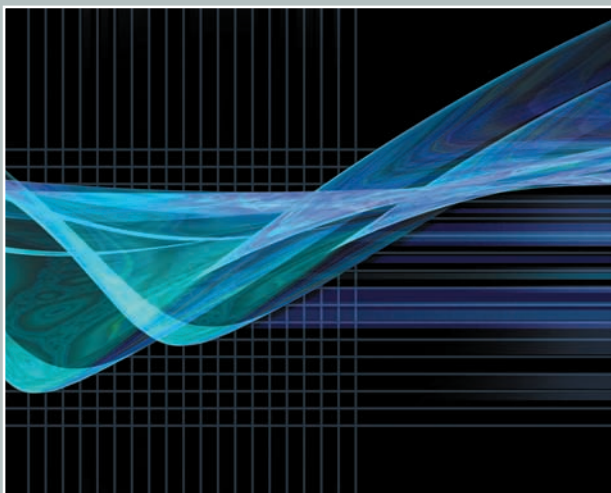


euromicron
Aktiengesellschaft



Half-yearly Report
2004

The euromicron Group at a glance

For the period January 1 to June 30	2004	2003 ¹⁾	2003 ²⁾
	EUR m.	EUR m.	adjusted EUR m.
Consolidated sales	41.0	60.7	42.8
Sales by divisions			
■ Network and Fiber Optics Technology	23.7	23.9	23.9
■ Industrial Holdings	17.3	36.8	18.9
EBIT consolidated	2.0	3.3	2.6
EBT consolidated	1.6	2.2	1.9
Net income for the period	1.3	1.1	1.1
Number of shares (in thousand)	4,660	4,660	4,660
Earnings per share (in EUR)	0.27	0.23	0.23
Employees (average)	636	920	624

1) Including the pro rata figures for the disposed companies and profits from deconsolidation from these disposals.

2) To permit better comparison of 2003 with 2004, the pro rata figures for the disposed companies and profits from deconsolidation from these disposals have been excluded.

(Unaudited, US GAAP)

euromicron's share



Shareholder structure

Shares of the executive bodies	Number of shares
Executive Board	
Dr. Willibald Späth	200
Dr. Edgar Bernardi	–
Supervisory Board	
Dieter Jeschke	–
Günther Leibinger	–
Dietmar Hermle	–

euromicron AG – The Network System House

Dear Shareholders,

The euromicron Group has made important steps in the first half of the year toward further expanding its presence in the network technology market and successfully retaining the remaining industrial holdings in future.

We have succeeded in making our company lean and robust so that we can post good financial figures, even in a weak climate for investment.

Frankfurt am Main, August 2004

The Executive Board

Contrary to general expectations and positive economic forecasts, the prevailing market mood in the Eurozone countries is still one where investment is restrained. The – at best cautious – optimistic mood continued in the first half of 2004. In this still tough economic climate, the euromicron Group was largely able to achieve its objectives. Our strategy of realigning the Group and making it leaner over the past years is making a major contribution to our successfully overcoming difficult times.

As a result, the euromicron Group remained on a stable course in the first half of 2004. We were able to post sales and earnings at around the comparable levels of the previous year. The order situation improved significantly. In particular, order books of more than EUR 25 million in our core business are bolstering our company's pleasing development.

This stability is mainly underpinned by component business with its new and now well-introduced products for data centers and special applications.

The transfer of skills within the Group and leveraging of these for cross-selling business corroborate the integrative approach that the Group has initiated.

As far as can be seen at present, we assume that – despite the unclear and unfavorable general setting – we will chalk up a successful fiscal year. However, this will once again demand commitment and dedication from all of us.

We systematically continued our restructuring of the Group to a system house in network and fiber optics technology. We were able to acquire an 80 percent stake in NTA Group, a renowned company based in Mainz, Erfurt und Mannheim that specializes in communications and security technology. In addition, we fully acquired delcom GmbH in Essen, Berlin, Stuttgart and Frankfurt and so achieved a further milestone on our way to becoming a competence center for solutions in the fields of security, telecommunications and data network technology. Internal structures were optimized with the acquisition of the remaining shares in our subsidiaries LWL Sachsenkabel GmbH and Multimedia Montage GmbH.

In the first half of the year, we continued our process of divesting industrial holdings as part of our long-term strategy. We successfully disposed of the eighth company from this segment with the sale of the elkosta Group in April 2004.

The change of banks initiated last year has now been completed. We have been able to obtain interesting and forward-looking partners in the shape of Dresdner Bank, Deutsche Bank and the Taunussparkasse savings bank.

In the first six months, euromicron AG continued to press ahead with its development from a traditional financial holding to an operational managing company. Competence and quality for networks at every level from a single source is our system house's mission, and professional development of our industrial holdings is an obligation under our strategy. In this respect, we are supporting operational measures and projects financially and with content.

The General Meeting of euromicron AG on June 24, 2004, went successfully and confirmed the trust held by shareholders. The Group's successes in 2003 meant that the announced dividend of 50 cents a share was able to be paid – a yield of almost 4%.

In the field of investor relations, the independent financial market analyst Independent Research has issued a recommendation to buy euromicron shares. The study by Independent Research examines the company and market, describes and assesses euromicron's strategy and finally gives a forecast of euromicron AG's possible development.

The awareness level of the euromicron Group has been further strengthened. The joint presence of all companies from the network and fiber optics technology segment at CeBIT 2004 was especially distinguished by the presentations of the new connector generation for data centers and a Voice-over-IP system. Expansion of our regional presence into Switzerland and initial contacts toward Poland round off the euromicron Group's development.

euromicron AG – The Network System House

euromicron Group

Consolidated sales revenues

for the period January 1 to June 30, 2004

Divisions	2004	2003	2003*
	EUR m.	EUR m.	adjusted EUR m.
Network and Fiber Optics			
Technology	23.7	23.9	23.9
Industrial Holdings	17.3	36.8	18.9
Consolidated			
sales revenues – net	41.0	60.7	42.8
thereof within Germany	34.2	51.8	37.7
thereof abroad	6.8	8.9	5.1

(Unaudited, US GAAP)

* To permit better comparison of 2003 with 2004, the pro rata sales for the companies deconsolidated as of December 31, 2003, have been excluded and are shown in a separate overview.

Consolidated sales revenues in the first half of 2004 are EUR 41 million, around the comparable level of the previous year and so in line with our planning and expectations. The decline in sales over the figures reported for the previous year is essentially due to the divestments made at the end of 2003 and start of 2004. If the figure for the previous year is compared without including the contributions from the disposed companies (see the column "2003 adjusted"), there is a slight decline in sales of 4%, a fall that is mainly billing-related.

The decline in comparable sales is mainly attributable to the development of our remaining industrial holdings. Despite the fact that they are more export-oriented than the companies in our core business segment, the general pickup in foreign business was not able to deliver the decisive fillip to compensate for weak domestic demand. There are still no signs of stronger investment activity in Germany. So it is all the more pleasing that the companies in our core business segment, which mainly cater for the domestic market, were able to maintain their sales levels. We regard this as a success of our intensified sales efforts in the past and our endeavors to position ourselves in the market as a system vendor that can offer all-round solutions.

euromicron Group

Consolidated earnings

for the period January 1 to June 30, 2004

Divisions	2004	2003	2003*
	EUR m.	EUR m.	adjusted EUR m.
Network and Fiber Optics			
Technology	1.5	1.8	1.8
Industrial Holdings	1.0	2.3	2.0
euromicron AG			
and Group	-0.9	-1.9	-1.9
Consolidated earnings			
before taxes (EBT)	1.6	2.2	1.9

(Unaudited, US GAAP)

* To permit better comparison of 2003 with 2004, the pro rata earnings for the companies deconsolidated as of December 31, 2003, have been excluded and are shown in a separate overview.

Consolidated earnings before taxes (EBT) are EUR 1.6 million as of June 30, 2004. However, this result can only be compared with those reported in the previous year to a limited extent, since the earnings last time around included contributions from companies that have since been disposed of. Comparing the current half-yearly result with that of the previous year reveals a decline of EUR 0.3 million. This is due in particular to the weaker margins at the companies in Industrial Holdings and the fierce competitive pressure. Savings in administration, cost cutting and rationalization measures relating to manufacturing costs were able to partly offset this. Extensive reduction in the level of outside debt in the past enabled an improvement in the comparable non-operating expenses by more than 40%, something that was also able to cushion the fall in margins.

Net income for the period rose to EUR 1.2 million compared with EUR 1.1 million in the previous year. Earnings per share increased to EUR 0.27 following EUR 0.23 in the first half of 2003.

Network and Fiber Optics Technology

In our core division of Network and Fiber Optics Technology, we were able to post sales of EUR 23.7 million, on a par with the previous year. The portfolio in the two periods under review shows the same companies. The NTA Group, which was acquired in May 2004, and delcom GmbH (acquired in June) were not included in the half-yearly accounts.

Earnings before taxes were EUR 1.5 million, slightly lower year-on-year (by EUR 0.3 million). Continuing declines in margins and in some cases ruinous price warring mean that gross earnings fell by 17%. Although savings and restructuring measures cut costs by a further EUR 0.8 million, this was not able to fully compensate for the lower margins.

The situation in the network and telecommunications sector did not improve noticeably in the first half of 2004 compared with the previous year. The general economic recovery is largely borne by exports; willingness to invest in Germany on the part of industry and the public sector remains weak and, as in previous years, is restricted to the bare necessities. There are hopes that investments in our core business segment will increase perceptibly in the second half of the year; however, this will require a board upturn that is not sustained by exports alone. There are occasional signs of a pickup in business; however, we cannot talk of a turnaround at the moment.

The situation in project business for network technology, the area hardest hit by price and predatory competition, varies for euromicron's companies. Companies that mainly obtain orders from the private sector have been able to hold their own or even improve their position in the market thanks to their high standard of quality and reliability. There are still – and will continue to be – cut-price providers who are able to capture orders from euromicron companies, but only partially so because of their deficits. This clearly shows that customers value and reward our know-how. Competition is far fiercer in public invitations to tender, where the most important and usually the only criterion is price and not quality. Here we are sticking by our strategy of not offering our quality under value and of only acquiring low-margin, but strategic projects in exceptional cases. Thanks to the breadth of our range, our acknowledged expertise and our financial strength, we are able to hold our own well in this market situation. We feel certain that greater importance will be given in future to quality in the public sector, despite empty government coffers.

We expect interesting technological and market-oriented boosts from our newly acquired companies in this business segment. With the NTA Group, we have acquired a specialist in security networks that will enable us to expand our range and penetrate into a future market that is of importance to us. The acquisition of delcom GmbH will allow us to increase our regional presence significantly and win interesting key accounts in industry and the service sector. We intend to leverage this situation to offer customers the full product portfolio of the euromicron Group from a single source in future.

New orders in this division are some EUR 23.4 million, a year-on-year increase of almost 3%, and order books of more than EUR 25 million give us cause to look optimistically to the future.

Industrial Holdings

The figures for the Industrial Holdings division in the first half of 2004 can only be compared with those for the previous year to a limited extent. The progress we have made in our divestment strategy enabled us to sell Lechmotoren GmbH effective December 31, 2003, and the companies in the elkosta Group in the first quarter of 2004; these have been deconsolidated retroactively as of January 1, 2004. The disposal of these companies has a considerable impact on sales volumes and earnings in this division. A logical and clear basis of comparison is given by the column "2003 adjusted" in the tables for sales and results.

Allowing for the comparable portfolio of holdings in 2003 gives a decline in sales of just under 8%. Domestic demand remains very weak; in contrast, the share of exports is increasing slowly. However, this pickup in exports was not able to fully cushion the restraint in investment in Germany in the first half. Declining margins in domestic business, increasing material costs due to currency fluctuations and the increased cost of raw materials caused the comparable gross margin to fall by some 5 percentage points.

Despite a fall in other administrative expenses and better non-operating expense, we were not able to achieve our target for the earnings ratio before taxes in this segment. Since the second half is traditionally stronger in this segment, we feel confident of posting our customary quality of earnings.

Comparable new orders and order books in this segment are slightly above the previous year, with the result that we can assume that the Industrial Holdings division will achieve its targets.

Balance sheet

euromicron Group Consolidated balance sheet

	June 30, 2004	Dec. 31, 2003
Assets	EUR m.	EUR m.
Current assets		
Cash and cash equivalents and marketable securities	22.5	33.6
Trade accounts receivable	13.1	21.2
Inventories	19.1	20.0
Prepaid expenses and other current assets	4.0	5.0
Total current assets	58.7	79.8
Noncurrent assets		
Property, plant and equipment, intangible assets and financial assets	9.0	13.1
Goodwill	29.4	29.1
Other assets	2.5	2.1
Total noncurrent assets	40.9	44.3
Total assets	99.6	124.1

(Unaudited, US GAAP)

	June 30, 2004	Dec. 31, 2003
Liabilities and stockholders' equity	EUR m.	EUR m.
Current liabilities		
Short-term loans	5.7	15.2
Trade accounts payable	3.4	5.8
Customer advances	1.5	2.4
Accrued liabilities	4.0	6.6
Other current liabilities	4.2	10.7
Total current liabilities	18.8	40.7
Noncurrent liabilities		
Long-term loans	0.4	1.1
Postretirement benefit obligation	2.0	3.0
Other noncurrent liabilities	16.0	16.5
Total noncurrent liabilities	18.4	20.6
Minority interests	0.2	0.3
Stockholders' equity		
Subscribed capital	11.9	11.9
Additional paid-in capital	61.8	61.8
Consolidated retained earnings and retained earnings brought forward, net	-11.5	-10.9
Accumulated other comprehensive income/loss	0.0	-0.3
Total stockholders' equity	62.2	62.5
Total assets	99.6	124.1

(Unaudited, US GAAP)

Total assets in the 1st half of 2004 fell over December 31, 2003, by around 20% to EUR 99.6 million. This is due to the disposal of the elkosta Group companies and large loan repayments in the 1st quarter of 2004. These measures resulted in a sharp change in the balance sheet structure at the end of the 1st half of the year.

Current assets fell by 4 percentage points to some 60% of total assets. Liquidity was reduced to EUR 22.5 million due to the early loan repayments. Trade accounts receivable fell by about 40%, due to the sale of the elkosta Group and intensified accounts receivable management.

On the liabilities side, short-term loans at the Group were reduced by unscheduled repayments of around EUR 10 million due to the high level of liquidity, cutting current liabilities by 14 percentage points to 19% of total assets. We were therefore able to achieve our aim of rapidly reducing outside debt in the 1st half of 2004 to a remarkable extent.

The equity ratio rose – due to the fall in total assets and despite the dividend payout – from 50.4% as of December 31, 2003, to 62.4%. The ratio of long-term capital available to the Group is over 80%. The ratio of fixed assets to long-term capital is approximately 200%.

euromicron Group
Statement of changes in stockholders' equity
from January 1 to June 30, 2004

	Subscribed capital EUR m.	Additional paid-in capital EUR m.	Consolidated retained earnings and retained earnings brought forward, net EUR m.	Currency translation difference EUR m.	Total EUR m.
Balance at					
Dec. 12, 2003	11.9	61.8	-10.9	-0.3	62.5
Net income for Q2 2004			1.2		1.2
Dividend for 2003			-1.8		-1.8
Currency trans- lation difference and difference from derivatives				0.3	0.3
Balance at					
June 30, 2004	11.9	61.8	-11.5	0.0	62.2

(Unaudited, US-GAAP)

euromicron Group

Consolidated income statement

for the period January 1 to June 30, 2004

	6-months' report	6-months' report	6-months' report* adjusted
	Jan. 1, 2004 June 30, 2004	Jan. 1, 2003 June 30, 2003	Jan. 1, 2003 June 30, 2003
	EUR m.	EUR m.	EUR m.
Net sales	41.0	60.7	42.8
cost of goods sold	-29.5	-42.7	-28.9
Gross profit	11.5	18.0	13.9
Selling and administrative expenses and other operating income and expenses	-9.5	-14.7	-11.3
Operating result	2.0	3.3	2.6
Non-operating expense	-0.4	-1.1	-0.7
Earnings before taxes (and minority interests)	1.6	2.2	1.9
Income taxes	-0.3	-1.1	-0.8
Earnings before minority interests	1.3	1.1	1.1
Minority interests	-0.1	0.0	0.0
Net income for the period	1.2	1.1	1.1
Earnings per share (basic), in EUR	0.27	0.23	0.23
Earnings per share (diluted), in EUR	0.27	0.23	0.23
Average number of outstanding shares (basic)	4,660,000	4,660,000	4,660,000
Average number of outstanding shares (diluted)	4,660,000	4,660,000	4,660,000

(Unaudited, US GAAP)

* To permit better comparison of 2003 with 2004, the pro rata figures for the deconsolidated companies have been excluded and are shown in a separate overview.

Statement of cash flows

euromicron Group

Statement of cash flows

	Jan. 1, 2004 June 30, 2004	Jan. 1, 2003 June 30, 2003
	EUR m.	EUR m.
Net cash provided by (previous year: used in) operating activities	4,4	-3,9
Net cash provided by (previous year: used in) investing activities	1,7	-0,7
Net cash used in financing activities	-17,2	-3,1
Change in cash and cash equivalents	-11,1	-7,7
Cash and cash equivalents at beginning of period	33,6	28,7
Cash and cash equivalents at end of period	22,5	21,0
Composition of cash and cash equivalents	22,5	21,0
Cash	16,5	7,2
Securities	6,0	13,8

(Unaudited, US GAAP)

Investments

In the first half of fiscal 2004, the Group's investments in property, plant and equipment totaled around EUR 1.0 million. These investments, such as expanding our services in the field of network and fiber optics technology, were made as planned in order to strengthen our market presence, despite the continuing weakness of the market.

The lion's share of our investments was used for acquiring the companies NTA Mainz GmbH, NTA Erfurt GmbH, NTA Rhein-Neckar GmbH and delcom GmbH. We also acquired the remaining shares in our subsidiaries LWL Sachsenkabel GmbH and Multimedia Montage GmbH.

We are adhering to our investment strategy: we thoroughly analyze and observe strong-earning companies that fit our strategic concept so that we can make a sound decision on whether to invest.

Research and development

euromicron has now virtually completed its range of connectors with the newly developed LC connector and once again channeled its innovative strength into a product improvement that gives our customers great benefits. For this LC connector, there is only one housing each for single-mode and multi-mode fibers. Simplex or duplex connectors can be made by using different clamps and the various cables can be used through by varying the crimp barrel and anti-kink device. In addition, the new connector is distinguished by great stability. The first orders already show that we are meeting customers' wishes precisely with this product, are achieving a high degree of market acceptance and are setting new standards in quality, processing and logistics.

Frako GmbH has developed a compensation rack on the basis of the successful C module for the Siemens SIVACON 8 PT switchgear which has been licensed worldwide. The required homologations were carried out successfully by the accredited Siemens Test Laboratory, Leipzig. During these tests, results hitherto unrivalled for compact compensation systems were achieved: 1000 A permanent current and 140 kA dynamic surge current.

Flexibility, creativity and product successes at our Group prove again that innovation is one of our strengths.

Employees

An average of 636 people were employed at the euromicron Group in the first six months of fiscal year 2004. Workforce levels were initially affected by the sale of Lechmotoren GmbH and the elkosta Group, resulting in the departure of 296 employees from the Group. The acquisition of the NTA Group and delcom GmbH mean that another 185 employees have joined the Group.

Outlook

The risks from the continuing economic sluggishness and the weak overall climate will further characterize 2004. Given this general economic setting, achieving and maintaining the previous year's figures for new orders, sales and earnings will be an ambitious goal, even for euromicron.

Our fine market position means we are well aligned as a system house in the field of network and fiber optics technology. As an economically powerful company that is highly acknowledged due to its expertise, acceptance among customers and capital strength, we intend to further expand and bolster our market share throughout Europe.

This success is also reflected in the financial figures. In future, we will continue to exploit our rationalization and cost-cutting potentials to ensure the company's stability and to leverage our strength in the market even more clearly to the benefit of customers. euromicron AG is increasingly developing from a financial holding to an industrial managing company and is supporting the operational activities of the individual enterprises by systematic and selective measures and projects. We will continue to work intensively on implementing our strategy and so create the foundation for sustained success.

Organizational structure as of June 30, 2004

euromicron Aktiengesellschaft

Network and Fiber Optics Technology

Industrial Holdings

Components and Assembly

Projects and Systems

Trade and Services

**EUROMICRON
Werkzeuge GmbH**

**euromicron systems
GmbH**

**SKM Spezialkabel
München GmbH**

**FRAKO
Kondensatoren- und
Anlagenbau GmbH**

**LWL Sachsenkabel
GmbH**

**o-n-e optical networks
elements gmbh**

ELABO GmbH

**rako electronic data
technology gmbh**

**Multimedia Montage
GmbH**

**Pfeiffer GmbH
IT-Systemhaus**

NTA GmbH

delcom GmbH

Financial calendar 2004

May 28, 2004	Publication of business developments for the 1st quarter
June 24, 2004	General Meeting
August 27, 2004	Half-yearly Report 2004
November 29, 2004	Publication of business developments for the 3rd quarter

Trade fair calendar for 2004

Network and Fiber Optics Technology

Joint stands

October 3–7, 2004	GITEX Dubai
November 16–18, 2004	exponet Cologne

EUROMICRON Werkzeuge GmbH	
September 6–8, 2004	ECOC Stockholm

Industrial Holdings

ELABO GmbH	
September 21–24, 2004	Motek Sinsheim
November 9–12, 2004	Electronica Munich



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German Securities Code
Number (WKN): 566 000

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