December 31. Finance leases are used to fund assets with a service life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group.

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 or fair value, if the latter is significantly and/or continuously below the book value of the shares.

5% of the capital stock in RemoteMDx Inc., Utah, USA, was acquired in the year under review. Acquisition of the shares came with the exclusive right to use licensees in the field of healthcare and humane enforcement of sentences in all countries where euromicron has access to the market. An analysis of the fair value was conducted as part of the annual financial statements and confirmed their intrinsic value.

Since the company's liquidity situation appears secure, we assume a positive future for the company. In addition, the licenses acquired by us retain their full value, separate from the company's earnings strength.

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, 2009 € thou.	Dec. 31, 2008 € thou.
Intangible assets	115	0
Inventories	7,783	4,455
Accrued liabilities	68	7
Other receivables and other assets	241	34
Trade payables	953	0
Loss carryforwards	1,876	1,947
Total deferred tax assets before netting off	11,036	6,443
Netting off	- 9,631	- 5,401
Total deferred tax assets after netting off	1,405	1,042

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

As of December 31, 2009, the Group had corporation income tax loss carryforwards totaling €3,656 thousand (previous year: €7,382 thousand) and trade tax loss carryforwards totaling €1,645 (previous year: €3,401 thousand). The loss carryforwards relate to four 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 15.825% 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.

In accordance with IAS 1.122, this discretionary decision by the Executive Board as regards the accounting method had a significant impact on the financial statements.

No deferred taxes have been formed on the tax loss carryforwards that cannot be used at present totaling €2,594 thousand (previous year: €1,751 thousand).

3. Inventories

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date in accordance with IAS 2.9. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. Borrowing costs are not carried as assets in accordance with IAS 23.4b because inventories are basically order-related and are produced for prompt sale.

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. Since 2009, the output-oriented earned value method has been used to determine the percentage of completion. The progress of a project at the balance sheet date is reflected in terms of value on the basis of a project structure plan and cost and contribution margin budgeting for each project. In accordance with IAS 8.29 a, this is a change in the measurement method from the previously used cost-to-cost method. Management of the project companies regularly reviews all assessments of the project orders, including for possible order risks. The necessary change in method in presenting installation projects that run beyond the key date, in particular those with a high degree of technical complexity or innovation, results in a more accurate statement on value added created in the fiscal year. The change in measurement method resulted in an effect on earnings of €755 thousand.

INVENTORIES

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Raw materials and supplies	6,923	5,518
Work in progress	1,072	1,275
Finished goods and merchandise	5,240	7,560
	13,235	14,353

€7,602 thousand of inventories (previous year: €6,602 thousand) are attributable to the euromicron North segment and €5,633 thousand (previous year: €7,751 thousand) to the euromicron South segment. Despite the acquisition of new companies, inventories were able to be reduced sharply, mainly due to a large level of billing of work in progress and finished goods by the balance sheet date. The increase in raw materials and supplies is largely due to the reclassification of inventories totaling €1,138 thousand previously carried under the finished goods and merchandise at one subsidiary.

In accordance with IAS 2.34, there were write-downs on inventories totaling €423 thousand in the fiscal year (previous year: €501 thousand). There were no reversals in the year under review.

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, 2009	Dec. 31, 2008
	€ thou.	€ thou.
Trade accounts receivable (gross)	51,837	45,726
Allowances for doubtful accounts	-640	-600
Trade accounts receivable (net)	51,197	45,126
Other noncurrent assets	188	108
Other current assets	4,489	5,128
	55,874	50,362

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

TERMS FOR THE TRADE ACCOUNTS RECEIVABLE	Accounts for which no allowance has been made and that are not overdue at the reporting date		Accounts for which no allowance has been made and are overdue in the following periods of time				
			< 60 days	60-120 days	121-180 days	181-360 days	> 360 days
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Trade accounts receivable							
Dec. 31, 2009	51,837	39,298	7,985	1,123	1,241	697	1,493
Trade accounts receivable							
Dec. 31, 2008	45,126	34,990	6,798	1,212	1,169	458	499

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.

Non-interest-bearing receivables and other assets with due dates of more than one year are discounted at an adequate rate of interest.

The trade accounts receivable include receivables in foreign currency (exclusively US\$) totaling €1,525 thousand (previous year: €60 thousand). Losses from receivables in foreign currency as a result of the exchange rate on the reporting date were €2 thousand (previous year: €1 thousand). There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivable also include receivables from production contracts in accordance with the percentage of completion method. Using the percentage of completion determined on the basis of the output-oriented earned value method and budgeting of contribution margins for each project, the order value realized at the balance sheet date is 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 €20,260 thousand (previous year: €20,030 thousand) and is carried under trade accounts receivable. Received payments on account of €11,511 thousand (previous year: €8,118 thousand) were offset against these receivables from production contracts.

On December 18, 2009, euromicron AG concluded a master agreement on the sale of receivables with a bank based in Germany. 6 other affiliated companies of the euromicron Group are covered by this master agreement. By selling receivables, the companies are able to turn their receivables into liquid funds more quickly and so make a positive contribution to their funding and improve their working capital. Moreover, factoring means that the companies can obtain more favorable financing terms than was previously the case.

There are no risks from these transactions from the point of view of euromicron AG.

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

The other assets contain amounts of €165 thousand (previous year: €0 thousand) whose payment periods are overdue, but about which there are no doubts as to their recoverability.

5. Securities and cash

Securities and cash comprise cash on hand and in banking accounts, as well as marketable securities. 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 €219 thousand (previous year: €313 thousand).

The securities and cash are as follows:

SECURITIES AND CASH

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Cash	8,628	10,166
Securities	1,145	1,080
	9,773	11,246

The decrease in cash is mainly due to company acquisitions and investments, as well as rationalization investments and capital spending to expand property, plant and equipment. In contrast, quicker receipts of trade accounts receivable, in particular at the project companies, was achieved due to rigorous receivables management and the factoring described above.

6. Stockholders' equity

(a) Subscribed capital

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

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

Treasury shares

The General Meeting on June 18, 2009 authorized the Company effective June 19, 2009, to acquire its own shares up to December 18, 2010, at a maximum proportional amount of the capital stock of €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 (German Stock Corporation Law) – must at no time exceed 10% of the Company's capital stock.

The authorization may not be used for the purpose of trading in the Company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the Company or by third parties for the Company's account. The authorization to acquire own shares adopted by the Company's General Meeting on June 12, 2008, 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 shall be 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 5% of the capital stock in exchange for a cash sum, if the cash sum is not significantly below the applicable stock market price. Exclusion of the subscription right pursuant to other authorizations in accordance with Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) (cf. in particular Section 5 (4) of the Articles of Association) must also be taken into account in relation to the question of utilizing the 5% limit. The applicable stock market price shall be the mean value for the closing prices in the XETRA trading system (or a comparable successor system) on the three days of trading before the shares are sold.

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

The Executive Board shall be 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, 2009.

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

TREASURY SHARES

	Number
Total number of bearer shares	4,660,000
Treasury shares at December 31, 2008	157,234
Purchase of treasury shares in the year under review	0
= shares in circulation at December 31, 2009	4,502,766

As in the previous year, at the balance sheet date, a total of 157,234 bearer shares were held by the company with a value of €402 thousand measured by the capital stock or 3.37% of the capital stock. The value of the treasury shares at acquisition cost is €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 €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, 2009.

Exclusion of the subscription right in sale of own shares

The General Meeting on June 18, 2009 authorized the Company effective June 19, 2009, to acquire its own shares up to December 18, 2010, at a maximum proportional amount of the capital stock of €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 a holding 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 5% 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 5% 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 €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 €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 €61,781 thousand and so meets this requirement.

(c) Gain/loss on the valuation of securities

The difference of €–358 thousand (previous year: €–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 €–2,124 thousand (previous year: €–5,689 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 2009, 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 2008 of €1.00 per share, or a total of €4,503 thousand, were paid out in fiscal 2009.

(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%).

(h) Additional disclosures on stockholders' equity

The minimum capital requirements as part of the financial covenants of loan agreements were fulfilled. So as to ensure that the euromicron Group retains unrestricted access to the capital markets and can still service its financial debts at as favorable terms as possible, the objective of capital management in the build and integration phase is to increase the equity ratio. Management is pursuing this goal at the level of the individual companies and at the Group level by reducing working capital and net financial debt. The stockholders' equity carried in the balance sheet is regarded as the control instrument for this.

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, 2009 € thou.	Dec. 31, 2008 € thou.
Taxes	1,145	1,828
Other short-term accrued liabilities	322	1,687
Short-term accrued liabilities	1,467	3,515
Accrued liabilities for benefits and anniversaries and other liabilities	960	347
Other long-term accrued liabilities	51	99
Long-term accrued liabilities	1,011	446
Total accrued liabilities	2,478	3,961

Existing surrender values for reinsurance policies totaling €272 thousand have been netted out in the analysis of the accrued liabilities for benefits (IAS 19.120A d).

A reconciliation of the plan assets as regards expected income, capitalized claims for refunds and the effects of changes in illness costs (IAS 19.120Ad ff.) was dispensed with due to the non-material changes in the subsequent periods.

The accrued liabilities developed as follows in the fiscal year:

DEVELOPMENT OF ACCRUED LIABILITIES	Jan. 1, 2009 € thou.	First- time consoli- dation € thou.	Utili- zation € thou.	Reversal € thou.	Transfer € thou.	Changes in reinsurance € thou.	Dec. 31, 2009 € thou.
Taxes	1,828	50	1,035	370	672	0	1,145
Other short-term accrued liabilities	1,687	113	1,494	241	257	0	322
Short-term accrued liabilities	3,515	163	2,529	611	929	0	1,467
Accrued liabilities for benefits and anniversa- ries and other liabilities	347	514	52	0	91	- 60	960
Other long-term accrued liabilities	99	0	43	5	0	0	51
Long-term accrued liabilities	446	514	95	5	91	- 60	1,011
Total accrued liabilities	3,961	677	2,624	616	1,020	- 60	2,478

(a) Other accrued liabilities

The other accrued liabilities (short- and long-term) are composed as follows:

**OTHER ACCRUED
LIABILITIES**

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Semi-retirement	66	114
Severance payments	46	1,038
Impending losses	15	–
Legal disputes	15	38
Other	231	596
	373	1,786

The other short-term accrued liabilities are formed on the basis of a reasonable business assessment; there is the uncertainty that they may actually differ. The term is less than one year. If the discounting effect is material, the accrued liabilities are recognized at the cash value of the anticipated future payment flows.

(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 else 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 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.

**PENSIONS
PROVISIONS**

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Present value of benefit obligation at the beginning the period under report	679	823
Service cost	41	49
Interest cost	41	35
Pension payments	-52	-8
Reversal	0	0
Actuarial gains/losses	9	-220
Change in consolidated companies	514	0
Present value of benefit obligation at the end of the period under report	1,232	679
Balance of the surrender value of reinsurance policies	-272	-337
Value carried in balance sheet	960	342

The service cost, the actuarial gains and losses 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**

	2009 %	2008 %
Discount rate	5.50	6.00
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 depreciated acquisition costs are determined using the effective interest method.

The liabilities are composed as follows:

LIABILITIES

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Bank loans and overdrafts	57,972	58,479
Liabilities from finance lease	742	113
Trade accounts payable	20,519	13,620
Other liabilities	18,741	17,846
	97,974	90,058

The liabilities have the following terms:

TERMS OF THE LIABILITIES	Total € thou.	Due			
		Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Bank loans and overdrafts	57,972	49,814	5,031	3,127	0
Liabilities from finance lease	742	199	158	385	0
Trade accounts payable	20,519	20,519	0	0	0
Other liabilities	18,741	8,638	103	6,667	3,333
	97,974	79,170	5,292	10,179	3,333
(previous year)	90,058	66,451	5,684	11,256	6,667

Trade accounts payable in foreign currency amount to €686 thousand (previous year: €927 thousand).

In principle, the associated companies of euromicron are financed centrally through euromicron AG. Additional external funding is mainly due to newly acquired companies and securing of their bank loans and overdrafts by furnishing of individual security, e.g. assignment of receivables or assignment of inventory assets or fixed assets as security. Financial covenants under clauses in loan agreements were observed without exception.

The interest rates for bank loans and overdrafts range from 1.30% to 9.75% (previous year: 3.25% to 11.5%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used (with a view to optimizing financing).

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 €10,764 thousand (previous year: €17,079 thousand) were unused at the year-end.

The other liabilities are composed as follows:

OTHER LIABILITIES	Dec. 31, 2009	Dec. 31, 2008
	€ thou.	€ thou.
Industry loans	10,000	10,000
Tax liabilities	2,608	2,748
Personnel obligations	1,105	1,206
Payments on account	30	203
Miscellaneous	4,998	3,689
	18,741	17,846

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.

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, 2009, 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, 2009. Financial obligations that can be repaid at any time are always assigned to the earliest time slot.

	Cash flow 2010				Cash flow 2011				Cash flow 2012–2015				Cash flow 2016 ff.							
	Up to 1 year								1 to 2 years				2 to 5 years				More than 5 years			
	Book value	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.				
Dec. 31, 2009	Fixed	Variable		Fixed	Variable		Fixed	Variable		Fixed	Variable		Fixed	Variable						
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.					
Bank loans and overdrafts	57,972	257	777	49,814	172	224	5,031	310	23	3,127	7	0	0							
Liabilities from finance lease	742	25	0	199	20	0	158	18	0	385	0	0	0							
Other interest-bearing liabilities	10,000	532	0	0	532	0	0	1,300	0	6,667	118	0	3,333							

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 €739 thousand (previous year: €464 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, 2009 Dec. 31, 2008	
	€ thou. € thou.	
Intangible assets	3,440	2,915
Property, plant and equipment	301	31
Inventories	43	89
Other receivables and other assets	10,594	6,225
Accrued liabilities	411	367
Other liabilities	31	69
Total deferred tax liabilities before netting off	14,820	9,696
Netting off	- 9,631	- 5,401
Total deferred tax liabilities after netting off	5,189	4,295

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

10. Additional details on the financial instruments

**DETAILS ON
THE FINANCIAL
INSTRUMENTS**

	Measurement category acc. to IAS 39	Book value at Dec. 31, 2009 € thou.	Value carried in the balance sheet	
			Depreciated acquisition cost € thou.	Acquisition cost € thou.
Assets				
Cash and cash equivalents	LaR ¹⁾	8,628		8,628
Accounts receivable	LaR ¹⁾	51,837	51,837	
Allowances for trade accounts receivable	LaR ¹⁾	- 640	- 640	
Other assets	LaR ¹⁾	6,082	6,082	
Other financial assets				
– Held-to-maturity investments	HtM ³⁾			
– Available-for-sale financial assets	AfS ⁴⁾	1,145		
– Financial assets held for trading	FAHFT ⁵⁾			
Liabilities				
Accounts payable	FLAC ²⁾	20,519	20,519	
Bank loans and overdrafts	FLAC ²⁾	57,972	57,972	
Other interest-bearing liabilities	FLAC ²⁾	10,000	10,000	
Other non-interest-bearing liabilities	FLAC ²⁾	8,741	8,741	
Liabilities from finance lease	FLAC ²⁾	742	742	

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 € thou.	Fair value recognized as income € thou.	Book value at Dec. 31, 2008 € thou.	Depreciated acquisition cost € thou.	Acquisition cost € thou.	Fair value recognized directly in equity € thou.	Fair value recognized as income € thou.
		10,166		10,166		
		45,726	45,726			
		- 600	- 600			
		5,236	5,236			
1,145		1,080			1,080	
		13,620	13,620			
		58,479	58,479			
		10,000	10,000			
		9,180	9,180			
		113	113			

Explanations on the consolidated income statement

11. Net sales

In accordance with IAS 18, sales revenues are recognized on transfer of risk or performance of the service, and are stated net of discounts, customer bonuses and rebates and excluding value-added tax. Due to the complex and in some cases very heterogeneous order structure, in particular in the case of long-term orders of the system houses, the sales cannot be classified into product categories and are not a management control instrument.

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 percentage of completion is determined using the output-oriented earned value method. 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 €11,733 thousand (previous year: €3,373 thousand).

Production contracts with a net liability balance are included in the other accrued liabilities.

The effect on earnings in the year under review compared with the single-entity financial statements under the German Commercial Code is €3,232 thousand (previous year: €1,577 thousand).

Changes in sales as a result of changes in the consolidated companies are shown on page 92.

12. Own work capitalized

Own work capitalized is carried at €1,702 thousand (previous year: €358 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	2009 € thou.	2008 € thou.
Reduction in allowances for doubtful accounts	383	177
Income from retirement of noncurrent assets	373	97
Income from reversal of accrued liabilities	246	352
Income from property and rent	164	168
Currency gains	140	144
Compensation paid from insurance	77	69
Health insurance refunds	47	0
Income unrelated to the accounting period	37	0
Income from complaints	18	0
Canteen revenue	15	0
Refunds from overpayment	9	0
Income from reversal of write-downs of noncurrent assets	0	215
Other	592	1,396
	2,101	2,618

The changes in other operating income mainly result from lower other income, such as passed-on charges, income unrelated to the accounting period or income from legal disputes. There were no government grants (IAS 20.39 a/b) in the year under review. The "Other" item contains a large number of individual items, each with a value below €20 thousand; a presentation of them is dispensed with. The companies included in the consolidated financial statements for the first time accounted for other operating income of €122 thousand.

14. Cost of materials

The cost of materials is composed of:

COST OF MATERIALS	2009 € thou.	2008 € thou.
Cost of raw materials and supplies and goods purchased	65,697	59,420
Cost of purchased services	26,771	24,097
	92,468	83,517

The cost of materials from the POC method is €8,501 thousand (previous year: €1,834 thousand).

The companies included in the consolidated financial statements for the first time accounted for cost of materials of €2,026 thousand.

15. Personnel costs

The personnel costs are composed as follows:

PERSONNEL COSTS	2009	2008
	€ thou.	€ thou.
Wages and salaries	40,687	35,083
Social security	7,449	7,926
Total	48,136	43,009

The companies included in the consolidated financial statements for the first time accounted for personnel costs of €1,225 thousand.

Average number of employees per year:

EMPLOYEES	2009	2008
	Hourly-paid employees	590
Salaried employees	472	361
Trainees	87	55
Total	1,149	979

The companies included in the consolidated financial statements for the first time accounted for 114 employees.

16. Depreciation and amortization expense

Amortization and depreciation is composed as follows:

AMORTIZATION AND DEPRECIATION	2009	2008
	€ thou.	€ thou.
Amortization of intangible assets	1,485	1,219
Depreciation of tangible assets	1,575	1,628
Total	3,060	2,847

Dormant reserves totaling €796 thousand before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2009. The amortization and depreciation for this in 2009 was €94 thousand. The companies included in the consolidated financial statements for the first time accounted for amortization and depreciation of €20 thousand.

17. Other operating expenses

Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES	2009 € thou.	2008 € thou.
Vehicle and travel expenses	5,844	6,166
Rent/room costs	2,945	2,875
Legal and consulting costs	2,614	2,060
Trade fair and advertising costs	1,277	1,297
Communication expenses	1,176	1,138
Cost of goods consignment	1,418	1,092
Allowances for receivables / losses of receivables	682	784
Commission	902	686
Maintenance and repair	600	632
Insurance / charges & contributions	720	597
Energy costs	668	496
Further training costs	424	307
Running costs	397	188
Exchange rate losses	157	146
Retirement of noncurrent assets	89	49
Customer service / technical service	198	0
Loaned workers (industrial)	96	0
Expense unrelated to the accounting period	77	0
Other	2,270	2,309
	22,554	20,804

The item "Other" contains a large number of individual expense items below €20 thousand. The companies included in the consolidated financial statements for the first time accounted for other operating expenses of €305 thousand.

18. Net financing costs

NET FINANCING COSTS	2009 € thou.	2008 € thou.
Interest income	103	181
Interest expenses	-2,935	-4,143
	-2,832	-3,962

The companies included in the consolidated financial statements for the first time accounted for financial income of €6 thousand.

19. Income taxes

INCOME TAXES

	2009 € thou.	2008 € thou.
Current taxes in Germany	1,876	1,560
Deferred taxes in Germany	1,615	2,497
Current taxes abroad	511	61
Deferred taxes abroad	-244	-813
	3,758	3,305

The figure contains income tax for previous years to an amount of €18 thousand and tax refunds of €492 thousand.

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% as in the previous year and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 15.825% and the effective trade tax rate of 14.175%.

**TAX
RECONCILIATION**

	2009 € thou.	2008 € thou.
Expected tax expense	4,561	3,611
Tax-free income from investments	0	-940
Non-deductible expenses	209	117
Effect of other measurement differences	-39	23
Use of loss carryforwards not included to date/ change in allowance	-155	356
Effects of different national tax rates	-216	195
Tax arrears/refunds	-474	17
Other	-128	-74
Actual tax expense	3,758	3,305
Effective tax rate	24.7%	27.5%

There were no loss carryforwards for which no deferred taxes were carried. Business combinations resulted in deferred tax assets of €167 thousand that were recognized directly in equity and deferred tax liabilities of €239 thousand that were recognized directly in equity.

20. Minority interests in net income for the period

The minority interests in the consolidated 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 2009 remained constant at 4,660,000.

Undiluted and diluted earnings per share are calculated as follows:

UNDILUTED EARNINGS PER SHARE	2009		2008
Consolidated net income for the period in € thousand	10,744		8,067
Number of shares issued	4,660,000		4,660,000
Weighted treasury shares	157,234		125,768
Adjusted weighted average number of shares issued (undiluted)	4,502,766		4,534,232
Undiluted earnings per share in €	2.39		1.78

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. The treasury shares that were bought back up to fiscal year 2008 were included in full; no treasury shares were bought back in fiscal 2009.

DILUTED EARNINGS PER SHARE	2009		2008
Consolidated net income for the period in € thousand	10,744		8,067
Adjusted weighted average number of shares issued (undiluted)	4,502,766		4,534,232
Shares from potential stock options with a diluting effect	–		–
Weighted average number of shares issued (diluted)	4,502,766		4,534,232
Diluted earnings per share in €	2.39		1.78

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 undiluted earnings per share. Since the likelihood of the stock options being used is assessed as being very low due to euromicron's share price, there is no adjustment for equity dilution effects from potential stocks.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2009, disclose net retained profits of €11,044,909.23. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €1.00 for 4,502,766 shares	€4,502,766.00
Carryforward to a new account	€6,542,143.23

Other details

22. Notes on the statement of cash flows

Reporting of individual items in the statement of cash flows has been changed compared with the previous year to give a better insight.

Paid and received income tax and paid and received interest are specified separately. Distributions to/drawings from minority interests are not netted off with the profit portions. The liquid funds acquired as part of company combinations, which used to be reported directly as a change in cash and cash equivalents, are now netted off and shown with the payments due to purchase of consolidated companies. The assumption of liabilities of the seller as part of the acquisition of Engel Vermietungs- und Servicegesellschaft mbH – €526 thousand – was deducted as a non-cash item from the payments due to purchase of consolidated companies.

Securities have been reclassified from cash and cash equivalents to other operating assets.

Cash and cash equivalents subject to restrictions on their disposal (mainly because they have been furnished as security for warranty bonds or performance bonds) total €219 thousand (previous year: €313 thousand).

The previous year's figures have been adjusted to permit better comparison.

23. Contingencies and commitments

(a) Contingencies

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

(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 2009, euromicron AG concluded an interest rate swap with WestLB on February 19, 2009. The procurement amount was €5,000,000 and its term ends on December 14, 2012. The volume, rate of interest and term of this interest rate swap were identical to the underlying hedged item, a euro loan. The payments are made at the end of each quarter; the mark-to-market valuation at the balance sheet date is €-48 thousand.

OTHER FINANCIAL OBLIGATIONS

	Total	Up to 1 year	2 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Warranty obligations	10,413	6,174	4,237	2
Rental agreements	6,065	2,343	3,696	26
Other	2,697	2,697	0	0
Operating lease	3,676	1,897	1,776	3
Purchase obligation	2,096	2,096	0	0
Preemptive tender rights of minority shareholders	2,480	680	1,800	0
	27,427	15,887	11,509	31

The companies included in the consolidated financial statements for the first time accounted for other financial obligations for guaranties and sureties of €336 thousands, for rental agreements of €551 thousand, for lease agreements of €590 and for purchase obligations of €63 thousand. The purchase obligation relates to orders for order-related goods and services; orders of intangible assets or tangible assets were insignificant.

There are further contingent liabilities of €5 thousand (previous year: €50 thousand) at the euromicron Group outside the guaranties and sureties. There were no additions to the contingent liabilities from the newly acquired companies.

Obligations as part of operating lease agreements mainly relate to operating and office equipment, such as cars, office machines or PC workstations, and communications technology with maximum terms of three years and total €3,676 thousand (previous year: €3,397 thousand). In fiscal 2009, payments from these leasing arrangements totaled €2,281 thousand (previous year: €2,110 thousand) and were recognized as income. Amounts of €1,897 thousand (previous year: €1,686 thousand) will be due within the next years and €1,776 thousand in a period of between one and five years (previous year: €1,704 thousand).

As part of the acquisitions in the past years, euromicron AG holds an 80% stake in two companies: Microsens GmbH & Co. KG, Hamm, and NetWays Netzwerk Consulting GmbH, Ettlingen. The minority shareholders have a preemptive right to tender the remaining 20% of the shares to euromicron AG. This preemptive tender right results in other financial obligations totaling €2,480 thousand for euromicron AG.

24. Segment reporting

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

euromicron reports in the two operating segments North and South and Group headquarters. The reporting segments comprise all individual companies that can be assigned regionally to the operating segments in accordance with the Group strategy of a system house with production expertise.

Management measures the success of the segments on the basis of sales and earnings before interest and taxes on income (EBIT).

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

The following presents the details regularly reported to the main decision-maker. Further items from the balance sheet and income statement are not reported regularly and so are not disclosed (IFRS 8.32).

SALES BY REPORT SEGMENTS	Dec. 31, 2009	Dec. 31, 2008
	€ thou.	€ thou.
Total sales, North	97,014	82,761
Inter-segment sales, North	-4,481	-2,753
Sales to external third parties, North	92,533	80,008
Total sales, South	104,733	93,801
Inter-segment sales, South	-2,249	-3,214
Sales to external third parties, South	102,484	90,587
Cross-segment consolidated sales	-7,683	-5,967
Consolidated sales for the Group	187,334	164,628

EBIT BY REPORT SEGMENTS	Dec. 31, 2009	Dec. 31, 2008
	€ thou.	€ thou.
Consolidated EBIT, North	15,251	14,621
Consolidated EBIT, South	7,241	4,800
euromicron AG	-4,428	-3,421
Group consolidations	-27	0
Consolidated EBIT for the Group	18,037	16,000

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

DEPRECIATION/ AMORTIZATION	Dec. 31, 2009	Dec. 31, 2008
	€ thou.	€ thou.
North, consolidated	-1,711	-1,490
South, consolidated	-1,306	-1,308
euromicron AG	-43	-49
Consolidated depreciation/amortization for the Group	-3,060	-2,847

Noncurrent assets are €101,996 thousand in Germany and €5,215 thousand in the Euro zone (IFRS 8.33b).

25. Risk management

Principles of risk management

In relation to its assets, liabilities and strategic orientation, the euromicron Group is exposed to risks resulting from changes in interest rates and – to a not inconsiderable extent – changes in exchange rates. 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 are predominantly active in the Euro zone. All foreign currency transactions in fiscal 2009 were in US dollars. 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 financing that was contractually agreed and utilized at December 31, 2009, will result in interest expenses of around €3.9 million by the end of their term. Interest rate risks are shown 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 2009 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €562 thousand lower (€562 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

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.

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.

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 6% 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. Apart from a credit sale insurance policy at one Group company, there are no significant agreements that reduce the maximum risk of default at the balance sheet date.

Liquidity risks

Please refer to the comments under "Liabilities".

26. Related parties

There are business relations for the entire fiscal year with the Executive Board and the Supervisory Board.

There are no other relationships with related parties.

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

The Executive Board and the Supervisory Board of euromicron AG adopted this declaration on conformance at the meeting of the Supervisory Board on December 8, 2009. It relates for the period from December 19, 2008, to August 4, 2009, to the recommendations of the code in its version dated June 6, 2008, as published on August 8, 2008, in the electronic Federal Official Gazette ("2008 version"). The following declaration relates for the period from August 5, 2009, to the recommendations of the code in its version dated June 18, 2009, as published on August 5, 2009, in the electronic Federal Official Gazette ("2009 version").

This having been stated, the Executive Board and the Supervisory Board of euromicron AG declare in accordance with Section 161 of the German Stock Corporation Law:

euromicron AG complied and complies with the recommendations of the government commission on the "German Corporate Governance Code", with the following exceptions:

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."

Section 3.8 (2) and (3) (2009 version)

"If the company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon. A similar deductible must be agreed upon in any D&O policy for the Supervisory Board."

Reason:

In principle, euromicron AG does not believe that the commitment and responsibility with which the members of the Executive Board and the Supervisory Board discharge their duties will be improved by agreeing a deductible. Contrary to section 3.8 of the code in its 2008 version and, where it affects the Supervisory Board, also contrary to Section 3.8 of the 2009 version, the existing D&O policy for members of the Executive Board and Supervisory Board of euromicron AG does not envisage any deductible.

The D&O policy for the Executive Board and the Supervisory Board will be modified by July 1, 2010, so that it comprises a deductible in compliance with statutory regulations and also complies in future with the recommendation in Section 3.8 of the code (2009 version).

Re Section 5.3 of the code:

"Formation of Committees" (2008 and 2009 versions)

Reason:

The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future. 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 committee would not make the work of the three-member Supervisory Board easier, since the committees (which adopt decisions) must also have at least three members of the Supervisory Board on them.

Re Section 5.4.6 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." (2008 and 2009 versions)

Reason:

euromicron AG refrains from reporting the compensation of the Supervisory Board members individually in the Corporate Governance Report. 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. The variable part of their compensation is geared to the company's

profitability and is calculated on the basis of the dividend adopted at the General Meeting. In addition, the overall compensation is published in the Annual Report, with the result that the individual compensation of the members of the Supervisory Board is not difficult to deduce. By dispensing with separate disclosure of information that is not difficult to discover, the company also pursues the goal of reducing the size of the Annual Report, which has increased over the past years, and so of making it clearer.

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.” (2008 and 2009 versions)

Reason:

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

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

28. 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, 2009, 30,000 subscription rights were issued to 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 €	Exercisable	
					from	to
	1	30,000	0	18.00	2008	2010
	2	0	0	18.50	2008	2010
	3	0	0	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 option rights	Weighted average price in €
Number at start of year	415,000	19.09
Options granted in 2009	0	0.00
Return of stock options	-385,000	
Number at end of year	30,000	18.00

Liabilities totaling €3 thousand and income of €84 thousand were generated by the stock option program in fiscal 2009. The subscription rights change significantly in particular as a result of the return of all stock options by the Chairman of the Executive Board.

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.

Due to the insignificant amount involved, presentation of the parameters included in calculating the fair value and the overall values based on this has been dispensed with.

29. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, BDO Deutsche Waren-treuhand AG, of €432 thousand. These fees relate to the audits of the financial statements of the companies (€360 thousand), other confirmation or valuation services (€3 thousand), tax consulting services (€20 thousand) and other services provided for euromicron AG or its subsidiaries (€20 thousand).

30. Significant events after the balance sheet date

With the notarized agreement dated January 12, 2010, euromicron AG acquired the remaining shares in NetWays Netzwerk Consulting GmbH, Ettlingen, at a purchase price of € 920 thousand. There were no other significant events after the balance sheet date up to March 19, 2010.

31. Publication of the consolidated financial statements

The consolidated financial statements were released for publication as of March 19, 2010, on March 25, 2010, 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 euromicron austria GmbH, Seekirchen, Austria, and euromicron holding gmbh, Seekirchen, Austria, which disclose their annual financial statements.

32. Supervisory Board and Executive Board

(a) Executive Board

The members of the Executive Board of euromicron AG are:

Dr. Willibald Späth, Chairman

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

Dr. Edgar Bernardi

Board member responsible for Products, Market, Technology and Operations
Since June 30, 2009

Thomas Hoffmann

Board member responsible for strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets
Since July 15, 2009

(b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman

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

Josef Martin Ortoif, 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

- Chairman of the Supervisory Board of consultingpartner AG, Cologne
- 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, the bonus and fringe benefits.

The total compensation awarded to the company's Executive Board in 2009 was €1,400 thousand (previous year: €1,179 thousand), of which the variable remuneration accounted for €790 thousand (previous year: €640 thousand). There was no compensation for former members of the Executive Board; there are also no related claims against the company. No other remuneration for Executive Board members apart from that stated above was granted.

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 €6 thousand and an annual performance-related payment of €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 €63 thousand (previous year: €61 thousand). The company acquisitions entailed consulting services, mainly relating to due diligence processes, which were conducted by the auditing firm of a member of the Supervisory Board. A fee totaling €143 thousand was paid for this.

There was no compensation for former members of the Supervisory Board; there are also no related claims against the company.

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

	Share in equity %	Equity capital acc. to IFRS € thou.
Parent company		
euromicron Aktiengesellschaft communication & control technology Frankfurt/Main, Germany		
Included subsidiaries		
a) Segment North		
Engel Vermietungs- und Servicegesellschaft mbH and Engel Technik GmbH consolidated, Haan, Germany	100.00	-313
euromicron systems GmbH – An euromicron Group company – Essen, Germany	100.00	5,875
euromicron Werkzeuge GmbH – An euromicron Group company – Sinn-Fleisbach, Germany	100.00	1,585
euromicron international services GmbH – An euromicron Group company – Frankfurt, Germany	100.00	-157
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00	1,943
MICROSENS GmbH & Co. KG, Hamm, Germany	80.00	1,974
Skyline Communication Systems GmbH, Hamburg, Germany	100.00	-178
SSM euromicron GmbH – An euromicron Group company – Zwenkau, Germany	100.00	2,352
SSM Service Gesellschaft mbH, Hamburg, Germany	100.00	303
b) Segment South		
ckt GmbH, München, Germany	100.00	61
ELABO GmbH – An euromicron Group company – Crailsheim, Germany	100.00	3,855
euromicron austria GmbH, Seekirchen, Austria	100.00	-690
euromicron holding gmbh, Seekirchen, Austria	100.00	-113
euromicron solutions GmbH – An euromicron Group company – Mainz, Germany	100.00	5,972
FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH, Darmstadt, Germany	100.00	126
NetWays Netzwerk Consulting GmbH, Ettlingen, Germany	80.00	806
Qubix S.p.A., Padua, Italy	90.00	3,095
SKM Delwave GmbH – An euromicron Group company – Munich, Germany	100.00	1,292

**LIST OF AFFILIATED
COMPANIES
AND HOLDINGS
NOT INCLUDED IN
THE CONSOLIDATED
FINANCIAL
STATEMENTS**

	Share in equity %	Equity capital acc. to IFRS € thou.	Net income for the year acc. to IFRS € thou.
RemoteMDx, Inc., Sandy, Utah, USA ¹⁾	5.00	-8,480	-15,820

¹⁾ Shifted fiscal year, data as at September 30, 2009

As expected, RemoteMDx initially posted negative earnings. Income and inflows of liquidity can only be expected when the product line has reached market maturity. Since the company's liquidity situation appears secure, we assume a positive future for the company. In addition, the licenses acquired by us retain their full value, separate from the company's earnings strength.

Group fixed-asset movement schedule 2009

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2009

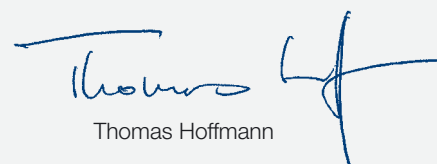
	Acquisition costs					Dec. 31, 2009 € thou.
	Jan. 1. 2009 € thou.	Additions € thou.	Retire- ments € thou.	Change in first-time consolidation € thou.	Reclassi- fication € thou.	
Intangible assets						
Goodwill	86,461	0	0	5,231	-77	91,615
Concessions, industrial and similar rights	15,823	1,288	-71	799	-118	17,721
Own work capitalized	5,152	1,689	-115	0	0	6,726
Tangible assets						
Land and buildings	7,808	261	-69	0	0	8,000
Plant and machinery	4,261	1,295	-183	0	42	5,415
Other fixtures and fittings, tools and equipment	13,083	2,001	-1,564	313	153	13,986
Financial assets						
Other loans and investments	44	934	-5	111	0	1,084
	132,632	7,468	-2,007	6,454	0	144,547

Depreciation and amortization							Book values		
Jan 1, 2009 € thou.	Additions € thou.	Retire- ments € thou.	Reversal of write-downs € thou.	Change in first-time consolidation € thou.	Reclassi- fication € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.	
-7,645	-3	0	0	0	77	-7,571	84,044	78,816	
-12,781	-678	70	0	0	118	-13,271	4,450	3,042	
-907	-804	115	0	0	0	-1,596	5,130	4,245	
-3,403	-191	43	0	0	0	-3,551	4,449	4,405	
-3,200	-232	183	0	0	0	-3,249	2,166	1,061	
-9,584	-1,152	1,242	0	0	-195	-9,689	4,297	3,499	
0	0	-2	0	0	0	-2	1,082	44	
-37,520	-3,060	1,651	0	0	0	-38,929	105,618	95,112	

Frankfurt/Main, March 19, 2010



Dr. Willibald Späth



Thomas Hoffmann

Group fixed-asset movement schedule 2008

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2008

	Acquisition costs					Dec. 31, 2009 € thou.
	Jan. 1, 2009 € thou.	Additions € thou.	Retire- ments € thou.	Change in first-time consolidation € thou.	Reclassi- fication € 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, 2009 € thou.	Additions € thou.	Retire- ments € thou.	Reversal of write-downs € thou.	Change in first-time consolidation € thou.	Reclassi- fication € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.	
-7,635	-10	0	0	0	0	-7,645	78,816	66,910	
-11,595	-653	48	0	-582	0	-12,782	3,041	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	-2,846	2,065	215	-1,259	0	-37,520	95,112	80,735	

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 countermeasures 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 2009 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 40 to 43 of the Annual Report).

Dr. Willibald Späth

Thomas Hoffmann

Audit Opinion

We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in 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, 2009 to December 31, 2009. 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 19, 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Simon-Heckroth
Wirtschaftsprüfer

ppa. Heckhäuser
Wirtschaftsprüferin

Five-year Overview of the Group

**VALUES FROM THE
INCOME STATEMENT**

	2009 €m	2008 €m	2007 €m	2006 €m	2005 €m
Consolidated sales	187.3	164.6	136.5	115.9	114.1
Germany	162.2	134.0	115.4	106.2	100.9
Euro zone	22.6	24.0	17.3	6.8	7.9
Rest of World	2.5	6.6	3.8	2.9	5.3
EBIT	18.0	16.0	12.0	7.7	8.3
EBT	15.2	12.0	10.1	7.2	7.7
Consolidated net income/ loss for the period	10.7	8.1	7.0	4.4	5.6
Cash flow	17.8	12.0	9.0	5.9	4.2

**FROM THE
BALANCE SHEET**

	2009 €m	2008 €m	2007 €m	2006 €m	2005 €m
Current assets	78.7	75.8	64.9	48.2	57.1
Noncurrent assets	107.2	96.3	83.1	61.6	43.7
Current liabilities	80.6	70.0	50.2	38.1	26.5
Long-term debt	25.0	28.3	27.4	4.4	7.8
Minority interests	1.2	1.1	0.7	0.4	-
Stockholders' equity	80.3	73.8	70.4	67.3	66.5
Total assets	185.9	172.1	148.0	109.8	100.8
Equity ratio	43.2	42.9	47.6	61.3	66.0

MISCELLANEOUS

	2009 €m	2008 €m	2007 €m	2006 €m	2005 €m
Investments in intangible assets and in property, plant and equipment	9.1	4.1	4.7	2.4	1.5
Employees (annual average)	1,149	979	929	767	805

Single-entity Financial Statements (HGB)

Balance sheet as of December 31, 2009

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

ASSETS

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
A. Assets		
I. Intangible assets		
Concessions, industrial and similar rights	941	16
II. Tangible assets		
Other equipment, operating and office equipment	340	136
III. Financial assets		
1. Shares in affiliated companies	94,665	89,738
2. Loans to affiliated companies	21,350	21,825
3. Other long-term equity investments	934	0
	118,230	111,715
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	27,791	30,406
2. Other assets	3,664	4,451
II. Securities	3,592	2,676
1. Treasury shares	2,447	1,602
2. Other securities	1,145	1,074
III. Cash-in-hand, bank balances	2,029	4,857
	33,484	39,714
C. Prepayments and accrued income	64	187
	155,370	154,292

**EQUITY AND
LIABILITIES**

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
A. Equity		
I. Subscribed capital	11,914	11,914
II. Capital reserves	62,847	62,847
III. Revenue reserves		
1. Reserves for treasury shares	2,447	1,602
2. Other revenue reserves	4,257	5,102
IV. Retained profits	11,045	8,716
	92,510	90,181
B. Provisions		
1. Provisions for pensions and similar obligations	293	288
2. Provisions for taxes	287	512
3. Other provisions	448	394
	1,028	1,194
C. Liabilities		
1. Liabilities to banks	48,806	51,469
2. Trade payables	183	89
3. Liabilities to affiliated companies	2,433	1,126
4. Other liabilities	10,410	10,233
	61,832	62,917
	155,370	154,292

Income statement for the period January 1 to December 31, 2009

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

INCOME STATEMENT

	2009 € thou.	2008 € thou.
1. Income from investments	3,453	3,663
2. Income from profit and loss transfer agreements	8,947	9,986
3. Other operating income	1,076	428
4. Personnel expenses		
a) Salaries	-2,369	-2,100
b) Social security and other pension costs	-118	-175
5. Amortization of intangible assets and depreciation of tangible assets	-43	-48
6. Other operating expenses	-3,093	-8,574
7. Income/reversal of write-downs from other securities and long-term loans – thereof from affiliated companies €305 thousand (previous year: €309 thousand)	1,222	309
8. Other interest and similar income – thereof from affiliated companies €1,149 thousand (previous year: €927 thousand)	1,220	7,289
9. Write-downs of securities classified as current assets	0	-1,424
10. Interest and similar expenses – thereof to affiliated companies €223 thousand (previous year: €196 thousand)	-2,700	-3,302
11. Result from ordinary activities	7,595	6,052
12. Income taxes	-762	-600
13. Other taxes	-2	-9
14. Net profit for the year	6,831	5,443
15. Accumulated profit	4,214	3,273
16. Net retained profits	11,045	8,716

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2009, disclose net retained profits of €11,044,909.23. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €1.00 for 4,502,766 shares	€4,502,766.00
Carryforward to a new account	€6,542,143.23

The annual financial statements of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, as of December 31, 2009, 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)

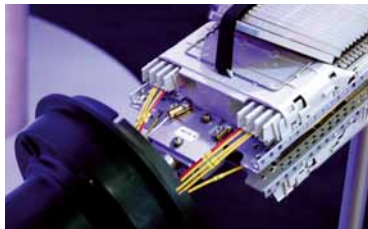
A radio-based transmission method that is usually operated in the license-free microwave band. Wireless LANs consist of radio cells in which users can log on in order to access the networks behind them. Several standards are currently new on the market, for example 802.11b (max. 11 Mbit/s), 802.11a (54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

Important events in 2009

- euromicron starts the new year with an 8% dividend yield. In the Key Ratio Check by Dividendenbrief, euromicron's share comes among the best fifth out of 460 shares.
- The analysts of Close Brothers Seydler recommend buying the euromicron share, specifying an upside target of €20.42.
- euromicron continues to set greater store by training and further development in 2009. Its further education, trainee and junior executive programs are expanded.
- euromicron gets off to a good start in the first quarter of 2009: Sales increase to €40.1 million, consolidated EBIT to €2.7 million and EBITDA to €3.4 million. A dividend payout of €0.80 is planned.
- The General Meeting at the Commerzbank, Frankfurt/Main, on June 18, 2009, votes in favor of the items on the agenda by more than 99%.
- Dr. Bernardi resigns his seat on the Executive Board of euromicron AG effective June 30, 2009, for health reasons.
- On July 15, 2009, Thomas Hoffmann is appointed as a new Executive Board member with responsibility for the functional areas of strategic sales and marketing, business development and internationalization, IT and process optimization, as well as parts of communication with the capital markets.
- Euromicron Werkzeuge GmbH moves to new premises in Sinn-Fleisbach in July.
- Avaya appoints euromicron an Avaya Certified Quality Service Provider. The certificate check covers customer and on-site service, installation and project management.
- euromicron's subsidiary SKM Delwave becomes an exclusive distribution partner for the MRV Communications' product portfolio in Germany. SKM Delwave, which has locations in Munich, Hamburg and Augsburg, is thus taking over the existing distribution business for MRV products with resellers and end customers from a competitor.
- euromicron's half-yearly review reveals positive results. Consolidated sales rise by 18.2% to around €87.7 million.
- The FTTO concept of euromicron's subsidiary MICROSENS GmbH and Euromicron GmbH combines the high performance of a fiber-optic network with the compatibility of the copper interface.
- euromicron AG acquires all the shares in SSM Service Gesellschaft mbH, Hamburg. SSM Service Gesellschaft specializes in the field of voice communication, delivering products and service know-how from NEC Philips.
- euromicron achieves second place in the Application Award 2009 at the Vodafone Innovation Days with its "mobile care center".
- euromicron also performed positively in the third quarter of 2009 and increases its EBITDA by 27.4% to €10.8 million.
- As an established vendor of all-round solutions for communications, data and security networks, euromicron joins Brocade's Alliance Partner Network as an Elite Partner.

The Group's areas of expertise

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



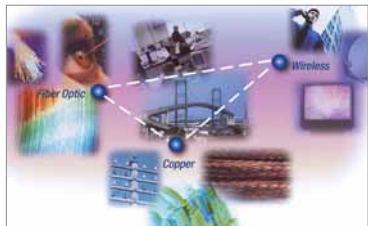
euromicron components

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' 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
- Control and monitoring stations
- Customized solutions

Planning, design 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

Financial Calendar 2010

March 29, 2010	Publication of the Annual Report 2009 and Analysts' Conference
May 12, 2010	Publication of the business figures for the 1st quarter of 2010
June 17, 2010	General Meeting
August 13, 2010	Publication of the business figures for the 2nd quarter of 2010
November 12, 2010	Publication of the business figures for the 3rd quarter of 2010

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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.

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