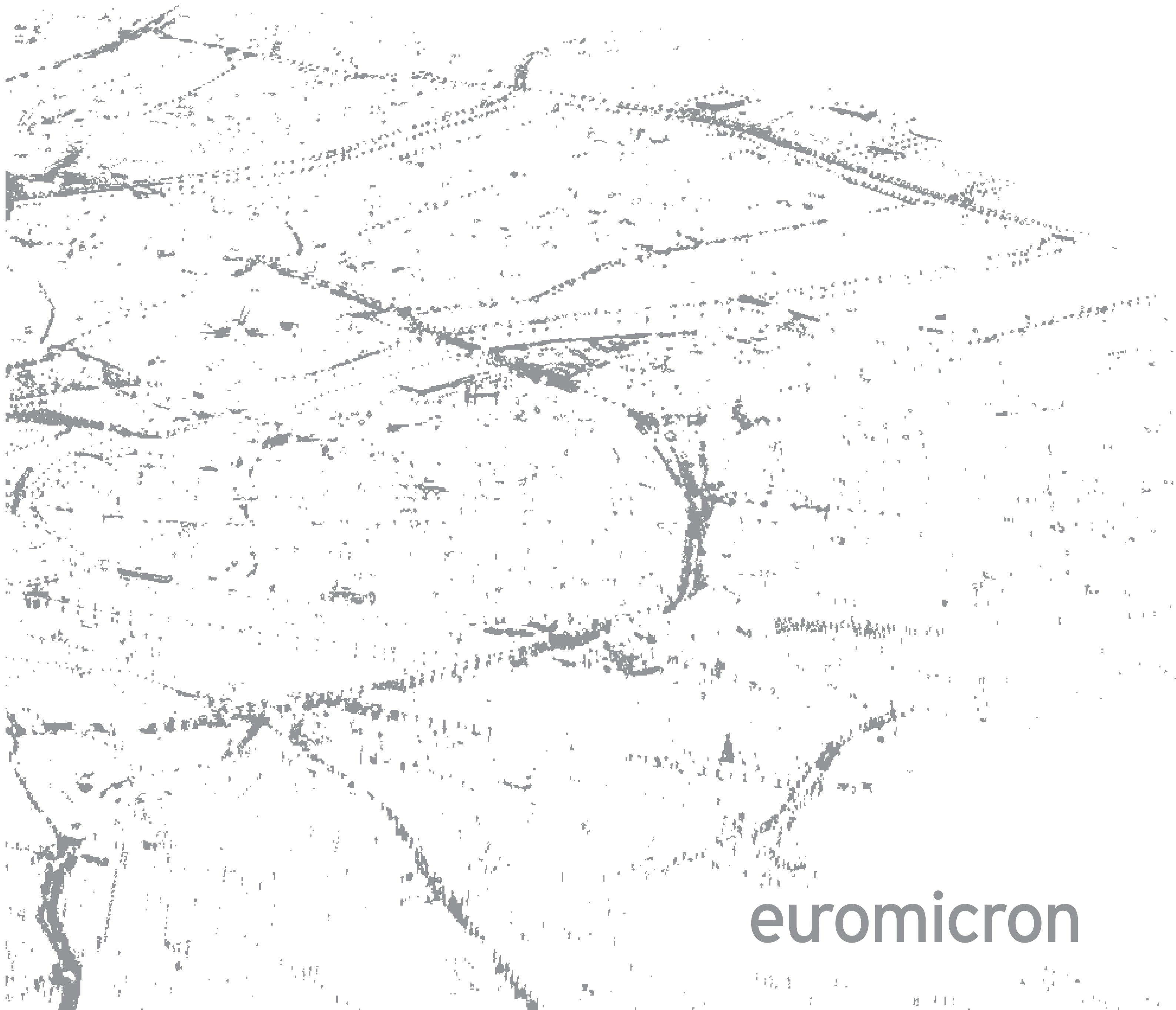
ANNUAL REPORT 2014

TUNED TO THE PULSE
OF THE DIGITAL FUTURE



euromicron

euromicron
SPECIALIST FOR NETWORK INFRASTRUCTURES

The technology group euromicron unites technology suppliers, system houses and distribution companies under its roof. They specialize in developing, producing, designing, implementing, providing services for and procurement and sale of high-performance network infrastructures and their components.

Markets without borders

Our services are needed wherever data is transferred – be it wirelessly or by fiber-optic or copper lines. In particular, we offer our customers future-proof solutions in the fields of security, healthcare, public utilities, energy, transportation, administration and finance. Our core market is Germany. We are also increasingly successful in the international arena, in particular with the innovative products of our technology companies.

The technology group's strength

Our group has grown over the past 15 years through acquisitions and organically. As part of that, we have increased our know-how, experience and workforce. We leverage synergy effects from, for example, sharing the know-how of our technology and service companies or from the size of our company and handle projects of all sizes.

Customer-oriented solutions

Our system houses' services range from networking individual buildings, such as offices, banks, hospitals, hotels, airports, etc., to supra-regional networking of companies and public authorities. We are proficient in all transmission media and are also able to create new network structures or combine, adapt and migrate existing structures. We are vendor-independent and develop the best technical solution for our customers.

Innovation driver in an advanced sector

euromicron's technology suppliers are specialists in their field and occupy leading positions in niche markets. From high-quality fiber-optic cables, innovative active and passive network components to networked workbench systems – they develop new products and deliver tailored solutions for our customers. Our technology suppliers are also an innovation driver within euromicron: They bring together vision and what is technically feasible and so give our group a key technological lead.

EUROMICRON COMPONENTS

ELABO EUROMICRON GMBH MICROSENS fiber optic solutions sachsenkabel ProCom SIM ATECS AG euromicron NBG

POOLED KNOW-HOW OF THE EUROMICRON GROUP

THE AREAS OF EXPERTISE

AREAS OF EXPERTISE

EUROMICRON COMPONENTS
Development and production of components and product categories

EUROMICRON NETWORKS
Planning, design and implementation of network systems and solutions

EUROMICRON DISTRIBUTION
Consulting, distribution, sourcing and network services

EUROMICRON INTERNATIONAL SERVICES
Shared services for selected specialist fields

REPORT SEGMENTS

EUROMICRON NORTH

EUROMICRON SOUTH

EUROMICRON WAN SERVICES

- euromicron consists of euromicron AG and 26 companies at December 31, 2014
- The group pools the know-how of the companies across report segments within four areas of expertise

EUROMICRON NETWORKS

euromicron austria GmbH · euromicron systems GmbH · euromicron solutions GmbH · telent · avalan · RSR Datacom · ssm stark- und schwachstrom montage gmbh

EUROMICRON DISTRIBUTION

SKM SKYLINE · QUBIX

KEY FIGURES
GROUP

Key figures

	2014	2013 **
	€ m.	€ m.
Consolidated sales	**346.3**	**325.7**
Sales by division		
euromicron North	116.2	113.3
euromicron South	134.5	122.3
euromicron WAN services	107.9	102.2
Central services and Group consolidations	–12.3	–12.1
Sales by region		
Germany	293.3	287.6
Euro zone	31.3	27.4
Rest of World	21.1	10.7
EBIT (operating) *	**19.1**	**6.4**
Consolidated EBIT	**11.4**	**–0.2**
EBIT of the divisions		
euromicron North	10.3	10.0
euromicron South	2.3	–10.0
euromicron WAN services	6.5	6.4
Central services and Group consolidations	–7.6	–6.6
EBITDA	**21.1**	**8.7**
Consolidated net income/loss for shareholders of euromicron AG	**2.6**	**–6.5**
Net cash used in/provided by operating activities	–1.9	39.4
Net cash used in/provided by operating activities adjusted for factoring effects	1.9	–14.7
Adjusted weighted average number of shares issued (undiluted; in thousands)	7,176	7,176
Undiluted earnings per share (in €)	**0.36**	**–0.91**
Total assets	**287.44**	**316.5**
Equity ratio	**38.4 %**	**35.1 %**
Employees (number as an average for the year)	**1,784**	**1,741**

* Before holding costs
** Previous year's figures partly adjusted (corrections acc. to IAS 8)

euromicron

TUNED TO THE PULSE OF THE DIGITAL FUTURE

Increasing networking and digitization of all conceivable information are impacting how we work and live to a greater and greater extent. The basis for these rapid changes is powerful network infrastructures for data transmission. This supply central system will became the pacemaker for the future.

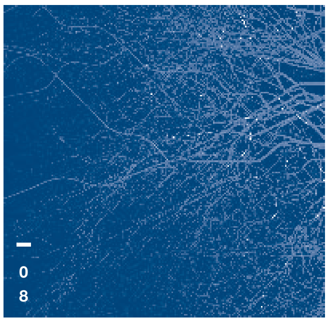
euromicron specializes in creating these network infrastructures. We are geared toward digital future topics relating to the Internet of Things. Our strategy is driven by innovation, efficiency and profitability. By making high-quality components, offering tailored system integration, creating high-performance means of data transmission and delivering powerful security systems, we help our customers be successful in their industries.

THE DIGITAL WORLD IS GROWING
READY FOR INNOVATION

We have chosen a new visual language for the 2014 Annual Report and our magazine: We depict structures and elements that are of key importance to the growth of organisms. The euromicron Group is a vital organism that constantly evolves. We have built a setup that enables us to address the requirements of our customers and markets, created space for even more innovation and further improved our Group's manageability and agility. We are fit for the future.

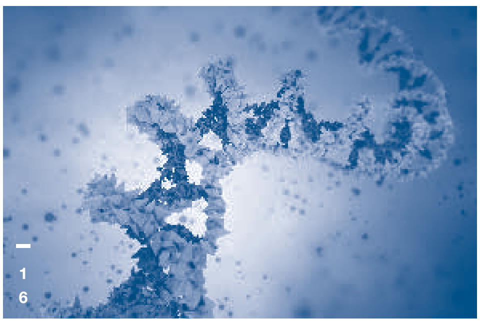
INTERVIEW WITH THE EXECUTIVE BOARD

FUTURE MARKETS

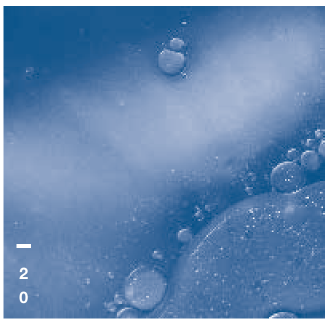


TECHNOLOGY

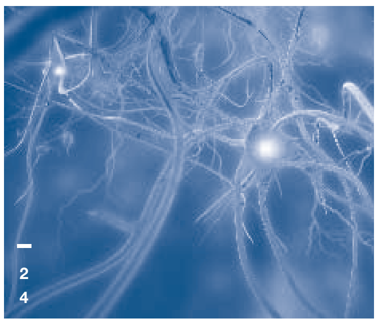
DIVERSITY



DEVELOPMENT



PEOPLE



01 FUTURE MARKETS

Secure, fast and stable data traffic is crucial in the strongly growing arena that is the Internet of Things (IoT) with Industry 4.0, big data, cloud computing or mobile Internet. The network infrastructure specialist euromicron plans, implements and maintains data networks that are already highly available and has all the expertise to gain a slice of future growth – not only in the strong German market, but internationally as well. PAGE 08

02 TECHNOLOGY

Thanks to its special expertise in fiber optics, euromicron has earned an extremely high reputation in important, highly profitable niche markets: With premium components in active and passive network technology and key technologies “made in Germany”. PAGE 12

03 DIVERSITY

euromicron has a diverse portfolio in terms of customers, sectors and technologies – and that reduces individual risks. From its own products to system solutions – euromicron is a full-line supplier when it comes to network infrastructures. Our companies achieve a great degree of vertical integration in the way they work together. We can benefit from this diversity. PAGE 16

04 DEVELOPMENT

Against a backdrop of increasing digitization, our company has made continuous advances over the past 15 years. We have grown steadily, have optimized our structures and acquired know-how and experts. Backed by that, we are well prepared to tackle all challenges that the rapid pace of technological change poses. PAGE 20

05 PEOPLE

Over the past years, the euromicron Group has united many specialists for important future technologies under its roof. We are sticking to that path: By strengthening our competences at all levels and tapping new know-how for future markets – including through training and further development and by learning together at the Group. As a result, our market- and solution-centric expertise is available to customers from all sectors. PAGE 24

INTERVIEW WITH THE EXECUTIVE BOARD

A STRATEGY FOR THE DIGITAL FUTURE

Bettina Meyer
Spokeswoman of the Executive Board

Jürgen Hansjosten
Member of the Executive Board

Bettina Meyer and Jürgen Hansjosten have been members of euromicron AG's Executive Board since March 31, 2015. They explain in an interview what steps they plan and know they aim to enhance euromicron's strategic development.

»Above all, security and constant availability of data will be crucial success factors. euromicron with its expertise can make a major contribution here.« **Bettina Meyer**

Mrs. Meyer, Mr. Hansjosten, you have been on euromicron AG's Executive Board since March 31, 2015. What persuaded you to take on this office in these eventful times?

BETTINA MEYER I've known euromicron for 15 years now and in that time have accompanied it in all its commercial phases – for a long time as an external legal advisor and then from 2014 on as the Head of the Legal Affairs department. When I was asked if I wanted to take on the job, I didn't have to think long. euromicron has competences that offer an excellent potential for the future in conjunction with the right strategy. And what's just as important: Our colleagues are simply great. So I'm really keen to shoulder this responsibility with Mr. Hansjosten and help euromicron move forward with everyone who works here.

JÜRGEN HANSJOSTEN Before I was appointed to the Executive Board along with Mrs. Meyer two months ago, I had been Managing Director of euromicron networks GmbH since 2013 and in this time have come to value the diversity within our company. Over the past two years we've already initiated a lot of steps to professionalize the company further. Our company has a healthy operational base. At the same time, there's a major shift in the market. We're currently experienced increasing digitization in almost all walks of life. With trends like the Internet of Things, Industry 4.0 or smart buildings, we've a target market that is just starting to grow. That's why I believe that I have one of the most interesting jobs in the industry as a member of euromicron AG's board. I'm very much looking forward to the upcoming tasks and challenges.

Mr. Hansjosten, you mentioned the Internet of Things, Industry 4.0 and smart buildings. You and Mrs. Meyer now aim to realign euromicron AG strategically. What's the reason behind that?

J. HANSJOSTEN I see it as a strategic focusing, an enhancement and honing of our strategic profile. Our target sectors are undergoing dynamic change. Digitization of processes poses new challenges for companies across all industries. Our customers mainly used to ask for individual communications infrastructures or individual solutions for building technology. Now that's different: Digitization of processes demands complex, end-to-end solutions so that the mostly autonomous technologies and infrastructures up to now can interact with each other. We have some of those solutions in our current portfolio and have also implemented them for customers, such as Deutsche Bahn.

B. MEYER Backed by our strong basic business, our strategic focus in future will be precisely on this trend: End-to-end solutions for small and medium-sized enterprises and large customers in the growth market of the Internet of Things. However, we'll not cater for all areas, but initially concentrate mainly on intelligent buildings

Bettina Meyer rates the competences of euromicron and its employees as excellent potential for the future.

and critical infrastructures. Both of them are already core markets of euromicron now. When we talk of critical infrastructures, we mean for instance networks of power utilities or traffic infrastructure projects. Our declared objective is a profitable growth model in a dynamic growth market. Our employees with their specialist know-how and great commitment will play a crucial part in helping us achieve that.

A profitable growth model – that sounds all well and good. But how do you want to achieve it?

J. HANSJOSTEN Unlike the previous sales-oriented strategy, our approach is clearly geared toward cash and earnings. In connection with the new strategic objective in the market of the Internet of Things, we'll examine our existing portfolio and align it accordingly by the end of 2015 and so create the foundation for synergies between our technology suppliers and system integrators. By doing that, we also aim to increase technological innovativeness within euromicron AG further. By increasingly offering innovative all-round solutions in addition to individual network components or services, we'll differentiate ourselves clearly and significantly from the competition. At the same time, we expect to generate attractive margins with these complex, end-to-end solutions in the coming years.

What part do company acquisitions play in this connection?

J. HANSJOSTEN We'll continue to examine whether to buy companies. We intend to expand our technology and solution portfolio with complementary expertise. The goal is to increase our competitiveness further with regard to the requirements in the IoT market. For example, interesting targets are small and medium-sized enterprises that have know-how in the field of cloud operation and services, industry software and physical security applications.

You've big plans. When do you expect to see the first visible successes?

B. MEYER Operationally speaking, I believe we're very well positioned with our broad and established customer base. The digitization of processes we address with our all-round solutions also affects our current customers. We aim to benefit from that. We expect a similar course of business operationally for the current year as in the one before. Our realignment toward the market segment Internet of Things means we have to keep on optimizing our structures, which will reduce our profitability in the current year.

J. HANSJOSTEN I'm certain that we're taking the right approach with the steps we've planned and will return euromicron to the path of profitable growth. After the structural measures have been completed, we expect from 2016 on to see a significant improvement in our profitability, leading to an EBITDA margin of 8% to 11% in the medium term.

Mrs. Meyer and Mr. Hansjosten, thank you for the interview.

» I'm certain that we're taking the right approach with the steps we've planned.«

Jürgen Hansjosten

Jürgen Hansjosten recognizes the major shift in the market toward digitization and the opportunities that means for euromicron.

FUTURE MARKETS

The booming markets of our age are characterized by growth of the Internet, digitization and networking of data. euromicron implements precisely the technical infrastructures required to transfer these enormous volumes of data. As a result, we support our customers in digitizing their processes. We lay the foundation for optimizing existing and establishing new business models.

Fiber-optic network infrastructures are the bloodstream of future markets. They supply our modern society, companies and industrial enterprises with the wide range of different information they need to grow.

50 BN

NETWORKED DEVICES

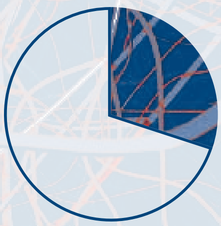
The number a scientific forecast predicts will exist worldwide in five years.

1.6

ZETTABYTES

The volume of global IP data traffic in 2018. The growth drivers are M2M technologies, mobility, cloud computing and video.

30 %



The current annual growth in investment in the Internet of Things (IoT) in Europe and North America.

€ **40** BN

is what German companies are investing in Industry 4.0.

3.1 %

of GDP = revenue in the German Internet industry.

NO. 1 AMONG IT PROJECTS

in Germany is the energy transition.

40 %

of German companies use cloud computing, more than 90 percent have a website.

2/3

of employees in Germany now have a digital workplace.

80 %

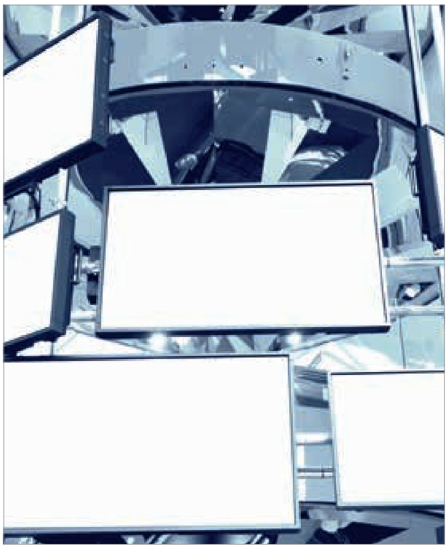
of the value chain worldwide is to have a high degree of digitization by 2020.

Investments of eight billion euros have been promised by the business community solely for broadband expansion for 2015. On top of that are government investment incentives so that regions that do yet have high-speed broadband access are linked to the web. **That is the dynamic environment in which euromicron is expanding its expertise and gearing itself strategically.**

List of references on page 176

FUTURE OVER IP
THE FOUNDATION IS THE NETWORK

IP – the Internet Protocol – is the universal code of our modern world: Everything that is networked and can be programmed can be addressed using IP. We use IP-based networks to send enormous quantities of data around the world, develop new business models or design entire security systems. euromicron is not only proficient in networks and infrastructure. As a specialist technology group, we supply the know-how that taps the potential of the available data for our customers.



Privus Manager® is a network management system developed by euromicron's subsidiary telent. It is used to control the communications infrastructure for operationally related applications, for example at power utilities or transportation companies. It is designed to cater for high availability, security and scalability requirements. Privus Manager® is based on an open architecture and supports leading-edge standards such as IPv6.

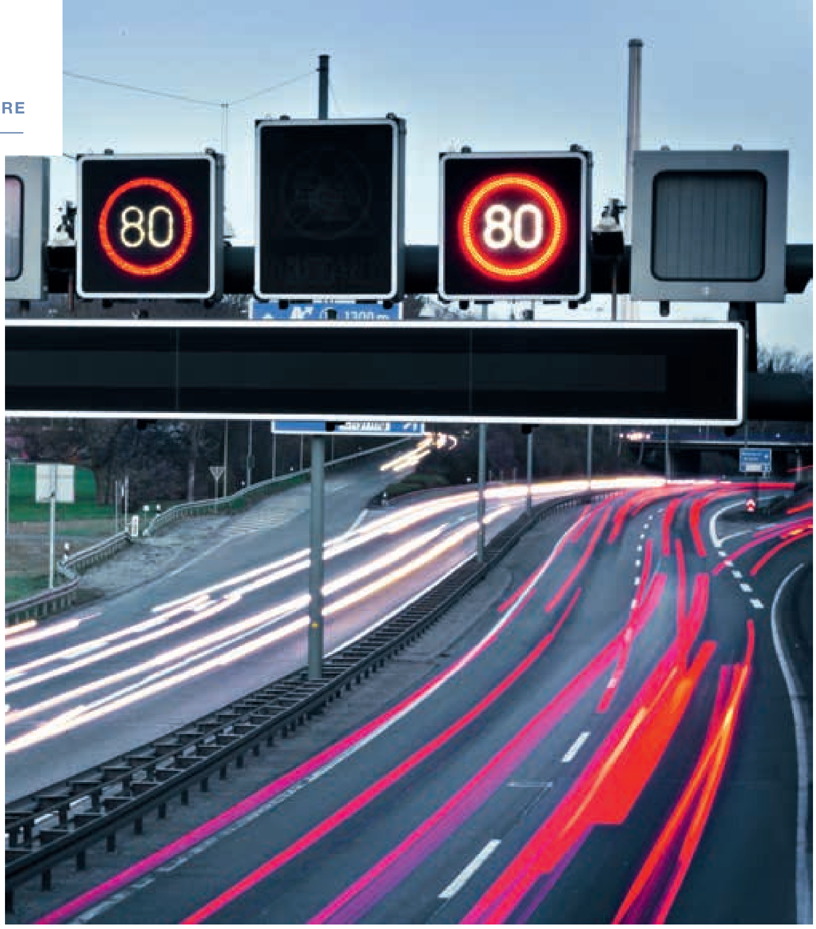
Is there an activity where we don't produce data? Hardly – and driving is definitely not one of them. Our security requirements are too high, not to mention the constantly growing volume of traffic. euromicron's subsidiary telent GmbH from Backnang was therefore tasked by the Lower Saxony State Authority for Road Construction and Transport to expand its broadband telecommunications network. The objective was to integrate 70 locations in the new telecommunication landscape.

Big data in Lower Saxony

The reason for the authority's major project was – once again – the explosive increase in relevant autobahn data. It is created as part of surveillance of road tunnels, additional use of the hard shoulder, emergency calls and traffic management technology – functions and services countless drivers depend on at any given time. Because it was foreseeable that the existing network technology would not be able to cope with the increasing data volumes, the traffic specialists sought a solution to integrate the existing technology, yet also ensure IP capability in future – the only way to transfer, handle and sensibly use the data that is amassed. That was quite a challenge for the network planners, given that the existing network consisted of different physical transmission links (fiber optics and copper) that had to be combined under one roof so as to deliver high performance.

Security has priority

The powerful MPLS (Multi-Protocol Label Switching) technology is used to expand the multimedia network. MPLS combines the high availability and flexibility of IP networks with the security of time division multiplexing (TDM) transmission technology, The MPLS network is being implemented for the Lower Saxony State Authority using innovative, latest-generation equipment. Privus Manager®, which



Growing security requirements in the transport sector demand maximum availability in data transfer.

has been developed by telent, is used as the network management system. It integrates different technologies, is open for further network elements and is very efficient thanks to cross-technology monitoring. The system's redundant design ensures maximum security. It is managed from various locations.

Apart from the best technical solution, the euromicron team has also come up with an especially cost-effective one for the public authority. Previous investments have been protected lastingly by migration of the network's existing components in a joint system. At the same time, the MPLS solution leverages the far more economical means of transmission for the deluge of data that can be expected in future. And that deluge will come – the experts are in no doubt about that. Traffic information at every section of the route is urgently needed to that traffic flows can be managed more and more intelligently. One thing is for sure: Data will flow freely in Lower Saxony in future.

THE POTENTIALS

Internet of Things, Industry 4.0, big data, cloud computing – these buzzwords are part of euromicron's daily business. The easy way in which machines, devices and many everyday objects can be controlled is changing how we think and act. For that, we need new technologies and skills. euromicron has systematically built up the know-how for that over many years. The lead it now enjoys has proven its value.

Learn more about network management systems such as the Privus Manager® from euromicron's subsidiary telent GmbH.

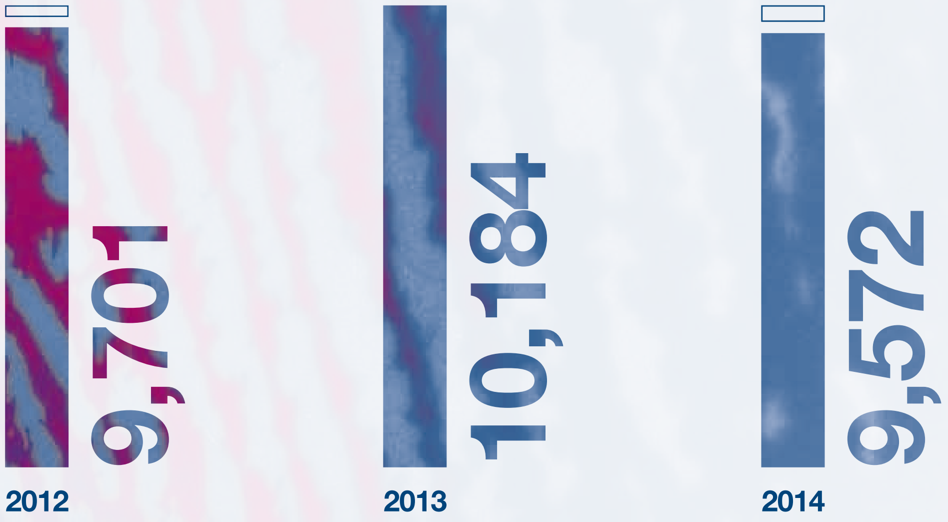
TECHNOLOGY

euromicron has continuously specialized in powerful network infrastructures. Our production companies make a crucial contribution to that with cutting-edge, secure and intelligent products and solutions. We are close to the customer and the technology leader in our vibrant markets: A lead that secures our future.

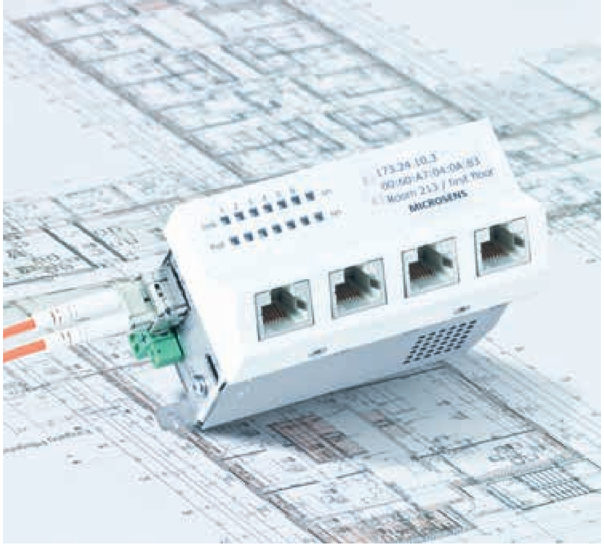
We leave our mark in our markets. Characterized by customer orientation, technological excellence and innovative strength, we develop technologically leading products and services that help our customers advance to the digital future.

CAPITALIZED DEVELOPMENT COSTS

IN € THOUSAND



Development costs are incurred by euromicron in particular at its production companies, which continuously invest in product innovations. Fine examples are the laboratory for Industry 4.0 applications at ELABO or the intelligent switches from MICROSENS. Development costs are a reflection of and bolster the innovative strength of our company.



The installation switch from MICROSENS is a Gigabit switch with a fiber-optic connection that delivers top performance directly to the workplace in the form of diverse applications.

WHEN SWITCHES LEARN TO THINK

EUROMICRON SUBSIDIARY MICROSENS IMPRESSES WITH NEW DEVELOPMENT

Anyone with the courage to venture something new and gear ideas to market requirements is excellently equipped to lead the way technologically. euromicron's subsidiary MICROSENS is renowned for its high-quality technical solutions in the field of active network technology: Imaginative products for sophisticated applications that are the measure of things in their respective markets. MICROSENS' engineers have created a masterpiece with their intelligent switches.

Actually, a switch is – sorry: was – a simple data distributor – a sort of point at the network node that directs data packages on the right route so that they reach their recipient securely. But now there's a switch that can do far more: Save energy, prevent theft, turn on the computer or heating, select suitable lighting for the workplace – or even make coffee. That's because euromicron's subsidiary MICROSENS has taught its new switch generation how to think. "The step was basically an obvious one," is how the technical Manager Hannes Bauer sums up how the idea was hit upon. "Switches are programmed anyway, so why should they only be used to distribute data?" So that the distribution function is executed neatly, every traditional switch contains a sort of powerful mini-computer. "That's where we directed our efforts and assigned the switch new tasks at the application level. Thanks to a script language we've developed, end users can program applications for all the devices integrated in the network. One simple example: When employees clock in at the company in the morning using their smart card, the computer is booted at their desk, the blinds are raised and adequate lighting is set depending on the ambient brightness. "That soon pays off, if only because of the possibility of cutting costs through energy management," states Hannes Bauer.

Unlimited possibilities

Intelligent switches open up a whole new world of opportunities for smart office applications or in relation to the subject of Industry 4.0. "However, that wasn't all we wanted to do for our customers," says the Technical Manager to describe the more far-reaching concept. "That's why we're developing ready-made apps alongside the programming language." From a smart means of preventing devices being stolen to controlling the heating or air-conditioning system, from activating individual machines to automated test processes – MICROSENS now offers numerous ready-to-use applications.

The MICROSENS development team worked around three years on the new generation and finally designed a completely new product. “We freed ourselves from old constraints and thought up something new,” says Hannes Bauer enthusiastically. “That was a risk but now we’re reaping the harvest.” That’s because the response from customers is excellent: Not only the almost unlimited possibilities, but also the outstanding security features are persuasive arguments. The decentralized concept – one of the key issues in development work – creates security; central access is nevertheless possible. It’s a bit like as if the circle has been squared.

Touchdown in the future

As enthusiastic as MICROSENS’ engineers are about what they’ve developed, they’re not making much of a secret about it. The goal was to develop an open system that meets the market’s requirements and can be integrated into existing equipment. “Other major manufacturers are also working on intelligent switches – but our separation between the hardware and the application level is a special feature. That frees us from technical hardware constraints and enables us to create software-controlled connections between locations that are not connected in real terms,” states Hannes Bauer.

Developing products that meet market needs in dialog with customers – perhaps that’s one of the key criterion for becoming a technology leader. One added advantage for MICROSENS: Its in-depth production know-how at its own site in Germany. “We offer standard solutions that can be enhanced to suit the customer’s specific needs,” is how Hannes Bauer describes the guiding principle. That is – sorry: that will remain – the philosophy behind the company’s success.

TECHNOLOGY

Thanks to our experience from many, very diverse projects under the roof of the euromicron Group, we know the direction in which the market and requirements are headed. In particular in niche segments, we already have answers to tomorrow’s questions thanks to our specialist know-how. We deliver the technology for future scenarios and innovative ideas for the office or industry – with open interfaces, applications that address market requirements and investment-proof infrastructure.

The MICROSENS micro-switch is a local control center for building automation that enables individually tailored supply of, for example, light, heating or air-conditioning at a workplace. That permits ideal resource management and lower power consumption.

EUROMICRON HANDELS AROUND

5,000 PROJECTS A YEAR

With more than

1,000

different products for active and passive network technology, we offer our customers a wide range of solutions.

With **7** TARGET SECTORS

we focus on health-care, security, industry, transportation, energy & supply, public authorities & administration agencies, banks & insurance companies.

40

LOCATIONS IN 10 COUNTRIES

give euromicron an international footprint.

DIVERSITY

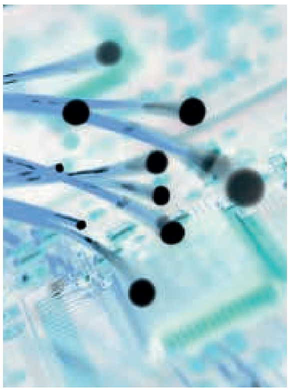
Technology suppliers, distribution and system houses under one roof: From data transmission, system solutions to our own products – euromicron offers a full-line portfolio for innovative communications infrastructures. As a result, we achieve an exceptional degree of vertical integration for our industry and are a one-stop shop for complex projects for our customers.

Diversity breeds uniqueness. Uniqueness engenders diversity. With a great degree of vertical integration and broad product and solution portfolio, we have all the abilities required to tackle complex tasks.

BENEFITING FROM DIVERSITY. LEVERAGING SYNERGIES.

The whole is more than the sum of all its parts. And that is especially obvious when euromicron's sister companies from different divisions work together on a project. From the production company to the system integrator, the network expert to the niche provider. Perfect interplay and complementary know-how prove to be superior qualities, in particular in complex, time-critical tasks. The team from euromicron systems together with the fiber-optic specialist LWL-Sachsenkabel are leveraging the group's pooled expertise to great effect for the MDR broadcasting company.

The patch cables are precision work "made in Germany". This highly adaptive solution offers exactly the flexibility broadcasting companies need.



Anyone in the TV business knows that the program sequence is precisely timed, minute by minute. Nothing must go wrong, since countless thousands of eyes are watching on their TV set at home at every time of the day or night: Critical eyes that are used to the very highest technical quality. That's also the case at the MDR. In order to be able to offer its viewers an HD experience, i.e. high-definition television, the broadcaster decided in 2010 to modernize its entire passive information and communications network structure. That required conversion to a high-performance fiber-optic network with a large bandwidth – the only sensible means of transporting gigantic volumes of data for maximum resolutions.

Precision work "made in Germany"

The ssm team of euromicron systems in Zwenkau was tasked with converting the network to fiber optics. It not only boasts in-depth know-how and a lot of experience in the field of passive network components, but also in planning and implementing complex fiber-optic network infrastructures. It was precisely that expertise that proved to be valuable. Not only because euromicron systems did the job smoothly and on time: To ensure the very best transmission quality and minimum attenuation values, the people from Zwenkau enlisted the assistance of their sister company LWL-Sachsenkabel from the euromicron Group. LWL-Sachsenkabel produces high-quality patch cables "made in Germany", assembled made-to-

DIVERSITY

The products from our technology suppliers enrich the solution portfolio of our system houses. We offer our many customers from a wide range of different sectors precisely the value-added solutions they need to be successful.

Reliable data transfer now plays a key role in live programs, such as the news or talk shows. What counts is the quality of transmission and availability.

measure, on time and carefully – even when speed is of the essence. As is the case in television: Measurement, splicing and installation work was carried out at defined times of the day, without any disruption to operations whatsoever, and all work steps were coordinated to a tee. “That’s something we can do very successfully with a sister company,” says the project manager at euromicron systems in praise of the working relationship. “Short lines and a lot of trust – that means efficiency all the way for our customers.” A valuable aspect of the collaboration is also the clearly defined channel between the customer and its supplier: Only one contact person for all disciplines – a set-up that makes cooperation easy and avoids friction at the interfaces, especially in complex projects. “The result is impressive: The bandwidth has been increased five-fold,” says the Project Manager. “There’s no competitor at the moment who could deliver anything near what we can from a single source.”

Smooth work in the background

What viewers experience as a perfectly designed, almost real world is enabled by a lot of complex technology. That’s why converting studios or new broadcasting layouts at the MDR still require a lot of dedicated effort. Cables are laid or added and must not be seen, connections are changed, security features enhanced, WLAN links must function in top quality in every corner of the studio. These technical challenges must not impact broadcasting operations or live programs. That’s why euromicron with its pooled expertise remains on hand to help the broadcaster in technological matters like an invisible little helper in the background.

The data rate denotes the quantity of digital data
that is transferred over a transmission channel
in a defined unit of time. It is increasing at a meteoric pace:

Up to
56
KBIT/S

was what modems managed back at
the beginnings of the Internet.

144
KBIT/S

is what a basic ISDN connection could transfer.
The data rates have since soared.

100
MBIT/S

is enabled by VDSL.

1 **GBIT/S**

FTTH – fiber-to-the-home.

107
GBIT/S

Fiber-optic cables without
frequency division multiplex
(record over a route of 160 km)

DEVELOP-MENT

What will the digital future demand of us? What data quantities will we need to transfer in future? What technologies will still be of use to our customers tomorrow? What structures do we need to develop successfully? How do we create the right setup for our target markets? We have built euromicron on the basis of these questions for 15 years. We have grown its revenue from 30 to 346 million and continuously developed into a successful technology group.

Development needs substance: On the back of optimized structures, we are a pacemaker in state-of-the-art technologies and ensure our group stays efficient, innovative and profitable.

TRUST IN THE FUTURE

KNOW-HOW IN DEVELOPMENT

Development is often measured in numbers: Greater technical data or revenue and profit. However, it is driven by companies, people and technologies, competence, bold decisions and commitment. euromicron systems in Hanover-Langenhagen is one of the germ cells in the history of euromicron's development. A success story under the roof of the technology group.

It all started in 1999. At that time – the packet-switching Internet Protocol IPv6 was just in its pilot phase and Web 2.0 had not even seen the light of day – euromicron AG acquired a small unit from a large telecommunication group: A team of niche specialists for cabling and active network technology. The direction was clearly staked out. "Even though euromicron systems in Hanover-Langenhagen had a pretty narrow focus to begin with, we developed in tandem with the meteoric growth of the Internet and large number of new applications and possibilities," recalls Matthias Wolff, one of the two heads of euromicron systems' Langenhagen branch office. "Whenever a technology takes a leap into the IP world, it's a growth driver for us." In 2005, the company generated sales of €18 million with around 90 employees. "Now we're at around €30 million, i.e. pretty much where the whole euromicron Group started off from in its core business in the year 2000. In addition, we can cater for all the group's subject areas from a single source."

Whether fire prevention, locking systems, video surveillance or access control – security concepts from euromicron are individually tailored and offer effective, state-of-the-art protection.

Partner for complex systems

And there's quite a number of them. Whether security, communications, broadband or data networks – euromicron is proficient in all of them, delivering IP-based, convergent and intelligent solutions. "We not only install structured data cabling in buildings along with switches, routers, WLAN and everything that goes with that," explains Karl-Josef Hackmann, who is the second head of the Hanover branch office. "We're just as proficient in fire alarm systems, access systems, video surveillance or telephony. We plan, manage and implement projects and contribute in-depth product know-how, expert knowledge, service and maintenance and almost two decades of experience in installation. We're also offering our customers more and more services. That's because IP systems are

DEVELOPMENT

The technology group euromicron is home to companies and specialist know-how that complement and enrich each other. Together, they form a cutting-edge technology group that has a unique position in the market. We adapt to technology-driven changes: Internet, smartphone, tablet & co. have already revolutionized our life and that revolution will continue with Industry 4.0 and smart solutions. We'll tap the potential from this trend thanks to our efficiency and innovativeness.

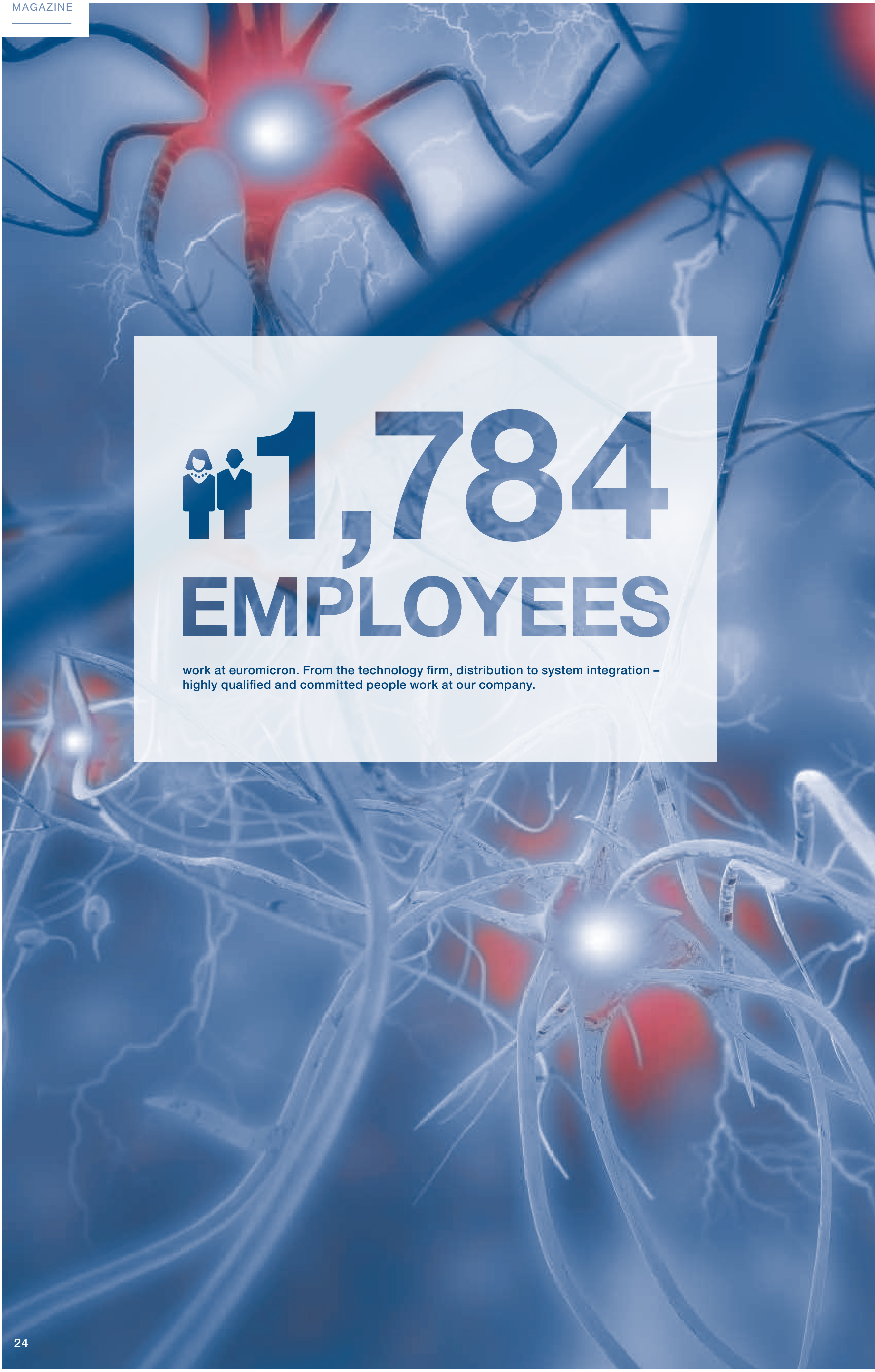
Specialist know-how in the field of active network technology and cabling is needed for powerful network infrastructures of all sizes.

now so complex and multifunctional that most customers need support in configuring them."

The recurrent upshot of that is a genuine win-win situation under the roof of the euromicron Group: The constant addition of new companies, often with highly specialized technologies, gives the technicians of euromicron systems the opportunity to expand their expertise in other innovative areas of their disciplines. Conversely, this concentrated know-how is becoming a key quality for the entire group. The euromicron systems branch office in Hanover is, for example, the "Physical Security" Competence Center for the group and so the expert for everything to do with security systems. Video technologies and sensor systems are the focus of a broad portfolio that even meets the requirements of law-enforcing authorities. "We identify throughout the group the projects that are related to security solutions and offer colleagues at our sister companies our know-how," is how Matthias Wolff explains the model. "The projects benefit from the depth of our know-how and detailed knowledge."

New solutions for new requirements

From the kindergarten to the global automobile manufacturer or Deutsche Bahn – euromicron systems has a broad panoply of customers and handles orders with volumes of up to six million euros. Karl-Josef Hackmann knows: "We can only manage the very big projects because we're backed by a financially strong group – that's really important. The growth we're experiencing would hardly have been possible if we were a company on our own." Wolff and Hackmann both admire their team and are inspired by their work. The tasks, challenges and technology are wide-ranging. "Something new really does happen every day. We always at the vanguard technologically and the job is exciting," says a happy Karl-Josef Hackmann. "We keep on building our know-how and so can actively offer our customers new solutions that are of interest to them in terms of technology and the benefits they entail. And so we continue to grow, as well."



1,784 EMPLOYEES

work at euromicron. From the technology firm, distribution to system integration – highly qualified and committed people work at our company.

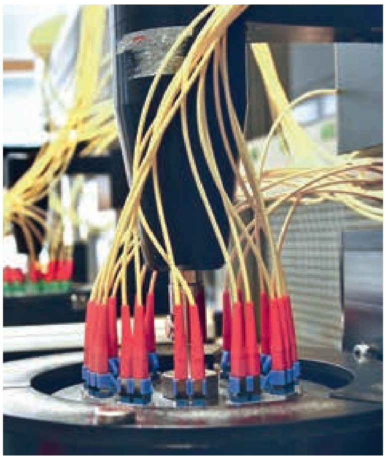
PEOPLE

Whether know-how, innovative strength or customer orientation – our group is only as good as its employees. In the 15 successful years of our company's history, we have brought together commitment, talent and expertise under our roof.

Competence, commitment and customer orientation are combined in the brains of our employees.

RICH OPPORTUNITIES COMMITTED TO SUCCESS

Anyone with ideas and wishing to shoulder responsibility is in precisely the right place at a medium-sized technology group. They have great chances to grow along with their tasks, scale the career ladder and help shape the company's fate with technical and organizational ideas. That makes the job demanding, yet also diverse and exciting. That's part of everyday work at euromicron's subsidiary LWL-Sachsenkabel. The company has won over customers not only on account of its great agility and rapid delivery, but also with its precisely tailored solutions as part of special orders.



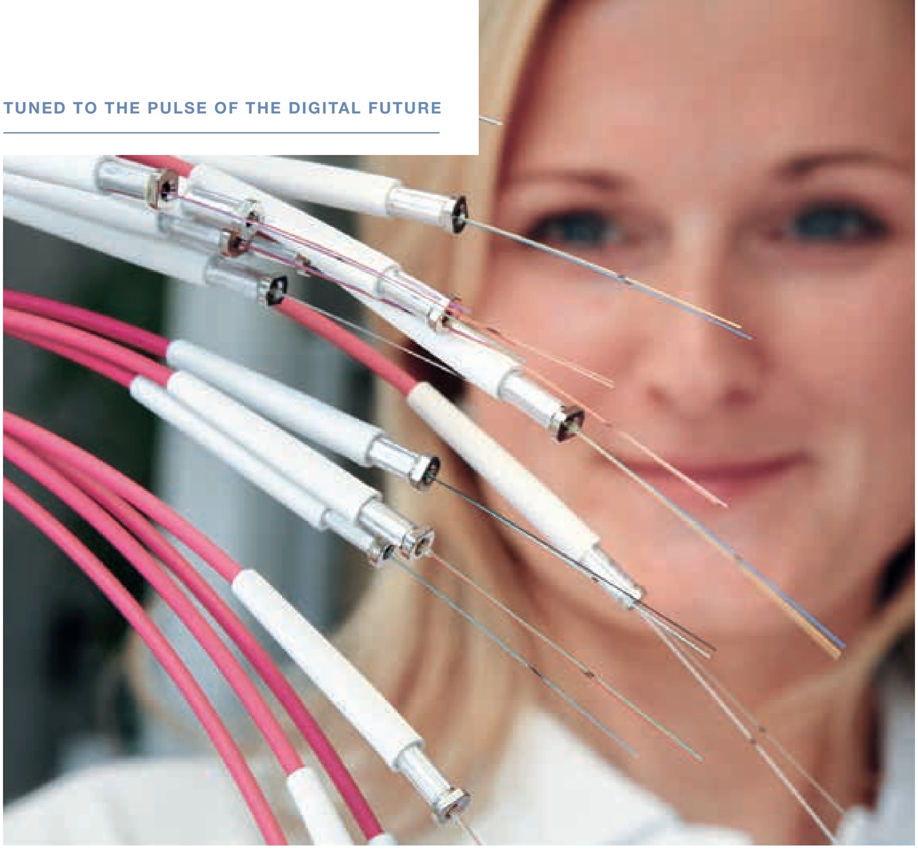
The application areas for fiber-optic technology continue to grow. And our employees' know-how has to keep on growing to match that.

Fiber-optic cables come from China or Korea. Unless they are not standard mass commodities, but specially assembled cabling with high-quality connectors. Because it comes from the Erzgebirge, from LWL-Sachsenkabel. Often in tandem with products from its sister company EUROMICRON Werkzeuge. And if it's needed in small quantities and for special purposes – that's no problem, either. Because LWL-Sachsenkabel is unsurpassed when it comes to making perfectly assembled fiber-optic cables for demanding applications flexibly, quickly and punctually – with the very highest commitment when it counts. And that's often the case: LWL-Sachsenkabel is growing continuously. From three employees at the outset, there are now more than 100 permanent employees in production alone.

LWL-Sachsenkabel has been part of the euromicron Group since the beginning of 1998. "It's a great help to have a strong group behind us in handling large orders," is how Managing Director Silvia Duus emphasizes the advantages of belonging to euromicron. "Our customers attach importance to a financially strong partner."

Shouldering responsibility advances your career

Silvia Duus knows the founders of LWL-Sachsenkabel from the start of her working life, when she was responsible for experimental production in the development department for fiber-optic connectors of a large industrial enterprise. "I like challenging tasks and am happy to shoulder responsibility," explains the physicist – and that trait runs like a leitmotif through her career. She always sought new challenges and headed a material testing laboratory and even a municipal authority. "euromicron approached me in 2011," says the Managing Director. "Testing of a type sample required very extensive support and I accepted." She advanced to become technical manager and finally – thanks to the additional qualifications she gained in business administration – was finally appointed one of the two Managing Directors.



We build qualifications and strengthen potentials with intensive further training for sales trainees and certification for employees. That means we create career opportunities.

Demanding tasks welcome

Since then, LWL-Sachsenkabel has developed into one of the leading fiber optic assemblers in Germany. The company has customers nationwide and internationally – also because it is able to fulfill special requirements through technical further development of the products. Its customers include companies from the euromicron Group. "We seek synergies with our sister companies and benefit from our mutual strengths. We can often help them in complicated tasks," explains Silvia Duus, who enjoys complex challenges. "If a customer has a problem and we can deliver the solution, that's always a highlight," she enthuses. "Then you really show what you can do."

Commitment that's infectious

Maybe what makes LWL-Sachsenkabel so special is that it handles everyday tasks with a lot of commitment. The company stands for constantly reliable work and stable business relationships. The experience Silvia Duus has gained over the past 14 years helps as well. She is well-known for her expertise and for her business creed of building long-term relationships in her industry and among partners and suppliers. The same goes inside the company: "We have virtually no staff fluctuation, know each other well and nurture a spirit of openness. That means we stick together," states the Managing Director. "For example, when duty calls out of the blue and an out-of-the-ordinary job has to be tackled: We know we can then rely fully on our workforce. Our customers feel and value this commitment."

THE PEOPLE

Any organization is only as good as the people who imbue it with commitment, know-how and creativity. At the euromicron Group, we have adapted the qualification structure with the future in mind. Our personnel development activities systematically lay the crucial foundations for qualification and career opportunities for our employees. And we also have a good reputation as a company that offers training: Many of our trainees repeatedly obtain excellent results in their exams, capture awards and gain qualifications for further tasks.

EUROMICRON 2014
INTERNATIONAL PRESENCE

We seize our opportunities on international markets and avoid incalculable risks. As a result, we are growing continuously into new, global tasks and assignments.

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FOREWORD BY THE EXECUTIVE BOARD FISCAL YEAR 2014

DEAR SHAREHOLDERS,
DEAR READERS,

We achieved our operational goals in 2014. Total consolidated sales were €346.3 million, 6.3% up on the previous year's figure of €325.7 million. On the back of the highest sales in the company's history, we posted consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of €21.1 million (previous year: €8.7 million). The EBITDA margin was 6.1%, meaning the Group's profitability was within the target corridor of between 6% and 8%. The Group's operating income (EBIT before holding costs) was €19.1 million (previous year: €6.4 million).

The figures for 2014 show that our basic business is solid and is able to withstand market fluctuations and constant technological change in the market. Our target markets are characterized by increasing process digitization – a trend that increased sharply in dynamism in 2014 and impacts our customers across all sectors. Some of the key topics in this regard include the Internet of Things, Industry 4.0 or smart buildings.

In 2014, we developed innovative products and implemented many outstanding projects for customers. For example, our subsidiary ELABO has applied Industry 4.0 to production in the small and medium-sized sector. All subsystems in the production chain are monitored by a common control center and all data is pooled and processed further – with this smart factory, we are making a major contribution to securing the global competitiveness of SMEs. In addition, we developed more state-of-the-art control station platforms for Deutsche Bahn's central stations in Leipzig and Munich. Communications and security technology from euromicron's subsidiary telent GmbH enable what is happening at the stations to be monitored centrally, thus increasing the safety of visitors and passengers.

At the same time, we professionalized our internal structures further in order to rule out errors such as occurred in 2012 and 2013 in future.

Dr. Willibald Späth resigned as Chairman of the Executive Board at the end of March 2015. Thomas Hoffmann also left the company after six years as a member of the Executive Board. We would like to thank Dr. Späth and Mr. Hoffmann for their achievements.

As the new members of the Executive Board of euromicron AG, we will now realign the company strategically. The key drivers in that will be innovation and efficiency. Our prime objective is a profitable growth model in a dynamic market. We feel sure that we can help euromicron make lasting advances by implementing our strategy. The foundation for that is a considerably improved differentiation on the market, backed by technical innovations and end-to-end solutions in the "Internet of Things" arena. However, the most important pillar in this strategic realignment is our employees, who support us and help the group move forward with their know-how and commitment.

Dear shareholders and capital market participants, we thank you for your trust in this exciting phase of our company's development. We would be delighted if you were to accompany euromicron AG on its path in future – and always tuned to the pulse of the digital future.

Bettina Meyer
Spokeswoman of the Executive Board

Jürgen Hansjosten
Member of the Executive Board

REPORT OF THE SUPERVISORY BOARD 2014

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

DEAR SHAREHOLDERS,

The Supervisory Board of euromicron AG once again discharged the tasks incumbent on it under the law, the Articles of Association, its bylaws and the corporate governance principles in the past fiscal year 2014.

Cooperation of the Executive Board and Supervisory Board

The Supervisory Board continuously monitored the Executive Board in running business. In this regard, the Executive Board met its obligations to provide information and regularly, promptly and comprehensively informed the Supervisory Board in writing and orally about matters of relevance to the company and Group relating to strategy, planning, development of business, the risk situation and risk management at the company. It also provided reports on compliance and any deviations in business development from the original planning and important business transactions of the company and its subsidiaries.

The company's business development was discussed and reviewed on the basis of the Executive Board's reporting at every meeting of the Supervisory Board. In addition, the Supervisory Board obtained additional information from the Executive Board upon request. All information from the Executive Board was examined for plausibility, critically appraised and queried by the Supervisory Board. The members of the Supervisory Board had the opportunity to take a critical look at the reports by the Executive Board and contribute their own suggestions. The business transactions and measures that are of fundamental importance to the company and for which the Executive Board therefore requires the consent of the Supervisory Board pursuant to the bylaws were discussed by the Supervisory Board with the Executive Board and examined in detail by it. The Supervisory Board consented to each of the submitted business transactions and measures. In addition, the half-yearly and quarterly financial reporting was discussed with the Executive Board.

Focus of deliberations in 2014

The Supervisory Board, which consists of three members and so has not formed any committees, convened five meetings in fiscal 2014 on March 28, May 13, September 9, November 12 and December 9, 2014, at which it discussed the company's planning, economic situation and strategic development, as well as the progress made in implementing the integration measures at the Group, in the presence of the Executive Board. In addition, the Supervisory Board convened for two other meetings on May 21 and on October 13, 2014. All members of the Supervisory Board took part in each of these meetings. Mr. Ortolf did not take part in the meeting on November 12, 2014.

The focal subjects of the Supervisory Board meetings included the following:

- Adoption of the corporate planning and capital spending budget for the fiscal year 2014
- Acquisition policy and integration process
- Development of the Agenda 500
- Human resources policy and personnel development
- Data protection and security
- The Group's financing structure and rating
- IT security at the Group
- Organizational development and strategy beyond 2015
- Risk management and the internal control system of the company
- Compliance activities and organization

We satisfied ourselves that the Executive Board managed the company's business carefully in the past fiscal year and took necessary measures in good time. The Supervisory Board supports the existing compliance organization of the Executive Board and in particular the "e-learning" programs on the subject of the Code of Conduct and data protection for the entire Group. In addition, we were regularly given reports on risk management and risk controlling at the Group. One focus was to examine whether the risk management system was up-to-date and adequate.

The efficiency of the Supervisory Board's work and decision-making processes was regularly evaluated and optimized.

Corrections to earlier consolidated financial statements in accordance with IAS 8

Mistakes relating to accounting for individual projects in fiscal years 2012 and 2013 were noticed in connection with preparation of the IFRS consolidated financial statements for 2014. This was publicized in the ad-hoc announcement on March 23, 2015.

After the mistakes had been discovered, the Supervisory Board and Executive Board instigated a thorough examination of the projects in question and their measurement and accounting by the specialist departments. That revealed the concrete extent of the mistakes and, in every single case, the reason for the mistake. They involved in particular costing mistakes, incorrect measurements, a lack of follow-up costs in project cost calculations and incorrect management of subsequent requests. The mistakes are confined to fiscal years 2012 and 2013 and a total of 25 projects. These findings were also confirmed by the results of the special audit procedures conducted by the independent auditor. Due to the large number of projects handled by the companies in the euromicron Group, the projects were examined on the basis of random sampling. This did not reveal any further mistakes in project accounting and measurement.

Given the results of the examinations by the independent auditor and internal specialist departments, the Supervisory Board is convinced that the company's corporate and process structures are suitable to rule out such mistakes in the future. That is backed up by the fact that no mistakes occurred in projects from fiscal year 2014. The relevant measures include in particular professionalized project controlling, training and a certification program for project managers and hiring of specially trained project controllers, project business administrators and construction managers.

The mistakes were corrected without any effect on income in the 2014 consolidated financial statements in accordance with IAS 8, resulting in a corresponding reduction in equity in the IFRS consolidated financial statements. The corrections had to be made on a current account basis in the single-entity HGB financial statements.

The internal investigations as to how the mistakes were able to occur are still ongoing. The results will be examined in detail by the Supervisory Board once the investigations have been concluded. The 2015 Ordinary General Meeting will be given a report on the status of the internal investigations.

Corporate governance

The latest version of the German Corporate Governance Code, the amendments to it published on September 30, 2014, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 9, 2014. Due to the above-mentioned correction of mistakes, the Supervisory Board dealt with the requirements of the Corporate Governance Code in its meeting on April 15, 2015, and again on May 11, 2015.

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the "German Corporate Governance Code" (DCGK) and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law (AktG). The declarations on conformance are available at all times on the company's Internet site.

Independent auditor

The independent auditor elected for the company and the Group by the 2014 General Meeting for fiscal year 2014 is PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main.

Annual financial statements of euromicron AG and the group

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, which was appointed as auditor of the financial statements for fiscal year 2014 by the Ordinary General Meeting in 2014, audited the annual financial statements for fiscal year 2014, which were prepared by the Executive Board in compliance with the rules of the German Commercial Code (HGB), and the management report. The auditor issued an unqualified audit opinion for them. The consolidated financial statements of euromicron AG for the fiscal year 2014 and the group management report were prepared in accordance with Section 315a HGB on the basis of International Financial Reporting Standards (IFRS), as are applicable in the European Union. The consolidated financial statements and group management report for the past fiscal year were also issued with an unqualified audit opinion.

As part of rectifying the above-mentioned mistakes for the fiscal years 2012 and 2013, euromicron AG drew up comprehensive and detailed documentation for each matter to be corrected as part of the 2014 consolidated financial statements in cooperation with the affected subsidiaries and in accordance with international accounting principles. This documentation was validated and approved by the independent auditor. The preparation, coordination and multi-level approval processes required for that ultimately took more time than expected, with the result that the balance sheet meeting had to be postponed to May 27, 2015.

The financial statement documents and audit reports for euromicron AG and the Group were available to the Supervisory Board in good time before the balance sheet meeting on May 27, 2015. 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 May 27, 2015, 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. There were no objections to this report.

In its meeting on May 27, 2015, the Supervisory Board therefore gave its consent to the result of the audit by the independent auditor and the annual financial statements of euromicron AG prepared by the Executive Board and the group management report. The annual and consolidated financial statements of euromicron AG were thus approved.

Composition of the boards

There were no changes to the composition of the Executive Board or Supervisory Board in fiscal year 2014. 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.

Chairman of the Executive Board Dr. Willibald Späth resigned on March 23, 2015. On March 31, 2015, the Supervisory Board appointed Ms. Bettina Meyer and Mr. Jürgen Hansjosten as further members of the Executive Board. Ms. Meyer was appointed as Spokeswoman of the Executive Board. On May 8, 2015, Thomas Hoffmann resigned as a member of the Executive Board.

Thanks

The Supervisory Board wishes to express its thanks to all employees of the euromicron Group for their personal commitment and achievements in fiscal 2014. With their great dedication, all of them contributed to euromicron's stable performance.

Frankfurt am Main, May, 27, 2015
The Supervisory Board

Dr. Franz-Stephan von Gronau
The Supervisory Board

CORPORATE GOVERNANCE

1. Corporate Governance Report

euromicron Aktiengesellschaft communication & control technology (also referred to in the following as “euromicron AG”), a listed German stock corporation, is governed in particular by stock corporation, capital market and other statutory regulations in Germany, the company’s Articles of Association and recommendations of the German Corporate Governance Code (also referred to in the following as “Code” or “GCGK”) and internal company stipulations.

On the balance sheet date December 31, 2014, euromicron AG complied with the currently applicable recommendations of the Code in the version dated June 24, 2014, apart from four justified exceptions. The Executive Board and Supervisory Board of euromicron AG have dealt in detail with compliance with the Code’s stipulations and existing deviations and the reasons for them. On the basis of these discussions, the annual declaration on conformance for the year 2014, including the reasons for the deviations from the Code, was adopted on December 9, 2014. This document has been published on our Internet site and can be found in the section “Corporate governance declaration in accordance with Section 289a HGB (German Commercial Code)” on page 40 et seq.

Due to the delays in publishing the consolidated financial statements of euromicron AG for the fiscal year 2014 and the first quarterly report for 2015, the deadlines recommended in Section 7.1.2 Sentence 4 DCGK – 90 days after the end of the fiscal year and 45 days after the end of the period under review – could not be observed. The Executive Board and Supervisory Board therefore adopted updated declarations on conformance, which are available at all times on the company’s Internet site, on April 15, 2015 (with regard to publication of the consolidated financial statements) and on May 11, 2015 (with regard to publication of the first quarterly report for 2015).

1.1 Composition and workings of the Executive Board and Supervisory Board

In compliance with the requirements of the German Stock Corporation Law (AktG), euromicron AG has a dual management system under which the Executive Board is tasked with managing the company and the Supervisory Board with advising and overseeing the Executive Board.

1.1.1 The Supervisory Board

In accordance with Section 95 of the German Stock Corporation Law (AktG) and Section 8 (1) of the Articles of Association of euromicron AG, the Supervisory Board consists of three members and is currently made up solely of shareholder representatives in accordance with Section 96 of the German Stock Corporation Law (AktG). The German Act on the Codetermination of Employees (MitBestG) and Act on One-Third Participation do not apply to the composition of euromicron AG’s Supervisory Board.

The regular term of office of the current members of the Supervisory Board expires at the end of the General Meeting that decides on discharge of the Supervisory Board members for fiscal year 2015 (the General Meeting in 2016).

The composition of the Supervisory Board did not change in 2014. The composition of the Supervisory Board corresponds (with the exception of representation of women) to the following general requirements and concrete objectives for its composition. These take into account the Code's recommendations and, since the resolution adopted by the Supervisory Board in May 2012, are as follows:

- General requirements for members of the Supervisory Board
  Every member of the Supervisory Board must fulfill the requirements defined by the law and Articles of Association to become a member of the Supervisory Board (cf. in particular Section 100 (1) to (4) of the German Stock Corporation Law (AktG)).

  Every member of the Supervisory Board must have the knowledge and skills required to properly discharge the tasks incumbent on him/her under the law and the Articles of Association.

  At least one independent member of the Supervisory Board must have expertise in the fields of preparing and auditing financial statements within the meaning of Section 100 (5) of the German Stock Corporation Law (AktG).

- Concrete objectives for the composition of the Supervisory Board
  Ideally, the members of the Supervisory Board in its entirety should have the following qualifications and qualities; a combination of several qualifications and qualities in one person is also possible:

  At least two independent members within the meaning of Section 5.4.2 Sentence 2 of the German Corporate Governance Code are to belong to the Supervisory Board.

  The members of the Supervisory Board are to have different educational backgrounds and expertise from different areas of business life. In particular, expertise in the fields of business management, preparing and auditing financial statements and in banking and finance is desirable.

  At least one member with expertise in the field of the euromicron Group's international business is to sit on the Supervisory Board.

  The composition of the Supervisory Board is to represent as broad a range of experience of life as possible. No member of the Supervisory Board is to be older than 70 years of age.

  Anyone who is expected to be subject to a conflict of interests frequently or permanently in exercising his or her office is not to be elected as a member of the Supervisory Board.

  Adequate representation of women is to be aimed for in the Supervisory Board's composition.

As in the past, the above criteria of relevance to the qualification of a person for membership of the Supervisory Board should also be taken into account for nominations for the next regular elections to the Supervisory Board, thus ensuring the focus on what is best for the company.

In the opinion of the Supervisory Board, all its members are independent within the meaning of Section 5.4.2 of the Code. Where members of the Supervisory Board hold a high-ranking post at other companies with which euromicron AG – directly or indirectly – has business relationships, these transactions are conducted at terms and conditions as with third-party companies and, in our opinion, do not affect the independence of the affected members of the Supervisory Board.

The Supervisory Board advises the Executive Board in running the company, supervises its activities and is directly integrated in decisions of fundamental importance for the company. The Supervisory Board discusses the company's business development and strategy as well as planning and implementation of the latter in regular meetings together with the Executive Board.

The Supervisory Board examines the annual financial statements, the consolidated financial statements, the respective management report and the proposal on appropriation of the net retained profits. It deals with the quarterly and half-yearly reports and is also responsible for adoption of the annual financial statements and approval of the consolidated financial statements, taking into account the audit reports of the independent auditor.

The Supervisory Board also deals with compliance with legal requirements, official regulations and internal guidelines on conduct by the company.

Furthermore, the Supervisory Board has the task of appointing the members of the Executive Board, setting the number of its members and defining spheres of authority. The Supervisory Board has defined rules for the work of the Executive Board in bylaws, where this is not already stipulated by the Articles of Association. In particular, the Supervisory Board has defined which important decisions by the Executive Board – such as large acquisitions, divestments and financial measures – require its consent.

The Chairman of the Supervisory Board coordinates its work. Supervisory Board committees have not been formed.

The persons making up the Supervisory Board are presented in the section "Supervisory Board and Executive Board" on page 158 et seq. The specific work of the Supervisory Board is presented in the section "Report of the Supervisory Board" on page 32 et seq. The remuneration of the members of the Supervisory Board is explained in the section "Compensation Report" on page 89 et seq.

1.1.2 The Executive Board

The members of the Executive Board manage the company's business and run it in joint responsibility with the goal of creating sustainable value. They develop the strategic orientation as well as annual and multi-year planning, decide on fundamental matters relating to business policy, agree these with the Supervisory Board and ensure they are implemented. The members of the Executive Board are assigned individual spheres of authority by the Supervisory Board, meaning there are clear responsibilities.

One member of the Executive Board, which consisted of two members in fiscal 2014, was Dr. Willibald Späth, who was appointed as Chairman of the Executive Board by the Supervisory Board. The Executive Board likewise consists of two members at present; the Supervisory Board has appointed one member (Ms. Bettina Meyer) as Spokeswoman of the Executive Board. The duties of the Chairman of the Executive Board and now the Chairwoman of the Executive Board include coordinating the work of the Executive Board, in particular as regards chairing its meetings, and representing the company.

The Executive Board prepares the quarterly and half-yearly financial statements of the company, the annual financial statements of euromicron AG and the consolidated financial statements. In addition, the Executive Board ensures compliance with legal requirements, official regulations and internal guidelines on conduct at the company and works to ensure compliance with them at the companies in the euromicron Group as well. You can find more information on the compliance program and related measures in fiscal 2014 in the section “Compliance Report” on page 42 et seq. of the Annual Report.

The Executive Board and Supervisory Board work closely together to the benefit of the Group. The Executive Board regularly informs the Supervisory Board promptly and extensively about all matters of relevance to the company as a whole relating to strategy, planning, development of its business, financial position and results of operations, commercial risks and compliance.

In filling management posts, the Executive Board ensures adequate representation of women, as well as a wide range of skill structures (diversity).

The persons making up the Supervisory Board are presented in the section “Supervisory Board and Executive Board” on page 158 et seq. The remuneration of the members of the Executive Board is explained in the section “Compensation Report” on page 89 et seq.

1.2 Shareholders and General Meeting

All shares in euromicron AG are equal and in principle each share entitles the holder to one vote. Shareholders exercise their voting right, in addition to their other rights under the law and Articles of Association, before or during the General Meeting.

The annual Ordinary General Meeting is held within the first eight months of a fiscal year in accordance with Section 14 of the Articles of Association. The Executive Board submits the annual financial statements, the management report, the consolidated financial statements and the group management report to it. The General Meeting decides on the appropriation of profits, as well as discharge of the Executive Board and Supervisory Board, and regularly elects the shareholder representatives on the Supervisory Board. The General Meeting also decides on changes to the Articles of Association, measures relating changes in equity, company agreements, the issue of new shares and other important commercial measures, which are then implemented by the Executive Board.

The General Meeting is convened along with details of the agenda and an explanation of the rights of shareholders. Documents that have to be made accessible and relate to the items on the agenda can be obtained on the homepage of euromicron AG.

1.3 Transparency

Our goal is to provide institutional investors, private shareholders, financial analysts, employees and interested members of the public equally with regular and up-to-date information on the company’s situation. We publish press releases, ad-hoc announcements, voting rights notifications, all financial reports and other important information on our homepage. All documents relating to our General Meeting can also be found there. We publish details on recurring events, such as the date of the next General Meeting or quarterly reports, in a financial calendar, which is published on the company’s homepage.

In accordance with Section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and Supervisory Board or persons related to them are obligated to report transactions of shares in euromicron AG that require disclosure if the value of the transactions within a calendar year is €5,000.00 or more (directors’ dealings). There were no dealings that required reporting in fiscal 2014.

PricewaterhouseCoopers (PWC) was appointed as the independent auditor of the financial statements of euromicron AG and as the auditor of the consolidated financial statements for the first time in 2010. The responsible audit partner since fiscal 2013 has been Dr. Ulrich Störk.

2. Corporate governance declaration in accordance with Section 289a HGB (German Commercial Code)

The corporate governance declaration in accordance with Section 289a HGB (German Commercial Code) is part of the management report of euromicron AG and the group management report. In accordance with Section 317 (2) Sentence 3 HGB, the disclosures specified in Section 289a HGB (German Commercial Code) do not have to be included in the audit.

- Wording of the declaration on conformance (Section 161 of the German Stock Corporation Law (AktG) for the year 2014 dated December 9, 2014
  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 Executive Board and Supervisory Board of euromicron Aktiengesellschaft communication & control technology (referred to in the following as "euromicron AG") issued the last declaration on conformance in accordance with Section 161 AktG (German Stock Corporation Law) on December 12, 2013.

  The following declaration relates for the period from December 13, 2013, to September 29, 2014, to the recommendations of the German Corporate Governance Code ("Code" or "DCGK") in its version dated May 13, 2013, as published on June 10, 2013, in the Federal Official Gazette ("2013 version").

  The following declaration relates for the period from September 30, 2014, to the recommendations of the Code in its version dated June 24, 2014, as published on September 30, 2014, in the Federal Official Gazette ("2014 version").

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

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

  1. Capping of the overall compensation and variable compensation components for the Executive Board (Section 4.2.3 (2) Sentence 6 DCGK)
  The contracts of employment of the serving members of the Executive Board provide for a cap to the level of the fixed compensation and the variable compensation components. However, the contracts of employment do not provide for a cap for the "overall compensation". The company has therefore not complied in full with the recommendation in Section 4.2.3 (2) Sentence 6 of the Code (2013 and 2014 version) since June 10, 2013.

Reason:
The lack of a cap to the “overall compensation” does not result in a situation where the compensation to be awarded to Executive Board members might exceed reasonable bounds. Even though the total compensation in the contracts with Executive Board members has not been calculated, the cap is ensured by the maximum limits for the individual compensation components.

2. Individualized presentation of the compensation for Executive Board members (Section 4.2.5 (3) et seq. DCGK)
In accordance with the recommendation in Section 4.2.5 (3) et seq. DCGK that was newly introduced in the 2013 version, the compensation for Executive Board members is to be disclosed in individualized form using model tables for fiscal years beginning after December 31, 2013. The model tables in the Code’s appendix are to be used for disclosing this information. The company currently deviates from Section 4.2.5 (3) et seq. of the Code.

Reason:
The compensation for Executive Board members is disclosed in compliance with statutory provisions. The company will probably not provide any further disclosures on or breakdowns of the compensation using the model tables due the work involved in this change and the extra administrative overhead in 2014.

3. Formation of Supervisory Board committees (Section 5.3.1 to 5.3.3 DCGK)
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:
In compliance with the Articles of Association, the Supervisory Board of euromicron AG consists of just 3 members. 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.

4. No list of third party companies (Section 7.1.4 DCGK)
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.

- Updated declarations on conformance in 2015

Due to the delays in publishing the consolidated financial statements of euromicron AG for the fiscal year 2014 and the first quarterly report for 2015, the deadlines recommended in Section 7.1.2 Sentence 4 DCGK – 90 days after the end of the fiscal year and 45 days after the end of the period under review – could not be observed. The Executive Board and Supervisory Board therefore adopted updated declarations on conformance, which are available at all times on the company's Internet site, on April 15, 2015 (with regard to publication of the consolidated financial statements) and on May 11, 2015 (with regard to publication of the first quarterly report for 2015).

The wording of the additionally declared and justified deviations under the section "Reporting" (Section 7.1.2, Sentence 4 DCGK) is as follows in the latest declaration on conformance dated May 11, 2015:

Contrary to the recommendation in Section 7.1.2 Sentence 4 DCGK, which euromicron AG had complied with since the introduction of the German Corporate Governance Code – with the exception of the publication of the consolidated financial statements for fiscal year 2010 –, the consolidated financial statements for fiscal year 2014 and the first quarterly report for fiscal year 2015 will not be publicly accessible within 90 days of the end of the fiscal year and within 45 days after the end of the period under review. euromicron AG intends to comply with the recommendation in Section 7.1.2 Sentence 4 DCGK with regard to publication of the subsequent interim reports and consolidated financial statements for the fiscal year 2015 and future fiscal years.

Reason:
Mistakes in the measurement of individual projects were discovered during preparation of the consolidated financial statements for the fiscal year 2014 and have to be corrected. These corrections require time and must be subsequently examined by the independent auditor of euromicron AG. In view of that, publication of the consolidated financial statements of euromicron AG for fiscal year 2014 within a period of 90 days of the end of the fiscal year and of the first quarterly report for 2015 within 45 days after the end of the period under review is not possible.

- Disclosures on corporate governance practices
  The company's Code of Conduct contains corporate governance practices that go further than the statutory requirements. It can be viewed on the company's homepage at www.euromicron.de/en/company/code-of-conduct. The Code of Conduct contains in particular guidelines on business dealings with customers and suppliers, conduct toward competitors, third parties and employees, use of information, avoiding conflicts of interest, and health, safety and environment issues.

- Description of the workings of the Executive Board and Supervisory Board
  The persons on the Executive Board and Supervisory Board are stated in the section "Executive Board and Supervisory Board" on page 158 et seq. A general description of the tasks and workings of the Executive Board and Supervisory Board can be found in the section "Composition and workings of the Executive Board and Supervisory Board" in the Corporate Governance Report on page 36 et seq. The latter is also published in the Internet on our homepage on the section "Corporate Governance".

3. Compliance Report

For the Executive Board of euromicron AG, corporate governance based on integrity means morally and legally responsible conduct toward executives, employees and all business partners. These maxims are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company's Code of Conduct, which is intended to ensure that everyone in the Group acts and behaves consistently and ethically.

The Code of Conduct can be viewed on the company's homepage at www.euromicron.de/en/company/code-of-conduct.

3.1 Focus of compliance

In addition to the general guidelines for compliance in practice, the Executive Board – in coordination with the compliance officer of euromicron AG – selects each year a special area of focus so as to ensure adequately at all times that our individual divisions are able to cope with the changes that they are subject to. The aim of this is to address the changes in requirements from operational business and in the market environment. Our divisions are to be developed further on the basis of the created compliance structure with reference to the separately defined areas of focus.

IT security was one of the focuses in fiscal 2014. Following further development of the IT security organization, a data loss prevention software was rolled out throughout the Group.

3.2 Compliance training

Various training measures ensure that the high standards euromicron AG demands of all executives and employees are implemented and practiced. In addition to on-the-job training in the form of e-learning, the compliance officers identify specific groups of executives and employees to attend in-person courses and learn what compliance involves. As a result, the specific requirements of our various divisions can be better addressed.

3.3 Compliance organization

The Executive Board has created an effective organizational structure to enforce, control and further develop the compliance principles and ensure that the Group lives up to its mission of complying with the law and company agreements. Local compliance officers have been appointed at all Group companies; information on compliance violations can be reported to them or directly to the Chief Compliance Officer of euromicron AG. The Chief Compliance Officer is in regular contact with the Executive Board in relation to all compliance issues and also reports regularly to the Supervisory Board.

Meetings of all compliance officers in the euromicron Group ensures that information and experience are shared and that the guidelines on conduct issued by the Executive Board are carried through effectively and filled with life. To enable that, the compliance and IT officers are in close dialog with the Group's Data Protection Officer.

As a result, the compliance organization of euromicron AG is firmly established in all of the company's units and ensures an effective structure to which employees can address their questions and information.

3.4 More information

To make sure that the contents of compliance are practiced not only by employees and executives, but also with our business partners, they are also implemented in our general standard terms and conditions of trade and other contractual agreements.

EUROMICRON ON THE CAPITAL MARKET

Overview of the shares

euromicron's share is a technology stock that is traded on the XETRA electronic trading platform and, among other places, at Frankfurt Stock Exchange.

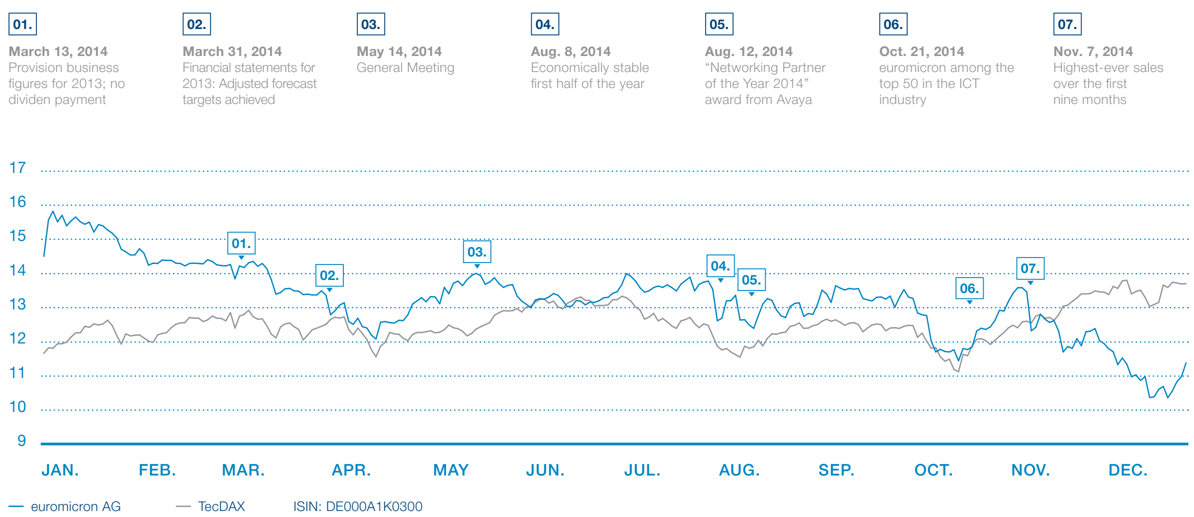
The shares on the market

001

	2014	2013
Number of shares issued at the balance sheet date	7,176,398	7,176,398
– of which treasury shares	–	–
Capital stock (€)	18,347,544.88	18,347,544.88
Highest price (XETRA) (€)	15.83	19.98
Lowest price (XETRA) (€)	10.37	13.38
Closing price at the end of the year (XETRA) (€)	11.39	14.35
Market capitalization at the end of the year (in € m.)	81.74	102.9
Undiluted earnings per share (€)	0.36	–0.91
Volume of shares traded (in millions)	4.43	7.39

Performance of euromicron's share

PERFORMANCE IN €



euromicron AG's share began trading at a price of €14.51 in fiscal year 2014 and reached its high for the year – €15.83 – on January 6, 2014. After the share price followed an upward trend in the subsequent weeks up to the end of January, it settled at around €14.30 in the course of February until the end of March.

The designated sponsors are Oddo Seydler Bank AG and equinet Bank AG.

euromicron announced on March 13, 2014, that the adjusted forecast targets for the past year had been achieved, but that no dividend payout was envisaged. euromicron published its full 2013 Annual Report on March 31, 2014. The period between March and mid-April saw a downward movement in the share's price. In this phase, Deutsche Börse's benchmark index for technology stocks TecDAX clearly outperformed the euromicron share. The latter dipped to €12.08 on April 15, 2014, but recovered sharply to €14.01 by mid-May. The TecDAX also performed similarly in this period. euromicron published its results for the first quarter of 2014 on May 9, 2014, and its Annual General Meeting was held on May 14, 2014.

As of mid-May 2014 and in the further course of the second and third quarter, the price moved sideward, fluctuating between €14.00 and €12.40. euromicron published its half-yearly report for 2014 on August 8, 2014. Whereas the TecDAX rose again in June 2014, it suffered losses at the beginning of the third quarter. However, it was able to recover in the further course of the third quarter.

The price of euromicron's share performed in line with the TecDAX at the start of the fourth quarter and fell to €11.45 on October 16, 2014. It then recovered quickly to €13.37 by the beginning of November.

On November 7, 2014, euromicron published its 9-month report for 2014, according to which the company was within its overall planning for the year. The price moved downward again up to mid-December 2014. The euromicron share reached its low for the year – €10.37 – on December 19, 2014, but was able to pick up slightly from the latest drop by the end of the fiscal year, finishing it at €11.39.

The euromicron share was accompanied by seven financial analysts in fiscal 2014. 8 "hold" and 16 "buy" recommendations were issued in the course of the year. There were no recommendations to sell the shares.

The market capitalization of euromicron AG at the end of 2014 was around €81.7 million compared with €102.9 million in the previous year. An average of around 17,575 shares a day were traded. The total volume of shares traded in fiscal 2014 was around 4.43 million.

Investor relations

The transparency level Prime Standard means the share complies with international transparency requirements.

We attach extremely great importance to satisfying the capital market's need for information. By being listed in the Prime Standard at Frankfurt Stock Exchange, we fulfill the high international requirements for transparency.

We strive to fulfil this standard. In order to live up to this mission and what our shareholders and stakeholders expect of us, we conducted numerous further IR activities in fiscal 2014 in addition to meeting our statutory obligations.

For example, euromicron AG participated in a raft of roadshows and investor conferences. In addition, the Executive Board of euromicron AG maintained constant contact with existing and potential investors and analysts in Germany and other European countries in numerous one-on-one talks.

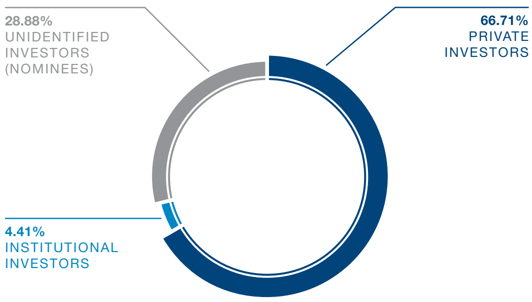
Thanks to our commitment in the field of investor relations, we ensure fair and transparent financial communication with all market players. Regular and prompt publication of news of relevance to the company underscores our objective of providing comprehensive information on the company's development. We also offer our shareholders the possibility at all times to obtain extensive information on our company with our always up-to-date Internet presence and our financial reports.

Shareholder structure

The majority of the no-par registered shares in euromicron AG – 66.71% – are held by private investors, compared with 4.41% by institutional investors. The proportion of shares held by investors whose identity is not known by us is therefore 28.88%. The lion's share of euromicron's shares – 80.93% – are held by investors from Germany, compared to around 19.07% by investors from the UK, Switzerland, France, Luxembourg and other countries. All shares in euromicron AG are free float.

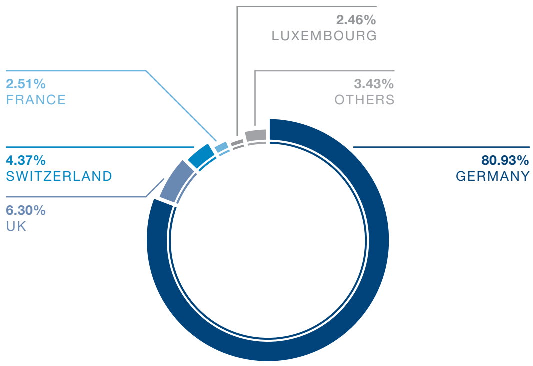
All voting rights notifications published by euromicron AG in accordance with the German Securities Trading Act (WpHG) can be found at all times on our website at www.euromicron.de/en > Investor Relations > Shares.

SHAREHOLDER STRUCTURE BY TYPE OF INVESTOR



Status: Dec. 31, 2014 | Shares: 7,176,398

SHAREHOLDER STRUCTURE BY COUNTRIES



Status: Dec. 31, 2014 | Shares: 7,176,398

Latest assessments by analysts

euromicron's share again met with keen interest among financial analysts in fiscal 2014. euromicron AG accordingly nurtures constant contact with analysts to keep them informed of the company's current development. The euromicron share is currently accompanied by seven analysts.

Analysts' recommendation on euromicron's share — 002

Institute	Analyst	Date	Recommendation	Upside target
				in €
Bankhaus Lampe KG	Wolfgang Specht	Mar. 24, 2015	Hold	14.00
Oddo Seydler (formerly Close Brothers Seydler)	Martin Decot	Mar. 26, 2015	Hold	13.00
Independent Research GmbH	Markus Friebel	Mar. 24, 2015	Hold	12.30
equinet Bank AG	Adrian Pehl	Nov. 7, 2014*	Buy	19.00
Landesbank Baden-Württemberg	Thomas Hoffmann	Nov. 7, 2014	Hold	13.50
Dr. Kalliwoda Research	Dr. Norbert Kalliwoda	Jan. 17, 2015	Buy	20.00
GBC AG	Philipp Leipold	Aug. 14, 2014	Buy	21.50

Based on the analysts' ratings available on the key date of May 27, 2015
* Analysts' rating currently suspended

General Meeting

The Ordinary General Meeting of euromicron AG was held in the Auditorium of Commerzbank AG, Frankfurt/Main, on May 14, 2014. The Executive Board and Supervisory Board welcomed around 210 guests and reported in detail on the business performance in 2013 and on the outlook for fiscal 2014.

After a constructive discussion during the general debate, the represented shareholders voted in favor of all the items on the agenda. The resolution to not pay out a dividend for the fiscal year 2013 was also ratified by the shareholders. A total of 12.31% of the capital stock with voting rights was represented (previous year: 11.39%).

You can obtain detailed results for the votes at any time on the company website www.euromicron.de in the section Investor Relations/General Meeting.

Appropriation of net income

The annual financial statements of euromicron AG at December 31, 2014, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € – 12,995,969.42 (previous year: € – 5,283,486.01). The net accumulated losses are carried forward to a new account.

BOARD MEMBERS OF THE COMPANY
EXECUTIVE BOARD AND SUPERVISORY BOARD

EXECUTIVE BOARD

Bettina Meyer
Executive Board member (Spokeswoman)

Finance, Legal Affairs, Human Resources, Compliance, Auditing, Corporate Marketing, M&A and Communication with Capital Markets

Jürgen Hansjosten
Executive Board member

Operations, Strategy, IT

SUPERVISORY BOARD

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

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

Josef Martin Ortolf
Deputy Chairman of the Supervisory Board of euromicron AG

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

Dr. Andreas de Forestier
Member of the Supervisory Board of euromicron AG

- Managing Director of DBE Liegenschaften GmbH, Munich
- Managing Director of KEA Vermögensverwaltungsgesellschaft mbH, Hamm
- Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
- Chairman of the Supervisory Board of cp consultingpartner AG, Cologne
- Chairman of the Supervisory Board of RECP AG, Berlin
- Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting the ecological and social market economy, Nuremberg

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1. FUNDAMENTALS OF THE GROUP

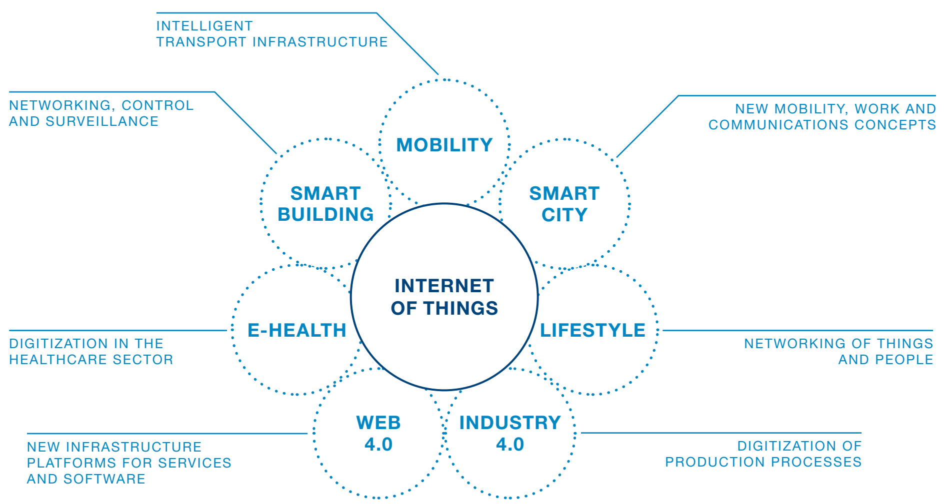
1.1 Business model of the Group

Profile

euromicron is a leading provider of complete infrastructure solutions for communications, transmission, security and data networks and has a comprehensive network of branch offices in Germany and at diverse European locations.

The companies in the euromicron Group offer customers from a wide range of different sectors a one-stop shop for tailor-made, vendor-independent solutions. Their portfolio comprises planning, implementation, service and maintenance of communications solutions, as well as developing, producing and distributing network components. We cater for all common transmission media – copper, fiber optic and wireless technology (radio) – and applications. The solutions are used in supraregional networks, metropolitan networks and local area networks for data communication in a wide range of different sectors, public authorities and institutions, data centers, medical engineering and security technology. Building on this basic business, the euromicron Group develops solutions for digitizing business processes. These solutions focus on the Internet of Things (IoT), a market that will grow strongly in future.

INTERNET OF THINGS – MEGATREND OF THE DIGITAL FUTURE



Legal structure

euromicron AG, Frankfurt/Main, is a strategic management holding that discharges overarching tasks at the Group. They include not only strategic controlling of the individual report segments and associated companies, but also financing, Group controlling and accounting, legal affairs, human resources, purchasing, IT and public and investor relations. Operating business is split over three segments. They also form the segments that must be reported on within the meaning of the International Financial Reporting Standards (IFRS):

- euromicron North
- euromicron South
- euromicron WAN services

Within the three segments, euromicron AG as the parent company consolidates 26 companies that are included in the consolidated financial statements. The common strategic focus on the "Internet of Things" market generates synergies across the companies and segments. That ensures the competitiveness of euromicron's solution portfolio and opens up new potential for creating value added. Apart from companies in Germany, euromicron North also has representative agencies in Poland and France, while euromicron South also includes companies in Austria, Italy and Switzerland. The WAN services Segment groups business relating to planning, installation and maintenance of wide area networks, i.e. supraregional networks. The figure below provides an overview of the Group's structure:

IoT
Internet of Things

This strategic focus taps synergies.

GROUP STRUCTURE

EUROMICRON GROUP

SEGMENTS

euromicron North
incl. Poland and France

euromicron South
incl. Austria, Italy and Switzerland

euromicron
WAN services

AREAS OF EXPERTISE

COMPONENTS
Development and production of components and product categories

NETWORKS
Planning, design and integration of systems and solutions

DISTRIBUTION
Consulting, distribution, sourcing and network services

IoT SOLUTION PORTFOLIO

Areas of expertise and sales markets

The euromicron Group pools its know-how across segments in the areas of expertise euromicron components, euromicron networks and euromicron distribution. The objective of the areas of expertise is to be successful in their respective markets, but also to achieve synergies between themselves, in particular by jointly developing an IoT solution portfolio.

euromicron components

The euromicron group unites its “technology suppliers” in the area of expertise “euromicron components”. They develop and produce active and passive optical network components, high-quality fiber-optic cabling systems, public address systems, testing and inspection equipment, networked workplace systems and highly professional safety and security technology for special applications. Reliable delivery, professional training in how to use our products and comprehensive services round out the portfolio.

euromicron components caters for niche markets with high-end products.

We mainly cater for niche markets with high-end products. Our innovative products, components and systems are distinguished by the very highest quality “Made in Germany” and have been certified by major market partners, such as Deutsche Telekom or Deutsche Bahn. We serve international markets through export business and our own branch offices or project offices in the respective countries.

Developments in our sales markets in this area are very strongly driven by trends such as the Internet of Things, Industry 4.0 and the related digitization of business processes. euromicron AG again invested in developing new products and enhancing existing ones in its portfolio in the year under review. For example, solutions for future markets were developed and made ready for the market in the shape of the networked workplace system “Primus 4.0” or the “Smart Office Switch”.

We also permanently examine opportunities to integrate special skills in our strategic focus in our Group by acquiring profitable technology companies. Numerous national and international references prove that customers trust in the high quality and reliability of our products: For instance at the Formula 1 Grand Prix in Sochi, Russia, for which euromicron’s subsidiary LWL-Sachsenkabel GmbH supplied pre-assembled, mobile fiber-optic cable drums for TV broadcasting, or Erich Utsch AG, which made its production operations cloud-ready with the aid of installation switches from MICROSENS GmbH & Co. KG.

euromicron networks

The area of expertise “euromicron networks” offers a one-stop shop for integrated solutions for all types of security, communications, transmission and data network, as well as data centers. As a system integrator, we take care of management and handling of the entire project – from planning, consulting, selecting and installing the system technology to service, maintenance and network management.

As part of that, we combine all technologies and applications in the field of information and communications technology (ICT) so as to be able to offer our customers tailored solutions in the Internet der Things (IoT) arena. In doing so, we combine the most innovative internal and external technologies to suit customers’ requirements – because our mission is to deliver best-in-class solutions.

Key success criteria for supplying best-in-class solutions are strategic partnerships with external technology suppliers and certification of our solutions by major market partners. Thanks to our many established partnerships with vendors from the fields of network, transmission and security technology, we are always able to present ideal solutions for the customer's specific needs. At the same time, we have the necessary certification to ensure top quality when it comes to planning, installing and maintaining the products used. Thanks to extensive training and further development of our employees, we hold the highest levels of certification from just about all strategic market partners. Accolades for successful projects, such as the "Avaya Networking Partner of the Year" award in fiscal 2014, are testimony to that.

In consulting-intensive solution business, customer proximity by means of on-site service is crucial: Backed by our comprehensive network of branch offices, we implement solutions across all technologies. We provide services directly on-site or through our central Service and Network Operation Center (NOC) in Backnang.

The clientele that requests solutions and services from the area of expertise "euromicron networks" is highly diversified. It includes well-known European carriers and utilities, private enterprises from the fields of transportation and logistics, public enterprises and authorities, institutions and establishments in the healthcare sector, banks and insurance companies and a large number of industrial enterprises with no restriction as to sector or size.

In view of the increasing digitization and networking of all areas of business, the market environment of the area of expertise "euromicron networks" is characterized by dynamic processes that offer great growth opportunities for euromicron AG. Digitization of network infrastructures and trends such as cloud computing, big data or the Internet of Things will change the face of communication at and between companies, public authorities and institutions. That means ICT networks must be designed to be more and more application-oriented and powerful. Companies now want an intelligent information and communications infrastructure that supports their specific needs and processes. Issues like security, redundancy and high availability play a crucial role in that – especially in relation to critical network infrastructures such as in the energy or transportation sectors.

By planning, installing and maintaining intelligent digital network infrastructures, the area of expertise "euromicron networks" supports the business processes of small, medium-sized and large enterprises with customer-specific solutions. Many successful reference projects with customers, such as Munich Airport, the Lower Saxony Autobahn Authority, Munich's transportation company Münchener Verkehrsgesellschaft, Thüringer Netkom GmbH or BürgerBreitband Netz GmbH, underscore our position as one of the leading system integrators for business-critical infrastructures.

euromicron networks supports digitization of business processes with customer-specific solutions.

euromicron distribution

Our area of expertise "euromicron distribution" advises and supplies customers in a vendor-independent manner in all matters relating to active and passive network components in the fiber-optic and copper arena. It also offers a full portfolio for FTTx networks and passive data center design.

euromicron distribution advises and supplies customers in a vendor-independent manner.

The offered products and systems are procured internationally and made available to customers and euromicron's sister companies in projects.

The main customer groups of the area of expertise "euromicron distribution" are municipalities and public authorities, industrial enterprises (with no restriction as regards sector) and data center service providers, system integrators and resellers.

One of the municipalities that benefited from the know-how of "euromicron distribution" in 2014 was Eichenzell, which used products and solutions from euromicron's subsidiaries SKM Skyline and euromicron NBG Fiber Optic to expand its broadband network.

4
COMPETENCE CENTERS
pool our expertise.

The euromicron Competence Centers

We focus innovation and value creation by pooling our existing know-how in overarching Competence Centers. The euromicron Competence Centers make our Group-wide expert knowledge available to customers throughout Germany. The cross-company Competence Centers ensure that customers benefit from our innovative solution competence wherever they are located.

urm.euromicron.com/en

URM Competence Center for passive cabling systems

The URM Competence Center houses the Group's existing know-how on our in-house passive cabling system for data centers, as well as installation and maintenance of it. The euromicron Group benefits from the surge in data volumes and so the additional capacities required to store and process data – whether within the customer's own data centers or through leasing space from cloud computing providers. A key feature of that is to ensure maximum efficiency in the use of available space. The innovative fiber-optic cable connector system URM (yoU aRe Modular) from euromicron is one of the few systems on the market that delivers the required high data rates, yet needs a minimal footprint. The URM system is also the only product on the market to link lengthy routes without the loss of data. The fiber-optic connector family URM has been specially developed for high-density applications and is currently undergoing the standardization process at the International Electrotechnical Commission (IEC). Successful standardization is expected in the fall of 2016. Strategic establishment of a second source and the award of production licenses are also being stepped up alongside the standardization process. euromicron's system houses also guarantee proper installation and maintenance of the system. Our customers appreciate these complete solution packages from a single source. To reflect broad international interest, international certification was initiated in fiscal 2014 so as to make the system available to an even larger market.

UCC Competence Center for unified communications & collaboration

The Unified Communications & Collaboration (UCC) Competence Center caters for growing market demand for merging different communication channels, web conferencing and, to an increasing extent, social media applications in a single platform and integrating them in an existing network. The market research institute Experton Group identifies SB4CC (Social Business for Communication & Collaboration) as one of the strongest-growing segments in the ICT market in Germany: Whereas investments in SB4CC software accounted for around nine percent of expenditure on UCC products in 2012, that figure is expected to be a quarter in 2016. That would mean high growth averaging more than 50 percent a year for SB4CC. By way of comparison: The overall ICT market in Germany will grow by an average of around two percent in the same period according to estimates by the Experton Group.

The Advanced Enterprise Networking (AEN) Competence Center generates major parts of its value added from the fact that many services and applications are increasingly being integrated in a network and WLAN infrastructure on the basis of IP technology, virtualized and equipped with the relevant software-based security functions (such as firewalls, client security, content and anti-virus protection). We expect virtualization of the IT infrastructure to grow in importance in future.

AEN Competence Center for advanced enterprise networking

The transition from “analog” to “IP” is also not stopping at security products and systems. Convergence of security technology and IT is now one of the most important trends in the “smart buildings” market segment. This trend is given further impetus by the growing prevalence of IP-based security products. euromicron was quick to recognize this trend and established the Physical Security Competence Center in fiscal 2014. In it, the Group pools its expert knowledge in planning, installing and maintaining IP-based security systems in a single digital building network system. euromicron thus benefits from the robust growth of electronic security systems, which the German Central Association of the Electrical Engineering and Electronics Industry (ZVEI) put at around three percent in 2014.

Physical Security Competence Center for IP-based security systems in digital building network systems

Locations

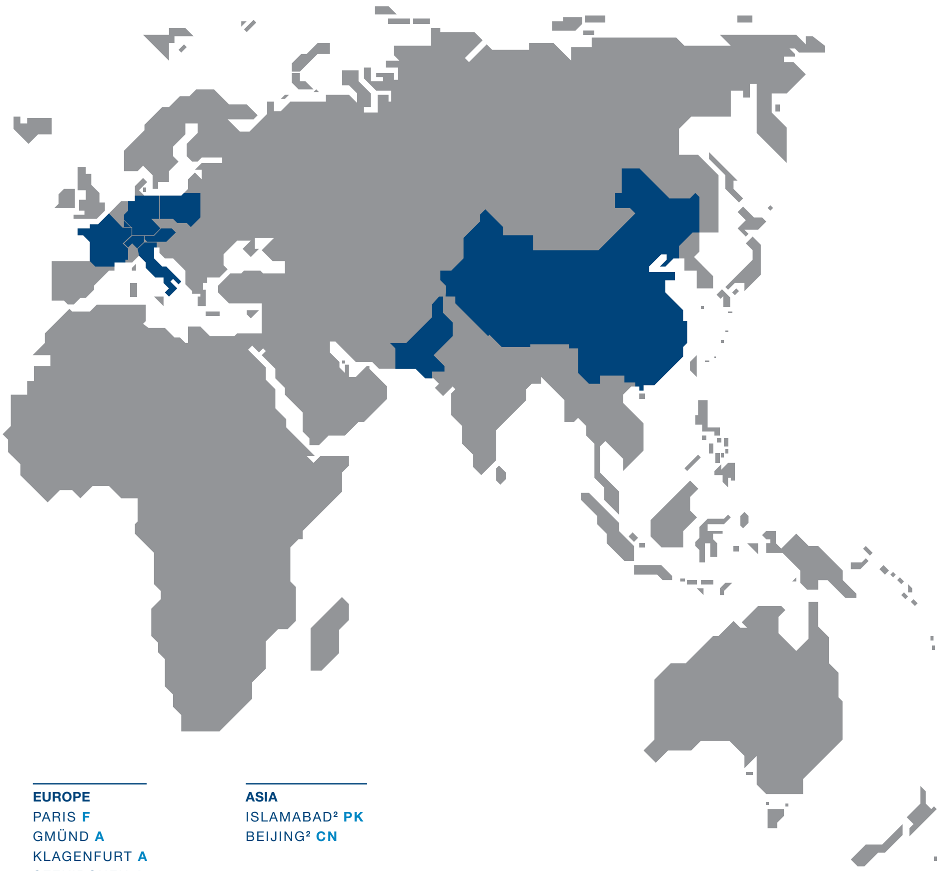
The regional focus of the euromicron Group companies’ business operations is on German-speaking countries. The around 40 locations of the Group companies enable ideal customer proximity and intensive care and support for some 90 percent of euromicron’s customers.

The euromicron Group constantly gears its capacities and economic requirements to the volume of business by adapting its location structures.

The companies in the euromicron Group are represented in other European countries with their own locations in Italy, Austria, Luxembourg, France, Poland and Switzerland. Subsidiaries of euromicron AG are based in some non-European countries in the shape of project offices, for example in China and Pakistan, so as to cater for country-specific market requirements there.

Emerging markets with their great demand, such as Brazil or Turkey, the United Arab Emirates or the former CIS countries are growing in importance. We tap these markets through project and export business and intensified sales activities, with these operations usually being controlled from Germany. As part of its internationalization strategy, euromicron AG permanently examines its opportunities for tapping interesting foreign markets by acquiring niche companies as a springboard for additional business activities.

MAIN EUROMICRON LOCATIONS



GERMANY
AUGSBURG[1]
BACKNANG
BAMBERG
BERLIN[3]
BREMEN
BURKHARDTSDORF
CRAILSHEIM[1]
ERFURT
ESSEN[1,3]
FRANKFURT[3]
GORNSDORF[1]
GRÜNSTADT
HAMBURG[3]
HAAN
HAMM[1]
HANOVER
JENA
KAARST
KARLSRUHE
MAINZ
MOERS
MUNICH[3]
MÜNSTER
NEU-ISENBURG[3]
NEUSTADT[1]
PFULLINGEN
RADEBERG
SCHKOPAU
SCHWERIN
SINN-FLEISBACH[1]
SPIESEN-ELVERSBERG
STUTTGART
TELTOW
WÖRRSTADT
ZWENKAU

EUROPE
PARIS F
GMÜND A
KLAGENFURT A
SEEKIRCHEN A
VIENNA A
LUXEMBOURG L
PADUA I
WROCLAW PL
ZUG CH

ASIA
ISLAMABAD[2] PK
BEIJING[2] CN

1 Production sites
2 Project office
3 Places where several euromicron companies are located
The other locations mainly discharge administrative, sales, technical and service functions

1.2 Objectives and strategies

The euromicron Group's development into a leading company in the market for network technology since the year 2000 is based on a clearly defined corporate strategy. Following a divestment and consolidation phase up to 2005, the strategy of the past ten years has been geared very strongly to growing sales. This growth was achieved organically in part, but mainly through acquisitions (buy and build). Following the purchase of telent in 2011, the euromicron Group instigated an integration phase in order to optimize its organization and structures and so create the foundations for further growth. The Executive Board of euromicron AG has now decided to conduct a strategic realignment starting in the year 2015.

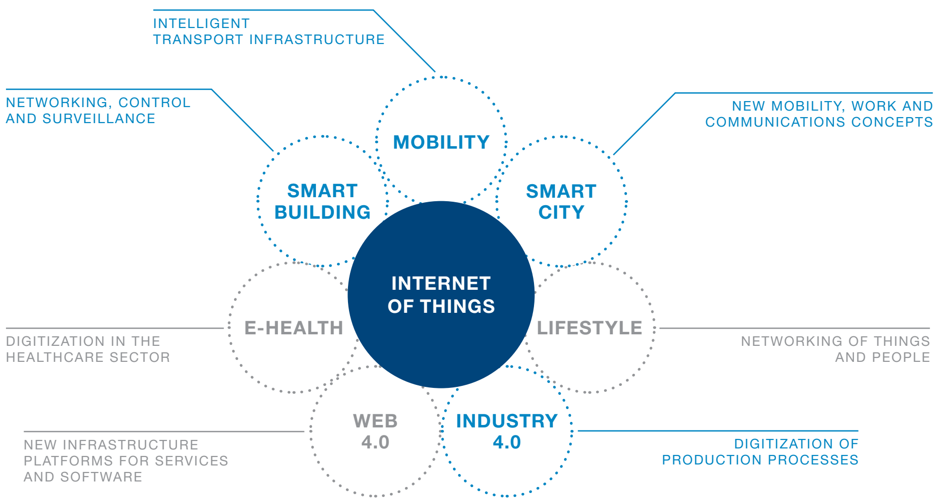
Strategic realignment: "Enabling the Internet of Things"
euromicron AG's target sectors are experiencing dynamic change and digitization is posing new challenges for companies. The Internet of Things (IoT), Industry 4.0, big data or cloud computing are the buzzwords on the minds of existing and potential customers of euromicron. In line with the terrific pace of technological developments, euromicron is

therefore gearing its strategic focus to innovation and sustainable, profitable growth. Cash and sustainable profitability thus have a clear priority over sales growth. In the past, customers mainly demanded individual communications and IT infrastructures or individual solutions for building technology. Today, increasing digitization of processes means what are needed are complex end-to-end solutions that enable the existing individual, mostly autonomous technologies and infrastructures to interact with each other and permit integration of the related data.

euromicron follows its customers and in future will focus on end-to-end solutions for digitizing business processes in the Internet of Things market. The main emphasis here will be on solutions for intelligent buildings and critical infrastructures. Critical infrastructures are vital business infrastructures whose failure is highly problematic for the company in question. That may be the digital mobile radio system at an airport or the communications infrastructure at Deutsche Bahn. By taking this decision in favor of a strategic realignment, euromicron is tapping a future market that is just beginning to grow.

Our focus is on solutions in the fields of intelligent buildings and critical infrastructures.

STRATEGIC FOCUS OF EUROMICRON IN THE IoT MARKET



By offering all-round digital solutions for the IoT market alongside individual network components, euromicron is differentiating itself clearly and significantly from the competition. The substantial customer base, broad solution portfolio and enormous innovativeness of the diverse subsidiaries in the areas of technology and system integration are the foundation for that. As part of this differentiation strategy, the Group will intensify investments in Competence Centers and carry out structural measures to focus the subsidiaries on the new market requirements. euromicron AG's business activities will continue to be aimed at small and medium-sized enterprises and large national customers. The Executive Board's goal is develop the company so that it is and stays profitable and cash-oriented.

The goal is sustainable profitability and cash orientation.

The objective: A profitable growth model in a dynamic market of the future

Following accomplishment of the many measures to optimize processes and structures in the past two years, the Executive Board plans to adapt the initiated integration to the new strategic alignment in 2015. The fundamental role of euromicron AG as a medium-sized holding will be retained, but the holding structures are to be organized more clearly by merging of the administrative companies and geared to the requirements of a strategic management holding. In addition, the subsidiaries from the system integration division are to be merged so as to adapt organizational structures more strongly to customer and market requirements, as well as to make them more cost-effective and transparent. In this connection, reorganization measures to optimize the structures in certain regions are envisaged.

We are gearing our portfolio to the new strategic focus.

The goal is to gear the existing portfolio of euromicron AG to the new strategic focus by the end of 2015 and so create the conditions for systematically leveraging synergies between the technology suppliers from the production companies and the system integrators. In this connection, euromicron is also examining whether to shed equity investments that are of minor importance to its future alignment. According to an initial estimate, reorganization measures and effects from possible divestments are expected to have a negative impact of one percentage point on the forecast consolidated operating EBITDA margin in 2015 (see section 4.4 “Forecast for fiscal 2015”), but will result in a sharp improvement in operating income from 2016 on. The Executive Board therefore aims to return the consolidated EBITDA to the target corridor between 8% and 11% in the medium term.

The Executive Board estimates that, backed by a portfolio that adequately reflects market requirements, technological innovations and synergies between the technology and system integration companies will result in profitable growth in the medium term. This profitable growth model will be supplemented by selective M&A activities that are geared toward complementing and expanding the solution and technology portfolio and further increasing the company’s own competitiveness with regard to future requirements in the IoT market. The focus is on small and medium-sized enterprises that have knowhow in the field of cloud operation and services, industry software and physical security applications.

1.3 Control system

Management structure and control system

euromicron AG is headed by two Executive Board members, who are supported by four Heads of Department responsible for the areas of Accounting and Controlling, Financing, Human Resources and Purchasing and IT. Operational business is run locally by the subsidiaries, whose Managing Directors report directly to the Executive Board.

euromicron’s SME model separates strategic Group management from management of the operational units.

Consequently, the hierarchical separation between strategic management and management of the operational units remains a key feature of euromicron’s SME model. The strategic alignment is defined by euromicron AG’s Executive Board, whereas the operationally independent, decentralized subsidiaries are responsible for implementing the strategy. Strategic management will be complemented in future by a central Business Development unit responsible for cross-company solution development.

Implementation of the strategy is monitored and reviewed as part of regular reporting and communication between the Executive Board, department heads and management.

Within this structure, the Managing Directors act as independent entrepreneurs with a high degree of responsibility of their own in their respective regional or supraregional market. A compensation system geared rigorously to performance supports and promotes entrepreneurship on the part of the Managing Directors.

Internal key control indicators

All the euromicron Group's activities are controlled and monitored on a segment-oriented basis. To enable continuous analysis and controlling of the Group's business segments, management uses among other things quarterly forecasts as regards expectations, which are analyzed intensively. Budget variances are examined to determine their impact on the financial targets and measures to fulfill the budget are derived. An extensive risk management system supplements 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 are constantly analyzed as regards their effectiveness, discussed and implemented. Important key figures that are monitored regularly are shown in the table below:

Key figures and control factors 003

	2014	2013*
	€ m.	€ m.
Sales	346.3	325.7
Earnings before interest and taxes (EBIT)	11.4	–0.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	21.1	8.7
EBIT margin	6.1%	2.7%
Order books	121.5	127.8
Consolidated net income for euromicron AG shareholders	2.6	–6.5
Adjusted weighted average number of shares issued (undiluted)	7.18	7.18
Undiluted earnings per share in €	**0.36**	**–0.91**

* Previous year's figures partly adjusted (corrections acc. to IAS 8)

€ 346.3 million

in sales

6.1%

EBIT margin

The most important key figures used to control the Group are sales and the EBITDA margin. The EBITDA margin is defined as EBITDA divided by sales. The development in these key figures is explained in sections 2.2. "Course of business" and 2.3. "Net assets, financial position and results of operations". In future, the working capital ratio (working capital relative to sales) is to be used to control the Group so that the Group's tied-up capital and cash development can be systematically monitored and further optimized.

1.4 Research and development

Objectives

Research and development are the foundation of our technological leadership and play a major part is helping us stand out from the competition. Our main goal is to develop products and solutions that enable our customers to make their work processes more efficient. In addition, our innovations should have unique technical selling points, safeguard our position in profitable niche markets and let us tap new markets of the future.

The innovation initiative enabled new products and solutions to be launched on the market in 2014.

Significant projects and results

The innovation initiative launched in 2013 was continued, with the result that new products and solutions were able to be launched on the market again in fiscal 2014.

euromicron's subsidiary MICROSENS expanded its Profi Line series as part of the innovation initiative to include a Gigabit Ethernet switch for rack mounting and so is systematically growing its product portfolio: With its Profi Line Rack Switch, it now offers a powerful system for creating highly complex network topologies that is suitable specifically for use in harsh environmental conditions in transportation or industrial applications. Typical application areas of the new switch include traffic control systems (intelligent transportation systems/ITS), toll bridges on motorways, camera systems for tunnel surveillance and network infrastructures in heavy industry and mining whose failure Is critical.

Likewise as part of the innovation initiative, euromicron's subsidiary ELABO developed the Primus 4.0, a networked workplace system designed especially for small-series production. The new system is based on the ergonomically balanced and particularly user-friendly Primus One, the workbench system that was made ready for the market in fiscal 2013 and is certified for use in electrostatic protected areas (EPAs). It is suitable for all areas of electro-technical production – from PCs, medical equipment, and device technology to the automotive supply industry.

R&D ratios

The continued investments in innovative and competitive new products and solutions are also reflected in the carrying amounts of capitalized development costs, which were €9.6 million at December 31, 2014 (previous year: €10.2 million); amortization of capitalized development costs was €2.8 million (previous year: €2.2 million). The newly capitalized development costs in fiscal 2014 totaled €2.2 million (previous year: €2.7 million). As initial new orders at the beginning of 2015 show, the new products are going down well with our customers.

2. ECONOMIC REPORT

2.1 General economic and industry-specific conditions

General economic conditions

Global economic growth (GDP) in 2014 was 3.5% and so slightly below expectations. The IMF forecast that economic output would grow by 3.7% in 2014. This decline, which began in the spring of 2014, is attributable to the continuing economic weakness of the Euro zone and Japan and slower growth compared with the previous year in emerging markets. Most industrialized nations, in particular the U.S. and UK, are making further strides in tackling the debt crisis and are exhibiting an economic recovery. However, geopolitical crises, especially the conflict between Russia and Ukraine, put a greater strain on the global economy than expected as of the second half of 2014. The IMF again expects the global economy to grow by 3.5% in 2015.

3.5%

global economic growth in 2014

Trends in the Euro area

In the Euro zone, Ireland, Portugal and Spain posted positive growth rates this year. France and Italy dampened growth in the Euro zone. Real gross domestic product improved year on year by 0.2% in the third quarter of 2014. All in all, however, the economy in the Euro area was not able to gain the anticipated momentum in 2014. The geopolitical conflicts between Russia and Ukraine also placed a burden on economic development in the Euro zone. According to the IMF, the recovery in the Euro area will probably continue in 2015. The ifo Institute expects real gross domestic product in the Euro zone to grow by 0.9% in 2015.

The economic situation in the Federal Republic of Germany

The German economy held its own in a tough global economic climate in 2014. There was a strong rise in GDP in the first quarter of 2014, although overall economic activity lost some of its buoyancy in the summer half-year. The economy picked up again in Germany in the fourth quarter. GDP rose by 0.7 in real terms.

Overall, real GDP in 2014 rose by 1.5%, more strongly than anticipated, and as in 2013 was again underpinned by the domestic economy. Real private consumption, alongside growth in capital spending, proved to be the main pillar for economic growth in Germany. German foreign trade also picked up momentum in the course of the year, despite a difficult environment abroad.

Experts anticipate an economic pickup at the beginning of 2015. Sharp improvements in ifo's gauge of business expectations and optimistic assessments by analysts from the Center for European Economic Research (ZEW) are evidence of this mood. Experts anticipate that GDP will increase by 1.5% for the year as a whole. Economic growth will probably be underpinned by private domestic demand in 2015 again.

1.5%

increase in real GDP in Germany in 2014.

German ICT market grows by 1.6% in 2014

The German Association for Information Technology, Telecommunications and New Media (BITKOM) confirms its strong forecast of 1.6% growth in the ICT market for 2014, stressing that there have been clear shifts in the overall market. The decline in demand in the PC market was halted, but growth in smartphones and tablets is slowing.

According to EITO (European Information Technology Observatory), the German market for IT and telecommunications posted revenue of €153.4 billion (+1.6%) in 2014.

As in previous years, there are again clear differences between and within the segments. Information technology continues to stimulate the industry with software sales and growing demand again for traditional PCs in the IT hardware arena. IT services and a decline in demand for tablet computers in the IT hardware arena dampened revenue growth. Overall, there were slight declines in revenue in the segments of entertainment electronics and telecommunications. Within the telecommunications segment, the area of ICT infrastructure expansion is performing positively, which is attributable to the large investments by carriers in broadband expansion.

Outlook for 2015

€ **79.7**
billion

in revenue is forecast for the ICT market in 2015.

Information technology will remain the most important pillar in the German ICT market in 2015. The latest forecasts by EITO (European Information Technology Observatory) predict that revenue from software, IT services and IT hardware will probably increase by 2.4% to €79.7 billion. Big data and cloud computing will be growth drivers. The latest economic survey by BITKOM indicates positive business prospects. 79% of the companies surveyed from the IT/ICT sector forecast rising revenue in the first half of 2015, compared with just 7% that expect it to decline in the same period. The Industry Index of BITKOM improved from 67 to 72 points, confirming expectations of positive trends in the ICT arena.

2.2 Course of business

General statement on the performance of the euromicron Group in fiscal year 2014

The euromicron Group closed fiscal year 2014 with sales of €346.3 million (previous year: €325.7 million) and EBITDA of €21.1 million (previous year: €8.7 million). The EBITDA margin (relative to sales) was 6.1% compared with 2.7% in the previous year. EBIT was €11.4 million (previous year: € –0.2 million).

A comparison with the previous year should allow for the fact that euromicron AG discovered mistakes in connection with the preparation of its IFRS consolidated financial statements for 2014. These mistakes related to the accounting and measurement of individual projects and receivables in fiscal years 2012 and 2013 and had to be corrected in accordance with IAS 8. We refer in this regard to the detailed presentation in section 4. "Corrections according to IAS 8" of the notes to the consolidated financial statements. Re-measurement of the affected projects resulted in a reduction in equity at January 1, 2013, totaling around €5.8 million. In fiscal 2013, there was a further reduction in equity by around €5.6 million, which completely resulted from effects that were recognized in income. This led to a reduction of €3.7 million in sales in 2013.

The sales generated in fiscal 2014 were €346.3 million and so within the forecast range of €340.0 to €360.0 million Compared with the correct comparative figures for the previous year, sales therefore increased by 6.3%.

The EBITDA margin of 6.1% is within the forecast target corridor of 6%–8%, albeit at its lower end. EBITDA increased from €8.7 million in the previous year to €21.1 million and so more than doubled. There was also a significant improvement in EBIT from € –0.2 million to €11.4 million. The positive earnings performance of the production companies was especially pleasing.

The integration costs for projects as part of the Agenda 500 contained in the consolidated EBIT and structural costs for establishing specialist and central functions, such as IT, Legal Affairs and Central Purchasing, are around €4.0 million (previous year: €5.5 million). The project costs as part of the Agenda 500 result, among other things, from IT projects (increase in IT security and improvement of the IT infrastructure) and from projects for optimizing and harmonizing structures in system house business. In this connection, extensive measures to enhance processes in project business were instigated and implemented – from project costing, the process for order acceptance/contact examination to increases in efficiency in conducting and controlling projects.

There were no additions to the portfolio of group companies in 2014; only one business establishment was acquired by way of an asset deal. In addition, there was a merger within the Group in the North Segment in fiscal 2014, the aim of which was to combine two system house companies.

38.4%

equity ratio compared with 35.1% in the previous year

The equity ratio is stable at 38.4% following 35.1% in the previous year.

2.3 Net assets, financial position and results of operations

Net assets

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

Asset and equity structure 004

	Dec. 31, 2014		Dec. 31, 2013	
	€ m.	%	€ m.	%
Noncurrent assets	150.7	52.4	155.1	49.0
Current assets	121.1	42.1	122.6	38.7
Cash and cash equivalents	15.6	5.4	38.8	12.3
Assets	**287.4**	**100.0**	**316.5**	**100.0**
Equity	110.4	38.4	111.2	35.1
Noncurrent liabilities	57.6	20.0	52.8	16.7
of which financial liabilities	46.9	16.3	41.8	13.2
Current liabilities	119.4	41.5	152.5	48.2
of which financial liabilities	49.4	17.2	67.7	21.4
Equity and liabilities	**287.4**	**100.0**	**316.5**	**100.0**

* Previous year's figures partly adjusted (corrections acc. to IAS 8)

The euromicron Group's total assets at December 31, 2014, were €287.4 million compared with €316.5 million in the previous year, or a 9.2% fall.

The decline in noncurrent assets (€150.7 million; previous year: €155.1 million) is predominantly due to the reduction in other intangible assets from €23.7 million to €20.8 million, which is attributable to amortization. In addition, deferred tax assets fell from €2.3 million to €1.4 million.

Capital spending in fiscal 2014 totaled €6.5 million (previous year: €17.7 million). It should be noted in this regard that the comparative figure for the previous year contained additions from first-time consolidation of subsidiaries acquired in fiscal 2013 totaling €11.3 million (in 2014: €0.1 million).

The remaining investments of €6.4 million (previous year: €6.4 million) include €2.2 million (previous year: €2.7 million) on capitalized development costs, €1.2 million (previous year: €1.3 million) on other intangible assets and €3.0 million (previous year: €2.4 million) on property, plant and equipment.

111.5%

Ratio of equity and long-term outside capital to noncurrent assets

The ratio of equity and long-term outside capital to noncurrent assets is 111.5% (previous year: 105.8%).

Within the current assets, inventories increased slightly by €1.0 million (€29.0 million; previous year: €28.0 million), while trade accounts receivable and the gross amount due from customers for contract work are in total roughly at the level of the previous year (€85.8 million; previous year: €85.6 million).

Working capital (trade accounts receivable, gross amount due from customers for contract work and inventories minus trade accounts payable and prepayments) were €66.6 million at the balance sheet date (previous year: €55.7 million). The rise in working capital is almost fully attributable to the decline in trade accounts payables of €10.1 million.

Claims for income tax refunds fell from €4.6 million to €1.2 million, in particular because claims from paid-over capital gains tax carried in the previous year were refunded in fiscal 2014. The other financial assets increased slightly (€3.0 million; previous year: €2.5 million), due to the rise in factoring monies to be paid to Group companies by the factoring company. The other assets are at the level of the previous year (€2.1 million; previous year: €2.0 million).

Cash and cash equivalents fell from the high level on the key date of December 31, 2013 (€38.8 million) by €23.2 million to €15.6 million. In the previous year there were special effects that had a positive impact on cash and cash equivalents, in particular the shape increase in the volume of factoring at the end of the year and customer monies to be passed on. There were cash outflows in fiscal 2014 in particular due to the repayment of loan obligations (excess of loan repayments to newly raised loans: € – 6.8 million), from purchase price payments for the acquisition of subsidiaries (which was carried in the previous year under "Other financial liabilities"; effect € – 8.0 million) and from the reduction in trade accounts receivable of € – 10.1 million.

Equity at December 31, 2014, was €110.4 million, slightly down on the level of the previous year (€111.2 million); the equity ratio improved from 35.1% to 38.4%. Despite the consolidated net income for the year of 22.8 million, the decline in equity in absolute terms is due mainly to revaluation effects from pensions, which resulted from the fall in interest rates and reduced equity by €3.3 million.

Other noncurrent financial liabilities fell to €2.5 million (previous year: €7.3 million), in particular due to the repayment of the long-term portion of an industry loan and reclassification of purchase price obligations and preemptive rights as current liabilities.

The liabilities to banks are divided into long-term liabilities of €43.2 million (previous year: €32.8 million) and short-term liabilities of €19.9 million (previous year: €30.4 million). The planned shift in the maturity structure toward medium- and long-term financing is mainly due to a new borrower's note loan for a nominal amount of €20.0 million that was raised in fiscal 2014.

A nominal € **20.0** million

was raised with a new borrower's note loan in 2014

Trade accounts payable fell from €54.3 million to €44.2 million. This is mainly due to lower trade accounts payable (including liabilities for outstanding purchase invoices) in connection with project business, which in the previous year were above-proportionately high on a multiple-year comparison.

The decline in other current financial liabilities from €36.8 million to €29.1 million is predominantly due to repayment of the short-term portion of a loan and the payment in 2014 of the purchase price obligation for the acquisition of Secure Information Management GmbH (referred to as "SIM GmbH" in the following) and ATECS AG in December 2013. There was a counter-effect from the reclassification of purchase price obligations and obligations from preemptive rights from noncurrent to current liabilities.

The Group's net debt (interest-bearing financial liabilities minus securities and cash) at December 31, 2014, was €49.2 million (previous year: €33.2 million). The increase in net debt is due in particular to the decline in liquid funds, which were high in the previous year due to special effects. We refer in this regard to the explanation on the change in cash and cash equivalents in this section of the management report.

Financial position

The Group is in principle financed centrally through euromicron AG. 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 makes a contribution to optimizing the costs of capital and the opportunities for obtaining and investing capital. Apart from financing through euromicron AG, individual Group companies have a number of smaller lines of funding, which are however insignificant in terms of volume.

€ **75.8**
million

free promised credit line available at December 31, 2014

At December 31, 2014, unutilized promised credit lines of €75.8 million were available to the Group (previous year: €71.7 million). In general, the Group thus has the necessary freedom to enable its planned corporate development. The key financial indicators, which were adjusted due to the integration phase effective December 31, 2013, in agreement with the Group's long-term financing partners, were adhered to at December 31, 2014.

The Group's financial position in fiscal 2014 was as follows:

Statement of cash flows of the euromicron Group **005**

for the period from January 1 to December 31, 2014 (IFRS)	2014	2013*
	€ thou.	€ thou.
Net cash used in/provided by operating activities	**–1,930**	**39,433**
Net cash used in investing activities	**–14,306**	**–5,127**
Net cash provided by financing activities	**–6,972**	**–890**
Net change in cash funds	–23,208	33,416
Cash funds at start of period	38,830	5,414
Cash funds at end of period	**15,622**	**38,830**

* Previous year's figures partly adjusted (corrections acc. to IAS 8)

The reported cash used in operating activities in fiscal 2014 was € – 1.9 million, whereas in the previous year there was net cash provided by operating activities totaling €39.4 million. However, the reported cash flow figures from operating activities are mainly impacted by effects resulting from the Group's factoring program.

In order to obtain comparable cash flow figures that permit a statement to be made on the development of cash flows from operating activities, the figure was adjusted to take into account the factoring effects. This involves the following:

- Elimination of the effect from the change in the volume of factoring used between the balance sheet date and the respective balance sheet date for the previous period. This resulted in a positive cash flow effect of €31.0 million for fiscal 2013 and a negative cash flow effect from the lower volume of factoring of € – 6.3 million for fiscal 2014, both of which have to be eliminated.

- Where Group companies received monies from customers resulting from receivables sold as part of factoring shortly before the balance sheet date and the Group companies were not able to pay these monies over to the factoring company, this results in a liability from customer monies to be passed on, which is carried under “Other financial liabilities”. The effect on liquidity from the change in these liabilities between the respective balance sheet date and the balance sheet date of the previous period is eliminated for the purposes of analyzing the cash flow from operating activities. This effect, which has to be eliminated, is €21.4 million for 2013 and only €1.9 million for 2014.

- The full amount of the receivable offered for sale is initially not paid out by the factoring company, but a blocked amount is withheld. This receivable due from the factoring company is carried under “Other financial assets”; here too, the change in the balance sheet item has to be eliminated for the purposes of analyzing the cash flow from operating activities. This effect is €1.7 million in 2013 and €0.5 million in 2104.

All in all, reconciliation of these three factors results in cash flows from operating activities after adjustment for factoring effects as summarized in the table below:

Adjusted cash flow 006

	Cash flow from operating activities acc. to statement of cash flow	Effects from factoring and customers’ monies to be passed on included in the above	Adjusted cash flow
	€ m.	€ m.	€ m.
2013	39.4	54.1	**–14.7**
2014	–1.9	–3.9	**1.9**

€ **16.6** million

improvement in cash flows from operating activities

After adjustment for factoring effects, there is net cash provided by operating activities totaling €1.9 million in fiscal 2014 compared with net cash used in operating activities totaling € – 14.7 million in the previous year. As a result. the cash flow from operating activities in fiscal 2014 improved sharply by €16.6 million.

Net cash used in investing activities was € – 14.3 million in fiscal 2014, € – 9.2 million below the figure for the previous year (€ – 5.1 million). This change is mainly due to the purchase price payment in 2014 of €8.0 million for companies acquired in 2013.

The net cash used in financing activities in fiscal 2014 was € –7.0 million (previous year: € –0.9 million). This was predominantly due to loan repayments that exceeded the proceeds from new loans by € –6.8 million.

Cash and cash equivalents of the euromicron Group at December 31, 2014, were thus €15.6 million (previous year: €38.8 million). With its funds and free, promised credit lines, the euromicron Group is adequately positioned to secure its companies' operating business and continue its development. The Group aims to maintain the intensive, trusted and fine cooperation with its partner banks in a structured manner.

Results of operations 007

Income statement for the period January 1 to December 31, 2014 (IFRS)	Note	2014	2013*
		€ thou.	€ thou.
Sales	(11)	**346,338**	**325,683**
Inventory changes		573	–698
Own work capitalized	(12)	2,617	3,134
Other operating income	(13)	2,144	1,901
Cost of materials	(14)	–182,468	–176,709
Personnel costs	(15)	–103,176	–99,028
Amortization and depreciation	(16)	–9,702	–8,901
Other operating expenses	(17)	–44,879	–45,578
Earnings before interest and taxes (EBIT)		**11,447**	**–196**
Interest income	(18)	333	61
Interest expenses	(18)	–4,012	–3,869
Income before income taxes		**7,768**	**–4,004**
Income taxes	(19)	–4,924	–2,397
Consolidated net income/loss for the year		**2,844**	**–6,401**
Thereof for euromicron AG shareholders		2,576	–6,525
Thereof for non-controlling interests	(20)	268	124
(Un)diluted earnings per share in €	(21)	**0.36**	**–0.91**

* Previous year's figures partly adjusted (corrections acc. to IAS 8)

€ **346.3** million

in sales – a year-on-year increase of 6.3%.

The euromicron Group generated sales of €346.3 in fiscal 2014, 6.3% above the previous year's figure of €325.7 million.

A breakdown by the various regions shows that most sales were posted within Germany as in previous years: The sales generated in Germany in fiscal 2014 were €293.9 million (previous year: €287.6 million) or a share of 84.9% (previous year: 88.3%). Foreign sales were increased in 2014 from €38.1 million to €52.4 million, with the result that international sales contributed around 15.1% (previous year: 11.7%) to the euromicron Group's total volume of sales.

The euromicron Group's total operating performance (sales plus inventory changes) was €346.9 million, up by 6.7% on the previous year's figure of €325.0 million.

Own work capitalized fell slightly by €0.5 million from €3.1 million in the previous year to €2.6 million. The euromicron Group continues to invest in developing new products in order to expand its market position and increase its innovativeness.

As in the previous year, the cost of materials is the largest expense item in the euromicron Group's income statement. The cost of materials in fiscal 2014 was €182.5 million (previous year: €176.7 million); its ratio to total operating performance improved by 1.8 percentage points from 54.4% to 52.6%. This effect is mainly due to the increase in sales in high-margin production business, which had a positive impact on the ratio.

52.6%

Ratio of cost of materials to total operating performance

Personnel costs increased in fiscal 2014 by €4.2 million from €99.0 million to €103.2 million, a rise of 4.2%. The average headcount (excluding trainees) in the year under review rose from a total of 1,653 to 1,704 (+3.1%).

Amortization and depreciation was €9.7 million, as planned above the level of the previous year (€8.9 million). €0.7 million of the increase is due to higher amortization of capitalized development costs. The item also includes amortization of hidden reserves disclosed as part of capital consolidation to an amount of €2.0 million (previous year: €1.8 million).

Other operating expenses in the fiscal year were €44.9 million compared with €45.6 million in the previous year and were able to be reduced by €0.7 million despite the higher volume of business. The largest items in the other operating expenses were still vehicle and travel expenses (€13.9 million; previous year: €13.8 million), rent/room costs (€6.6 million; previous year: €7.0 million) and legal and consulting costs (€4.9 million; previous year: €4.3 million). In particular, the costs of personnel leasing increased (by €1.2 million), since loan workers were used especially in our production companies to cope with order peaks in fiscal 2014. There was an increase in IT costs from €1.5 million to €1.9 million, which is attributable to higher IT costs as part of integration and larger expenditure on IT security. The decline in expenses from allocation of individual allowances for receivables and losses of receivables had a positive effect; they fell by €0.7 million and €0.6 million respectively. In particular, trade fair/advertising costs and administrative expenses also fell by €0.6 million and €0.4 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled €21.1 million and so more than doubled from the previous year's figure of €8.7 million. The EBITDA margin was 6.1% (previous year: 2.7%). There was a similarly positive increase in EBIT: by €11.6 million from € – 0.2 million in the previous year to €11.4 million.

The net financial result was € – 3.7 million, around the level of the previous year (€ – 3.7 million).

The tax ratio in the year under review was 63.4% (previous year: – 59.9%), which is mainly attributable to the fact that, as a result of the tax losses made by companies in the South Segment, no deferred tax assets were carried on loss carryforwards incurred in fiscal 2014 in accordance with IFRS regulations, which meant that the tax ratio increased. We refer in this regard to the tax reconciliation in section 19 of the notes.

The consolidated net income for shareholders of euromicron AG was €2.6 million (previous year: € – 6.5 million). Undiluted earnings per share were €0.36 versus € – 0.91 in the previous year.

€ **340.1**
million

in new orders

€ **121.5**
million

in order books

New orders and order books

New orders at the euromicron Group in fiscal 2014 were €340.1 million and so up on the previous year's figure of €327.7 million. Orders books were €121.5 million, slightly up on the good figure of €127.8 million for fiscal 2013.

Development of the 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 segment WAN services, in which supraregional business in the field of planning, installing and servicing wide area networks is grouped and presented.

Segment sales 008

	2014	2013*
	€ m.	€ m.
euromicron North	116.2	113.3
euromicron South	134.5	122.3
WAN services	107.9	102.2
Consolidation	–12.3	–12.1
Total sales	**346.3**	**325.7**

* Previous year's figures partly adjusted (corrections acc. to IAS 8)

Segment earnings (EBITDA) 009

	2014	2013*
	€ m.	€ m.
euromicron North	14.1	13.4
euromicron South	6.2	–6.6
WAN services	8.1	8.1
Operating EBITDA	**28.4**	**14.9**
Central services	–7.3	–6.2
Total EBITDA	**21.1**	**8.7**

* Previous year's figures partly adjusted (corrections acc. to IAS 8)

Segment earnings (EBIT) 010

	2014	2013*
	€ m.	€ m.
euromicron North	10.3	10.0
euromicron South	2.3	–10.0
WAN services	6.5	6.4
Operating EBIT	**19.1**	**6.4**
Central services	–7.7	–6.6
Total EBIT	**11.4**	**–0.2**

* Previous year's figures partly adjusted (corrections acc. to IAS 8)

Within the North Segment, SSM euromicron GmbH, Zwenkau, was merged with euromicron systems GmbH, Essen, retroactively effective January 1, 2014. Otherwise, there were no structural changes in the North Segment in fiscal 2014.

Sales in the North Segment were €116.2 million, €2.9 million or 2.6% above the previous year's €113.3 million. Whereas sales at the production companies in the North Segment increased by €6.7 million on the back of higher demand (especially for assembled cables, connectors and switches), sales in system house business in the North segment fell by € –3.8 million. This decline is mainly due to the fact that a smaller number of large projects were handled in fiscal 2014.

€ **116.2** million

in sales at the North Segment – 2.6% more than the year before.

12.1%

is what the North Segment's EBITDA margin now stands at.

EBITDA improved by €0.7 million from €13.4 million to €14.1 million, meaning the EBITDA margin rose from 11.8% in the previous year to 12.1%. EBIT also increased slightly by €0.3 million and now stands at €10.3 million (previous year: €10.0 million). As part of this, EBITDA and EBIT at the production companies increased by €3.4 million and €2.9 million respectively, mainly on the back of the volume effect from higher sales. However, EBITDA and EBIT at the system houses fell by € – 2.7 million and € – 2.6 million respectively. This effect is attributable to the lower gross profit due to the decline in sales, as well as the increase in the ratio of cost of materials to total operating performance due to greater use of subcontractors (external services).

The forecast for 2014 envisaged an increase in sales of around 7% and a moderate rise in the EBITDA margin. However, this forecast was based on the reported sales of €116.1 million and an EBITDA margin of 12.1% in the previous year (before the effects from correction of the mistakes). Relative to these comparative figures, there was no increase in sales in 2014 and the EBITDA margin was at the level of the previous year. The deviation from the forecast sales is due to the fact that sales at the production companies were slightly below budget, especially as a result of order postponements in the CIS region, while sales in system house business were well below budget as a result of lower revenue from large projects. The planned positive effect on the EBITDA margin that resulted from the larger percentage share of higher-margin sales by the production companies In total sales at the North Segment was offset by the unplanned negative effect from the increase in the ratio of cost of materials to total operating performance in system house business, so that on balance the EBITDA margin was unchanged year on year.

An increase in sales in the medium single-digit percentage range and an improvement in the EBITDA margin by one percentage point is planned at the North Segment in 2015.

10%

increase in sales to €134.5 million at the South Segment.

The South Segment increased its sales by €12.2 million or 10.0% from €122.3 million in the previous year to €134.5 million. As part of this, there was an increase in the sales generated by the production companies and distributors (€ +10.6 million) and sales of the system houses (€ + 1.6 million). A major boost to the increase in sales at the production companies came from the two companies that were newly acquired at the end of 2013, namely SIM GmbH and ATECS AG, whose sales were included for a full year for the first time in fiscal 2014.

The forecast for 2014 envisaged an increase in sales at the South Segment by around 6%, but was based on the figure reported in the previous year, i.e. €126.9 million (before the effects from correction of the mistakes). Relative to these comparative figures, the increase in sales in 2014 was 6% and so exactly as forecast.

EBITDA at the South Segment (previous year: € – 6.6 million) improved sharply by €12.8 million to €6.2 million. As a result, the EBITDA margin is 4.6% compared with € – 5.4% in the previous year; that meant the positive EBITDA margin in the low single-digit percentage range forecast for 2014 was slightly surpassed. EBIT (previous year: € – 10.0 million) performed very positively and rose by €12.3 million to €2.3 million. The improvements in earnings applied alike to the production companies and distributors, as well as the system houses. The EBIT and EBITDA of the production companies and distributors increased by €7.4 million and €6.8 respectively, while the increase at the system houses was €5.4 million and 5.5 million respectively.

Next year, the segment's sales are to be increased by a figure in the medium single-digit percentage range by means of further sales initiatives; an increase in the EBITDA margin of between half and a full percentage point is anticipated.

All activities at the euromicron Group with their focus on wide area network services are pooled in the "WAN services" segment, irrespective of the region in which the services are performed. The segment's sales were €107.9 million, up on the previous year's €102.2 million and so roughly at the level planned for 2014. EBITDA was constant at €8.1 million. The EBITDA margin was 7.5% (previous year: 7.9%) and so has fallen slightly in 2014 compared with the EBITDA margin planned at the level of the previous year. The EBIT was €6.5 million and so slightly above the previous year's figure of €6.4 million. The rise in sales over the previous year and the budgeted figure and the constant EBITDA and EBIT in absolute terms are mainly due to the handling of specific low-margin large projects, which helped increase volumes, but did not increase earnings and so resulted in a slight decline in the EBITDA margin. The share of outside contractors and so the ratio of cost of materials to total operating performance also increased in fiscal 2014, which likewise contributed to a slight fall in the EBITDA margin.

€ **107.9**
million

in sales at the "WAN services" Segment

8.1%

Constant EBITDA at "WAN services"

A stable market development for this segment is planned in 2015, so sales at the level of 2014 are anticipated. The EBITDA margin budgeted for 2015 is slightly below that achieved in fiscal 2014, since expenditures to tap new forward-looking fields of business are planned in 2015.

Overall, the operating companies of the euromicron Group generated an EBITDA of €28.4 million (previous year: €14.9 million). The EBIT of the operating companies in 2014 was €19.1 million (previous year: €6.4 million).

The planned increase in the headcount at the cross-divisional companies in the euromicron Group ("Central services"), and in particular the further expansion of euromicron networks GmbH's business activities, meant that the negative EBITDA of € –6.2 million increased to € –7.3 million and the negative EBIT from € –6.6 million to € –7.7 million. This is also attributable to higher earnings-related bonuses in fiscal 2014. All in all, however, the negative EBITDA of the Central services Segment in 2014 is around €1.3 million better than forecast. This is mainly attributable to the fact that posts planned in the budget were not filled and there were also reductions in material costs. A negative EBITDA is expected next year at around the level of 2014.

€ **1.3**
million

higher EBITDA than expected at the "Central services" Segment

2.4 Non-financial performance indicators

Our efficiency is not only demonstrated in economic key performance indicators, but also in the sustainability of our activities. That requires competent and motivated employees, sparing use of the natural resources available to us, increasing and preserving the value of our brands, our customers' satisfaction and the social responsibility we wish to live up to with our company as a whole.

Employee development and loyalty

euromicron AG's success is founded on the skills and commitment of its employees. The Group's HR strategy is geared toward providing the best possible support for strategic further development and earnings strength of the individual operating companies.

A further effect of our HR strategy is that we always have new and interesting vacancies at our Group. New career opportunities repeatedly open up for employees who wish to advance and gain further qualifications.

1,704

The average headcount excluding trainees

euromicron aims to employ a sufficient number of qualified and committed employees at all times at all business levels and to offer them attractive working conditions and prospects in a group that is geared to profitability. The average headcount (excluding trainees) at the Group in the year under review rose from a total of 1,653 to 1,704. This increase in the number of employees at the Group is mainly due to new hirings. As a result, the Group has been able to acquire further specialists and more highly qualified staff for its future development. A slight rise in the headcount is again expected in fiscal 2015 due to systematically planned recruitments, in particular in sales, project management and project handling.

Personnel costs were €103.2 million (previous year: €99.0 million). The increase is mainly due to the higher headcount.

Enhancing the loyalty of our employees to the company is of major importance for us, since they and their expertise and dedication are vital to the success of our Group's integration phase. That is why we endeavor to support and encourage euromicron's employees not only with the aid of targeted further training measures in their daily work, but also by showing them interesting prospects for the future and development opportunities. At the same time, there is a focus on internal communication and motivation by means of targets and performance and career reviews. Joint events and measures to improve the work-life balance are also offered. In addition, the Executive Board is working with the HR department to create an extensive Group-wide employee loyalty program that is to be implemented in fiscal 2015.

A key component of our diverse range of training and further development is the area of "leadership": As part of the euromicron Junior Management Program, we identify young people who are suitable for management tasks at our Group and so invest in its future at the same time. In the year under review, 20 young employees once again completes the fourth euromicron Junior Management Program. As part of it, they were taught the personal competences and management skills needed for an executive on the job over a period of two years.

In addition, the Management Forum offers staff the chance to learn methods and reflect on their own leadership skills. In this way, executives are provided with support in accompanying employees in change processes at the company.

Other important target groups for training and further development measures are project and construction managers, as well as euromicron's sales executives. The euromicron Sales Trainee Program was launched for the third successive time in the year under review and will prepare seven young people to assume a responsible position as a euromicron sales executive over a period of twelve months. We also train our personnel regularly in the field of construction and project management.

The qualification drive for project managers was continued successfully in 2014. 50% of all project managers have now gained the certificate "Certified Project Manager". That ratio is to be increased further in fiscal 2015. Construction managers were able to obtain a better understanding of the interconnections between project planning, handling and controlling in special training courses. The qualification drive is rounded out by an internal project on the subject of "project controlling".

We permanently certify our technical staff for new technologies, products and vendors. That helps us ensure that the euromicron Group keeps up with technological developments in the market and has sufficiently qualified staff. As a result, we can plan, install and maintain the perfect solution for every customer in any region.

Trainee ratio

As in previous year, training of new employees is of particular importance to euromicron. Apart from traditional training paths, euromicron also offers dual courses of study (bachelor's degree), trainee programs and internships. The euromicron Group's trainee ratio was again at a good level in the year under review: 4.6% compared with 5.1% in the previous year. The objective for fiscal 2015 is to maintain this ratio at the high level of the previous year.

At **4.6%**

the trainee ratio is at a good level.

The change in current market requirements and the technological environment meant that the training held at euromicron was more strongly diversified in the year under review. Whereas the focus in the previous year was still clearly on training as an electronics technician in information and communications technology, around 35% of our 82 trainees at present are learning this profession in 2014. Around 13% are training as an electronics technician for industrial engineering and IT system electronics technician respectively. In addition, 15% of our trainees are learning the vocation of an IT specialist in system integration. euromicron is also training people as IT systems support specialists, office clerks and industrial clerks. Once again this year, euromicron trainees were some of the best in their year and captured awards. The basis for this success is, apart from the dedication of the trainees themselves, the individual and pinpointed encouragement given to them by the company.

Responsible use of natural resources

None of euromicron's associated companies is subject to special environmental protection guidelines. euromicron nevertheless aims to live up to its responsibility for society as a whole and so attaches great importance to complying with environmental protection regulations. Consequently, the Group helps ensure the responsible use of resources voluntarily and to the best of its abilities.

Great importance was deliberately attached to economical and low-CO_2 vehicles in assembling the euromicron fleet and, associated with this, introducing the new business travel policy for the euromicron Group. As part of moving to new locations, we also ensured that the new buildings meet the latest environmental protection guidelines. The existing and new offices and workplaces have been equipped with energy-efficient equipment whose individual components are predominantly recyclable. The same goes for the newly established euromicron IT shopping basket, which among other things reflects a greater availability of hardware that consumes less energy. As a result, euromicron makes its contribution to achieving green IT. The operations of euromicron's production companies are geared to energy-saving processes. This includes, for example, computer-aided control of the standby switches or the permanent review and 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.

Up to **40**

years of market experience are contributed by corporate brands such as EUROMICRON Werkzeuge GmbH or ELABO GmbH.

Established brands and growing visibility

Under the umbrella brand "euromicron", the Group and its technology companies have corporate brands that in some cases have been established in their specific market segment for more than 40 years, such as EUROMICRON Werkzeuge GmbH or ELABO GmbH. These brands have a high reputation and so value in their market segments due to the fact that they have operated so long and successfully in them.

Preserving and increasing the value of our brands will continue to be a key element of our corporate strategy in future: Continuous investments in product innovations, modern manufacturing methods, patent applications and appropriate sales and marketing activities help entrench our brands lastingly in their special segments.

In addition, we continuously strive to enhance the visibility and image of our umbrella brand. Among other things, that is of great importance in positioning our company on the capital market. In order to increase the value of the euromicron brand on the capital market, we conduct active investor and public relations work. In the year under review, we again presented our company in a raft of investor conferences and roadshows, revised our Website and placed our company in programs and articles in various media. A key component in presenting our company on the capital market remains our Annual Report, which captured two awards last year (http://www.euromicron.de/euromicron-geschaeftsbericht-2013-ausgezeichnet).

Customers and quality

We want our customers to be satisfied with our products and services. That demands the very highest standards as regards the quality of our processes, our products and services and our employees.

We gauge our customers' satisfaction at our large system houses by means of standardized customer satisfaction surveys and analyses. We also use trade shows (http://www.euromicron.de/unternehmen/events) to ascertain our customers' interest in our products and solutions. We use the written and personal feedback from our customers to actively derive appropriate potentials for improvement and optimization.

To meet the very highest demands made of the quality of our products and services, euromicron's products are certified in accordance with ISO 9100. In the production arena, we also hold certification, for example for making and assembling certain products, as well as approvals to supply specific products and solutions.

3. POSTSCRIPT REPORT

It was agreed on January 13, 2015, that the existing purchase options for a minority stake of 10% of the shares in ATECS AG, Zug/Switzerland, (referred to as ATECS AG in the following) and 10% of the shares in Secure Information Management GmbH, Neustadt a.d.W., (referred to as SIM GmbH in the following) would be exercised effective January 1, 2015. The purchase price for exercising the option is €0.8 million for the shares in ATECS AG and €0.2 million for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH was 90% in each case. Due to the fact that the existing purchase options are designed as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligation of €1.0 million resulting from exercise of the options was already carried under "Other current financial liabilities" in the IFRS consolidated financial statements at December 31, 2014.

Distributions to the shareholders were resolved at the General Meeting of SIM GmbH and at the Ordinary General Meeting of ATECS AG on March 3, 2015. The distribution to minority shareholders totaling €840 thousand must be transferred from the consolidated equity to the item "Dividend/profit shares for minority interests", which is carried under the balance sheet item "Other financial liabilities", effective March 3, 2015.

euromicron AG published an ad-hoc announcement in compliance with Section 15 WpHG (German Securities Trading Act) in this regard on March 23, 2015, since mistakes affecting the accounting and measurement of individual projects in previous periods were noticed during preparation of these financial statements (IFRS consolidated financial statements for 2014) (see section 4 "Correction according to IAS 8" in the IFRS consolidated financial statements).

In addition, Dr. Willibald Späth, Chairman of the Executive Board of euromicron AG, resigned his board post effective March 23, 2015. The business for which Dr. Späth was responsible up to then was subsequently discharged by the sole board member Mr. Thomas Hoffmann.

Ms. Bettina Meyer and Mr. Jürgen Hansjosten were appointed as further members of the Executive Board effective March 31, 2015. Ms. Meyer was also appointed as Spokeswoman of the Executive Board.

On May 8, 2015, the Supervisory Board of euromicron AG acceded to Thomas Hoffmann's request for his contract of employment to be terminated by mutual consent. Mr. Hoffmann resigned as a member of the Executive Board of euromicron AG on that date. Ms. Meyer and Mr. Hansjosten will take over Mr. Hoffmann's spheres of responsibility.

4. FORECAST, OPPORTUNITY AND RISK REPORT

4.1 Explanation of deviations from the previous year's forecast

The previous year's forecast envisaged a sales target of €340 million to €360 million and an EBITDA margin between 6% and 8% for fiscal 2014. For the purposes of explaining the deviation between the actual and planned figured for fiscal 2014, the mean range of the forecast values is used as the basis of calculation, corresponding to forecast sales of €350 million and an EBITDA margin of 7%. The table below presents the deviations between the planned and actual figures for sales and EBITDA:

Deviation from the forecast 011

Deviation from forecast sales

	€ m.
Forecast sales in 2014	350.0
Actual sales in 2014	346.3
Deviation from the forecast	–3.7

Deviation from forecast EBITDA

Forecast sales in 2014 (€ m.)	350.0
Forecast EBITDA margin	7.0%
Forecast EBITDA in 2014 (€ m.)	24.5
Actual EBITDA in 2014 (€ m.)	21.1
Deviation from the forecast (€ m.)	–3.4

The deviation from the forecast sales totals € –3.7 million. € –1.1 million of it is from the production companies and is mainly attributable to order postponements in the CIS region as a result of the tense political situation and depreciation of the ruble. The remainder of the deviation from the forecast sales (€ –2.6 million) comes from system house business and is substantially due to the fact that a smaller number of large projects were acquired in fiscal 2014.

The deviation from the forecast EBITDA totals € –3.4 million and is attributable to our production segment to an amount of € –0.5 million. This is solely due to the volume-related effect that sales were below budget; the EBITDA margin of our production segment is almost at the budgeted level in 2014. In addition, there is a deviation from the EBITDA of around € –4.2 million for the system houses. This is due to the volume-related effect of lower sales, as well as a ratio of cost of materials that was above budget, mainly as a result of greater use of subcontractors and so a higher proportion of external services. Apart from that, there were follow-up costs as part of restructuring at the Southern grouping, in particular for personnel, that were not included in the budget.

On the other hand, the EBITDA of the Central services segment was €1.3 million better than budgeted. This is attributable in particular to the fact that the posts planned in the 2014 budget were not filled in fiscal 2014; there were also reductions in material costs.

We refer to the section “Development of the segments” in 2.3 “Net assets, financial position and results of operations” as regards segment-specific reporting on the forecasts.

4.2 Risk report and salient features of the risk management system

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 covers 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

Generating **85%**

of sales, the German market is crucial to our success.

Markets

In principle, euromicron is dependent on positive economic trends in the Euro zone; as in the previous year, the German market accounts for around 85% of the company's sales and so is crucial to its success. Germany is also place of activity of most of euromicron's subsidiaries, which benefit from investments in communications, security and data networks. Consequently, the development of the German market is of great significance for the overall Group's earnings; however, given the positive economic forecasts for 2015, the likelihood of potential economic risks occurring in the German market is assessed as being low. According to current assessments, the merely slow recovery in the economies of the Mediterranean region 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.

Up to **10%**

of total sales are generated by euromicron with its largest single customer. That means dependencies and customer risks are relativized.

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 10.0% of total sales (previous year: one customer). The risk of default by large customers is assessed as being low due to their very good creditworthiness. The risk of nonpayment is additionally reduced by factoring of some receivables from customers.

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 companies 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. In order to achieve this ambitious objective, the development units at the production companies have been significantly expanded in the past two years and the quality and quantity of support for them enhanced by enlisting the services of external development partners. As a result, innovativeness is of great importance for the euromicron Group's future economic development. Due to the continued investments in innovative new products and solutions, which is also reflected in the large proportion of capitalized development costs, only low risks to the Group's future earnings performance are seen in this area.

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 in part by the system houses. If a customer does not meet its payment obligations when a project is completed, the result may be financial losses, depending on the size of the project. However, the average default ratio for receivables at the Group in the past two years was below 0.2% of sales. In addition, there are clear stipulations that down-payments and partial invoices should be agreed when the project is accepted so that up-front financing is minimized.

Further project risks are errors in costing or inadequate order processing. The importance of this risk category for the euromicron Group is shown by the negative effect of € – 11.4 million that, in accordance with the principles of IAS 8, had to be charged directly to equity in the IFRS consolidated financial statements for 2014 due to the mistakes that were discovered in the costing and valuation of products and receivables from the years 2012 and 2013. In order to minimize risks from project business, the process for approving acceptance of project orders was further structured and enhanced in the course of fiscal 2013. Further project controllers were also hired to monitor the profitability of project orders continuously. Moreover, the "Major Projects" Competence Center was established. It is responsible specifically for handling construction-related large projects and pools expert knowledge in connection with questions relating to handling of such projects.

The effectiveness of the implemented measures in fiscal 2014 is reflected in the fact that the company was itself able to identify the past costing and valuation mistakes in 2014 thanks to its professionalized structures. The extensive analysis of the project portfolio as part of preparation of the financial statements also revealed that, above and beyond the identified mistakes, no further old projects had mistakes in them and that there were no mistakes identified in projects that were handled with the new structures from 2014 on after the described measures had been introduced. Enhancement of these structures will also be a focus of the euromicron Group's risk management activities in 2015. Apart from further optimization of structures and processes in system house business envisaged for 2015, related cross-Group projects were launched in 2014 to harmonize and standardized implementation management at the project companies throughout the Group. In addition, further centralization measures in the area of project costing and an increase in personnel in project controlling are planned. Moreover, project controlling will be integrated more strongly in Group reporting in future and managed centrally. Thanks to the measures that had already been implemented and those additionally planned in 2015, the impact of risks from project business in subsequent years is regarded as manageable, with the result that project losses above and beyond the customary operational extent are not expected.

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 the euromicron Group.

Focusing on the Euro zone minimizes exchange rate risks.

A further significant financial risk at the euromicron Group is the earnings strength of its companies. Since the Group companies are part of the centrally managed cash pool of euromicron AG, it is necessary to ensure that there are no risks to financing of them through the cash pool. This is achieved by a permanent and standardized finance management and reporting that constantly monitors and assesses the Group companies' activities and assigns measures to them, which is why the likelihood of this risk occurring is assessed as being low.

euromicron's banks again regarded it as a good and dependable partner in fiscal year 2014. The financial institutions are still keen to retain their commitment at euromicron and to actively accompany the company on its path in the coming years, despite the fact that earnings and balance sheet ratios have been temporary impacted by the mistakes that were discovered. The key financial indicators, which were adjusted due to the integration phase effective December 31, 2013, in agreement with the Group's long-term financing partners, were adhered to at December 31, 2014.

In fiscal 2015, structuring of funding will be a key focus of the Executive Board's activities. The objective is to increase the proportion of medium- and long-term funding by means of structured financing and so adjust financing structures further to the Group's growth in size. In summary: as far as can be seen at present, this means that euromicron AG's financing appears secure and represents a manageable risk.

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

Personnel loyalty thanks to professional and personal further development

The departure of qualified personnel is a key risk at a company with a broad technological lineup like euromicron, in particular in project business, which is highly reliant on the existing staff. That is why the Group offers its employees regular training and further development measures. 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. In addition, the Executive Board is working with the HR department to create a comprehensive Group-wide employee loyalty program that is to be implemented in fiscal 2015. Due to our existing and planned extensive measures to ensure employees' loyalty and development, we believe the risk of losing highly qualified staff to be limited.

There are no legal risks from pending legal proceedings above and beyond current business. A tax audit is pending 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: In the current assessment of the Executive Board, the known risks will probably have no significant impact on the financial position, net assets and results of operations of euromicron.

4.3 Opportunity report

Our new strategic focus “Enabling the Internet of Things” will help euromicron open up a virtually unlimited market that is just starting to grow. euromicron’s main emphasis in this market will be on the segment of smart buildings and critical infrastructures (see section 1.2 “Objectives and strategies”), since they are already key markets of euromicron.

IoT

opens up a virtually unlimited growth market.

Systematic leveraging of synergies between technology companies and system integrators represents the greatest potential for improving the euromicron Group’s results in the medium term. Whereas these synergies have been exploited at the project level to date, this will be done in future by a centrally controlled innovation process for the entire euromicron Group. This central Business Development function at euromicron is tasked with gearing the solution portfolio to the target markets and systematically creating synergies between the associated companies. This will result in further differentiation on the market in the medium term and lastingly increase the margins that can be achieved.

Synergies between technology companies and system integrators opens up particular potential for improving results.

Apart from this market-related opportunities, one of our main goals is still to increase efficiency, especially in project business. The initiated measures described in the risk report means there are great opportunities in future to increase profitability in project business and so help improve results further.

Increases in efficiency open the way to increasing profitability in project business.

By continuing to optimize purchasing activities and processes, we aim to achieve a further improvement in acquisition prices and delivery terms for the euromicron Group. In order to strengthen our competitiveness, we will merge the Purchasing department at the system houses and production companies in 2015 in order to leverage the existing synergies there.

Another major emphasis in 2015 will be to professionalize and optimize our sales activities. We will continue to expand key account management at our Group for important customers and target industries.

One strategic objective is to increase the share of services in our solution portfolio. To enable that, we intend to coordinate, standardize and professionalize our service structures and processes within the system integration companies in 2015. As a result, we aim to offer our customers even better service concepts tailored to their specific needs and so increase our profitability.

4.4 Forecast for fiscal 2015

Taking into consideration the opportunities and risks we have presented, similar sales growth as in 2014 can be expected in 2015, namely a total of between €340 and €360 million. A stable EBITDA margin between 6% and 8% is planned for operating business in 2015.

Our realignment toward the market segment “Internet of Things” means we have to continue to optimize structures at the networks area of expertise. Apart from that, we are currently examining whether to shed equity investments that are not strategically relevant.

These necessary, forward-looking reorganization measures will reduce the EBITDA margin by around one percentage point, with the result that the forecast EBITDA margin – allowing for these effects – will be in a range between 5% and 7%. After these structural measures have been completed, we expect from 2016 on to see a significant improvement in our profitability, leading to an EBITDA margin of 8% to 11% in the medium term.

This forecast is based on the assumption of a positive economic development in the Federal Republic of Germany and in the general conditions in the IT/ICT industry in 2015, as presented in section 2.1 “General economic and industry-specific conditions”. 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.

5. INTERNAL CONTROL AND RISKMANAGEMENT SYSTEM IN RELATION TO THE CONSOLIDATED ACCOUNTING PROCESS

Legal background and definition of an internal accounting control and risk management system (ICS/RMS)

Stock corporations as defined by Section 264d of the German Commercial Code (HGB) are obliged pursuant to Section 315 (2) No. 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 consolidated accounting and compliance with the relevant financial reporting regulations. It is integrated in the risk management system of the overall Group, which is described in detail in section 4. under “Risk report and salient features of the risk management system”.

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 causes of the mistakes in project valuations from the years 2012 and 2013 were analyzed extensively and addressed. The measures that had already been implemented and those additionally planned in 2015 (see section 4. under “Risk report and salient features of the risk management system”) ensure that the company has established internal control structures that prevent such mistakes occurring in subsequent years and enable it to take timely and adequate countermeasures if and when necessary. 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 “four 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 the four 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 Group'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 form another main process-independent monitoring step in relation to the consolidated accounting procedure. The suitability and effectiveness of the internal control system is also examined constantly by the work of the Internal Auditing department.

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. We refer you in this regard to the comments in section 4. under "Risk report and salient features of the risk management system".

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 and other assets is the budgeting prepared by the respective subsidiaries in agreement with the Controlling unit of euromicron AG and approved by its Executive Board and Supervisory Board. The Treasury unit provides the data required for reporting any derivate financial instruments in the balance sheet. The data, which is provided by other organizational units, is subjected to a plausibility check in Accounting before being further processed as part of preparation of the consolidated financial statements.

Within the euromicron Group, the segments are assessed 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.

6. CORPORATE GOVERNANCE REPORT

In 2014, euromicron AG largely complied with the recommendations of the German Corporate Governance Code (DCGK) in its version dated May 13, 2013, which was published on June 10, 2013, and in its amended version dated June 24, 2014, as of September 30, 2014. 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.de/investor-relations/corporate-governance-14. The 2014 Corporate Governance Report published on this Internet site also contains the corporate governance declaration in accordance with Section 289a HGB (German Commercial Code).

7. COMPENSATION REPORT

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 – with the exception explained below – the recommendations of the German Corporate Governance Code in the version dated May 13, 2013, which was published on June 10, 2013, or as of September 30, 2014, in its amended version dated June 13, 2014, and explains the level and structure of compensation for the respective members of the Executive Board. In addition, it specifies the principles for and level of compensation for the members of the Supervisory Board.

In accordance with the recommendation in Section 4.2.5 (3) et seq. DCGK that was newly introduced in the 2013 version, the compensation for Executive Board members is to be disclosed in individualized form using model tables for fiscal years starting after December 31, 2013. The model tables in the Code's appendix are to be used for disclosing this information. The company currently deviates from Section 4.2.5 (3) et seq. of the Code. The compensation for Executive Board members is disclosed in compliance with statutory provisions. The company has not provided any further disclosures on or breakdowns of the compensation using the model tables due the work involved in this change and the extra administrative overhead in 2014.

Salient features of the compensation system for the Executive Board

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 is therefore oriented toward 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 in question. The compensation should be competitive nationally and internationally and so offer incentives for committed and successful work. Overall responsibility for defining the compensation principles for the Group lies with the Supervisory Board, which also regularly reviews them.

Compensation of the Executive Board

The total compensation of the Executive Board is based on Section 87 AktG (German Stock Corporation Law) 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 and a variable component with a long-term incentive effect ("LTI")). The contracts of employment and compensation structure overall are regularly reviewed together with independent external compensation experts and adjusted if necessary.

euromicron AG's compensation strategy also envisages offering remuneration that is fair and transparent and takes the interests of shareholders into consideration. 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 the other member in 2014. 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 employment 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 EBITDA and is calculated taking the Group's business results into account. An upper limit (cap) avoids entitlement to an excessively high bonus in the event of highly positive developments.

In addition, the system for compensation of an Executive Board member includes variable components with a multi-year basis of assessment (LTI). For the contribution made to increases in the company's value, the Executive Board members can receive a long-term compensation component geared to the total EBITDA amounts for the next three fiscal years as of when this compensation component is promised ("performance period"). Payment of it will be due after the consolidated financial statements for the final year of the performance period have been approved; annual payments on account will be set off against this.

In addition, 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. The Supervisory Board did not make use of this option in fiscal 2014.

For their work in fiscal year 2014, the individual members of the Executive Board received the following payments:

The total compensation for all members of the Executive Board was €1,787 thousand. The performance-unrelated, fixed basic compensation accounted for €876 thousand (plus other non-cash compensation of €46 thousand) and the variable, performance-related compensation for €911 thousand.

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

- Dr. Willibald Späth: €1,351 thousand (performance-unrelated compensation €629 thousand; including €29 thousand in other remuneration, performance-related compensation of €317 thousand and €405 thousand from the variable component with a long-term incentive effect).

- Thomas Hoffmann: €436 thousand (performance-unrelated compensation €247 thousand; including €17 thousand in other remuneration, performance-related compensation of €114 thousand and €75 thousand from the variable component with a long-term incentive effect).

In the event that an Executive Board member's activity is terminated without an important reason, all contracts provide for a payment with which the remaining term of the contract of employment is remunerated. The same applies in the event of premature termination of a board member's activity in the case of a change of control. In both cases, no further payments that necessitate a severance pay cap have been agreed.

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 2014, 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.

Salient features of the compensation system for the Supervisory Board

The compensation of members of the Supervisory Board is governed by the Articles of Association of euromicron AG. Apart from being reimbursed for their outlays, the members of the Supervisory Board receive a fixed annual remuneration of €30 thousand. The Chairman of the Supervisory Board receives double and his/her deputy one-and-a-half times the fixed remuneration. The overall compensation for the Supervisory Board for 2014 in accordance with the Articles of Association was thus €135 thousand, which is broken down as follows:

- Dr. Franz-Stephan von Gronau: €60 thousand
- Josef Martin Ortolf: €45 thousand
- Dr. Andreas de Forestier: €30 thousand

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%.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €75 thousand was paid for the services.

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

a.) The subscribed capital of euromicron AG on the balance sheet date comprises 7,176,398 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, where the disclosures do not have to be made in the notes on the consolidated financial statements.

d.) There are no holders of shares with special rights that confer controlling powers.

e.) 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.

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

Authorized capital
The General Meeting on May 14, 2014, adopted a resolution to create new authorized capital totaling €9,173,770.00. Under it, the Executive Board is authorized to increase the capital stock of euromicron AG by May 13, 2019, by up to a total of €9,173,770.00 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. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right. The previously existing authorized capital, which was still €1,310,541.28 following its partial use for the capital increase, was rescinded.

Treasury 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 ff. AktG (German Stock Corporation Law) – must at no time exceed 10% of the company's capital stock.

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

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

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2014.

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

Frankfurt/Main, May 26, 2015

Bettina Meyer Spokeswoman of the Executive Board	Jürgen Hansjosten Member of the Executive Board

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

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AUDITOR'S REPORT

Following the final results of our audit, we have issued the following unqualified audit dated May 26, 2015:

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, 2014. 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 accords with the consolidated financial statements, conveys overall an accurate picture of the Group's position and accurately presents the opportunities and risks of future development."

Frankfurt/Main, May 26, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk	ppa. Christoph Tübbing
Auditor	Auditor

BALANCE SHEET

of the euromicron Group as of December 31, 2014 (IFRS)

Assets

012

	Note	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
		€ thou.	€ thou.	€ thou.
Noncurrent assets				
Goodwill	(1)	113,479	113,529	106,369
Other intangible assets	(1)	20,795	23,709	21,031
Property, plant and equipment	(1)	14,121	14,471	16,255
Other financial assets	(1)	888	960	718
Other assets	(1)	85	105	197
Deferred tax assets	(2)	1,370	2,235	1,893
		150,738	**155,009**	**146,463**
Current assets				
Inventories	(3)	29,024	27,961	27,500
Trade accounts receivable	(4)	33,731	31,779	40,267
Gross amount due from customers for contract work	(4)	52,070	53,780	49,276
Claims for income tax refunds	(4)	1,202	4,615	4,211
Other financial assets	(4)	2,971	2,478	228
Other assets	(4)	2,078	2,028	3,429
Cash and cash equivalents	(5)	15,622	38,830	5,414
		136,698	161,471	130,325
		287,436	**316,480**	**276,788**

* Previous year's figures partly adjusted (see section 4 „Corrections acc. to IAS 8“)

Equity and liabilities

013

	Note	Dec. 31, 2014	Dec. 31, 2013*	Jan. 1, 2013*
		€ thou.	€ thou.	€ thou.
Equity (ratio 38.4% / previous year: 35.1%)	(6)			
Subscribed capital		18,348	17,037	17,037
Contribution made to carry out the adopted capital increase		0	6,838	0
Capital reserves		94,298	88,771	88,771
Gain/loss on the valuation of securities		98	177	0
Currency translation difference		–1	0	0
Consolidated retained earnings		–2,747	–2,052	6,912
Stockholders' equity		109,996	110,771	112,720
Non-controlling interests		405	392	525
Total equity		**110,401**	**111,163**	**113,245**
Long-term debt				
Provisions for pensions	(7)	1,194	947	983
Other provisions	(7)	1,912	1,776	1,157
Liabilities to banks	(8)	43,231	32,806	37,590
Liabilities from finance lease	(8)	1,206	1,670	2,158
Other financial liabilities	(8)	2,457	7,322	8,025
Other liabilities	(8)	234	205	0
Deferred tax liabilities	(9)	7,362	8,061	6,832
		57,596	**52,787**	**56,745**
Current liabilities				
Other provisions	(7)	1,748	2,308	2,062
Trade accounts payable	(8)	44,238	54,268	42,867
Gross amount due to customers for contract work	(8)	0	816	159
Liabilities from current income taxes	(8)	3,009	3,690	1,554
Liabilities to banks	(8)	19,888	30,390	30,995
Liabilities from finance lease	(8)	457	506	599
Other tax liabilities	(8)	6,039	6,826	6,130
Personnel obligations	(8)	9,127	11,330	9,583
Other financial liabilities	(8)	29,086	36,811	6,779
Other liabilities	(8)	5,847	5,585	6,070
		119,439	152,530	106,798
		287,436	**316,480**	**276,788**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

INCOME STATEMENT

of the euromicron Group for the period January 1 to December 31, 2014 (IFRS)

Income statement 014

	Note	2014	2013*
		€ thou.	€ thou.
Sales	(11)	**346,338**	**325,683**
Inventory changes		573	–698
Own work capitalized	(12)	2,617	3,134
Other operating income	(13)	2,144	1,901
Cost of materials	(14)	–182,468	–176,709
Personnel costs	(15)	–103,176	–99,028
Amortization and depreciation	(16)	–9,702	–8,901
Other operating expenses	(17)	–44,879	–45,578
Earnings before interest and taxes (EBIT)		**11,447**	**–196**
Interest income	(18)	333	61
Interest expenses	(18)	–4,012	–3,869
Income before income taxes		**7,768**	**–4,004**
Income taxes	(19)	–4,924	–2,397
Consolidated net income/loss for the year		**2,844**	**–6,401**
Thereof for euromicron AG shareholders		2,576	–6,525
Thereof for non-controlling interests	(20)	268	124
(Un)diluted earnings per share in €	(21)	**0.36**	**–0.91**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

STATEMENT OF COMPREHENSIVE INCOME

of the euromicron Group for the period January 1 to December 31, 2014 (IFRS)

Statement of comprehensive income

015

	2014	2013*
	€ thou.	€ thou.
Consolidated net loss/net income for the year	**2,844**	**–6,401**
Items to be subsequently recognized in profit or loss		
Gain/loss on the valuation of securities	–79	177
Currency translation difference	–1	0
Items not to be subsequently recognized in profit or loss		
Revaluation effects from pensions	–3,272	–440
Other profit/loss (net)	**–3,352**	**–263**
Total profit/loss	**–508**	**–6,664**
Thereof for euromicron AG shareholders	–776	–6,788
Thereof for non-controlling interests	268	124

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

STATEMENT
OF CHANGES IN EQUITY

of the euromicron Group as of December 31, 2014 (IFRS)

Statement of changes in equity

	Subscribed capital	Capital reserves	Contribution made to carry out the adopted capital increase
	€ thou.	€ thou.	€ thou.
December 31, 2012	**17,037**	**88,771**	**0**
Corrections acc. to IAS 8			
December 2012 after corrections	**17,037**	**88,771**	**0**
Consolidated net loss for 2013	**0**	**0**	**0**
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
Currency translation difference	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total profit/loss	**0**	**0**	**0**
Transactions with owners			
Dividend for 2012	0	0	0
Contribution made to carry out the adopted capital increase	0	0	6,838
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/drawings by minority interests	0	0	0
	0	**0**	**6,838**
December 31, 2013	**17,037**	**88,771**	**6,838**
Consolidated net income for 2014	**0**	**0**	**0**
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
Currency translation difference	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total profit/loss	**0**	**0**	**0**
Transactions with owners			
Transfer of the Contribution made to carry out the adopted capital increase to the subscribed capital or capital reserves	1,311	5,527	−6,838
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/drawings by minority interests	0	0	0
	1,311	**5,527**	**−6,838**
December 31, 2014	**18,348**	**94,298**	**0**

016

Consolidated retained earnings	Gain/loss on the valuation of securities	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
12,711	**0**	**0**	**118,519**	**525**	**119,044**
–5,799			**–5,799**		**–5,799**
6,912	**0**	**0**	**112,720**	**525**	**113,245**
–6,401	**0**	**0**	**–6,401**	**0**	**–6,401**
0	177	0	177	0	177
0	0	0	0	0	0
–440	0	0	–440	0	–440
–440	**177**	**0**	**–263**	**0**	**–263**
–6,841	**177**	**0**	**–6,664**	**0**	**–6,664**
–1,999	0	0	–1,999	0	–1,999
0	0	0	6,838	0	6,838
–117	0	0	–117	117	0
–7	0	0	–7	0	–7
0	0	0	0	–250	–250
–2,123	**0**	**0**	**4,715**	**–133**	**4,582**
–2,052	**177**	**0**	**110,771**	**392**	**111,163**
2,844	**0**	**0**	**2,844**	**0**	**2,844**
0	–79	0	–79	0	–79
0	0	–1	–1	0	–1
–3,272	0	0	–3,272	0	–3,272
–3,272	**–79**	**–1**	**–3,352**	**0**	**–3,352**
–428	**–79**	**–1**	**–508**	**0**	**–508**
0	0	0	0	0	0
–138	0	0	–138	138	0
–129	0	0	–129	0	–129
0	0	0	0	–125	–125
–267	**0**	**0**	**–267**	**13**	**–254**
–2,747	**98**	**–1**	**109,996**	**405**	**110,401**

STATEMENT OF CASH FLOWS

of the euromicron Group for the period January 1 to December 31, 2014 (IFRS)

Statement of cash flows

017

Note (22)	2014 € thou.	2013 € thou.	Correction acc. to IAS 8 € thou.	2013 before corrections € thou.
Income before income taxes	7,768	−4,004	−5,705	1,701
Net interest income/loss	3,679	3,808	0	3,808
Depreciation and amortization of noncurrent assets	9,702	8,901	0	8,901
Disposal of assets, net	2	−18	0	−18
Allowances for inventories and doubtful accounts	1,882	2,975	1,901	1,074
Change in provisions	−537	−98	0	−98
Changes in short- and long-term assets and liabilities:				
– Inventories	−1,432	584	0	584
– Trade accounts receivable and gross amount due from customers for contract work	−3,239	2,930	3,672	−742
– Trade accounts payable and gross amount due to customers for contract work	−11,436	9,560	285	9,275
– Other operating assets	−591	−3,029	307	−3,336
– Other operating liabilities	−3,940	21,310	−460	21,770
– Income tax paid	−5,062	−4,066	0	−4,066
– Income tax received	4,596	4,085	0	4,085
– Interest paid	−3,615	−3,561	0	−3,561
– Interest received	293	56	0	56
Net cash used in/provided by operating activities [1)]	**−1,930**	**39,433**	**0**	**39,433**
Proceeds from				
– Retirement of property, plant and equipment	52	766	0	766
– The acquisition of subsidiaries Previous year: purchase price payments of €2,463 thousand minus acquired liquid funds of €2,956 thousand	0	493	0	493
Payments due to acquisition of				
– Intangible assets	−3,374	−4,056	0	−4,056
– Property, plant and equipment	−2,956	−2,330	0	−2,330
– Subsidiaries Purchase price payments of €8,028 thousand (previous year: €0 thousand) Not yet made (conditional) purchase price payments of €2,510 (previous year: €9,993) are not included	−8,028	0	0	0
Net cash used in investing activities	**−14,306**	**−5,127**	**0**	**−5,127**
Dividends paid	0	−1,999	0	−1,999
Contribution made to carry out the adopted capital increase (excluding the effect from deferred taxes)	0	6,728	0	6,728
Proceeds from raising of financial loans	31,390	23,132	0	23,132
Cash repayments of financial loans	−38,202	−28,536	0	−28,536
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	−160	−215	0	−215
Net cash used in financing activities	**−6,972**	**−890**	**0**	**−890**
Net change in cash funds	−23,208	33,416	0	33,416
Cash funds at start of period	38,830	5,414	0	5,414
Cash funds at end of period	**15,622**	**38,830**	**0**	**38,830**
[1)] adjusted for factoring effects:				
Net cash provided by/used in operating activities	**1,932**	**−14,658**	**0**	**−14,658**

GENERAL DISCLOSURES

1. Description of business activities

euromicron AG (hereinafter referred to as the "company") is a registered stock corporation under German law whose shares are traded on the stock market and has its registered offices at Zum Laurenburger Hof 76, 60594 Frankfurt/Main, Germany. 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, 2014. All the mandatory standards at the balance sheet date were applied.

Effects of new standards and interpretation or changes to them on the consolidated financial statements

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal 2014: TABLE 018

IFRS standards as of 2014 — 018

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 27	Separate Financial Statements	January 1, 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	January 1, 2014	Yes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2014	Yes
IAS 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting (amendment)	January 1, 2014	Yes
IFRS 10	Consolidated Financial Statements	January 1, 2014	Yes
IFRS 11	Joint Arrangements	January 1, 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014	Yes
IFRS 10, IFRS 12 and IAS 27	Investment Entities (amendment)	January 1, 2014	Yes
IFRS 10, IFRS 11 and IFRS 12	Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (amendment)	January 1, 2014	Yes

IAS 27 – Separate Financial Statements
The IASB published the changes to IFRS 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). First-time application of this amendment did not have any effects on the consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures
The IASB published the changes to IFRS 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. First-time application of this amendment did not have any effects on the consolidated financial statements.

Amendment to IFRS 32 – Financial Instruments: Offsetting Financial Assets and Financial Liabilities
The IASB published the changes to IFRS 32 on December 16, 2011. The amendments comprise clarifications on the conditions for offsetting financial assets and financial liabilities. First-time application of this amendment did not have any significant effects on the consolidated financial statements.

Amendment to IAS 39 – Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting
On June 27, 2013, the IASB added an exemption to IAS 39 to the effect that novation of a derivative from one counterparty to a central counterparty or to a member of a central counterparty does not result in discontinuation of hedge accounting under certain conditions. First-time application of this amendment did not have any 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. First-time application of the new standard did not have any 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. First-time application of the new standard did not have any significant 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 effects of a company's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities (special-purpose entities). First-time application of the new standard did not have any significant effects on the consolidated financial statements.

Amendment to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 27 (Separate Financial Statements – Investment Entities)
As a result of the amendments to IFRS 10, IFRS 12 and IAS 27, what are termed investment entities are exempted from the obligation to include the subsidiaries controlled by them in their consolidated financial statements as part of full consolidation. The amendments to IFRS 12 define new provisions for disclosing investment entities. First-time application of this amendment did not have any effects on the consolidated financial statements.

Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12
Pursuant to this amendment, exemptions are granted in that the adjusted comparative figures to be disclosed are restricted to the comparative period directly preceding first-time application and the requirement to present comparative information for the disclosures related to unconsolidated structured entities has been removed for the first time that IFRS 12 is applied. First-time application of this amendment did not have any 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, 2014: TABLE 019

IFRS standards to be applied in future (2014) 019

	Standard / Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 1	Disclosure Initiative (amendment)	January 1, 2016	No
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization (amendment)	January 1, 2016	No
IAS 16 and IAS 41	Bearer Plants (amendment)	January 1, 2016	No
IAS 19	Defined Benefit Plans: Employee Contributions (amendment)	February 1, 2015	Yes
IAS 27	Equity Method in Separate Financial Statements of an Investor (amendment)	January 1, 2016	No
IFRS 9	Financial Instruments	January 1, 2018	No
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	January 1, 2016	No
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (amendments)	January 1, 2016	No
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (amendment)	January 1, 2016	No
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	No
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	No
IFRIC 21	Levies	June 17, 2014	Yes
AIP	Annual improvements to the IFRSs, cycle 2010 – 2012	February 1, 2015	Yes
AIP	Annual improvements to the IFRSs, cycle 2011 – 2013	January 1, 2015	Yes
AIP	Annual improvements to the IFRSs, cycle 2012 – 2014	January 1, 2016	No

Amendment to IAS 1 “Presentation of Financial Statements”: Disclosure Initiative

The amendment to IAS 1 “Presentation of Financial Statements” adopted as part of the Disclosure Initiative on December 18, 2014, comprises in particular clarifications on assessing the materiality of disclosures in financial statements, the presentation of additional items in the balance sheet and statement of comprehensive income, presentation of the other profit/loss for associated companies and joint ventures carried using the equity method, the structure of disclosures in the notes and presentation of the applicable accounting methods.

The changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

Amendment to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible Assets”: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible Assets” adopted on May 12, 2014, contain guidelines on the methods to be applied for depreciation of property, plant and equipment and for amortization of intangible assets. According to them, the revenue-based method is not a permissible method of depreciation and amortization under IAS 16. This also applies refutably and analogously for IAS 38. These changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture”: Bearer Plants

Under the amendments to the IAS 16 and IAS 41 standards published on June 30, 2014, bearer plants, such as grape vines, banana trees and oil palms, will be covered by IAS 16 in future. These changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IAS 19 “Employee Benefits”: Defined Benefit Plans: Employee Contributions

The IASB published an amendment to IAS 19R in November 2013. The amendment includes in the standard an option relating to accounting of defined benefit plans to which employees (or third parties) make obligatory contributions. Taking into account the now published amendment to IAS 19R, it is permissible to carry employee contributions linked to service and not to the number of years of service in the period in which the corresponding service is performed, without following the described method of calculation and distribution using the projected unit credit method. The changes must be applied to fiscal years beginning on or after February 1, 2015. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IFRS 27 "Separate Financial Statements": Equity Method in Separate Financial Statements of an Investor

The amendments to IAS 27 "Separate Financial Statements" published on August 12, 2014, mean that application of the equity method as an option for carrying interests in subsidiaries, associated companies and joint ventures in the separate financial statements of an investor is permitted again. There is still (as before) the option of recognizing them at amortized acquisition cost or in accordance with IAS 39 or IFRS 9. The changes come into effect for fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will have no effects on the consolidated financial statements.

IFRS 9 "Financial Instruments"

The IASB adopted the final version of IFRS 9 "Financial Instruments" on July 24, 2014. The revised IFRS 9 now also contains regulations on a new measurement category for fair value through other comprehensive income (FVOCI) and impairment of financial instruments. Adoption of the IFRS 9 means that its previous versions (Classification and Measurement: Financial Assets and Liabilities; Hedge Accounting) and its predecessor standard IAS 39 are superseded.

When first carried, financial assets are in future to be categorized as measured at "fair value through profit or loss" or at "amortized cost". This classification is dependent on the company's business model and the contractual terms of the financial asset. The new measurement category FVOCI introduced with the final standard can be used for specific financial assets if the assets are controlled with the objective of collecting the contractually agreed cash flows and to sell the assets (holding and selling business model) and the contractual cash flows from the assets are solely repayments of principal and interest payments (cash flow criterion). If both conditions are met, a debt instrument must always be measured at FVOCI, unless the fair value option is used at the time of the asset's addition.

In the case of financial assets that are assigned to the measurement category FVOCI, measurement gains must be recognized in the "Other profit/loss"; however, impairment losses, income from reversals of impairment losses, gains and losses from foreign currency translation and interest income must be presented in the income statement. The measurement gains carried in "Other profit/loss" must be transferred to the income statement when derecognized (recycling).

There is the irrevocable possibility of applying an FVOCI option for equity instruments provided the instruments in question are not held for trading. The amounts carried in "Other profit/loss" are not transferred to the income statement for these instruments (no recycling).

The classification of financial liabilities has not changed compared with IAS 39. Only the regulations in the event of a change to the own credit risk have changed for financial liabilities measured at fair value using the fair value option. They have to be carried in the "Other profit/loss".

The new regulations in IFRS 9 on recognition of impairments are based on the premise of providing for anticipated losses (expected loss model), a deviation from the previous model of losses that had already occurred (incurred loss model). Both models differ in that the expected loss model includes anticipated losses where there are no concrete loss indicators, whereas losses may only be included In the incurred loss model if there are already concrete loss indicators.

Consequently, a risk provision for expected payment losses must now be formed in principle in accordance with IFRS 9. In order to determine the extent of provisions for risks, there is a three-tier model under which in principle expected losses for 12 months are to be carried as of first-time recognition and, in the event of a significant deterioration in the credit risk, the anticipated total losses are to be recognized.

IFRS 9 contains regulations on hedge accounting that create a stronger connection between hedge accounting on the balance sheet and the risk management practiced as part of operational activities. IFRS 9 provides a more flexible possibility for designating hedged items, under which individual components, net positions and aggregated positions (including derivatives) can be hedged. Individual components of non-financial items can also be designated provided they are separately identifiable and reliably measurable.

With the exception of equity instruments for which the FVOCI option has been exercised, IFRS 9 basically permits any type of non-derivative financial instrument to be designated as a hedging instrument if those financial instruments are measured at fair value.

Effectiveness is assessed solely on a prospective basis in accordance with IFRS 9. The economic relationship between the hedged item and the hedging instrument is the main criterion for measuring effectiveness. The credit risk and hedge ratio are also analyzed.

The new standard must be applied to fiscal years beginning on or after January 1, 2018. Early application of the new standard is possible. Previous versions of IFRS 9 can be applied before that within a limited period of time, provided that the relevant date of first-time application in this regard is before February 1, 2015. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendment adopted on September 11, 2014, eliminates an existing inconsistency between IFRS 10 and IAS 28 in relation to the question of complete (IFRS 10) or proportionate (IAS 28) recognition of gains if an investor sell assets in one of its associated companies or joint ventures (or contributes assets to such entities).

The changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures": Investment Entities – Applying the Consolidation Exception

The change to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures" adopted on December 18, 2014, comprises minor changes to these standards. In particular, various questions relating to exemption from the consolidation obligation under IFRS 10 if the parent company meets the definition of an "investment entity" are dealt with.

These changes must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IFRS 11 "Joint Arrangements": Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 "Joint Arrangements" adopted on May 6, 2014, contain additional guidelines on the question of how an acquisition of interests in joint operations is to be carried. The amendments clarify that an acquisition of interests in a joint operation that constitutes a business enterprise within the meaning of IFRS 3 "Business Combinations" must be recognized in accordance with the provisions of IFRS 3 (purchase method of accounting) and other relevant standards, such as IAS 12, IAS 38 and IAS 36.

The changes must be applied prospectively to the acquisition of interests in fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 14 "Regulatory Deferral Accounts"

The standard introduces an optional exemption for first-time adopters in accordance with IFRS 1 with which, subject to restrictive conditions, these companies can continue recognition of regulatory deferral accounts from price regulation on the basis of their existing accounting principles. The new standard must be applied to fiscal years beginning on or after January 1, 2016. Early application of the new standard is possible . Their first-time application will have no effects on the consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"
On May 28, 2014, the IASB published the long-awaited standard on revenue recognition. IFRS 15 "Revenue from Contracts with Customers" establishes a consistent set of rules for all questions of recognizing revenue from contracts with customers. The stipulations in IFRS 15 must be applied consistently to different transactions and across all industries. The only exception is contracts that are covered by the scope of IAS 17 "Leases", IAS 27 "Separate Financial Statements", IAS 28 Investments in Associates and Joint Ventures", IFRS 4 "Insurance Contracts", IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". This standard supersedes the existing standards and interpretations on revenue recognition (IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services").

IFRS 15 contains in particular extensive regulations on recognition of revenue from contracts with different service components (multi-component contracts). In addition, IFRS 15 expands existing disclosure requirements and introduces extensive qualitative and quantitative disclosures on contracts with customers, the main discretionary decisions and subsequent changes to them, and assets resulting from capitalized costs for obtaining or fulfilling contracts with customers so as to provide more useful information for decision-making for the target audience of the financial statements.

The new standard must be applied to fiscal years beginning on or after January 1, 2017. Early application of the new standard is possible. The effects of the new standard on the consolidated financial statements are still being examined at present.

IFRIC 21 "Levies"
IFRIC 21 contain regulations on recognition of obligations to pay public charges that are not levies within the meaning of IAS 12. Adoption of the interpretation may result in an obligation to pay levies being carried in the balance sheet at a different time, in particular if the obligation to pay them arises only if certain circumstances exist at a certain time. The changes must be applied to fiscal years beginning on or after June 17, 2014. Early application of the new standard is possible. Their first-time application will probably have no effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to the IFRSs, 2010-2012 cycle ("Improvements to IFRS")
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 February 1, 2015. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to the IFRSs, 2011-2013 cycle ("Improvements to IFRS")
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, 2015. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to the IFRSs, 2012-2014 cycle ("Improvements to IFRS")
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, 2016. Early application of the new standard is possible. Their first-time application will probably have no significant effects on the consolidated financial statements.

General principles
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.

In principle, the consolidated financial statements were prepared on the basis of historical acquisition or manufacturing costs, with the exception of re-measurement of the available-for-sale financial assets. 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 twelve months. Irrespective of when they are due, inventories, trade accounts receivable and trade accounts payable and gross amounts due from and to customers for contract work 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.

Offsetting of assets and liabilities
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 individual production contracts and are covered by services provided by the balance sheet date on the basis of the percentage of completion method.

Currency translation
The consolidated financial statements of euromicron AG are prepared in euro, the functional currency of euromicron AG.

Foreign currency transactions are translated into the functional currency at the exchange rates at the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement.

Receivables and liabilities in foreign currency amounts are translated at the spot rate on the balance sheet date.

The results and balance sheet items of Group companies that have a different functional currency to the euro are translated into euros as follows:

- Assets and liabilities are translated at the rate on each respective balance sheet date.
- Income and expenses are translated for each income statement at the average rate (unless use of the average rate does not result in a reasonable approximation of the cumulative effects that would have resulted from translation at the rates applicable at the times of the transactions, in which case income and expenses are to be translated at their rates on the transaction date).

All resultant translation differences are recognized in equity in the separate item “Currency translation difference”.

Consolidation principles
Subsidiaries are all companies that are controlled by the Group. The Group controls an associated company if it has power of disposal over the company, there is a risk exposure as a result of or rights to variable returns from its engagement in the associated company and the Group has the ability to use its power of disposal over the company so as to influence the level of the variable returns from the associated company. This is usually accompanied by a share of the voting rights of more than 50%. In assessing whether a company is controlled, the existence and impact of potential voting rights that can be exercised or are convertible at present are taken into account. Subsidiaries are included in the consolidated financial statements by way of full consolidation. They are included from the date on which control has passed to the Group and no longer included where the Group does not have control over them.

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.

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.

Company acquisitions

Acquired subsidiaries are carried using the purchase method of accounting in accordance with IFRS 3. The transferred quid pro quos for the acquisition correspond to the fair value of the assets of the issued equity instruments and the debts that were assumed at the time of the transaction. They also include the fair values of any recognized assets or liabilities resulting from a conditional quid-pro-quo agreement. Identifiable assets, liabilities and contingent liabilities as part of a business combination are measured at their fair value at the time of acquisition in first-time consolidation. Any positive difference remaining after allowance for deferred taxes is carried as goodwill under the intangible assets.

If the transferred quid pro quo is less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the income statement.

Incidental costs as part of company acquisitions are recognized as an expense in the current period and carried under "Other operating expenses" (mainly as consulting costs).

Non-controlling interests are measured at their share proportionate to the identifiable and re-measured net assets of the subsidiary. Any conditional considerations are measured at fair value at the time of acquisition. Subsequent changes to the fair value of a conditional quid pro quo classified as an asset or liability are measured in accordance with IAS 39 and any resultant profit or loss is recognized either in profit or loss or in the other profit/loss. A conditional quid pro quo classified as equity is not re-measured and its later settlement is recognized in equity.

When the group loses control of a company, the remaining portion is re-measured at fair value and the resultant difference recognized as profit or loss. In additional, all the amounts reported in the other profit/loss in relation to that company are recognized as would be required if the parent company had directly sold the associated assets and liabilities. That means any profit or loss previously carried in the other profit/loss is reclassified from equity to profit/loss.

Intangible assets – Goodwill

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) and 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 allocated is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. The recoverable amount is the higher of its fair value less costs to sell and value in use of a CGU. The value in use is applied for purposes of the impairment test. The value in use is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC).

In line with our philosophy of a "system house with production expertise", the market is mainly accessed via the local branch office structure of the system houses. Accordingly, the euromicron Group is controlled by the Executive Board on the basis of regions. Consequently, as in the previous year, the business activities are pooled in the North and South Segments and, for supra-regional activities, in the WAN services Segment. The CGUs System Houses and Production Companies have developed within the North and South Segments; the Distributors are also integrated in the South Segment alongside the System Houses and Production Companies, whereas the WAN services Segment acts as an integrated CGU.

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, has a horizon of five years. The planning figures are updated for subsequent years using constant growth rates. In principle, the planning is created in detail as a bottom-up, top-down approach using the counterflow procedure, with management incorporating its experience from the past and medium-term expectations on the basis of estimates of market volumes, market shares and cost and price trends.

The detailed near-term sales planning is geared to the sales pipeline and the analyzed potentials for new and existing customers. In its multi-year approach, management is essentially oriented toward the potentials and anticipated individual developments of the addressed markets and the strategic measures and focuses geared toward them. The anticipated effects of measures by government and public authorities in the field of infrastructure are also taken into account if they can be adequately foreseen. The variable costs mainly change in line with the anticipated development of sale volumes, purchase prices and the expected success of the integration measures initiated to optimize cost structures. It is usually assumed that the contribution margin relative to sales will remain largely stable. Higher sales volumes result in an improvement in the operating margin, if economies of scale and knock-on effects can be expected in the value-added process. In principle, the initiated cost-cutting, efficiency and integration programs are planned conservatively and assuming that savings will have a positive impact on the operating margin down the road.

Other intangible assets

The other intangible assets comprise concessions, industrial and similar rights, brand name rights, capitalized development costs and self-created software. The other intangible assets are carried at cost and amortized using the straight-line method, on the basis of the following useful lives: TABLE 020

Other intangible assets 020

	Useful life in years
Concessions, industrial and similar rights	3 – 10
Brand name rights	10 – 25
Capitalized development costs	3 – 6
Self-created software	4 – 8

There are no intangible assets with an indefinite period of use either at the balance sheet date or at the balance sheet date of the previous year.

In the case of self-created intangible assets, development costs are carried at acquisition and manufacturing cost in accordance with IAS 38, 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.

Capitalized development costs and own work for self-created software and IT solutions include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs.

Research expenditure – where incurred – is posted as an expense, but is not a material factor at the euromicron Group.

Property, plant and equipment

Property, plant and equipment is measured at its acquisition or manufacturing cost less cumulated depreciation.

Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives: TABLE 021

Property, plant and equipment 021

	Useful life in years
Buildings	10 – 40
Technical equipment and machinery	3 – 15
Other equipment, operating and office equipment	3 – 16

Financing costs are capitalized as acquisition or manufacturing costs in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets for which borrowing costs can be directly attributed to the acquisition or production of a qualifying asset and for which a considerable period of usually more than twelve months is required to put them into a usable state. In the past fiscal year or in the previous fiscal year before that, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Impairment of long-lived assets

Long-lived assets (other intangible assets and property, plant and equipment) are tested for impairment if, due to events or changes in circumstances, there are indications that the carrying amount of the objects can no longer be recovered (triggering events). As part of the impairment test, assets are grouped at the lowest level for which cash flows can be separately identified (CGU). 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 price that would be obtained for the asset on the measurement date in an orderly business transaction between market participants.

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 the value impairments in earlier reporting periods no longer exist, the assets – with the exception of goodwill – are written up again.

Leasing

If, in accordance with IAS 17, the lessee bears the main risks and opportunities in relation to leased assets, economic ownership is ascribed to the lessee (“finance lease”). At the time of addition, the leased object under a finance lease is carried in the fixed assets at the lower of its fair value or the present value of the minimum lease payments. Capitalized leased objects are written down using the straight line method over their scheduled useful lives or over the agreement’s term. The corresponding liability to the lessor is carried at the same amount under “Liabilities from finance lease” at the time of the addition and amortized by means of the effective interest method.

If the main risks and opportunities from a lease remain with the lessor, this constitutes an operating lease. Payments in connection with an operating lease are carried in the income statement linearly over the term of the lease.

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 net realizable value is the estimated selling price that can be achieved in the ordinary course of business, less the variable costs necessary to make the sale. The first in, first out method is used at the euromicron Group to measure inventories. The historical cost of inventories includes production materials and labor costs, as well as allocable material and production and administrative overheads. In the past fiscal year or in the previous fiscal year before that, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Production contracts

The euromicron Group’s portfolio includes project companies that report project and installation services running beyond the key date in their balance sheet. Sales and earnings for projects that run beyond the key date and whose costs and pro-rata profit can be clearly identified are recognized using the percentage of completion (POC) method in accordance with IAS 11. The zero-profit method is also used. 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 key date is reflected in terms of value or the revenues from the order are recorded. Management of the project companies regularly examines the 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. The POC sales revenues determined using the cost-to-cost method are derived from the costs of contracts incurred up to the balance sheet date plus a pro-rata profit. No profit markups are included if the zero-profit method is used.

The balances of projects running beyond the key date are reported in the separate balance sheet items “Gross amount due from customers for contract work” and “Gross amount due to customers for contract work”. They are carried after being netted off against the payments on account covered by the services provided up to the key date.

Financial assets

In principle, financial assets are split into the following categories:

a.) At fair value through profit or loss

b.) Loans and receivables

c.) Held to maturity investments and

d.) Available for sale.

The classification depends on the purpose for which the financial asset in question was acquired. Management defines the classification of financial assets when they are recognized for the first time.

The euromicron Group has financial assets in the categories “Loans and receivables” and “Available for sale” at the balance sheet date.

Financial assets in the “Available for sale” category are initially carried at their fair value. Related transaction costs are recognized in profit or loss in the case of equity instruments. After first-time recognition, financial assets in the category “Available for sale” are measured at fair value. Changes in the fair value of financial assets in the “Available for sale” category are in principle recognized under “other comprehensive income” (OCI), unless a lasting impairment to them is ascertained.

If securities classified as “Available for sale” are sold, the accumulated changes in fair value previously carried under “Other profit/loss” are recognized in the income statement.

“Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are classed as current assets if their due date is not more than twelve months after the balance sheet date. If the due date is more than twelve months, they are carried as noncurrent assets. “Loans and receivables” are carried in the balance sheet under “Trade accounts receivable”, “Gross amount due from customers for contract work”, “Other financial assets” and “cash and cash equivalents”. Financial assets in the category “Loans and receivables” are initially recognized at their fair value plus transaction costs. After first-time recognition, they are carried at amortized acquisition cost using the effective interest method.

Financial assets are derecognized if the rights to payments from the financial assets have expired or been transferred and the Group has essentially transferred all risks and opportunities attached to ownership of them.

Impairment to the value of financial assets

At each balance sheet date, an examination is carried out to ascertain whether there are objective indications that the value of a financial asset or group of financial assets has been impaired.

In the case of financial assets in the “Available for sale” category, a significant or lasting decline in fair value below the acquisition costs is regarded as an indicator of impairment.

If there is such an impairment for available-for-sale assets, the accumulated loss is derecognized from equity and carried in the income statement. If the fair value of a financial asset in the category "Available for sale" increases again in a subsequent period due to circumstances that have occurred after first-time recognition of the impairment, the recovery in value is taken directly to equity in the case of equity instruments.

In the event of impairment to the value of an asset in the category "Loans and receivables", its carrying amount is reduced and the loss recognized as an expense. If the amount of the impairment falls in a subsequent period, the recovery in value is recognized as income.

Cash and cash equivalents
Cash and cash equivalents are measured at nominal value.

Deferred taxes
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 from consolidation effects are taken into account.

Deferred tax claims (deferred tax assets) are recognized to the extent that is it 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 liabilities resulting from temporary differences in connection with shares in subsidiaries are not recognized if the time at which the temporary differences are reversed can be determined by the Group and it is likely that the temporary differences will not be reversed in the foreseeable future due to this influence.

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

Equity
Equity comprises the shares in euromicron AG. There are no preferential shares or shares whose nominal amounts must be repaid.

In accordance with IAS 32.37, the equity transaction costs incurred as part of capital increases and the issue of new shares or options, minus deferred taxes, are directly offset with the premium and not recognized in the income statement.

If a company in the euromicron Group acquires equity interests in euromicron AG (treasury shares), the value of the paid consideration, including directly attributable additional costs (net after income tax), is deducted from euromicron AG's equity until all the shares have been redeemed or issued again. If such treasury share are subsequently issued again, the received consideration (net after deduction of directly attributable additional transaction costs and related income tax) is carried in euromicron AG's equity.

Liabilities
Liabilities are classified as current if the payment obligation is due within one year. Otherwise, they are carried as noncurrent liabilities.

When recognized for the first time, liabilities are measured at fair value. 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.

Financial liabilities
Financial liabilities can basically be split into two categories:

a.) Financial liabilities at fair value through profit or loss

b.) Other financial liabilities measured at amortized cost using the effective interest method.

When recognized for the first time, financial liabilities at fair value through profit or loss are measured at fair value, minus directly attributable transaction costs. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Changes to fair value are carried in the period they occur in the income statement. All other financial liabilities are measured in subsequent periods at amortized acquisition cost using the effective interest method.

Provisions for pensions and similar obligations
There are defined benefit and defined contribution pension schemes at the euromicron Group. A defined contribution scheme is a pension scheme where the Group pays fixed contributions to a company (fund) that is not part of the Group. The Group has no legal or factual obligation to pay additional contributions if the fund does not contain sufficient assets to settle the pension entitlements of all employees from the current and previous fiscal years. A defined benefit scheme is a scheme that is not a defined contribution scheme.

Typically, defined benefit schemes prescribe an amount for the pension benefits which the employees will receive when they retire and which is usually dependent on one or more factors (age, length of service and salary).

The provision for defined benefit schemes in the balance sheet corresponds to the present value of the defined benefit obligation (DBO) on the balance sheet date minus the fair value of the plan assets. The DBO is calculated annually by an independent actuarial expert using the projected unit credit method. The present value of the DBO is calculated by discounting the anticipated future cash payments at the interest rate of high-quality corporate bonds. The corporate bonds are denominated in the currency of the amounts to be paid out and have maturities matching the pension obligations.

The current service costs reflects the increase in the benefit obligation earned by employees in the period under review. If it is not capitalized, it is carried under “Personnel costs” in the income statement.

Past service costs are recognized immediately in the income.

The net interest is calculated by multiplying the net debt (asset) from the defined benefit schemes by the discount rate. Both are calculated at the beginning of the period under review, taking into account any changes that have occurred to the net debt due to payments of contributions and benefits in the course of the period under review. The net interest is carried under “Net interest income/loss” in the income statement.

Actuarial gains and losses due to experience adjustments and changes to actuarial assumptions are recognized in equity under “Other profit/loss” in the period in which they occur.

In the case of defined contribution schemes, the Group pays contributions to public or private pension institutions voluntarily or subject to a statutory or contractual obligation. The Group has no further payment obligations above and beyond making the contributions. The contributions are carried under “Personnel costs” when they are due. Prepaid contributions are recognized as assets to the extent that there is a right to repayment or a reduction in future payments.

Other provisions
Provisions are recognized in the case of a current legal or constructive obligation to third parties from a past event where utilization is probable and the expected amount of the necessary provision can be measured reliably. The provisions are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Provisions are reversed against the expense item where the original allocation to a provision was carried. If the discounting effect for long-term provisions is material, the provisions are recognized at the present value of the anticipated future cash flows.

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.

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 assumptions and estimates are based on the knowledge and data available at the balance sheet date; however, the actual results may differ from the anticipated figures and result in appropriate adjustments to the carrying amounts of the assets and liabilities. The assumptions and estimates of relevance to preparation of the consolidated financial statements are constantly reviewed.

Predictive estimates and assumptions are essentially made for the following:

- Measurement of goodwill: €113,479 thousand (previous year: €113,529 thousand)

- Measurement of capitalized development costs: €9,572 thousand (previous year: €10,184 thousand)

  We refer in this regard to the notes on the consolidated balance sheet (section 1.(a)).

- Payment of income taxes (claims for refunds (+) and income tax liabilities (–) netted off): € –1,807 thousand (previous year: €925 thousand)

  Claims for refunds and income tax liabilities are based on calculations that include estimates and assumptions. The final amount is not fixed until the tax assessment notices have been issued or the tax audits completed.

- Gross amount due from customers for contract work €52,070 thousand (previous year: €53,780 thousand)

- Gross amount due to customers for contract work €0 thousand (previous year: €816 thousand)

Use of the percentage of completion methods demands in particular estimates of the anticipated total costs and revenues for production contracts. We refer in this regard to the notes on the consolidated balance sheet (sections 4 and 8) and the notes on the consolidated income statement (section 11).

- Measurement of the other provisions: €3,660 thousand (previous year: €4,084 thousand)

  Measurement of the other provisions is based in particular on estimates as to their amount, the likelihood of their being utilized and the time they are utilized. We refer in this regard to the notes on the consolidated balance sheet (section 7.a).

- Measurement of provisions for pensions: €1,194 thousand (previous year €947 thousand)

  The present value of the pension obligations depends on a large number of factors that are based on actuarial assumptions. We refer in this regard to the notes on the consolidated balance sheet (section 7.b).

- Measurement of deferred taxes (surplus of deferred tax liabilities over deferred tax assets): €5,992 thousand (previous year: €5,826 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

4. Corrections according to IAS 8

In connection with preparation of the IFRS consolidated financial statements of euromicron AG for 2014, the company discovered the following mistakes relating to accounting and measurement of individual projects and accounting of individual receivables in fiscal years 2012 and 2013. The accounting mistakes that needed correcting occurred in particular in relation to around 25 large projects at three system house companies in the euromicron Group. A total of some 5,000 similar projects per year were handled and accomplished by companies in the euromicron Group in fiscal years 2012 and 2013. The errors detected in accounting and measurement of the projects in question involved in particular costing mistakes, incorrect measurements and a lack of follow-up costs in project cost calculations. In addition, subsequent requests by customers, some of which were anticipated, were not adequately recorded or documented as part of project valuation and so claims for them could not be asserted in the final invoice for projects. euromicron AG published an ad-hoc announcement in compliance with Section 15 WpHG (German Securities Trading Act) in this regard on March 23, 2015.

The following mistakes were identified:

1. In 2012 and 2013 there were mistakes in the original cost calculations for individual projects, as a result of which sales and the gross amount due from customers for contract work in accordance with IAS 11.22 or the costs attributable to the projects and (In the case of affected projects) the gross amount due to customers for contract work in accordance with IAS 11.36 were calculated incorrectly ("mistakes in project costing").

2. In addition, in the years 2012 and 2013 there were mistakes in relation to changes in estimates for order costs and order revenues in accordance with IAS 11.38 as part of individual project valuations. In particular, estimates were adjusted using incorrect amounts or adjustments that needed to be made to estimates were not carried out. As a result, there were incorrectly calculated sales and gross amounts due from customers for contract work in accordance with IAS 11.22 and incorrectly calculated expenses and (in the case of affected projects) gross amounts due to customers for contract work in accordance with IAS 11.36 ("mistakes in project valuation").

3. In the years 2012 and 2013, sales and accounts receivable were recognized despite the fact that they did not fulfill the measurement criteria in accordance with IAS 39.14 and F49(a) or the criteria for being recognized in accordance with IAS 18.20 ("mistakes in recognition of receivables").

These mistakes in the valuation of individual projects and the resultant lower EBIT and EBITDA mean that there is a lower bonus commitment toward members of the Executive Board and that the Group can reclaim excess bonus payments that have already been made ("subsequent adjustment to the bonus"). In addition, the individual incorrect valuations for projects resulted in claims for refunds from income tax, the income tax to be paid and deferred tax assets and liabilities ("subsequent adjustment to taxes and deferred taxes").

The re-measurement of the identified projects resulted in a reduction in equity as of January 1, 2013, of approximately €5.8 million, which was treated in compliance with the principles of IAS 8. In fiscal 2013, there was a further reduction in equity of approximately €5.6 million resulting entirely from effects that were recognized in income.

Correction of the mistakes had an impact on trade accounts receivable, gross amounts due from customers for contract work, claims for income tax refunds, other financial assets, other assets, gross amounts due to customers for contract work, trade accounts payable, liabilities from current income taxes, personnel obligations and deferred tax assets and liabilities.

The following balance sheet items in the IFRS consolidated financial statements of euromicron AG at December 31, 2012, and at December 31, 2013, are affected by the mistakes that were discovered:

1. Incorrect valuations of individual projects meant that trade accounts receivable were recognized incorrectly and the consolidated income reported was too high (IAS 11.22; IAS 18.20; IAS 39.14). The related corrections to value-added tax resulted in claims to a refund in value-added tax (carried under "Other assets").

2. Incorrect valuations of individual projects meant that the reported gross amount due from customers for contract work was too high (IAS 11.22 et seq.; IAS 11.42 et seq.). The same applies to the obligations from follow-up costs carried under "Trade accounts payable".

3. In addition, gross amounts due to customers for contract work (projects whose anticipated order costs exceed the anticipated order total) were not carried or were recognized at too low a value (IAS 11.36).

4. The fact that the EBIT and EBITDA were calculated at too high a level means that an excessive bonus payment to members of the Executive Board was reported (balance sheet item "Personnel obligations"). The too high bonus payments to the members of the Executive Board means the excess amounts paid can be reclaimed (balance sheet item "Other financial assets") (IAS 39.14).

5. Due to the corresponding tax effects from the incorrect project valuations, the reported liabilities from current income taxes were too high and the reported claims for income tax refunds were too low. The correction to the balance sheet figures also impacts deferred tax assets and liabilities (IAS 12). If the corrections made resulted in an increase in surplus deferred tax assets, a company-specific impairment test on the surplus assets was conducted. As a result of this impairment test, deferred tax assets resulting from higher tax loss carryforwards caused by the correction to the mistakes were not recognized in part.

In the present financial statements, the comparative figures at December 31, 2013, were adjusted in all tables containing disclosures on the figures in the balance sheet. Figures published before that key date did not have to be presented. The adjustments in accordance with IAS 8 are also disclosed separately in the statement of changes in equity of the euromicron Group.

The tables below show the effects of the corrections on the 2014 consolidated financial statements; they are also referred to at various points in the notes:

TABLE 022/023/024

Correction to the consolidated balance sheet according to IAS 8 — 022

	Jan. 1, 2013 before correction	Correction of mistakes in project costing	Correction of mistakes in project valuation	Correction of mistakes in recognition of receivables	Subsequent adjustment to the bonus	Subsequent adjustment to taxes and deferred taxes	Jan 1, 2013 after correction
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
ASSETS							
Trade accounts receivable	40,806	0	0	–539	0	0	40,267
Gross amount due from customers for contract work	55,960	–1,329	–5,355	0	0	0	49,276
Other financial assets	946	0	0	0	0	0	946
Deferred tax assets	1,933	0	0	0	0	–40	1,893
Claims for income tax refunds	4,107	0	0	0	0	104	4,211
Other assets	3,557	0	0	0	0	69	3,626
Other noncurrent and current assets	176,569	0	0	0	0	0	176,569
	283,878	**–1,329**	**–5,355**	**–539**	**0**	**133**	**276,788**
LIABILITIES AND EQUITY							
Equity	119,044	–1,489	–5,355	–539	250	1,334	113,245
Gross amount due to customers for contract work	0	159	0	0	0	0	159
Trade accounts payable	42,867	0	0	0	0	0	42,867
Personnel obligations	9,833	0	0	0	–250	0	9,583
Deferred tax liabilities	7,736	0	0	0	0	–904	6,832
Liabilities from current income taxes	1,850	0	0	0	0	–296	1,554
Other noncurrent and current liabilities	102,548	0	0	0	0	0	102,548
	283,878	**–1,329**	**–5,355**	**–539**	**0**	**133**	**276,788**

Correction to the consolidated balance sheet according to IAS 8 023

	Dec. 31, 2013 before correction	Correction of mistakes in project costing	Correction of mistakes in project valuation	Correction of mistakes in recogni-tion of receivables	Subsequent adjustment to the bonus	Subsequent adjustment to taxes and deferred taxes	Dec. 31, 2013 after correction
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
ASSETS							
Trade accounts receivable	34,593	0	–2,243	–571	0	0	31,779
Gross amount due from customers for contract work	63,761	–1,582	–8,399	0	0	0	53,780
Other financial assets	3,177	0	0	0	261	0	3,438
Deferred tax assets	2,299	0	0	0	0	–64	2,235
Claims for income tax refunds	4,467	0	0	0	0	148	4,615
Other assets	2,064	0	0	0	0	69	2,133
Other noncurrent and current assets	218,500	0	0	0	0	0	218,500
	328,861	**–1,582**	**–10,642**	**–571**	**261**	**153**	**316,480**
LIABILITIES AND EQUITY							
Equity	122,599	–2,398	–10,271	–571	402	1,402	111,163
Gross amount due to customers for contract work	0	816	0	0	0	0	816
Trade accounts payable	54,639	0	–371	0	0	0	54,268
Personnel obligations	11,471	0	0	0	–141	0	11,330
Deferred tax liabilities	8,659	0	0	0	0	–598	8,061
Liabilities from current income taxes	4,341	0	0	0	0	–651	3,690
Other noncurrent and current liabilities	127,152	0	0	0	0	0	127,152
	328,861	**–1,582**	**–10,642**	**–571**	**261**	**153**	**316,480**

Correction to the consolidated income statement according to IAS 8 024

	Jan. 1 – Dec. 31, 2013 before correction	Correction of mistakes in project costing	Correction of mistakes in project valuation	Correction of mistakes in recogni-tion of receivables	Subsequent adjustment to the bonus	Subsequent adjustment to taxes and deferred taxes	Jan 1 – Dec. 31, 2013 after correction
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**329,370**	**48**	**–3,352**	**–384**	**0**	**0**	**325,683**
Inventory changes	–698	0	0	0	0	0	–698
Own work capitalized	3,134	0	0	0	0	0	3,134
Other operating income	1,901	0	0	0	0	0	1,901
Cost of materials	–176,439	–816	546	0	0	0	–176,709
Personnel costs	–99,181	0	0	0	153	0	–99,028
Amortization and depreciation	–8,901	0	0	0	0	0	–8,901
Other operating expenses	–43,677	0	–1,795	–105	0	0	–45,578
Earnings before interest and taxes (EBIT)	**5,509**	**–768**	**–4,601**	**–489**	**153**	**0**	**–196**
Interest income	61	0	0	0	0	0	61
Interest expenses	–3,869	0	0	0	0	0	–3,869
Other financial expenses	0	0	0	0	0	0	0
Income before income taxes	**1,701**	**–768**	**–4,601**	**–489**	**153**	**0**	**–4,004**
Income taxes	–2,465	0	0	0	0	68	–2,397
Consolidated net loss for the year	**–764**	**–768**	**–4,601**	**–489**	**153**	**68**	**–6,401**
Thereof for euromicron AG shareholders	–888	–768	–4,601	–489	153	68	–6,525
Thereof for non-controlling interests	124	0	0	0	0	0	124
(Un)diluted earnings per share in €	**–0.12**	**–0.11**	**–0.64**	**–0.07**	**0.02**	**0.01**	**–0.91**

CONSOLIDATED COMPANIES

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 26 (previous year: 27) companies to be consolidated. euromicron AG directly or indirectly holds the majority of voting rights in all the associated companies and so controls them. All the companies are fully consolidated, i.e. not consolidated at-equity, since there are no associates in which euromicron AG holds more than 20%, but less than 50% of the voting rights. Investments below 20% have not been consolidated. euromicron AG holds the majority of voting rights in all the companies included in the consolidated financial statements, so that no significant discretionary decisions and assumptions were necessary to include them in the consolidated group.

Under the officially recorded merger agreement dated July 28, 2014, SSM euromicron GmbH was merged with euromicron systems GmbH effective January 1, 2014. This merger within the Group reduced the number of companies included in the consolidated financial statements from 27 to 26. Of these companies, 17 (previous year: 18) are based in Germany and 9 (previous year: 9) in other European countries.

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2014: TABLE 025

Number of consolidated companies 025

	2014	2013
January 1	27	23
First-time consolidation	0	4
Mergers within the Group	–1	0
December 31	26	27

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

2. Acquisition of companies and divisions

In fiscal 2014 there were no changes to the consolidated companies due to newly established companies or significant acquisitions of subsidiaries and other business units in accordance with IFRS 3.

Acquisition of the business operations of GATEWAY Traffic Security Systems GmbH by Secure Information Management GmbH (asset deal)
Under the notarized purchase agreement dated October 30, 2014, Secure Information Management GmbH acquired the business operations of GATEWAY Traffic Security Systems GmbH by way of an asset deal. The date of acquisition was November 1, 2014. Secure Information Management GmbH acquired the business operations at a total purchase price of €90 thousand. Of this, €28 thousand was paid in fiscal 2014; the remaining amount of €62 thousand is carried as a purchase price liability under “Other financial liabilities” at December 31, 2014. The total purchase price exactly matches the fair value of the acquired intangible assets (software: €40 thousand, customer relationships: €40 thousand) and inventories (€10 thousand), with the result that no goodwill resulted from the acquisition. No employees were taken over.

We expect tax-deductible goodwill to an amount of €40 thousand. This is due to the fact that for tax purposes (deviating from the regulations of the IFRSs) acquired customer relationships cannot be recognized as a separate intangible asset, but is subsumed in the goodwill. No incidental costs were incurred in connection with the acquisition. The earnings and sales of the business operation cannot be identified reliably for the period in which it was part of the Group (from November 1 to December 31, 2014), since the sales attributable to the acquired assets cannot be ascertained separately from the sales of Secure Information Management GmbH. The acquisition had no effect on the consolidated companies. It enables the euromicron Group to build its expertise in the field of security technology.

3. Disclosures on company acquisitions from previous years

ATECS AG, Zug / Switzerland and Secure Information Management GmbH, Neustadt a.d.W.

The cash price for the 80% stake in ATECS AG, Zug / Switzerland (referred to as ATECS AG in the following) and the 80% stake in Secure Information Management GmbH, Neustadt a.d.W. (referred to as SIM GmbH in the following), which were both acquired effective December 20, 2014, was paid in fiscal 2014. The cash price totaled €8,000 thousand, of which €6,400 thousand was for the 80% stake in ATECS AG and €1,600 thousand for the 80% stake in SIM GmbH.

As part of these share acquisitions, agreements on additional purchase price payments if contractually defined targets are reached were also concluded. Under the agreement, a further purchase price of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH is payable if the cumulated EBIT of ATECS AG and SIM GmbH exceed a firmly agreed amount in fiscal 2014. This threshold was surpassed for fiscal 2014, resulting in a corresponding payment obligation in fiscal 2015. A further purchase price payment of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH is due if the cumulative EBIT of these two companies also surpasses the agreed amount in 2015. The amount of the liabilities 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 €1,997 thousand at December 31, 2014 (previous year: €1,993 thousand), of which €1,598 thousand (previous year: €1,594 thousand) is for ATECS AG and €399 thousand (previous year: €399 thousand) for SIM GmbH. These (conditional) liabilities from the purchase price payment are carried to an amount of €997 thousand (previous year: €1,993 thousand) under “Noncurrent financial liabilities” and to an amount of €1,000 thousand (previous year: €0 thousand) under “Current financial liabilities”.

The minority shareholders also obtained a put option to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them; this can be exercised for a minority interest of 10% in the period from October 1 to December 31, 2014 (in each case effective January 1, 2015) and for a further minority interest of 10% in the period from October 1 to December 31, 2015 (in each case effective January 1, 2016). The option involves a firmly agreed purchase price of in each case €800 thousand (ATECS AG) and €200 (SIM GmbH) for a 10% minority interest. Due to this put/call option, ATECS AG and SIM GmbH were fully consolidated in the consolidated financial statements of euromicron AG in 2013, the year in which 80% of the shares were acquired in each case. The liabilities from put options discounted to the present value are €1,998 thousand at December 31, 2014 (previous year: €1,996 thousand), of which €1,598 thousand (previous year: €1,597 thousand) is for ATECS AG and €400 thousand (previous year: €399 thousand) for SIM GmbH. These liabilities from put options are carried to an amount of €998 thousand (previous year: €1,996 thousand) under “Noncurrent financial liabilities” and to an amount of €1,000 thousand (previous year: €0 thousand) under “Current financial liabilities”. See section 30 “Significant events after the balance sheet date” in relation to exercise of the existing options for 10% of the shares in each company in January 2015.

MICROSENS GmbH & Co. KG, Hamm

As part of the acquisition of 80% of the shares in MICROSENS GmbH & Co. KG, Hamm, in 2006, the minority shareholders obtained a put option to tender the remaining 20% and euromicron AG an identical option to purchase them. As a result of the mutual put/call options, this company was fully consolidated. The option comprised a fixed purchase price and a conditional purchase price component.

euromicron AG exercised its option to acquire 10% of the shares in fiscal 2012. Following an extension in fiscal 2012, the option on the remaining 10% of the shares was able to be exercised no earlier than January 1 and no later than December 31, 2014.

Under the agreement dated December 19, 2014, euromicron AG exercised its option to acquire half the remaining shares (5%). The liability from preemptive rights carried in previous years from the combined put/call option was allocated to a pro-rata amount of €50 thousand to a conditional purchase price component. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 (in its 2004 version), the €50 thousand from the conditional purchase price component, which did not have to be paid due to the fact that the targets were not achieved, were treated as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition was reduced by that amount. The purchase price obligation from exercise of half the option in 2014 is €451 thousand at December 31, 2014 (previous year: €0 thousand) and is carried under "Current financial liabilities". Due to the existing option arrangement, a liability from preemptive rights totaling €983 thousand was carried under "Current financial liabilities" in the previous year. As a result of interest accrued on this liability, there were interest expenses of €20 thousand in fiscal 2014.

At the same time, the period for exercising the preemptive right and the purchase option relating to the remaining 5% stake held by the minority shareholders was extended until December 31, 2017. The option can now be exercised on January 1, 2014, at the earliest and on December 31, 2017, at the latest. According to the contractual arrangements, the purchase price must be increased by up to €50 thousand if a set EBIT is exceeded in the fiscal years 2016 to 2017. The present value of this liability from preemptive rights (fixed purchase price plus the conditional purchase price component) at December 31, 2014, is €462 thousand (previous year: €0 thousand) and is carried under "Noncurrent financial liabilities". Discounting as a result of the extension to the preemptive right and purchase option for the remaining 5% share held by the minority shareholders resulted in interest income of €40 thousand in fiscal 2014.

TABLE 026

List of companies included in the consolidated financial statements **026**

	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 am Main, Germany	100.00
LWL-Sachsenkabel GmbH–Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
MICROSENS GmbH & Co. KG [1)], Hamm, Germany	90.00
MICROSENS Sp.z o.o. [1)], Wroclaw/Poland	90.00
Microsens Beteiligungs GmbH [1)], Hamm, Germany	95.00
Stark- und Schwachstrommontage GmbH, Hamburg, 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 am Main, Germany	100.00
Qubix S.p.A. Padua, Italy	90.00
SKM Skyline GmbH München, 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
euromicron benelux S.A. Ellange, Luxembourg	100.00
Qubix distribution GmbH Seekirchen, Austria	100.00
ATECS AG [2)], Zug/Switzerland	80.00
Secure Information Management GmbH [2)], Neustadt a.d.W.	80.00
euromicron networks GmbH Frankfurt am Main, Germany	100.00
c) WAN services Segment	
telent GmbH – ein Unternehmen der euromicron Gruppe Backnang, Germany	100.00
RSR Datacom GmbH & Co. KG Essen, Germany	100.00
RSR Datacom Verwaltungs GmbH Essen, Germany	100.00
ProCom Professional Communication & Service GmbH, Essen, Germany	100.00

1) Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 5% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

2) 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 (see also section 30 “Significant events after the balance sheet date”.

NOTES ON THE CONSOLIDATED BALANCE SHEET

1. Fixed 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.

a) Intangible assets

The intangible assets comprise goodwill, concessions, industrial property and similar rights, brand name rights, capitalized development costs and self-created software.

Goodwill

Goodwill developed as follows in the fiscal year: **TABLE 027**

Goodwill 027

	2014	2013
	€ thou.	€ thou.
Goodwill at January 1	113,529	106,369
Additions	0	7,160
Write-downs	–50	0
Goodwill at December 31	113,479	113,529

The goodwill write-down in fiscal 2014 is solely due to the non-occurrence of a requirement for a conditional purchase price payment for an acquisition made in previous periods.

For purposes of the impairment test, the goodwill is allocated to the following CGUs: **TABLE 028**

CGUs 028

	2014	2013
	€ thou.	€ thou.
CGU 1 System Houses North	18,616	18,616
CGU 2 Production Companies North	19,086	19,136
CGU 3 System Houses South	35,330	35,330
CGU 4 2 Production Companies South	12,653	12,653
CGU 5 Distributors South	5,688	5,688
CGU 6 WAN services	22,106	22,106
	113,479	**113,529**

The impairment test is based on the following main planning and measurement assumptions:

The planning envisages sales growth of 5.8% in the following year for the CGU System Houses North; the medium-term planning for the years 2016 to 2019 is based on annual sales growth of between 4% and 7%. An EBIT margin of 3.1% is planned for 2015 and will increase moderately each year in subsequent years up to 2019 to 6.4%.

An increase in sales of 6.4% and 5.6% is expected for the CGU Production Companies North for 2015 and 2016 respectively; an increase in sales of almost 15% is planned for 2017 due to new business segments being tapped. The anticipated sales growth in the years 2018 and 2019 will then be in a range between 5% and 7%. The EBIT margin will improve by just under 0.5 percentage points in 2015 compared with 2014 and continue to increase slightly in subsequent years up to 2019; however, it has still been budgeted conservatively due to the competitive pressure in the individual market segments.

Sales in the CGU System Houses South in 2014 are to be increased by 10% as a result of selective sales and marketing activities, whereas EBIT in 2015 is budgeted as being slightly negative due to the anticipated costs as part of completion of the integration measures. Sales growth between 6% and 9% is expected for the years 2016 to 2019. The EBIT margin will move in the medium term back in the direction of the target EBIT margin of just over 6% for the system houses.

Planning for the CGU Production Companies South for 2015 and 2016 envisages sales growth of 9.4% and 12.5% respectively, in particular due to the effect from new products and product generations. Sales growth of between 5% and 8% has been budgeted for the years 2017 to 2019. A slightly lower EBIT margin than in 2015 is planned for 2015 and 2016; in the years 2017 to 2019, the EBIT margin will then be roughly constant at the 2014 level.

In the CGU WAN services, the planning for 2015 assumes relatively stable development of the market, which is why sales for 2015 are expected to be around the level of 2014. The EBIT margin planned for 2015 is slightly below the level for 2014. Sales growth of 9.5% and 6.5% is budgeted for the years 2016 and 2017 respectively due to the planned tapping of new business segments; as of 2018, annual sales growth of just under 4% is anticipated again. Profitability, as measured by the EBIT margin, will increase moderately every year as of 2016 and in 2019 will be slightly above the level of 2014.

In particular, estimates by management of how the markets, market share and prices will develop are subject to some uncertainty. It is ensured that no effects from future restructuring measures or expansion investments are included in the budgeting.

Since individual business risks have already been taken into account in preparing the budgeting for the respective CGUs and will reduce the derived free cash flow, the following parameters were applied uniformly to all CGUs for calculating the WACC for the impairment test at December 31, 2014:

TABLE 029

Interest assumption for impairment 2014 029

	2014	2013
	€ thou.	€ thou.
Borrowing rate after taxes	1.52%	3.15%
Risk-free interest	1.17%	2.58%
Markup for return on equity	6.26%	5.30%
Beta factor	1.04	0.82
Ratio between outside capital/equity	15.06%	64.67%
Weighted average cost of capital (WACC)	6.65%	6.02 %
Growth rate	1.00%	1.00%
WACC perpetuity	5.65%	5.02%

The pre-tax WACC (perpetuity) used as basis for the impairment test carried out effective December 31, 2014, was 8.81% (previous year: 8.01%).

The goodwill impairment test at December 31, 2014, 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) were to rise by 1.45 percentage points (previous year: 1.54 percentage points) to 8.1% (previous year: 7.56%), there would be a need for a value impairment of €36 thousand (previous year: €50 thousand) at one CGU.

Other intangible assets

Development costs for self-created intangible assets of €2,225 thousand (previous year: €2,738 thousand) were carried in the year under review.

In addition, own work for self-created software and IT solutions was capitalized to an amount of €345 thousand (previous year: €332 thousand) in the year under review.

There were no write-downs of intangible assets in the year under review (previous year: €67 thousand).

b) Property, plant and equipment

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 €47 thousand in fiscal 2014 (previous year: €64 thousand).

There were no write-downs either in the past fiscal year or the year before that.

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.

CHANGES IN THE GROUP'S ASSETS IN 2014

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2014

	Cost					
	Jan. 1, 2014	Additions	Disposals	Additions from company acquisitions	Reclassi-fication and other	Dec. 31, 2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,100	0	–50	0	0	121,050
Intangible assets						
Concessions, industrial and similar rights	29,284	805	–592	80	–104	29,473
Brand name rights	12,426	0	0	0	104	12,530
Capitalized development costs	17,885	2,225	0	0	0	20,110
Self-created software	1,271	345	0	0	0	1,616
	60,866	3,375	–592	80	0	63,729
Property, plant and equipment						
Land and buildings	7,357	2	–5	0	1,321	8,675
Technical equipment and machinery	8,586	182	–45	0	0	8,723
Other equipment, operating and office equipment	22,975	2,853	–1,077	0	–1,321	23,430
	38,918	3,037	–1,127	0	0	40,828
	220,884	**6,412**	**–1,769**	**80**	**0**	**225,607**

030

	Amortization and depreciation						Carrying amounts	
	Jan. 1, 2014	Additions	Disposals	Reversal of write-downs	Reclassification and other	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	–7,571	0	0	0	0	–7,571	113,479	113,529
	–20,994	–3,042	590	0	2	–23,444	6,029	8,290
	–8,187	–229	0	0	–2	–8,418	4,112	4,239
	–7,701	–2,837	0	0	0	–10,538	9,572	10,184
	–275	–259	0	0	0	–534	1,082	996
	–37,157	–6,367	590	0	0	–42,934	20,795	23,709
	–3,250	–230	5	0	0	–3,475	5,200	4,107
	–5,050	–721	36	0	0	–5,735	2,988	3,536
	–16,147	–2,384	1,034	0	0	–17,497	5,933	6,828
	–24,447	–3,335	1,075	0	0	–26,707	14,121	14,471
	–69,175	**–9,702**	**1,665**	**0**	**0**	**–77,212**	**148,395**	**151,709**

Changes in intangible assets and property, plant and equipment in 2013

	Cost					
	Jan. 1, 2014	Additions	Disposals	Additions from company acquisitions	Reclassi-fication and other	Dec. 31, 2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	113,940	0	0	7,160	0	121,100
Intangible assets						
Concessions, industrial and similar rights	24,454	986	–185	3,985	44	29,284
Brand name rights	12,426	0	0	0	0	12,426
Capitalized development costs	15,345	2,738	–154	0	–44	17,885
Self-created software	939	332	0	0	0	1,271
	53,164	4,056	–339	3,985	0	60,866
Property, plant and equipment						
Land and buildings	8,331	144	–1,118	0	0	7,357
Technical equipment and machinery	8,348	265	–134	0	107	8,586
Other equipment, operating and office equipment	21,550	1,921	–560	171	–107	22,975
	38,229	2,330	–1,812	171	0	38,918
	205,333	**6,386**	**–2,151**	**11,316**	**0**	**220,884**

031

Amortization and depreciation						Carrying amounts	
Jan. 1, 2014	Additions	Disposals	Reversal of write-downs	Reclassification and other	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2013
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
−7,571	0	0	0	0	−7,571	113,529	106,369
−18,337	−2,850	185	0	8	−20,994	8,290	6,117
−8,097	−90	0	0	0	−8,187	4,239	4,329
−5,644	−2,203	154	0	−8	−7,701	10,184	9,701
−55	−220	0	0	0	−275	996	884
−32,133	−5,363	339	0	0	−37,157	23,709	21,031
−3,511	−229	490	0	0	−3,250	4,107	4,820
−4,366	−701	124	0	−107	−5,050	3,536	3,982
−14,097	−2,608	451	0	107	−16,147	6,828	7,453
−21,974	−3,538	1,065	0	0	−24,447	14,471	16,255
−61,678	**−8,901**	**1,404**	**0**	**0**	**−69,175**	**151,709**	**143,655**

Leased equipment (€1,692 thousand; previous year: €1,970 thousand) and operating and office equipment (€577 thousand; previous year: €747 thousand) were carried as finance leases with a net carrying amount of €2,269 thousand at December 31, 2014 (previous year: €2,717 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. See section 8 "Liabilities" for an explanation of the liabilities from financial leases.

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. TABLE 032

c) Other noncurrent assets

Other noncurrent financial assets 032

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Shares in Secure Alert	770	849
Rent deposit/deposits by third parties	102	69
Other financial assets (noncurrent)	16	42
	888	**960**

The shares in the listed company SecureAlert Inc., Utah, U.S., carried under "Other noncurrent financial assets" were acquired by euromicron AG in 2009. The stake held in its capital stock on the balance sheet date was 0.62% (previous year: 0.64%). The investment in SecureAlert Inc. is classified as a financial asset under the category "Available for sale" and is carried at fair value. It was first measured at fair value on the day of trading (€934 thousand). In fiscal 2012, the value of the shares had fallen to such an extent that it was assumed that it was lastingly impaired and write-downs of €262 thousand were recognized in the income statement. In fiscal 2013, the fair value of the shares had increased again by €177 thousand; the effect from the recovery in value was taken directly to equity and carried in the other comprehensive income (OCI). In fiscal 2014, the fair value fell again by €79 thousand. This effect was taken directly to equity and carried in the other comprehensive income, with the result that the recovery in value in the OCI at December 31, 2014, is €98 thousand. We also refer in this regard to section 6d.) "Gain/loss on the valuation of securities". Given acquisition costs of €934 thousand, the carrying amount of the shares on the balance sheet date was thus €770 thousand (previous year: €849 thousand).

The carrying amounts of the other financial assets (noncurrent) in the category "Loans and receivables" are approximately the fair value. TABLE 033

Other noncurrent assets 033

	Dec. 31, 2014	Dec. 31, 2014
	€ thou.	€ thou.
Other noncurrent assets	85	105

The other noncurrent assets include in particular the corporation income tax credit balance in accordance with Section 37 (4) KStG (German Corporation Tax Act), which is €60 thousand at the balance sheet date (previous year: €78 thousand).

2. Deferred tax assets

Deferred tax assets are calculated on the basis of measurement differences in the following balance sheet items: TABLE 034

Deferred tax assets 034

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Intangible assets	129	994
Inventories	21,769	32,485
Other receivables and other assets	128	3,169
Provisions	2,633	1,633
Liabilities from finance lease	413	536
Other liabilities	1,206	1,442
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	2,593	3,797
Total deferred tax assets before netting off	**28,872**	**44,056**
Netting off	–27,502	–41,821
Total deferred tax assets after netting off	**1,370**	**2,235**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

There are long-term deferred tax assets (after netting off) totaling €841 thousand (previous year: €1,436 thousand); they result from deferred tax assets on measurement differences for intangible assets and from deferred tax assets on tax loss carryforwards.

Of the deferred tax assets remaining after netting off and totaling €1,370 thousand (previous year: €2,235 thousand), an amount of €1,340 thousand (previous year: €2,235 thousand) is attributable to five (previous year: nine) Group companies that made a tax loss in fiscal 2014 or the year before. The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company. The Executive Board is of the view that it is highly probable that the deferred tax assets 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.

As of December 31, 2014, the Group had corporation income tax loss carryforwards totaling €35,082 thousand (previous year: €32,077 thousand), trade tax loss carryforwards totaling €24,600 thousand (previous year: €18,731 thousand) and loss carryforwards for income taxes abroad totaling €21,001 thousand (previous year: €20,243 thousand). The loss carryforwards relate to six (previous year: seven) domestic holdings and euromicron AG and seven (previous year: six) foreign holdings. These losses may be carried forward without restriction in accordance with the current legal position. The deferred tax rates are 15.825% if only corporation income tax (including the solidarity surcharge) is incurred and around 30.0% respectively if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25% in Austria and 25.5% in the Netherlands.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €65,275 thousand (previous year: €47.842 thousand). Of this, €45,981 thousand (previous year: €29,303 thousand) were for Germany and €19,294 thousand (previous year: €18,539 thousand) for abroad.

3. Inventories

The euromicron Group's inventories on the balance sheet data are broken down as follows: TABLE 035

Inventories 035

	Dec. 31, 2014	Dec. 31, 2013
	€ thou	€ thou
Raw materials and supplies	12,003	10,454
Work in progress	2,181	1,966
Finished goods and merchandise	13,966	14,752
Prepayments	874	789
	29,024	**27,961**

In accordance with IAS 2.34, there were write-downs on inventories totaling €379 thousand in the fiscal year (previous year: €618 thousand); as in the previous year, there were no reversals in the period under review.

4. Receivables and other current assets

The receivables and other assets comprise trade accounts receivable, the gross amount due from customers for contract work, claims for income tax refunds, other financial assets and other assets.

The receivables and other assets on the balance sheet date are composed as follows: TABLE 036

Receivables and other assets 036

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Trade accounts receivable (gross)	38,394	35,074
Allowances for doubtful accounts	–4,663	–3,295
Trade accounts receivable (net)	33,731	31,779
Gross amount due from customers for contract work	52,070	53,780
Claims for income tax refunds	1,202	4,615
Other current financial assets)	2,971	2,478
Other current assets	2,078	2,028
	92,052	**94,680**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

The carrying amounts for trade accounts receivable, the gross amount due from customers for contract work and the other current financial assets are approximately their fair value.

Trade accounts receivable

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and receivables". As in the previous year, all trade accounts receivable at December 31, 2014, were short-term.

If there are indications that receivables cannot be recovered, an appropriate allowance is recognized. The allowances for doubtful accounts result from individual adjustments for receivables; expenses from transfer to the allowances are carried under the item "Other operating expenses" in the income statement.

There were the following changes in the allowances for trade accounts receivable: TABLE 037

Allowances for trade accounts receivable 037

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Balance at the beginning of the period	–3,295	–1,302
Allocation	–1,741	–2,406
Utilization	228	363
Reversals	145	50
Balance at the end of the period	**–4,663**	**–3,295**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €150 thousand (previous year: €798 thousand) in 2014 due to events that had an impact on their value. 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.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date, along with the net carrying amount of the trade accounts receivable for which an allowance has been made on the balance sheet date: TABLE 038

The trade accounts receivable include receivables in foreign currency (US$) totaling €1,155 thousand (previous year: €1,053 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 include receivables from supplier rebates totaling €460 thousand (previous year: €651 thousand), which may be offset with corresponding trade accounts payable.

Individual companies in the euromicron Group sell some of their receivables from customers to forfaiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €40,000 thousand (previous year: €48,000 thousand). At December 31, 2014, receivables with a volume of €39,999 thousand (previous year: €46,281 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 €199 thousand (previous year: €50 thousand). The continuing involvement 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 carrying amount of the receivables sold on the key date. The continuing involvement is offset by an associated

Trade accounts receivable by times due 038

		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 Days					For which an allowance has been made
			< 60	60–120	121–180	181–360	>360	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Dec. 31, 2014							
Trade accounts receivable	33,731	9,464	12,180	3,145	1,990	2,962	711	3,279
	Dec. 31, 2013*							
Trade accounts receivable	31,779	9,863	14,593	2,046	901	1,100	661	2,615

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

liability totaling €245 thousand (previous year: €101 thousand); it is carried under "Other current financial liabilities". 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 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 and charges resulting from the sale of receivables are carried in the net financial result.

Gross amount due from customers for contract work

The gross amount due from customers for contract work was €52,070 thousand (previous year: €53,780 thousand); the payments on account netted off in this were €58,665 thousand (previous year: €57,975 thousand). The gross amount due to customers for contract work is €0 thousand (previous year: €816 thousand), giving a net figure of €52,070 thousand (previous year: €52,964 thousand) (see "Gross amount due to customers for contract work" in section 8 "Liabilities" for details).

The production contracts in progress at the balance sheet date were €110,735 thousand (previous year: €110,939 thousand) and are calculated from the total of accrued costs and reported profits (minus any losses) of €235,782 thousand (previous year: €187.514 thousand) less the partial final invoices of €125,047 thousand (previous year: €76.575 thousand).

Claims for income tax refunds

No receivables from creditable capital gains tax due to euromicron AG are carried under "Claims for income tax refunds" in fiscal 2014 (previous year: €2,371 thousand). The tax receivables reported in the previous year were offset by tax liabilities at the subsidiaries to the same amount, which were carried under the balance sheet item "Liabilities from current income taxes".

Other current financial assets

The other current financial assets are broken down as follows: TABLE 039

Other current financial assets 039

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Claim from withheld factoring monies	2,186	1,657
Claims for repayment of bonuses	417	261
Continuing involvement (factoring)	199	50
Rent deposit/deposits	92	161
Loan receivable from outside shareholders	0	195
Supplier loans	0	70
Other	77	84
	2,971	**2,478**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Other current assets

The other current assets changed as follows: TABLE 040

Other current assets 040

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Prepayments and accrued income	1,031	909
Claims for refunds from other taxes	601	660
Claims against employees	293	157
Other	153	302
	2,078	**2,028**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

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 and are classified in the category "Loans and receivables".

The cash and cash equivalents are as follows: TABLE 041

Cash and cash equivalents 041

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Cash in banking accounts	15,575	38,791
Cash on hand	48	39
	15,622	**38,830**

6. Equity

a) Subscribed capital and authorized capital

Upon entry of the capital increase adopted in December 2013 in the commercial register on January 8, 2014, the number of shares in euromicron AG in circulation increased by 512,599 from 6,663,799 to 7,176,398 and the capital stock of euromicron AG by €1,310,537.44 from €17,037,017.44 to €18,347,554.88. The nominal amount per share is around €2.56. TABLE 042

Shares in circulation 042

	2014	2013
Sales in circulation at December 31	7,176,398	6,663,799

The General Meeting on May 14, 2014, adopted a resolution to create new authorized capital totaling €9,173,770.00. Under it, the Executive Board is authorized to increase the capital stock of euromicron AG by May 13, 2019, by up to a total of €9,173,770.00 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. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right. The previously existing authorized capital, which was still €1,310,541.28 following its partial use for the capital increase, was rescinded.

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 09.06.11, 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 is 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 quid pro quo for the purpose of acquiring companies or holdings in companies.

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

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2014. At December 31, 2014, the company did not hold any treasury shares that could be offset with equity in accordance with IAS 32.33.

b) Contribution made to carry out the adopted capital increase

The relevant contributions at December 31, 2013, reduced by the equity transaction costs after deferred taxes, totaling €6,837,322.56 are recognized under the separate item "Contribution made to carry out the adopted capital increase". Upon entry of the capital increase in the commercial register on January 8, 2014, €1,310,537.44 was transferred to the subscribed capital and €5,526,785.12 to the capital reserves.

c) Capital reserves

Upon entry of the capital increase adopted in December 2013 in the commercial register on January 8, 2014, the capital reserves increased by €5,526,785.12 from €88,770,758.23 to €94,297,543.35.

The Company's capital reserves in accordance with Section 272 (2) of the German Commercial Code (HGB) comprises the premiums from share issues and capital increases. The capital reserves meet the requirements stipulated by Section 150 AktG (German Stock Corporation Law).

d) 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. Due to the fact that the shares in SecureAlert decreased in value in fiscal 2014, the valuation reserve at the balance sheet date is €98 thousand (previous year: €177 thousand).

The amounts in the reserve are broken down as follows:

TABLE 043

Valuation reserve 043

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Shares in SecureAlert Inc.	98	177
	98	**177**

e) Currency translation difference

The assets and liabilities of MICROSENS Sp.z o.o., Wroclaw/Poland, whose functional currency is the Polish zloty, are translated at the mean spot exchange rate at the end of the period under review. Expenses and income are translated at mean rates during the year. The differences resulting from translation are recognized in equity and reclassified if the profit or loss from the sale of a foreign subsidiary is carried.

The difference resulting from translation of the financial statements of MICROSENS Sp.z o.o. at December 31, 2014, is € –1,314.09 (previous year: €33.92).

f) Distributions in the fiscal year

In accordance with the resolution adopted by the General Meeting on May 14, 2014, no dividend was paid on for fiscal year 2013.

g) Non-controlling interests

The non-controlling interests reported at December 31, 2014 (€405 thousand; previous year: €392 thousand) relate exclusively to Qubix S.p.A., Padua/Italy (10%). The non-controlling interest should be regarded as not being material in relation to the consolidated financial statements.

h) Disclosures on capital management in accordance with IAS 1

The objective of capital management 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. To ensure that, reduction of the working capital and net financial debt is constantly tracked by management. Balance sheet equity and net financial debt are used as performance indicators. The equity ratio is 38.4% (previous year: 35.1%) and is calculated as follows: TABLE 044

Equity ratio 044

	Dec. 31, 2014	Dec. 31, 2013*
Equity acc. to consolidated balance sheet (€ thou.)	110,401	111,163
Total assets (€ thou.)	287,436	316,480
Equity ratio	**38.4%**	**35.1%**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

The net debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term) and an industry loan, less cash and cash equivalents and any securities. It is €49,160 thousand at December 31, 2014 (previous year: €33,208 thousand) and is calculated as follows: TABLE 045

Net debt 045

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Liabilities to banks	–63,119	–63,196
Liabilities from finance lease	–1,663	–2,176
Industry loans*	0	–6,666
Cash and cash equivalents	15,622	38,830
Net debt	**–49,160**	**–33,208**

* See "Other financial liabilities"

The key financial indicators, which were adjusted due to the integration phase effective December 31, 2013, in agreement with the Group's long-term financing partners, were adhered to at December 31, 2014.

7. Provisions

a) Other provisions

euromicron expects provisions of €1,748 thousand (previous year: €2,308 thousand) will be used within one year, €1,395 thousand (previous year: €1,310 thousand) in the next two to five years and €517 thousand (previous year: €466 thousand) in the period after five years. The provisions developed as follows in the fiscal year: TABLE 046

Provisions 046

	Jan. 1, 2014	Transfer	Utilization	Reversal	Interest cost	Allocation	Dec. 31, 2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Provision for anniversaries and death benefits	534	0	–35	0	19	84	602
Provision for severance payments	398	0	–36	0	2	68	432
Provision for warranties and follow-up costs	261	0	0	0	0	39	300
Provision for restoration obligations	254	0	0	0	0	40	294
Provision for archiving	113	0	0	0	0	0	113
Provision for impending losses	105	–62	0	0	5	0	48
Other provisions	111	0	–6	0	0	18	123
Total for other long-term provisions	**1,776**	**–62**	**–77**	**0**	**26**	**249**	**1,912**
Provision for warranties and follow-up costs	2,003	0	–459	–553	0	382	1,373
Provision for impending losses	95	62	–96	0	1	0	62
Provision for legal disputes	31	0	–3	–1	0	0	27
Other provisions	179	0	–26	–40	0	173	286
Total for other short-term provisions	**2,308**	**62**	**–584**	**–594**	**1**	**555**	**1,748**
Total for other provisions	**4,084**	**0**	**–661**	**–594**	**27**	**804**	**3,660**

The provisions for severance payments relate to Group companies based in Austria and were set up pursuant to the obligation to make a specific one-off payment when an employment relationship ends.

The other long-term provisions include in particular a provision for severance payments to freelance commercial agents of a Group company based abroad.

The other short-term provisions are made up of various individual matters, such as provisions for ancillary costs of tenancy or for customer cash discounts or provision for interest in connection with tax audits.

b) Provisions for pensions and similar obligations

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 of pension payments, the euromicron Group bears the full risks of recipients living for a long time and inflation due to pension adjustments.

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 and orphan's pension.

In order to cover a large part of the obligation, the euromicron Group has established a CTA (euromicron Pension Trust e. V.); the funds allocated to it are based on the level of the obligation. There are reinsurance policies to cover individual commitments; the expected payment is 2015 is €26 thousand (previous year: €26 thousand).

The development in the pension commitment and plan assets are evidenced by actuarial reports.

The changes in the present value of the defined benefit obligation (DBO) in the fiscal year are as follows: TABLE 047

Changes in the present value of the defined benefit obligation (DBO) 047

	Dec. 31, 2014	Dec. 31, 2014
	€ thou.	€ thou.
Present value of benefit obligation at the beginning of the period under report	15,389	15,425
Current service cost	321	345
Past service costs and effects from plan settlements	0	–1,004
Interest cost	530	456
Pension payments	–328	–209
Revaluation effects	4,299	285
Of which		
Change in financial assumptions	4,216	–669
Change in demographic assumptions	0	824
Experience adjustment	83	130
Contributions by plan participants	94	91
Present value of benefit obligation at the end of the period under report	**20,305**	**15,389**

The effect from past service costs and plan settlements of € –1,004 thousand carried for the previous year is due to changes in the existing pension commitments at a Group company. The framework for allocation of funds to the company pension scheme was no longer extended as of fiscal 2013. There were no similar circumstances in the year under review.

The plan assets measured at fair value changed as follows: TABLE 048

Plan assets 048

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Plan assets at the beginning of the period under report	14,442	14,442
Interest income from plan assets	506	462
Revaluation effects	–374	–341
Employer contributions/ withdrawals	4,537	–121
Plan assets at the end of the period under report	**19,111**	**14,442**

The plan assets consist to 2.8% (previous year: 3.3%) of reinsurance policies and to 97.2% (previous year: 96.7%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA. These assets are not traded on an active market.

In the year under review, deferred tax assets of €1,288 thousand (previous year: €85 thousand) were recognized via the other profit/loss directly in equity on revaluation effects from pensions taken directly to equity. In addition, deferred tax expenses of €113 thousand (previous year: €103 thousand) from application of the net interest method were carried against the other profit/loss.

The provision on the balance sheet changed as follows: TABLE 049

Provision on the balance sheet 049

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Provision at the beginning of the period under report	947	983
Current service cost	321	345
Past service costs and effects from plan settlement	0	−1,004
Net interest cost/income	24	−6
Pension payments	−328	−209
Employer contributions/ withdrawals	−4,537	121
Contributions by plan participants	94	91
Revaluation effects	4,673	626
Provision at the end of the period under report	**1,194**	**947**

The net interest cost/income is carried under the overall item "Net interest income/loss"; the other components of the pension costs (current service cost and past service costs and effects from plan settlement) are carried under the personnel costs.

The revaluation effects are carried via the "Other profit/loss" and are contained in equity in the item "Consolidated retained earnings".

The following parameters, which are based on assumptions, were used to measure the future level of benefits: TABLE 050

Measurement factors 050

	Dec. 31, 2014	Dec. 31, 2013
Discount rate	2.00%	3.50%
Rates of increase in compensation levels	3.25%	3.25%
Future pension indexation	1.75%	2.00%

The discount rates are based on the returns for high-quality corporate bonds with a corresponding term; the 2005 G mortality tables compiled by Heubeck were used as a basis for the biometric parameters. Since the pension commitments are mainly at euromicron Group companies in Germany, the parameters relate to the economic situation in Germany.

If the assumptions vary by +/−1 percentage points or +/−1 year, the effects on the DBO are as follows: TABLE 051

Variation in the assumptions by +/−1% or +/−1year 051

	2014		2013	
	+ 1% or + 1 year	−1% or −1 year	+ 1% or + 1 year	−1% or −1 year
Discount rate	−14.78%	18.59%	−12.20%	13.08%
Life expectancy	1.60%	−1.63%	0.87%	−1.03%
Age at expiry of financing	−2.84%	1.71%	−2.10%	1.95%

A range of +/−0.25% was used for the future pension trend. TABLE 052

Variation in assumptions by +/−0.25% 052

	2014		2013	
	+0.25%	−0.25%	+0.25%	−0.25%
Future pension indexation	2.40%	−2.33%	1.84%	−1.74%

As in the previous year, the effects were determined using the same methods as for valuation of the commitment at the end of the year.

The pension payments anticipated in the subsequent year are €573 thousand (previous year: €209 thousand), while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The weighted average duration of the commitment at the balance sheet date is 17.74 years (previous year: 16.03 years).

Contributions of €7,603 thousand (previous year: €7,217 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

The euromicron Group's liabilities on the balance sheet date are broken down as follows: TABLE 053

Liabilities 053

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Liabilities to banks	63,119	63,196
Liabilities from finance lease	1,663	2,176
Trade accounts payable	44,238	54,268
Gross amount due to customers for contract work	0	816
Liabilities from current income taxes	3,009	3,690
Other tax liabilities	6,039	6,826
Personnel obligations	9,127	11,330
Other financial liabilities	31,543	44,133
Other liabilities	6,081	5,790
	164,819	**192,225**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

The euromicron Group's liabilities have the following terms: TABLE 054

Term of the liabilities 054

	Total	Due in			Fair value with DVA
		Up to 1 year	1 to 5 years	More than 5 years	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,119	19,888	43,231	0	63,231
Liabilities from finance lease	1,663	457	1,206	0	– [1]
Trade accounts payable	44,238	44,238	0	0	– [1]
Gross amount due to customers for contract work	0	0	0	0	– [1]
Liabilities from current income taxes	3,009	3,009	0	0	– [1]
Other tax liabilities	6,039	6,039	0	0	– [1]
Personnel obligations	9,127	9,127	0	0	– [1]
Other financial liabilities	31,543	29,086	2,457	0	31,526
Other liabilities	6,081	5,847	184	50	– [1]
	164,819	**117,691**	**47,078**	**50**	**94,757**
(Previous year)*	**192,225**	**150,222**	**41,837**	**166**	**105,175**

* Some figures for the previous year have been adjusted (see 4. Corrections according to IAS 8)
[1] The carrying amount is approximately the fair value.

The fair value of the fixed-interest long-term debt is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

Liabilities to banks

The interest rates for bank loans and overdrafts range are fixed or variable and range from 1.08% to 8.25% (previous year: 1.08% to 11.0%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used or are terminable at short notice (with a view to optimizing financing).

euromicron AG concluded a borrower's note loan with a volume of €24,500 thousand in fiscal 2011. The loan consists of various tranches with different maturities. An amount of €5,000 thousand was repaid prematurely in fiscal 2013 and a further amount of €5,000 thousand was repaid prematurely in fiscal 2014. The remaining liabilities from this borrower's note loan at December 31, 2014, totaling

€14,500 thousand have a term until July 15, 2016. 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 regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €122.5 thousand at the time it was disbursed. In fiscal 2014, this resulted in a pro-rata amount of €31 thousand (previous year: €30 thousand), which was recognized in the income statement as an interest expense.

euromicron AG concluded a further borrower's note loan with a volume of €20,000 thousand in October 2014. The borrower's note loan consists of two tranches of €10,000 thousand each, one of which has a variable interest rate and the other has a fixed interest rate. Both tranches have a term of 5 years. The bank retained €80 thousand (0.4%) as the arrangement fee; this affected net cash in 2014 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €80 thousand at the time it was disbursed. When the borrower's note loan was concluded, euromicron AG also paid an incentive fee of €30 thousand, which was likewise recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is deferred and distributed over the term of the agreement using the effective interest method. In fiscal 2014, this resulted in a pro-rata amount totaling €3 thousand (previous year: €0 thousand), which was recognized in the income statement as an interest expense.

So as to ensure its solvency at all times, 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 €75,815 thousand (previous year: €71,749 thousand) were unused at the year-end.

In principle, the companies in the euromicron Group are financed centrally through euromicron AG.

Liabilities from finance lease

The present value of the liabilities from finance lease and the future interest expense from finance lease are as follows: TABLE 055/056

Liabilities from finance lease in 2014 **055**

	Total	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	1,663	457	1,206	0
Interest	125	19	106	0
Minimum lease payments	1,788	476	1,312	0

Liabilities from finance lease in 2013 **056**

	Totel	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	2,176	506	1,597	73
Interest	229	85	142	2
Minimum lease payments	2,405	591	1,739	75

Trade accounts payable

Trade accounts payable in foreign currency (mainly USD and CHF) amount to €3,466 thousand (previous year: €3,267 thousand).

Gross amount due to customers for contract work

There is no gross amount due to customers for contract work in fiscal 2014. In the previous year, this item contained €816 thousand from production contracts whose anticipated costs exceeded the anticipated order total.

Liabilities from current income taxes

No liabilities from creditable capital gains tax of subsidiaries of euromicron AG are carried under "Liabilities from current income taxes" in fiscal 2014 (previous year: €2,371 thousand). These tax liabilities carried in the previous year were offset to the same amount by receivables from creditable capital gains tax due to euromicron AG which were carried under the balance sheet item "Claims for income tax refunds".

Personnel obligations

The personnel obligations (€9,127 thousand; previous year: €11,330 thousand) are made up of financial obligations totaling €4,884 thousand (previous year: €6,790 thousand) and non-financial obligations totaling €4,243 thousand (previous year: €4,540 thousand). The financial personnel obligations mainly comprise obligations from wages and salaries, severance payments and bonuses. The non-financial personnel obligations mainly comprise obligations from vacation and flexitime credit balances that have been not been used by employees, as well as obligations from semi-retirement.

Other financial liabilities

The other financial liabilities are composed as follows: TABLE 057

Other financial liabilities 057

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Liabilities from preemptive rights	1,460	1,996
Purchase price liabilities	997	1,993
Industry loans	0	3,333
Other noncurrent financial liabilities	**2,457**	**7,322**
Customers' moneys to be passed on	23,520	21,629
Dividend/profit shares for minority interests	2,791	2,644
Purchase price liabilities	1,513	8,000
Obligations from preemptive rights	1,000	983
Industry loans	0	3,333
Miscellaneous	262	222
Other current financial liabilities	**29,086**	**36,811**
Total of other financial liabilities	**31,543**	**44,133**

At the euromicron Group, financial liabilities are all assigned to the category "Other financial liabilities measured at amortized cost" at the balance sheet date and measured at amortized costs using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €68 thousand (previous year: €72 thousand) and was recognized in the income statement.

Other liabilities

The other liabilities are composed as follows: TABLE 058

Other liabilities 058

	Dec. 31, 2014	Dec. 31, 2013
	€ thou.	€ thou.
Liability from rent smoothing	189	205
Liability from retained security	45	0
Other noncurrent liabilities	**234**	**205**
Payments on account	3,996	3,526
Liabilities from social security (incl. mutual indemnity association)	1,100	1,096
Deferred income	364	372
Liability from compensation for members of the Supervisory Board	135	135
Liability from rent smoothing	31	31
Miscellaneous	221	425
Other current liabilities	**5,847**	**5,585**
Total for other liabilities	**6,081**	**5,790**

The payments on account include payments that cannot be set off. They also include payments on account from production contracts in accordance with the percentage of completion method which are in excess of the percentage of completion.

The contractually agreed (undiscounted) interest payments and repayments for the financial obligations of the euromicron Group are shown below: TABLE 059

Cash flow in 2014 059

	Carrying amount at Dec. 31, 2014	Cash flow in 2015 Up to 1 year			Cash flow 2016–2018 More than 1 year to 5 years			Cash flow 2020 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,119	1,002	336	19,888	1,296	897	43,231	0	0	0
Liabilities from finance lease	1,663	19	0	457	106	0	1,206	0	0	0
Trade accounts payable	44,238	0	0	44,238	0	0	0	0	0	0
Other financial liabilities	31,543	37	0	29,086	23	0	2,457	0	0	0
	140,563	**1,058**	**336**	**93,669**	**1,425**	**897**	**46,894**	**0**	**0**	**0**
(Previous year*)	**163,773**	**1,254**	**265**	**121,975**	**1,313**	**560**	**41,725**	**2**	**0**	**73**

Cash flow in 2013 060

	Carrying amount at Dec. 31, 2013*	Cash flow in 2014 Up to 1 year			Cash flow 2015–2018 More than 1 year to 5 years			Cash flow 2019 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,196	813	265	30,390	1,019	560	32,806	0	0	0
Liabilities from finance lease	2,176	85	0	506	142	0	1,597	2	0	73
Trade accounts payable	54,268	0	0	54,268	0	0	0	0	0	0
Other financial liabilities	44,133	356	0	36,811	152	0	7,322	0	0	0
	163,773	**1,254**	**265**	**121,975**	**1,313**	**560**	**41,725**	**2**	**0**	**73**
(Previous year)	**129,013**	**1,497**	**437**	**81,240**	**2,405**	**1,397**	**42,459**	**11**	**81**	**5,314**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

All financial instruments held on the balance sheet date December 31, 2014, 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, 2014 (previous year: December 31, 2013). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment.

euromicron uses derivative financial instruments exclusively to hedge interest rate risks resulting from financial transactions. A decision on this is taken on a case-by-case basis. They are not held for the purposes of short-term speculation. No derivative financial instruments were held either at December 31, 2014, or at December 31, 2013.

9. 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 €1,077 thousand (previous year: €1,051 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 ("outside basis differences").

The deferred tax liabilities result from measurement differences in the following balance sheet items: TABLE 061

Deferred tax liabilities 061

	Dec. 31, 2014	Dec. 31, 2013*
	€ thou.	€ thou.
Intangible assets	7,440	8,105
Property, plant and equipment	786	908
Inventories	30	2,944
Other receivables and other assets	25,576	36,771
Provisions	942	1,137
Other liabilities	91	17
Total deferred tax liabilities before netting off	**34,864**	**49,882**
Netting off	−27,502	−41,821
Total deferred tax liabilities after netting off	**7,362**	**8,061**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

There are long-term deferred tax liabilities (after netting off) totaling €5,258 thousand (previous year: €5,724 thousand); they result from deferred tax assets on measurement differences for intangible assets. In the previous year they also related to measurement differences for property, plant and equipment.

10. Additional details on the financial instruments – Carrying amounts and fair values by measurement categories

Financial instruments

			Value carried acc. to IAS 39		
	Measurement category acc. to IAS 39	Carrying amount at Dec. 31, 2014	Amortized acquisition cost	Acquisition cost	Fair value recognized directly in equity
		€ thou.	€ thou.	€ thou.	€ thou.
Assets					
Cash and cash equivalents	LaR [1]	15,622		15,622	
Trade accounts receivable	LaR [1]	33,731	33,731		
Gross amount due from customers for contract work	LaR [1]	52,070	52,070		
Other financial assets	AfS [3] LaR [1]	3,859	 3,089		770
Equity and liabilities					
Trade accounts payable	FLAC [2]	44,238	44,238		
Liabilities to banks	FLAC [2]	63,119	63,119		
Other financial liabilities	FLAC [2]	31,543	31,543		
Financial personnel obligations	FLAC [2]	4,884	4,884		
Liabilities from finance lease	IAS 17	1,663	1,663		

* Previous year's figures partly adjusted (corrections acc. to IAS 8)
[1] LaR = Loans and receivables
[2] FLAC = Financial Liabilities Measured at Amortised Cost
[3] AfS = Available-for-Sale Financial Assets

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		Value carried in the balance sheet acc. to IAS 39		
Measurement category acc. to IAS 39	**Carrying amount at Dec. 31, 2013***	**Amortized acquisition cost**	**Acquisition cost**	**Fair value recognized directly in equity**
	€ thou.	€ thou.	€ thou.	€ thou.
LaR 1)	38,830		38,830	
LaR 1)	31,779	31,779		
LaR 1)	53,780	53,780		
AfS 3) LaR 1)	3,438	 2,589		849
FLAC 2)	54,268	54,268		
FLAC 2)	63,196	63,196		
FLAC 2)	44,133	44,133		
FLAC 2)	6,790	6,790		
IAS 17	2,176	2,176		

Financial instruments are measured at fair value in accordance with IFRS 13 on three levels:

Level 1: Input factor in level 1 are (not adjusted) prices listed for identical assets or liabilities in active markets to which the company has access on the measurement date.

Level 2: Input factors in level 2 are market price listings other than those stated in level 1 which can be observed either directly or indirectly for the asset or liability.

Level 3: Input factors in level 3 are input factors that cannot be observed for the asset or liability.

The level model was applied for measuring the financial instruments reported at fair value at the euromicron Group.

The fair values of the shares in SecureAlert (balance sheet item: "Other financial assets") were measured on the basis of the 1st level, since the share price can be observed on an active market.

The fair values for the fixed-interest long-term debt presented in section 8. "Liabilities" were measured on the basis of level 2. The fair value is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

The opposite put/call option for the remaining shares in ATECS AG, SIM GmbH and MICROSENS GmbH & Co. KG not held by euromicron were measured on the basis of the 2nd level. It is carried as "Obligations from preemptive rights" under the other financial liabilities. The fair value of the long-term components was calculated as the present value of the contractually agreed selling or purchase prices using a market rate of interest. The conditional purchase price obligations from the acquisition of the shares in ATECS AG and in SIM GmbH ("earn-out clause") are measured on the basis of the 3rd level. Allowing for the likelihood of the occurrence of the conditional purchase price payments, which was calculated on the basis of available estimated budgeting, the present value of the contractually agreed cash flows was calculated using a market rate of interest.

There were no transfers between the levels during the fiscal year. There is no collateral received for financial instruments at the euromicron Group.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

11. Sales

The Group's sales include sales from production contracts totaling €137,832 thousand (previous year: €116,141 thousand). The related production costs were €120,734 thousand (previous year: €107,842 thousand).

There were no changes in sales as a result of changes in the consolidated companies in the fiscal year (previous year: €1,631 thousand).

Consolidated sales are divided into those from the sale of goods totaling €212,647 thousand (previous year: €193,903 thousand) and from the provision of services totaling €133,691 thousand (previous year: €131,780 thousand). We refer to the segment reporting for a further breakdown of the sales (section 24).

12. Own work capitalized

Own work capitalized totals €2,617 thousand (previous year: €3,134 thousand) and results to an amount of €2,225 thousand (previous year: €2,738 thousand) from capitalization of development costs, to an amount of €345 thousand (previous year: €332 thousand) from own work capitalized for self-created software and IT solutions and to an amount of €47 thousand (previous year: €64 thousand) from own work capitalized for property, plant and equipment.

13. Other operating income

The other operating income is composed as follows:

TABLE 063

Other operating income 063

	2014	2013
	€ thou.	€ thou.
Currency gains	612	291
Income from derecognition of liabilities	291	142
Income from property and rent	270	168
Refunds for health insurance/ reintegration/passed-on charges	160	150
Reduction in allowances for doubtful accounts	145	50
Compensation paid from insurance	126	122
Income from cash received from written-down receivables	105	31
Income from retirement of noncurrent assets	18	95
Income from damages	4	37
Revenue from the reversal of the earn-out liability for TeraMile	0	390
Other	413	425
	2,144	**1,901**

The "Other" item contains a large number of individual items; a presentation of them is dispensed with.

14. Cost of materials

The cost of materials is composed of:

TABLE 064

Cost of materials 064

	2014	2013*
	€ thou.	€ thou.
Cost of raw materials and supplies and goods purchased	124,276	118,440
Cost of purchased services	58,192	58,269
	182,468	**176,709**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

15. Personnel costs

The personnel costs are composed as follows:

TABLE 065

Personnel costs 065

	2014	2013*
	€ thou.	€ thou.
Wages and salaries	87,020	83,435
Social security	16,156	15,593
	103,176	**99,028**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Average number of employees per year:

TABLE 066

Employees 066

	2014	2013
Hourly-paid employees	878	850
Salaried employees	826	803
Trainees	80	88
	1,784	**1,741**

The increase in the workforce is due in particular to the companies that were newly acquired in December 2013 and that were included for the whole year in fiscal 2014.

16. Amortization and depreciation

Amortization and depreciation is composed as follows:

TABLE 067

Amortization and depreciation 067

	2014	2013
	€ thou.	€ thou.
Amortization of intangible assets	6,367	5,363
Depreciation of tangible assets	3,335	3,538
	9,702	**8,901**

In fiscal 2014 there were no acquisitions of new companies at which dormant reserves were identified and carried (previous year: €3,985 thousand before deferred taxes). Accordingly, there was no amortization of such dormant reserves in fiscal 2014 (previous year: €356 thousand).

17. Other operating expenses

Other operating expenses are composed as follows: TABLE 068

Other operating expenses 068

	2014	2013*
	€ thou.	€ thou.
Vehicle and travel expenses	13,893	13,768
Rent/room costs	6,589	7,006
Legal and consulting costs	4,897	4,337
Personnel leasing	2,153	935
IT costs	1,878	1,479
Cost of goods consignment	1,857	1,597
Communication expenses	1,831	1,660
Allocation of allowances for receivables	1,741	2,407
Trade fair/advertising costs	1,566	2,160
Commission	1,092	1,067
Further training costs	952	947
Maintenance and repair	718	902
Running costs	633	616
Administrative expenses	542	927
Exchange rate losses	407	124
Expenses incidental to monetary transactions	156	133
Losses of receivables	150	798
Miscellaneous	3,824	4,715
	44,879	**45,578**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

18. Net interest income/loss

Net interest income/loss 069

	2014	2013
	€ thou.	€ thou.
Interest income	333	61
Interest expenses	−4,012	−3,869
Net interest income/loss	**−3,679**	**−3,808**

The total interest income and total interest expense for financial instruments not carried at fair value in accordance with IAS 39 are shown in the table below: TABLE 070/071

Total interest income and expense 070

	2014	2013
	€ thou.	€ thou.
Total interest expense	−3,698	−3,707
Total interest income	333	61

Net gains and losses from financial instruments 071

	2014	2013
	€ thou.	€ thou.
Loans and receivables	−1,316	−1,147
Available-for-sale financial assets	−79	207
of which carried in the other profit/loss	−79	177
of which carried in the income statement	0	30
Financial liabilities measured at amortized cost	−3,493	−3,208

The net gains and losses from financial instruments comprise measurement gains and losses, discount amortization, the recognition and reversal of impairment write-downs, gains and losses from currency translation and interest and losses from the disposal of assets. Net gains or net losses from available-for-sale financial assets contain income from write-downs/write-ups, and the transfers of valuation effects from equity when the assets are sold or disposed of.

19. Income taxes

Income taxes 072

	2014	2013*
	€ thou.	€ thou.
Current taxes in Germany	2,438	1,056
Deferred taxes in Germany	1,588	779
Current taxes abroad	918	714
Deferred taxes abroad	−20	−152
	4,924	**2,397**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Deferred tax assets totaling €1,288 thousand (previous year: €85 thousand) were recognized directly in equity in fiscal 2014. As in 2013, they resulted in 2014 solely from deferred tax assets that had to be recognized in the other profit/loss as part of the application of IAS 19 R. In 2014, there were no deferred tax liabilities from company acquisitions that were taken directly to equity (previous year: €558 thousand). Application of the net interest method resulted in the year under review in deferred tax expenses of €113 thousand (previous year: €103 thousand) which did not result in recognition of deferred tax liabilities in the balance sheet.

The item "Income taxes" includes income taxes for previous years totaling €190 thousand (previous year: €106 thousand) and tax refunds of €308 thousand (previous year: €64 thousand).

The table below presents a reconciliation of the tax expense expected in each fiscal year to the tax expense actually disclosed. As in the previous year, the expected tax expense is calculated from a total tax rate of 30.00% 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%. **TABLE 073**

Tax reconciliation 073

	2014	2013*
	€ thou.	€ thou.
Income before income taxes	7,768	–4,004
Expected tax expense	2,330	–1,201
Non-deductible expenses	213	426
Non-recognition of deferred taxes on loss carryforwards	2,856	3,536
Use of loss carryforwards not included to date/change in allowance	–191	–405
Effects of different national tax rates	–181	22
Tax arrears/refunds	–118	42
Other	15	–23
Actual tax expense	4,924	2,397
Effective tax rate	**63.4%**	**–59.9%**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

20. Share of non-controlling interests in consolidated net income for the period

The share of non-controlling interests in consolidated net income for the period relates to Qubix S.p.A., Padua, and MICROSENS GmbH & Co. KG, Hamm.

21. Earnings per share

Undiluted earnings per share are calculated as follows: **TABLE 074**

Undiluted earnings per share 074

	2014	2013*
Earnings for euromicron AG shareholders in € thou.	2,576	–6,525
Number of shares issued at the beginning of the fiscal year	7,176,398	6,663,799
Shares from capital increase with retroactive right to share in profits as of January 1, 2013	0	512,599
Adjusted weighted average number of shares issued (undiluted)	7,176,398	7,176,398
Undiluted earnings per share in €	**0.36**	**–0.91**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

The earnings for euromicron AG shareholders correspond to the consolidated net income (previous year: consolidated net loss) for the year minus the earnings for non-controlling interests.

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. There was no dilution effect at the time the consolidated financial statements were prepared. As a result, both figures are the same.

APPROPRIATION OF NET INCOME

The annual financial statements of euromicron AG at December 31, 2014, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € –12,995,969.42 (previous year: € –5,283,486.01). The net accumulated losses are carried forward to a new account.

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 cash used in operating activities in fiscal 2014 was € – 1,930 thousand, whereas in the previous year there was net cash provided by operating activities totaling €39,433 thousand. However, comparison of these figures is not meaningful due to effects from factoring (change in the volume of factoring used at the balance sheet date, the claim from retained factoring moneys and the liability from customers' monies to be passed on). A detailed presentation of these effects can be found in section 2.3 "Net assets, financial position and results of operations", subsection "Financial position", of the group management report for 2014. Aggregated reconciliation to a cash flow from operating activities adjusted for factoring effects supplies the following comparative figures: TABLE 075

Adjusted cash flow 075

	Cash flow from operating activities acc. to the statement of cash flows	Effects from factoring and customers' monies to be passed on included in that	Adjusted cash flow
	€ thou.	€ thou.	€ thou.
2013	39,433	54,091	– 14,658
2014	**–1,930**	**–3,862**	**1,932**

After adjustment for factoring effects, there is net cash provided by operating activities totaling €1,932 thousand in fiscal 2014 compared with net cash used in operating activities totaling € – 14,658 thousand in the previous year. As a result, the cash flow from operating activities in fiscal 2014 improved sharply by €16,590 thousand.

It should also be taken into account that trade accounts receivable of €4,513 thousand were contributed to the plan assets under the contractual trust agreement in fiscal 2014 (previous year: withdrawal of €426 thousand).

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 company acquisitions. It was € – 14,306 thousand, €9,179 below the previous year's figure of € – 5,127 thousand. In particular, the increase is a result of the acquisition of consolidated companies in December 2013, the purchase price for which was not paid until 2014.

The increase in net cash used in financing activities by €6,082 thousand from € – 890 thousand to € – 6,972 thousand is due in particular to the fact that net cash used to repay loans (balance of repayments of principal and newly raised loans) in fiscal 2014 was not offset by proceeds from a capital increase; the latter resulted in proceeds of €6,728 thousand in the previous year.

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: TABLE 076

Other financial obligations 076

	Total	Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Bill commitments	3,031	3,031	0	0
Operating lease	21,455	9,417	10,432	1,606
Purchase obligation	12,539	12,539	0	0
	37,025	**24,987**	**10,432**	**1,606**
Previous year	**41,768**	**27,206**	**12,598**	**1,964**

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

As in the previous year, there were no contingent liabilities in the euromicron Group in fiscal 2014.

Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminable agreements and mainly relate to rental and leasing agreements for operating and office equipment, such as cars, office machines or PC workstations, and communications technology and total €21,455 thousand (previous year: €24,024 thousand). In fiscal 2014, payments from these leasing relationships totaling €11,218 thousand (previous year: €10,630 thousand) were recognized in income. Conditional lease payments of €19 thousand (previous year: €24 thousand) were carried. Future proceeds of €163 thousand (previous year: €254 thousand) are expected from subleasing as part of operating lease agreements up to when they can be terminated for the first time.

24. Segment reporting

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

euromicron reports in the operating segments North, South and WAN services, as well as Central services and Group consolidations. The reporting segments comprise all CGUs that can be assigned to the operating segments.

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

euromicron's 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 companies 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 all key technologies. Thanks to acquisitions systematically made in regions it had not previously tapped, euromicron can offer its portfolio with a largely comprehensive footprint in German-speaking countries. In order to make the economic performance of the regional units visible to euromicron's management, the units are controlled by means of the segments "North", "South" and "Central services and Group consolidations". Since the main and profitable competences of euromicron, both as regards sales and implementation expertise, are being made available at every location as part of the "build and integrate" phase, comparability of the segments is ensured. This long-term strategy also requires intensive observation of how the company's footprint develops so that analysis of the segments is assessed as being adequate. The segment "WAN services" comprises planning, construction and servicing of supraregional network structures (WANs), regardless of the region where the services are provided. As a result, this important segment can be controlled and developed transparently.

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 the structuring into the subsections "Components", "Networks", "Distribution" and "International Services" in brochures, as well as in our Internet presence. These help visualize the competence and value chain of euromicron, but are not a controlling instrument.

SEGMENT REPORTING

of the euromicron Group for the period January 1 to December 31, 2014 (IFRS)

The sales and earnings reported to the main decision-maker are measured in accordance with the same principles as in the income statement. Transactions within and between the segments are reflected at market prices (at 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.

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 8.23). TABLE 077

Sales by report segments 077

2014	Sales North	Sales South	Sales for the WAN services segment	Total for the segments	Central services & Group consolidations	euromicron Group
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	109,992	129,165	107,181	346,338	–	346,338
Sales within the Group	6,217	5,380	675	12,272	–12,272	–
Total sales	**116,209**	**134,545**	**107,856**	**358,610**	**–12,272**	**346,338**

2013*	Sales North	Sales South	Sales for the WAN services segment	Total for the segments	Central services & Group consolidations	euromicron Group
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	110,057	113,770	101,856	325,683	–	325,683
Sales within the Group	3,209	8,493	374	12,076	–12,076	–
Total sales	**113,266**	**122,263**	**102,230**	**337,759**	**–12,076**	**325,683**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Sales in Germany were €293.9 million (previous year: €287.6 million), in the Euro zone €31.3 million (previous year: €27.4 million) and in the Rest of the World €21.1 million (previous year: €10.7 million). The sales relate to the geographical location of the customers. TABLE 078

EBIT by report segments 078

	2014	2013*
	€ thou.	€ thou.
EBIT for the North segment	10,292	9,968
EBIT for the South segment	2,262	–10,002
EBIT for the WAN services segment	6,506	6,391
Central services and Group consolidations	–7,613	–6,553
Consolidated EBIT for the Group	**11,447**	**–196**

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

Depreciation/amortization and write-downs for the individual segments had the following impact on EBIT: TABLE 079

Amortization and depreciation 079

	2014	2013
	€ thou.	€ thou.
North, consolidated	–3,744	–3,424
South, consolidated	–3,910	–3,382
WAN services, consolidated	–1,622	–1,702
Central services and Group consolidations	–426	–393
Consolidated depreciation/ amortization for the Group	**–9,702**	**–8,901**

In accordance with IFRS 8.33b, noncurrent assets are €119,255 thousand in Germany (previous year: €121,459 thousand) and €30,113 thousand in the Euro zone (previous year: €31,315 thousand). The noncurrent assets are composed of

- Goodwill
- Intangible assets
- Property, plant and equipment
- Other 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 has been implemented throughout the Group and is closely geared to 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 finance and controlling, 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 mainly in changes in the market situation, financing situation and interest rates. To minimize them, the basic elements of the business and financial policy are defined by the Executive Board and monitored by the Supervisory Board. In turn, Finance and Accounting and Controlling are responsible for operationally implementing the financial policy and constant risk management.

Market risks

In principle, euromicron is dependent on economic trends in the Euro zone; the German market accounts for around 85% (previous year: around 88%) of the company's sales and so is crucial to its success. Germany is also the area of activity of most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. 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.

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 allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned. In fiscal 2014, there was no customer that accounted for more than 10% of consolidated sales (previous year: one customer that accounted for sales of €37,604 thousand). In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, credit sale insurance policies were concluded for specific companies.

The maximum risk of default is to the carrying amounts of the financial assets carried on the balance sheet which are not secured by credit sale insurance policies.

Financing and liquidity risks

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.

A further financial risk for the euromicron Group is the provision of sufficient liquidity for the subsidiaries' business operations. euromicron AG must ensure that the receivables resulting from financing of the operating units through the cash pool retain value. This is achieved by a permanent and standardized finance management and reporting that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

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 can also be used to optimize the net interest income/loss on a case-by-case basis. As in the previous year, however, there were no interest rate derivatives at December 31, 2014.

The financing that was contractually agreed and utilized at December 31, 2014, will result in interest expenses of around €3.7 million (previous year: €3.4 million) by the end of its 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 2014 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €332 thousand lower (€332 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Internal control system

In order to comply with statutory requirements, the euromicron Group continued to focus in fiscal 2014 on monitoring its main corporate processes. In particular, the internal controls are aimed at minimizing operational risks and avoiding mistakes in other sensitive areas of the company. For example, the company ensures that key functions are kept strictly separate from each other and that the four eyes principle is applied comprehensively. Moreover, Finance and Accounting 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 on a test basis.

The importance of this for the euromicron Group is shown by the negative effect of € – 11.4 million that, in accordance with the principles of IAS 8, had to be charged directly to equity in the IFRS consolidated financial statements for 2014 due to the mistakes that were discovered in the costing and valuations of projects and receivables from the years 2012 and 2013. Measures to minimize risks from project business had already been implemented in the course of fiscal 2013 and were intensified in 2014. The effectiveness of the implemented measures in fiscal 2014 is reflected in the fact that the company was itself able to identify the past costing and valuation mistakes in 2014 thanks to its professionalized structures. The extensive analysis of the project portfolio as part of preparation of the financial statements also revealed that, above and beyond the identified mistakes, no further old projects had mistakes in them and that there were no mistakes identified in projects that were handled with the new structures from 2014 on after the described measures had been introduced. Enhancement of these structures will also be a focus of the euromicron Group's risk management activities in 2015. For further details, please refer to the comments in section 4.2 "Risk report and salient features of the risk management system" in the group management report for 2014.

In fiscal 2014, 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 might jeopardize the company's continued existence.

Compliance

For the Executive Board of euromicron AG, corporate governance based on integrity means morally and legally responsible conduct toward executives, employees and all business partners. These maxims are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company's Code of Conduct, which is intended to ensure that everyone in the Group acts and behaves consistently and ethically. The Code of Conduct can be viewed on the company's homepage at www.euromicron.de/en/company/code-of-conduct. In addition to the general guidelines for compliance in practice, the Executive Board – in coordination with the compliance officer of euromicron AG – selects each year a special area of focus so as to ensure adequately at all times that our individual divisions are able to cope with the changes that they are subject to. The aim of this is to address the changes in requirements from operational business and in the market environment. Our divisions are to be developed further on the basis of the created compliance structure with reference to the separately defined areas of focus.

IT security was one of the focuses in fiscal 2014. Following further development of the IT security organization, a data loss prevention software was rolled out throughout the Group.

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.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €75 thousand (previous year: €96 thousand) was paid for the services; there is still a liability of €63 thousand (previous year: €51 thousand) due on this at December 31, 2014. Further relations with members of the Executive Board and Supervisory Board are explained in section 32.

Apart from that, there were no transactions with other related parties or companies. There are no further 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 2014, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May 13, 2013, which was published on June 10, 2013, and in its amended version dated June 24, 2014, as of September 30, 2014. 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.de/investor-relations/corporate-governance-14.

28. Stock option program / securities transactions requiring disclosure

There is currently no new stock option program or comparable incentive system based on securities. 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 €914 thousand (previous year: €996 thousand). €623 thousand (previous year: €622 thousand) relate to auditing of the financial statements of the companies and the Group. They include expenses of €50 thousand (previous year: €103 thousand) not related to the period. They also include costs for other confirmation or valuation services (€16 thousand; previous year: €13 thousand), tax consulting services (€247 thousand; previous year: €330 thousand) and other services (€28 thousand; previous year: €31 thousand) for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

It was agreed on January 13, 2015, that the existing purchase options for a minority stake of 10% of the shares in ATECS AG, Zug/Switzerland, (referred to as ATECS AG in the following) and 10% of the shares in Secure Information Management GmbH, Neustadt a.d.W., (referred to as SIM GmbH in the following) would be exercised effective January 1, 2015. The purchase price for exercising the options is €800 thousand for the shares in ATECS AG and €200 thousand for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH was 90% in each case. Due to the fact that the existing purchase options are designed as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligation of €1,000 thousand resulting from exercise of the options was already carried under "Other current financial liabilities" in the financial statements at December 31, 2014.

Distributions to the shareholders were resolved at the General Meeting of SIM GmbH and at the Ordinary General Meeting of ATECS AG on March 3, 2015. The distribution to minority shareholders totaling €840 thousand must be transferred from the consolidated equity to the item "Dividend/profit shares for minority interests", which is carried under the balance sheet item "Other financial liabilities", effective March 3, 2015.

euromicron AG published an ad-hoc announcement in compliance with Section 15 WpHG (German Securities Trading Act) in this regard on March 23, 2015, since mistakes affecting the accounting and measurement of individual projects in previous periods were noticed during preparation of these financial statements (IFRS consolidated financial statements for 2014) (see section 4 "Correction according to IAS 8").

In addition, Dr. Willibald Späth, Chairman of the Executive Board of euromicron AG, resigned his post and from the board effective March 23, 2015. The business for which Dr. Späth was responsible up to then were subsequently discharged by the sole board member Mr. Thomas Hoffmann.

Ms. Bettina Meyer and Mr. Jürgen Hansjosten were appointed as further members of the Executive Board effective March 31, 2015. Ms. Meyer was also appointed as Spokeswoman of the Executive Board.

On May 8, 2015, the Supervisory Board of euromicron AG acceded to Thomas Hoffmann's request for his contract of employment to be terminated by mutual consent. Mr. Hoffmann resigned as a member of the Executive Board of euromicron AG on that date. Ms. Meyer and Mr. Hansjosten will take over Mr. Hoffmann's spheres of responsibility.

31. Publication of the consolidated financial statements

On May 27, 2015, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of May 28, 2015, 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. This goes for all subsidiaries (see "List of companies included in the consolidated financial statements" in the section "Consolidated companies") with the exception of the following. Exceptions are ATECS AG, Zug/Switzerland, die MICROSENS Sp.z o.o., Wroclaw/Poland, euromicron austria GmbH, Seekirchen/Austria, euromicron holding GmbH, Seekirchen/Austria, Qubix distributions GmbH, Seekirchen/Austria, NBG Fiber Optics GmbH, Gmünd/Austria, WCS Fiber Optic 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 of the Executive Board
Responsible for strategy, acquisitions, finance, public relations and investor relations (until March 23, 2015)

Thomas Hoffmann
Responsible for strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets (until March 23, 2015)

Sole Executive Board member (March 24 to 30, 2015)

Responsible for strategy, corporate marketing, IT, M&A and capital market communication (from March 31, 2015, to May 8, 2015)

Bettina Meyer
Responsible for finance, legal affairs, human resources, compliance and auditing; Spokeswoman of the Executive Board (from March 31, 2015)

Also responsible for corporate marketing, M&A and capital market communication (from May 8, 2015)

Jürgen Hansjosten
Responsible for operations (from March 31, 2015)

Also responsible for strategy and IT (from May 8, 2015)

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 Ortolf, Deputy Chairman
Senior Vice President Power Tools and Head of Product Group Professional Power Tools, Industrialized Markets of Robert Bosch GmbH, Leinfelden-Echterdingen

Dr. Andreas de Forestier
Managing Director of DBE Liegenschaften GmbH, Munich
Managing Director of KEA Vermögensverwaltungsgesellschaft mbH, Hamm
Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
Chairman of the Supervisory Board of cp consultingpartner AG, Cologne
Chairman of the Supervisory Board of RECP AG, Berlin
Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting the ecological and social market economy, Nuremberg

c) Remuneration of the board members
In total, the members of the Supervisory Board received compensation of €135 thousand (previous year: €135 thousand) in accordance with the Articles of Association; it consisted solely of fixed compensation. The fixed compensation for members of the Supervisory Board is €30 thousand, with the Chairman of the Supervisory Board receiving twice and his deputy one-and-a-half times the fixed compensation.

In fiscal 2014, the Executive Board received a total remuneration of €1,788 thousand (previous year: €991 thousand); the variable payment made up €912 thousand of this (previous year: €220 thousand). In addition, €25 thousand (previous year: €22 thousand) from the pension commitments to Executive Board members was recognized in the income statement in fiscal 2014.

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.

33. 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, May 26, 2015

Bettina Meyer Spokeswoman of the Executive Board	Jürgen Hansjosten Member of the Executive Board

SINGLE-ENTITY FINANCIAL STATEMENTS (HGB)

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January 1 to December 31, 2014 164

BALANCE SHEET
AS OF DECEMBER 31, 2014

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Assets

080

	Note	Dec. 31, 2014	Dec. 31, 2013
		in €	in €
A. Fixed assets	(1)		
I. Intangible assets			
Purchased concessions, industrial and similar rights		486,187.00	620,711.00
II. Property, plant and equipment			
Other equipment, operating and office equipment		124,881.82	164,365.82
III. Financial assets			
1. Shares in affiliated companies		146,732,467.81	146,081,189.57
2. Loans to affiliated companies		25,400,000.00	30,112,500.00
3. Other long-term equity investments		770,692.00	849,375.00
4. Prepayments		40,000.00	40,000.00
		172,943,159.81	177,083,064.57
		173,554,228.63	**177,868,141.39**
B. Current assets			
I. Receivables and other assets	(2)		
1. Trade accounts receivable		0.00	476.00
2. Receivables from affiliated companies		27,033,918.20	19,750,194.49
3. Other assets		642,121.11	2,970,839.73
		27,676,039.31	22,721,510.22
II. Cash-in-hand, bank balances		8,559,534.68	29,073,827.12
		36,235,573.99	**51,795,337.34**
C. Prepayments and accrued income		**109,549.14**	**81,647.47**
		209,899,351.76	**229,745,126.20**

Equity and liabilities 081

	Note	Dec. 31, 2014	Dec. 31, 2013
		in €	in €
A. Equity			
I. Subscribed capital	(3)	18,347,554.88	17,037,017.44
II. Contribution made to carry out the adopted capital increase	(4)	0.00	7,104,622.14
III. Capital reserves	(5)	96,665,441.92	90,871,357.22
IV. Revenue reserves	(6)		
Other revenue reserves		6,433,729.53	6,433,729.53
V. Net accumulated losses	(7)	–12,995,969.42	–5,283,486.01
		108,450,756.91	**116,163,240.32**
B. Provisions			
1. Provisions for pensions and similar obligations	(8)	0.00	0.00
2. Provisions for taxes	(9)	711,103.23	40,501.80
3. Other provisions	(10)	4,014,413.83	3,135,281.86
		4,725,517.06	**3,175,783.66**
C. Liabilities	(11)		
1. Liabilities to banks		60,589,214.21	60,624,585.20
2. Trade accounts payable		394,481.67	698,173.33
3. Liabilities to affiliated companies		35,361,341.50	31,569,882.14
4. Other liabilities (of which from taxes €372,514.51; previous year: €2,732,990.71)		378,040.41	17,513,461.55
		96,723,077.79	**110,406,102.22**
		209,899,351.76	**229,745,126.20**

INCOME STATEMENT
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Income statement 082

	Note	2014	2013
		in €	in €
1. Income from investments		6,569,391.15	2,123,036.59
(thereof from affiliated companies €6,569,391.15; previous year: €2,123,036.59)			
2. Income from profit and loss transfer agreements		10,664,404.72	5,376,421.07
(thereof from affiliated companies €10,664,404.72; previous year: €5,376,421.07)			
3. Expenses from assumption of losses		−15,902,486.92	−6,990,967.54
(thereof from affiliated companies €15,902,486.92; previous year: €6,990,967.54)			
4. Other operating income		2,882,063.66	2,726,242.60
5. Personnel costs			
a) Salaries		−2,674,322.55	−2,188,039.03
b) Social security, post-employment and employee benefit costs		−273,837.94	−213,140.48
(of which in respect of old age pensions €32,300.46; previous year: €25,661.00)			
6. Amortization of intangible assets and depreciation of tangible assets		−184,784.30	−217,821.68
7. Other operating expenses	(12)	−6,673,956.92	−7,317,996.16
8. Income from long-term loans		626,332.71	516,125.69
(thereof from affiliated companies €626,332.71; previous year: €516,125.69)			
9. Other interest and similar income		1,718,865.66	1,956,845.75
(thereof from affiliated companies €1,494,667.81; previous year: €1,941,453.48)			
10. Write-down of long-term financial assets	(13)	−78,683.00	0.00
11. Interest and similar expenses		−3,228,520.98	−2,892,895.06
(thereof to affiliated companies €590,684.14; previous year: €389,948.62)			
(of which expenses from interest accrued for provisions €86,349.26; previous year: €5,080.59)			
12. Result from ordinary activities		**−6,555,534.71**	**−7,122,188.25**
13. Income taxes		−988,570.45	−19,074.38
14. Other taxes		−168,378.25	−859.88
15. Net loss for the year		**−7,712,483.41**	**−7,142,122.51**
16. Retained profits/accumulated losses brought forward		−5,283,486.01	1,858,636.50
17. Net accumulated losses		**−12,995,969.42**	**−5,283,486.01**

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FIVE-YEAR OVERVIEW
GROUP

Values from the income statement 083

	2014	2013*	2012	2011	2010
	€ m.	€ m.	€ m.	€ m.	€ m.
Consolidated sales	346.3	325.7	323.1	305.3	203.6
Germany	293.9	287.6	292.0	267.8	174.0
Euro zone	31.3	27.4	25.5	34.2	26.0
Rest of World	21.1	10.7	5.6	3.3	3.6
EBIT	11.4	–0.2	10.0	24.2	20.1
EBT	7.8	–4.0	5.2	17.8	17.2
Consolidated net income for the period for shareholders of euromicron AG	2.6	–6.5	2.8	12.2	11.5
Net cash provided by operating activities	–1.9	39.4	7.0	0.5	8.5

Values from the balance sheet 084

	2014	2013*	2012	2011	2010
	€ m.	€ m.	€ m.	€ m.	€ m.
Current assets	136.7	161.5	130.3	126.8	86.6
Noncurrent assets	150.7	155.0	146.5	138.4	109.6
Current liabilities	119.4	152.5	106.8	99.2	81.5
Noncurrent liabilities	57.6	52.8	56.7	46.0	25.5
Minority interests	0.4	0.4	0.5	0.5	0.4
Equity	110.4	111.2	113.2	120.0	89.3
Total assets	287.4	316.5	276.8	265.2	196.2
Equity ratio in %	38.4	35.1	40.9	45.3	45.5

Miscellaneous 085

	2014	2013	2012	2011	2010
	€ m.	€ m.	€ m.	€ m.	€ m.
Investments in intangible assets and in property, plant and equipment	6.4	6.4	10.8	8.2	4.6
Employees (number as an average for the year)	1,784	1,741	1,699	1,455	1,081

* Previous year's figures partly adjusted (see section 4. Corrections acc. to IAS 8)

GLOSSARY

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

Big data
Big data denotes quantities of data that are too large or too complex to analyze using conventional data processing methods. Large volumes of data are created in particular in the Internet of Things, for example from the areas of industry, communication, the energy sector and transportation. The source for collecting this data may be intelligent sensors, smart metering systems or video cameras that store, analyze and prepare the data using special software tools.

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

Cloud computing
Cloud computing describes the approach for providing abstracted IT infrastructures (e.g. computing capacity, data storage, network capacities or ready software) over a network and dynamically adapted to requirements. From the user's perspective, the abstracted IT infrastructure that is provided appears remote and opaque, as if surrounded by a "cloud". These services are offered and used only via defined technical interfaces and protocols. The services offered in cloud computing cover the full range of information technology and include infrastructure (e.g. computing power, storage space), platforms and software.

Competence Center (CC)
Knowledge on innovative developments is pooled within the euromicron Group in nationwide Competence Centers (CCs), whose know-how the regional branch offices and in particular Regional Sales can tap into at all times. As a result, new technologies and solutions can be implemented quickly over a broad area, yet the medium-sized structures typical of euromicron are preserved. Customers thus benefit from the expertise of a large enterprise, coupled with short decision lines and the rapid response time of an SME.

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

Ethernet
The term Ethernet denotes both the type of cabling and transmission methods or frameworks. Ethernet can be operated at 10 megabit/s (Ethernet), 100 to 1,000 Mbit/s (Fast Ethernet) and, more recently, 10,000 megabit/s – or 10 gigabit/s – (Gigabit Ethernet).

Firewall
A firewall protects individual computers or an entire computer network against unwanted access from the network and consists of a group of network components at the interface between the Internet and internal network. A firewall's task is to prevent unpermitted network access as part of a security concept.

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

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

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

Fiber-to-the-home (FTTH)
External cabling in fiber optics technology in which fiber optic connections are established between the optical wide area network and the building cabling.

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

FTTX
A generic term for any type of broadband network architecture based on fiber-optic technology. X can be a placeholder for various user endpoints of the optical fiber, such as H for home, B for building or O for office.

Building automation
Building automation denotes all the equipment and facilities for controlling, regulating and monitoring complex technical installations in buildings. As a key component of facility management, building automation aims to control functional processes automatically and across all systems and to simplify their operation and monitoring. Special control stations are used as the management center, depending on the size and complexity of the object or property to be automated. Other terms used for building automation, but not necessarily synonyms, are: "e-house", "smart building" or "smart home".

Industry 4.0
The term "Industry 4.0" stands for the fourth industrial revolution and so for a radical change in production technology. It follows on from the third industrial revolution, which was initiated in the 1970s and is characterized by increasing automation of production through the use of electronics and IT. From today's vantage point, the first industrial revolution comprised mechanism using water and steam power. It was followed by the second industrial revolution, in which mass production was enabled by assembly lines and electrical energy. As part of the German government's high-tech strategy, Industry 4.0 is a key future-oriented project that is intended to drive computerization of production technology and lastingly strengthen Germany as a place to do business. The goal is to achieve the "smart factory", which is characterized by adaptability, resource efficiency, ergonomic design of workplaces and integration of customers and business partners in business and value added processes. The technological foundation of Industry 4.0 is cyber-physical systems and the Internet of Things.

Industrial Ethernet
Industrial Ethernet denotes all efforts to enable the Ethernet standard to be used for networking equipment in industrial production. Industrial Ethernet is now a firmly established term that, among other things, describes the use of Ethernet-based components such as industrial switches ("ruggedized switches") in harsh environments. Such components, which are needed to control and monitor production processes, for example, are particularly insensitive to dust, dirt and large temperature fluctuations.

Infrastructure as a Service (IaaS)
Infrastructure as a Service denotes a business model where computer infrastructure is not purchased as customary, but instead leased on demand.

Internet of Things
The term "Internet of Things" (IoT) generally denotes the objective of networking the virtual world with the real one. The emergence of the IoT means that not only people and (personal) computers will interact in future, but also intelligent things (devices). Essentially, IoT denotes the linking of unambiguously identifiable physical devices or sensors over the Internet. These smart devices are to think, learn, act independently and interact with other process participants. As part of the growing digitization of business processes and networking over the Internet, all parties involved in a process are provided with specific status information via IoT, so that interaction between them in real time is enabled. Instead of being the subject of attention as it is now, IoT is intended in future to help people almost unnoticed in their activities and so offer them direct benefits. The IoT enables new business models. The information that is collected and made available can be used to tap potential for optimization. One possible scenario, for example, is prompt reporting of an impending defect together with automatic notification of a maintenance service (see also "Predictive maintenance").

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

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

Critical infrastructures
Critical infrastructures ensure the basic supply needs of the economy and society in such important areas as energy, information technology and transportation and, last but not least, in government and administration, the media and culture. These infrastructures are increasingly controlled by IT systems that are connected to the Internet. Frequently used buzzwords in this connection are: smart cities, smart factory or smart transportation. These infrastructures need to be classified as critical because if they fail or their operability is impaired, there would be lasting supply bottlenecks or significant disruptions to public safety.

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

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

Machine to machine (M2M)
The term "machine to machine" (M2M) denotes automated exchange of information between terminal devices (machinery, machines or control devices) or between terminal devices and a control center. M2M applications are used in particular in industry, where they control production facilities. Increasing use of the Internet and the growing prevalence of wireless sensor networks based on various access technologies, such as LTE or WLAN, also opens up additional possible applications in the fields of logistics, security, surveillance, transportation and energy. One conceivable M2M application is, for example, remote monitoring, control and maintenance of plant, machinery and systems.

MAN (Metropolitan Area Network)
A communications network typically set up within towns, cities and municipalities, for transmitting data, voice, TV programs and other electronic information.

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

MICA (Modular Information, Communications and Application platform).
MICA is a state-of-the-art software and hardware platform for the control station of a security and service center, such as used by the police, fire brigade, power utilities and on highways, in railways and at public transport companies. Thanks to integration of existing individual systems, operational and security-related processes can be automated end-to-end if required.

Network operation center (NOC)
A network operation center (NOC) fulfills central monitoring and operating tasks within a network and ensures IT security. The NOC monitors critical system components continuously and identifies possible weak points. Since operation and administration of an NOC require know-how and diverse resources, companies often hire specialist service providers for those tasks. NOCs and their administration staff work round the clock, thus ensuring fail-safe, redundant connection channels.

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

Network monitoring
Network monitoring denotes the observation and regular control of networks, their hardware (e.g. servers, routers, switches) and services (e.g. Web servers, DNS services, e-mail services). A distinction is made between external and internal monitoring. In external monitoring, an additional monitoring device is connected to the network, which is not the case in internal monitoring. It is further characterized by the terms "active" and "passive". In active monitoring, additional packets are sent into the network, whereas only eavesdropping is carried out in passive monitoring.

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

Perimeter protection
Perimeter protection aims to provide extensive protection for a building by means of mechanical, constructional, electronic, organizational and personnel measures up to the boundaries of the land it is on. Examples are fences, walls, gates and alarm, access control or video surveillance systems. Perimeter protection is typically used in securing critical infrastructures, such as at prisons or airports.

Physical security
A general term for a wide range of measures for physical protection and surveillance of a room, building or campus and the critical components there. Physical protection and surveillance denotes securing an object against fire, intrusion, unauthorized access, theft, vandalism and manipulation, as well as surveillance by means of fire alarms, video cameras, access control systems and control station technologies.

PMR (Professional Mobile Radio)
Mobile radio which, in order to distinguish it from other radio services, such as maritime radio and aeronautical radio, was also called “non-public mobile land radio”. It includes all radio services that are used by individual institutions, industrial enterprises, the transport industry, trade and craft, as well as emergency services and public authorities that perform regulatory and security tasks. A common feature of all of them is the non-public, virtually private use of the radio service for a defined user group, such as taxi or haulage companies, airports or industrial plants, regardless of the radio technology used.

Predictive maintenance
As part of service management, predictive maintenance denotes all measures that are used in proactive maintenance of machinery and production plant. Preventive handling of problems means maintenance resources can be used more cost-effectively, the operating times of machinery and equipment maximized and relevant ordering and replacement processes improved. The objective is to avoid production-critical downtimes and maintenance work.

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

Privus Manager®
Privus Manager® is a network management solution that can be tailored flexibly to the specific network scenarios in question. Privus Manager® also enables network management solutions when existing PDH/SDH networks are migrated to packet-based networks (IP or IP/MPLS).

SaaS (Software as a Service)
Software as a Service (SaaS) is a sub-area of cloud computing. The SaaS model is based on the principle of the software and IT infrastructure being run at the premises of an external IT service provider and used by the customer as a service. The party utilizing the services pays a usage-based charge (usually per user and month) for use and operation of the services. The SaaS models means that the party using the services can cut its procurement and operating costs in part. The service provider assumes responsibility for all IT administration work and other services, such as maintenance and updates. To this end, the entire IT infrastructure, including all administrative tasks, are outsourced, enabling the party using the services to focus on its core business.

SAN (Storage Area Network)
A communications network, typically within data centers and computer centers, that connects storage media, large computer systems and server farms with each other, often using Fiber Channel technology, since high-capacity, rapid "data channels" usually based on fiber optic connections are involved.

Service level agreement (SLA)
The term "service level agreement" (SLA) denotes an agreement or the interface between the customer and service provider for recurrent services. The objective is to give the customer a transparent means of controlling whether the services are delivered by precisely describing warranted qualities of the services, such as their scope, response time and speed of handling. An important component is the service level, which defines the agreed quality of service.

Smart factory
"Smart factory" (or "smart production") is part of the future-oriented project Industry 4.0 under the German government's high-tech strategy. As a term in production technology, smart factory denotes a cutting-edge, robot-based production environment in which production plants and logistics systems largely organize themselves without human intervention. The smart factory is thus a complex system of numerous individual players that have their own intelligence. Its technical foundation is cyber-physical systems that communicate with each other with the aid of the Internet of Things. One possible application example is communication between a workpiece and production plant: The workpiece supplies its own production information in machine-readable form. Its path through the production plant and the individual production steps are controlled on the basis of this data.

Smart meter/smart grid
Smart grids are electricity grids in which various power generators and consumers are integrated and in which digital communication (in future IP technology) is used to measure the amounts of electricity fed into or taken from them and for control, distribution and billing (smart meter).

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

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

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

Unified communications and collaboration (UCC)
The term "unified communications and collaboration" (UCC) is a concept that describes the integration of communications and information in a single application environment. Combining all communications services (telephony, video conferencing, e-mail, fax, chat or social media) and using presence functions – including at distributed locations – means users can be more easily reached, collaboration is enhanced and, ultimately, work processes are sped up. UCC is intended to enable unrestricted access to devices and information anytime, anywhere.

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

VDSL2 vectoring
VDSL2 vectoring is an extension of VDSL2 and is intended to reduce undesired crosstalk between neighboring subscriber lines. As a result the transmission rate, in particular in unscreened cable bundles of conventional telephone networks and with many VDSL subscribers, can be increased, in some cases significantly.

Virtual machine
A virtual machine (VM) is a computer that is not executed directly on the hardware, but by virtualization. A virtual machine is provided by a hypervisor. Multiple virtual machines can be operated simultaneously on one physical computer. This feature is leveraged in particular on servers.

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

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

CDM (Code Division Multiplex): Code words are assigned to the individual digital signals

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

DWDM (Dense Wavelength Division Multiplex): An optical Frequency Division Multiplex method with a very dense channel (signal) spacing

FDM (Frequency Division Multiplex): Individual signals are modulated onto different frequencies

SDM (Space Division Multiplex): Spatial separation of individual signals, for example on separate lines

TDM (Time Division Multiplex): Individual, usually digital, signals are transferred chronologically after each other

Wireless local area network (WLAN)
Wireless local area network (WLAN) denotes a local radio network that, for example, enables access to the Internet via a WLAN router. WLANs are used in Germany in the frequency ranges 2.4 and 5 Gigahertz (GHz). The synonymous term WiFi is used in some countries (e.g. the U.S., the UK, Canada, the Netherlands, Spain, France and Italy).

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- **50 billion networked devices**
  www.cebit.de/de/news-trends/trends/digitale-transformation-dconomy/artikel/dconomy-infografik.xhtml
- **1.6 zettabytes**
  wwww.elektronikpraxis.vogel.de/kommunikation/articles/449289/
- **30 %**
  wwww.cebit.de/de/news-trends/trends/digitale-transformation-dconomy/artikel/dconomy-infografik.xhtml
- **No. 1 among IT projects**
  http://www.cowo.de/a/3095036
- **2/3**
  www.arbeitgeber.de/www/arbeitgeber.nsf/res/25FFD432EBE52017C1257DA40035846A/$file/Rede-IK-Digitalisierung-von-Wirtschaft-und-Arbeitswelt.pdf
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- **40 billion euros**
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- **3,1 %**
  www.it-gipfel.de/IT-Gipfel/Redaktion/PDF/it-gipfel-2014-ag-1-monitoring-report-digitale-wirtschaft-2014,property=pdf,bereich=itgipfel,sprache=de,rwb=true.pdf
  Page 4
- **40 %**
  Monitoring Report on the Digital Economy for 2014 by the Germany Ministry of Economic Affairs
- **80 %**
  www.cebit.de/de/news-trends/trends/digitale-transformation-dconomy/artikel/dconomy-infografik.xhtml
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- **Data transfer rate**
  http://de.wikipedia.org/wiki/Daten%C3%BCbertragungsrate

FINANCIAL CALENDAR

Mid-June, 2015	Publication of the business figures for the 1st quarter of 2015
July 16, 2015	Annual General Meeting, Frankfurt/Main
August 7, 2015	Publication of the business figures for the 2nd quarter of 2015
November 6, 2015	Publication of the business figures for the 3rd quarter of 2015

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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.

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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