

2011 FINANCIAL REPORT

euromicron Aktiengesellschaft

euromicron

KEY FIGURES AND FINANCIAL DATA
FOR THE GROUP

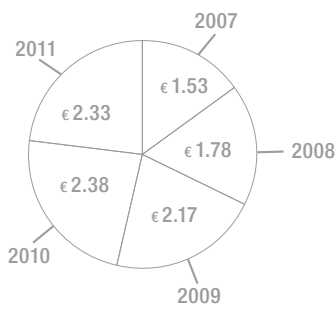
KEY FIGURES

	2011 € m.	2010 € m.
Consolidated sales	305.3	203.6
Sales by division		
euromicron North	116.8	103.6
euromicron South	137.6	109.0
WAN services	66.8	0.0
Segment-related consolidation	- 15.9	- 9.0
Sales by region		
Germany	267.8	174.0
Euro zone	34.2	26.0
Rest of World	3.3	3.6
EBIT (operating)*	30.0	25.9
Consolidated EBIT	24.2	20.1
EBIT of the divisions		
euromicron North	18.9	16.8
euromicron South	6.9	9.1
WAN services	4.2	0.0
euromicron AG and consolidations	- 5.8	- 5.8
EBITDA	30.8	24.7
Consolidated net income for shareholders of euromicron AG	12.2	11.5
Net cash provided by operating activities	0.5	8.5
Number of shares in circulation (thousands)	6,664	5,126
Undiluted earnings per share (in €)	2.33	2.38
Total assets	265.7	196.0
Equity ratio	45.2 %	45.5 %
Employees (number as an average for the year)	1,455	1,081

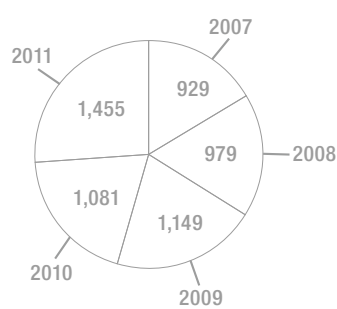
* BEFORE HOLDING COSTS

KEY FIGURES FOR 2007 TO 2011 – A COMPARISON

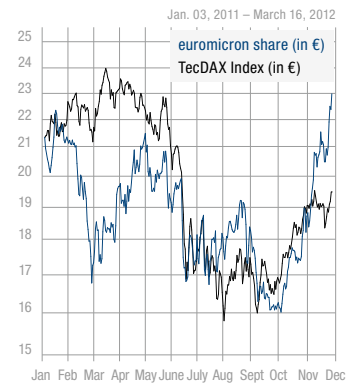
Earnings per share



Employees (annual average)



STOCK MARKET CONTEXT

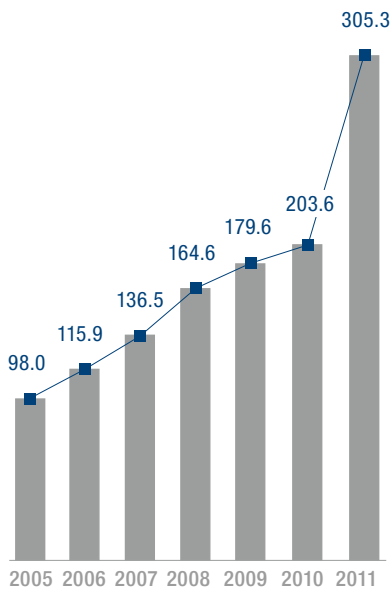


SUCCESSFUL AND SOLID

Intrinsic value increases along with earnings

Sales trend

Network technology (in € million)

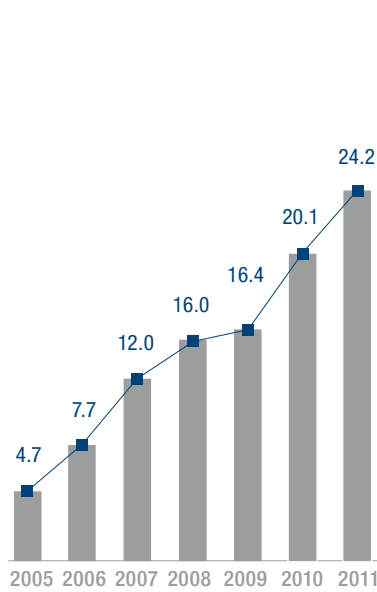


GROWTH TARGETS ACHIEVED

euromicron is the Competence Center for broadband expansion

EBIT trend

Network technology (in € million)



SALES

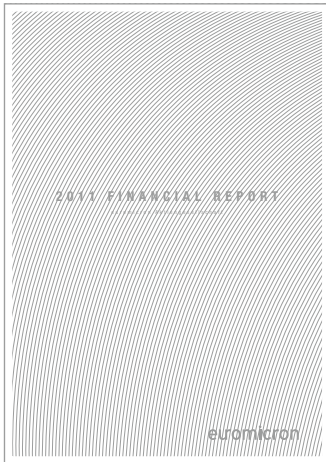
+50%

EBIT

+20%

EBITDA

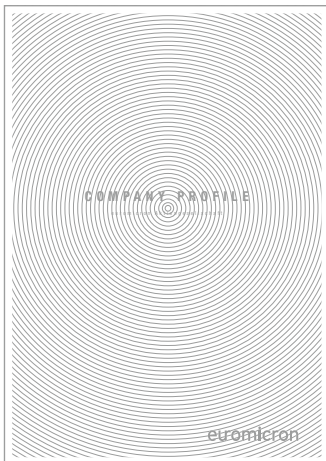
+24%



2011 ANNUAL REPORT

2011 FINANCIAL REPORT

Our financial report is aimed at shareholders and analysts. It contains the foreword by the Executive Board, the report of the Supervisory Board, the declaration on conformance, details on the board members of the company and information on the share and investor relations. It also includes the group management report, the IFRS consolidated financial statements, the single-entity financial statements (HGB), a five-year overview of the main figures for comparison and the financial calendar for 2012.



COMPANY PROFILE

euromicron's business. Its competencies, vision and strategy, markets, employees, structure and organization: Our profile outlines our group, its strengths, values and technological and entrepreneurial alignment.



MAGAZINE

euromicron in projects. We have compiled a selection of particularly important and exciting projects from the past years. Together, they give an insight into the business segments we operate in: With very different technological approaches, we successfully accomplished demanding projects in a wide range of sectors, demonstrating our outstanding expertise in planning and constructing networks.

2011 FINANCIAL REPORT

We stand out from other market players thanks to our expertise and solutions.
We unite potentials for innovation and strict customer orientation to create sustainable value-oriented growth.

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TO OUR SHAREHOLDERS

- Foreword by the Executive Board
- Report of the Supervisory Board
- Corporate Governance
- Board Members of the Company
- euromicron's Share
- Investor Relations

01

FISCAL YEAR 2011

»WE REMAIN
ON OUR COURSE OF
VALUE-ORIENTED GROWTH.«



DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD

THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD

FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS, DEAR READERS,

2011 was a remarkably successful year for us. With consolidated sales of just over €305 million, we grew by some 50% year on year. And we embarked on the new year 2012 with the largest order books we have ever had.

Such success stories are not conceivable without a dynamic environment: The German ICT industry is still a powerful engine to growth. Despite restless general international conditions – the disaster in Japan, the European debt crisis, the floods in Thailand and the not always peaceful upheavals in the countries of North Africa – the German ITC market posted considerable growth in sales in 2011. According to the industry association BITKOM, around 10,000 new jobs were created in the ITC industry in the past fiscal year. As a result, this sector is the second-largest industrial employer in Germany after mechanical engineering. euromicron's decision to focus strictly on its domestic market is paying off. This market is extremely solid and also harbors potentials we intend to leverage in future.

One of the defining events in the past fiscal year was the purchase of telent GmbH, which contributed overall to our very good performance. Acquisition of a company of this size was actually not planned until 2013 – after completion of the capital increase intended for this purpose and further financial and structural measures. Things turned out differently: The premature sale of telent by its international owner

induced us to bring forward our planned investment. telent is an ideal complement to our business in the WAN area, so the decision to buy it was not a tough one. Nevertheless, the acquisition temporarily dilutes the quality of our earnings. We forecast and factored that in beforehand. We intend to make good the temporary decline in the EBIT ratio in 2012 and 2013 after telent's business has been integrated and synergies leveraged, with the result that the Group will again achieve its target EBIT return of 8% to 11% of previous years. Dear Shareholders, it is a very important concern of ours to present this context in a clear and understandable way. Our Group and share will ultimately emerge stronger from this acquisition. We will work actively on the necessary changes in the transitional phase: We are thus within our planning horizon and will control the measures as the situation demands.

REVIEW OF THE YEAR

Strong organic growth of 10% in euromicron's traditional markets and the purchase of telent ensured record results in 2011. Consolidated sales were €305.3 million, surpassing the target we set ourselves of €280 to €300 million including telent. As a result we have already reached the €300 million mark, which was actually planned for 2013, and are now embarking seamlessly on the next phase of the company's development.

Consolidated EBITDA increased by 24% to €30.8 million. Given an average tax ratio of 27.7%, euromicron generated net income of around €12.9 million, a rise of 6.3% over the previous year.

euromicron's shares performed in line with the DAX and TecDAX, but proved very robust and immune to all too great fluctuations. In particular, the planned acquisition of telent GmbH and resultant cross-selling potentials ensured that analysts revised their medium-term price forecasts sharply upward. euromicron sticks by the dividend policy it has adopted and plans to distribute around 50% of the profits it has generated to shareholders.

FLEXIBILITY ENHANCED

To retain the economic and financial flexibility we need for our forward-looking corporate development, we geared our capital resources to match our business development in 2011. As part of this, we first successfully placed a borrower's note loan for €24.5 million in August to make us more independent of short-term loans.

The General Meeting authorized the Executive Board in 2011 to increase the company's equity. In a first step, this enabled the issue of around 1.5 million new shares at a subscription price of €16.00 and yielded proceeds of €24.6 million.

euromicron's share has weathered the capital increase very well, even in a restless stock market climate, and again stood at more than €18 soon after the issue. At present (March 2012) it is stable at between €22 to €23.

Ahead of the capital increase, we presented our Group at a raft of national and international investor events and roadshows. With resounding success: There was very keen interest in our stock, confirming our decision to issue the new shares. The information events accompanied shareholders up to the capital increase. The possibility of acquiring additional shares as part of the capital increase was open to all shareholders and was used extensively.

PROACTIVELY POSITIONED

We operate in an extremely dynamic industry. We are moving to the gigabit age. As a network specialist, we must anticipate today what is expected of network infrastructures tomorrow. That is why, in addition to our established core business, we are positioning ourselves proactively in markets with a highly promising future, such as healthcare, energy and utilities, FTTX and areas where electronic systems assist leisure and lifeworlds. Thanks to our innovativeness, we can operate successfully and lastingly in these markets. What seemed like science fiction a decade ago has now become a reality of life. Mobile Internet and cloud computing define the scenarios of the future. Full-coverage presence of the associated high-speed networks and integration with existing technologies are vital to equality of opportunity in our

information society. We need to include rural regions as well as cities and also provide small companies with powerful communications structures, not just large groups or public authorities. That is the backdrop to the selective acquisitions we were able to make in 2011: We are getting ourselves into shape for the future and sticking by our path of sustainable and profitable growth.

GROUP STRENGTHENED

Acquisition of telent enables us to complement and expand our portfolio as a vendor-independent system integrator. We are thus deepening our system competence to include a further segment, above all in the field of mobile radio and radio relay and complex wide area networks. Cooperation is helping us advance at all levels: We benefit and learn from each other. In fiscal 2011, telent also took over the analog private mobile radio division of Cassidian Communications and expanded further development and servicing of customers' solutions in this field. The euromicron Group has thus become the most important partner for the customer base of Cassidian Communications and the analog radio communications market in Germany. At the same time, we open up the chance for us to successfully upgrade customers' networks to digital solutions.

We have strengthened our skills in system integration, supporting active networks and developing products for active system technology by acquiring ACE Advanced Communication Engineering GmbH and TeraMile GmbH.

As regards our presence in European markets, we have now also rounded out our successful business model in Austria, where we have an extensive footprint in the shape of euromicron NBG as a manufacturer, euromicron austria as a system house and Qubix as the distribution organization.

We strengthened the personnel at our management holding in controlling, IT, purchasing and the Legal department to enable it to cope efficiently with the wider range of tasks due to the Group's growth. We intend to add staff to strengthen business administration consulting for the subsidiaries and expand our ongoing cost and competence improvement program.

OUTLOOK

In order to tackle the many and demanding tasks in the near future, we have further qualified our employees, stepped up recruiting of specialists and concluded strategic partnerships to enable closer intermeshing of competencies. Obtaining qualified staff is a growing challenge in the current market environment. That is why we are specifically seizing the initiative with additional training and further development measures, such as our programs for junior executives, sales trainees or project management, and expanding our acknowledged vocation training activities. We regard ourselves as being well prepared for the growth-oriented years 2012 and 2013.

We also expect large demand for state-of-the-art infrastructure solutions in Germany in the medium term. We currently do not see any "killer technology" on the horizon which might make expansion of broadband networks superfluous. Accordingly, we are strengthening our position as a leading company for complex integrated data network solutions and pushing ahead in new business segments which hold out prospects of success. euromicron will continue to target and tackle future-oriented projects in key growth markets and occupy high-margin niches there in the next phase of its development. To enable that, the Group will expand its qualified teams, technologies, market access or patents or take them over from the market and integrate them.

The focus in the near future will be on ensuring the euromicron companies – and above all talent – continue to grow together. At the project level, our employees are already incorporating the synergy effects and added expertise in their work and positioning this expertise in the market. We will promote and step up cooperation at all levels so as to become even more successful.

Internally, we will keep on driving expansion of the continuous improvement process at our company. We are developing management and leadership structures further, optimizing cost structures and complementing our customer-centric corporate culture befitting a medium-sized enterprise with elements of a group organization so as to create additional benefits for euromicron and its customers.

ANNUAL REPORT RESTRUCTURED

It is clear from our information policy that we devote a lot of attention to communication with our investors. Our mission is to convey euromicron's business as a network specialist in such a way that our business policy decisions are always comprehensible and the increase in value is clear. We intend to strengthen our public relations work even further in this regard.

As an important step in this, we have decided to split our Annual Report into three this year. The Financial Report provides analysts, shareholders, investors and business partners directly with important information, financial data and reports on the company's economic development. Our Magazine illustrates euromicron's business: A whole host of especially representative projects combine to give an informative picture of our efficiency and proficiency. In the Company Profile, we explain our business model, our strengths and competencies, strategy and vision, growth philosophy, HR policy and organization. Taken together, the three parts provide a comprehensive picture of the company and create even more transparency.

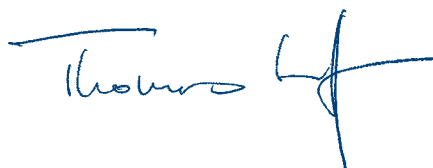
A BRAND WITH RADIANCE

The euromicron brand has become more well-known and has gained in radiance in industry and on the capital market – not least thanks to the excellent results that we generate and that help us build an excellent reputation among investors. Top placements in acknowledged ratings and the accolade of being one of Germany’s 100 most successful small and medium-sized enterprises also contribute to that. “Euro am Sonntag” highlighted our Group as a “small cap dog” and recommended it as one of the top 10 investments. Deutsche Börse included euromicron in the TecDAX in the first quarter of the current fiscal year. The TecDAX comprises the 30 largest and most liquid stocks from the technology sectors listed in the Prime Standard on Frankfurt Stock Exchange and not included in the key index, the DAX. As a result, the euromicron share has gained further in attention and attractiveness.

We are delighted about such assessments. They confirm the path we have taken and the trust that you, dear shareholders, have shown in the Executive Board of euromicron. We thank you for that. We intend to stick by our course of value-oriented growth.



DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD



THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD

SUPERVISORY BOARD
REPORT 2011

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In the past fiscal year, the Supervisory Board of euromicron AG dealt extensively with the Group's business and strategic development. The Supervisory Board discharged the tasks incumbent on it under the law, the Articles of Association, its bylaws and the company's corporate governance principles.

In fiscal 2011, euromicron AG again surpassed the forecast increases in sales and earnings in an economic climate characterized by recovering markets. The year under review was shaped by integration of the major acquisition telent GmbH as part of the build-and-integrate phase and rigorous further leveraging of synergies as part of the Group's organic growth.



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

COOPERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

In fiscal 2011, the Supervisory Board continuously advised, accompanied and monitored the Executive Board in managing the company and running its business in accordance with the statutory advisory and supervisory obligations incumbent on it.

The Supervisory Board was directly involved in all significant business events and decisions of fundamental importance. In addition, current strategic considerations and changes were regularly discussed 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 relating to implementation of compliance at the company. It continuously informed the Supervisory Board about the most important key financial indicators and submitted matters requiring approval in good time so that a resolution on them could be adopted. These were all approved by the Supervisory Board after examination of the relevant documents, queries to the Executive Board and intensive discussions with the members of the Executive Board and Supervisory Board. It was also informed comprehensively of special business transactions and budget variances between the meetings. Where necessary, the Supervisory Board was asked to adopt resolutions by circularization so that expedient and prompt measures could be initiated. Apart from the above information, which was regularly queried to determine whether it was plausible, the Chairman of the Executive Board

also personally informed the Chairman of the Supervisory Board of all important developments and pending decisions in regular one-to-one talks and phone calls. The standard for continuous supervision of the Group's management by the Executive Board was in particular proper, expedient and economic execution in accordance with the law.

FOCUS OF DELIBERATIONS IN 2011

The Supervisory Board and Executive Board held five meetings in fiscal 2011 – on March 30, April 20, June 8, September 20 and December 8 – at which it discussed in detail the company's planning, economic situation and strategic development. All members of the Supervisory Board took part in each of these meetings.

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

- Operational planning for fiscal year 2012
- Integration of the acquired companies ACE, TeraMile and in particular telent GmbH
- Switch from bearer shares to registered shares
- The capital increase with subscription rights from authorized capital
- Conclusion of a borrower's note loan
- The Group's financing structure and rating
- Questions of corporate planning and business policy
- Questions on group integration and the status of the strategy for the years 2006 to 2011
- Organizational development and strategy 2011 – 2015 and progress in implementation
- Public and investor relations
- Risk management and the internal control system of the company
- Expansion of compliance structures
- Completion of the Financial Reporting Enforcement Panel examination
- Acquisition plans

The Supervisory Board satisfied itself that the Executive Board has conducted business correctly and has taken all necessary measures in good time. It supports the Executive Board's move to expand the compliance organization throughout the Group so as to ensure conformance with the statutory provisions and internal regulations and guidelines. In addition, the Supervisory Board regularly obtained reports on risk management and risk controlling at the Group. One focus is the annual analysis to determine whether the risk management system is up-to-date and adequate.

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 July 2, 2010, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 8, 2011.

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the German Corporate Governance Code and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law. Both bodies have thus fulfilled the obligation to ensure transparent and responsible management and control of the company. The declaration on conformance is contained on pages 16 et seq. in the 2011 Annual Report and is available at all times on the company's Internet site.

INDEPENDENT AUDITOR

The independent auditor elected for the company and the Group by the 2010 General Meeting for fiscal year 2011 is PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main.

ANNUAL FINANCIAL STATEMENTS OF EUROMICRON AG AND THE GROUP

The annual financial statements of euromicron AG and the management report as of December 31, 2011, as well as the IFRS consolidated financial statements including the group management report as of December 31, 2011, along with the bookkeeping and the risk identification system, were audited by PWC and each issued with an unqualified audit opinion. The audit reports for euromicron AG and the Group were available to the Supervisory Board in good time before the balance sheet meeting on March 27, 2012. 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 27, 2012, the auditors reported extensively on the main results of their audit of the single-entity and consolidated financial statements, as well as the company's internal control and risk management system and compliance structures, and answered supplementary questions by the Supervisory Board. The report of the independent auditor was presented to the Supervisory Board and there were no objections to it.

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 27, 2012. The financial statements of euromicron AG are thus adopted. The Supervisory Board examined the Executive Board's proposal to pay a dividend of €1.15 a share (i.e. a total of €7,663,368.85) and to carry the remaining net income of €2,585,675.19 forward to a new account, and endorses this proposal of the Executive Board.

COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Executive Board and Supervisory Board did not change in fiscal 2011. The Chairman of the Supervisory Board is Dr. Franz-Stephan von Gronau and his deputy is Mr. Josef Martin Ortolf. All three members of the Supervisory Board were reelected for a further five years (until 2016) at the General Meeting on June 9, 2011.

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 2011. All of them contributed to euromicron's positive performance with their great dedication.

Frankfurt/Main, March 28, 2012

The Supervisory Board



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

UPDATED
DECLARATION

CORPORATE GOVERNANCE

Declaration on conformance (Section 161 of the German Stock Corporation Law (AktG), of euromicron AG for 2011

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

The following declaration relates to the recommendations of the code in its version dated May 26, 2010, which was published on July 2, 2010.

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

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

1. FORMATION OF SUPERVISORY BOARD COMMITTEES (SECTION 5.3.1 TO 5.3.3 OF THE GERMAN CORPORATE GOVERNANCE CODE)

The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future, meaning euromicron AG deviates from the recommendations in Sections 5.3.1 to 5.3.3 of the German Corporate Governance Code.

REASON:

Since the General Meeting on June 24, 2004, the Supervisory Board of euromicron AG consists only of three persons in accordance with the Articles of Association. The formation of committees would not make the work of the three-member Supervisory Board easier, since the committees (which adopt decisions) would also have to have at least three members of the Supervisory Board on them.

2. REPORTING (SECTION 7.1.2 SENTENCE 4 OF THE GERMAN CORPORATE GOVERNANCE CODE)

Contrary to the recommendation of Section 7.1.2 Sentence 4 of the German Corporate Governance Code, which euromicron had complied with since introduction of the German Corporate Governance Code, the consolidated financial statements of euromicron AG for the fiscal year 2010 were – for the first time – not made publicly accessible within 90 days of the end of the fiscal year. However, the Annual report

for fiscal year 2011 will be made publicly accessible within 90 days of the end of the fiscal year, meaning euromicron AG will comply again with this recommendation in future.

REASON:

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, was appointed by the Ordinary General Meeting of euromicron AG on June 17, 2010, to audit the single-entity and consolidated financial statements, but declined to accept this commission in its letter dated November 17, 2010. At the request of euromicron AG's Executive Board, Frankfurt/Main Local Court then appointed PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, as the independent auditor for the company and Group for the fiscal year 2010 in its order dated November 23, 2010. In view of the short time available, the court-appointed independent auditor was not able to familiarize itself in time with the complex material involved in auditing of the single-entity and consolidated financial statements at euromicron AG. In view of this, the consolidated financial statements of euromicron AG for fiscal 2010 was not able to be published within a period of 90 days of the end of the fiscal year.

3. NO LIST OF THIRD PARTY COMPANIES (SECTION 7.1.4 OF THE GERMAN CORPORATE GOVERNANCE CODE)

euromicron AG does not publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise, including the disclosures in accordance with Section 7.1.4 Sentence 3 of the German Corporate Governance Code.

REASON:

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

Frankfurt, December 8, 2011



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



Dr. Willibald Späth
(Chairman of the Executive Board)

EXECUTIVE BOARD AND
SUPERVISORY BOARD

BOARD MEMBERS OF THE COMPANY

EXECUTIVE BOARD

Dr. Willibald Späth

Chairman
of the Executive Board

Strategy, Acquisitions, Finance, Public
Relations and Investor Relations

Thomas Hoffmann

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

Partner of LKC Kemper Czarske v.
Gronau Berz, Wirtschaftsprüfer, Rechts-
anwälte, Steuerberater, Grünwald near
Munich

Josef Martin Ortoif

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/Mid-
dle East the Robert Bosch GmbH, Lein-
felden-Echterdingen

Dr. Andreas de Forestier

Member of the Supervisory Board of
euromicron AG

Managing Director of
BEGO Immobilien Management GmbH,
– Hamm –
BEGO Immobilien Verwaltung GmbH,
– Hamm –
BEGO Vermögens- und Verwaltung
GmbH,
– Hamm –
DBE Immobilienverwaltungs GmbH,
– Munich –
DBE Liegenschaften GmbH,
– Munich –
DBG Immobilien Management GmbH,
– Munich –
Grund + Renten Gesellschaft für
Anlagen Consult mbH,
– Hamm –
GVG Grundstücksverwaltungs- und
Beteiligungs GmbH,
– Munich –
Pariser Platz 3 Grundbesitz-
gesellschaft mbH,
– Frankfurt –
RVB Immobau GmbH,
– Hamm –

Chairman of the Supervisory Board of
consultingpartner AG, Cologne

HIGHLY PROMISING PERFORMANCE
IN A VOLATILE ENVIRONMENT

euromicron's SHARE

In fiscal 2011, euromicron reached the next stage of its corporate strategy and achieved record results. The acquisition of telent met with a positive response among analysts and investors. Against this backdrop, the share performed solidly and with great promise.

euromicron's operational business again remained largely unscathed by the turbulence on the international markets and financial markets in 2011. The euromicron Group exploited its solid growth in Germany and was even able to exceed its envisaged objectives.

euromicron's SHARE PERFORMANCE OVER THE YEAR

2011 was shaped by fluctuations and uncertainty on the capital markets. Contributing factors were the disaster in Japan and the European debt crisis. In this troubled environment, euromicron's share proved to be stable and climbed to over €23 in the first quarter. The worst phase for the DAX and the entire stock market turned out to be August, when most shares recorded lows for the year. euromicron's share was not quite able to buck this trend, despite its otherwise stable performance. Its price fell to below €18 at the beginning of August and settled at around €19 at the end of the third quarter in a volatile environment. Even though declines in the global market and on the German stock market temporarily impacted the share, it remained comparatively stable over the course of the year.

SWITCH TO REGISTERED SHARES AND ACQUISITION OF telent

euromicron AG converted its stock to registered shares in 2011. Our aim with this move is to achieve closer proximity to our shareholders and ensure greater transparency. Moreover, the acquisition of telent influenced the share's evaluation: Our investors register the cross-selling potentials and access to new and interesting customers as a result of the purchase and assess this move very positively.

CAPITAL INCREASE

On November 7, 2011, the Executive Board, with the consent of the Supervisory Board, increased the company's capital stock in exchange for cash contributions by €3,931,620.00 from €13,105,397.44 to €17,037,017.44, thus enabling the issue of 1,537,800 new registered shares at a subscription price of €16.00. The shares are fully entitled to share in profits as of January 1, 2011. The possibility of participating in the capital increase by acquiring additional shares was open to all shareholders and was used across the board.

**PERFORMANCE OF
euromicron'S SHARE
(XETRA)**

IN €



The proceeds from the capital increase are part of our program to finance the Group's growth and of our innovation program for new products and systems. Thanks to the capital increase, we have raised our equity ratio to just under 45% and significantly reduced outside borrowings. As a result, we are well prepared financially for the next stage in our corporate strategy.

euromicron's share very successfully tackled the accompanying challenges to its value as part of a capital increase: Undiluted earnings per share of €2.33 mean that the EPS was almost at its level of the previous year (€2.38) despite the capital increase and one-off effects from the company acquisitions.

The market capitalization of euromicron AG at the end of the year was around €106.2 million compared with €110.7 million in the previous year.

SHARE PROFILE

Type of share	No-par registered shares
Segment	Prime Standard (TecDAX as of March 19, 2012)
Sector	Technology
Index	Technology All Share
ISIN	DE0D0A1K0300
Places of trading	Frankfurt/Main / XETRA
Abbreviation	EUC.GY
Designated sponsor	Close Brothers Seydler AG, Equinet Bank AG

PERFORMANCE OF euromicron'S SHARE (XETRA) COMPARED WITH THE TECDAX

IN €

JAN. 3, 2011 – MARCH 16, 2012



THE SHARES ON THE MARKET

	2011	2010
Number of shares issued at the balance sheet date	6,663,799	5,125,999
– of which treasury shares	–	–
Capital stock (€)	17,037,017	13,105,397
Highest price (XETRA) (€)	23.29	23.42
Lowest price (XETRA) (€)	15.93	14.50
Closing price at the end of the year (XETRA) (€)	15.93	21.60
Market capitalization at the end of the year (in € million)	106.2	110.7
Undiluted earnings per share (€)	2.33	2.38
Volume of shares traded (in millions)	5.7	6.2

SMALL CAP DOG

The strength of euromicron's share was clearly expressed in its relative firmness compared with the indexes: Whereas the DAX slumped by 25% to 30%, euromicron's share was impacted by just 10% to 15%. Our policy of reliability and stability and sustained and solid business performance contributed to analysts' revising their medium-term upside target upward to €30 to €34.

The remarkable relative strength of euromicron's share is gaining increasing attention in the financial press. "Euro am Sonntag" rated it a "small cap dog" and so as a particularly interesting investment for potential investors.

DIVIDEND

The avowed aim of our dividend policy is that the Executive Board and Supervisory Board want all shareholders to participate in the Group's success. Once again, we have sent out a clear signal here: Some 50% of the company's net income for the year was distributed to investors. We once more paid a dividend of €1.10 to shareholders. On the back of continuity in our financial and dividend policy, we achieve an attractive yield of around 4–6% and also secure the financial foundation for further growth.



Unity at the 2011 General Meeting: The Executive Board and Supervisory Board want all shareholders to participate in the company's good business performance.

GREATER ATTENTION
IN THE CAPITAL MARKET

INVESTOR RELATIONS

Proximity to our investors has priority for us: Transparency and expansion of our information channels to private investors and public and business institutions are cornerstones of our investor relations work. Our Group's sustained growth and healthy share performance in the past fiscal years show that prospects and investors acknowledge our share to be an investment with intrinsic value and trust in our growth strategy.

2011 was the most successful fiscal year in our company's history to date. We added a new business segment to our Group with the acquisition of telent GmbH and so achieved the sales mark of €300 million we had originally envisaged for 2013 earlier than planned. Nevertheless, we will embark seamlessly on the next stage in our corporate development and use 2012 and 2013 to prepare the company structurally and create the necessary framework conditions.

On the way to the next stage of the company's development, we have opened up additional cross-selling potentials and gained access to highly promising customers, above all through the acquisition of telent GmbH, as well as of ACE Advanced Engineering GmbH and TeraMile GmbH. By means of a capital increase and placement of a borrower's note loan, we specifically improved our equity structure in fiscal 2011 and adapted to the company's new size. As a result, we have laid the foundations for solid growth.

IR WORK AHEAD OF THE CAPITAL INCREASE

In the run-up to the capital increase, the international stock market was also given the opportunity to get to know euromicron. A large number of roadshows and investor conferences in the first quarter presented the share as an attractive investment in an international context. Events in Norway, Finland, Sweden, Austria, the UK, Switzerland and Belgium attracted the attention of investors – the name euromicron has become more well-known internationally and a raft of prestigious research institutes recommend investing in the company. In this connection, we succeeded in winning a number of interesting new shareholders. However, our investors still mainly come from our domestic market of Germany.

In order to strengthen long-term financing for our Group, we additionally placed a borrower's note loan for €24.5 million last fiscal year, attracting savings banks, German and Austrian banks and an insurance company as investors. The loan will enable us in future to operate more independently of short-term financing and to drive the Group's growth and technical innovation of our products long term and backed by solid financing.

TRANSPARENCY CREATES TRUST

In connection with the capital increase, we presented our company to an interested audience at national and international roadshows and in more than 100 talks with investors. Our intensive IR work has paid off: Investors' trust was reflected in demand as part of the capital increase as well as in the pickup in the stock market price and higher trading volumes after the issue of the shares.

And something else that also creates trust: As announced, in 2011 we stuck to our dividend policy of distributing around 50% of euromicron AG's profit. We also converted our stock to registered shares in order to intensify contact between the company and shareholders and enhance transparency for our investors and the company as well.

The highlight of our financial market communication was again our General Meeting in June 2011. At it, our shareholders voted in favor of all items on the agenda that were crucial to the company's development and so confirmed its successful policy.

INFORMATION CHANNELS

In the past fiscal year we also gave shareholders, media and analysts the possibility of tracking the economic and technological developments of our Group step by step by means of a wide range of channels. The most important information hub remains our homepage, which we again revised and updated in 2011. We use it to post capital market information, such as financial reports, ad-hoc announcements, studies and information for shareholders, promptly and in structured form.

Interested persons were able to experience euromicron live at CeBIT 2011. With our "next generation solutions", we presented our business to a broad audience there in the shape of future-oriented data transmission solutions.

Five prestigious research houses assessed our business policy and share on several occasions in fiscal 2011. These independent assessments are of great informational value and are an important and reliable instrument for our investors. We are all the more delighted at the recommendations they gave to the financial markets in their studies. The unanimous verdict: BUY.

GROUP MANAGEMENT REPORT 2011

FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

- Sales increase 50% to €305.3 million
- Consolidated EBIT rises 20% to €24.2 million
- Consolidated EBITDA increases 24% to €30.8 million

02

1. BUSINESS AND GENERAL CONDITIONS

PROFILE

euromicron is a leading national, Europe-oriented system house for communications, security and data networks and boasts production expertise in the field of fiber optics technology. The company offers customers from all sectors a one-stop shop for tailored, vendor-independent network solutions. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on copper, fiber optic and wireless technology. The product portfolio includes active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. The components are used in WANs and LANs for data communication at data centers, and in the field of medical and security technology.

The euromicron Group is an integrated system house that boasts production expertise and unites top-level development, project planning, consulting and distribution know-how.

STRUCTURE AND ORGANIZATION

The euromicron Group comprises the parent company euromicron AG and 18 subsidiaries that are included in its consolidated financial statements. Its regional focus is in the German-speaking market, enabling intensive support for its customers, 85% of whom are German. As part of the company's internationalization, the focus of its operating activities outside Germany is on Italy, Austria, France and Poland. Further countries in Southern Europe, the Benelux states, Scandinavia and Eastern Europe are tapped by export and project business, with this being controlled from Germany. The euromicron Group pursues potential opportunities outside Europe with prudence and by deploying its expertise. The main strategic focus of marketing remains to systematically penetrate the domestic market.

Business segments are identified on the basis of internal organizational and reporting structures which are in principle regionally oriented. The euromicron Group is divided into the three controlling units euromicron North, euromicron South and euromicron WAN services (wide area network services). The euromicron Group's management is headed by two Executive Board members. Operational business is run locally 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 central tasks, relating to controlling, finance, human resources, legal, purchasing, IT and public and investor relations. It has a controlling influence on 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. Fiscal 2011, like the year before, was dominated by the build-and-integrate phase. The euromicron Group aims to achieve an annual sales volume of €500 million in five years' time, following integration of the business operations of telent GmbH and a phase of organic growth. This objective is supported proactively by the internal control system.

All the euromicron Group's activities are controlled and monitored on a segment-oriented basis 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. An extensive risk management system is the foundation for current and quarterly reporting and the annual forecast so that potential changes can be identified at an early stage. Proposals for measures to ensure that targets are achieved and to avert risks and their effectiveness are constantly analyzed, discussed and implemented.

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

KEY FIGURES AND CONTROL FACTORS

	2011 € m.	2010 € m.
Sales	305.3	203.6
Earnings before interest and taxes (EBIT)	24.2	20.1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	30.8	24.7
EBIT margin	7.9 %	9.9 %
Order books	127.5	91.1
Consolidated net income for euromicron AG shareholders	12.2	11.5
Average number of shares	5.25	4.82
Undiluted earnings per share	2.33	2.38

2. ECONOMIC ENVIRONMENT

DEVELOPMENT OF THE MARKET AND SECTOR

The powerful upturn in the global economy in 2010 was underpinned by massive government stimulus programs and strong growth in Asia. The world economy continued to recover in 2011, despite the fact the necessary measures to consolidate public finances dampened economic dynamism in some industrialized countries. After global gross domestic product (GDP) increased by around 5% in 2010, the solid growth continues in 2011 at around 4%. Growth in the industrialized countries is around 2%, approximately 0.5 percentage lower than in the previous year, but production was able to attain pre-crisis levels again for the main part and so largely recover from the global economic crisis in the past fiscal year. Alongside this, most newly industrializing countries still recorded a relatively solid pace of growth. Uncertainty on the capital and foreign exchange markets led to high volatility in exchange rates and the price of oil in the course of 2011.

Growth in the Euro zone is perceptibly weaker

GDP in the Euro zone grew by an average of around 1.5% in 2011. Whereas strong investments by companies resulted in a high pace of growth at the beginning of the year, growth weakened considerably in the further course of the year. Against the backdrop of trends in Europe, the German economy grew far more strongly in 2011 at about 3.0%. The main contributing factor to this was the good order situation in industry. However, uncertainty on the financial markets impaired consumption and investment toward the end of the year.

The economic situation in the Federal Republic of Germany

The German economy presented itself in top form and in a buoyant mood in the past year. The ifo Economic Test for trade and industry showed its highest result since German reunification. According to surveys by the Association of German Chambers of Industry and Commerce (DIHK), companies gave top ratings similar to those in the boom period in 2007 in their assessment of their business situation and expectations. The basis for this was the growth in gross domestic product of around 3.0% in real terms in 2011. Domestic demand contributed to more than two thirds of this growth. In particular gross capital expenditure – i.e. investment in equipment, buildings and inventories – increased strongly and capacity utilization came close to its normal levels. The surveys confirmed that companies are also planning to significantly increase investments in 2012 and that expansion investments are gaining in importance. In addition, they are planning to increase their workforce. This is accompanied by a perceptible increase in private consumer spending, which will make a positive contribution to overall economic growth. Measured by developments on the employment market, the upturn has taken root across the whole breadth of the economy. In view of a certain normalization in global economic growth, those are good prerequisites for balanced economic development. However, further growth in the coming years will probably be somewhat more muted than in the past year.

Industry barometer

Companies in the information and communications technology (ICT) industry assess their business prospects very positively overall. The BITKOM Industry Index stood at 60 points in the fourth quarter, with the result that a further increase in sales is assumed for 2012. Providers of IT services and software are particularly optimistic: Up to 80% expect to grow sales in 2012. Technologies such as cloud computing and more widespread use of powerful terminal devices will ensure dynamic development in the ICT sector. The positive overall market trends are also impacting companies' personnel planning. Around 10,000 additional jobs were again created in the industry as a whole, which now numbers a total of some 858,000. The topic of cloud computing is also assessed by around 66% of the surveyed companies as the top market and technology trend in 2012, followed by mobile apps (approximately 53%), IT security (approximately 48%) and social media (approximately 37%). The topics of visualization and IT outsourcing are hardly losing in importance compared with the new megatrends. Smart grids are also recognized as a trend by more and more companies (some 24% of companies surveyed).

A further noteworthy success in 2011 was in broadband expansion in Germany, which is being stepped up in 2012. As a result, regions that are difficult to reach will be supplied with high-speed Internet in the future.

DEVELOPMENT IN FISCAL 2011

As part of the euromicron Group's long-term strategy of careful spending and making all technologies available at all German locations as part of the build-and-integrate strategy to as to be able to provide customers with ideal consulting and support, it was able to expand its operational business further and actively leverage the opportunities offered by a growing market.

The greatest opportunity presented itself with the acquisition of the business operations of telent GmbH by Tango GmbH, which was founded by euromicron AG as sole shareholder with nominal capital of €25 thousand on May 13, 2011. Funding of the acquisition was secured by a long-term loan. On June 7, 2011, the assets of telent GmbH were purchased by Tango GmbH and at the same time Tango GmbH was renamed telent GmbH – ein Unternehmen der euromicron Gruppe. In fiscal 2011, the capital of the "new" telent GmbH was adjusted to the level of the former telent GmbH before the asset deal – €8.0 million – by an increase in the nominal capital and a contribution to the capital reserves. telent GmbH is an independent vendor of solutions relating to networks and systems for enterprise and security-related communication, mainly in the WAN arena. euromicron's strategy of tackling new investments with great caution and focusing on stable operational business has proven itself in particular in this environment, which is founded on a high degree of sustainability and great customer trust. Merging of euromicron Group's activities with those of telent GmbH is proceeding as planned and offers the Group a wealth of cross-selling potentials and access to new, highly promising customer segments.

After the purchase of telent GmbH, the latter acquired the analog radio communications division of Cassidian Communications GmbH via an asset deal under the notarized agreement dated June 30, 2011. telent GmbH, with its EADS technology that has proven its worth over decades in the field of analog radio communications, is excellently equipped to ensure the further expansion, development and supply of related products, as well as repair, servicing, spare parts management and services for existing customers with analog radio communications technology. telent GmbH addresses the needs of customers transitioning to the new digital radio technology through partnerships with leading vendors in this field.

A further component of euromicron's strategy is to acquire companies that have well-trained employees and interesting customer relationships. In this connection, the acquisition of the former ACE Advanced Communication Engineering GmbH by euromicron solutions GmbH, a subsidiary of the euromicron Group, by means of an asset deal pursuant to the notarized purchase agreement dated September 28, 2011, and the acquisition of the former TeraMile GmbH by MICROSENS GmbH & Co. KG, a subsidiary of the euromicron Group, via an asset deal under the notarized purchase agreement dated August 12, 2011, should be mentioned. Both companies help bolster the euromicron Group's technological competence in the highly promising fields of active and IP technology and strengthen the qualifications of its workforce.

As part of strengthening the Group's activities in Austria, euromicron holding GmbH founded the company Qubix distributions GmbH with the notarized agreement dated December 15, 2011, in order to establish the successful business model of Qubix, Italy, there.

As part of the optimization of the euromicron Group's structures, restructuring activities were carried out in the past year in order to enhance its efficiency. Under the notarized purchase and assignment agreement dated June 6, 2011, euromicron AG acquired all the shares in ckt GmbH, Munich, from euromicron austria GmbH. In addition, ckt GmbH was merged with euromicron solutions GmbH – ein Unternehmen der euromicron Gruppe, Frankfurt/Main, effective January 1, 2011, under the notarized agreement dated June 6, 2011. With the notarized purchase and assignment agreement dated June 7, 2011, euromicron AG acquired 96% of the shares in GLT Telecom GmbH, which had been held up to then by Avalan GmbH, effective January 1, 2011. The other 4% of the shares in GLT Telecom GmbH were already held by euromicron AG. On the same date, GLT Telecom GmbH was then merged with Avalan GmbH – ein Unternehmen der euromicron Gruppe – effective January 1, 2011.

The performance of euromicron's companies in Austria and the Netherlands – euromicron austria GmbH, NBG Fiber Optics GmbH und WCS Fiber Optic B. V. – was not able to fulfill expectations in the past fiscal year 2011. Consequently, measures to enable successful implementation of the business model in the Austrian market were taken and will have a positive impact in the coming years. After euromicron austria GmbH obtained all the main certifications for its core fields in the Austrian market in 2010 and 2011, one of the key strategic aspects was to push ahead with establishing and implementing the fields of active network technology and the field of security technology so that the Group can secure and retain business in Austria with its high sales and strong earnings. A further focus was on establishing and expanding distribution operations. Adjusting cost structures to the volume of business, optimizing business processes and expanding the qualifications required by the workforce in terms of quality and quantity will support the measures to secure earnings. Further opportunities are seen in the expansion of assembly and the passive technology range.

Once again this year, the Group was able to cut costs, optimize processes and successfully adjust cost structures to market circumstances. Focusing on untapped potential in process optimization to successfully enhance its earnings strength in the coming years is a key component of its intensive build and integrate strategy. Integration and merging of highly specialized employees and locations to create a homogeneous local presence offering extensive know-how in the entire field of network infrastructure was a key focus in the past year and will also be one of the main focuses in the coming years. The Group remains true to its maxim of expanding technology, market access and market volumes, as well as pressing ahead with entering new, forward-looking markets and business segments.

Four branch offices and the headquarters of euromicron solutions GmbH moved into new operating and office facilities for strategic, market-oriented, logistical, economic and employee-related reasons. As a result, the new locations in Mainz, Karlsruhe, Hanover, Neu-Isenburg and Frankfurt offer ideal conditions for building on our regional presence, as well as a suitable representational ambience.

In 2011, we also launched measures to optimize the IT systems we use as part of our organizational development activities. In addition, the concept for preparatory basic work on standardizing process flows and definitions throughout the Group was largely formulated in the year under review and will be monitored intensively and implemented further in the integration phase.

Our appearance at the CeBIT trade fair in Hanover at the beginning of 2011 under the slogan “next generation solutions” was completely redesigned and was a great success for the whole euromicron Group. The 180 square meter stand went down particularly well among our visitors. The company presented its know-how and IP competence in network structures, solutions and applications in various key and future markets. CeBIT is an important communication and sales platform for the Group and gives it the opportunity to demonstrate to the trade how euromicron continues to develop positively and expand its market presence nationally and internationally.

In addition, euromicron AG achieved a place among the 100 top small and medium-sized German companies in 2011 for the second time in a row and advanced further in the rankings. It was noted that euromicron is distinguished in particular by its continuity in development of the company, excellent performance in corporate governance, stable sales growth at a high level and a strategic vision in its segments and regions.

The euromicron Group was able to increase its sales and earnings further in fiscal 2011. In this regard, its companies benefit from the fact that there is still a need for large carriers to make big investments in expanding high-speed networks, from industry modernizing its data transmission systems to remain competitive, and from the public sector, which likewise is making considerable investments in its network infrastructures.

The euromicron Group’s internationally based companies and units in Italy, Poland and France were able to surpass their sales and earnings targets significantly in some cases.

The prudent and proactive cost consciousness at the Group in the past, as well as permanent process adjustments and ongoing optimization, have enabled it to exceed its own targets against the backdrop of the market's good development. This trend confirms us in our goal of further intensifying our efforts to establish efficient and flexible cost structures as the basis for the euromicron Group's successful performance at a high level.

SHARE PRICE AND INVESTOR RELATIONS

euromicron AG's share, which was traded in the Prime Standard in 2011, started the fiscal year at a price of €22.40 and peaked at €23.29 in the first quarter. After a very good performance in the first and second quarters, the share of euromicron AG was not fully able to buck the general trend on the financial markets, but proved extremely robust in relation to general price trends on the stock market and displayed a clear upward tendency despite the volatile market. In the fourth quarter, the fine performance of the share up to then was impacted by the capital increase and an issue price of €16.00 per share and closed 2011 at €15.93. On December 31, the share's market capitalization was thus €106 million (previous year: €110 million). The steady upward trend at the beginning of 2012, i.e. just six weeks after the capital increase, with large trading volumes and prices above the €20 mark once again confirm the share's fine overall performance. The company's sustained and positive performance, solid results from operational business, coupled with its relatively crisis-proof share (as proven by its performance during the year) and the still promising prospect of a rise in its price in fiscal 2012, continue to make euromicron AG an extremely attractive investment on the Prime Standard, according to the vast majority capital market experts.

At the recommendation of the Working Committee for Equity Indices, the Executive Board of Deutsche Börse decided on March 5, 2012, to admit euromicron's shares to the TecDAX. They have been traded on the TecDAX since March 19, 2012.

The General Meeting of euromicron AG on June 9, 2011, also decided to convert the company's bearer shares into registered shares, with retention of the existing denomination. The conversion proceeded smoothly and will give management and the shareholders of euromicron AG a far greater degree of transparency on the composition of our company's shareholders.

euromicron AG conducted a capital increase on November 7, 2011, to strengthen its equity ratio and give it economic flexibility. A total of 1,537,800 new shares were placed on the market at a price of €16.00, increasing the number of shares to 6,663,799. The company obtained liquid funds of around €24.6 million and its capital stock rose by just over €3.9 million to €17.0 million as a result of the capital increase. The proceeds from the capital increase of around €24.6 million are part of the framework for financing the company's growth and innovation program for new products and systems. At the same time, the capital increase largely served to bolster the capital structure, strengthen the equity ratio and reduce borrowings. As a result, euromicron was able to boost its financial flexibility for the next stage of its corporate strategy.

The weighted average number of euromicron shares was increased sharply by the issue of new stock in fiscal years 2010 and 2011. Thanks to the excellent fundamentals of the euromicron Group, undiluted earnings per share were therefore able to be kept largely constant at €2.33 despite one-off effects in fiscal 2011.

The growing attractiveness and increased visibility of euromicron's share on the capital market were again confirmed by the trading volumes. The number of traded shares in 2011 was approximately 5.7 million, slightly up on the figure of around 6.2 million for fiscal 2010 and so its aggregate turnover was some €108.7 million (previous year: around €115.8 million). The share's good performance was underpinned by the company's far greater presence in the media, strengthening of active investor relations work and a large number of talks with investors and roadshows where the Executive Board of euromicron AG nurtures personal contacts with lenders and investors.

The response of the capital market made it clear that investors value in particular the reliability and long-term management strategy of euromicron AG. In fiscal 2011, just over 70% of the net retained profits reported in the single-entity HGB financial statements of euromicron AG at December 31, 2010, were distributed, corresponding to a dividend of €1.10 a share and a total payout of €5.6 million. In the past fiscal year, some 50% of the euromicron Group's consolidated net income was thus distributed to shareholders in continuation of euromicron AG's tried-and-tested dividend policy. As a medium-sized high-tech company, euromicron AG benefits from the trust of national and international investors in the German stock market, where excellent returns can be earned at comparatively little risk. euromicron's share price will also profit from that in the coming fiscal year.

Overall, the recommendation to buy our share issued by the analysts from Close Brothers Seydler, Dr. Kalliwoda Research, Bankhaus Lampe, GBC AG and equinet AG confirm the existing capital market approach of euromicron's Executive Board; once again, euromicron's share has lived up to its mission to be an attractive investment in the small cap segment.

3. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

ASSETS AND EQUITY

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

ASSET AND EQUITY STRUCTURE

	2011		2010	
	€ m.	%	€ m.	%
Noncurrent assets	139.0	52.3	109.6	55.9
Current assets	119.4	44.9	78.0	39.8
Securities and cash	7.3	2.8	8.6	4.3
Assets	265.7	100.0	196.2	100.0
Equity	120.2	45.2	89.3	45.5
Long-term debt	46.1	17.4	25.5	13.0
of which: Financial debt	36.9	13.9	16.0	8.2
Current liabilities	99.4	37.4	81.4	41.5
of which: Financial debt	33.0	12.4	48.0	24.5
Equity and debts	265.7	100.0	196.2	100.0

As a result of the additions to the consolidated companies and dynamic organic growth at the euromicron Group, total assets at December 31, 2011, increased year on year by 35.4% to €265.7 million.

The increase in noncurrent assets is mainly the result of the growth in acquisition-related goodwill. This was €104.2 million at December 31, 2011, compared with €81.9 million in the previous year. The remainder of the rise in noncurrent assets is largely attributable to additions of other fixed assets as part of the company acquisitions, in particular of telent GmbH. The ratio of equity and long-term outside capital to noncurrent assets rose sharply and is 119.6% (previous year: 104.7%).

As regards current assets, inventories increased year on year by €7.9 million to €25.1 million, mainly due to the divisions acquired in fiscal 2011. Trade accounts receivable were €88.1 million, €33.3 million up on the previous year. This increase is due not only to consolidation of the newly acquired companies and divisions, but also in particular the company's strong organic growth and the resultant increase in the volume of business. In addition, because of their business model, the system houses above all have the largest volume of sales and invoicing in the final quarter of a fiscal year. As a result, trade accounts receivable at the euromicron Group inevitably rise at December 31 of each fiscal year. In the first months of the new fiscal year, the companies accordingly expect a large inflow of liquidity.

Working capital (trade accounts receivable and inventories minus trade accounts payable and pre-payments) were €76.8 million at the balance sheet date (previous year: €48.5 million). As a result, working capital grew by around 58%, in line with the rise in sales, against the backdrop of the sharp growth in the euromicron Group in the past fiscal year.

Equity at December 31, 2011, was €120.2 million (previous year: €89.3 million), a year-on-year increase of 34.6%. Contributory factors in the increase in equity were the net income for 2011 and the capital increase in November 2011. Consequently, the equity ratio at December 31, 2011, remained stable at 45.2%, on a par with the good level of the previous year (45.5%), against the backdrop of the sharp rise in total assets.

The seasonal course of business at the 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 the 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 again and so increase the equity ratio.

Raising of a borrower's note loan of €24.5 million significantly improved the ratio between short- and long-term financial debt and so enabled further optimization of the euromicron Group's financing structure. Whereas long-term financial debt in 2010 was just 8.2% of total assets in 2010, it was 13.9% at the end of 2011. The improvement in short-term financial debt was even more visible. It was just 12.4% of total assets at December 31, 2011, well below the previous year's figure of 24.5%. The Group's net debt (financial debt minus securities and cash) at December 31, 2011, was €57.4 million (previous year: €50.6 million). The moderate increase in net debt in fiscal 2011 was below-proportionate relative to the sharp increase in the volume of business.

Among the current liabilities, trade accounts payable also rose by €9.2 million to €31.6 million, likewise due to the higher volume of business. It should be taken into account that project financing is traditionally heavy at the end of the year. Net debt fell again sharply up to February 2012 as a result of a large level of payments by customers.

RESULTS OF OPERATIONS

Overview of the results of operations:

RESULTS OF OPERATIONS

	2011 € thou.	2010 € thou.
Sales	305,306	203,643
Inventory changes	-7,443	1,211
Own work capitalized	1,948	1,521
Other operating income	2,724	4,476
Cost of materials	-159,619	-107,317
Personnel expenses	-76,876	-54,247
Amortization and depreciation	-6,563	-4,601
Other operating expenses	-35,261	-24,561
Earnings before interest and taxes (EBIT)	24,216	20,125
Interest income	77	103
Interest expenses	-5,407	-3,009
Other financial expenses	-1,034	0
Income before income taxes	17,852	17,219
Income taxes	-4,953	-5,088
Consolidated net income for the period	12,899	12,131
Thereof for euromicron AG shareholders	12,229	11,462
Thereof for non-controlling interests	670	669
(Un)diluted earnings per share in (€)	2.33	2.38

In fiscal 2011, the euromicron Group achieved consolidated sales of €305.3 million, an increase of 50.0% on the previous year (€203.6 million). This is attributable to the strong organic growth of the euromicron Group's companies; in addition, the divisions acquired in 2011 contributed €70.0 million to consolidated sales.

A breakdown by the various regions shows that most sales were generated within Germany as in previous years: €267.8 million at the end of fiscal 2011 (previous year: €174.0 million). Foreign sales also grew from €29.6 million in the previous year to €37.5 million. International sales contributed a total of some 12.3% to the volume of sales at the euromicron Group.

The total operating performance of the euromicron Group was €299.8 million, like sales around 45% above the figure of €206.4 million for the previous year.

The largest expense item in the income statement of the euromicron Group was cost of materials at €159.6 million (previous year: €107.3 million). This increase is mainly due to changes in the consolidated companies. The ratio of cost of materials to consolidated sales improved slightly from 52.7% in 2010 to 52.3% in the year under review. This improvement as a result of the leveraging of synergy potentials in purchasing and tight project and cost management is partly countered by influences due to consolidation of the newly acquired companies.

After the cost of materials, personnel costs are the second largest expense item. They were €76.9 million in the past fiscal year 2011 compared with €54.2 million in the previous year. In relation to sales, they fell to 25.2% (previous year: 26.6%). Given an average workforce of 1,354 in 2011 (excluding trainees), average sales per employee were an excellent €225.5 thousand, surpassing the previous year's figure of €201.4 thousand.

Amortization and depreciation were €6.6 million, up on the previous year's level of €4.6 million. This increase is mainly due to amortization of hidden reserves as part of capital consolidation, as well as of development expenses.

Other operating expenses in 2011 were €35.3 million compared with €24.6 million in the previous year. Vehicle and travel expenses (€10.0 million), rent/room costs (€4.9 million) and legal and consulting costs (€4.3 million) are the largest items within the other operating expenses. The other operating expenses relative to sales were around 11.5%, again below the comparable level of the previous year's level of 12.1%.

Earnings before interest and taxes (EBIT) were €24.2 million, an increase of more than 20.4% over the previous year (€20.1 million). The EBIT margin relative to sales was as anticipated 7.9% (previous year: 9.9%) following the huge growth in system business. The decline in the average EBIT margin is planned for two to three years in connection with the acquisition of telent and reasonable in the context of the euromicron Group's strategic growth associated with the acquisition. The intention is to increase the EBIT margin in the coming years by implementing a raft of integration and optimization measures and return it to the Group's target range of 8–11%. This positive trend in the quality of earnings will be ensured by permanent monitoring of cost structures and focused leveraging of synergy potentials in all areas of the company.

The net financial result was € –2.9 million compared with € –6.4 million in 2011. The increasing in financing costs was mainly due to the growth in the euromicron Group's size. In addition, a market-related increase in the cost of financing and restructuring of around €25 million of short-term debt to long-term debt by raising of a borrower's note loan led to an increase in interest expenses.

The tax ratio is around 27.7% (previous year: 29.5%). The higher figure for the previous year is attributable to one-off tax effects.

The improvement in operating performance, coupled with permanent monitoring of cost management, meant that net income for the year for shareholders of euromicron AG was €12.2 million, compared with €11.5 million the year before. Undiluted earnings per share were €2.33, despite the issue of more than 2 million new shares in 2010 and 2011.

FINANCIAL POSITION

The Group is in principle financed centrally through euromicron AG. euromicron AG is responsible for providing its Group companies with liquidity. This is done through a central cash pooling system to which all Group companies are linked in principle. Internal financial equalization as part of a cash management system of the individual companies reduces the volume of outside funding at the Group. Centralization of financing 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 – for historical reasons – a number of smallish lines of funding, which are however insignificant in terms of volume.

At December 31, 2011, unutilized promised credit lines of €51.4 million were available to the Group. As expected, these lines increased again sharply in January and February 2012 as a result of the traditionally high cash flow in the first two months of the new fiscal year. The Group thus has sufficient liquidity reserves for its development and current business.

The Group's financial position in fiscal 2011 was as follows:

CASH FLOW ANALYSIS

	2011 € thou.	2010 € thou.
Net cash provided by operating activities	473	8,479
Net cash used in investing activities	-20,397	-5,980
Net cash provided by/used in financing activities	18,651	-2,555
Net change in cash and cash equivalents	-1,272	-56
Cash and cash equivalents at start of period	8,572	8,628
Cash and cash equivalents at end of period	7,300	8,572

The net cash provided by operating activities was €0.5 million, €8.0 million down on the previous year's figure of €8.5 million. This is mainly due to organic growth in euromicron's traditional business, as reflected in a sharp increase in trade accounts receivable toward the end of the year.

This effect is further bolstered by sharper shifts in the project mix toward larger and longer-term projects. Given the focused use of cash discounts to optimize the earnings situation, trade payables increased below-proportionately.

Net cash used in investing activities was €20.4 million, a year-on-year increase of €14.4 million. Apart from the sharp increase in investments in our operating assets, this rise is mainly impacted by our acquisition activity, in particular the purchase of the business operations of telent GmbH.

Investments in noncurrent assets and the acquisitions were compensated for by the net cash from financing activities of €18.7 million. There were extensive repayments of financial loans, which approximately matched the financial loans that were raised, among other things by the issue of the borrower's note loan of €24.5 million, after costs. In addition, there were proceeds of €24.2 million after costs from the capital increase in fiscal 2011, while €5.6 million was paid out in dividends.

The net cash and cash equivalents of the euromicron Group at December 31, 2011, were €7.3 million, on a par with the previous year, and allow the Group, together with unutilized promised credit lines, to continue its phase of consolidation in a sound position and underpin the Group companies' business financially. Further diversification in financing and restructuring of short-term debt to long-term debt also created greater independence from the capital markets and a high degree of financial stability in fiscal 2011. We aim to maintain the intensive, trusted and fine cooperation with all banks.

NEW ORDERS AND ORDER BOOKS

New orders at the euromicron Group as of December 31, 2011, were €309.2 million, 50.4% above the level of €205.6 million in the previous year. Order books were €127.5 million, well up on the previous year's €91.1 million. As a result, euromicron's system houses in particular enter 2012 with well-filled order books.

SEGMENTS

Within the euromicron Group, a regional division of business dominates in accordance with the Group's internal management structure. In addition, there is the new segment WAN services, in which for the first time supraregional business in the field of planning, installing and servicing **wide area networks** is grouped and presented.

SEGMENT SALES

	2011 € m.	2010 € m.
euromicron North	116.8	103.6
euromicron South	137.6	109.0
euromicron WAN services	66.8	0.0
euromicron AG and consolidations	-15.9	-9.0
Total sales	305.3	203.6

SEGMENT EARNINGS (EBIT)

	2011 € m.	2010 € m.
euromicron North	18.9	16.8
euromicron South	6.9	9.1
euromicron WAN services	4.2	0
Operating EBIT	30.0	25.9
euromicron AG and consolidations	-5.8	-5.8
Total EBIT	24.2	20.1

The North segment was able to benefit from the good general economic conditions in the past fiscal year and increase its sales and EBIT year on year. Sales at the North segment were grown by 12.7% to €116.8 million. Its EBIT improved by 12.5% to €18.9 million.

The South segment increased its sales by around 26.2% from €109.0 million to €137.6 million. Its EBIT fell year on year by €2.2 million to €6.9 million, due mainly to difficult business in Austria and far higher amortization of hidden reserves as part of capital consolidation.

After the purchase of the business operations of telent GmbH, which mainly focuses on the new area for euromicron of planning, construction and servicing of supraregional network structures, a decision was taken to pool all the activities focused on wide area network services in the new segment "WAN services" as of 2011, regardless of the region where the services are provided. Sales at this segment in 2011 were €66.8 million and its EBIT was €4.2 million.

With its operating companies, the euromicron Group posted further sharp operational growth in its EBIT overall. Operating EBIT was 30.0 million, 15.8% up year-on-year.

Despite the increase in management requirements and strong growth in 2011, costs in the euromicron AG and consolidations segment were kept stable at €5.8 million. Apart from holding costs, merger and acquisition costs, other non-recurring expenses 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

STICKING TO OUR COURSE.

There are interesting posts to fill again and again at our Group. That, too, is one of the positive effects of our successful growth strategy. A lot is changing at euromicron – employees who wish to develop themselves are provided time and again with career opportunities. Our Group numbered 1,565 employees and 102 trainees at December 31. 400 of them were contributed by telent alone in the past year. In addition, we added a further 11 from TeraMile and 30 from ACE.

That means the workforce has mainly grown as a result of acquisitions. Hiring new staff has become more complex and costly as a result of the continuing shortage of skilled workers. That not only affects technical fields, but applies across all areas of work. Nevertheless, we are still sticking by our motto of not making any compromises in personnel recruiting. We look until we are certain we have found the right person for a post. Only in that way can we ensure the quality we need to develop our business. Our human resources policy is assisted by the growing awareness of euromicron: We now receive far more unsolicited applications than we did a few years ago. We also enlist the services of HR consultants to enable efficient selection of qualified employees. We also use social networks to find staff within very narrow and selective confines.

FURTHER QUALIFICATION FOR SALES AND JUNIOR EXECUTIVES

At least just as important as finding new and well-trained employees is to increase the professional qualifications of our existing crew. Our focus here is on executives, sales and certification. Particularly in sales, we have increased the number of participant days in training and further education by 74 percent. Our sales trainee program entered its second round in the past fiscal year, with the focus now on training in presentation, sales control and solution-oriented sales. We also staged refresher days for the euromicron Sales Method (EVM). Our training for junior executives embarked on its fourth round in 2011. In the current fiscal year, we will devote greater attention to established managerial staff by offering training programs and further education. In this respect, too, we provide exciting opportunities for development which only a growing company can offer its employees.

The foundation for a successful working relationship is always laid in the familiarization period for new employees. We have therefore scrutinized this initial phase, structured it and defined a familiarization plan for every function. This commitment significantly reduces fluctuation in this phase.

We were again able to continue our long-lasting success story in the field of training and education at our group in 2011. euromicron still has a very good trainee ratio of 7.5%. Our new company talent has also begun giving junior staff vocational training under the roof of euromicron. Trainees from our company repeatedly enjoy exceptional success: In 2011, Reza Vaghef from euromicron systems obtained his certification of qualification as an electronics technician for information and telecommunication technology as the best student in his college. euromicron systems in Hanover is training our first junior staff as IT systems support specialists. These experts handle business administration, technical and organizational aspects in IT and telecommunications projects.

SUCCESSFUL TOGETHER

Agreeing on objectives and expectations is the basis for joint success. That is why we introduced performance and career reviews throughout the Group in 2011 and are developing a culture of very constructive and open feedback. Even though preparing and conducting such reviews may seem a burden in our day-to-day work which is already overfilled as it is: The time is well spent.

As in every year, we honored employees who have helped our Group advance with their especially good results at our 2011 Sales Conference. We were especially delighted that some of the best now also include junior staff from our own trainee programs. That speaks for the quality of these programs – we are on the right path here.

Ensuring that we and such a large and independently operating company as talent can grow together was and is a challenge for all of us. Our first verdict: We can all learn from each other and that is precisely what is happening. We are now working together on various orders and benefiting mutually from our competencies and commitment.

A company's success is always the success of the whole team. In this spirit, we would like to thank everyone who has made the outstanding results of 2011 possible with their dedication and effort. You can rest assured that we will continue to stick to our path of success.

5. MARKET AND TECHNOLOGY

GERMAN ICT MARKET DEFIES THE INTERNATIONAL CRISIS

Despite the disaster in Japan, intensification of the debt crisis in Europe and the floods in Thailand, the German ICT industry generated estimated sales of €145.5 billion in a positive economic climate and proved to be very robust in 2011 in the face of tough international conditions.

With this further growth in sales, the ICT industry demonstrated that it is still the growth engine driving the German economy. According to BITKOM, around 10,000 additional jobs were created in 2011, following an increase of some 8,000 in the previous year. As a result, the ICT sector is the second-largest industrial employer in Germany behind mechanical engineering, but ahead of the automotive, electrical or chemical industry.

This positive trend is also reflected in the mood in the high-tech sector: After an all-time high of 72 points in the BITKOM Index at the beginning of the year, there was a slight dampener in the second quarter of 2011, but then the figure rose again and was still above the long-term average.

IT SECTOR DRIVES GROWTH

Within the market as a whole, it is the IT sector that is driving the economy. Sales of information technology (IT hardware, software, IT services) increased in 2011 by 4.3% to €68.8 billion according to forecasts by the BITKOM association. In this connection, the strongest growth was achieved by hardware products, above all tablet PCs, whose sales volume doubled in the course of the year according to BITKOM's estimates. Demand for software also rose strongly thanks to the recent meteoric trend in the app market. IT services also grew thanks to outsourcing and cloud computing.

MOBILE INTERNET INVIGORATES THE TELECOMMUNICATIONS SECTOR

In the telecommunications market, mobile Internet will become established across the board. This also invigorated the entire telecommunications industry in 2011, despite the fact that sales of voice services in fixed-network and mobile communications continue to decline. This was compensated for by a rise in revenue, in particular from mobile data services, accompanied by more widespread use of smartphones and tablet PCs. In 2011, mobile communications providers again invested massively in expanding their networks so as to be able to cope with the explosive rise in data volumes in future. For its part, broadband expansion in mobile communications with the new LTE technology and in the fixed-line network with fiber optics is generating growth in network technology.

euromicron was also able to participate directly in that trend in 2011 – be it in installing, servicing or maintaining the new LTE radio masts in the field of mobile communications or networking the first cities, municipalities and industrial areas in the fixed-network arena with state-of-the-art FTTH solutions and components.

INTELLIGENT NETWORKS PAVE THE WAY TO THE GIGABIT SOCIETY

The creation of smart grids is perhaps the greatest infrastructure project in the history of the Federal Republic of Germany thus far. Experts forecast that creating and expanding them will entail investments of some €130 billion in Germany alone.

With the Internet entering all areas of the economy and society, 2011 saw an increase in the pace of digitization of the most important infrastructures. Among other things, smart grids enable local generation and distribution of wind and solar power. In healthcare, introduction of the electronic health card can be followed by concrete applications such as the digital patient file or electronic prescription. Intelligent traffic management can also prevent tailbacks and accidents costing billions every year. There is also a great need to modernize in education and at public agencies.

Solving the great challenges facing us in the future is not conceivable without smart grids. Smart grids will relate to all major challenges in the coming decades, from demographic change, modernization of education, ensuring medical care to eco- and climate-friendly power generation.

A key role in creating intelligent networking solutions will be played by the future broadband network; expansion of it was commenced in 2011 – and euromicron is one of the specialist in Germany for planning, installing and maintaining it. In Offenburg, one of the first ten cities in Germany where Telekom is expanding its fiber-optic network, euromicron was one of the companies commissioned and has also positioned itself as a partner to the State Government of Hesse in the initiative “Electricity Moves – Electromobility in Hesse” in supporting secure and networked electromobility in future with information and communications technology.

Against the backdrop of modernization of traditional infrastructures and creation of intelligent networking solutions, we made various acquisitions in the course of 2011 to complement and round out our technology and competence profile so as to be able to cater for the future needs of our customers even more effectively and comprehensively.

EXPANSION OF THE TECHNOLOGICAL COMPETENCE PROFILE OF EUROMICRON

With the acquisition of the business operations of telent GmbH on June 7, 2011, for instance, we also succeeded in expanding our technological know-how in the field of transmission technology, wireless communication and IP migration and deepening it in the area of wide area networks (WANs).

The largest customers of telent GmbH apart from Colt Telekom include Toll Collect, on behalf of which telent is responsible for service and maintenance for the around 300 control bridges and 3,700 toll terminals in Germany. To enable that, telent is connected with Toll Collect 24 hours a day, 7 days a week, 365 days a year, in order to keep response times to problems extremely short. From fleet management, maintenance of the toll terminals, repair work to the control bridges, spare parts logistics to servicing of the technical units in the vehicles of the Bundesautobahngesellschaft (BAG), the company responsible for federal autobahns – telent carries out all service work for the customer Toll Collect.

As a result of growing requirements demanded of voice and data services and integrating them into application-specific all-round solutions, many companies, public authorities and private institutions also face the challenge of migrating their existing network infrastructures to modern IP technology.

Here, too, telent can make a major contribution, such as in standardization of the enterprise network of the Federal Water and Shipping Authority (WSV) on the basis of IP technology with radio relay. Of the total of 90 planned radio relay links, some are already in service and are administered by means of a central management system.

At the end of June, the company also won a contract to continue the existing activities of Cassidian Communications GmbH, a subsidiary of EADS, in the field of analog radio communications. As a result, euromicron's subsidiaries will support customer installations of Cassidian in the field of analog private mobile radio and assume responsibility for further developing and supplying related products and for repair, maintenance, spare parts management and services.

ROUNDING OUT THE TECHNOLOGICAL COMPETENCE PROFILE OF EUROMICRON

By acquiring the assets of ACE Advanced Engineering GmbH, the euromicron Group was able to expand its network activities in the fields of active and IP technology even further. Purchase of the assets of the former TeraMile GmbH will also help strengthen the expertise and development activities of euromicron's subsidiary MICROSENS GmbH & Co. KG, above all in CWDM/DWDM technology.

The technological focus of the ACE team is mainly on active infrastructure (switching, routing and wireless LAN), security (including firewalls, network and client security, content and antivirus protection), IP telecommunications technology, virtualization of server systems and the creation of client/server solutions, and passive infrastructure for data centers and all types of cabling in buildings. The team offers its customers competent technical support, as well as providing equipment around-the-clock. With its highly qualified employees, ACE supports and complements the existing activities of the euromicron Group and so contributes to enhancing the product and service portfolio of euromicron's system houses.

The TeraMile team develops and produces optical systems for access, regional and wide area networks. Based on DWDM, CWDM and TDM technology, TeraMile's solutions meet the very highest standards that can be demanded of network solutions in terms of investment protection, modularity and reliability. As a result, TeraMile's development team not only perfectly complements the technological portfolio of MICROSENS GmbH & Co. KG, but thanks to its development capacities also makes a major contribution to positioning euromicron's subsidiary in this innovation-driven environment.

In 2011, euromicron thus achieved a setup where we as a Group boast all the competencies and technologies now required for state-of-the-art data transmission in data centers, LANs and WANs.

euomicron SUPPORTS THE MOVE TO THE GIGABIT AGE WITH NEXT GENERATION SOLUTIONS

As a reliable and future-oriented partner, euomicron can help tackle all major challenges our customers will have to face in the future. On the basis of powerful broadband network infrastructures, we ensure top-class communication, control and monitoring for our customers in the Gigabit age.

This is made possible by powerful components and integrated modules, some of which have been developed by our own production subsidiaries or come from the Group's network of partners, and thanks to our broad-ranging application know-how that enables us day after day to create innovative solutions for customers which are also future-proof and offer a high degree of investment protection – in all areas of daily life and work.

Broadband communication is a modern information technology that offers great advantages for all inhabitants: Lightning fast Internet, disruption-free telephony and TV in high-definition quality. However, that means high investment costs for the public utilities that usually assume this task. An improvement in ROI can be achieved among other things by flexible expansion of components, since the expansion costs are only incurred with the FTTH connection at the end customer. As part of developing the communities Bismünde, Heiligenstedten, Heiligenstedtenerkamp, Hodorf/Ortsteil Herfart and Oldendorf on behalf of the public utility Stadtwerke Itzehoe GmbH, euomicron's subsidiary SKM Skyline GmbH solved this challenge to the customer's satisfaction by means of a homogeneous, yet flexible network and component structure that enables simple installation for public utilities and connects inhabitants to a high-tech fiber-optic network.

One thing is clear, especially in healthcare: Technology must serve people. That was also the case in Cannes Hospital in Southern France, which – thanks to support from euomicron's subsidiary MICROSENS GmbH & Co. KG – is Europe's first hospital where virtually end-to-end optical cabling and ideal use of IP data transmission – from medical activities, administration, patients' rooms to the building itself. The solution is based on MICROSENS' FTTO concept, in which the optical fibers are led as closely as possible to the user. The latest generation of installation switches developed in-house are used in the chosen structure. Thanks to the technological know-how of euomicron's subsidiary, the conversion work covering dozens of applications proceeded successfully.

In view of the cases of attacks by young offenders highlighted in the media, central monitoring and control of all security and communication systems is growing in importance at Deutsche Bahn. The basis for this was laid by euomicron's subsidiary telent GmbH, which will create a single management platform for the control center at Leipzig Central Station by the beginning of 2012. Employees at five workplaces in the control station will be able to monitor and control all security and communications systems centrally. This is made possible by the modular information, communications and application platform (Mica) which has been developed by telent and pools all security and communications systems in an integrated management system and so enables Deutsche Bahn to rapidly provide information for and coordinate passengers, service and security staff or emergency forces.

All these projects are impressive proof that euomicron has an ideal setup for catering for growing demand in the market for high-quality, sophisticated ICT and moving toward the gigabit age together with its customers.

6. COMPENSATION REPORT OF THE EXECUTIVE BOARD

SALIENT FEATURES OF THE COMPENSATION SYSTEM FOR THE EXECUTIVE BOARD

This Compensation Report is an integrated part of the management report, summarizes the principles governing how the compensation of the Executive Board and Supervisory Board of euromicron AG is set, follows the recommendations of the German Corporate Governance Code in the version dated May 26, 2010, and explains the level and structure of the specific compensation. Overall responsibility for defining the compensation principles for the Group lies with the Supervisory Board, which also regularly reviews them.

euromicron's future success depends on the company's ability to acquire, motivate and retain good personnel. The compensation system for euromicron AG's Executive Board therefore aims to provide performance incentives for long-term corporate governance geared to sustainability. The Executive Board's compensation is also part of an end-to-end system for executives at the euromicron Group and is intended to reflect the size and strategic alignment of the company, its economic situation and future prospects and the personal performance of the board member. The compensation should be competitive nationally and internationally and so offer incentives for committed and successful work.

COMPENSATION OF THE EXECUTIVE BOARD

The total compensation of the Executive Board is based on Section 87 AktG (German Stock Corporation Law), is performance-based and takes into account the Group's earnings targets. It is currently made up of performance-unrelated components (salary, other remuneration) and performance-related components (earnings-related bonus). As of 2012, the compensation is also to include a component with a long-term incentive effect. The contracts of service and compensation structure overall are regularly reviewed together with independent external compensation experts and adjusted if necessary.

The following criteria apply to the individual components of the Executive Board's compensation:

The performance-unrelated compensation is paid as a monthly salary, along with non-cash compensation. The fixed compensation of the Chairman of the Executive Board is higher than that of its other members. The other remuneration relates to use of company cars, premiums for a group accident insurance policy and a direct company insurance policy, contributions to health and nursing care insurance, and reimbursement of business-related travel and entertainment expenses. The Executive Board members pay tax on the respective benefit in money's worth of these non-cash benefits.

The company maintains an insurance policy for board members of the euromicron Group, what is termed a directors' and officers' (D&O) policy. This insurance covers personal liability if claims for financial loss are made against Executive Board members as part of their work. In accordance with the applicable arrangement in the contracts of service with Executive Board members, a deductible of 10% is provided for in accordance with statutory provisions (deductible within the meaning of Section 93 (2) AktG (German Stock Corporation Law) in conjunction with Section 23 (1) EGAktG (Introductory Act to the German Stock Corporation Law)).

The variable, performance-related elements of the compensation for Executive Board members are geared to the company's sustainable development and consist of the following, mutually independent components:

First, there is an earnings-related bonus in the form of a variable cash payment which is geared to the Group's EBIT and is calculated taking the business results into account. An upper limit (cap) avoids entitlement to an excessively high bonus in the event of unexpectedly positive developments.

Second, as part of the compensation structure, the Supervisory Board can decide – in compliance with statutory provisions – to grant a discretionary bonus to reflect exceptional achievements and especially significant contributions to the company's development and increases in its value.

For their work in fiscal year 2011, the individual members of the Executive Board received the following payments:

The total compensation for all members of the Executive Board was €2,029 thousand. The performance-unrelated, fixed basic compensation accounted for €600 thousand (plus other non-cash compensation of €44 thousand) and the variable, performance-related compensation for €1,385 thousand.

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

- Dr. Willibald Späth:
€1,595 thousand (performance-unrelated compensation €431 thousand, including €31 thousand in other remuneration, and performance-related compensation €1,164 thousand).
- Thomas Hoffmann:
€434 thousand (performance-unrelated compensation €213 thousand, including €13 thousand in other remuneration, and performance-related compensation €221 thousand).

In 2011, the Supervisory Board made use of its option of granting a discretionary bonus to the members of the Executive Board. In this regard, the Supervisory Board assessed the personal performance and economic success of the members of the Executive Board in acquisition of the company's biggest target to date, telent GmbH, and accordingly set a bonus totaling €500 thousand, which is contained on a pro-rata basis in the variable compensation of the Executive Board members.

There are contractual arrangements with Dr. Späth relating to a change of control. If Dr. Späth loses his position on the Executive Board as a result of a change of control, he is entitled to payment of his compensation for the time up to when his contract of service would normally end, but at most to said compensation for a total of three years.

Above and beyond this provision, the contracts of service with the members of the Executive Board do not contain any promise of severance pay if their employment relationship is terminated prematurely.

No loans or advances were granted to the members of the Executive Board in the year under review. Apart from the stated compensation components, the members of the Executive Board did not receive any fringe benefits. In fiscal 2011, the members of the Executive Board did not receive any benefits from third parties that have been promised or granted in relation to their work as board members. Activities in or for subsidiaries are not remunerated separately.

COMPENSATION OF THE SUPERVISORY BOARD

The fundamentals of compensation for the Supervisory Board are defined by the General Meeting at the proposal of the Executive Board and Supervisory Board and are part of the Articles of Association. The compensation of the Supervisory Board is geared to the Group's size and international orientation, the tasks and responsibilities of the members of the Supervisory Board and the Group's economic situation. It comprises a fixed payment and a performance-related payment based on the dividend.

In accordance with the provisions of the German Corporate Governance Code, the Chairman and Deputy Chairman at euromicron AG receive additional remuneration as part of the compensation components. The compensation system for the Supervisory Board is consequently specified by Section 13 of euromicron AG's Articles of Association as follows:

In addition to reimbursement of their expenses for the respective past fiscal year and the value-added tax to be paid on their compensation, the members of the Supervisory Board shall receive:

- An annual fixed payment of €10 thousand
- A variable payment of €150.00 for each cent of the dividend distributed per share above and beyond 4 cents per share.

The Chairman of the Supervisory Board shall receive double and his deputy one-and-a-half times the fixed and variable payments. There are no committees.

On the basis of the distribution from the net retained profits of euromicron AG in 2011 as proposed to the General Meeting (dividend of €1.15 per share), the payment is as follows:

In total, the members of the Supervisory Board received compensation of €120 thousand in accordance with the Articles of Association: fixed payments of €45 thousand and performance-related payments of €75 thousand.

- Dr. Franz-Stephan von Gronau:
€53 thousand (€20 thousand performance-unrelated and €33 thousand performance-related);
- Josef Martin Ortoff:
€40 thousand (€15 thousand performance-unrelated and €25 thousand performance-related);
- Dr. Andreas de Forestier:
€27 thousand (€10 thousand performance-unrelated and €17 thousand performance-related);

Members of the Supervisory Board who were not members for the entire fiscal year receive compensation on a pro rata temporis basis. In its own interests, the company maintains a directors' and officers' (D&O) insurance policy that also covers the members of the Supervisory Board. Its deductible is 10%.

No loans have been granted to the members of the Supervisory Board and no liabilities have been entered into for them. There are no pension promises to members of the Supervisory Board. There is no severance pay for members of the Supervisory Board if they leave the board.

7. CORPORATE GOVERNANCE

In fiscal 2011, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May 26, 2010, which was published on July 2, 2010. The exceptions, which are mainly due to the Company's size and business model and to preparations for future adaptations, are listed on the company's homepage at <http://www.euromicron.net/investor-relations/corporate-governance-11> and can be read in the annual financial statements.

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

- a.) The company's subscribed capital comprises 6,663,799 no-par value registered shares.
- b.) The company's Executive Board is not aware of restrictions on voting rights or transfer of shares, even if they may be defined under agreements between shareholders.
- c.) There are no direct or indirect capital stakes exceeding 10% of the voting rights.
- d.) 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.
- e.) Powers of the Executive Board to issue or buy back shares:

The Company was authorized with effect from June 10, 2011, to acquire its own shares up to June 9, 2016, at a maximum proportional amount of the capital stock of €1,310,539.74 for these shares. This is 10% of the Company's capital stock at the time of the General Meeting. The acquired shares – together with other shares that the Company has already acquired or still holds or can be ascribed to it pursuant to Sections 71 a et seq. AktG (German Stock Corporation Law) – must at no time exceed 10% of the Company's capital stock.

The authorization may not be used for the purpose of trading in the Company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the Company or by third parties for the Company's account.

- f.) There are no significant agreements by the company as defined by Section 289 (4) Nos. 8 and 9 HGB (German Commercial Code).

9. ENVIRONMENT

euromicron not only attaches the very highest importance to compliance with all environmental regulations, but also voluntarily sets self-imposed standards throughout the Group. As part of its fleet, euromicron deliberately attached importance to economical vehicles that meet the latest EU exhaust emission standards. Offices and workplaces have been equipped with energy-efficient equipment whose individual components are predominantly recyclable. As a result, the Group makes its contribution to achieving green IT. Production at the manufacturing operations is based on energy-saving processes, which includes for example computer-aided control of the standby switches or rollout of electric motors with higher efficiency classes. Consequently, euromicron's corporate philosophy, which is geared toward sustainability, is not only applied in its commercial operations, but also reflected in sparing use of natural resources.

None of euromicron's associated companies is subject to special environmental protection guidelines.

10. POSTSCRIPT REPORT / MISCELLANEOUS

After the balance sheet date, there were no significant operational or structural changes at the euromicron Group, nor any business events, that might necessitate a change to the disclosures made in the consolidated financial statements for 2011 or require reporting.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

LEGAL BACKGROUND AND DEFINITION OF AN INTERNAL ACCOUNTING CONTROL AND RISK MANAGEMENT SYSTEM (ICS/RMS)

Stock corporations as defined by Section 264d HGB (German Commercial Code) are obliged pursuant to Section 289 (5) of that code to present the salient features of the ICS/RMS in relation to the consolidated accounting process in the group management report. The ICS/RMS comprises all principles, procedures and measures to ensure effective, cost-efficient and proper accounting and compliance with the relevant financial reporting regulations.

FUNDAMENTAL REGULATORY AND CONTROL ACTIVITIES TO ENSURE PROPER AND RELIABLE CONSOLIDATED ACCOUNTING

The measures in the ICS at euromicron AG and the euromicron Group are geared to proper and reliable consolidated accounting and ensure that business transactions are recorded fully, promptly and in compliance with statutory provisions. They also ensure that stocktakes are carried out properly and assets and liabilities are carried, measured and reported accurately in the consolidated financial statements. The regulatory activities also ensure that reliable and transparent evidence relating to business transactions is available in the form of accounting documents.

Process-integrated and process-independent control measures form the main elements of the ICS at the euromicron Group. Apart from manual process controls – such as the “extra pair of eyes principle” –, automated IT process checks are also a key part of the process-integrated controls. This ensures that Financial Accounting is informed promptly of the status of all documents, which significantly reduces the risk of matters not being completely or correctly reported in accounting. The separation of functions and extra pair of eyes principle are prescribed in work instructions or have been implemented in some cases in the systems used. Strict compliance with these measures also reduces the possibility of acts of criminal intent.

Regular training courses make sure that employees at Accounting are informed of changes to the law that may have an impact on preparation of the consolidated financial statements. In addition, the text of laws and commentaries on them are available to an adequate extent.

Other control bodies, such as the Supervisory Board and independent auditor, are integrated in the company's control environment with their process-independent auditing and monitoring activities. In particular, auditing of the consolidated financial statements and of the accounts presented by the Group companies included in the consolidated financial statements by our independent auditor forms another main process-independent monitoring measure in relation to the consolidated accounting procedure.

SPECIFIC ACCOUNTING-RELATED RISKS

A particular risk in relation to consolidated accounting is that the consolidated financial statements to be published contain errors that may have a significant influence on the Group's financial position, net assets and results of operations. This risk exists in reporting unusual or particularly complex business transactions or other business transactions that are not routine and so have a relatively high inherent risk.

OTHER ASPECTS

In preparation of the consolidated financial statements, Accounting is also dependent in part on data and information from other organizational units of the euromicron Group. Of particular importance in examining the intrinsic value of goodwill of investments and other assets is the budgeting prepared by the respective subsidiaries in agreement with the Controlling unit of euromicron AG and approved by Executive Board. The Treasury unit provides the data required for reporting derivate financial instruments in the balance sheet. The data, which is provided by other organizational units, is subjected to a plausibility check in Accounting and discussed with the affected units before being further processed as part of preparation of the consolidated financial statements.

euromicron AG assesses its associated companies on the basis of their earnings from operational activities and cash flow-based targets, among other things. The course of business is assessed during the year with reference to various key indicators, such as liquidity, profitability and comparison with budgeting. In the course of a fiscal year, three calculations on expectations with forecasts for the end of the year are conducted. However, far more criteria than pure key indicators are required as a basis for investment and business decisions in fast-moving technology markets and these are obtained through permanent monitoring and reviews. 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 at euromicron AG; deviations are identified and countermeasures initiated immediately.

RISK STRATEGY AND GENERAL RISK MANAGEMENT

euromicron AG and its subsidiaries have an established risk management system based on statutory stipulations. The risk management system identifies and documents the main risks in accordance with their risk categories and assesses them as regards the probability of their occurring and the level of damage. The Group's management is notified directly if defined thresholds are exceeded. The risk management system is applied in standardized form at all associated companies and is an integral part of their extensive ongoing planning, controlling and reporting processes. This ensures that the Executive Board is informed promptly of all major risks and can respond suitably. The risk management system also examines the validity of the consolidated accounting processes. It is supported in this by a centrally controlled management information system that is used throughout the Group. Group-wide policies are in place to ensure compliance with consistent standards in the risk management system and consolidated accounting.

The risks that may have a significant influence on the financial position, net assets and results of the euromicron Group are classified in the following categories in accordance with the risk management system:

- Markets
- Technology/R&D
- Products/projects
- Finances/liquidity
- Procurement
- Corporate

MARKETS

In principle, euromicron is dependent on positive economic trends in the Euro zone; the German market accounts for 90% of the company's sales and so is crucial to its success. Germany is also home to most of euromicron's subsidiaries, which are benefiting from current investments in communications, security and data networks. As far as can be assessed at present, the poor economic data in the Mediterranean countries will not have any direct impact on the company.

There are only very few business relationships outside the European economies, which is why distortions there should not have any direct effect on euromicron.

Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers so as to be able to offer top-quality products and services at competitive prices. Individual subsidiaries have a low degree of dependence on individual large accounts. This risk at the Group level is relativized, since no one customer accounts for more than 7.9% of total sales. The risk of nonpayment is reduced by factoring of some receivables from customers.

In order to enhance awareness of euromicron in the ICT market, both the Group and its individual subsidiaries attend trade shows throughout Europe to demonstrate their specialist know-how. Implementation of the integration phase at the system houses, especially after the acquisition of the business operations of telent GmbH, harbors a not inconsiderable opportunity. This process has a time frame of several years and holds out the prospect of an enormous increase in value added, since end-to-end planning, consulting and implementation of complex network solutions is something that only few market players master. Integration will produce competitive units which can then cope better with market risks, yet be flexible enough to take up and implement market trends. The competitive advantage is clearly in short information and decision-making channels, as well as the possibility of constantly leveraging the development departments of euromicron Group's production operations. euromicron thus unites the flexibility of a medium-sized enterprise with the merits of a group.

TECHNOLOGY/R & D

Technology- / R&D risks exist to the extent that leaps in technology may mean the loss of technological leadership. However, that applies to the Group only to a limited extent: euromicron's system houses and distributors can keep up with technological innovations without any problems because they have access to their own products and a diversified product portfolio from a wide range of different vendors (philosophy of vendor independence) for delivering customer solutions.

euromicron's customers demand that the production operations deliver top-quality, tailored solutions. To meet this requirement, euromicron's development departments endeavor not only to respond to technological trends, but also to occupy a pioneering role in research and development.

PRODUCTS/PROJECTS

The market success of products goes hand in hand with the technology leadership described in the previous section. Constant orientation toward customers' needs reduces the risk of producing solutions that ignore market requirements.

There are other types of risk in project business. Projects are initially funded up-front by the system houses. If a customer does not meet its payment obligations when a project is completed, the result may be significant financial losses, depending on the size of the project. The Group as a whole is large enough to be able to compensate for payment defaults on a wide scale without jeopardizing its existence. Further project risks are errors in costing or inadequate order processing. That is why euromicron attaches extremely great importance to employing experienced, well-tuned project teams. This avoids a situation where errors in rough planning are made and are difficult to rectify later.

FINANCES/LIQUIDITY

The Group's focus on Germany and the Euro zone minimizes risks relating to the exchange rate between the US dollar and Euro. Goods paid for in US dollars are purchased on the basis of short-term, foreign currency-based sales lists, which means that the currency risk can be controlled. Other currencies have as good as no relevance to euromicron.

Further financial risks of euromicron AG are the intrinsic value and earnings strength of the associated companies. All associated companies have access to the cash pool and so sufficient liquidity. Consequently, euromicron AG must ensure that financing of the associated companies through the cash pool also retains value. This is achieved by a permanent and standardized management information system that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

Results-oriented targets were set for all associated companies for fiscal 2011. By regular comparison of the planned and actual figures during the year and using three calculations on expectations for each period in relation to the final results for the year, we have been able in the past to make reliable forecasts for the current fiscal year. If it is discovered that one of the companies is in financial troubles, euromicron's lean structures enable quick and efficient countermeasures to be taken.

As in past years, euromicron's banks again regarded it as a strong and dependable partner in fiscal year 2011. None of the financial institutes stated that it intended to end or restrict its commitment at euromicron. On the contrary, euromicron AG had new opportunities to improve its financing structure.

The reasons for this good working relationship are the solid business results and the dependability of euromicron's Executive Board, and this is reflected in an excellent rating (investment grade). Of particular importance is the statement by all of the financing partners that euromicron AG in its entirety is graded as a risk-free commitment. However, if one of the banks should withdraw from euromicron in future, the dense network of its banks gives it excellent prerequisites to compensate for that. At present, this means that euromicron AG's financing appears secure and represents a manageable risk.

euromicron's debt was also suitably restructured and further optimized in 2011 so as to diminish the company's risk in terms of outside financing. This move has gradually further restricted the latent risk potential as regards financing compared with the previous year.

In principle, the company wants to convert short-term lines into medium- and long-term ones and possibilities to do so are constantly examined. The company is not actively pursuing a restructuring in favor of long-term lines at present given the far poorer conditions for long-term loans and also the fact that a low-interest policy for short-term lines can be expected for the coming periods.

PROCUREMENT

euromicron is still a vendor-independent system house that has cooperation agreements and nurtures active collaboration with various suppliers. In addition, goods are resold within the Group by manufacturers and distributors to the system houses. Consequently, there is only a limited risk in relation to procurement.

CORPORATE

The departure of qualified personnel is a latent risk at a company with a broad technological lineup like euromicron. That is why the Group offers regular further training and development measures for its executives, experts and other staff. By gaining further qualifications, employees are motivated to assume more responsibility in their departments and demanding, varied tasks in their function. euromicron believes that professional and personal further development is a means of enhancing employee loyalty and key to a successful HR policy.

There are no legal risks from pending legal proceedings above and beyond current business. A tax audit for the years 2002 to 2005 was completed in fiscal 2010. The effects were fully taken into account in the balance sheet in the previous year. A tax audit has been ordered for the fiscal years 2006 to 2009. As far as is known at present, this will not result in any material financial risks.

In summary, it can be stated that, in the estimate of the Executive Board, the currently known risks will probably not have a significant influence on the Group's financial position, net assets and results of operations and so probably also no negative impact on euromicron's share price.

12. OUTLOOK

In fiscal 2011, we succeeded as planned in rigorously continuing the profitable growth of past years. Against the backdrop of the current phase of the “build-and-integrate” strategy, the past year was mainly characterized by the early acquisition and subsequent careful integration of telent GmbH, company mergers and exceptionally strong organic growth. Apart from permanent improvement in the general conditions for our operational business, there was particular focus in the past year on optimizing the corporate and financing structures. The stable data from the German economy, good forecasts for euromicron’s traditional markets and our high order books are an excellent springboard for 2012.

In the next two fiscal years, we intend to focus on organic growth and further optimization of the company’s structures as part of integration. In this, not only value-adding processes, but also sales and administration processes will be reviewed with a view to enhancing their efficiency and again achieving and maintaining an EBIT return within the target the Group has set itself of between eight and eleven percent on the basis of the sharp increase and continuing growth in sales.

Particular opportunities for the future enterprise as a whole will arise thanks to the combination of the advantages of telent GmbH and its strong structures with the strengths of euromicron’s existing SME-oriented and customer-centric companies. The emphasis in the coming phase of development will be on improving profitability after the Group’s sharp growth, securing its liquidity by enhanced cash and receivables management and so extending and fortifying the company’s financial stability. This extensive optimization process will take up the years 2012 and 2013 in accordance with our plans, as well as a large part of the company’s attention.

Further opportunities as part of the extensive integration program are seen in the establishment of Shared Service units and the expansion of existing Competence Centers as service providers for all parts of the company. The existing portfolio of products and services will be systematically analyzed to determine its contribution to the company’s success and future viability, optimized to that end and extended to include new and innovative products and solutions. Investments in developing new product lines, in production processes and in our sales team will open up further chances for the future. All the measures are integrated in the company’s overall Continuous Improvement Process (CIP) to ensure the ambitious earnings and financing targets are achieved.

Apart from profitable organic growth, euromicron will specifically assess opportunities to acquire smaller companies that sensibly complement its product portfolio or improve its market position further as part of the “build-and-integrate” phase. We have a product portfolio that is geared strictly toward customer benefit and so believe we are well positioned to win contracts from more and more customers as the preferred partner from the small and medium-sized sector. Also subordinate to that objective is the expansion and continuous development of our sales organization so that we can support our customers with our technology and industry expertise, on-site, competently and in a spirit of partnership.

Apart from expansion and qualification of our sales team, we have always been committed to developing our entire workforce, above all in terms of quality. In this, we were mainly guided by the objective of “becoming better” in all areas. With these qualification programs at the employee and managerial levels, we have successfully countered the effects of the shortage of skilled staff and executives. The foundation of high qualification and motivation of our employees will enable us to secure success in the future, which is why we will again significantly increase investment in our staff in 2012 and 2013. Apart from practical training in their professional, supplementary and continuation programs to qualify them in the field of sales, technology, project and process control and for executives and junior staff will be held so that the growing requirements can be met.

In our core markets, we expect a further increase in new orders over the past fiscal year. Shifts in individual sectors are possible, but are largely offset thanks to the broad setup of euromicron in terms of its customers, industries and technologies. Continuously growing demand for powerful networks for voice, data and video transport shows just how vital it is to have a network infrastructure that protects investments; without its functionality, the performance and competitiveness of companies would be severely restricted and the current and future volume of communication in the social, public and private sphere would no longer be able to be ensured.

Relevant future market trends in digital communication are clearly visible for us. Use of the mobile Internet and the possibilities offered by cloud computing mean there is growing pressure to create high-performance infrastructures. At the same time, ICT performance is continuously improving, which in turn is influencing new patterns of behavior in use of digital communication, such as the exponential increase in use of apps and social networks, as the driver of efficiency and productivity in the network.

In addition, the importance of network infrastructures as an influential competitive factor for cities, carriers and enterprises and the newly emerging business models in the growing e-markets is surging in importance. There is also a continuous increase in the requirements for security, surveillance and alarm networks so as to offer better protection against external attacks and address the security needs of individual target groups.

By investing in profitable niche markets, we constantly position the Group to be ready for changes in markets and enable it to participate promptly in these markets when they pick up. As part of this, euromicron sets store by a philosophy of offering customers a solution-oriented overall concept based on integrated quality, service and reliability. As a result, euromicron clearly and specifically sets itself apart from the competition. The respect we gain from our customers and our earnings performance over the past years show that our strategy is pointing in the right direction.

Our financing partners have confirmed their commitment in the past fiscal year and also in 2012 and further expanded it on the back of our good rating. Our partners are actively accompanying the company's move to a new dimension with annual sales of well above €300 million, which will also entail the need for higher financing for current business. So that our company can continue to advance, there are sufficient free credit lines and promises of finance for the next steps in our growth and integration given the capital increase toward the end of 2011, a constantly optimized and balanced financing structure and a good and stable cash flow within the Group.

Our further focal objective for fiscal 2012 is to establish the "euromicron" brand further as a byword for quality, solution-oriented expertise and know-how in the market in all areas relating to network-based information, communications and security needs. In the past fiscal year, we significantly expanded our active public relations and investor relations work and so actively supported our share's performance, above all as part of the capital increase. As a result, we succeeded above all in inspiring a broad and acknowledged circle of institutional investors about the opportunities for development of the euromicron Group and persuading them to invest in our stock.

The EBIT return target at the Group level for the coming years remains 8% to 11%. We plan organic growth of five to ten percent a year for 2012 and 2013. Following completion of the consolidation phase of build-and-integrate in 2013, the Group aims to achieve the €500 million mark for subsequent years. In addition to organic growth, larger strategic investments like in 2011 or mutual stakes in companies are to contribute to that.

We feel certain that this path also reflects the interests of our growing circle of shareholders and of the company as best possible. We will be continue to be guided by these interests in future and work in a focused way to fulfill them. We intend to explain our business model even more intensively to potential investors so that management retains the assistance necessary to keep on developing the Group commercially and providing it with the resources required for that.

With our business model, a secure basis for financing and a stable cash flow in conjunction with our still strong equity ratio, the company is well equipped to secure its long-term development and also give our shareholders promising perspectives.

SUMMARY

The Executive Board's overall statement is that it is optimistic of sustainably achieving the objectives set for euromicron Aktiengesellschaft and the euromicron Group in the coming years.

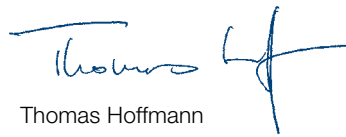
We have used diverse opportunities in the past to gear the group to a secure future and believe we will be able to skillfully master future challenges in the markets. Future strategic investments will be pinpointed at responsible and continuous growth that supports a sustained increase in the value of 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 23, 2012



Dr. Willibald Späth
Chairman of the Executive Board



Thomas Hoffmann
Executive Board

2011 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

- For the fiscal year 2011

03

BALANCE SHEET OF THE euromicron GROUP

as of December 31, 2011 (IFRS)

ASSETS

	Note	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Noncurrent assets			
Goodwill	(1)	104,211	81,877 (*)
Intangible assets	(1)	18,257	14,805
Property, plant and equipment	(1)	15,129	11,556
Financial assets	(1)	725	894
Other assets	(4)	175	96
Deferred tax assets	(2)	474	374
		138,971	109,602
Current assets			
Inventories	(3)	25,079	17,185
Trade accounts receivable	(4)	88,068	54,723 (*)
Claims for income tax refunds	(4)	2,971	2,895
Financial assets	(1)	1,159	1,333
Other assets	(4)	2,198	1,917
Cash and cash equivalents	(5)	7,300	8,572
		126,775	86,625
		265,746	196,227

(*) Adjustment of the previous year's figures in accordance with IFRS 3.49;
reference to the notes to the consolidated financial statements, section "Acquisition of companies and divisions" – goodwill for NBG

LIABILITIES

	Note	Dec. 31, 2011 € thou.	Dec, 31, 2010 € thou.
Equity (equity ratio 45.2% / 45.5%)	(6)		
Subscribed capital		17,037	13,105
Capital reserves		88,771	68,487
Gain/loss on the valuation of securities		-286	-363
Consolidated retain earnings		14,192	7,605
Stockholders' equity		119,714	88,834
Non-controlling interests		483	428
Total equity		120,197	89,262
Long-term debt			
Provisions for pensions	(7)	728	656
Other provisions		481	139
Liabilities to banks	(8)	24,674	4,404
Liabilities from finance lease	(8)	1,459	823
Financial liabilities	(8)	10,789	10,767
Other liabilities	(8)	0	2,082
Deferred tax liabilities	(9)	7,936	6,618
		46,067	25,489
Current liabilities			
Accrued liabilities	(7)	1,222	66
Trade accounts payable	(8)	31,617	22,369 (*)
Liabilities from current income taxes	(8)	2,096	1,244
Liabilities to banks	(8)	29,762	45,293
Liabilities from finance lease	(8)	297	192
Other tax liabilities	(8)	7,608	3,466
Personnel obligations	(8)	10,037	3,855
Financial liabilities	(8)	2,967	2,526
Other liabilities	(8)	13,876	2,465
		99,482	81,476
		265,746	196,227

(*) Adjustment of the previous year's figures in accordance with IFRS 3.49; reference to the notes to the consolidated financial statements, section "Acquisition of companies and divisions" – goodwill for NBG

INCOME STATEMENT

of the euromicron Group for the period January 1 to December 31, 2011 (IFRS)

INCOME STATEMENT

	Note	2011 € thou.	2010 € thou.
Sales	(11)	305,306	203,643
Inventory changes		-7,443	1,211
Own work capitalized	(12)	1,948	1,521
Other operating income	(13)	2,724	4,476
Cost of materials	(14)	-159,619	-107,317
Personnel costs	(15)	-76,876	-54,247
Amortization and depreciation expense	(16)	-6,563	-4,601
Other operating expenses	(17)	-35,261	-24,561
Earnings before interest and taxes (EBIT)		24,216	20,125
Interest income	(18)	77	103
Interest expenses	(18)	-5,407	-3,009
Other financial expenses	(18)	-1,034	0
Income before income taxes		17,852	17,219
Income taxes	(19)	-4,953	-5,088
Consolidated net income for the period		12,899	12,131
Thereof for euromicron AG shareholders		12,229	11,462
Thereof for non-controlling interests		670	669
(Un)diluted earnings per share in (€)	(20)	2.33	2.38

STATEMENT OF COMPREHENSIVE INCOME

of the euromicron Group for the period January 1 to December 31, 2011 (IFRS)

STATEMENT OF COMPREHENSIVE INCOME

	2011 € thou.	2010 € thou.
Consolidated net income for the period	12,899	12,131
Gain/loss on the valuation of securities	77	-5
Other profit/loss	77	-5
Total result	12,976	12,126
Thereof for euromicron AG shareholders	12,307	11,457
Thereof for non-controlling interests	670	669

STATEMENT OF CHANGES IN EQUITY

of the euromicron Group up to December 31, 2011 (IFRS)

CHANGES IN EQUITY

	Subscribed capital	Capital reserves	Treasury shares
	€ thou.	€ thou.	€ thou.
December 31, 2009, after corrections	11,914	61,781	-2,941
Consolidated net income for 2010	0	0	0
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
	0	0	0
Total profit/loss for 2010	0	0	0
Transactions with owners			
Dividend for 2009	0	0	0
Capital increase at the AG after costs	1,191	6,344	0
Sale of treasury shares	0	362	2,941
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0	0
	1,191	6,706	2,941
December 31, 2010	13,105	68,487	0
Consolidated net income for 2011	0	0	0
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
	0	0	0
Total profit/loss for 2011	0	0	0
Transactions with owners			
Dividend for 2010	0	0	0
Capital increase at the AG after costs	3,932	20,284	0
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0	0
	3,932	20,284	0
December 31, 2011	17,037	88,771	0

Consolidated retained earnings	Gain/loss on the valuation of securities	Equity attributable to shareholders of euromicron AG	Non-controlling shares	Total Equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
680	-358	71,076	339	71,415
12,131	0	12,131	0	12,131
0	-5	-5	0	-5
0	-5	-5	0	-5
12,131	-5	12,126	0	12,126
-4,503	0	-4,503	0	-4,503
0	0	7,535	0	7,535
0	0	3,303	0	3,303
-189	0	-189	189	0
-514	0	-514	0	-514
0	0	0	-100	-100
-5,206	0	5,632	89	5,721
7,605	-363	88,834	428	89,262
12,899	0	12,899	0	12,899
0	77	77	0	77
0	77	77	0	77
12,899	77	12,976	0	12,976
-5,639	0	-5,639	0	-5,639
0	0	24,216	0	24,216
-155	0	-155	155	0
-518	0	-518	0	-518
0	0	0	-100	-100
-6,312	0	17,904	55	17,959
14,192	-286	119,714	483	120,197

STATEMENT OF CASH FLOWS

of the euromicron Group for the period January 1 to December 31, 2011 (IFRS)

STATEMENT OF CASH FLOWS

Note (22)	2011 € thou.	2010 € thou.
Income before income taxes	17,852	17,219
Net financial result	6,364	2,906
Depreciation and amortization of noncurrent assets	6,563	4,601
Reversal of write-downs of noncurrent assets	-584	0
Disposal of assets, net	-21	111
Allowances for inventories and doubtful accounts	-274	1,125
Change in accrued liabilities	1,111	-1,016
Change in deferred taxes	1,217	45
Cash flow	32,229	24,991
Changes in short- and long-term assets and liabilities:		
– Inventories	5,956	-2,161
– Trade accounts receivable	-31,688	-75
– Trade accounts payable	2,653	-4,814
– Other operating assets	1,459	977
– Other operating liabilities	-4,957	-4,838
– Income tax paid	-2,022	-3,058
– Income tax received	332	145
– Interest paid	-3,565	-2,815
– Interest received	75	127
Net cash provided by operating activities	473	8,479
Proceeds from retirement/disposal of		
– Property, plant and equipment	241	38
Payments due to acquisition of		
– Intangible assets	-3,726	-2,065
– Property, plant and equipment	-4,520	-2,508
– Financial assets	0	-188
– Consolidated companies (minus acquired liquid funds of €150 thousand, including conditional purchase price payment of €431 thousand from acquisition in the previous year)	-12,392	-1,257
Net cash used in investing activities	-20,397	-5,980
Dividends paid	-5,639	-4,503
Capital increase at the AG after costs	24,216	7,535
Proceeds from raising of financial loans	33,000	5,985
Cash repayments of financial loans	-32,308	-14,261
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	-618	-614
Treasury shares	0	3,303
Net cash provided by/used in financing activities	18,651	-2,555
Net change in cash and cash equivalents	-1,272	-56
Cash and cash equivalents at start of period	8,572	8,628
Cash and cash equivalents at end of period	7,300	8,572

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2011

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 stock corporation under German law and has its registered offices in Frankfurt/Main. Its business activity focuses on network and fiber optics technology. The euromicron Group is a leading national, Europe-oriented system house for communications, security and data networks and boasts production expertise in the field of fiber optics technology. The company offers customers from all sectors a one-stop shop for tailored, vendor-independent network solutions. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on copper, fiber optic and wireless technology. The product portfolio includes active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. The components are used in WANs and LANs 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, 2011. All the mandatory standards at the balance sheet date were applied.

The consolidated financial statements are prepared on the basis of historical acquisition or manufacturing costs, restricted by the assessment of the market value of available-for-sale financial assets and derivative financial instruments. The consolidated financial statements of euromicron AG are prepared in euros. Unless otherwise specified, all amounts, including the figures for the previous year(s), are shown in thousand euros (€ thou.). The consolidated income statement has been prepared using the type of expenditure format. The fiscal year is the calendar year.

The balance sheet is presented by noncurrent and current assets and liabilities in accordance with IAS 1. Assets and liabilities are classified as current if they are due within 12 months. Irrespective of 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 maturities of the assets and liabilities are presented in detail in the notes.

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

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

Since this fiscal year, short-term financial liabilities and other short-term liabilities are reported separately from each on the liabilities side. In the previous year, they were grouped and carried under the other short-term liabilities. These changes do not effect income and help make the financial statements more comprehensible. The disclosures for the previous year were adjusted accordingly to enable better comparison.

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

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRSIC) have newly adopted the following standards and interpretations that were mandatory for the first time in fiscal 2011:

	Standard/ interpretation	Mandatory application in the EU	Adoption by EU Commission
IAS 24	Related Party Disclosures	Jan. 1, 2011	Yes
IAS 32	Financial Instruments: Presentation – Classification of subscription rights	Feb. 1, 2010	Yes
IFRS 1	First-time Adoption of IFRS: Limited Exemption from Comparative IFRS 7 Disclosure for First time Adopters	July 1, 2010	Yes
IFRIC 14	Prepayments of a Minimum Funding Requirement	Jan. 1, 2011	Yes
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	Yes
AIP	Collection of amendments to various standards 2010	Jan. 1, 2011	Yes

IAS 24 – Related Party Disclosures

The International Accounting Standards Board (IASB) published changes to IAS 24 “Related Party Disclosures” on November 4, 2009. With these changes, the IASB aims to ensure simpler application in practice. The previous principle of IAS 24, whereby information on business transactions with related parties had to be disclosed, was retained. The changes must be applied to fiscal years beginning on or after January 1, 2011. Their first-time application did not have any significant effects on the present consolidated financial statements.

IAS 32 – Financial Instruments: Presentation – Classification of subscription rights

The International Accounting Standards Board (IASB) published changes to IAS 32 on classification of subscription rights on October 8, 2009. The standard clarifies cases where subscription rights are denominated in a currency differing from the company’s functional currency. Such rights were previously qualified as derivative financial liabilities. Under the new regulation, such rights can be classified as equity under certain conditions, regardless of the currency defined for the strike price. The new change covers only subscription rights for which a fixed number of the instruments to be acquired and a fixed foreign currency amount have been previously agreed and if this right is granted proportionally to all existing holders of equity instruments of the same class. The changes must be applied to fiscal years beginning on or after February 1, 2010. Their first-time application does not have any effects on the consolidated financial statements.

IFRS 1 – First-time Adoption of IFRS: Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters

On January 28, 2010, the International Accounting Standards Board (IASB) published the changes to IFRS 1 (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Proposed amendment to IFRS 1)). The main content of the change is to grant first-time adopters the same exemptions as regards disclosures under by IFRS 7 as are granted to users who prematurely adopt the changes relating to financial instruments from March 2009 (Improving Disclosures about Financial Instruments Amendments to IFRS 7 Financial Instruments: Disclosures). Accordingly, first-time adopters do not need to specify the comparative figures for previous periods required by the changes from March 2009 if the first IFRS reporting period begins before July 1, 2010. There were no effects on the consolidated financial statements.

IFRIC 14 – Prepayments of a Minimum Funding Requirement

On November 19, 2009, the International Financial Reporting Interpretations Committee (IFRIC) published changes to Interpretation 14 under the title “Prepayments of a Minimum Funding Requirement” (referred to in the following as “changes to IFRIC 14”). These changes are intended to eliminate an unintended consequence of IFRIC 14 in cases where a company subject to a minimum funding requirement makes a prepayment of contributions and companies that make such prepayments would have to recognize them as an expense under certain circumstances. If there is a minimum funding requirement for a defined benefit plan, this prepayment must be treated as an asset like every other prepayment pursuant to the change to IFRIC 14. The interpretation IFRIC 14 must be applied to fiscal years beginning on or after January 1, 2011. Its first-time application did not have any significant effects on the consolidated financial statements.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

On November 19, 2009, the International Financial Reporting Interpretations Committee (IFRIC) published the interpretation IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”. IFRIC 19 deals with accounting in accordance with the IFRS when a borrower extinguishes a financial liability partly or in full by issuing shares or other equity instruments. IFRIC 19 specifies that the equity instruments issued to a lender in order to extinguish a financial liability are part of the “consideration paid” within the meaning of IAS 39.41. Consequently, the borrower must derecognize the financial liability fully or partly. The equity instruments are usually measured at their fair value. However, if their fair value cannot be reliably measured, the equity instruments should be measured at fair value of the liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued must be included in the income statement. The interpretation IFRIC 19 must be applied to fiscal years beginning on or after July 1, 2010. Its application did not have any effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Collection of amendments to various IFRS standards for 2010 (“Improvements to IFRS”)

On May 6, 2010, the International Accounting Standards Board (IASB) published improvements to the International Financial Reporting Standards as part of its annual updates intended to streamline international accounting standards and make them more readily comprehensible. Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. There were no effects on the consolidated financial statements.

The following new or changed accounting regulations of the IASB have recently been adopted. However, since their application is not mandatory or they have not yet been adopted by the European Union, they were not used in the consolidated financial statements as of December 31, 2011:

	Standard/ interpretation	Mandatory application in the EU	Adoption by EU Commission
IAS 1	Presentation of Financial Statements – Presentation of Individual Items of the Other Profit/Loss	July 1, 2012	No
IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets	Jan. 1, 2012	No
IAS 19	Employee Benefits	Jan. 1, 2013	No
IAS 27	Separate Financial Statements	Jan. 1, 2013	No
IAS 28	Investments in Associates and Joint Ventures	Jan. 1, 2013	No
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2014	No
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011	No
IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	July 1, 2011	Yes
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2013	No
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities	Jan. 1, 2015	No
IFRS 10	Consolidated Financial Statements	Jan. 1, 2013	No
IFRS 11	Joint Arrangements	Jan. 1, 2013	No
IFRS 12	Disclosure of Interests in Other Entities	Jan. 1, 2013	No
IFRS 13	Fair Value Measurement	Jan. 1, 2013	No
AIP	Collection of amendments to various standards 2011	Jan. 1, 2013	No

IAS 1 – Presentation of Financial Statements – Presentation of Individual Items of the Other Profit/Loss

Under this change, a distinction must be made in future in the “Other profit/loss” in the statement of comprehensive income between items of the other profit/loss that must be recognized in the income statement in subsequent periods and items that will also not be affected profit/loss in future periods. The changes must be applied to fiscal years beginning on or after July 1, 2012. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

IAS 12 – Income Taxes – Deferred Tax: Recovery of Underlying Assets

The International Accounting Standards Board (IASB) published changes to IAS 12 “Income Taxes – Deferred Tax: Recovery of Underlying Assets” on December 20, 2010. The change offers a practical solution to the problem of assessing whether the carrying amount of an asset is achieved through use or through sale by introducing a presumption, which can be disproved, that recovery of the carrying amount will normally be through sale. As a result of the amendment, SIC-21 Income Taxes Recovery of Revalued Non-Depreciable Assets will no longer apply to investment properties carried at fair value. The remaining guidance has been incorporated into IAS 12 and SIC-21 accordingly withdrawn. The changes must be applied to fiscal years beginning on or after January 1, 2012. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IAS 19 – Employee Benefits

The International Accounting Standards Board (IASB) published the final version of the amendments to IAS 19 on June 16, 2011. The changes relate to the recognition and measurement of expenses for defined benefit pension plans and benefits from termination of employment. The change also abolishes delayed recognition of actuarial gains and losses and demands their direct recognition in the other profit/loss. The company already recognizes actuarial gains and losses directly in the other profit/loss. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

IAS 27 – Separate Financial Statements

The International Accounting Standards Board (IASB) published changes to IAS 27 on May 12, 2011. The aim of the amendments to IAS 27 is to set standards that must be used in accounting for investments in subsidiaries, associated companies and joint ventures if an entity decides (or is required by local regulations) to prepare separate financial statements (or non-consolidated financial statements). The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will have no effects on the consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures

The International Accounting Standards Board (IASB) published changes to IAS 28 on May 12, 2011. The amendments comprise subsequent changes from the new IFRS 10, IFRS 11 and IFRS 12 and expand the scope of application of IAS 28 to accounting of joint ventures. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IAS 32 – Financial Instruments: Offsetting Financial Assets and Financial Liabilities

The International Accounting Standards Board (IASB) published changes to IAS 32 on December 16, 2011. The amendments comprise regulations on offsetting financial assets and financial liabilities. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2014. Their first-time application will probably have no significant effects on the consolidated financial statements.

IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

On December 20, 2010, the International Accounting Standards Board (IASB) published two minor amendments to the International Financial Reporting Standard (IFRS) 1 (referred to in the following as “change to IFRS 1”). The amendment replaces references to a fixed date of “January 1, 2004” with “the date of transition to IFRSs”. This change was proposed in August 2010. The second change provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs if it has not been able to comply with the IFRS regulations for some time because its functional currency was subject to severe hyperinflation. This change was proposed in September 2010. Both amendments came into force effective July 1, 2011. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets

On October 7, 2010, the International Accounting Standards Board (IASB) published an amendment to IFRS 7 “Financial Instruments: Disclosures” under the title “Amendment to IFRS 7 on enhancing disclosures about transfers of financial assets”. The amended standard must be applied for the first time in the fiscal year beginning on or after July 1, 2011. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The International Accounting Standards Board (IASB) published changes to IFRS 7 on December 16, 2011. The amendments comprise regulations on disclosures in the notes relating to offsetting financial assets and financial liabilities. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2013. Their first-time application will probably have no significant effects on the consolidated financial statements.

IFRS 9 – Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities

The standard introduces new regulations on classification and measurement of financial assets and liabilities. The exposure drafts on “Amortized Cost and Impairment”, “Hedge Accounting” and “Offsetting Financial Assets and Financial Liabilities” are currently being discussed. The objective is to include all three drafts in IFRS 9 after the final discussion of them and so replace IAS 39. The changes must be applied to fiscal years beginning on or after January 1, 2015. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

The standard replaces the previous regulations of IAS 27 and SIC 12 on control and consolidation and introduces a single consolidation model. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 11 – Joint Arrangements

The new standard replaces the previous IAS 31 on joint ventures and introduces a change in terminology and classification of companies as joint ventures. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

The new standard requires the disclosure of information that enables users of financial statements to evaluate the nature of, risks associated with and financial affects of a company's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities (special-purpose entities). The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 13 – Fair Value Measurement

The standard provides consistent guidance on measuring fair value across standards, among other things by defining the term and presenting what methods can be used for determining it. In addition, the disclosures on fair value in the notes are expanded. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Collection of amendments to various IFRS standards for 2011 (“Improvements to IFRS”)

On June 22, 2011, the International Accounting Standards Board (IASB) published improvements to the International Financial Reporting Standards as part of its annual updates intended to streamline international accounting standards and make them more readily comprehensible (referred to as “improvements” in the following). Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

3. DISCRETIONARY DECISIONS AND UNCERTAINTIES IN ESTIMATES

In preparation of the consolidated financial statements, it is necessary to make estimates and assumptions that have an effect on the recognition and measurement method and the level of assets, liabilities and contingent liabilities, as well as the level of expenses and income. The actual figures in the period under review many differ from the amounts reported in the consolidated financial statements. Estimates and assumptions relating to the future mainly result from the following matters (the carrying amount at December 31, 2011, is stated in parentheses):

- Goodwill impairment test (€104,211 thousand)
- Measurement of intangible assets (€18,257 thousand)
- Payment of income taxes (€875 thousand;
claims for refunds and income tax liabilities are netted off)
- Asset-side balancing item from application of the
percentage of completion method (€5,176 thousand)
- Measurement of accrued liabilities (€2,431 thousand)
- Measurement of deferred taxes (€7,462 thousand;
surplus of deferred tax liabilities over deferred tax assets)

CONSOLIDATED COMPANIES

1. COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The euromicron Group is made up of euromicron AG and 18 companies to be consolidated. euromicron AG directly or indirectly holds the majority of voting rights in all the associated companies. All the companies are fully consolidated, i.e. not consolidated at-equity, since there are no investments in which euromicron AG holds more than 20%, but less than 50% of the voting rights. Investments below 20% have not been consolidated.

As part of the acquisition of 80% of the shares in MICROSENS GmbH & Co.KG, Hamm, in 2006, the minority shareholders obtained a preemptive right to tender the remaining 20% and euromicron AG an identical option to purchase them; following an extension in fiscal 2010, the options can be exercised in 2012. Consequently, this company was fully consolidated. The present value of the purchase price liability from the combined put/call option was carried under outside capital and was €2,005 thousand at December 31, 2011. The expense from interest accrued in the fiscal year was €58 thousand and is carried under the interest expenses.

Of the associated companies, twelve are based in Germany and six in other European countries. In the year under review, there was no subsidiary whose financial statements were prepared in a currency other than euros.

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

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2011:

CHANGES IN CONSOLIDATED COMPANIES

	2011	2010
January 1	18	20
First-time consolidation	2	4
Mergers within the Group	-2	-6
December 31	18	18

2. ACQUISITION OF COMPANIES AND DIVISIONS

In fiscal 2011 there were the following changes in the consolidated companies due to significant acquisitions of subsidiaries and other business units in accordance with IFRS 3:

As part of the purchase price allocation of newly acquired companies, dormant reserves and dormant charges are calculated by euromicron and allocated allowing for deferred taxes. The positive difference remaining after allocation is carried as goodwill.

The additions and the dormant reserves and dormant charges from purchase price allocation are as follows:

Acquisition of the business establishments telent and Cassidian

Tango GmbH, Frankfurt/Main, was founded on May 13, 2011, to acquire the business operations of telent GmbH. Tango GmbH is a wholly-owned subsidiary of euromicron AG. It was entered in the commercial register on May 27, 2011.

Tango GmbH acquired the business operations of telent GmbH Deutschland at a purchase price of €10,600 thousand via an asset deal under the notarized agreement dated June 7, 2011. There were incidental costs of €328 thousand in connection with the acquisition. Subsequently the name of Tango GmbH was changed to "telent GmbH – ein Unternehmen der euromicron Gruppe" (telent GmbH – a euromicron Group company) with the notarized agreement likewise dated June 7, 2011. In July 2011, the registered offices of telent GmbH – ein Unternehmen der euromicron Gruppe were moved to Backnang. The company was consolidated for the first time effective June 7, 2011. Thanks to the acquisition of telent GmbH, euromicron is deepening its service and technology portfolio, growing its customer base and further expanding its comprehensive footprint as a system house with production expertise. telent GmbH is a vendor-independent system integrator and technology service provider for communications networks. The company's earnings for the period it was a member of the group – June 7, 2011, to December 31, 2011 – were €3,005 thousand and its sales in this period were €64,773 thousand.

With the notarized agreement dated June 30, 2011, telent GmbH acquired the analog radio communications division of Cassidian Communications GmbH via an asset deal for a purchase price of €190 thousand. There were incidental costs of €48 thousand in connection with acquisition of the business operations. The division's earnings for the period it was a member of the group – June 30, 2011, to December 31, 2011 – were €204 thousand and its sales in this period were €2,076 thousand.

Acquisition of the business operations of TeraMile

With the notarized agreement dated August 12, 2011, MICROSENS GmbH & Co. KG, a subsidiary of euromicron AG, acquired the business operations of TeraMile GmbH via an asset deal at a purchase price of €1,298 thousand, which was determined allowing for subsequent purchase price adjustments on the basis of contractually agreed criteria. According to the contractual arrangements, the purchase price must be increased by up to €900 thousand if a set cumulated EBIT is exceeded in the years 2011 to 2013. The amount of the liability from the conditional purchase price payment, which was assessed on the basis of likelihood of the condition being met at the time of acquisition and discounted to the present value, was €727 thousand. Incidental costs of €7 thousand were incurred in connection with acquisition of the business operations of TeraMile GmbH. The business operations of TeraMile GmbH strengthen the group's technological expertise in the very promising field of active technology thanks to the qualifications of the company's personnel. The division's earnings for the period it was a member of the group – August 12, 2011, to December 31, 2011 – were € –38 thousand and its sales in this period were €358 thousand.

Acquisition of the business operations of ACE

In order to expand its competencies in the field of active network and IP technology, euromicron solutions GmbH took over the business operations of ACE Advanced Communication Engineering GmbH via an asset deal. euromicron solutions GmbH acquired the business operations with the notarized purchase agreement dated September 28, 2011, for a price of €750 thousand. There were incidental costs of €10 thousand in connection with acquisition of the business operations; they were carried under the other operating expenses in the income statement. The division's earnings for the period it was a member of the group – September 28, 2011, to December 31, 2011 – were €203 thousand and its sales in this period were €2,831 thousand.

Acquisition of Qubix distributions GmbH

In order to expand its activities in Austria, euromicron holding GmbH acquired all the shares in SASR Siebenundzwanzigste Beteiligungsverwaltung GmbH, Vienna/Austria, at a purchase price of €40 thousand under the notarized agreement dated December 15, 2011. Pursuant to the officially recorded resolutions of the shareholders' meeting on December 15, 2011, the company was renamed Qubix distributions GmbH and its registered offices relocated to Seekirchen. There were incidental costs of €5 thousand as part of the acquisition; they were carried under the other operating expenses in the income statement. The company's earnings for the period it was a member of the group – December 15, 2011, to December 31, 2011 – were € –854 thousand and essentially comprise start-up costs charged to it for implementation of the business model, which were not matched by any sales. The company will commence its operational activities in 2012.

In fiscal 2011, the cumulated earnings by the acquired companies in the period they were a member of the group were €2,520 thousand and their sales in this period were €70,038 thousand.

Assuming that the time of acquisition for all the company mergers was at the beginning of the period under review, the cumulated sales were €111,685 thousand (of which telent GmbH: €98,563 thousand). Assuming that the time of acquisition for all the company mergers was at the beginning of the period under review, the cumulated earnings for the period were €1,791 thousand (of which telent GmbH: €2,357 thousand).

The book values directly before the merger and the effects from re-measurement (fair value) of the assets and liabilities included in the consolidated balance sheet for the first time and the resultant goodwill are shown in the following tables. Consequently, pro-rata figures for the additions from company acquisitions are not explained separately in the detailed disclosures on balance sheet items.

The net assets acquired in fiscal year 2011, including adjustments to assets and liabilities in accordance with IFRS 3, are shown below:

telent

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	245	2,606	2,851
Property, plant and equipment	1,579	-75	1,504
Deferred tax assets	645	612	1,257
	2,469	3,143	5,612
Current assets			
Inventories	12,245	625	12,870
Trade accounts receivable	10,813	0	10,813
Other assets	1,568	0	1,568
Cash and cash equivalents	0	0	0
	24,626	625	25,251
Acquired assets	27,095	3,768	30,863
Long-term debt			
Provisions for pensions	9,711	0	9,711
Other provisions	420	0	420
Deferred tax liabilities	645	612	1,257
	10,776	612	11,388
Current liabilities			
Trade accounts payable	6,108	0	6,108
Liabilities to banks	4,047	0	4,047
Other current liabilities	19,632	0	19,632
	29,787	0	29,787
Acquired liabilities	40,563	612	41,175
Balance of acquired assets and liabilities = equity at the time of acquisition	-13,468	3,156	-10,312
Acquisition costs			10,600
Goodwill			20,912

Cassidian

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	0	152	152
Deferred tax assets	0	49	49
	0	201	201
Current assets			
Inventories	70	8	78
Cash and cash equivalents	0	0	0
	70	8	78
Acquired assets	70	209	279
Long-term debt			
Deferred tax liabilities	0	49	49
	0	49	49
Current liabilities			
Accrued liabilities	70	0	70
	70	0	70
Acquired liabilities	70	49	119
Balance of acquired assets and liabilities = equity at the time of acquisition	0	160	160
Acquisition costs			190
Goodwill			30

ACE

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	4	298	302
Property, plant and equipment	64	0	64
Other assets	1	0	1
Deferred tax assets	0	66	66
	69	364	433
Current assets			
Inventories	601	43	644
Trade accounts receivable	984	0	984
Other assets	14	0	14
Cash and cash equivalents	150	0	150
	1,749	43	1,792
Acquired assets	1,818	407	2,225
Long-term debt			
Other provisions	621	0	621
Deferred tax liabilities	0	66	66
	621	66	687
Current liabilities			
Trade accounts payable	1,192	0	1,192
	1,192	0	1,192
Acquired liabilities	1,813	66	1,879
Balance of acquired assets and liabilities = equity at the time of acquisition	5	341	346
Acquisition costs			750
Goodwill			404

TeraMile

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	1	105	106
Property, plant and equipment	3	0	3
Deferred tax assets	0	34	34
	4	139	143
Current assets			
Inventories	306	0	306
Other assets	64	0	64
Cash and cash equivalents	0	0	0
	370	0	370
Acquired assets	374	139	513
Long-term debt			
Other provisions	97	0	97
Deferred tax liabilities	0	34	34
	97	34	131
Current liabilities			
Trade accounts payable	38	0	38
	38	0	38
Acquired liabilities	135	34	169
Balance of acquired assets and liabilities = equity at the time of acquisition	239	105	344
Acquisition costs			1,298
Goodwill			954

The purchase price allocation as part of the acquisition of NBG was adjusted within a year as of the time of takeover pursuant to definitive information in accordance with IFRS 3.49. Due to the fact that warranty obligations that had already been established at the time of acquisition and resulting from a project contract of the company could not be assessed definitively until fiscal 2011, the project's measurement was adjusted as part of accounting of the acquisition. In this connection, the trade accounts receivable (measurement based on percentage of completion) were reduced by €678 thousand; the excess amount of the warranty obligation (€252 thousand) was carried as a liability. The goodwill increased accordingly by €930 thousand.

NBG

	Book values at the time of acquisition € thou.	Re-measurement of assets and liabilities € thou.	Book values at first-time consolidation € thou.	Adjustment € thou.	Book value after adjustment € thou.
Noncurrent assets					
Intangible assets	21	366	387		387
Property, plant and equipment	304	0	304		304
Deferred tax assets	837	205	1,042		1,042
	1,162	571	1,733	0	1,733
Current assets					
Inventories	1,306	0	1,306		1,306
Trade accounts receivable	7,564	0	7,564	-678	6,886
Other assets	626	454	1,080		1,080
Cash and cash equivalents	-3	0	-3		-3
	9,493	454	9,947	-678	9,269
Acquired assets	10,655	1,025	11,680	-678	11,002
Long-term debt					
Deferred tax liabilities	750	205	955		955
	750	205	955	0	955
Current liabilities					
Accrued liabilities	0	0	0		0
Accounts payable	8,305	0	8,305	252	8,557
Tax liabilities	254	0	254		254
Personnel obligations	118	0	118		118
Other current liabilities	3,326	454	3,780		3,780
	12,003	454	12,457	252	12,709
Acquired liabilities	12,753	659	13,412	252	13,664
Balance of acquired assets and liabilities = equity at the time of acquisition	-2,098	366	-1,732	-930	-2,662
Acquisition costs			412		412
Goodwill			2,144	930	3,074

3. OTHER CHANGES IN THE CONSOLIDATED COMPANIES

Under the notarized purchase and assignment agreement dated June 6, 2011, euromicron AG acquired all the shares in ckt GmbH, Munich, from euromicron austria GmbH. In addition, ckt GmbH was combined with euromicron solutions GmbH – ein Unternehmen der euromicron Gruppe, Frankfurt/Main, by means of a sideways merger effective January 1, 2011, under the notarized agreement dated June 6, 2011.

With the notarized purchase and assignment agreement dated June 7, 2011, euromicron AG acquired 96% of the shares in GLT Telecom GmbH, Spiesen-Elversberg, which had been held up to then by Avalan GmbH – ein Unternehmen der euromicron Gruppe, Spiesen-Elversberg. 4% of the shares in GLT Telecom GmbH had already been held directly by euromicron AG. GLT Telecom GmbH was subsequently combined with Avalan GmbH by means of a sideways merger effective January 1, 2011, in accordance with the notarized agreement dated June 7, 2011.

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

Share in
capital
%

Parent company

euromicron Aktiengesellschaft communication & control technology
Frankfurt/Main, Germany

Consolidated subsidiaries

a) North segment

euromicron systems GmbH – ein Unternehmen der euromicron Gruppe – Essen, Germany	100.00
EUROMICRON Werkzeuge GmbH – ein Unternehmen der euromicron Gruppe – Sinn-Fleisbach, Germany	100.00
euromicron international services GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
MICROSENS GmbH & Co. KG ¹⁾ , Hamm, Germany	80.00
MICROSENS Beteiligungs GmbH ¹⁾ , Hamm, Germany	80.00
SSM euromicron GmbH – ein Unternehmen der euromicron Gruppe – Zwenkau, Germany	100.00

b) South segment

ELABO GmbH – ein Unternehmen der euromicron Gruppe – Crailsheim, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00
euromicron solutions GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe – Spiesen-Elversberg, Germany	100.00
WCS Fiber Optic B.V., Amersfoort, Netherlands	100.00
Qubix distributions GmbH, Seekirchen, Austria	100.00

c) Segment WAN services

telent GmbH – ein Unternehmen der euromicron Gruppe – Backnang, Germany	100.00
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1) Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 20% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes

4. CONSOLIDATION PRINCIPLES

The financial statements of euromicron AG and its German and foreign subsidiaries included in the consolidated financial statements have been prepared in accordance with group-wide reporting and measurement methods in compliance with IAS 27.

Business combinations in accordance with IFRS 3 are carried using the purchase method of accounting, under which the acquired assets, liabilities and contingent liabilities must be recognized at fair value in first-time consolidation. The acquisition costs are offset with the pro-rata equity of the purchased company at the time the stake was acquired. Any resulting asset-side balancing item is carried as goodwill under "Intangible assets" and the causes of it analyzed as part of purchase price allocation. If it is due to the fact that dormant reserves or dormant charges have to be distributed over the individual assets and liabilities, the difference – after allowing for deferred taxes – is assigned to the items in the consolidated balance sheet as a result of appropriate corrections. Existing and acquired goodwill is tested for impairment every year and written down if necessary in accordance with IAS 36. Negative goodwill from company acquisitions is immediately recognized in the income statement. Incidental costs as part of company acquisitions are recognized as an expense in the current period and mainly carried as consulting costs under "Other operating expenses".

Receivables and payables between the companies included in the consolidated financial statements are offset against each other; any differences are recognized in the income statement under "Other operating income" or "Other operating expenses" respectively. If valuation adjustments for shares of consolidated companies or intragroup receivables are carried in individual financial statements, they are reversed as part of consolidation.

Intragroup sales, material expenses, other operating expenses and income and interest are eliminated in the consolidated financial statements. Deferred taxes are formed for transactions recognized in profit or loss as part of consolidation.

The Group dispenses with the elimination of intercompany profits in inventories and noncurrent assets since the resultant amounts are of minor importance.

NOTES ON THE CONSOLIDATED BALANCE SHEET

1. NONCURRENT ASSETS

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

Long-lived 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. The fair value of the asset is the amount that can be achieved for it when it sold to a third party under normal market circumstances. Value in use is the present value of the estimated future cash flow expected to be derived from continued use of an asset and its retirement at the end of its useful life. If the reasons for write-offs in earlier reporting periods no longer exist, the assets – with the exception of goodwill – are written up again. euromicron does not have any noncurrent assets held for sale.

(a) Intangible assets

Intangible assets comprise software, licenses, brand names, industrial rights, goodwill, customer relationships as well as capitalized development costs. Purchased intangible assets, with the exception of goodwill and certain rights to brand names, are capitalized at their cost of acquisition and written down over their useful life of 3 to 15 years. 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.

In accordance with IFRS 3, goodwill from business combinations is not written off using the regular method of depreciation, but examined for impairment at least once a year in accordance with the regulations of IAS 36 (impairment test). euromicron tests goodwill for impairment every year in the fourth quarter of the reporting period after completion of its medium-term planning (five years) or if there are indications or circumstances (triggering events) that suggest its value may be impaired. In the impairment test, the carrying amount of each cash generating unit (CGU) to which goodwill is located is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. At euromicron AG, the criteria for delimiting the CGUs for purposes of the goodwill impairment test are in principle geared to the individual companies in conjunction with the regions as operating segments. The value in use is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method. The cash flow forecasts are based on medium-term planning for the financial position, net assets and results of operations; this planning, which is adopted by the Group's management, is also used internally and has an horizon of five years. Past experience, knowledge of current operating results and estimates and assumptions 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. It is ensured that no effects from restructuring measures or initial investments are included in the forecast calculations.

If the carrying amount exceeds the recoverable value in use according to the DCF method, a value impairment on the goodwill of the CGU in question must be carried to the amount of the difference.

The following parameters were applied in the impairment test; the same parameters were used for all CGUs due to their comparable risk structures:

Borrowing rate after taxes	4.10%
Risk-free interest	2.80%
Markup for return on equity	7.70%
Beta factor	0.98
Ratio of outside capital to equity	63.25%
Weighted average cost of capital (WACC)	6.14%
Growth rate	1.00%
WACC perpetuity	5.14%

The input tax for WACC (perpetuity) in fiscal year 2011 was 8.21%.

The impairment test in fiscal 2011 did not reveal any need to reduce the value of the goodwill of individual CGUs.

As part of a sensitivity analysis, changes to the parameters were simulated stepwise in a model calculation until a need to reduce the value for a CGU was arrived at. If the weighted average cost of capital (WACC) should rise by 4.7% (previous year: 3.0%), this would result in a need to reduce the value by €12 thousand (previous year: €0.4million) at a CGU.

Goodwill developed as follows in the fiscal year:

GOODWILL

	2011 € thou.	2010 € thou.
Goodwill at January 1	81,877	76,624
Additions	22,334	5,253
Goodwill at December 31	104,211	81,877

For details of the gross values and cumulated amortization of goodwill, please refer to the fixed asset movement schedule. For purposes of the impairment test, the goodwill is split over the following CGUs:

CGU

	Goodwill € thou.
CGU 1 System houses North	17,936
CGU 2 Production companies North	19,236
CGU 3 System houses South	34,871
CGU 4 Production companies South	5,538
CGU 5 Distributors South	5,688
CGU 6 WAN services	20,942
	104,211

The goodwill additions are as follows:

	Goodwill in 2011 € thou.
telent GmbH, Backnang (incl. Cassidian Communications GmbH)	20,942
ACE GmbH, Pfullingen	404
TeraMile GmbH, Dietzenbach	954
Qubix distributions GmbH, Seekirchen	5
Reversal of badwill (from previous years)	29
	22,334

€22,305 thousand of the goodwill additions result from additions in connection with the company acquisitions in fiscal 2011. With the exception of the goodwill for Qubix distributions GmbH, the goodwill obtained in fiscal 2011 (€22,300 thousand) is tax-deductible since it results from asset deals. The remaining amount of €29 thousand results from the reversal of badwill from previous years which was recuperated in 2011.

In accordance with IFRS 3, acquired identified assets, liabilities and contingent liabilities are measured at their fair value at the time of the company acquisition.

The purchase price allocation of the companies/divisions acquired in the current fiscal year is still provisional at the reporting date since definitive examinations in relation to intangible assets and legal matters must still be made. The calculated difference is carried as provisional goodwill.

The brand name rights in the consolidated financial statements of euromicron result from the balance sheet amounts reported as part of purchase price allocations of newly acquired companies and directly from individual financial statements of Group companies. The value at the balance sheet date for fiscal 2011 was €4,061 thousand. Generally, brand name rights are recognized for an indefinite period of time and are not amortized. If necessary, any need for amortization is determined in response to indications of a value impairment (triggering event) or as part of the annual impairment test and posted in the current period (impairment).

In accordance with IAS 38, development costs in the sense of purchased and self-created intangible assets are carried at acquisition and manufacturing cost, provided the expenses can be clearly assigned, technical feasibility is ensured, there is the intent and ability to create and sell the intangible assets, and marketing of products based on development work is likely to result in future inflows of funds. In the year under review, development costs for self-created intangible assets of €2,642 thousand were capitalized (previous year: €1,500) and written down using the straight line method on the basis of the product cycles (3 to 8 years). The amortization expense is carried under "Depreciation and amortization expense" in the consolidated income statement; the remaining useful lives are between one and a maximum of eight years. Capitalized development costs include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs. The value of the capitalized develop costs is examined in an annual impairment test using the DCF method, with similar product categories being grouped into cash generating units and the same assumptions as in the goodwill impairment test being used.

In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23. Research expenditure – where incurred – is posted as an expense, but is not a material factor at the euromicron Group.

**PROPERTY, PLANT
AND EQUIPMENT**

(b) Property, plant and equipment

Property, plant and equipment is measured at its acquisition or manufacturing cost less cumulated depreciation. The manufacturing cost of capitalized, self-created property, plant and equipment contains the cost of direct materials and prime costs, as well as attributable overhead costs, and resulted in own work capitalized of €30 thousand in fiscal 2011 (previous year: €69 thousand). Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives:

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

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. No extraordinary write-downs were made in the past fiscal year. Borrowing costs are capitalized in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets that are required for a period of twelve months to put them into a usable state. Expenses for maintenance and repairs that are not significant replacement investments are recognized in the income statement in the current reporting period. In accordance with IAS 16.74, at the balance sheet date there are no restrictions on title to, nor any contractual commitments to acquire property, plant and equipment. In addition, no property, plant or equipment has been attached and there were no compensation payments to third parties due to value impairments in or loss of property, plant or equipment. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

In the current fiscal year, the write-downs on the book value of a building in previous years were reversed to an amount of €584 thousand.

GROUP FIXED-ASSET MOVEMENT

SCHEDULE 2011

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2011

	Acquisition costs					Dec. 31, 2011 € thou.
	Jan. 1, 2011 € thou.	Additions € thou.	Retire- ments € thou.	Additions from company acquisitions € thou.	Reclassi- fication and other € thou.	
Goodwill	89,448	0	0	22,334	0	111,782
Intangible assets						
Concessions, industrial and similar rights	30,279	1,084	55	3,410	221	34,939
Own work capitalized	8,399	2,642	0	0	-221	10,820
Property, plant and equipment						
Land and buildings	8,140	255	53	0	0	8,342
Technical equipment and machinery	6,282	1,266	536	0	0	7,012
Other equipment, operating and office equipment	15,170	2,999	1,113	1,570	0	18,626
	157,718	8,246	1,757	27,314	0	191,521

Depreciation and amortization						Book values		
Jan. 1, 2011 € thou.	Additions € thou.	Retire- ments € thou.	Reversal of write-downs € thou.	Additions from compa- ny acquisition € thou.	Reclassi- fication and other € thou.	Dec. 31, 2011 € thou.	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
-7,571	0	0	0	0	0	-7,571	104,211	81,877
-21,147	-2,186	45	0	0	-5	-23,293	11,646	9,132
-2,727	-1,487	0	0	0	5	-4,209	6,611	5,672
-3,793	-215	42	584	0	0	-3,382	4,960	4,347
-3,801	-472	397	0	0	0	-3,876	3,136	2,481
-10,441	-2,203	1,052	0	0	0	-11,592	7,034	4,729
-49,480	-6,563	1,536	584	0	0	-53,923	137,598	108,238

GROUP FIXED-ASSET MOVEMENT

SCHEDULE 2010

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2010	Acquisition costs					
	Jan. 1, 2010	Additions	Retire- ments	Change in first-time con- solidation	Reclassi- fication and other	Dec. 31, 2010
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	84,195	5,253	0	0	0	89,448
Intangible assets						
Concessions, industrial and similar rights	28,144	565	-13	1,583	0	30,279
Own work capitalized	6,726	1,500	0	0	173	8,399
Property, plant and equipment						
Land and buildings	8,000	74	0	66	0	8,140
Technical equipment and machinery	5,415	382	-8	493	0	6,282
Other equipment, operating and office equipment	13,968	2,052	-2,445	1,768	-173	15,170
	146,448	9,826	-2,466	3,910	0	157,718

Depreciation and amortization							Book values		
Jan. 1, 2010 € thou.	Additions € thou.	Retire- ments € thou.	Reversal of write-downs € thou.	Change in first-time consolidation € thou.	Reclassi- fication and other € thou.	Dec. 31, 2010 € thou.	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.	
-7,571	0	0	0	0	0	-7,571	81,877	76,624	
-19,809	-1,253	23	0	-442	334	-21,147	9,132	8,335	
-1,596	-1,189	0	58	0	0	-2,727	5,672	5,130	
-3,551	-191	0	0	-51	0	-3,793	4,347	4,449	
-3,249	-426	167	0	-293	0	-3,801	2,481	2,166	
-9,670	-1,542	2,146	0	-1,375	0	-10,441	4,729	4,298	
-45,446	-4,601	2,336	58	-2,161	334	-49,480	108,238	101,002	

If, in accordance with IAS 17, the lessee bears the main risks and opportunities, economic ownership is ascribed to the lessee ("finance lease"). At the time of addition, leased objects are carried in the fixed assets at the lower of its fair value or the present value of the minimum lease payments. The corresponding liability to the lessor is carried under "Liabilities from finance lease". Leased equipment (€1,598 thousand) and operating and office equipment (€407 thousand) were carried as finance leases to a net amount of €2,005 thousand at December 31, 2011 (previous year: €1,170 thousand). Finance leases are used to fund assets with a useful life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group. There was no subleasing at the euromicron Group.

	Total € thou.	Due in			
		Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Present value	1,756	296	446	712	302
Interest	219	70	51	86	12
Minimum lease payment	1,975	366	497	798	314

Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The future payment obligations from lease agreements in accordance with IAS 17 are carried under the "Liabilities from finance lease".

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

(c) Financial assets (noncurrent and current)

Financial assets are classified at the euromicron Group in the categories "Loans and Receivables", "Available-for-Sale" and "Held-to-Maturity".

Derivatives that have been qualified as hedges as part of a hedging relationship are not assigned to any of these categories.

Non-derivative financial assets that cannot be assigned to the categories “Loans and Receivables” or “Held-to-Maturity” are assigned to the category “Available-for-Sale”.

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Financial assets (noncurrent)	725	894

The noncurrent financial assets essentially comprise shares in SecureAlert Inc., Utah, USA, which euromicron AG acquired in 2009. The stake held in its capital stock on the balance sheet date was 2.48%. This commitment enables exclusive use of licenses in the healthcare segment and in humane enforcement of sentences in all countries where euromicron has market access. The investment in SecureAlert Inc. is classified as a financial asset under the category “Available-for-Sale” and is taken directly to equity and carried at fair value under “other comprehensive income”. After a write-down of €84 thousand in the previous year, a further €173 thousand had to be written down in fiscal 2011. The book value at December 31, 2011, was thus €677 thousand.

The current financial assets are as follows:

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Financial assets (current)	1,159	1,333

The current financial assets are mainly securities that are taken directly to equity and carried under “other comprehensive income”, provided their impairment does not exceed a defined corridor. Permanent impairments are recognized in the income statement.

In fiscal 2011, the value of a securities account fell sharply again, so that an impairment can be assumed. The acquisition costs were €500 thousand, while the market value on the balance sheet date was €129 thousand. Write-downs taken directly to equity and carried in the other comprehensive income (€245 thousand) were recognized in the income statement along with the amount that needed to be written off for fiscal 2011 (€126 thousand). The market value of a further securities account (acquisition costs: €1,000 thousand) recovered by €4 thousand to €970 thousand on the balance sheet date. The write-down was reversed against the other comprehensive income, since the impairment was taken directly to equity in previous years.

If there is a time difference between the trading date and settlement date for financial assets, the settlement date is authoritative in first-time accounting.

2. DEFERRED TAX ASSETS

Deferred taxes are formed on temporary differences in carrying values between the consolidated balance sheet and tax balance sheet and on loss carryforwards using the liabilities method in accordance with IAS 12.

In this, deferred taxes at the level of the individual companies and 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. In general, deferred taxes are carried in the noncurrent balance sheet items.

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

DEFERRED TAX ASSETS

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Intangible assets	2,266	1,169
Inventories	12,883	8,748
Other receivables and other assets	68	326
Accrued liabilities	144	84
Liabilities from finance lease	522	1,832
Other liabilities	66	0
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	2,114	1,331
Total deferred tax assets before netting off	18,063	13,490
Netting off	-17,589	-13,116
Total deferred tax assets after netting off	474	374

Deferred tax assets were netted off against deferred tax liabilities if they relate to income taxes 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, 2011, the Group had corporation income tax loss carryforwards totaling €7,689 thousand (previous year: €3,900 thousand), trade tax loss carryforwards totaling €4,095 thousand (previous year: €2,678 thousand) and loss carryforwards for income taxes abroad totaling €16,110 thousand (previous year: €13,518 thousand). The loss carryforwards relate to three domestic holdings and euromicron AG and five foreign holdings. 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 (including solidarity surcharge) is incurred and around 30.0% if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25% in Austria.

No deferred taxes have been formed on foreign tax loss carryforwards that are not currently used totaling €14,903 thousand (previous year: €12,224 thousand).

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

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. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

The Group's portfolio includes project companies that increasingly report project and installation services running beyond the key date in their balance sheet. In the case of significant services that run beyond the key date and whose costs and pro-rata profit realization can be clearly identified, the Group applies the percentage of completion (POC) method. The input-oriented cost-to-cost method is used to determine the percentage of completion, with the order costs incurred up to the balance sheet date being expressed as a ratio of the total estimated order costs or those specified in order costing. In general, only order costs that reflect the progress of the service are included in these costs. Using cost and contribution margin budgeting for each project, the project progress achieved on the balance sheet date is reflected in terms of value or the revenues from the order are recorded. Management of the project companies regularly examines all estimates of the project orders, including as regards potential risks and the costs still to be incurred in the project, that are required so that the overall success of a project can be assessed with sufficient reliability.

INVENTORIES

	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.
Raw materials and supplies	9,881	8,876
Work in progress	5,364	1,585
Finished goods and merchandise	9,834	6,724
	25,079	17,185

The increase in inventories is mainly the result of the addition of the newly acquired divisions.

In accordance with IAS 2.34, there were write-downs on inventories totaling €200 thousand in the fiscal year (previous year: €166 thousand); as in the previous year, there were no reversals in the period under review.

4. RECEIVABLES AND OTHER ASSETS

Receivables and other assets that have defined terms of payment and are not traded on an active market are classified in the category "Loans and Receivables". They are carried as noncurrent or current assets, depending on their remaining term. The book values are approximations of the fair value. When first carried, they are measured at fair value plus any transaction costs. They are subsequently measured at depreciated acquisition costs. If there are indications for an impairment of financial assets, they are written down. Long-term or non-interest-bearing loans are carried at their present value using the effective interest method.

RECEIVABLES AND OTHER ASSETS

	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.
Trade accounts receivable (gross)	89,346	55,642
Allowances for doubtful accounts	-1,278	-919
Trade accounts receivable (net)	88,068	54,723
Other noncurrent assets	175	96
Claims for income tax refunds	2,971	2,895
Other current assets	2,198	1,917
	93,412	59,631

The allowances for doubtful accounts comprise individual adjustments for receivables; expenses from transfer to the allowances are carried under the item "Other operating expenses" in the income statement. The increase in trade accounts receivable is due to the companies consolidated for the first time and the euromicron Group's high organic growth.

There were the following changes in the allowances for receivables and other assets:

	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.
Balance at the beginning of the period	-919	-640
Allocation	-806	-502
Utilization	349	0
Reversals	98	223
Balance at the end of the period	-1,278	-919

As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations. Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €782 thousand in 2011 due to events that had an impact on their value.

**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				
	€ thou.	€ thou.	< 60 days € thou.	60–120 days € thou.	121–180 days € thou.	181–360 days € thou.	> 360 days € thou.
	Dec. 31, 2011						
Trade accounts receivable	88,068	66,615	13,654	2,655	2,365	1,899	880
	Dec. 31, 2010						
Trade accounts receivable	54,723	38,058	12,499	1,567	952	581	1,066

The trade accounts receivable include receivables in foreign currency (mainly US\$) totaling €923 thousand (previous year: €490 thousand). Exchange gains from receivables in foreign currency due to their measurement on the balance sheet date total €308 thousand (previous year: €19 thousand). Since the currency risk overall at the Group is not assessed to be material, a sensitivity analysis of it was not conducted. 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 cost-to-cost 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 €64,148 thousand and is carried under "Trade accounts receivable". Received payments of €18,380 thousand were deducted from these receivables from POC.

Individual companies in the euromicron Group sell some of their receivables from customers to forfeiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €15,000 thousand. At December 31, 2011, receivables with a volume of €12,400 thousand (previous year: €7,893 thousand) were sold by the entire Group. In accordance with IAS 39, sold receivables from customers are only derecognized if essentially all opportunities and risks of the sold receivables have been transferred to the buyer of the receivables. The risk of the customer becoming insolvent (risk of nonpayment) is transferred to the buyer of the receivables under the contractual arrangements. euromicron still bears the interest risk from delayed payments by customers. Since virtually all the opportunities and risks do not remain with euromicron and do not pass to the buyer of the receivables, euromicron carries the receivables at the amount of the continuing involvement of €66 thousand (previous year: €0 thousand). This comprises the maximum amount that euromicron would have had to pay to the buyer of the receivables up to receipt of payment relative to the book value of the receivables sold on the key date. Apart from then continuing involvement, there is a liability of €76 thousand (previous year: €0 thousand). The difference between the asset and liability items reflects the remaining claims from or obligations to the factor from the interest rate guarantee and the administration fees euromicron still has. In accordance with the requirements of IAS 39, the sold receivables are therefore partly derecognized at the balance sheet date; the share remaining as continuing involvement is low compared with the total amount of sold receivables. Interest expenses resulting from the sale of receivables are carried in the net financial result. Administration fees are carried under other operating expenses.

The other assets essentially comprise receivables from input tax refund claims and prepayments and accrued income. The other assets contain amounts of €156 thousand (previous year: €46 thousand) whose payment periods are overdue, but about which there are no doubts as to their recoverability. Unrecoverable receivables were derecognized to an amount of €48 thousand.

5. CASH AND CASH EQUIVALENTS

Cash includes checks, cash on hand, demand deposits at banks and cash equivalents with a term of no more than three months. Cash is measured at nominal value. There was no cash that was not freely available at the balance sheet date (total cash holdings: €219 thousand).

The cash and cash equivalents are as follows:

CASH AND CASH EQUIVALENTS

	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.
Cash in banking accounts	7,275	6,181
Cash on hand	25	2,391
	7,300	8,572

6. EQUITY

(a) Subscribed capital and authorized capital

The authorization in Section 5 (4) of the Articles of Association of euromicron AG for the Executive Board to increase the company's capital stock on one or several occasions with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions was replaced by a new authorization subject to the resolution adopted by the General Meeting on June 9, 2011. This General Meeting adopted a resolution to create new authorized capital with the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right. Under it, the Executive Board is authorized to increase the capital stock of euromicron AG by May 31, 2016, by up to a total of €6,552,698.72 on one or more occasions with the approval of the Supervisory Board by issuing new registered shares in exchange for cash or non-cash contributions. The General Meeting on June 9, 2011, also decided to convert the company's bearer shares into registered shares, with retention of the existing denomination. Section 5 (4) of the Articles of Association was amended accordingly. The changes were entered in the commercial register on July 22, 2011.

On November 7, 2011, euromicron AG carried out a capital increase on the basis of resolution adopted by the Executive Board and Supervisory Board by using part of the authorized capital. The capital stock was increased by €3,931,620.00 by the issue of 1,537,800 new registered shares at a nominal value of around €2.56 a share and with full participation in profits as of January 1, 2011. The new shares were offered at a ratio of 10 to 3 at the subscription price of €16.00 a share to shareholders who had exercised their subscription right or right to additional acquisition in relation to all the new shares.

As a result of the capital increase, the number of shares in the company in circulation rose by 1,537,800 shares (from authorized capital) from 5,125,999 to 6,663,799 and the capital stock of euromicron AG (nominal amount per share: around €2.56) increased by €3,931,620.00 (from authorized capital) from €13,105,397.44 to €17,037,017.44. The shares are exclusively registered shares.

Partial use of the authorized capital newly created by the General Meeting on June 9, 2011, meant that this capital was reduced by €3,931,620.00 from €6,552,698.72 to €2,621,078.72.

The capital increase was entered in the commercial register on December 2, 2011. The Articles of Association were adapted to reflect the new circumstances in relation to the capital stock and authorized capital.

Treasury shares

The General Meeting on June 9, 2011, authorized euromicron AG as of June 10, 2011, to acquire its own shares up to June 9, 2016, at a maximum proportional amount of the capital stock of €1,310,539.74 for these shares. The acquired shares – together with other shares that the Company has already acquired or still holds or can be ascribed to it pursuant to Sections 71a et seq. AktG (German Stock Corporation Law) – must at no time exceed 10% of the Company's capital stock.

The authorization may not be used for the purpose of trading in the Company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the Company or by third parties for the Company's account.

The shares are to be acquired on the stock market or by means of a public offering addressed to all shareholders of the Company, at the discretion of the Executive Board. The details defined in the resolutions proposed to the General Meeting on June 9, 2011, must be taken into account. The provisions of the Wertpapiererwerbs- und Übernahmegesetz (German Security Purchase and Takeover Law) must also be observed insofar as and if they are applicable.

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

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

The Executive Board shall be further authorized, with the consent of the Supervisory Board, to redeem own shares in the Company without the need for a further resolution to be adopted by the General Meeting. As part of the redemption using the simplified process, it 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)).

SHARES IN CIRCULATION

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2011. At December 31, 2011, the company did not hold any treasury shares that could be offset with equity in accordance with IAS 31.33.

	Number
Sales in circulation at December 31, 2010	5,125,999
New shares issued as part of the capital increase in 2011	1,537,800
Sales in circulation at December 31, 2011	6,663,799

(b) Capital reserves

The Company's capital in reserves accordance with Section 272 (2) of the German Commercial Code (HGB) comprise the premiums from share issues and capital increases.

As a result of the capital increase in the period under review, the company obtained liquid funds of €24,605 thousand (1,537,800 new shares at a subscription price of €16.00 a share). The premium of €20,673 thousand (subscription price of €16.00 per new share, nominal value of around €2.56 per share) was allocated to the company's capital reserves. In accordance with IAS 32.37, the equity transaction costs incurred as part of the capital increase, minus deferred taxes, were directly offset with the premium (€389 thousand) and not recognized in the income statement.

The capital reserves meet the requirements stipulated by Section 150 AktG (German Stock Corporation Law).

(c) Gain/loss on the valuation of securities

The valuation reserve carries changes to the market valuation of securities that qualify as available-for-sale financial assets in accordance with IAS 39 at an amount of € -286 thousand (previous year: € -363 thousand).

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
SecureAlert Inc.	-257	-84
Securities	-30	-279
Interest rate swap	1	0
	-286	-363

(d) Currency translation difference

There were no currency translation differences in fiscal 2011, since all the companies in the euromicron Group prepare their financial statements in euros.

(e) Distributions in the fiscal year

In accordance with the resolution adopted by the General Meeting on June 9, 2011, €5,639 thousand was paid out as a dividend (a total of 5,125,999 shares at December 31, 2010; dividend per share: €1.10).

(f) Non-controlling interests

The non-controlling interests reported at December 31, 2011 (€483 thousand) relate exclusively to Qubix S.p.A., Padua (10%).

(g) Disclosures on capital management in accordance with IAS 1

The objective of capital management as part of the build-and-integrate phase is to increase the equity ratio in order to give the Group unrestricted access to the capital market, ensure its ability to repay debt at the most favorable terms possible, and to retain its financial substance. Management is continuously working to reduce working capital and net financial debt at the level of the individual companies and at the Group level in order to achieve this goal. Balance sheet equity and net financial debt are used as performance indicators. Requirements by lenders under financial covenants to the effect that specific key ratios (e.g. for equity, debt or liquidity) must be complied with during the term of loans were met for all financial liabilities.

7. ACCRUED LIABILITIES

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 present value on the balance sheet date. They include accrued liabilities for pensions. Accrued liabilities are reversed against the expense item where the original allocations to an accrued liability was carried. euromicron expects that €1,222 thousand of the accrued liabilities will be utilized within the year and €481 thousand in the coming two to five years.

The accrued liabilities developed as follows in the fiscal year:

ACCRUED LIABILITIES

	Jan. 1, 2011 € thou.	First-time consoli- dation € thou.	Utilization € thou.	Reversal € thou.	Accrued interest € thou.	Allocation € thou.	Dec. 31, 2011 € thou.
Other short-term accrued liabilities	66	916	-70	-88	0	398	1,222
Accrued benefit liabilities	656	0	-15	0	50	37	728
Other long-term accrued liabilities	139	376	-60	0	0	26	481
Total accrued liabilities	861	1,292	-145	-88	50	461	2,431

(a) Other accrued liabilities

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

**OTHER ACCRUED
LIABILITIES**

	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.
Impending losses	496	30
Anniversaries and death benefits	481	96
Follow-up costs for customers	411	0
Restoration obligation	240	0
Legal disputes	75	16
Severance payments	0	27
Other	0	36
	1,703	205

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. If the discounting effect for long-term accrued liabilities is material, the accrued liabilities are recognized at the present value of the anticipated future cash flows.

(b) Accrued benefit liabilities

The euromicron Group has regulations on company pensions for active and former employees after fulfillment of the vesting periods, as well as their surviving dependants. These are mainly executives and employees for whom commitments from the time before a company was acquired have been assumed by euromicron AG.

The designated payments made towards pensions may be based either on the wage or salary received in the last year of employment or on the average of the last five years or the compensation of an employee and are usually dependent on the length of service. The benefits must be granted as a one-off payment or an annual pension payment.

In the case that the employee is still alive, he or she acquires an entitlement to an existing benefit balance as an old-age benefit or invalidity benefit; the benefits paid to surviving dependants are a widow's pension or orphan's pension.

In accordance with IAS 19, accrued liabilities for such pension commitments and similar obligations are calculated using the projected unit credit method for defined benefit pension plans. The resultant obligation after deduction of plan assets that can be offset are carried as an accrued liability in the balance sheet.

The option of the 10% band rule of IAS 19 is not applied at euromicron AG in measuring the pension obligations and determining personnel costs. The actuarial gains and losses, in particular in the event of changes to the parameters used for the calculation, are recognized in the income statement. The option of recognizing these actuarial gains and losses without any affect on income was not utilized. 3.6% (previous year: 100%) of the pension commitments are covered by plan assets that can be offset from reinsurance policies and 96.4% (previous year: 0%) by plan assets held in trust by euromicron Pension Trust e. V. (i.e. are funded).

In this regard, the euromicron Group created plan assets within the meaning of IAS 19 under a Contractual Trust Arrangement (referred to in the following as "CTA") effective December 31, 2011, by transferring assets to a registered society (euromicron Pension Trust e. V.) in order to finance the pension commitments to employees. The anticipated returns for the plan assets and reinsurance are derived from the composition of the assets and the yield expected for the respective categories.

On the balance sheet date, plan assets for the pension commitments totaling €10,422 thousand were held in trust by euromicron Pension Trust e.V. The plan assets measured at fair value are accordingly offset with the pension commitments. The values for the pension commitment and plan assets are determined by actuarial experts.

The changes in the present value of the defined benefit obligation (DBO) in the fiscal year are as follows:

PROVISIONS FOR PENSIONS

	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.
Present value of benefit obligation at the beginning of the period under report	1,009	1,199
Current service cost	220	33
Past service cost	0	0
Interest cost	339	35
Pension payments	-15	-15
Reversal	0	0
Actuarial gains (-)/losses	167	-53
Changes in consolidated companies and miscellaneous	9,673	-190
Contributions by plan participants	151	0
Present value of benefit obligation at the end of the period under report	11,544	1,009
Of which funded by plan assets	10,816	353

The item “Changes in consolidated companies and miscellaneous” reported in the previously year essentially comprises a reclassification of the accrued liabilities for anniversaries and death benefits. Since December 31, 2010, the accrued liabilities for anniversaries and death benefits have been carried under “Other accrued liabilities”. In addition, the adjustment of the DBO to the fair value of the reinsurance in accordance with IAS 19.104 was reported there at euromicron AG.

The expenses for pension commitments are as follows:

	2011 € thou.	2010 € thou.
Current service cost	220	33
Actuarial gains (-)/losses	167	-53
Past service cost	0	0
Anticipated income from plan assets	-18	-14
Interest cost	339	35
Pension expense	708	1

The anticipated income from the plan assets (€18 thousand) and the interest cost from the interest accrued for the pension obligations (€339 thousand) are netted out and carried under “Net interest income/loss”; the other components of the pension expense are carried under “Personnel costs”.

The plan assets changed as follows:

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Plan assets at the beginning of the period under report	353	272
Anticipated income from plan assets	18	14
Actuarial gains (-)/losses	2	0
Contributions	10,443	67
Disbursements	0	0
Transfers and other changes	0	0
Plan assets at the end of the period under report	10,816	353

The actual income from the plan assets in the fiscal year was €16 thousand (previous year: €14 thousand). The following parameters, which are based on assumptions, were used to measure the future level of benefits:

**AVERAGE
MEASUREMENT
FACTORS**

	2011 € thou.	2010 € thou.
Discount rate	5.10%	5.00%
Rates of increase in compensation levels	3.25%	2.25%
Future pension indexation	2.25%	1.75%
Employee fluctuation	1.05%	2.00%
Expected return on plan assets	4.50%	4.50%

The discount rates are based on the returns for blue-chip corporate bonds with a corresponding term; the 2005 G mortality tables compiled by Heubeck were used as a basis for the biometric parameters. Employee fluctuation is calculated on the basis of industry-specific values and takes into account the factors of age and length. Since the pension commitments are mainly at euromicron Group companies in Germany, the parameters relate to the economic situation in Germany.

As part of first-time consolidation of new companies in fiscal 2011, the measurement parameters were adapted to the structure at the euromicron Group.

The changes in the present value of the benefit obligation and the plan assets are shown below:

**CHANGE IN PRESENT
VALUE OF THE
BENEFIT OBLIGATION**

	2011 € thou.	2010 € thou.	2009 € thou.	2008 € thou.	2007 € thou.
Present value of the benefit obligation	11,544	1,009	1,199	679	823
Plan assets	10,816	353	272	337	294
Surplus/deficit	728	656	927	342	529
Experience adjustments on pension provisions	138	-45	-40	0	0
Experience adjustments on plan assets	2	0	0	0	0

The pension payments anticipated in the subsequent year are €53 thousand, while the anticipated contributions are €26 thousand.

Contributions of €5,589 thousand (previous year: €4,154 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. LIABILITIES

Current liabilities are measured at their repayment amount or settlement amount. Long-term debt is measured at its amortized acquisition cost. The amortized acquisition costs are determined using the effective interest method. The book values are approximations of the fair value.

The liabilities are composed as follows:

LIABILITIES

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Liabilities to banks	54,436	49,697
Liabilities from finance lease	1,756	1,015
Trade accounts payable	31,617	22,369
Other liabilities	47,373	26,405
	135,182	99,486

euromicron's liabilities have the following terms:

TERMS OF THE LIABILITIES

	Total TEUR	Due in				Fair value € thou.
		Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.	
Liabilities to banks	54,436	29,762	174	19,500	5,000	50,161
Liabilities from finance lease	1,756	297	446	712	301	1,756
Trade accounts payable	31,617	31,617	0	0	0	31,617
Other liabilities	47,373	36,584	3,388	7,401	0	45,965
	135,182	98,260	4,008	27,613	5,301	129,499
(Previous year)	99,486	81,410	6,491	10,671	914	96,202

Trade accounts payable in foreign currency (mainly US\$) amount to €1,389 thousand (previous year: €474 thousand).

In principle, the group companies of euromicron are financed centrally through euromicron AG. Financial covenants under clauses in loan agreements were observed without exception.

The interests rates for liabilities to banks and overdrafts range from 2.20% to 8.25% (previous year: 1.78% to 9.75%). 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).

euromicron AG utilized a borrower's note loan with a volume of €24,500 thousand in fiscal 2011. The loan consists of various tranches with different maturities. €19,500 thousand have a term of five years and €5,000 thousand a term of seven years. The bank retained €122.5 thousand (0.5%) as the arrangement fee; this affected net cash in 2011 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with IFRS, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €122.5 thousand and increased by the pro-rata amount of €10.5 thousand for fiscal year 2011, which was recognized in the income statement, in accordance with the effective interest method.

So as to ensure its solvency at all times and underpin the build-and-integrate 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 €54,968 thousand (previous year: €40,358 thousand) were unused at the year-end.

The other liabilities are composed as follows:

OTHER LIABILITIES

	Dec. 31, 2011	Dec. 31, 2010
	€ thou.	€ thou.
Industry loans	10,000	10,000
Obligations from preemptive rights	2,005	1,947
Purchase price liabilities	1,085	579
Liabilities from derivatives	11	35
Other	655	732
Total of other financial liabilities	13,756	13,293
Payments on account	4,713	1,053
Tax liabilities	7,608	3,466
Personnel obligations	10,037	3,855
Liabilities from current income taxes	2,096	1,244
Other	9,163	3,494
Total of other non-financial liabilities	33,617	13,112
	47,373	26,405

Financial liabilities are measured at amortized acquisition cost using the effective interest method.

The payments on account include advance payments that cannot be directly attributed to the production contracts in accordance with the percentage of completion method and cannot be netted off.

In presentation of the liquidity risk, a distinction is made by maturities for derivative and non-derivative financial liabilities.

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

	Cash flow 2012			Cash flow 2013			Cash flow 2014–2016			Cash flow 2017 ff.			
	Up to 1 year			1 to 2 years			2 to 5 years			More than 5 years			
	Book value	Interest		Re-paym.	Interest		Re-paym.	Interest		Re-paym.	Interest		Re-paym.
Dec. 31, 2011	Fixed	Vari-able		Fixed	Vari-able		Fixed	Vari-able		Fixed	Vari-able		
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	
Liabilities to banks	54.436	557	1.186	29.762	511	543	174	1.041	1.441	19.500	0	281	5.000
Liabilities from finance lease	1.756	70	0	297	51	0	446	86	0	712	12	0	301
Other interest-bearing liabilities	13.756	838	0	2.967	473	0	3.388	414	0	7.401	0	0	0

All financial instruments held on the balance sheet date December 31, 2011, and for which payments have already been contractually agreed were included. The variable interest payments from the financial instruments were calculated on the basis of the interest rates applicable on December 31, 2011 (previous year: December 31, 2010). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment. Foreign currency amounts were translated at the spot rate on the balance sheet date.

euromicron uses derivative financial instruments to hedge interest rate risks resulting from financial transactions. They are not held for the purposes of short-term speculation.

euromicron applies the regulations of IAS 39 on hedge accounting to hedge future cash flows. This reduces volatility in the income statement. A distinction is made between a “fair value hedge”, “cash flow hedge” and “hedge of a net investment in a foreign operation”, depending on the type of hedged item. euromicron has a cash flow hedge.

A cash flow hedge is used to protect against exposure to variability in future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. In the case of cash flow hedges, the effective parts of the realized gains or losses on the hedging instrument are initially recognized in other comprehensive income. They are not carried in the income statement until the hedged item is recognized in profit or loss. If a hedge of a forecast transaction results in the recognition of a financial asset or a financial liability in later periods, any gain or loss that was previously recognized directly in equity is recycled into profit or loss in the same period(s) in which the financial asset or liability affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, for example for the acquisition of tangible assets, the amounts recognized directly in equity are netted off with the initial cost or other carrying amount of the non-financial asset or liability.

IAS 39 defines the conditions under which hedging relationships can be recognized in accounting. Among other things, they must be documented and effective. "Effectiveness" as defined by IAS 39 is when the changes in the fair value of the hedging instrument offset the changes in the fair value of the hedged item on a prospective basis, and on a retrospective basis within a range of 80% to 125%. Only the effective part of a hedging relationship can be recognized in accounting under these rules. The ineffective part is recognized immediately in profit or loss.

euromicron has concluded a payer's interest rate swap to hedge the cash flow risk of variable-interest liabilities. The cash flow changes of the hedged item resulting from changes in the EURIBOR rate are offset by the cash flow changes of the interest rate swap. The aim of these measures is to transform the variable-interest instruments into fixed-interest financial debt and so hedge the cash flow from the financial liabilities. Counterparty risks are not part of the hedge.

The effectiveness of the hedging relationship is checked by tests. On a prospective basis, its effectiveness is assessed on the basis of the main parameters that determine the value of the hedged item and hedging instrument. Retrospectively, the effectiveness of the hedging relationship is proven by means of the dollar offset method. The hedging relationship was effective at the balance sheet date.

At December 31, 2011, interest rate derivatives with a fair value of € -11 thousand (previous year: € -35 thousand) and a nominal volume of €1,250 thousand (previous year: €2,500 thousand) were designated at euromicron as hedging instruments as part of cash flow hedges. The hedging relationship ends in 2012.

In 2011, the expense of €12 thousand from the late designation of the interest rate swap is included in the net financial result.

9. DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognized and measured using the principles described under 2. Deferred tax assets. 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.

In accordance with IAS 12.39, no deferred tax liabilities were recognized on taxable temporary differences between the shares in subsidiaries compared with the tax carried of €907 thousand (previous year: €967 thousand), since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary difference will not be reversed in the foreseeable future.

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

DEFERRED TAX LIABILITIES

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Intangible assets	6,732	5,052
Property, plant and equipment	781	458
Inventories	38	53
Other receivables and other assets	16,903	13,114
Accrued liabilities	1,009	718
Other liabilities	62	339
Total deferred tax liabilities before netting off	25,525	19,734
Netting off	-17,589	-13,116
Total deferred tax liabilities after netting off	7,936	6,618

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

**10. ADDITIONAL DETAILS ON THE FINANCIAL INSTRUMENTS –
CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORIES**

	Measurement category acc. to IAS 39	Book value at Dec. 31, 2011 € thou.	Value carried in the balance	
			Amortized acquisition cost € thou.	Acquisition cost € thou.
Assets				
Cash and cash equivalents	LaR ¹⁾	7,300		7,300
Accounts receivable	LaR ¹⁾	89,346	89,346	
Allowances for trade accounts receivable	LaR ¹⁾	-1,278	-1,278	
Other assets	LaR ¹⁾	2,373	2,373	
Other financial assets				
– Held-to-maturity investments	HtM			
– Available-for-sale financial assets	AfS	1,884		
– Financial assets held for trading	FAHfT			
Liabilities				
Accounts payable	FLAC ²⁾	31,617	31,617	
Liabilities to banks	FLAC ²⁾	54,436	54,436	
Other financial liabilities	FLAC ²⁾	13,745	13,745	
Other non-financial liabilities	FLAC ²⁾	33,617	33,617	
Liabilities from finance lease	IAS 17	1,756	1,756	
Derivates	n/a	11		

¹⁾ LaR = Loans and Receivables

²⁾ FLAC = Financial Liabilities Measured at Amortised Cost

sheet acc. to IAS 39		Value carried in the balance sheet acc. to IAS 39				
Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.	Book value at Dec. 31, 2010 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.	Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.
		8,572		8,572		
		55,642	55,642			
		-919	-919			
		2,013	2,013			
1,758	126	2,227			2,227	
		22,369	22,369			
		49,697	49,697			
		13,258	13,258			
		13,112	13,112			
		1,014	1,014			
11		35			35	

Financial instruments are measured at fair value in accordance with IFRS 7 in three levels:

Level 1: The fair value is determined on the basis of publicly quoted market prices. It can be assumed that the fair value for financial assets and liabilities can be determined with maximum objectivity on an active market.

Level 2: If there is not an active market for a financial instrument, the fair value can be calculated using valuation models. For example, business transactions with willing, knowledgeable and independent third parties, fair values of similar financial instruments or option pricing models can be applied. The results can be used to estimate a fair value that is measured on the basis of a maximum of market data and contains only a small amount of company-specific data.

Level 3: Valuation models are also used at the third level, but additionally include parameters that are not observable on the market. A DCF model can be used here, for example.

The level model was applied for measuring the financial instruments reported at the euromicron Group. The fair values of the shares in SecureAlert (classification: other financial assets) and the securities held (classification: other financial assets) were measured on the basis of the 1st level, while the fair value of the swap (classification: derivatives) was measured on the basis of the 2nd level.

There is no collateral received for financial instruments at the euromicron Group.

EXPLANATIONS ON THE CONSOLIDATED INCOME STATEMENT

11. SALES

In accordance with IAS 18, sales revenues are recognized on transfer of risk or performance of the service, and are stated net of discounts, customer bonuses and rebates 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 input-oriented cost-to-cost 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 €25,766 thousand (previous year: €21,536 thousand). Production contracts with a net liability balance are included in the other accrued liabilities (provisions for impending losses).

The difference in measurement of the work in progress compared with the single-entity financial statements under the German Commercial Code has an effect on earnings (after deferred taxes) of €5,176 thousand (previous year: €1,801 thousand).

Changes in net sales as a result of changes in the consolidated companies amounted to €70,038 thousand (previous year: €9,675 thousand).

12. OWN WORK CAPITALIZED

Own work capitalized is carried at €1,948 thousand (previous year: €1,521 thousand) and, as in the previous year, is mainly due to development costs to secure the company's market position, increase its innovativeness and achieve unique selling points, especially at the euromicron Group's production operations. Changes in the consolidated companies did not result in any own work capitalized.

13. OTHER OPERATING INCOME

The other operating income is composed as follows:

OTHER OPERATING INCOME	2011 € thou.	2010 € thou.
Income from reversal of write-downs of noncurrent assets	584	58
Currency gains	308	411
Refunds for health insurance/reintegration/ income from passed-on charges	332	58
Reduction in allowances for doubtful accounts	211	206
Income from property and rent	207	144
Income from complaints	146	0
Income from damages	68	0
Income from retirement of noncurrent assets	59	0
Compensation paid from insurance	58	199
Supplier grants	0	3.000
Other	751	400
	2,724	4,476

The year-on-year decline in other operating income is mainly the result of supplier grants collected in 2010 as part of strategic cooperation. This was countered in the fiscal year by the reversal of depreciation applied in previous year on a building of a foreign company (€584 thousand). Currency gains were measured at the exchange rates on the balance sheet date. The "Other" item contains a large number of individual items, each with a value below €20 thousand; a presentation of them is dispensed with.

14. COST OF MATERIALS

The cost of materials is composed of:

COST OF MATERIALS

	2011 € thou.	2010 € thou.
Cost of raw materials and supplies and goods purchased	97,342	79,826
Cost of purchased services	62,277	27,491
	159,619	107,317

The cost of materials from the POC method was €18,370 thousand (previous year: €18,964 thousand).

The increase in the cost of materials is mainly due to the addition of the newly acquired divisions in fiscal 2011.

15. PERSONNEL COSTS

The personnel costs are composed as follows:

PERSONNEL COSTS

	2011 € thou.	2010 € thou.
Wages and salaries	64,429	45,369
Social security	12,447	8,878
	76,876	54,247

The increase in the personnel costs is mainly due to the addition of the newly acquired divisions in fiscal 2011.

Average number of employees per year:

EMPLOYEES

	2011	2010
Hourly-paid employees	703	587
Salaried employees	651	424
Trainees	101	70
	1,455	1,081

The companies included in the consolidated financial statements for the first time accounted for an average of 200 employees on a pro rata temporis basis, or 400 employees at the balance sheet date.

16. AMORTIZATION AND DEPRECIATION EXPENSE

Amortization and depreciation is composed as follows:

AMORTIZATION AND DEPRECIATION	2011 € thou.	2010 € thou.
Amortization of intangible assets	3,673	2,442
Depreciation of tangible assets	2,890	2,159
	6,563	4,601

Dormant reserves totaling €3,762 thousand before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2011. The amortization and depreciation for this in fiscal 2011 was €971 thousand.

17. OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES	2011 € thou.	2010 € thou.
Vehicle and travel expenses	9,974	6,703
Rent/room costs	4,853	3,483
Legal and consulting costs	4,305	2,814
Trade fair and advertising costs	2,002	1,507
Communication expenses	1,705	1,252
Cost of goods consignment	1,371	917
Maintenance and repair	1,229	1,112
Running costs	1,186	983
Commission	1,172	634
Administrative expenses	1,128	962
Further training costs	1,017	463
Other	5,319	3,731
	35,261	24,561

18. NET FINANCIAL RESULT

NET FINANCIAL RESULT

	2011 € thou.	2010 € thou.
Interest income	77	103
Interest expenses	-5,407	-3,009
Net interest income/loss	-5,330	-2,906
Of which from the financial instruments of the measurement categories acc. to IAS 19:		
Loans and receivables	77	103
Financial liabilities measured at amortized acquisition cost	-5,407	-3,009

The other financial expenses of –€1,034 thousand are mainly changes in the value of financial assets of €371 thousand, costs due to subsequent purchase price payments of €203 thousand and expenses in connection with securities lending transactions of €323 thousand. Costs of –€12 thousand from late designation of a derivative are also carried.

19. INCOME TAXES

INCOME TAXES

	2011 € thou.	2010 € thou.
Current taxes in Germany	2,560	2,072
Deferred taxes in Germany	1,387	1,794
Current taxes abroad	975	834
Deferred taxes abroad	31	389
	4,953	5,088

Net income taxes includes income taxes for previous years totaling €365 thousand (previous year: €493 thousand) and tax refunds of €218 thousand (previous year: €225 thousand).

The table below 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 average trade tax rate of 14.175%.

TAX RECONCILIATION

	2011 € thou.	2010 € thou.
Expected tax expense	5,355	5,166
Income from securities lending	-1,215	-768
Non-deductible expenses	119	109
Non-recognition of deferred taxes on loss carryforwards	651	0
Use of loss carryforwards not included to date/ change in allowance	-160	633
Effects of different national tax rates	-78	-177
Tax arrears/refunds	147	269
Other	134	-144
Actual tax expense	4,953	5,088
Effective tax rate	27.7%	29.5%

20. MINORITY INTERESTS IN NET INCOME FOR THE PERIOD

The minority interests in net income for the period for the consolidated companies relate to Qubix S.p.A., Padua.

21. EARNINGS PER SHARE

The number of shares in 2011 increased by 1,537,800 over the previous year to 6,663,799.

Undiluted earnings per share are calculated as follows:

UNDILUTED EARNINGS PER SHARE

	2011	2010
Consolidated net income for the period in € thou.	12,229	11,462
Number of shares issued at the beginning of the fiscal year	5,125,999	4,660,000
Weighted shares from capital increase	122,181	304,692
Weighted treasury shares	0	142,115
Adjusted weighted average number of shares issued (undiluted)	5,248,180	4,822,577
Undiluted earnings per share in €	2.33	2.38

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 average number of all shares issued in the fiscal year is used to calculate undiluted earnings per share.

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. At the time the consolidated financial statements were prepared, there were no longer any stock options at the euromicron Group; consequently, the diluted earnings per share are not presented.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2011, in accordance with the German Commercial Code (HGB) disclose net retained profits of €10,249,044.04. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €1.15 for 6,663,799 shares	€7,663,368.85
Carryforward to a new account	€2,585,675.19

OTHER DETAILS

22. NOTES ON THE STATEMENT OF CASH FLOWS

In accordance with IAS 7, the statement of cash flows presents the changes in cash and cash equivalents reported in the consolidated balance sheet under the item "Cash and cash equivalents" and comprising cash and cash equivalents (cash on hand, demand deposits at banks and checks) with a term of no more than three months. The cash flows are grouped by the three areas of operating, investing and financing activities. Net cash provided by operating activities is determined using the indirect method in accordance with IAS 7.18.

Net cash provided by operating activities is derived indirectly by the income before income taxes being adjusted for the effects of non-cash transactions and allowing for changes in current assets and liabilities and paid and received interest and income taxes. The net cash provided by operating activities was €473 thousand, a year-on-year reduction of €8,005 thousand. This is mainly due to the organic growth in euromicron's traditional business, which is reflected in a sharp increase in trade accounts receivables toward the end of the year due to rigorous utilization of cash discount payments to optimize the company's earnings situation.

Net cash used in investing activities is calculated from the net cash from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as noncurrent financial assets and company acquisitions. It is €20,397 thousand, €14,417 above the figure of €5,980 thousand for the previous year. Apart from the sharp increase in investments in non-current assets, this increase is mainly attributable to our acquisition activity, in particular the purchase of the business operations of telent GmbH. In the case of company acquisitions, the purchase price – adjusted for assumed cash and cash equivalents – is carried as net cash used; accordingly, the other affected items in the statement of cash flows are corrected by the differences from the change in consolidated companies, with the result that the change in these items cannot be directly derived from the consolidated balance sheet.

The net cash provided by financing activity in fiscal 2011 was €18,651 thousand, compared with net cash used of –€2,555 in the previous year. The liquidity of €24,216 thousand provided by the capital increase after the costs of raising equity were mainly used to finance investments in noncurrent assets and the acquisitions. The net cash balance also includes the dividend payment, extensive repayments and raising of financial loans, among other things as part of the issue of the borrower's note loan of €24.5 million.

At the balance sheet date, there are no cash and cash equivalents not available for use in accordance with IAS 7.48.

23. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

(a) Contingencies

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

(b) Other financial obligations

There are the following other financial obligations on the balance sheet date:

OTHER FINANCIAL OBLIGATIONS	Total	Up to 1 year	1 to 2 years	2 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Obligations from warranty bonds	1,636	55	1,545	0	36
Bill exposure	3,503	3,503	0	0	0
Operating lease	9,185	4,022	3,762	1,396	5
Rental agreements	14,612	4,055	2,612	6,110	1,835
Purchase obligation	15,900	15,900	0	0	0
	44,836	27,535	7,919	7,506	1,876
Previous year	23,370	9,414	2,364	3,968	7,624

The purchase obligation relates to orders for order-related goods and services; orders of intangible assets or tangible assets were insignificant.

There are no further contingent liabilities (previous year: €16 thousand) at the euromicron Group outside the guaranties and sureties.

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 and total €9,185 thousand. In fiscal 2011, payments from these leasing arrangements totaled €4,544 and were recognized in the income statement. There were no conditional lease payments and subleasing at the euromicron Group.

24. SEGMENT REPORTING

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

euromicron has reported to date in the two operating segments North and South and Group headquarters. Since 2011, activities that are offered on a supraregional basis in the North and South regions and focus on wide area network services have been pooled in the new segment "WAN services". The reporting segments comprise all individual companies that can be assigned 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).

euromicron's success model is based on the strategy of a "system house with production expertise". The core of this is that, if required, customers have the benefit of leveraging all the euromicron Group's pooled competence. The value chain starts at the system houses and grows in depth through the production operations right down to procurement of individual components at the distributors. Despite the depth of expertise, the system houses offer vendor independence in the market, which is documented by their certification for key technologies. In the second phase of its strategy ("buy-and-build"), euromicron expanded its business massively by making acquisitions, with the objective of becoming a nationwide system provider of copper and fiber-optic network infrastructures. In order to avoid creating any imbalances in its comprehensive footprint in German-speaking countries in this phase of the strategy, acquisitions were systematically made in regions it had not previously tapped. In order to make these changes visible to euromicron's management, a decision was taken to map controlling of the units in the segments "North", "South" and "Cross-segment consolidations". The focus in the "build-and-integrate" phase, which has been intensified since 2009, is to make all the main and profitable competencies of euromicron available at every location, both as regards sales and implementation expertise. This phase also requires intensive observation of how the company's footprint develops so that analysis of the segments is assessed as being adequate. After the purchase of the business operations of telent GmbH, which mainly focuses on the new area for euromicron of planning, construction and servicing of supraregional network structures (WANs), a decision was taken to pool all the activities focused on wide area network services in the new segment "WAN services" as of 2011, regardless of the region where the services are provided. As a result, the development of this important segment can be controlled transparently in the future.

Apart from the controlling and management instrument of the segments in accordance with IFRS 8, we also use marketing instruments to familiarize customers with the areas of expertise under our business model. Here we use brochures, as well as the structuring our Internet presence into the subsections “Components”, “Solutions”, “Networks” and “International Services”. These help visualize the competence and value chain of euromicron, but are not a controlling instrument.

Intersegment transactions are reflected at market prices (arm’s length principle).

As part of the company’s further strategic development, the controlling instrument is permanently reviewed to assess its effectiveness and will also be realigned in future if and when required.

SEGMENT REPORTING

of the euromicron Group for the period January 1 to December 31, 2011 (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, 2011 € thou.	Dec. 31, 2010 € thou.
Total sales, North	121,707	109,440
Inter-segment sales, North	-4,921	-5,778
Sales to external third parties, North	116,786	103,662
Total sales, South	141,905	110,868
Inter-segment sales, South	-4,272	-1,879
Sales to external third parties, South	137,633	108,989
Total sales, WAN services	66,849	0
Inter-segment sales, WAN services	0	0
Sales to external third parties, WAN services	66,849	0
Consolidated cross-segment sales	-15,962	-9,008
Consolidated sales for the Group	305,306	203,643

Sales in Germany were €267.8 million, in the Euro zone €34.2 million and in the Rest of the World €3.3 million.

EBIT BY REPORT SEGMENTS

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
Consolidated EBIT, North	18,936	16,803
Consolidated EBIT, South	6,880	9,145
Consolidated EBIT, WAN services	4,186	0
euromicron AG	-4,932	-5,848
Group consolidations	-854	25
Consolidated EBIT for the Group	24,216	20,125

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

AMORTIZATION AND DEPRECIATION

	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.
North, consolidated	-2,861	-2,742
South, consolidated	-2,441	-1,504
WAN services, consolidated	-1,136	0
euromicron AG	-125	-355
Consolidated depreciation/amortization for the Group	-6,563	-4,601

In accordance with IFRS 8.33b, noncurrent assets are €117,078 thousand in Germany (previous year: €110,460 thousand) and €21,419 thousand in the Euro zone (previous year: €5,225 thousand). The noncurrent assets are composed of

- Goodwill
- Intangible assets
- Property, plant and equipment
- Financial assets
- Other assets

25. RISK MANAGEMENT

Principles of risk management

As a result of its broad business field, the euromicron Group is exposed to various risks. The company counters them with a risk management system that applies throughout the Group and is closely harmonized with its business strategy. The internal control system and compliance policies are inseparable from the risk management system. They ensure that financial reporting is performed correctly and the rules of conduct are observed by employees. The existing system of controls and policies enables the euromicron Group to comply with the stipulations of the corporate governance guidelines. The focus is in particular on accounting and financial reporting, legal and compliance and the main operating processes.

Risk control

The concrete risks to which the euromicron Group is exposed in terms of assets, liabilities and strategic alignment are in changes to interest and exchange rates. To minimize them, the basic elements of financial policy are defined by the Executive Board and monitored by the Supervisory Board. In turn, Finance and Controlling is responsible for operationally implementing the financial policy and constant risk management.

Currency risks

The euromicron Group generates the lion's share of its sales in the Euro zone. Only a small part of its operational business in the area of procurement was again handled in US dollars in 2011. 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. The main share of foreign currency transactions in fiscal 2011 were in US dollars.

Interest rate risks

Interest rate risks are restricted exclusively to the Euro zone. To protect against these risks, the euromicron Group relies on a balanced mix of a variable and fixed financing structure. Interest rate derivatives are also used to optimize the net interest income/loss. More details can be found under "Derivative financial instruments".

The financing that was contractually agreed and utilized at December 31, 2011, will result in interest expenses of around €7.9 million (previous year: €3.5 million) by the end of their term. A sensitivity analysis is used to assess the interest rate risks. This shows the effects of different market interest rates on interest payments, interest income and interest expenses. The euromicron Group complies with these stipulations and applies further assumptions:

- Changes in market interest rates for original financial instruments with a fixed rate have an impact on the result only if these instruments are measured at their fair value. All financial instruments with a fixed rate that are measured at their amortized acquisition cost are not therefore exposed to the risk of any change in interest rates.
- Changes in market interest rates for original financial instruments that have a variable rate and whose interest payments are not designed as a hedged item as part of cash flow hedges against risks of interest rate changes have an effect on the net interest income/loss and are included in calculation as part of the earnings-oriented sensitivity analysis.

If the average market level for interest rates in 2011 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €484 thousand lower (€484 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

Apart from an analysis of interest rate risks, assumptions about possible changes to risk variables (in particular indexes and stock market prices) and the associated effects on prices of financial instruments must be made in accordance with IFRS 7.

In order to avoid risks from rising commodity prices, the euromicron Group prefers to conclude long-term purchase agreements or tries to pass on increases in procurement costs to customers.

Risks of default

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual and general allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned, since no one customer accounts for more than 7.9% of total sales. In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, a credit sale insurance policy has been concluded for one company.

The maximum risk of default is to the amount of the book values of the financial assets carried on the balance sheet.

Liquidity risks

Please refer to the comments under "Liabilities".

Internal control system

In order to comply with the requirements of the Act to Modernize Accounting Law (BilMoG), the euromicron Group continued to increasingly focus in fiscal 2011 on monitoring its main corporate processes. The internal controls are aimed at avoiding misstatements in financing reporting and minimizing operational risks. For example, the company ensures that key functions are kept strictly separate from each other. Moreover, Finance and Controlling very closely observe changes in accounting and employees are given extensive training by external consultants if and when required.

The controls are carried out throughout the Group and their suitability and comprehensiveness are reviewed regularly.

In fiscal 2011, euromicron AG's risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) AktG (German Stock Corporation Law). The risk identification system is suitable for promptly detecting developments that jeopardize the company's continued existence.

Compliance

Compliance means for euromicron: We abide by the law wherever we operate and also by our own regulations – above all euromicron's Code of Conduct. The euromicron Group's internal compliance policies contain clear rules on competition and conduct for all its employees. The objective of these rules is to create general conditions for sustainable economic and social activity. The euromicron Group thereby underscores its mission to prevent misconduct and ensure fair competition.

The euromicron Compliance organization headed by the Chief Compliance Officer drives compliance in the area of anti-corruption and anti-competitive violations throughout the Group. The organization is supported by the Chief Counsel Compliance and local Compliance Officers. Since it launched the compliance program at the Group, euromicron has continuously developed and improved it further.

Responsibility for observance of the compliance regulations lies with euromicron's Executive Board and management. The Chairman of the Supervisory Board and two members of the Supervisory Board monitor compliance with the company's internal policies.

26. RELATED PARTIES

Companies and persons are regarded as related parties if they control the euromicron Group or exert a significant influence on its financial and business policy or the euromicron Group has a significant influence over them.

The auditing firm of a member of the Supervisory Board was commissioned to provide consulting services involving an expert opinion in relation to balance sheet matters abroad and within the Group. A fee totaling €148 thousand was paid for the consulting services. There were no further business relationships with the Executive Board or Supervisory Board that require disclosure.

In addition, there were no transactions with related parties or associated companies. There are no receivables due from or liabilities toward related parties.

27. DECLARATION ON THE CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG (GERMAN STOCK CORPORATION LAW)

In fiscal 2011, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May, 2010, which was published on July 2, 2010. The exceptions, which are mainly due to the Company's size and business model and to preparations for future adaptations, are listed on the company's homepage at <http://www.euromicron.net/investor-relations/corporate-governance-11> and can be read in the annual financial statements.

28. STOCK OPTION PROGRAM / SECURITIES TRANSACTIONS REQUIRING DISCLOSURE

The stock option program adopted by the General Meeting on June 23, 2006, expired on December 31, 2009. A new stock option program or comparable incentive system based on securities has not been adopted. The members of the Executive Board and Supervisory Board do not hold more than 1% of the shares issued by euromicron AG directly or indirectly.

29. AUDITORS' FEES

The item "Other operating expenses" contains fees for the group auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of €1,028 thousand (previous year: €345 thousand). €711 thousand (previous year: €345 thousand) relate to auditing of the financial statements of the companies and the Group. They include expenses of €181 thousand not related to the period. They also include costs for other confirmation or valuation services (€13 thousand; previous year: €0 thousand), tax consulting services (€44 thousand; previous year: €0 thousand) and other services (€260 thousand; previous year: €0 thousand) for euromicron AG or its subsidiaries.

30. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No events that require reporting in accordance with IAS 10 (Events after the Balance Sheet Date) occurred after December 31, 2011.

31. PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

On March 27, 2012, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 28, 2012, by the Supervisory Board following their submission by the Executive Board and deposited with the operator of the electronic Federal Official Gazette.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to prepare notes and/or a management report and to audit and disclose annual financial statements and management reports, and fulfills all the necessary conditions. The subsidiaries this applies to can be seen in the list of companies included in the consolidated financial statements on page 87. Exceptions are euromicron austria GmbH, Seekirchen, Austria, euromicron holding GmbH, Seekirchen, Austria, Qubix distributions GmbH, Seekirchen, Austria, NBG Fiber Optics GmbH, Gmünd, Austria, WCS Fiber Optics B.V., SV Amersfoort, Netherlands, and Qubix S.p.A., Padua, Italy, which disclose their annual financial statements in accordance with their respective national regulations.

32. SUPERVISORY BOARD AND EXECUTIVE BOARD

(a) Executive Board

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

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

(b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman

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

Josef Martin 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

Managing Director of EMBE Immobiliengesellschaft mbH, Munich
Managing Director of BEGO Immobilien Management GmbH, Hamm
Managing Director of BEGO Immobilien Verwaltung GmbH, Hamm
Managing Director of BEGO Vermögens- und Verwaltung GmbH, Hamm
Managing Director of DBE Immobilienverwaltungs GmbH, Munich
Managing Director of DBE Liegenschaften GmbH, Munich
Managing Director of DBG Immobilien Management GmbH, Munich
Managing Director of Grund + Renten Gesellschaft für Anlagen Consult mbH, Hamm
Managing Director of GVG Grundstücksverwaltungs- und Beteiligungs GmbH, Munich
Managing Director of Pariser Platz 3 Grundbesitzgesellschaft mbH, Frankfurt/Main
Managing Director of RVB Immobau GmbH, Hamm
Chairman of the Supervisory Board of cp consultingpartner AG, Cologne

(c) Remuneration of the board members

The members of the Supervisory Board received remuneration totaling €120 thousand in accordance with the Articles of Association. This was made up of fixed compensation of €45 thousand and a performance-related payment of €75 thousand.

In fiscal 2011, the Executive Board received a total remuneration of €2,029 thousand (previous year: €1,384 thousand); the variable payment made up €1,385 thousand of this (previous year: €740 thousand). In addition, €26 thousand (previous year: €18 thousand) from the pension commitments to Executive Board members was recognized in the income statement in fiscal 2011.

The disclosures required for listed stock corporations pursuant to Section 314 (1) No. 6a a Sentences 5 to 8 of the German Commercial Code (HGB) are contained in the Compensation report, which is part of the management report. Additional presentation of the information included in that report in the notes is therefore dispensed with.

Frankfurt/Main, March 23, 2012

Dr. Willibald Späth
Chairman of the Executive Board

Thomas Hoffmann
Member of the Executive Board

DECLARATION

BY THE LEGAL REPRESENTATIVES

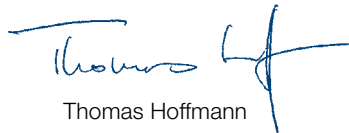
“We affirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with the applicable accounting principles and that the group management report gives a true and fair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

Frankfurt/Main, March 23, 2012

euromicron AG



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 equity, the statement of cash flows and the notes – prepared by euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, and the group management report for the fiscal year from January 1 to December 31, 2011.

The preparation of the consolidated financial statements and group management report in accordance with IFRS, as are to be applied in the EU, and in addition the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (Handelsgesetzbuch – German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit in such a way that misstatements and violations materially affecting the presentation of the picture of the net assets, financial position and results of operations conveyed by the consolidated financial statements, taking into account the principles of orderly accounting, and by the group management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Frankfurt/Main, March 23, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Georg Wolfgang Wegener ppa. Thorsten Knecht
Wirtschaftsprüfer Wirtschaftsprüfer

SINGLE-ENTITY FINANCIAL STATEMENTS (HGB)

04

BALANCE SHEET

AS OF DECEMBER 31, 2011

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

ASSETS	Dec. 31, 2011 €	Dec. 31, 2011 €	Dec. 31, 2010 €
A. Fixed assets			
I. Intangible assets			
Purchased concessions, industrial and similar rights	753,806.00	753,806.00	840,566.14
II. Tangible assets			
Other equipment, operating and office equipment		172,544.00	103,634.00
III. Financial assets			
1. Shares in affiliated companies	123,884,892.60		114,393,672.95
2. Loans to affiliated companies	14,676,996.40		4,031,250.00
3. Other long-term equity investments	934,090.00		934,090.00
4. Prepayments	80,000.00		80,000.00
		139,575,979.00	
		140,502,329.00	120,383,213.09
B. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	51,096,116.47		27,644,105.09
2. Other assets	2,553,729.52		2,709,357.39
		53,649,845.99	30,353,462.48
II. Securities			
Other securities		1,098,800.00	1,221,100.00
III. Cash-in-hand, bank balances		1,024,993.13	985,145.52
		55,773,639.12	32,559,708.00
C. Prepayments and accrued income		23,857.00	65,700.00
		196,299,825.12	153,008,621.09

**EQUITY AND
LIABILITIES**

	Dec. 31, 2011 €	Dec. 31, 2011 €	Dec. 31, 2010 €
A. Equity			
I. Subscribed capital	17,037,017.44		13,105,397.44
II. Capital reserves	90,871,357.22		70,198,177.22
III. Revenue reserves			
Other revenue reserves	6,433,729.53		6,433,729.53
IV. Retained profits	10,249,044.04		7,947,218.67
		124,591,148.23	97,684,522.86
B. Provisions			
1. Provisions for pensions and similar obligations	0.00		0.00
2. Provisions for taxes	5,570.00		0.00
3. Other provisions	1,400,205.01		571,322.61
		1,405,775.01	571,322.61
C. Liabilities			
1. Liabilities to banks	53,621,960.67		42,366,712.77
2. Trade accounts payable	217,915.88		280,634.53
3. Liabilities to affiliated companies	2,093,412.49		735,087.13
4. Other liabilities	14,369,612.39		11,083,174.12
– of which from taxes: €3,975,685.06 (previous year: €38,840.79)		70,302,901.88	54,465,608.55
D. Deferred tax liabilities		0.00	287,167.07
		196,299,825.12	153,008,621.09

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2011

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

INCOME STATEMENT

	2011 €	2011 €	2010 €
1. Income from investments – thereof from affiliated companies €7,535,804.04 (previous year: €3,016,841.63)		7,535,804.04	3,016,841.63
2. Income from profit and loss transfer agreements – thereof from affiliated companies €12,950,779.36 (previous year: €11,869,146.00)		12,950,779.36	11,869,146.00
3. Expenses from assumption of losses – thereof from affiliated companies €2,925,303.98 (previous year: €0.00)		-2,925,303.98	0.00
4. Other operating income		2,342,287.38	1,859,677.85
5. Personnel expenses			
a) Salaries	-3,757,138.75		-2,375,362.06
b) Social security, post-employment and employee benefit costs – of which in respect of old age pensions €48,559.97 (previous year: €30,062.62)	-213,358.86		-150,545.19
		-3,970,497.61	
6. Amortization of intangible assets and depreciation of tangible assets		-124,054.08	-124,229.37
7. Other operating expenses		-6,557,397.60	-7,664,508.30
8. Income/reversal of write-downs from other securities and long-term loans – thereof from affiliated companies €380,796.92 (previous year: €239,085.79)		380,796.92	314,935.79
9. Other interest and similar income – thereof from affiliated companies €1,921,742.80 (previous year: €1,289,636.04)		10,056,794.60	6,467,268.93
10. Write-down of long-term financial assets and securities classified as current assets		-126,000.00	-3,939,633.92
11. Interest and similar expenses – thereof to affiliated companies €242,274.20 (previous year: €255,423.35) – of which expenses from interest accrued for provisions €2,604.62 (previous year: €1,597.03)		-11,413,809.32	-7,501,282.32
12. Result from ordinary activities		8,149,399.71	1,772,309.04

13. Income taxes – of which income from changes to recognized deferred taxes € –287,167.07 (previous year: expenses of €16,889.74)		–204,857.81	–365,796.60
14. Other taxes		–4,117.63	–1,437.00
15. Net profit for the year		7,940,424.27	1,405,075.44
16. Accumulated profit		2,308,619.77	6,542,143.23
17. Net retained profits		10,249,044.04	7,947,218.67

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2011, disclose net retained profits of €10,249,044.04. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €1.15 for 6,663,799 shares	€7,663,368.85
Carryforward to a new account	€2,585,675.19

The annual financial statements of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, as of December 31, 2011, were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and granted an unqualified audit opinion. The annual financial statements have been filed with Frankfurt/Main Local Court.

FIVE-YEAR OVERVIEW OF THE GROUP

05

**VALUES FROM THE
INCOME STATEMENT**

	2011 € m.	2010 € m.	2009 € m.	2008 € m.	2007 € m.
Consolidated sales	305.3	203.6	179.6	164.6	136.5
Germany	267.8	174.0	154.5	134.0	115.4
Euro zone	34.2	26.0	22.6	24.0	17.3
Rest of World	3.3	3.6	2.5	6.6	3.8
EBIT	24.2	20.1	16.4	16.0	12.0
EBT	17.9	17.2	13.4	12.0	10.1
Consolidated net income for the period for shareholders of euromicron AG	12.2	11.5	9.8	8.1	7.0
Cash flow	32.2	25.0	17.2	12.0	9.0

**VALUES FROM THE
BALANCE SHEET**

	2011 € m.	2010 € m.	2009 € m.	2008 € m.	2007 € m.
Current assets	126.8	87.3	77.5	75.8	64.9
Noncurrent assets	139.0	108.7	103.9	96.3	83.1
Current liabilities	99.5	81.2	81.2	70.0	50.2
Long-term debt	46.1	25.5	28.8	28.3	27.4
Minority interests	0.5	0.4	0.3	1.1	0.7
Equity	120.2	89.3	71.4	73.8	70.4
Total assets	265.7	196.0	181.4	172.1	148.0
Equity ratio	45.2	45.5	39.4	42.9	47.6

MISCELLANEOUS

	2011 € m.	2010 € m.	2009 € m.	2008 € m.	2007 € m.
Investments in intangible assets and in property, plant and equipment	8.2	4.6	6.5	4.1	4.7
Employees (annual average)	1,455	1,081	1,149	979	929

Financial Calendar 2012

March 28, 2012	Publication of the 2011 Annual Report and Analysts' Conference
May 11, 2012	Publication of the business figures for the 1st quarter of 2012
May 25, 2012	General Meeting
August 10, 2012	Publication of the business figures for the 2nd quarter of 2012
November 9, 2012	Publication of the business figures for the 3rd quarter of 2012

IMPRINT

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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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DISCLAIMER ON PREDICTIVE STATEMENTS

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, changes in general political and economic conditions, 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. Any liability or guarantee for the used and published data and information being up-to-date, correct and/or complete is not assumed, either explicitly or implicitly.

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