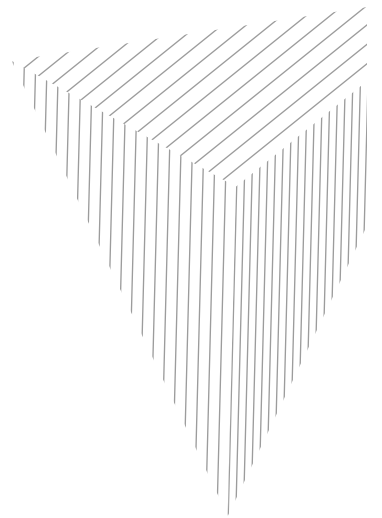


# Consolidated financial statements (IFRS)

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## 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, 2012. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as are to be applied in the EU, and in addition the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (Handelsgesetzbuch – German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit in such a way that misstatements and violations materially affecting the presentation of the picture of the net assets, financial position and results of operations conveyed by the consolidated financial statements, taking into account the principles of orderly accounting, and by the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Frankfurt/Main, March 25, 2013

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Georg Wolfgang Wegener  
Wirtschaftsprüfer

ppa. Thorsten Knecht  
Wirtschaftsprüfer

# Balance sheet

of the euromicron Group as of December 31, 2012 (IFRS)

## Assets

	Note	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.	Jan. 1, 2011 € thou.
<b>Noncurrent assets</b>				
Goodwill	(1)	106,369	103,626*	81,877
Intangible assets	(1)	21,031	18,257	14,805
Property, plant and equipment	(1)	16,255	15,129	11,556
Other financial assets	(1)	718	725	894
Other assets	(4)	197	175	96
Deferred tax assets	(2)	1,933	474	374
		<b>146,503</b>	<b>138,386</b>	<b>109,602</b>
<b>Current assets</b>				
Inventories	(3)	27,500	25,079	17,185
Trade accounts receivable	(4)	40,806	44,268	39,522
Gross amount due from customers for contract work	(4)	55,960	43,800**	15,201
Claims for income tax refunds	(4)	4,107	2,971	2,895
Other financial assets	(1)	228	1,159	1,333
Other assets	(4)	3,360	2,198	1,917
Cash and cash equivalents	(5)	5,414	7,300	8,572
		<b>137,375</b>	<b>126,775</b>	<b>86,625</b>
		<b>283,878</b>	<b>265,161</b>	<b>196,227</b>

\* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

\*\* Reference to the notes on the consolidated financial statements, section 2 "Accounting principles"

## Equity and liabilities

	Note	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.	Jan. 1, 2011 € thou.
<b>Equity (equity ratio 41.9% / 45.3%)</b>	(6)			
Subscribed capital		17,037	17,037	13,105
Capital reserves		88,771	88,771	68,487
Gain/loss on the valuation of securities		0	-286	-363
Consolidated retained earnings		12,711	14,037*	7,605
Stockholders' equity		118,519	119,559	88,834
Non-controlling interests		525	483	428
<b>Total equity</b>		<b>119,044</b>	<b>120,042</b>	<b>89,262</b>
<b>Long-term debt</b>				
Provisions for pensions	(7)	983	728	656
Other provisions	(7)	1,157	481	139
Liabilities to banks	(8)	37,590	24,674	4,404
Liabilities from finance lease	(8)	2,158	1,459	823
Other financial liabilities	(8)	8,025	10,789	10,767
Other liabilities	(8)	0	0	2,082
Deferred tax liabilities	(9)	7,736	7,872*	6,618
		<b>57,649</b>	<b>46,003</b>	<b>25,489</b>
<b>Current debt</b>				
Other provisions	(7)	2,062	1,222	66
Trade accounts payable	(8)	42,867	31,617	22,369
Liabilities from current income taxes	(8)	1,850	2,096	1,244
Liabilities to banks	(8)	30,995	29,762	45,293
Liabilities from finance lease	(8)	599	297	192
Other tax liabilities	(8)	6,130	7,608	3,466
Personnel obligations	(8)	9,833	9,671*	3,855
Other financial liabilities	(8)	6,779	2,967	2,526
Other liabilities	(8)	6,070	13,876	2,465
		<b>107,185</b>	<b>99,116</b>	<b>81,476</b>
		<b>283,878</b>	<b>265,161</b>	<b>196,227</b>

\* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

# Income statement

of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

## Income statement

	Note	2012 € thou.	2011 € thou.
<b>Sales</b>	( 11 )	<b>330,030</b>	<b>305,306</b>
Inventory changes		-5,850	-7,443
Own work capitalized	( 12 )	5,607	1,948
Other operating income	( 13 )	2,797	2,724
Cost of materials	( 14 )	-171,002	-159,619
Personnel costs	( 15 )	-93,588	-76,930*
Amortization and depreciation expense	( 16 )	-7,943	-6,563
Other operating expenses	( 17 )	-42,969	-35,261
<b>Earnings before interest and taxes (EBIT)</b>		<b>17,082</b>	<b>24,162</b>
Interest income	( 18 )	175	77
Interest expenses	( 18 )	-4,520	-5,407
Other financial expenses	( 18 )	-511	-1,034
<b>Income before income taxes</b>		<b>12,226</b>	<b>17,798</b>
Income taxes	( 19 )	-3,398	-4,938*
<b>Consolidated net income for the period</b>		<b>8,828</b>	<b>12,860</b>
Thereof for euromicron AG shareholders		8,568	12,190
Thereof for non-controlling interests	( 20 )	260	670
<b>(Un)diluted earnings per share in (€)</b>	<b>( 21 )</b>	<b>1.29</b>	<b>2.32</b>

\* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

# Statement of comprehensive income

of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

## Statement of comprehensive income

	2012 € thou.	2011 € thou.
<b>Consolidated net income for the period</b>	<b>8,828</b>	<b>12,860</b>
Gain/loss on the valuation of securities	286	77
Revaluation effects from pensions	-2,231	-116*
<b>Other comprehensive income</b>	<b>-1,945</b>	<b>-39</b>
<b>Total income</b>	<b>6,883</b>	<b>12,821</b>
Thereof for euromicron AG shareholders	6,623	12,151
Thereof for non-controlling interests	260	670

\* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"

# Statement of changes in equity

of the euromicron Group as of December 31, 2012 (IFRS)

## Changes in equity

	Subscribed capital	Capital reserves
	€ thou.	€ thou.
<b>December 31, 2010</b>	<b>13,105</b>	<b>68,487</b>
<b>Consolidated net income for 2011</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income</b>		
Gain/loss on the valuation of securities	0	0
Revaluation effects from pensions*	0	0
	<b>0</b>	<b>0</b>
<b>Total profit/loss</b>	<b>0</b>	<b>0</b>
<b>Transactions with owners</b>		
Dividend for 2010	0	0
Capital increase at the AG after costs	3,932	20,284
Profit share of non-controlling shareholders	0	0
Transfer of profit shares for minority interests in outside capital	0	0
Distributions to/drawings by minority interests	0	0
	<b>3,932</b>	<b>20,284</b>
<b>December 31, 2011</b>	<b>17,037</b>	<b>88,771</b>
<b>Consolidated net income for 2012</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income</b>		
Gain/loss on the valuation of securities	0	0
Revaluation effects from pensions	0	0
	<b>0</b>	<b>0</b>
<b>Total profit/loss</b>	<b>0</b>	<b>0</b>
<b>Transactions with owners</b>		
Dividend for 2011	0	0
Profit share of non-controlling shareholders	0	0
Transfer of profit shares for minority interests in outside capital	0	0
Distributions to/drawings by minority interests	0	0
	<b>0</b>	<b>0</b>
<b>December 31, 2012</b>	<b>17,037</b>	<b>88,771</b>

\* Adjustment of the previous year's figures in acc. with IAS 8.19 b) reference to the notes on the consolidated financial statements, section 4 "Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011"



Treasury shares	Consolidated retained earnings	Gain/loss on the valuation of securities	Equity attributable to shareholders of euromicron AG	Non-controlling shares	Total equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
0	7,605	-363	88,834	428	89,262
0	12,860	0	12,860	0	12,860
0	0	77	77	0	77
0	-116	0	-116	0	-116
0	-116	77	-39	0	-39
0	12,744	77	12,821	0	12,821
0	-5,639	0	-5,639	0	-5,639
0	0	0	24,216	0	24,216
0	-155	0	-155	155	0
0	-518	0	-518	0	-518
0	0	0	0	-100	-100
0	-6,312	0	17,904	55	17,959
0	14,037	-286	119,559	483	120,042
0	8,828	0	8,828	0	8,828
0	0	286	286	0	286
0	-2,231	0	-2,231	0	-2,231
0	-2,231	286	-1,945	0	-1,945
0	6,597	286	6,883	0	6,883
0	-7,663	0	-7,663	0	-7,663
0	-142	0	-142	142	0
0	-118	0	-118	0	-118
0	0	0	0	-100	-100
0	-7,923	0	-7,923	42	-7,881
0	12,711	0	118,519	525	119,044

# Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2012 (IFRS)

## Statement of cash flows

Note ( 22 )	2012 € thou.	2011 € thou.
Income before income taxes	12,226	17,852
Net interest income/loss and other financial expenses	4,856	6,364
Depreciation and amortization of noncurrent assets	7,943	6,563
Reversal of write-downs of noncurrent assets	0	-584
Disposal of assets, net	-100	-21
Allowances for inventories and doubtful accounts	508	-274
Change in accrued liabilities	-965	1,111
<b>Cash flow</b>	<b>24,468</b>	<b>31,011</b>
Changes in short- and long-term assets and liabilities:		
– Inventories	1,395	5,956
– Trade accounts receivables and gross amount due from customers for contract work	-6,766	-31,688
– Trade accounts payable	9,046	2,653
– Other operating assets	-3,112	1,459
– Other operating liabilities	-12,386	-3,738
– Income tax paid	-2,345	-2,022
– Income tax received	98	332
– Interest paid	-3,540	-3,565
– Interest received	100	75
<b>Net cash provided by operating activities</b>	<b>6,958</b>	<b>473</b>
Proceeds from retirement / disposal of		
– Property, plant and equipment	100	241
Payments due to acquisition of		
– Intangible assets	-6,629	-3,726
– Property, plant and equipment	-4,204	-4,520
– Consolidated companies (minus acquired liquid funds of €107 thousand and not yet paid purchase price of €1,460 thousand)	-2,556	-12,392
<b>Net cash used in investing activities</b>	<b>-13,289</b>	<b>-20,397</b>
Dividends paid	-7,663	-5,639
Capital increase at the AG after costs	0	24,216
Proceeds from raising of financial loans	22,358	33,000
Cash repayments of financial loans	-10,150	-32,308
Distributions to / withdrawals by non-controlling interests	-100	-618
<b>and profit shares of minority interests</b>	<b>4,445</b>	<b>18,651</b>
Net cash provided by financing activities	-1,886	-1,272
Net change in cash and cash equivalents	7,300	8,572
<b>Cash and cash equivalents at start of period</b>	<b>5,414</b>	<b>7,300</b>

# Notes on the IFRS consolidated financial statements for the fiscal year 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

## General disclosures

### 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 at Zum Laurenburger Hof 76, 60594 Frankfurt/Main, Germany. Its business activity focuses on network and fiber optics technology. The euromicron Group is a leading national, Europe-oriented system house for communications, security and data networks and boasts production expertise in the field of fiber optics technology. The company offers customers from all sectors a one-stop shop for tailored, vendor-independent network solutions. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on copper, fiber optic and wireless technology. The product portfolio includes active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. The components are used in WANs and LANs for data communication at data centers, and in the field of medical and security technology.

### 2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315a (1) of the German Commercial Code (HGB), in the valid version at December 31, 2012. 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 and gross amounts due from and to customers for contract work are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle. The maturities of the assets and liabilities are presented in detail in the notes.

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 and are covered by services provided by the balance sheet date on the basis of the percentage of completion method.

Starting with this fiscal year, the gross amount due from customers for contract work is reported in a separate item in the balance sheet. In the previous year, they were carried together with the trade accounts receivable. The change in reporting was made due to the increasing importance of these balances so as to improve the clarity of the financial statements. The disclosures for the previous year were adjusted accordingly to enable better comparison. This did not have any impact on the amount reported in the balance sheet. There were no gross amounts due to customers for contract work at the balance sheet date.

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 (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal 2012:

Standard/interpretation		Mandatory application in the EU	Adoption by EU Commission*
IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	July 1, 2011	Yes

#### 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”. This amendment increases the transparency in the disclosures on transfers of assets and improves the understanding of related risks and the effects of these risks on the company’s financial situation, in particular those that are related to securitization of assets. The amended standard must be applied for the first time in the fiscal year beginning on or after July 1, 2011. Its first-time application did not have any significant effects on the consolidated financial statements.

Apart from the above amendment, the following standard is applied early in fiscal year 2012:

	Standard/interpretation	Mandatory application in the EU	Adoption by EU Commission
IAS 19	Employee Benefits (revised June 2011)	Jan. 1, 2013	Yes

#### 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 changes must be applied to fiscal years beginning on or after January 1, 2013. A detailed description of the effects on the consolidated financial statements can be found in Note 4.

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, 2012:

	Standard/interpretation	Mandatory application in the EU	Adoption by EU Commission
IAS 1	Presentation of Financial Statements – Presentation of Individual Items of the Other Profit/Loss	July 1, 2012	Yes
IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets	Jan. 1, 2013	Yes
IAS 27	Separate Financial Statements	Jan. 1, 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	Jan. 1, 2014	Yes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2014	Yes
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2013	Yes
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities	Jan. 1, 2015	No
IFRS 7 and IFRS 9	Mandatory Effective Date and Transition	Jan. 1, 2015	No
IFRS 10	Consolidated Financial Statements	Jan. 1, 2014	Yes
IFRS 11	Joint Arrangements	Jan. 1, 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	Jan. 1, 2014	Yes
IFRS 10, IFRS 12 and IAS 27	Investment Entities	Jan. 1, 2014	No
IFRS 10, IFRS 11 and IFRS 12	Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (June 2012)	Jan. 1, 2013	No
IFRS 13	Fair Value Measurement	Jan. 1, 2013	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Jan. 1, 2013	Yes
AIP	Collection of amendments to various standards 2011	Jan. 1, 2013	No

No early adoption of these standards, interpretations and amendments is planned at present.

**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 affect 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. There will be effects on the presentation of the statement of comprehensive income.

**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, 2013. They can be applied before then. The amended standard is not currently of relevance to euromicron’s 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, 2014. 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, 2014. They can be applied before then. The amended standard is not currently of relevance to euromicron’s 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 clarifications on the conditions for 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 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. IFRS 9 is the first standard to be published as part of an extensive project to replace IAS 39. When first carried, financial assets are in future to be categorized as measured at “fair value” or at “amortized cost”. This classification is dependent on the company’s business model and the contractual terms of the financial

asset. The regulations of IAS 39 relating to impairment of financial assets and recognition of hedging relationships still apply. In November 2012, the IASB published a draft of the revised regulations on classification and measurement of financial instruments which introduces a further category for debt instruments in addition to the two existing ones. They are measured at fair value and changes in their value are recognized in equity. The changes will probably have to be applied to fiscal years beginning on or after January 1, 2015. They can be applied before then. The new regulations have not yet been adopted in European law. The effects of the already adopted parts of IFRS 9 on the Group are being examined.

#### **Amendments to IFRS 7 and IFRS 9: Mandatory Effective Date and Transition**

The amendment postpones the date of first-time adoption of IFRS 9 from fiscal years starting on or after January 1, 2013, to fiscal years starting on or after January 1, 2015. The amendment also specifies further obligations relating to disclosures in transitioning from IAS 39 to IFRS 9. The effects of first-time application are currently being examined.

#### **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, 2014. They can be applied before then. Their first-time application will probably have no significant 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, 2014. They can be applied before then. There has not been any need to apply them at the euromicron Group up to now.

#### **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, 2014. They can be applied before then. The scope of the disclosures in the consolidated financial statements will increase compared with currently prevailing law.

#### **Amendment to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 27 (Separate Financial Statements – Investment Entities)**

As a result of the amendments to IFRS 10, IFRS 12 and IAS 27, what are termed investment entities are exempted from the obligation to include the subsidiaries controlled by them in their consolidated financial statements as part of full consolidation. The amendments to IFRS 12 define new provisions for disclosing investment entities. The new regulations must be applied in fiscal years beginning on or after January 1, 2014. They can be applied before then voluntarily. Their first-time application will probably have no effects on the consolidated financial statements.

#### **Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (June 2012)**

Exemptions are granted in that the adjusted comparative figures to be disclosed are restricted to the comparative period directly preceding first-time application and the requirement to present comparative information for the disclosures related to unconsolidated structured entities has been removed for the first year that IFRS 12 is applied. The changes must be applied to fiscal years beginning on or after January 1, 2013. This amendment must also be applied early if IFRS 10, IFRS 11 and IFRS 12 is applied early. Their first-time application will probably have no effects on the consolidated financial statements.

**IFRS 13 – Fair Value Measurement**

The standard provides consistent guidance on measuring fair value across standards, among other things by defining the term and presenting what methods can be used for determining it. In addition, the disclosures on fair value in the notes are expanded. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. The effects of first-time application are currently being examined.

**IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine**

This interpretation deals with questions relating to the recognition and measurement of removal costs that are incurred in surface mining activity during the production phase of a mine. Companies may have to derecognize capitalized assets (stripping assets) through the revenue reserves in the opening balance sheet if these assets cannot be allocated to a separately identifiable part of an inventory produced. The interpretation must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then. This interpretation does not have any relevance for the euromicron Group.

**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. 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 assumptions and estimates are based on the knowledge and data available at the balance sheet date; however, the actual results may differ from the anticipated figures and result in appropriate adjustments to the book values of the assets and liabilities. The assumptions and estimates of relevance to preparation of the consolidated financial statements are constantly reviewed. Predictive estimates and assumptions are essentially made for the following:

- ▶ Measurement of goodwill: €106,369 thousand (previous year: €103,626 thousand)
- ▶ Measurement of brand name rights with an indefinite period of use: €4,061 thousand (previous year: €4,061 thousand)
- ▶ Measurement of capitalized development costs: €9,701 thousand (previous year: €6,611 thousand). We refer in this regard to the notes on the consolidated balance sheet (section 1.a).
- ▶ Payment of income taxes (claims for refunds and income tax liabilities netted off): €2,257 thousand (previous year: €875 thousand). Claims for refunds and income tax liabilities are based on calculations that include estimates and assumptions. The final amount is not fixed until the tax assessment notices have been issued or the tax audits completed.
- ▶ Gross amount due from customers for contract work: €55,960 thousand (previous year: €43,800 thousand). Application of the percentage of completion method requires in particular estimates of the anticipated total costs and revenue for production contracts. We refer in this regard to the notes on the consolidated balance sheet (section 4) and the notes on the consolidated income statement (section 11).



- ▶ Measurement of other accrued liabilities: €3,219 thousand (previous year: €1,703 thousand). Measurement of the other accrued liabilities is based in particular on their amount, the likelihood of their being utilized and the time they are utilized. We refer in this regard to the notes on the consolidated balance sheet (section 7.a).
- ▶ Measurement of provisions for pensions: €983 thousand (previous year: €728 thousand). The present value of the pension obligations depends on a large number of factors that are based on actuarial assumptions. We refer in this regard to the notes on the consolidated balance sheet (section 7.b).
- ▶ Measurement of deferred taxes (surplus of deferred tax liabilities over deferred tax assets): €5,803 thousand (previous year: €7,398 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

#### 4. Adjustment in accordance with IAS 8 due to early application of IAS 19 in the version dated June 16, 2011

The International Accounting Standards Board (IASB) published the final version of the amendments to IAS 19 on June 16, 2011. The changes must be applied to fiscal years beginning on or after January 1, 2013. They can be applied before then.

After an in-depth examination of the amendments, the Executive Board has decided to apply the standard prematurely in fiscal 2012. In accordance with IAS 8.19 b), early application of the amended IAS 19 also entails retrospective application of the amendments to the preceding fiscal years.

The effects of retrospective application on the consolidated financial statements of euromicron AG 2011 are presented in the following:

- ▶ The actuarial gains and losses carried in the income statement in the consolidated financial statements of euromicron AG 2011 must be recognized directly in equity in the other profit/loss. As a result, the personnel costs in the 2011 consolidated financial statements are €165 thousand lower. Correspondingly, €165 thousand is recognized directly in equity in the other profit/loss and deducted from the consolidated retained earnings. Due to the fact that actuarial gains and losses were recognized in the income statement up to now, the deferred tax assets for this amount were also recognized in the income statement in the 2011 consolidated financial statements. In accordance with retroactive recognition of actuarial gains and losses directly in equity, the deferred tax assets for them must be recognized directly in equity in the other profit/loss, resulting in higher income taxes of €50 thousand for the amended 2011 consolidated statements. Correspondingly, €50 thousand is recognized directly in equity in the other profit/loss and allocated to the consolidated retained earnings. There has not been any change in the balance sheet amounts reported as a result of retrospective application of the standard.
- ▶ Early application of IAS 19 did not have an effects on the opening balance sheet as of January 1, 2011.
- ▶ Application of the net interest method did not have any effect on the consolidated financial statements of euromicron AG in 2011.
- ▶ euromicron AG acquired the business operations of telent GmbH effective June 7, 2011, as part of an asset deal and carried the acquisition in accordance with the regulations on business combinations in accordance with IFRS 3. Partial retirement obligations were also taken over in connection with the acquisition of the business operations of telent GmbH. In the case of retrospective application of a new accounting standard, IAS 8.22 demands that it be applied "as if the new accounting policy had always been applied". Since the business operations of telent GmbH were acquired only in 2011, the exception of IAS 19.173a does not apply. The amended IAS 19 must therefore be applied retrospectively to the rec-

ognition and measurement of obligations from partial retirement agreements as part of the company acquisition (purchase price allocation in accordance with IFRS 3) and resultant adjustments offset against goodwill.

Due to the change in the area of benefits occasioned by termination of the employment relationship, the obligations from top-up amounts for partial retirement in accordance with IAS 19 must be carried as long-term employee benefits. Due to this change in classification, the costs must no longer be recognized in full at the time at which the company is irrevocably committed, but accumulated in accordance with the period they are earned.

As a result of this amendment, the partial retirement obligations carried in the balance sheet are €585 thousand lower for the time of acquisition, which – after adjustment of the purchase price allocation by this amount – results in a corresponding reduction in goodwill from the acquisition of the business operations of telent GmbH in the 2011 consolidated financial statements. In the subsequent period, there is a €219 thousand higher allocation from updating of the partial retirement obligation, which was recognized in the income statement under the personnel costs. This results in a net provision for partial retirement obligations at December 31, 2011, that is €366 thousand lower due to retrospective application of the standard. Adjustment of the deferred taxes at the time of acquisition and the different updating in the subsequent period gives a tax expense that is €64 lower for fiscal year 2011 and a deferred tax liability that is reduced by this amount as of December 31, 2011.

Without early application of IAS 19, there would have been the following effects in the income statement for fiscal year 2012 and the balance sheet as of December 31, 2012:

- ▶ Without application of the net interest method, there would have been an interest expense of €292 thousand in the income statement; application of the net interest method resulted in interest expenses of €36 thousand in 2012.
- ▶ Under the old measurement method, actuarial losses carried under personnel costs in the income statement would have been €2,933 thousand. Early application of IAS 19 resulted in actuarial losses of €3,189 thousand, which were recognized directly in equity under the other profit/loss.
- ▶ Recognition of the actuarial gains and losses directly in equity means that the deferred taxes on them must also be taken directly to equity; without early application of the standard, income from the formation of deferred tax assets would have been €880 thousand higher and the other profit/loss would have been lower by the same amount. In addition, a tax expense of €77 thousand was recognized in the other profit/loss on the difference of €256 thousand between the anticipated interest (€532 thousand) and actual interest for the CTA assets (€276 thousand); this would not have arisen if the net interest method had not been applied.
- ▶ Without early application of IAS 19, the allocation to the provisions for partial retirement obligations recognized in the income statement would have been €212 lower and the provisions for partial retirement obligations would have been €154 thousand higher at December 31, 2012.

## Consolidated companies

### 1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 23 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.

Of the associated companies, 16 are based in Germany and seven 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, 2012:

#### Changes in consolidated companies

	2012	2011
January 1	18	18
First-time consolidation	5	2
Mergers within the Group	0	-2
<b>December 31</b>	<b>23</b>	<b>18</b>

## 2. Acquisition of companies and divisions

In fiscal 2012 there were the following changes in the consolidated companies due to significant acquisitions of subsidiaries and other business units in accordance with IFRS 3:

Acquired subsidiaries are carried using the purchase method of accounting. The acquisition costs correspond to the fair value of the assets of the issued equity instruments and the debts that had arisen or were assumed at the time of the transaction. They also include the fair values of any recognized assets or liabilities resulting from a conditional quid-pro-quo agreement. Identifiable assets, liabilities and contingent liabilities as part of a business combination are measured at their fair value at the time of acquisition in first-time consolidation.

The positive difference remaining after allowance for deferred taxes is carried as goodwill.

### Acquisition of the business operations of the ANS Group

Under the notarized agreement, euromicron solutions GmbH took over the business operations of the ANS Group, Wörrstadt (consisting of ANS W. Henß & Partner GmbH, sam projects gmbh and ANS Service GmbH) by way of an asset deal. The date of acquisition was March 1, 2012. euromicron solutions GmbH acquired the business operations at a total purchase price of €500 thousand. The goodwill of €381 thousand resulting from the difference between the cash purchase price of €500 thousand and the provisionally measured net assets of €119 thousand is mainly attributable to the well-trained workforce and future growth prospects resulting from an improved market position. We expect goodwill of €451 thousand for tax purposes. There were incidental acquisition costs of €18 thousand, which were recognized in the income statement under the other operating expenses. The division's earnings for the period it was a member of the group – March 1 to December 31, 2012 – were €116 thousand and its sales in this period were €3,363 thousand. The acquisition enables euromicron to expand its expertise in the fields of office automation and network and security technology.

### Acquisition of RSR Datacom Verwaltungs GmbH and RSR Datacom GmbH & Co. KG

Under the notarized purchase and assignment agreement relating to business and limited partner's shares, euromicron AG acquired all the limited partner's shares in RSR Datacom GmbH & Co. KG and all the shares in its unlimited general partner, RSR Datacom Verwaltungs GmbH. The date of acquisition was October 4, 2012. As a result of the acquisition of RSR Datacom GmbH & Co. KG, euromicron indirectly acquired all the voting rights in ProCom Professional Communication & Service GmbH, a wholly-owned subsidiary of RSR Datacom GmbH & Co. KG. euromicron AG paid a cash purchase price of €1,902 thousand for the limited partner's shares in RSR Datacom GmbH & Co. KG and €40 thousand for the shares in RSR Datacom Verwaltungs GmbH. The goodwill of €1,748 thousand resulting from the difference between the purchase price of €1,942 thousand and the provisionally measured net assets of €194 thousand is mainly attributable to the well-trained workforce and future synergy effects in the area of WAN services. We expect deductible goodwill of €811 thousand from the supplementary tax balance sheet. There were incidental costs of €37 thousand for acquisition of the companies, which were recognized in the income statement under the other operating expenses. The earnings of RSR Datacom GmbH & Co. KG, RSR Datacom Verwaltungs GmbH and ProCom Professional Communication & Service GmbH for the period they were a member of the group – October 4, 2012, to December 31, 2012 – were €295 thousand and sales for this period were €4,336 thousand. The acquisition enables euromicron to expand its portfolio in the fields of public address and dispatcher control systems, cable and alarm technology and radio relay and multiplexer systems.

#### Acquisition of Stark- und Schwachstrom Montage GmbH

Under the notarized purchase and assignment agreement, euromicron AG acquired all the shares in Stark- und Schwachstrom Montage GmbH, Hamburg. The date of acquisition was December 14, 2012. The shares were acquired at a cash price of €1,400 thousand and subject to an assumption of debt with full discharge in favor of the seller to an amount of €159 thousand, which must be qualified as an additional purchase price. The goodwill of €635 thousand resulting from the difference between the purchase price of €1,559 thousand and the provisionally measured net assets of €924 thousand is mainly attributable to the well-trained workforce and future growth prospects resulting from an improved market position. Acquisition of this company incurred incidental costs of €20 thousand, which have been recognized in the income statement under the other operating expenses. The company's earnings for the period it was a member of the group – December 14 to December 31, 2012 – were €73 thousand and its sales in this period were €2,217 thousand.

#### Acquisition of euromicron benelux S.A.

Avalan GmbH purchased the remaining 90% of the shares in Avalan Consulting AG, Remich, Luxembourg, in two partial acquisitions. As a result, Avalan GmbH became the sole shareholder of Avalan Consulting effective July 24, 2012. The shares were purchased at a total cash price of €122 thousand. The goodwill of €79 thousand resulting from the difference between the cash purchase price of €122 thousand and the provisionally measured net assets of €43 thousand is mainly attributable to future growth prospects resulting from an improved market position. For the period it was a member of the group – July 24 to December 31, 2012 –, the company only generated sales and expenses within the Group, which were eliminated as part of consolidation. Its contribution to earnings for this period was therefore €0 thousand. Avalan Consulting AG was renamed euromicron benelux S.A. after the acquisition.

In fiscal 2012, the cumulated earnings by the acquired companies in the period they were a member of the group were €484 thousand and their sales in this period were €9,916 thousand.

Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated consolidated sales were €341.3 million. Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated earnings for the period were €7.4 million.

The book values directly before the combination 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 no longer explained separately in the detailed disclosures on balance sheet items.

The net assets acquired in fiscal year 2012, including adjustments to assets and liabilities in accordance with IFRS 3, are shown below:

**ANS**

	Book values at the time of acquisition	Re-measurement of assets and liabilities	Book values at first-time consolidation
	€ thou.	€ thou.	€ thou.
<b>Noncurrent assets</b>			
Intangible assets	1	93	94
Property, plant and equipment	17	0	17
Deferred tax assets	0	20	20
	18	113	131
<b>Current assets</b>			
Inventories	152	50	202
Trade accounts receivable	61	0	61
Other assets	1	0	1
Prepayments and accrued income	4	0	4
	218	50	268
<b>Acquired assets</b>	<b>236</b>	<b>163</b>	<b>399</b>
<b>Long-term debt</b>			
Deferred tax liabilities	0	20	20
	0	20	20
<b>Current debt</b>			
Provisions	113	0	113
Trade accounts payable	145	0	145
Other current liabilities	2	0	2
	260	0	260
<b>Acquired debt</b>	<b>260</b>	<b>20</b>	<b>280</b>
<b>Balance of acquired assets and debt = equity at the time of acquisition</b>	<b>-24</b>	<b>143</b>	<b>119</b>
Acquisition costs			500
<b>Goodwill</b>			<b>381</b>

## RSR/ProCom

	Book values at the time of acquisition	Re-measurement of assets and liabilities	Book values at first-time consolidation
	TEUR	TEUR	TEUR
<b>Noncurrent assets</b>			
Intangible assets	5	390	395
Property, plant and equipment	179	0	179
Deferred tax assets	357	25	382
	541	415	956
<b>Current assets</b>			
Inventories	1,893	36	1,929
Trade accounts receivable	1,049	0	1,049
Other assets	118	0	118
Cash and cash equivalents	53	0	53
	3,113	36	3,149
<b>Acquired assets</b>	<b>3,654</b>	<b>451</b>	<b>4,105</b>
<b>Long-term debt</b>			
Other accrued liabilities	151	0	151
Liabilities to banks	949	0	949
Other liabilities	0	76	76
Deferred tax liabilities	0	97	97
	1,100	173	1,273
<b>Current debt</b>			
Trade accounts payable	1,918	0	1,918
Payments on account	67	0	67
Personnel obligations	402	0	402
Other current liabilities	251	0	251
	2,638	0	2,638
<b>Acquired debt</b>	<b>3,738</b>	<b>173</b>	<b>3,911</b>
<b>Balance of acquired assets and debt = equity at the time of acquisition</b>	<b>-84</b>	<b>278</b>	<b>194</b>
Acquisition costs			1,942
<b>Goodwill</b>			<b>1,748</b>

**SSM Hamburg**

	Book values at the time of acquisition	Re-measurement of assets and liabilities	Book values at first-time consolidation
	€ thou.	€ thou.	€ thou.
<b>Noncurrent assets</b>			
Intangible assets	0	291	291
Property, plant and equipment	34	0	34
Financial assets	1	0	1
Deferred tax assets	0	225	225
	35	516	551
<b>Current assets</b>			
Inventories	1,863	160	2,023
Trade accounts receivable	966	0	966
Other assets	92	0	92
Cash and cash equivalents	2	0	2
	2,923	160	3,083
<b>Acquired assets</b>	<b>2,958</b>	<b>676</b>	<b>3,634</b>
<b>Long-term debt</b>			
Liabilities to banks	250	0	250
Other liabilities	0	30	30
Deferred tax liabilities	0	146	146
	250	176	426
<b>Current liabilities</b>			
Trade accounts payable	1,112	0	1,112
Liabilities to banks	285	0	285
Other current liabilities	887	0	887
	2,284	0	2,284
<b>Acquired debt</b>	<b>2,534</b>	<b>176</b>	<b>2,710</b>
<b>Balance of acquired assets and debt = equity at the time of acquisition</b>	<b>424</b>	<b>500</b>	<b>924</b>
Acquisition costs			1,559
<b>Goodwill</b>			<b>635</b>



## euromicron benelux

	Book values at the time of acquisition	Re-measurement of assets and liabilities	Book values at first-time consolidation
	€ thou.	€ thou.	€ thou.
<b>Noncurrent assets</b>			
Financial assets	6	0	6
	6	0	6
<b>Current assets</b>			
Trade accounts receivable	26	0	26
Other assets	6	0	6
Cash and cash equivalents	52	0	52
	84	0	84
<b>Acquired assets</b>	<b>90</b>	<b>0</b>	<b>90</b>
<b>Long-term debt</b>			
	0	0	0
<b>Current debt</b>			
Provisions	4	0	4
Trade accounts payable	30	0	30
Other current liabilities	13	0	13
	47	0	47
<b>Acquired debt</b>	<b>47</b>	<b>0</b>	<b>47</b>
<b>Balance of acquired assets and debt = equity at the time of acquisition</b>	<b>43</b>	<b>0</b>	<b>43</b>
Acquisition costs			122
<b>Goodwill</b>			<b>79</b>

### 3. Disclosures on company acquisitions from previous years

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 were able to be exercised in 2012. Consequently, this company was fully consolidated. The option comprises a fixed purchase price and a condition purchase price component.

Under the agreement dated December 20, 2012, euromicron AG exercised its option to acquire the remaining half of the shares. The purchase price for this additional 10% stake in MICROSENS GmbH & Co. KG was €900 thousand. The purchase price liability from the combined put/call option which was carried in previous years accounted for a pro-rata amount of €1,000 thousand for the 10% stake, of which €100 thousand was accounted for by the conditional purchase price component. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 in its 2004 version, the €100 thousand from the conditional purchase price component, which did not have to be paid, were treated as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition was reduced by that amount.

An extension to the deadline for exercising the option and preemptive right to tender for the remaining 10% stake was agreed. Accordingly, they can be exercised on January 1, 2014, at the earliest and on December 31, 2014, at the latest. The present value of the purchase price liability for the remaining 10% stake was adjusted to the new period for exercising the option and preemptive right, resulting in interest income from discounting of €39 thousand. The present value of the purchase price liability (fixed purchase price plus the conditional purchase price component) is thus €963 at December 31, 2012, and is carried under the financial liabilities.

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. The total purchase price of €1,298 thousand 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 liability from the conditional purchase price payment, which was assessed on the basis of the probability of the conditions occurring and discounted to the present value, was €727 thousand.

On the basis of the company's business performance at December 31, 2012, the obligation from the conditional purchase price payment was reassessed. This resulted in income of €374 thousand, which is carried under the other operating income. The present value of the liability at the balance sheet date was €384 thousand.

### List of companies included in the consolidated financial statements

	Share in capital %
<b>Parent company</b>	
of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, Germany	
<b>Consolidated subsidiaries</b>	
<b>a) North Segment</b>	
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 <sup>1)</sup> , Hamm, Germany	90.00
MICROSENS Beteiligungs GmbH <sup>1)</sup> , Hamm, Germany	90.00
SSM euromicron GmbH – ein Unternehmen der euromicron Gruppe – Zwenkau, Germany	100.00
Stark- und Schwachstrom Montage GmbH, Hamburg, Germany	100.00
<b>b) South Segment</b>	
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
euromicron benelux S.A., Ellange, Luxembourg	100.00
Qubix distributions GmbH, Seekirchen, Austria	100.00
<b>c) WAN services Segment</b>	
telent GmbH – ein Unternehmen der euromicron Gruppe – Backnang, Germany	100.00
RSR Datacom GmbH & Co. KG, Essen, Germany	100.00
RSR Datacom Verwaltungs GmbH, Essen, Germany	100.00
ProCom Professional Communication & Service GmbH Essen, Germany	100.00

1) Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 10% 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 difference on the asset side 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 is 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). This also applies to purchased trade names, if there are no temporary intentions to use them, since they are essentially company names. euromicron tests goodwill and trademark rights 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 their value may be impaired. In the impairment test, the carrying amount of each cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. The recoverable amount is the higher of its fair value less costs to sell and value in use of a CGU. The value in use is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC).

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

The cash flow forecasts are based on medium-term planning for the financial position, net assets and results of operations; this planning, which is adopted by the Group's management, has a horizon of five years. The planning figures are updated for subsequent years using constant growth rates. In principle, the planning is created in detail as a bottom-up, top-down approach using the counterflow procedure, with management incorporating its experience from the past and medium-term expectations on the basis of estimates of market volumes, market shares and cost and price trends.

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

Following a year of consolidation and cost optimization, the planning for the CGU System Houses North envisages sales growth slightly above the average for the industry and a moderate increase in profitability. After the extensive investment program in new products in 2011 and 2012, stabilization of sales at the level of 2011 is expected for the Production Companies North and then increases slightly above the average for the industry. The quality of earnings is budgeted very conservatively due to the competitive pressure in the individual market segments. Planning at the System Houses South is impacted by extensive restructuring and integration measures. A further drag on earnings is planned in 2013 as a result, but this will enable the quality of earnings in subsequent years to move toward the target margin of above 6% for the system houses.

Sales trends for the Production Companies South are essentially geared toward how the market will develop and the launch of new products, which should permit moderate growth. Positive influences on profitability as a result of initiation of an extensive cost-cutting and efficiency program have already been partially budgeted. The planning envisages stable market development in the WAN services Segment, which will enable appropriate organic growth in the period covered by the planning. Further growth effects are expected in 2012 following the acquisition of RSR Datacom. It is estimated that profitability will be largely stable; moderately positive influences are planned due to changes in the portfolio mix.

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

The need for value impairments is determined in accordance with the assignment of goodwill and the trade names and company names at the level of the CGU.

Business risks are taken into account as far as they are known at the time planning was created and reduce the derived free cash flow. Accordingly, the following parameters were applied in the impairment test for all CGUs:

	2012	2011
Borrowing rate after taxes	3.38 %	4.10 %
Risk-free interest	2.14 %	2.80 %
Markup for return on equity	6.44 %	7.70 %
Beta factor	0.99	0.98
Ratio of outside capital to equity	62.53 %	63.25 %
Weighted average cost of capital (WACC)	6.58 %	6.14 %
Growth rate	1.00 %	1.00 %
WACC perpetuity	5.58 %	5.14 %

The input tax for WACC (perpetuity) in fiscal year 2012 was 8.82% (previous year: 8.21%).

The impairment test in fiscal 2012 did not reveal any need to reduce the value of the goodwill of individual CGUs.

As part of a sensitivity analysis, changes to the parameters were simulated stepwise in a model calculation until a need to reduce the value for a CGU was arrived at. If the weighted average cost of capital (WACC) were to rise by 2.71 percentage points (previous year: 4.7 percentage points) to 9.29% (previous year: 10.84%), there would be a need for a value impairment of €60 thousand (previous year: €12 thousand) at one CGU.

Goodwill developed as follows in the fiscal year:

#### Goodwill

	2012 € thou.	2011 € thou.
Goodwill at January 1	103,626	81,877
Additions	2,843	21,749
Disposals	-100	0
<b>Goodwill at December 31</b>	<b>106,369</b>	<b>103,626</b>

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

	2012 Goodwill € thou.	2011 Goodwill € thou.
CGU 1 System Houses North	18,571	17,936
CGU 2 Production Companies North	19,136	19,236
CGU 3 System Houses South	35,330	34,871
CGU 4 2 Production Companies South	5,538	5,538
CGU 5 Distributors South	5,688	5,688
CGU 6 WAN services	22,106	20,357
	<b>106,369</b>	<b>103,626</b>

The goodwill additions/disposals are as follows:

#### CGU

	Goodwill in 2012 € thou.
ANS Group, Wörrstadt	381
RSR Datacom GmbH & Co. KG *	1,748
Stark- und Schwachstrom Montage GmbH, Hamburg	635
euromicron benelux S.A., Ellange	79
Purchase price adjustment due to exercise of the option for Microsens, Hamm	-100
	<b>2,743</b>

\* (incl. RSR Datacom Verwaltungs GmbH, ProCom Professional Communication & Service GmbH, Essen)

€2,743 thousand of the change in goodwill result from additions in connection with the company acquisitions in fiscal 2012 and adjustment of the conditional purchase price liability due to exercise of the mutual put/call option from the acquisition of Microsens.

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 assets, liabilities 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 2012 was unchanged at €4,061 thousand. Since there is no time or material limit to the brand names' potential usage, they are to be recognized for an indefinite period of time and are not subject in principle to amortization. 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 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 €4,522 thousand were capitalized (previous year: €2,642 thousand) and written down using the straight line method on the basis of the product cycles (3 to 8 years). Depreciation/amortization expense is reported in the depreciation/amortization in the income statement. In addition, own work for self-created software and IT solutions was capitalized to an amount of €822 thousand (previous year: €0 thousand) in the year under review. Capitalized development costs and own work for self-created software and IT solutions include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs. The value of the capitalized development 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 €263 thousand in fiscal 2012 (previous year: €30 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. Financing costs are capitalized in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets for which borrowing costs can be directly attributed to the acquisition or production of a qualifying asset and for which a considerable period of usually more than twelve months is required to put them into a usable state. 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.

# Group fixed-asset movement schedule 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main

## Changes in intangible assets and property, plant and equipment in 2012

	Acquisition costs					Dec. 31, 2012 € thou.
	Jan. 1, 2012 € thou.	Additions € thou.	Retirements € thou.	Additions from first-time consolidation € thou.	Reclassification and other € thou.	
<b>Goodwill</b>	111,197	0	100	2,843	0	113,940
<b>Intangible assets</b>						
Concessions, industrial and similar rights	34,939	2,107	0	780	-7	37,819
Capitalized development costs	10,820	4,522	120	0	123	15,345
	45,759	6,629	120	780	116	53,164
<b>Property, plant and equipment</b>						
Land and buildings	8,342	55	68	2	0	8,331
Technical equipment and machinery	7,012	1,336	0	0	0	8,348
Other equipment, operating and office equipment	18,625	2,813	0	228	-116	21,550
	33,979	4,204	68	230	-116	38,229
	<b>190,935</b>	<b>10,833</b>	<b>288</b>	<b>3,853</b>	<b>0</b>	<b>205,333</b>

	Depreciation and amortization					Book values		
	Jan. 1, 2012 € thou.	Additions € thou.	Retirements € thou.	Reversal of write-downs € thou.	Reclassification and other € thou.	Dec. 31, 2012 € thou.	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
	-7,571	0	0	0	0	-7,571	106,369	103,626
	-23,293	-3,196	0	0	0	-26,489	11,330	11,646
	-4,209	-1,555	120	0	0	-5,644	9,701	6,611
	-27,502	-4,751	120	0	0	-32,133	21,031	18,257
	-3,382	-197	68	0	0	-3,511	4,820	4,960
	-3,876	-490	0	0	0	-4,366	3,982	3,136
	-11,592	-2,505	0	0	0	-14,097	7,453	7,033
	-18,850	-3,192	68	0	0	-21,974	16,255	15,129
	<b>-53,923</b>	<b>-7,943</b>	<b>188</b>	<b>0</b>	<b>0</b>	<b>-61,678</b>	<b>143,655</b>	<b>137,012</b>

# Group fixed-asset movement schedule 2011

of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main

## Changes in intangible assets and property, plant and equipment in 2011

	Acquisition costs					Dec. 31, 2011 € thou.
	Jan. 1, 2011 € thou.	Additions € thou.	Retirements € thou.	Additions from first-time consolidation € thou.	Reclassification and other € thou.	
<b>Goodwill</b>	89,448	0	0	21,749	0	111,197
<b>Intangible assets</b>						
Concessions, industrial and similar rights	30,279	1,084	55	3,410	221	34,939
Capitalized development costs	8,399	2,642	0	0	-221	10,820
	38,678	3,726	55	3,410	0	45,759
<b>Property, plant and equipment</b>						
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	2,998	1,113	1,570	0	18,625
	29,502	4,519	1,702	1,570	0	33,979
	<b>157,718</b>	<b>8,245</b>	<b>1,757</b>	<b>26,729</b>	<b>0</b>	<b>190,935</b>

Depreciation and amortization						Book values		
Jan. 1, 2011 € thou.	Additions € thou.	Retirements € thou.	Reversal of write-downs € thou.	Reclassification and other € thou.	Dec. 31, 2011 € thou.	Dec. 31, 2011 € thou.	Dec. 31, 2010 € thou.	
-7,571	0	0	0	0	-7,571	103,626	81,877	
-21,147	-2,186	45	0	-5	-23,293	11,646	9,132	
-2,727	-1,487	0	0	5	-4,209	6,611	5,672	
-23,874	-3,673	45	0	0	-27,502	18,257	14,804	
-3,793	-215	42	584	0	-3,382	4,960	4,347	
-3,801	-472	397	0	0	-3,876	3,136	2,481	
-10,441	-2,203	1,052	0	0	-11,592	7,033	4,729	
-18,035	-2,890	1,491	584	0	-18,850	15,129	11,557	
<b>-49,480</b>	<b>-6,563</b>	<b>1,536</b>	<b>584</b>	<b>0</b>	<b>-53,923</b>	<b>137,012</b>	<b>108,238</b>	

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. Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The corresponding liability to the lessor is carried under "Liabilities from finance lease" in accordance with IAS 17. Leased equipment (€2,248 thousand) and operating and office equipment (€886 thousand) were carried as finance leases to a net amount of €3,134 thousand at December 31, 2012 (previous year: €2,005 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.

## 2012

	Total € thou.	Due in			
		Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Present value of the minimum lease payment	2,757	599	564	1,280	314
Interest	452	127	115	185	25
Minimum lease payment	3,209	726	679	1,465	339

## 2011

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

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".

There were no derivatives that have been qualified as hedges as part of a hedging relationship as of December 31, 2012.

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, 2012 € thou.	Dec. 31, 2011 € thou.
Financial assets (noncurrent)	718	725

The noncurrent financial assets essentially comprise shares in the listed company SecureAlert Inc., Utah, USA, which euromicron AG acquired in 2009. The stake held in its capital stock on the balance sheet date was 1.60%. The investment in SecureAlert Inc. is classified as a financial asset under the category "Available-for-Sale" and is carried at fair value. In principle, the fair value is taken directly to equity and carried under "other comprehensive income", provided there is no lasting impairment. In fiscal 2012, the value of the shares fell further, with the result that a lasting impairment to their value can now be assumed. Write-downs taken directly to equity and carried in the other comprehensive income in previous years (€257 thousand) were recognized in the income statement along with the amount that needed to be written off for fiscal 2012 (€4 thousand). Given acquisition costs of €934 thousand, the book value of the shares on the balance sheet date was thus €673 thousand (previous year: €677 thousand).

The current financial assets are as follows:

	31.12.2012 TEUR	31.12.2011 TEUR
Financial assets (current)	228	1,159

The current financial assets are 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.

After an impairment was ascertained for a securities account in fiscal 2011 and the account was written off and recognized as a loss (€371 thousand), the fair value recovered in 2012. The value of the securities account at the balance sheet date was €228 thousand (previous year: €129 thousand). Since the security is a debt instrument, a reversal of €99 thousand was recognized in the income statement in accordance with IAS 39.70.

A further securities account that existed in the previous year (acquisition costs: €1,000 thousand) expired in fiscal 2012 and was redeemed at acquisition cost. The market value of this securities account at December 31, 2011, was €970 thousand. With the disposal of the account, the value impairment of €30 thousand that has been recognized directly in equity in the OCI was transferred to the income statement in fiscal 2012, with the result that there was no effect on income from this transaction.

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

## 2. Deferred tax assets

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

In this, deferred taxes at the level of the individual companies and consolidated entities are taken into account. Deferred tax claims are recognized to the extent that it is probable that there will be a taxable result in future. The tax rates that are enacted or can be expected to be enacted on the balance sheet at the time of realization are used to calculate deferred taxes. In general, deferred taxes are carried in the noncurrent balance sheet items.

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

### Deferred tax assets

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Intangible assets	1,695	2,266
Inventories	26,713	22,147*
Other receivables and other assets	45	68
Accrued liabilities	1,549	144
Liabilities from finance lease	690	522
Other liabilities	1,602	66
Loss carryforwards for corporation income tax / trade tax and income taxes abroad	3,020	2,114
<b>Total deferred tax assets before netting off</b>	<b>35,314</b>	<b>27,327</b>
Netting off	-33,381	-26,853*
<b>Total deferred tax assets after netting off</b>	<b>1,933</b>	<b>474</b>

\* Changed from the previous year due to better data collection

There are long-term deferred taxes (before netting off) of €8,332 thousand resulting mainly from the intangible assets, long-term accrued liabilities, loss carryforwards, long-term liabilities from finance leases and the other liabilities.

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

As of December 31, 2012, the Group had corporation income tax loss carryforwards totaling €15,429 thousand (previous year: €7,689 thousand), trade tax loss carryforwards totaling €2,922 thousand (previous year: €4,095 thousand) and loss carryforwards for income taxes abroad totaling €18,189 thousand (previous year: €16,110 thousand). The loss carryforwards relate to six 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. There were surplus deferred tax assets of €1,440 thousand after netting off from three subsidiaries that made a loss in fiscal 2012 or the previous year. The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company.



No deferred tax assets have been formed on existing tax loss carryforwards totaling €18,103 thousand (previous year: €14,903 thousand). Of this, €1,071 thousand (previous year: €0 thousand) were for Germany and €17,032 thousand (previous year: €14,903 thousand) for abroad.

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

### 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 net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The first in, first out method is used at the euromicron Group to measure inventories. 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.

#### Inventories

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Raw materials and supplies	11,260	9,881
Work in progress	2,288	5,364
Finished goods and merchandise	13,952	9,834
	<b>27,500</b>	<b>25,079</b>

The increase in inventories is mainly the result of the growth in stocks toward the end of the year.

In accordance with IAS 2.34, there were write-downs on inventories totaling €337 thousand in the fiscal year (previous year: €200 thousand); as in the previous year, there were no reversals in the period under review.

#### 4. Receivables and other assets

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and Receivables". As in the previous year, all trade accounts receivable at December 31, 2012, were short-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.

##### Receivables and other assets

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Trade accounts receivable (gross)	42,158	45,546
Allowances for doubtful accounts	-1,352	-1,278
Trade accounts receivable (net)	40,806	44,268
Gross amount due from customers for contract work	55,960	43,800
Other noncurrent assets	197	175
Claims for income tax refunds	4,107	2,971
Other current assets	3,360	2,198
	<b>104,430</b>	<b>93,412</b>

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.

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

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Balance at the beginning of the period	-1,278	-919
Allocation	-487	-919
Utilization	97	349
Reversals	316	211
<b>Balance at the end of the period</b>	<b>-1,352</b>	<b>-1,278</b>

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €431 thousand (previous year: €782 thousand) in 2012 due to events that had an impact on their value. As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date.

#### Terms for the trade accounts receivable

	€ thou.	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					For which an allowance has been made
		€ thou.	< 60 days € thou.	60–120 days € thou.	120–180 days € thou.	181–360 days € thou.	> 360 days € thou.	€ thou.
	Dec. 31, 2012							
Trade accounts receivable	40.806	13.422	17.608	3.211	1.466	2.183	1.097	1.819
	Dec. 31, 2011							
Trade accounts receivable	44.268	21.934	13.314	2.622	2.232	1.801	622	1.743

The trade accounts receivable include receivables in foreign currency (mainly US\$) totaling €434 thousand (previous year: €923 thousand). Since the currency risk overall at the Group is not assessed to be material, a sensitivity analysis of it was not conducted. Foreign currency amounts were translated at the spot rate on the balance sheet date. Foreign currency transactions are translated into the functional currency, which is the Euro for all Group companies, at the exchange rates at the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the key date are recognized in the income statement. 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 Group's portfolio includes project companies that 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 key date is reflected in terms of value or the revenues from the order are recorded. Management of the project companies regularly examines the estimates of the project orders, including as regards potential risks and the costs still to be incurred in the project, that are required so that the overall success of a project can be assessed with sufficient reliability. The zero-profit method is also used.

Due to their increasing importance in the past years, the balances of projects running beyond the key date are for the first time reported in a separate balance sheet item "Gross amount due from customers for contract work" so as to improve the clarity of the financial statements. In the previous year these balances were carried under the balance sheet item "Trade accounts receivable"; the comparative figures for the previous years have been adjusted accordingly. They are carried after being netted off against the payments on account covered by the services provided up to the key date. The collection of IFRS data on the receivables from production contracts and the payments on account netted off against them was essentially revised in 2012. The structure of the Notes was adjusted for 2011 to reflect the improvement in data collection. This did not have any impact on the amount reported in the balance sheet. The gross amount due from customers for contract work was €55,960 thousand (previous year: €43,800 thousand); the payments on accounts netted off in this were €45,076 thousand (previous year: €40,487 thousand). The production contracts in progress at the balance sheet date were €101,036 thousand (previous year: €84,288 thousand) and are calcu-

lated from the total of accrued costs and reported profits (minus any losses) of €156,781 thousand (previous year: €112,275 thousand) less the partial final invoices of €55,746 thousand (previous year: €27,987 thousand).

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 €22,000 thousand. At December 31, 2012, receivables with a volume of €15,270 thousand (previous year: €12,400 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 €11 thousand (previous year: €66 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 €17 thousand (previous year: €76 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 €274 thousand (previous year: €156 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 €108 thousand (previous year: €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 and are classified in the category "Loans and Receivables". Cash is measured at nominal value.

The cash and cash equivalents are as follows:

### Cash and cash equivalents

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Cash in banking accounts	5,375	7,275
Cash on hand	39	25
	<b>5,414</b>	<b>7,300</b>

## 6. Equity

### (a) Subscribed capital and authorized capital

The number of shares of euromicron AG in circulation in fiscal 2012 was unchanged at 6,663,799. The capital stock of euromicron AG (nominal amount per share: around €2.56) was thus €17,037,017.44. The shares are exclusively registered shares.

After the equity increase last year using part of the authorized capital, the company's remaining authorized capital at December 31, 2012, is still €2,621,078.72. This can be used by the Executive Board, with the consent of the Supervisory Board, to increase the capital stock of euromicron AG by issuing new registered shares against cash or non-cash contributions on one or more occasions by May 31, 2016. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right.

### 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 is the mean value for the closing prices in the XETRA trading system (or a comparable successor system) on the three days of trading before the shares are sold.
- ▶ Assignment of the shares as a consideration for the purpose of acquiring companies or holdings in companies.

The Executive Board is further authorized, with the consent of the Supervisory Board, to redeem own shares in the company without the need for a further resolution to be adopted by the General Meeting. As part of the redemption using the simplified process, it is also authorized to redeem no-par value shares without a capital reduction by adjusting the arithmetic pro-rata amount of the other no-par value shares relative to the capital stock. This redemption can be limited to part of the acquired shares. The authorization to redeem shares can be exercised more than once. If no-par value shares are redeemed without a capital reduction using the simplified method, the Executive Board is also 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, 2012. At December 31, 2012, the company did not hold any treasury shares that could be offset with equity in accordance with IAS 31.33.

#### Shares in circulation

	Number
<b>Sales in circulation at December 31, 2012</b>	<b>6,663,799</b>

#### (b) Capital reserves

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

In accordance with IAS 32.37, the equity transaction costs incurred as part of past capital increases, minus deferred taxes, were directly offset with the premium 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 and interest rate hedging instruments

The valuation reserve carries changes to the market valuation of securities that qualify as available-for-sale financial assets in accordance with IAS 39, as well as interest rate hedging instruments. Given that the securities and interest rate hedge expired in the fiscal year, the amounts carried for them in the other profit/loss had to be reclassified to the income statement. Due to the assumption that the impairment to the value of the shares in SecureAlert is lasting, the amounts taken directly to equity and recognized in the other profit/loss in previous years had to be carried in the income statement. As a result, the valuation reserve at the balance sheet date was €0 thousand (previous year: € -286 thousand).

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
SecureAlert Inc.	0	-257
Securities	0	-30
Interest rate swap	0	1
	<b>0</b>	<b>-286</b>

**(d) Currency translation difference**

There were no currency translation differences in fiscal 2012, 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 May 25, 2012, €7,663 thousand was paid out as a dividend (a total of 6,663,799 shares at December 31, 2011; dividend per share: €1.15).

**(f) Non-controlling interests**

The non-controlling interests reported at December 31, 2012 (€525 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. The net debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term) and an industry loan, less cash and cash equivalents and securities. The key financial indicators adjusted in agreement with the long-term financing partners for the integration years 2012 to 2014 were fulfilled.

## 7. Provisions

**(a) Other provisions**

Other provisions are recognized in the case of a current legal or constructive obligation to third parties from a past event where utilization is probable and the expected amount of the necessary other provisions can be measured reliably. The other provisions are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. The long-term other provisions mainly comprise other provisions for death benefits and anniversaries, as well as for severance payments. Other provisions are reversed against the expense item where the original allocations to an other provisions was carried. If the discounting effect for long-term other provisions is material, the other provisions are recognized at the present value of the anticipated future cash flows. euromicron expects that €2,062 thousand of the other provisions will be utilized within the year and €1,157 thousand in the coming two to five years.

The other provisions developed as follows in the fiscal year:

#### Total other provisions

	Jan. 1, 2012 € thou.	Reclassification from liabilities € thou.	First-time consolidation € thou.	Utilization € thou.	Reversal € thou.	Interest cost € thou.	Allocation € thou.	31.12. 2012 € thou.
Other short-term provisions	1,222	991	151	-336	-104	0	138	2,062
Other long-term provisions	481	391	117	-121	-23	76	236	1,157
<b>Total other provisions</b>	<b>1,703</b>	<b>1,382</b>	<b>268</b>	<b>-457</b>	<b>-127</b>	<b>76</b>	<b>374</b>	<b>3,219</b>

Changes in recognition resulting in reclassification of other provisions were carried out in fiscal 2012. Since the overall effect of this is not significant, the previous year's figures were not adjusted in accordance with IAS 8. The reclassifications relate to other provisions for warranties and severance payments and can be seen from the table above.

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

#### Other provisions

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Follow-up costs for customers/warranties	1,450	411
Anniversaries and death benefits	531	481
Severance payments	367	0
Impending losses	268	496
Restoration obligation	245	240
Legal disputes	73	75
Other	285	0
	<b>3,219</b>	<b>1,703</b>

#### (b) Provisions for pensions

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

The designated payments made towards pensions may be based either on the wage or salary received in the last year of employment or on the average of the last five years or the compensation of an employee and are usually dependent on the length of service. The benefits must be granted as a one-off payment or an annual pension payment. In the case of pension payments, the euromicron Group bears the full risks of recipients living for a long time and inflation due to pension adjustments.

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



In order to cover a large part of the obligation, the euromicron Group has established a CTA (euromicron Pension Trust e.V.); the funds allocated to it are based on the level of the obligation. There are reinsurance policies to cover individual commitments.

In accordance with IAS 19, provisions 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 provision in the balance sheet.

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

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

#### Provisions for pensions

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Present value of benefit obligation at the beginning of the period under report	11,544	1,009
Current service cost	361	220
Past service costs and effects from plan settlements	0	0
Interest cost	586	339
Pension payments	-86	-15
Revaluation effects	2,933	167
Of which		
Change in financial assumptions	3,082	29
Change in demographic assumptions	-329	0
Experience adjustments	180	138
Change in consolidated companies	0	9,673
Contributions by plan participants	87	151
<b>Present value of benefit obligation at the end of the period under report</b>	<b>15,425</b>	<b>11,544</b>

The plan assets measured at fair value changed as follows:

	<b>Dec. 31, 2012</b> € thou.	<b>Dec. 31, 2011</b> € thou.
Plan assets at the beginning of the period under report	10,816	353
Anticipated income from plan assets	550	18
Revaluation effects	-256	2
Employer's contributions	3,332	10,443
Pension payments	0	0
Change in consolidated companies	0	0
<b>Plan assets at the end of the period under report</b>	<b>14,442</b>	<b>10,816</b>

The plan assets consist to 3.0% (previous year: 3.6%) of reinsurance policies and to 97.0% (previous year: 96.4%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA.

The provision on the balance sheet changed as follows:

	<b>Dec. 31, 2012</b> € thou.	<b>Dec. 31, 2011</b> € thou.
Provision at the beginning of the period under report	728	656
Current service cost	361	220
Past service costs and effects from plan settlement	0	0
Net interest cost/income	36	321
Pension payments	-86	-15
Employer's contributions	-3,332	-10,443
Contributions by plan participants	87	151
Revaluation effects	3,189	165
Change in consolidated companies	0	9,673
<b>Provision at the end of the period under report</b>	<b>983</b>	<b>728</b>

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

The revaluation effects are carried via the other profit/loss and completed by means of the item "Consolidated retained earnings".

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

#### Average measurement factors

	2012	2011
Discount rate	3.20 %	5.10 %
Rates of increase in compensation levels	3.25 %	3.25 %
Future pension indexation	2.00 %	2.25 %

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 included for the first time using the standard values defined by Heubeck; industry-specific values were used in previous years. Since the pension commitments are mainly at euromicron Group companies in Germany, the parameters relate to the economic situation in Germany.

If the assumptions vary by +/- 1 percentage points or +/- 1 year, the effects are as follows:

	+ 1% or + 1 year	- 1% or - 1 year
Discount rate	-12.0 %	14.7 %
Future pension indexation	6.0 %	-4.8 %
Life expectancy	1.2 %	-1.3 %
Age at expiry of financing	-1.3 %	1.4 %

The effects were determined using the same methods as for valuation of the commitment at the end of the year.

The pension payments anticipated in the subsequent year are €86 thousand, while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The weighted average duration of the commitment at the balance sheet date is 14.0 years.

Contributions of €5,234 thousand (previous year: €5,589 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 of the trade accounts payable, the other short-term liabilities and the long-term variable-interest liabilities are an approximation of the fair value. The fair value of the fixed-interest long-term debt is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates.

The liabilities are composed as follows:

### Liabilities

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Liabilities to banks	68,585	54,436
Liabilities from finance lease	2,757	1,756
Trade accounts payable	42,867	31,617
Other liabilities	38,687	47,007
	<b>152,896</b>	<b>134,816</b>

euromicron's liabilities have the following terms:

### Terms of the liabilities

	Total € thou.	Fällig in				Fair value € thou.
		Up to 1 year € thou.	1 to 2 year € thou.	2 to 5 year € thou.	More than 5 year € thou.	
Liabilities to banks	68,585	30,995	4,690	27,900	5,000	61,473
Liabilities from finance lease	2,757	599	564	1,280	314	2,757
Trade accounts payable	42,867	42,867	0	0	0	42,867
Other liabilities	38,687	30,662	4,692	3,333	0	37,895
	<b>152,896</b>	<b>105,123</b>	<b>9,946</b>	<b>32,513</b>	<b>5,314</b>	<b>144,993</b>
(Previous year)	134,816	97,894	4,008	27,613	5,301	129,133

Trade accounts payable in foreign currency (mainly US\$ and JPN) amount to €1,948 thousand (previous year: €1,389 thousand).

In principle, the group companies of euromicron are financed centrally through euromicron AG.

The interest rates for liabilities to banks and overdrafts are fixed or variable and range from 1.05% to 12.5% (previous year: 2.20% to 8.25%). The high interest rates relate to terms for overdraft lines under individual agreements between newly acquired subsidiaries and their banks, but are not used or are terminable at short notice (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 5 years and €5,000 thousand a term of 7 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 at the time it was disbursed. A pro-rata amount of €22 thousand for fiscal year 2012 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 €57,038 thousand (previous year: €54,968 thousand) were unused at the year-end.

The other liabilities are composed as follows:

#### Other liabilities

	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
Industry loans	10,000	10,000
Obligations from preemptive rights	963	2,005
Purchase price liabilities	2,747	1,085
Liabilities from derivatives	0	11
Retention of security for suppliers	204	0
Other	890	655
<b>Total of other financial liabilities</b>	<b>14,804</b>	<b>13,756</b>
Payments on account	3,526	4,713
Other tax liabilities	6,130	7,608
Personnel obligations	9,833	9,671
Liabilities from current income taxes	1,850	2,096
Other	2,544	9,163
<b>Total of other non-financial liabilities</b>	<b>23,883</b>	<b>33,251</b>
	<b>38,687</b>	<b>47,007</b>

All financial liabilities at December 31, 2012, are assigned to the category "financial liabilities measured at amortized cost" in accordance with IAS 39 and, when recognized for the first time, are carried at fair value less transaction costs. In the subsequent periods, they are measured at amortized acquisition cost using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €33.5 thousand (previous year: €120.5 thousand) and was recognized in the income statement.

The payments on account include payments that cannot be set off. They include payments on account from production contracts in accordance with the percentage of completion method which are in excess of the percentage of completion.

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

	Cash flow 2013 Up to 1 year			Cash flow 2014 1 to 2 years			Cash flow 2015–2017 2 to 5 years			Cash flow 2018 ff. More than 5 years			
	Book value Dec. 31, 2012	Interest		Repaym	Interest		Repaym	Interest		Repaym	Interest		
	€ thou.	Fixed	Variable	€ thou.	Fixed	Variable	€ thou.	Fixed	Variable	€ thou.	Fixed	Variable	€ thou.
Liabilities to banks	68,585	891	437	30,995	768	437	4,690	994	960	27,900	0	81	5,000
Liabilities from finance lease	2,757	90	0	599	69	0	564	115	0	1,280	12	0	314
Trade accounts payable	42,867	0	0	42,867	0	0	0	0	0	0	0	0	0
Other interest-bearing liabilities	14,804	499	0	6,779	317	0	4,692	118	0	3,333	0	0	0
	<b>129,013</b>	<b>1,480</b>	<b>437</b>	<b>81,240</b>	<b>1,154</b>	<b>437</b>	<b>9,946</b>	<b>1,227</b>	<b>960</b>	<b>32,513</b>	<b>12</b>	<b>81</b>	<b>5,314</b>
(Previous year)	101,565	1,465	1,186	64,643	1,035	543	4,008	1,541	1,441	27,613	12	281	5,301

All financial instruments held on the balance sheet date December 31, 2012, 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, 2012 (previous year: December 31, 2011). 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. Foreign currency transactions are translated into the functional currency, which is the Euro for all Group companies at the exchange rates on the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement.

euromicron uses derivative financial instruments exclusively to hedge interest rate risks resulting from financial transactions. A decision on this is taken on a case-by-case basis. They are not held for the purposes of short-term speculation.

In the past, euromicron had concluded a payer's interest rate swap to hedge the cash flow risk of variable-interest liabilities. The payer's interest rate swap expired effective December 14, 2012, and the hedging relationship was thus ended. Last year there was a difference in the valuation of the interest rate swap of €1 thousand, which was recognized directly in equity and carried in the valuation reserve; in fiscal 2012, with the expiry of the hedging relationship, it was recognized in the income statement and shown in the interest expenses. euromicron did not hold any derivative financial instruments at December 31, 2012.

## 9. Deferred tax liabilities

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

In accordance with IAS 12.39, deferred tax liabilities were not recognized on taxable temporary differences of €963 thousand (previous year €907 thousand) between the carrying amount of the shares in subsidiaries and the corresponding tax book values, 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, 2012 € thou.	Dec. 31, 2011 € thou.
Intangible assets	7,650	6,732
Property, plant and equipment	1,011	781
Inventories	172	38
Other receivables and other assets	30,765	26,167*
Accrued liabilities/Provisions	1,444	945
Other liabilities	75	62
<b>Total deferred tax liabilities before netting off</b>	<b>41,117</b>	<b>34,725</b>
<b>Netting off</b>	<b>-33,381</b>	<b>-26,853*</b>
<b>Total deferred tax liabilities after netting off</b>	<b>7,736</b>	<b>7,872</b>

\* Changed from the previous year due to better data collection

There are long-term deferred taxes (before netting off) of €8,661 thousand resulting mainly from the intangible assets and property, plant and equipment.

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

10. Additional details on the financial instruments –  
Carrying amounts and fair values by measurement categories

	Measurement category acc. to IAS 39 € thou.	Book value at Dec. 31, 2012 € thou.	Value carried in the balance sheet	
			Amortized acquisition cost € thou.	Acquisition cost € thou.
<b>Assets</b>				
Cash and cash equivalents	LaR <sup>1)</sup>	5,414		5,414
Accounts receivable	LaR <sup>1)</sup>	40,806	40,806	
Gross amount due from customers for contract work	LaR <sup>1)</sup>	55,960	55,960	
Other financial assets	AfS <sup>3)</sup>	946		
<b>Equity and liabilities</b>				
Accounts payable	FLAC <sup>2)</sup>	42,867	42,867	
Liabilities to banks	FLAC <sup>2)</sup>	68,585	68,585	
Other financial liabilities	FLAC <sup>2)</sup>	14,804	14,804	
Derivates (hedge accounting)	n/a	0	0	
Liabilities from finance lease	IAS 17	2,757	2,757	

<sup>1)</sup> LaR = Loans and Receivables

<sup>2)</sup> FLAC = Financial Liabilities Measured at Amortised Cost

<sup>3)</sup> AfS = Available-for-Sale Financial assets



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, 2011 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.	Fair value recognized directly in equity € thou.	Fair value recognized in profit or loss € thou.
		7,300		7,300		
		44,268	44,268			
		43,800	43,800			
847	99	1,884			1,758	126
		31,617	31,617			
		54,436	54,436			
		13,745	13,745			
0		11			11	
		1,756	1,756			

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. The fair value of the swap (classification: derivatives) was measured in the previous year on the basis of the 2nd level.

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

## Notes 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.

Sales and earnings from the projects running beyond the balance sheet date were recognized in compliance with IAS 11 on a pro-rata basis using the percentage of completion method. The zero-profit method is also used. The percentage of completion is determined using the input-oriented cost-to-cost method. The POC sales revenues determined using the cost-to-cost method are derived from the costs of contracts incurred up to the balance sheet date plus a pro-rata profit. In contrast, no profit markups are included in sales ascertained using the zero-profit method. Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The collection of IFRS data on the sales from production contracts and the production costs incurred in this connection was essentially revised in 2012. The structure of the Notes was adjusted for 2011 to reflect the improvement in data collection. This did not have any effect on the amounts to be carried in the income statement. The Group's sales include sales from production contracts totaling €104,883 thousand (previous year: €98,814 thousand). The related production costs were €94,182 thousand (previous year: €86,628 thousand).

Changes in sales as a result of changes in the consolidated companies amounted to €9,916 thousand (previous year: €70,038 thousand).

Consolidated sales are divided into those from the sale of goods totaling €179,219 thousand (previous year: €174,710 thousand) and from the provision of services totaling €150,811 thousand (previous year: €130,596 thousand).

We refer to the segment reporting for a further breakdown of the sales (section 24).

## 12. Own work capitalized

The own work capitalized was €5,607 thousand (previous year: €1,948 thousand) and, as in the previous year, mainly results from capitalization of development costs. The scope of development activities to secure the company's market position, increase its innovativeness and to achieve unique selling points was increased sharply in fiscal 2012. Moreover, the inclusion of the companies acquired in the previous year for the first time for the year as a whole resulted in an increase in own work capitalized.

## 13. Other operating income

The other operating income is composed as follows:

### Other operating income

	2012 € thou.	2011 € thou.
Currency gains	350	308
Reduction in allowances for doubtful accounts	316	211
Income from retirement of noncurrent assets	265	59
Compensation paid from insurance	257	58
Income from property and rent	216	207
Refunds for health insurance/reintegration/income from passed-on charges	206	332
Supplier grants	192	111
Income from damages	59	68
Income from written-down receivables	40	0
Income from reversal of write-downs of noncurrent assets	0	584
Other	896	786
	<b>2,797</b>	<b>2,724</b>

The "Other" item contains a large number of individual items; a presentation of them is dispensed with.

#### 14. Cost of materials

The cost of materials is composed as follows:

##### Cost of materials

	2012 € thou.	2011 € thou.
Cost of raw materials and supplies and goods purchased	111,352	97,342
Cost of purchased services	59,650	62,277
	<b>171,002</b>	<b>159,619</b>

#### 15. Personnel costs

The personnel costs are composed as follows:

##### Personnel costs

	2012 € thou.	2011 € thou.
Wages and salaries	78,507	64,483
Social security	15,081	12,447
	<b>93,588</b>	<b>76,930</b>

Average number of employees per year:

##### Employees

	2012	2011
Hourly-paid employees	812	703
Salaried employees	785	651
Trainees	102	101
	<b>1,699</b>	<b>1,455</b>

The increase in personnel costs and the workforce is mainly due to the divisions that were newly acquired in fiscal 2011 and that were included for the whole year in fiscal 2012.

The companies included in the consolidated financial statements for the first time accounted for a yearly average of 40 employees on a pro rata temporis basis, or 98 employees at the balance sheet date.

## 16. Amortization and depreciation expense

Amortization and depreciation is composed as follows:

### Amortization and depreciation

	2012 € thou.	2011 € thou.
Amortization of intangible assets	4,751	3,673
Depreciation of tangible assets	3,192	2,890
	<b>7,943</b>	<b>6,563</b>

Dormant reserves totaling €915 thousand (previous year: €3,762 thousand) before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2012. The amortization and depreciation for this in fiscal 2012 was €82 thousand (previous year: €971 thousand).

## 17. Other operating expenses

Other operating expenses are composed as follows:

### Other operating expenses

	2012 € thou.	2011 € thou.
Vehicle and travel expenses	13,175	9,974
Rent/room costs	6,334	4,853
Legal and consulting costs	4,061	4,305
Trade fair and advertising costs	2,586	2,002
Cost of goods consignment	2,093	1,371
Communication expenses	1,802	1,705
Administrative expenses	1,719	1,128
Maintenance and repair	1,438	1,229
Commission	1,361	1,172
Further training costs	1,153	1,017
Running costs	873	1,186
Exchange rate losses	19	25
Other	6,355	5,294
	<b>42,969</b>	<b>35,261</b>

The increase in these expenses is mainly due to the first-time inclusion of telent GmbH for a full fiscal year and integration costs and non-recurring effects. The "Other" item mainly relates to expenses from the introduction of new IT and software structures, costs in connection with optimizing the real estate structure and the costs for other smaller integration measures and non-recurring expenses.

## 18. Net financial result

**Net financial result**

	2012 € thou.	2011 € thou.
Interest income	175	77
Interest expenses	-4,520	-5,407
<b>Net interest income/loss</b>	<b>-4,345</b>	<b>-5,330</b>
Other financial expenses	-511	-1,034
<b>Net financial result</b>	<b>-4,856</b>	<b>-6,364</b>

The other financial expenses of –€511 thousand (previous year: –€1,034 thousand) are mainly changes in the value of financial assets of € –261 thousand (previous year: € –371 thousand) and expenses in connection with securities lending transactions of –€250 thousand (previous year: –€323 thousand).

**Total interest income and expense**

	2012 € thou.	2011 € thou.
For financial instruments not carried at fair value in acc. with IAS 39:		
Total interest expense	-4,265	-4,978
Total interest income	157	59

**Net gains and losses from financial instruments**

	2012 € thou.	2011 € thou.
Cash and cash equivalents and receivables	-503	-1,457
Available-for-sale financial assets	-192	-544
of which carried in the other comprehensive income	0	-169
of which carried in the income statement	-192	-371
Financial liabilities measured at amortized cost	-3,508	-4,883

The net gains and losses from financial instruments comprise measurement gains and losses, subsequent measurement of disgios, the recognition and reversal of impairment write-downs, gains and losses from currency translation and interest and losses from the disposal of assets. Net gains or net losses from available-for-sale financial assets contain income from write-downs/write-ups, and the transfers of valuation effects from equity when the assets are sold or disposed of.

## 19. Income taxes

## Income taxes

	2012 € thou.	2011 € thou.
Current taxes in Germany	3,057	2,560
Deferred taxes in Germany	-400	1,372
Current taxes abroad	617	975
Deferred taxes abroad	124	31
	<b>3,398</b>	<b>4,938</b>

Deferred tax assets totaling €1,244 thousand were recognized directly in equity in fiscal 2012. €880 thousand of this was from deferred tax assets that had to be recognized in the other comprehensive income as part of the first-time application of IAS 19 R. In addition, there were (net) deferred tax assets of €364 thousand that were recognized as part of the business combination in 2012. There were no deferred taxes that were taken directly to equity in the previous year.

Net income taxes include income taxes for previous years totaling €275 thousand (previous year: €365 thousand) and tax refunds of €104 thousand (previous year: €218 thousand).

The table below presents a reconciliation of the expected tax expense in each fiscal year to the actual tax expense 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

	2012 € thou.	2011 € thou.
Income before income taxes	12,226	17,798
Expected tax expense	3,668	5,340
Income from securities lending	-1,500	-1,215
Non-deductible expenses	314	119
Non-recognition of deferred taxes on loss carryforwards	554	651
Use of loss carryforwards not recognised to date/change in allowance	-18	-160
Effects of different national tax rates	109	-78
Tax arrears/refunds	171	147
Other	100	134
Actual tax expense	3,398	4,938
Effective tax rate	27.8%	27.7%

## 20. Share of non-controlling interests in consolidated net income for the period

The share of non-controlling interests in the consolidated net income for the period relates to Qubix S.p.A., Padua, and MICROSENS GmbH & Co. KG, Hamm.

## 21. Earnings per share

The number of issued shares in 2012 was still 6,663,799 registered shares.

Undiluted earnings per share are calculated as follows:

### Undiluted earnings per share

	2012	2011
Earnings for euromicron AG shareholders in € thousand	8,568	12,190
Number of shares issued at the beginning of the fiscal year	6,663,799	5,125,999
Weighted shares from capital increase	0	122,181
Adjusted weighted average number of shares issued (undiluted)	6,663,799	5,248,180
<b>Undiluted earnings per share in €</b>	<b>1.29</b>	<b>2.32</b>

The earnings for euromicron AG shareholders correspond to the consolidated net income for the period minus the earnings for non-controlling interests. 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. There was no dilution effect at the time the consolidated financial statements were prepared. As a result, both figures are the same.

### Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2012, in accordance with the German Commercial Code (HGB) disclose net retained profits of €3,857,776.20. The Executive Board and Supervisory Board want shareholders to participate adequately in the company's success, yet also to strengthen the equity of euromicron Aktiengesellschaft in order to secure the foundation for planned growth and the integration course. By mutual agreement, the Executive Board and Supervisory Board propose to the General Meeting to pay a dividend of €0.30 (previous year: €1.15) for the 6,663,799. That corresponds to a total distribution of €1,999,139.70 (previous year: €7,663,368.85). An amount of €1,858,636.50 (previous year: €2,585,675.19) is to be carried forward to a new account.



## Other details

### 22. Notes on the statement of cash flows

In accordance with IAS 7, the statement of cash flows presents the changes in cash and cash equivalents reported in the consolidated balance sheet under the item "Cash and cash equivalents" which comprises 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. It should also be noted that trade receivables of €3,599 thousand were additionally contributed to the plan assets in fiscal 2012 under the Contractual Trust Agreement. The net cash provided by operating activities was €6,958 thousand, a year-on-year increase of €6,485 thousand. The improvement in the cash flow from operating activities was achieved by efficient receivables management, optimized stock management and systematic utilization of suppliers' terms and conditions. The increase in outpayments for the other operating liabilities was partly caused by the decline in payments on account for deliveries and services.

Net cash outflow from investing activities is calculated from the cash inflow 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 was €13,289 thousand, €7,108 thousand below the previous year's figure of €20,397 thousand. The decline is due in particular to the fact that the cash flow from investing activities in the previous period was substantially impacted by the acquisition of telent. The increase in outpayments for intangible assets in fiscal 2012 is attributable to the increase in own work capitalized.

The net cash provided by financing activities was €4,445 thousand and so lower than the previous year's €18,651 thousand. The net cash provided by financing activities in the previous period was sharply impacted by a capital increase and the emission of a borrower's note loan.

## 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.	3 to 5 years € thou.	More than 5 years € thou.
Bill of exchange obligation	2,910	2,910	0	0	0
Operating lease	8,242	4,131	2,802	1,309	0
Rental agreements	17,499	5,008	3,804	6,650	2,038
Purchase obligation	18,735	18,325	328	82	0
	<b>47,386</b>	<b>30,374</b>	<b>6,933</b>	<b>8,041</b>	<b>2,038</b>
Previous year	43,200	27,480	6,374	7,506	1,840

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

As in the previous year, there were no contingent liabilities at the euromicron Group in fiscal 2012.

Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminals agreements and mainly relate to operating and office equipment, such as cars, office machines or PC workstations, and communication technology and total €8,242 thousand. In fiscal 2012, payments from these leasing arrangements totaled €4,294 and were recognized in the income statement. Conditional lease payments of €15 thousand (previous year: €0 thousand) were recognised. There was no subleasing as part of operating lease agreements at the euromicron Group.

## 24. Segment reporting

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

Up to now, euromicron reports in the operating segments North, South and WAN services, as well as Central services and Group consolidations. The reporting segments comprise all CGUs that can be assigned to the operating segments 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 income taxes (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 companies right down to procurement of individual components at the distributors. Despite the depth of expertise, the system houses offer vendor independence in the market, which is documented by their certification for key technologies. In the second phase of its strategy ("buy and build"), euromicron expanded its business 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 area coverage 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 "Central services" and "Group consolidations". The focus in the "build and integrate" phase, which has been intensified since 2009, is to make all the main and profitable competences of euromicron available at every location, both as regards sales and implementation expertise. This phase also requires intensive observation of how the company's area coverage 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, this important segment can be controlled and developed 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 the structuring into the subsections "Components", "Networks", "Distribution" and "International Services" in brochures, as well as in our Internet presence. These help visualize the competence and value chain of euromicron, but are not a controlling instrument.

The sales and earnings reported to the main decision-maker are measured in accordance with the same principles as in the income statement.

Transactions within and between the segments are reflected at market prices (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, 2012 (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

	Sales North	Sales South	Sales WAN services	Total Segments	Central Services and Group consolidations	euromicron Group
2012	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	108,289	119,163	102,578	330,030	–	330,030
Sales within the Group	3,356	12,361	263	15,980	–15,980	–
<b>Total sales</b>	<b>111,645</b>	<b>131,524</b>	<b>102,841</b>	<b>346,010</b>	<b>–15,980</b>	<b>330,030</b>

	Sales North	Sales South	Sales WAN services	Total Segments	Headquarters Services and Group consolidations	euromicron Group
2011	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	111,969	126,532	66,805	305,306	–	305,306
Sales within the Group	4,817	11,101	44	15,962	–15,962	–
<b>Total sales</b>	<b>116,786</b>	<b>137,633</b>	<b>66,849</b>	<b>321,268</b>	<b>–15,962</b>	<b>305,306</b>

Sales in Germany were €298.9 million (previous year: €267.8 million), in the Euro zone €25.5 million (previous year: €34.2 million) and in the Rest of the World €5.6 million (previous year: €3.3 million). The sales relate to the geographical location of the customers.

### EBIT by report segments: summary for euromicron and consolidation

	2012 € thou.	2011 € thou.
EBIT North	14,450	18,936
EBIT South	520	6,880
EBIT WAN services	7,995	4,132
Central services and Group consolidations	–5,883	–5,786
<b>Consolidated EBIT for the Group</b>	<b>17,082</b>	<b>24,162</b>

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

#### Amortization and depreciation

	2012 € thou.	2011 € thou.
North, consolidated	-3,275	-2,861
South, consolidated	-2,368	-2,441
WAN services, consolidated	-1,989	-1,136
Central services and Group consolidations	-311	-125
<b>Consolidated depreciation / amortization for the Group</b>	<b>-7,943</b>	<b>-6,563</b>

In accordance with IFRS 8.33b, noncurrent assets are €122,614 thousand in Germany (previous year: €117,078 thousand) and €21,958 thousand in the Euro zone (previous year: €21,419 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 adhered to by the 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 mainly in changes in the market situation, financing situation and interest rates. To minimize them, the basic elements of the business and financial policy are defined by the Executive Board and monitored by the Supervisory Board. In turn, Finance and Controlling is responsible for operationally implementing the financial policy and constant risk management.

**Market risks**

In principle, euromicron is dependent on economic trends in the Euro zone; as in the previous year, the German market accounts for around 90% of the company's sales and so is crucial to its success. Germany is also home to most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers so as to be able to offer top-quality products and services at competitive prices.

**Risks of default**

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual and general allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned, since no one customer accounts for more than 8.0% of total sales (previous year: 7.9%). 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 the amount of the book values of the financial assets carried on the balance sheet.

**Financing and liquidity risks**

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

A further financial risk for the euromicron Group is supplying the business operations at the units with liquidity. euromicron AG must ensure that financing of the operating units through the cash pool retains value. This is achieved by a permanent and standardized management information system that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

**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, 2012, will result in interest expenses of around €5.8 million (previous year: €7.9 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 2012 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €402 thousand lower (€402 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

#### Internal control system

In order to comply with statutory requirements, the euromicron Group continued to focus in fiscal 2012 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 2012, 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 euomicron Group or exert a significant influence on its financial and business policy or the euomicron Group has a significant influence over them.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €54 thousand was paid for the services. Further relations with members of the Executive Board and Supervisory Board are explained in section 32.

Apart from that, there were no transactions with other related parties or 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 2012, euomicron 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, and in its amended version dated May 15, 2012, as of its publication on June 15, 2012. 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.euomicron.net/investor-relations/corporate-governance-12> and can be read in the annual financial statements.

## 28. Stock option program/ securities transactions requiring disclosure

There is currently no new stock option program or comparable incentive system based on securities. The members of the Executive Board and Supervisory Board do not hold more than 1% of the shares issued by euomicron AG directly or indirectly.



### 29. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of €925 thousand (previous year: €1,028 thousand). €629 thousand (previous year: €711 thousand) relate to auditing of the financial statements of the companies and the Group. They include expenses of €85 thousand (previous year: €181 thousand) for prior periods. They also include costs for other confirmation or valuation services (€12 thousand; previous year: €13 thousand), tax consulting services (€274 thousand; previous year: €44 thousand) and other services (€10 thousand; previous year: €260 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, 2012.

### 31. Publication of the consolidated financial statements

On March 26, 2013, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 27, 2013, 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 107. Exceptions are Stark- und Schwachstrom Montage GmbH, as well as 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 Czariske v. Gronau Berz GbR, Munich

#### **Josef Martin Ortoif, Deputy Chairman**

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

#### **Dr. Andreas de Forestier**

Managing Director of EMBE Immobiliengesellschaft mbH, Munich  
Managing Director of BEGO Immobilien Management GmbH, Hamm  
Managing Director of BEGO Immobilien Verwaltung GmbH, Hamm  
Managing Director of BEGO Vermögens- und Verwaltungs-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 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 total compensation in compliance with the Articles of Association of €63 thousand (previous year: €120 thousand), which is composed of a fixed payment of €45 thousand (previous year: €45 thousand) and a performance-related payment of €18 thousand (previous year: €75 thousand).

In fiscal 2012, the Executive Board received a total remuneration of €1,533 thousand (previous year: €2,029 thousand); the variable payment made up €775 thousand of this (previous year: €1,385 thousand). In addition, €22 thousand (previous year: €26 thousand) from the pension commitments to Executive Board members was recognized in the income statement in fiscal 2012.

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

### 33. Declaration by the legal representatives

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

Frankfurt/Main, March 25, 2013

Dr. Willibald Späth  
Chairman of the Executive Board

Thomas Hoffmann  
Executive Board

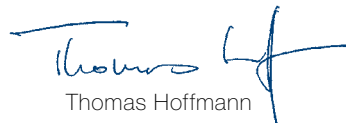
## Declaration by the legal representatives

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Frankfurt/Main, March 25, 2013

euromicron AG

  
Dr. Willibald Späth

  
Thomas Hoffmann