2011 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

- For the fiscal year 2011

03

BALANCE SHEET OF THE euromicron GROUP

as of December 31, 2011 (IFRS)

ASSETS

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

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

LIABILITIES

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

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

INCOME STATEMENT

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

INCOME STATEMENT

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

STATEMENT OF COMPREHENSIVE INCOME

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

STATEMENT OF COMPREHENSIVE INCOME

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

STATEMENT OF CHANGES IN EQUITY

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

CHANGES IN EQUITY

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

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

STATEMENT OF CASH FLOWS

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

STATEMENT OF CASH FLOWS

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

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2011

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GENERAL INFORMATION

1. DESCRIPTION OF BUSINESS ACTIVITIES

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

2. ACCOUNTING PRINCIPLES

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315a (1) of the German Commercial Code (HGB), in the valid version at December 31, 2011. All the mandatory standards at the balance sheet date were applied.

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

The balance sheet is presented by noncurrent and current assets and liabilities in accordance with IAS 1. Assets and liabilities are classified as current if they are due within 12 months. Irrespective of when they are due, inventories, trade accounts receivable and trade accounts payable are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle. The maturities of the assets and liabilities are presented in detail in the notes.

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

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

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

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

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

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

IAS 24 – Related Party Disclosures

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

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

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

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

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

IFRIC 14 – Prepayments of a Minimum Funding Requirement

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

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

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

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

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

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

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

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

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

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

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

IAS 19 – Employee Benefits

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

IAS 27 – Separate Financial Statements

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

IAS 28 – Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

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

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

IFRS 10 – Consolidated Financial Statements
The standard replaces the previous regulations of IAS 27 and SIC 12 on control and consolidation and introduces a single consolidation model. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 11 – Joint Arrangements
The new standard replaces the previous IAS 31 on joint ventures and introduces a change in terminology and classification of companies as joint ventures. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities
The new standard requires the disclosure of information that enables users of financial statements to evaluate the nature of, risks associated with and financial affects of a company's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities (special-purpose entities). The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 13 – Fair Value Measurement
The standard provides consistent guidance on measuring fair value across standards, among other things by defining the term and presenting what methods can be used for determining it. It addition, the disclosures on fair value in the notes are expanded. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

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

3. DISCRETIONARY DECISIONS AND UNCERTAINTIES IN ESTIMATES

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

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

CONSOLIDATED COMPANIES

1. COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

CHANGES IN CONSOLIDATED COMPANIES

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

2. ACQUISITION OF COMPANIES AND DIVISIONS

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

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

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

Acquisition of the business establishments telent and Cassidian

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

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

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

Acquisition of the business operations of TeraMile

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

Acquisition of the business operations of ACE

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

Acquisition of Qubix distributions GmbH

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

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

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

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

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

telent

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

Cassidian

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

ACE

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

TeraMile

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

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

NBG

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

3. OTHER CHANGES IN THE CONSOLIDATED COMPANIES

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

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

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Share in capital %
Parent company	
euromicron Aktiengesellschaft communication & control technology Frankfurt/Main, Germany	
Consolidated subsidiaries	
a) North segment	
euromicron systems GmbH – ein Unternehmen der euromicron Gruppe – Essen, Germany	100.00
EUROMICRON Werkzeuge GmbH – ein Unternehmen der euromicron Gruppe – Sinn-Fleisbach, Germany	100.00
euromicron international services GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
MICROSENS GmbH & Co. KG[1], Hamm, Germany	80.00
MICROSENS Beteiligungs GmbH[1], Hamm, Germany	80.00
SSM euromicron GmbH – ein Unternehmen der euromicron Gruppe – Zwenkau, Germany	100.00
b) South segment	
ELABO GmbH – ein Unternehmen der euromicron Gruppe – Crailsheim, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00
euromicron solutions GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe – Spiesen-Elversberg, Germany	100.00
WCS Fiber Optic B.V., Amersfoort, Netherlands	100.00
Qubix distributions GmbH, Seekirchen, Austria	100.00
c) Segment WAN services	
telent GmbH – ein Unternehmen der euromicron Gruppe – Backnang, Germany	100.00

1) Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 20% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes

4. CONSOLIDATION PRINCIPLES

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

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

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

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

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

NOTES ON THE CONSOLIDATED BALANCE SHEET

1. NONCURRENT ASSETS

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

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

(a) Intangible assets

Intangible assets comprise software, licenses, brand names, industrial rights, goodwill, customer relationships as well as capitalized development costs. Purchased intangible assets, with the exception of goodwill and certain rights to brand names, are capitalized at their cost of acquisition and written down over their useful life of 3 to 15 years. As a rule, extraordinary write-downs are charged if it is necessary to carry intangible assets at a lower fair value at the balance sheet date. Calculation of the fair value is based on the capitalized earnings value of assets.

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

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

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

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

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

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

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

Goodwill developed as follows in the fiscal year:

GOODWILL

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

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

CGU

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

The goodwill additions are as follows:

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

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

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

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

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

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

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

(b) Property, plant and equipment

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2011

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2011

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

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

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2010

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2010

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

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

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

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

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

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

(c) Financial assets (noncurrent and current)

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

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

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

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

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

The current financial assets are as follows:

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

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

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

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

2. DEFERRED TAX ASSETS

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

In this, deferred taxes at the level of the individual companies and consolidated entities are taken into account. Deferred tax claims are recognized to the extent that 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 assets are calculated on the basis of measurement differences in the following balance sheet items:

DEFERRED TAX ASSETS

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

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

As of December 31, 2011, the Group had corporation income tax loss carryforwards totaling €7,689 thousand (previous year: €3,900 thousand), trade tax loss carryforwards totaling €4,095 thousand (previous year: €2,678 thousand) and loss carryforwards for income taxes abroad totaling €16,110 thousand (previous year: €13,518 thousand). The loss carryforwards relate to three domestic holdings and euromicron AG and five foreign holdings. These losses may be carried forward indefinitely in accordance with the current legal position. The deferred tax rates are 15.825% if only corporation income tax (including solidarity surcharge) is incurred and around 30.0% if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25% in Austria.

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

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

3. INVENTORIES

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date in accordance with IAS 2.9. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

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

INVENTORIES

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

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

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

4. RECEIVABLES AND OTHER ASSETS

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

RECEIVABLES AND OTHER ASSETS

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

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

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

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

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

TERMS FOR THE TRADE ACCOUNTS RECEIVABLE

		Accounts for which no allowance has been made and that are not overdue at the reporting date	Accounts for which no allowance has been made and are overdue in the following periods of time				
	€ thou.	€ thou.	< 60 days € thou.	60–120 days € thou.	121–180 days € thou.	181–360 days € thou.	> 360 days € thou.
	Dec. 31, 2011						
Trade accounts receivable	88,068	66,615	13,654	2,655	2,365	1,899	880
	Dec. 31, 2010						
Trade accounts receivable	54,723	38,058	12,499	1,567	952	581	1,066

The trade accounts receivable include receivables in foreign currency (mainly US$) totaling €923 thousand (previous year: €490 thousand). Exchange gains from receivables in foreign currency due to their measurement on the balance sheet date total €308 thousand (previous year: €19 thousand). Since the currency risk overall at the Group is not assessed to be material, a sensitivity analysis of it was not conducted. There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivable also include receivables from production contracts in accordance with the percentage of completion method. Using the percentage of completion determined on the basis of the cost-to-cost method and budgeting of contribution margins for each project, the order value realized at the balance sheet date is recognized in income as receivables from production contracts if the cumulative result exceeds the payment on account received from the customer. The amount from these receivables is €64,148 thousand and is carried under “Trade accounts receivable”. Received payments of €18,380 thousand were deducted from these receivables from POC.

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

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

5. CASH AND CASH EQUIVALENTS

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

The cash and cash equivalents are as follows:

CASH AND CASH EQUIVALENTS

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

6. EQUITY

(a) Subscribed capital and authorized capital

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

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

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

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

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

Treasury shares

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

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

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

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

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

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

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

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

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

SHARES IN CIRCULATION

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

(b) Capital reserves

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

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

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

(c) Gain/loss on the valuation of securities

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

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

(d) Currency translation difference

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

(e) Distributions in the fiscal year

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

(f) Non-controlling interests

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

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

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

7. ACCRUED LIABILITIES

Accrued liabilities are recognized in the case of legal or constructive obligations to third parties where utilization is probable and the expected amount of the necessary accrued liability can be measured reliably. The accrued liabilities are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Long-term accrued liabilities are measured at their present value on the balance sheet date. They include accrued liabilities for pensions. Accrued liabilities are reversed against the expense item where the original allocations to an accrued liability was carried. euromicron expects that €1,222 thousand of the accrued liabilities will be utilized within the year and €481 thousand in the coming two to five years.

The accrued liabilities developed as follows in the fiscal year:

ACCRUED LIABILITIES

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

(a) Other accrued liabilities

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

OTHER ACCRUED LIABILITIES

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

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

(b) Accrued benefit liabilities

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

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

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

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

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

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

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

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

PROVISIONS FOR PENSIONS

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

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

The expenses for pension commitments are as follows:

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

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

The plan assets changed as follows:

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

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

AVERAGE MEASUREMENT FACTORS

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

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

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

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

CHANGE IN PRESENT VALUE OF THE BENEFIT OBLIGATION

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

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

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

8. LIABILITIES

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

The liabilities are composed as follows:

LIABILITIES

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

euromicron's liabilities have the following terms:

TERMS OF THE LIABILITIES

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

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

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

The interests rates for liabilities to banks and overdrafts range from 2.20% to 8.25% (previous year: 1.78% to 9.75%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used (with a view to optimizing financing).

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

So as to ensure its solvency at all times and underpin the build-and-integrate strategy, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of €54,968 thousand (previous year: €40,358 thousand) were unused at the year-end.

The other liabilities are composed as follows:

OTHER LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognized and measured using the principles described under 2. Deferred tax assets. In principle, deferred tax debts are recorded for all temporary differences on which tax is to be paid and reported separately as deferred tax liabilities.

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

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

DEFERRED TAX LIABILITIES

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

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

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

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

[1] LaR = Loans and Receivables
[2] FLAC = Financial Liabilities Measured at Amortised Cost

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

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

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

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

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

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

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

EXPLANATIONS ON THE CONSOLIDATED INCOME STATEMENT

11. SALES

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

Sales and earnings from the main projects running beyond the key date were recognized in compliance with IAS 11 on a pro-rata basis using the percentage of completion method. The percentage of completion is determined using the input-oriented cost-to-cost method. The POC sales revenues recognized using this method correspond to the production costs for the contract plus a pro-rata profit based on the stage of completion at the balance sheet date. Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The sales include amounts from application of the percentage of completion method totaling €25,766 thousand (previous year: €21,536 thousand). Production contracts with a net liability balance are included in the other accrued liabilities (provisions for impeding losses).

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

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

12. OWN WORK CAPITALIZED

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

13. OTHER OPERATING INCOME

The other operating income is composed as follows:

OTHER OPERATING INCOME

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

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

14. COST OF MATERIALS

The cost of materials is composed of:

COST OF MATERIALS

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

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

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

15. PERSONNEL COSTS

The personnel costs are composed as follows:

PERSONNEL COSTS

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

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

Average number of employees per year:

EMPLOYEES

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

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

16. AMORTIZATION AND DEPRECIATION EXPENSE

Amortization and depreciation is composed as follows:

AMORTIZATION AND DEPRECIATION

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

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

17. OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES

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

18. NET FINANCIAL RESULT

NET FINANCIAL RESULT

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

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

19. INCOME TAXES

INCOME TAXES

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

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

The table below presents a reconciliation of the tax expense expected in each fiscal year to the tax expense actually disclosed. The expected tax expense is calculated from a total tax rate of 30.00% as in the previous year and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 15.825% and the effective average trade tax rate of 14.175%.

TAX RECONCILIATION

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

20. MINORITY INTERESTS IN NET INCOME FOR THE PERIOD

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

21. EARNINGS PER SHARE

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

Undiluted earnings per share are calculated as follows:

UNDILUTED EARNINGS PER SHARE

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

The consolidated net income for the period is after income tax (net income for the year) and the income to which other shareholders are entitled. The average number of all shares issued in the fiscal year is used to calculate undiluted earnings per share.

The method of calculating diluted earnings per share is basically the same as that for calculating undiluted earnings per share. However, the quantities included in the calculation must also be adjusted for all equity dilution effects resulting from potential shares. At the time the consolidated financial statements were prepared, there were no longer any stock options at the euromicron Group; consequently, the diluted earnings per share are not presented.

Proposal on the appropriation of profits

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

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

OTHER DETAILS

22. NOTES ON THE STATEMENT OF CASH FLOWS

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

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

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

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

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

23. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

(a) Contingencies

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

(b) Other financial obligations

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

OTHER FINANCIAL OBLIGATIONS

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

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

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

Obligations as part of operating lease agreements mainly relate to operating and office equipment, such as cars, office machines or PC workstations, and communications technology and total €9,185 thousand. In fiscal 2011, payments from these leasing arrangements totaled €4,544 and were recognized in the income statement. There were no conditional lease payments and subleasing at the euromicron Group.

24. SEGMENT REPORTING

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

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

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

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

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

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

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

SEGMENT REPORTING

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

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

SALES BY REPORT SEGMENTS

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

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

EBIT BY REPORT SEGMENTS

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

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

AMORTIZATION AND DEPRECIATION

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

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

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

25. RISK MANAGEMENT

Principles of risk management

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

Risk control

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

Currency risks

The euromicron Group generates the lion's share of its sales in the Euro zone. Only a smart part of its operational business in the area of procurement was again handled in US dollars in 2011. Foreign currency risks that do not affect the Group's cash flow (translation of assets and liabilities from foreign currencies to the Group currency on the reporting date) are not hedged against in principle. There are currently no foreign currency risks at the Group in the areas of investments and financing. The main share of foreign currency transactions in fiscal 2011 were in US dollars.

Interest rate risks

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

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

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

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

If the average market level for interest rates in 2011 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €484 thousand lower (€484 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Other price risks

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

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

Risks of default

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

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

Liquidity risks

Please refer to the comments under “Liabilities”.

Internal control system

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

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

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

Compliance

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

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

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

26. RELATED PARTIES

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

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

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

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

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

28. STOCK OPTION PROGRAM / SECURITIES TRANSACTIONS REQUIRING DISCLOSURE

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

29. AUDITORS' FEES

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

30. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

31. PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

32. SUPERVISORY BOARD AND EXECUTIVE BOARD

(a) Executive Board

The members of the Executive Board of euromicron AG are:

Dr. Willibald Späth, Chairman
Board member responsible for Strategy, Acquisitions, Finance,
Public Relations and Investor Relations

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

(b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman
Certified public accountant, lawyer, tax consultant
Partner of the firm LKC Kemper Czarske v. Gronau Berz GbR, Munich

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

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

(c) Remuneration of the board members

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

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

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

Frankfurt/Main, March 23, 2012

Dr. Willibald Späth	Thomas Hoffmann
Chairman of the Executive Board	Member of the Executive Board

DECLARATION
BY THE LEGAL REPRESENTATIVES

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

Frankfurt/Main, March 23, 2012

euromicron AG

Dr. Willibald Späth   Thomas Hoffmann

AUDIT OPINION

We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes – prepared by euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, and the group management report for the fiscal year from January 1 to December 31, 2011.

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

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

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

Our audit has not led to any reservations.

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

Frankfurt/Main, March 23, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Georg Wolfgang Wegener	ppa. Thorsten Knecht
Wirtschaftsprüfer	Wirtschaftsprüfer