Consolidated Financial Statements (IFRS)

For the fiscal year 2009

Consolidated balance sheet of the euromicron Group

as of December 31, 2009 (IFRS)

ASSETS

	Note	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Noncurrent assets			
Intangible assets	(1)	93,623	86,103
Property, plant and equipment	(1)	10,913	8,965
Financial assets	(1)	1,082	44
Other assets	(4)	188	108
Deferred tax assets	(2)	1,405	1,042
		107,211	**96,262**
Current assets			
Inventories	(3)	13,235	14,353
Trade accounts receivable	(4)	51,197	45,126
Other assets	(4)	4,489	5,128
Securities and cash	(5)	9,773	11,246
		78,694	**75,853**
		185,905	**172,115**

LIABILITIES AND STOCKHOLDERS' EQUITY

	Note	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Stockholders' equity (equity ratio 43.2%/42.9%)	(6)		
Subscribed capital (composed of 4,660,000 no-par value shares/authorized capital €5,957 thousand)		11,914	11,914
Treasury shares at acquisition cost		–2,941	–2,941
Additional paid-in capital		61,781	61,781
Gain/loss on the valuation of securities		–358	–429
Consolidated retained earnings		–2,124	–5,689
Net income for the period		10,744	8,067
Minority interests		1,248	1,098
		80,264	**73,801**
Long-term debt			
Accrued liabilities	(7)	1,011	446
Liabilities to banks	(8)	8,158	13,426
Liabilities from finance lease	(8)	543	39
Financial debt	(8)	10,000	10,000
Other liabilities	(8)	102	142
Deferred taxes	(9)	5,189	4,295
		25,003	**28,348**
Current liabilities			
Accrued liabilities	(7)	1,467	3,515
Trade accounts payable	(8)	20,519	13,620
Liabilities to banks	(8)	49,814	45,053
Liabilities from finance lease	(8)	199	74
Tax liabilities	(8)	2,608	2,748
Personnel obligations	(8)	1,105	1,206
Other current liabilities	(8)	4,926	3,750
		80,638	**69,966**
		185,905	**172,115**

Income statement

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

INCOME STATEMENT

	Note	2009 € thou.	2008 € thou.
Net sales	(11)	**187,334**	**164,628**
Inventory changes		–6,882	–1,427
Own work capitalized	(12)	1,702	358
Other operating income	(13)	2,101	2,618
Cost of materials	(14)	–92,468	–83,517
Personnel costs	(15)	–48,136	–43,009
Depreciation and amortization expense	(16)	–3,060	–2,847
Other operating expenses	(17)	–22,554	–20,804
Operating profit		**18,037**	**16,000**
Interest income	(18)	103	181
Interest expenses	(18)	–2,935	–4,143
Income before income taxes		**15,205**	**12,038**
Income taxes	(19)	–3,758	–3,305
Consolidated net income for the period, before minority interests		**11,447**	**8,733**
Minority interests	(20)	–703	–666
Consolidated net profit		**10,744**	**8,067**
Undiluted earnings per share (EPS) in €	(21)	**2.39**	**1.78**

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

STATEMENT OF CASH FLOWS

Note (22)	2009 € thou.	2008 € thou.
Income before income taxes	15,205	12,038
Net interest income/loss	2,832	3,962
Depreciation and amortization of noncurrent assets	3,060	2,847
Reversal of write-downs of noncurrent assets	0	–215
Disposal of assets, net	–284	–48
Allowances for inventories and doubtful accounts	309	784
Partial profits realized using the POC method	–3,232	–1,577
Change in accrued liabilities	–1,309	–447
Change in deferred taxes	1,204	2,234
Cash flow	**17,785**	**19,578**
Changes in short- and long-term assets and liabilities:		
– Inventories	5	–10,995
– Trade accounts receivable	3,935	8,778
– Trade accounts payable	860	572
– Other operating assets	888	–1,085
– Other operating liabilities	– 2,344	– 4,731
– Income tax paid	– 4,585	– 3,406
– Income tax received	76	536
– Interest paid	– 2,671	– 5,070
– Interest received	276	351
Cash provided by operating activities	**14,225**	**4,528**
Proceeds from retirement/disposal of		
– Intangible assets	0	4
– Property, plant and equipment	640	203
– Financial assets	0	28
– Consolidated companies	0	0
Disbursements due to acquisition of		
– Intangible assets	–2,977	–2,222
– Property, plant and equipment	–3,557	–1,927
– Financial assets	–934	–4
– Consolidated companies	–3,044	–9,378
Net cash used in investing activities	**–9,872**	**–13,296**
Dividends paid	–4,503	–3,605
Proceeds from raising of financial loans	0	14,690
Disbursements due to repayment of financial loans	–836	–1,750
Distributions to/drawings from minority interests	–552	–252
Treasury shares	0	–1,261
Net cash provided by financing activities	**–5,891**	**7,822**
Net change in cash and cash equivalents	–1,538	–946
Cash and cash equivalents at start of period	10,166	11,112
Cash and cash equivalents at end of period	**8,628**	**10,166**

Statement of changes in stockholders' equity

of the euromicron Group up to December 31, 2009 (IFRS) euromicron

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Subscribed capital € thou.	Additional paid-in capital € thou.	Treasury shares € thou.
Balance at December 31, 2007	**11,914**	**61,781**	**–1,680**
Dividend for 2007			
Consolidated net income for 2008			
Purchase of treasury shares			–1,261
Gain/loss on the valuation of securities			
Profit share for minority interests			
Other changes in stockholders' equity			
Balance at December 31, 2008	**11,914**	**61,781**	**–2,941**
Dividend for 2008			
Consolidated net income for 2009			
Purchase of own shares			
Gain/loss on the valuation of securities			
Profit share for minority interests			
Distributions to/drawings from minority interests			
Balance at December 31, 2009	**11,914**	**61,781**	**–2,941**

	Consolidated retained earnings € thou.	Gain/loss on the valuation of derivatives and securities € thou.	Minority interests € thou.	Total € thou.
	–2,084	**–170**	**684**	**70,445**
	–3,605			–3,605
	8,067			8,067
				–1,261
		–259		–259
			666	666
			–252	–252
	2,378	**–429**	**1,098**	**73,801**
	–4,503			–4,503
	10,744			10,744
				0
		71		71
			703	703
			–552	–552
	8,619	**–358**	**1,249**	**80,264**

Statement of comprehensive income

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

	2009 € thou.	2008 € thou.
Consolidated net income for the period, before minority interests	**11,447**	**8,733**
Gain/loss on the valuation of securities	71	– 259
Other profit/loss	**71**	**–259**
Total result	**11,518**	**8,474**
Of which minority interests	703	666
Of which shareholders of euromicron AG	**10,815**	**7,808**

Since there were no tax effects in the other profit/loss as part of the statement of comprehensive income, a detailed presentation has been dispensed with.

Notes to the IFRS consolidated financial statements for fiscal year 2009

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

General information

1. Description of business activities

euromicron AG (hereinafter referred to as the "Company") is a registered company under German law with headquarters in Frankfurt/Main and is mainly active in the areas of network and fiber optics technology. The euromicron Group is a leading solution provider of communications systems and security networks and boasts production expertise in the field of fiber optics technology. Its range of services covers the planning, implementation and maintenance of communications and security networks and the development, production and distribution of network components based on copper, optical fiber and wireless technology. The product portfolio includes smaller active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. These are integrated components of WANs and LANs used 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, 2009. All the mandatory standards at the balance sheet date were applied.

The following standards that had to be applied for the first time for fiscal year 2009 had effects on the period under review for the euromicron Group. Standards that had to be applied for the first time and which did not result in any changes in preparation of the financial statements for the euromicron Group have not been listed.

IFRS 8 Business segments
Segment reporting is carried out on the basis of information used by management to control the company. The regulations are of relevance to the euromicron Group and are applied in compliance with the standard. The change in application of IFRS 8 resulted in changes of presentation.

IAS 1 Presentation of financial statements
Changes in presentation of financial statements in accordance with IAS 1 are of relevance to the euromicron Group and have been taken into account in the shape of the first-time presentation of a statement of comprehensive income.

IFRS 1/ IAS 27	First-time application of the International Reporting Standards / consolidated and separate financial statements The changes relating to the costs of acquiring shares in subsidiaries (cost of an investment) are of relevance to the euromicron Group, but did not result in any changes in fiscal 2009.

As part of the Annual Improvement Project, adaptations in formulation were made to a number of existing standards (terminological or editorial corrections or clarifications), as well as adaptations with an effect on the recognition, measurement and reporting of business transactions. Possible effects have been examined and implemented by the euromicron Group, but did not result in any corrections.

The following standards that have been published by the EU Commission, but whose application is not yet mandatory, were also not used by euromicron AG before they apply:

IFRS 3 revised 2008/ IAS 27	Business combinations / consolidated and separate financial statements Mandatory application for fiscal years that start on or after July 1, 2009 (endorsement has been given). The main new features relate to the measurement of minority interests, treatment of contingent components of the purchase price, treatment of incidental acquisition costs and accounting of step acquisitions. Minority interests are measured either at their fair value (full goodwill method) or at the proportionate fair value of the identifiable net assets. Adjustments to contingent components of the purchase price are recognized as income. In future, incidental acquisition costs will be carried as expense. The regulation is of relevance to the euromicron Group and its impact when applied in fiscal year 2010 is being examined.
IAS 23	Borrowing costs The changes to IAS 23 eliminate the option of recognizing interest on borrowings as part of the acquisition, construction or production of qualifying assets directly as expense. As of January 1, 2009, such borrowing costs must be included in the costs of acquisition, construction or production for qualifying assets. The changes are of relevance to the euromicron Group, but did not have any impact in the past fiscal year.
IAS 39	Financial instruments – Recognition and measurement Mandatory application for fiscal years that start on or after July 1, 2009 (endorsement has been given). In particular, the changes provide additional guidelines for the designation of hedging transactions. The regulation is of relevance to the euromicron Group and its impact when applied in fiscal year 2010 is being examined.

Other standards which can be applied in the fiscal year, but are not mandatory and not relevant to the euromicron Group, are not listed here.

Standards that have been published, but not adopted into EU law, are not applied and are also not explicitly listed here. The euromicron Group expects that application of the standards published at the balance sheet date, but not yet in force, will not have any significant effects on the Group's financial position, net assets and results of operations in future periods.

3. Other details

The consolidated financial statements of euromicron AG are presented in thousands of euros, unless stated otherwise.

The balance sheet is presented by noncurrent and current assets and liabilities in accordance with IAS 1. Current assets and liabilities are items that are due within a year. Depending on when they are due, inventories, trade accounts receivable and trade accounts payable are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle.

The income statement has been prepared in accordance with IAS 1,102 using the type of expenditure format.

Estimates and assumptions must be made to a certain extent in the consolidated financial statements; the value of assets, liabilities and contingent liabilities, as well as expenses and income in the reporting period, depend on these. The actual later figures may differ from the amounts reported in the consolidated financial statements.

Consolidated companies

Apart from euromicron AG, the consolidated financial statements include 19 companies in which euromicron AG directly or indirectly holds the majority of voting rights and/or can determine the financial and business policy of a company. They comprise 16 German and 3 foreign companies. The included financial statements of the companies were audited by independent auditors and each granted an unqualified audit opinion or certification relating to their inspection.

A list of consolidated and unconsolidated companies is provided at the end of the notes.

There were the following changes to the consolidated companies in the fiscal year:

CHANGES IN CONSOLIDATED COMPANIES

	2009	2008
January 1	14	16
First-time consolidation	5	4
Mergers within the Group	0	–6
December	**19**	**14**

(a) Significant acquisitions of subsidiaries and other business units in fiscal year 2009 in accordance with IFRS 3

With the notarized agreement dated October 15, 2009, euromicron AG acquired SSM Service Gesellschaft mbH (hereinafter referred to as SSM Service GmbH), Hamburg, at a price (including incidental costs) of €1,842 thousand. SSM Service GmbH is a system house that focuses on voice transmission and boasts great expertise, in particular in NEC Philips telecommunications systems.

With the notarized agreement dated December 22, 2009, euromicron AG acquired Skyline Communication Systems GmbH, Kaarst (hereinafter referred to as Skyline GmbH), at a price (including incidental costs) of €275 thousand. Skyline GmbH is a distribution company that rounds out euromicron AG's profile in the field of small and medium-sized telecommunications systems.

With the notarized agreement dated November 20, 2009, euromicron AG acquired Engel Vermietungs- und Servicegesellschaft mbH, Haan (hereinafter referred to as Engel VuS GmbH), including its subsidiary Engel Technik GmbH, Haan (hereinafter referred to as Engel Technik GmbH), at a price (including incidental costs) of €1,281 thousand. Since both companies form an entity in organizational and commercial terms, their figures have been combined in the following presentations. Engel VuS GmbH develops and delivers complex IT and communication concepts in the business segments of communication, information, security and energy.

With the notarized agreement dated November 27, 2009, euromicron AG acquired FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH, Darmstadt at a price (including incidental costs) of €729 thousand. The focus of the system house's activity is on telecommunications systems and data networks.

All the shares were acquired in each case. With the exception of €526 thousand, all the purchase prices were paid in cash. In the case of Engel Vermietungs- und Servicegesellschaft mbH, we assumed liabilities of the seller with a nominal and fair value of €526 thousand as part of the purchase price.

The acquiring shareholders are fully entitled to the rights to participate in profits at the acquired stock corporations for fiscal 2009.

In the year under review, there was no subsidiary whose financial statements were prepared in a currency other than euros.

The book values directly before the combination and the dormant reserves (fair values) of the assets and liabilities of the newly acquired companies upon first-time consolidation and the resultant goodwill are shown below. Consequently, the additions from changes to the consolidated companies are no longer shown separately in the following notes on the balance sheet items.

ADDITIONS FROM NEWLY ACQUIRED COMPANIES

	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Skyline	FED	Engel VuS/ Engel Technik	SSM Service	Qubix	Total
Noncurrent assets	1	121	222	82	0	426
Inventories	0	23	385	235	0	643
Receivables and other assets	434	71	1,555	816	0	2,876
Cash and cash equivalents	149	244	66	177	0	636
Prepaid expenses and deferred taxes	0	3	95	110	0	208
Assets acquired	**584**	**462**	**2,323**	**1,420**	**0**	**4,789**
Pension provisions	0	0	0	514	0	514
Tax provisions	0	0	19	31	0	50
Other provisions	0	113	0	0	0	113
Liabilities to banks	0	0	329	0	0	329
Trade accounts payable and payments on account	696	37	955	591	0	2,279
Other liabilities	70	297	1,908	454	0	2,729
Deferred income	0	36	285	36	0	357
Liabilities acquired	**766**	**483**	**3,496**	**1,626**	**0**	**6,371**
Balance of acquired assets and liabilities = equity at the time of acquisition	**–182**	**–21**	**–1,173**	**–206**	**0**	**–1,582**
Purchase price	275	729	1,281	1,842	80	4,207
Dormant reserves on order books	0	–53	–479	–265	0	–797
Deferred taxes on dormant reserves	0	16	144	79	0	239
Goodwill	**457**	**713**	**2,119**	**1,862**	**80**	**5,231**

80 thousand of subsequent incidental costs for the acquisition of Qubix S.p.A. have been carried as an asset.

The newly acquired companies were consolidated at different times in the Group. The pro-rata sales and net profit from the new companies reported in the Group and the sales and net profit for the whole of 2009 are shown below.

ADDITIONS FROM NEWLY ACQUIRED COMPANIES

	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Skyline	FED	Engel VuS/ Engel Technik	SSM Service	Total
Pro-rata figures – consolidated					
Sales	269	197	2,464	2,718	5,648
Net profit	3	147	860	510	1,520
2009 as a whole					
Sales	1,326	834	7,443	7,883	17,486
Net profit	–428	–119	–2,004	153	–2,398

(b) Other changes to the consolidated companies

The name of Cteam Consulting & Anlagenbau, Seekirchen am Wallersee, Austria, was changed to euromicron austria GmbH, Seekirchen, pursuant to the resolution adopted by the General Meeting on March 31, 2009.

The name of Cteam Kommunikationstechnik GmbH Errichtung von Mobilfunkanlagen, Stuttgart, was changed to ckt GmbH pursuant to the resolution adopted by the General Meeting on August 20, 2009; its registered offices are in Munich.

EUROMICRON Werkzeuge GmbH, Mittenaar, moved its registered offices to Sinn-Fleisbach effective January 1, 2009, pursuant to the resolution adopted by the General Meeting on June 9, 2008.

Consolidation principles

The assets and liabilities included in the consolidated financial statements are carried in accordance with the consistent accounting and measurement principles of euromicron AG in compliance with IAS 27.

Company acquisitions are carried using the purchase method of accounting. Under this, the costs of acquisition of euromicron AG, including the directly attributable incidental acquisition costs, are offset with the pro rata stockholders' equity of the individual subsidiaries at the time the stake was acquired.

The difference from capital consolidation (first-time consolidation) is analyzed as part of purchase price allocation to determine its cause. If it is due to the fact that dormant reserves or dormant charges have to be distributed over the individual assets and debts, the difference – after allowing for deferred taxes against the stockholders' equity – is assigned to the items in the consolidated balance sheet as a result of appropriate corrections. The amount above and beyond this is carried as goodwill under the intangible assets. Existing and acquired goodwill is not written off using the regular method of depreciation, in accordance with IFRS 3, but examined for impairment at least once a year, and if their value has been impaired, in accordance with the regulations of IAS 36.

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

If valuation adjustments for shares of consolidated companies or intragroup receivables are carried in individual financial statements, they are reversed as part of consolidation.

Receivables and payables between the companies included in the consolidated financial statements are offset against each other. Any differences resulting from this are recognized as income and carried in the income statement under the other operating income and expenses.

As part of consolidation of revenue and expenditure, intercompany sales between the included subsidiaries are offset with the material and other expenses incurred on them.

There are no companies in which euromicron AG either directly or indirectly holds more than 20% but less than 50% of the voting rights, with the result that consolidation using the at equity method has not been carried out.

Investments below 20% have not been consolidated.

Notes on the consolidated balance sheet

1. Noncurrent assets

A fixed asset movement schedule can be found on pages 134 to 137 of these notes.

Impairment of long-lived assets:
Property, plant and equipment and intangible 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. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties. Value in use is the present value of the future cash flow expected to be derived from continued use of an asset and its retirement at the end of its useful life. If the reasons for the earlier write-off no longer exist, the assets – with the exception of goodwill – are written up again.

(a) Intangible assets

Intangible assets comprise software, licenses, industrial rights and goodwill, as well as capitalized development costs. Purchased intangible assets, with the exception of goodwill, are capitalized at their cost of acquisition and written down over their useful life of 3 to 15 years. In accordance with IAS 23, borrowing costs are in principle carried as assets if they are related to a qualifying asset and can be directly attributed to it. 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.

Intangible assets with an unlimited useful life, such as goodwill from company acquisitions, are not written off in accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, but are tested for impairment once a year in compliance with the regulations of IAS 36. In this impairment test, the book values at December 31 of the cash generating units on which the goodwill is based are compared with their recoverable amount. The individual companies in conjunction with the regions as operating segments are defined as cash generating units at euromicron AG. The recoverable amount is calculated using the discounted cash flow (DCF) method. The future cash flows to be discounted using the DCF method are determined on the basis of medium-term planning for net assets, financial position and results of operations. Past experience, knowledge of current operating results and estimates by management of future developments are included in this planning. In particular, estimates by management of future developments, such as sales, have the weak point of not being certain. If the book value exceeds the recoverable amount according to the DCF method, there is value impairment and the asset has to be written down to the recoverable amount.

The following parameters were applied in the impairment test:

	in %
Borrowing rate after taxes	3.84
Risk-free interest	4.25
Markup for return on equity	5.00
Beta factor (free of debt)	0.81
Weighted average cost of capital (WACC)	**8.12**
Growth rate	1.00
WACC perpetuity	7.12

The input tax for WACC (perpetuity) in fiscal year 2009 was 7.87%.

The impairment test in 2009 did not reveal any need to reduce the value of the goodwill.

If the weighted average cost of capital (WACC) should rise by 3.5% (previous year: 1%), this would result in a need to reduce the value by €1.3 million at a cash generating unit (CGU).

In addition, there would be a need to reduce the value by €1.3 million if EBIT is 33% below expectations.

Goodwill developed as follows in the fiscal year:

GOODWILL

	2009 € thou.	2008 € thou.
Goodwill as of January 1	78,816	66,910
Additions	5,231	11,916
Amortization	–3	–10
Goodwill as of December 31	**84,044**	**78,816**

The goodwill carried was split over the segments as follows:

ADDITIONS TO GOODWILL

	Goodwill 2009 € thou.	Segment
Engel Vermietungs- und Servicegesellschaft mbH and Engel Technik GmbH	2,119	North
SSM Service Gesellschaft mbH	1,862	North
FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH	713	South
Skyline Communication Systems GmbH	457	North
Subsequent incidental acquisition costs for Qubix S.p.A.	80	South
	5,231	

The standard for measuring assets, liabilities or contingencies is the fair value at the time the company was acquired.

Dormant reserves on order books totaling €557 thousand after deduction of deferred taxes were identified as part of purchase price allocation for companies acquired in the fiscal year. The anticipated surpluses from this were discounted at a rate of interest that reflects the risks. The useful life of order books is between one and three years. Due to the lack of legal binding force and the fact that only access to the existing customer structures in the euromicron Group was increased as a result of the company acquisitions, a customer base was not at the company's disposal and so, for lack of controllability, was not identifiable or separable as an asset. Development costs in the narrower sense were not material and were only be identifiable as part of customary individual order costs. Patents, trademarks or licenses for which dormant reserves could be formed do not exist and there are no contingent liabilities.

Development costs are carried at manufacturing cost, provided the expenses can be clearly assigned, technical feasibility and future marketing is ensured and it is sufficiently likely that the development work will result in future inflows of funds. Borrowing costs are carried in accordance with IAS 23 if they can be attributed to an individual asset. Development costs of €1,689 were carried in the year under review (previous year: €1,759 thousand) and written down using the straight-line method over their individual useful life (3 to 6 years). Depreciation/amortization expense is reported in the depreciation/amortization in the income statement. There were also other own work capitalized of €13 thousand (total: €1,702 thousand).

(b) Property, plant and equipment

Property, plant and equipment is carried at its acquisition or manufacturing cost less regular depreciation. Borrowing costs are carried as assets in accordance with IAS 23 if they can be attributed to an individual assets. Depreciation is straight-line. The following useful lives are used to calculate depreciation:

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

In accordance with the new tax regulations, minor assets with a procurement cost of up to €150 are depreciated in full in the year of their acquisition, whereas minor assets with a procurement cost of between €150 and €1,000 are depreciated over a period of 5 years. 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.

The criteria of IAS 17.8 are used to examine whether the benefits and risks of ownership have been transferred to the lessee (finance leases). If the criteria are met, the assets and liabilities are recognized at the inception of the lease to the same amount in the balance sheet, at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The amount is the lower of the fair value of the leased asset or the present value of the minimum lease payments. Leased equipment, operating and office equipment totaling €790 thousand net (previous year: €54 thousand) were carried as finance leases at December 31. Finance leases are used to fund assets with a service life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group.

Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The future payment obligations from lease agreements are carried under the other liabilities.

All other lease agreements in which euromicron AG is the lessee are recognized as operating leases. The leasing payments are charged to expenditure.

A detailed breakdown of property, plant and equipment is contained in the fixed asset movement schedule.

(c) Financial assets

Additions of financial assets are measured in principle at their cost of acquisition, including transaction costs.

The financial assets are subsequently measured at their cost of acquisition or fair value, if the latter is significantly and/or continuously below the book value of the shares.

5% of the capital stock in RemoteMDx Inc., Utah, USA, was acquired in the year under review. Acquisition of the shares came with the exclusive right to use licensees in the field of healthcare and humane enforcement of sentences in all countries where euromicron has access to the market. An analysis of the fair value was conducted as part of the annual financial statements and confirmed their intrinsic value.

Since the company's liquidity situation appears secure, we assume a positive future for the company. In addition, the licenses acquired by us retain their full value, separate from the company's earnings strength.

2. Deferred tax assets

Deferred taxes are recognized for differences in carrying values between the IFRS balance sheet and tax balance sheet (time differences) using the liabilities method in accordance with IAS 12, if these differences are temporary ones.

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

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

DEFERRED TAX ASSETS

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Intangible assets	115	0
Inventories	7,783	4,455
Accrued liabilities	68	7
Other receivables and other assets	241	34
Trade payables	953	0
Loss carryforwards	1,876	1,947
Total deferred tax assets before netting off	**11,036**	**6,443**
Netting off	**– 9,631**	**– 5,401**
Total deferred tax assets after netting off	**1,405**	**1,042**

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, 2009, the Group had corporation income tax loss carryforwards totaling €3,656 thousand (previous year: €7,382 thousand) and trade tax loss carryforwards totaling €1,645 (previous year: €3,401 thousand). The loss carryforwards relate to four domestic holdings and one foreign holding. 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 is incurred and 30.0% respectively if trade tax and corporation income tax are incurred.

The Executive Board is of the opinion that deferred tax assets that have not been written down will most probably be realized.

In accordance with IAS 1.122, this discretionary decision by the Executive Board as regards the accounting method had a significant impact on the financial statements.

No deferred taxes have been formed on the tax loss carryforwards that cannot be used at present totaling €2,594 thousand (previous year: €1,751 thousand).

3. Inventories

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date in accordance with IAS 2.9. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. Borrowing costs are not carried as assets in accordance with IAS 23.4b because inventories are basically order-related and are produced for prompt sale.

The Group's portfolio includes project companies that increasingly report project and installation services running beyond the key date in their balance sheet. In the case of significant services that run beyond the key date and whose costs and pro-rata profit realization can be clearly identified, the Group applies the percentage of completion (POC) method. Since 2009, the output-oriented earned value method has been used to determine the percentage of completion. The progress of a project at the balance sheet date is reflected in terms of value on the basis of a project structure plan and cost and contribution margin budgeting for each project. In accordance with IAS 8.29 a, this is a change in the measurement method from the previously used cost-to-cost method. Management of the project companies regularly reviews all assessments of the project orders, including for possible order risks. The necessary change in method in presenting installation projects that run beyond the key date, in particular those with a high degree of technical complexity or innovation, results in a more accurate statement on value added created in the fiscal year. The change in measurement method resulted in an effect on earnings of €755 thousand.

INVENTORIES

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Raw materials and supplies	6,923	5,518
Work in progress	1,072	1,275
Finished goods and merchandise	5,240	7,560
	13,235	**14,353**

€7,602 thousand of inventories (previous year: €6,602 thousand) are attributable to the euromicron North segment and €5,633 thousand (previous year: €7,751 thousand) to the euromicron South segment. Despite the acquisition of new companies, inventories were able to be reduced sharply, mainly due to a large level of billing of work in progress and finished goods by the balance sheet date. The increase in raw materials and supplies is largely due to the reclassification of inventories totaling €1,138 thousand previously carried under the finished goods and merchandise at one subsidiary.

In accordance with IAS 2.34, there were write-downs on inventories totaling €423 thousand in the fiscal year (previous year: €501 thousand). There were no reversals in the year under review.

4. Receivables and other assets

Accounts receivable are measured at their depreciated acquisition cost. Individual value adjustments are made if the accounts receivable are not recoverable or cannot probably be recovered; the amount of the value adjustments must, however, be able to be determined with sufficient accuracy.

RECEIVABLES AND OTHER ASSETS

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Trade accounts receivable (gross)	51,837	45,726
Allowances for doubtful accounts	−640	−600
Trade accounts receivable (net)	51,197	45,126
Other noncurrent assets	188	108
Other current assets	4,489	5,128
	55,874	**50,362**

The allowances for doubtful accounts comprise individual adjustments for receivables and are carried under the item "Other operating expenses" in the income statement.

TERMS FOR THE TRADE ACCOUNTS RECEIVABLE

		Accounts for which no allowance has been made and that are not overdue at the reporting date	Accounts for which no allowance has been made and are overdue in the following periods of time				
			< 60 days	60–120 days	121–180 days	181–360 days	> 360 days
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Trade accounts receivable Dec. 31, 2009	51,837	39,298	7,985	1,123	1,241	697	1,493
Trade accounts receivable Dec. 31, 2008	45,126	34,990	6,798	1,212	1,169	458	499

As regards the accounts 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.

Non-interest-bearing receivables and other assets with due dates of more than one year are discounted at an adequate rate of interest.

The trade accounts receivable include receivables in foreign currency (exclusively US$) totaling €1,525 thousand (previous year: €60 thousand). Losses from receivables in foreign currency as a result of the exchange rate on the reporting date were €2 thousand (previous year: €1 thousand). There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivable also include receivables from production contracts in accordance with the percentage of completion method. Using the percentage of completion determined on the basis of the output-oriented earned value method and budgeting of contribution margins for each project, the order value realized at the balance sheet date is recognized in income as receivables from production contracts if the cumulative result exceeds the payment on account received from the customer. The amount from these receivables is €20,260 thousand (previous year: €20,030 thousand) and is carried under trade accounts receivable. Received payments on account of €11,511 thousand (previous year: €8,118 thousand) were offset against these receivables from production contracts.

On December 18, 2009, euromicron AG concluded a master agreement on the sale of receivables with a bank based in Germany. 6 other affiliated companies of the euromicron Group are covered by this master agreement. By selling receivables, the companies are able to turn their receivables into liquid funds more quickly and so make a positive contribution to their funding and improve their working capital. Moreover, factoring means that the companies can obtain more favorable financing terms than was previously the case.

There are no risks from these transactions from the point of view of euromicron AG.

Other assets mainly comprise prepaid capital gains tax and solidarity surcharge, as well as creditable taxes from dividend payments of the euromicron Group companies.

The other assets contain amounts of €165 thousand (previous year: €0 thousand) whose payment periods are overdue, but about which there are no doubts as to their recoverability.

5. Securities and cash

Securities and cash comprise cash on hand and in banking accounts, as well as marketable securities. The securities are exclusively qualified as available for sale in accordance with IAS 39. They are measured at their fair value.

Cash not freely available totaled €219 thousand (previous year: €313 thousand).

The securities and cash are as follows:

SECURITIES AND CASH

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Cash	8,628	10,166
Securities	1,145	1,080
	9,773	**11,246**

The decrease in cash is mainly due to company acquisitions and investments, as well as rationalization investments and capital spending to expand property, plant and equipment. In contrast, quicker receipts of trade accounts receivable, in particular at the project companies, was achieved due to rigorous receivables management and the factoring described above.

6. Stockholders' equity

(a) Subscribed capital

euromicron AG's subscribed capital comprises 4,660,000 issued and fully paid-up no-par value bearer shares. The calculated par value per share is €2.56.

In accordance with Section 7 of the German Stock Corporation Act (AktG), the minimum nominal value of the subscribed capital is €50 thousand. The Company's subscribed capital totals €11,914 thousand.

Treasury shares

The General Meeting on June 18, 2009 authorized the Company effective June 19, 2009, to acquire its own shares up to December 18, 2010, at a maximum proportional amount of the capital stock of €1,191,400.00 for these shares. This is 10% of the Company's capital stock at the time of the General Meeting. The acquired shares – together with other shares that are owned by the Company or can be ascribed to it pursuant to Sections 71 a ff. AktG (German Stock Corporation Law) – must at no time exceed 10% of the Company's capital stock.

The authorization may not be used for the purpose of trading in the Company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the Company or by third parties for the Company's account. The authorization to acquire own shares adopted by the Company's General Meeting on June 12, 2008, will be revoked at the time the newly adopted authorization takes effect.

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 provisions of the Wertpapiererwerbs- und Übernahmegesetz (German Security Purchase and Takeover Law) must be observed insofar as and if they are applicable.

The Executive Board shall be 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 or authorization granted earlier 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:

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

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

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

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

The Executive Board had not made use of this authorization at December 31, 2009.

As a result of the share buyback program, there have been the following changes in the number of shares in circulation:

TREASURY SHARES

	Number
Total number of bearer shares	4,660,000
Treasury shares at December 31, 2008	157,234
Purchase of treasury shares in the year under review	0
= shares in circulation at December 31, 2009	**4,502,766**

As in the previous year, at the balance sheet date, a total of 157,234 bearer shares were held by the company with a value of €402 thousand measured by the capital stock or 3.37% of the capital stock. The value of the treasury shares at acquisition cost is €2,941 thousand. In accordance with IAS 32.33, the value of its own shares was deducted in one sum from stockholders' equity.

Contingent capital

Pursuant to the resolution adopted by the General Meeting on June 23, 2006, the capital stock of the Company was increased conditionally by up to €1,191,400 through the issue of up to 466,000 no-par value bearer shares ("contingent capital"). The contingent capital serves to secure subscription rights from stock options that are issued pursuant to the authorization of the General Meeting of euromicron AG on June 23, 2006, as part of the 2006 stock option program in the period from June 24, 2006, to December 31, 2009. The contingent capital increase will be conducted only to the extent that stock options are issued and the holders of these stock options make use of their right to subscribe to shares in the Company. The new shares will participate in profits in each case from the beginning of the fiscal year in which they accrue through exercise of the subscription right. The Executive Board with the consent of the Supervisory Board – and, if stock options are issued to members of the Executive Board, the Supervisory Board – is authorized to define further details of the contingent capital increase and its implementation.

The Executive Board had not made use of this authorization at December 31, 2009.

Exclusion of the subscription right in sale of own shares

The General Meeting on June 18, 2009 authorized the Company effective June 19, 2009, to acquire its own shares up to December 18, 2010, at a maximum proportional amount of the capital stock of €1,191,400.00 for these shares. The Executive Board was further authorized to use shares acquired in the Company, with the consent of the Supervisory Board and excluding shareholders' subscription right, as consideration for the purpose of acquiring companies or a holding in companies. In addition, the Executive Board was authorized to exclude shareholders' subscription right in corresponding application of Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) for new shares to an arithmetic amount of up to 10% of the capital stock. Specifically:

1. The anticipated possible exclusions of the subscription right are justified from the following points of view:

   a. The authorization to exclude the subscription right in accordance with e) (2) is intended to enable the Company to hold its own shares so as to be able to offer them as a consideration for acquiring companies or holdings in companies. This form of consideration is increasingly required as a result of globalization of the economy in the face of international and national competition. The proposed authorization will give the Company the flexibility it needs to use its own shares as currency for acquisitions.

   b. If the authorization of the Executive Board further envisages that the Executive Board, with the consent of the Supervisory Board, can sell shares in the Company for a cash payment with exclusion of the subscription right of shareholders in a way other than on the stock market or through an offering to all shareholders (cf. e) (1)), the Company is to be enabled as a result to issue shares, for example to institutional investors, financial investors or other cooperation partners. The Company is subject to strong competition on the capital markets. Adequate availability of equity is of special importance to the Company's future business development. This also includes the possibility of being able to raise equity on the market at any time and at reasonable terms and if applicable to sell its own shares flexibly within the stated constraints. In this respect, the Company must also be able to tap further groups of investors. In individual cases, this may also require the Company to acquire its own shares and pass on these shares to specific investors. Market-oriented price fixing will ensure as high as possible proceeds from a sale and the greatest possible strengthening of internal funds.

2. The interests of shareholders will be adequately safeguarded as part of this. As regards the authorization to exclude the subscription right pursuant to e) (1), the following applies:

   a. The authorization is restricted to a maximum total of 5% of the Company's capital stock. The acquired shares in the Company may only be sold to third parties at a price that does not significantly differ from the stock market price of Company shares with the same features at the time of the sale. The applicable stock market price here is the mean value of the closing prices as established in the XETRA trading system (or a comparable successor system) at Frankfurt Stock Exchange during the last three days of trading before sale of the Company's own shares. The relevant stock market price will be determined on the basis of the closing prices in floor trading and electronic trading at Frankfurt Stock Exchange, which as a whole is a liquid trading center and where there is admission to trading, with the result that the price is as true a reflection as possible. The definitive selling price for the Company's own shares shall be set shortly before sale of the shares by the Executive Board with the consent of the Supervisory Board. The markdown on the stock market price at the time the authorization is utilized will not be more than 5%. Relevant impairment of shareholders' assets is therefore not to be feared.

b. If own shares are sold to third parties for a cash payment, shareholders' interests are largely protected by the fact that the own shares sold with exclusion of the subscription right – as a whole and together with other shares issued with exclusion of the subscription right pursuant to Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) from a capital increase or authorized capital – must not exceed 5% of the capital stock that exists at the time of the sale. This ensures in the interests of shareholders that as a result there is no dilution of their stake that could not be compensated for as part of subsequent purchase of shares on the stock market, something that is also assumed by the relevant underlying assessment of legislators in Section 186 (3) Sentence 4 AktG (German Stock Corporation Law).

Authorized capital

A resolution of the General Meeting on June 23, 2005, rescinded the authorization for the Executive Board to increase the capital stock by up to €5,957,000 on one or several occasions by issuing new shares against cash or non-cash contributions by May 30, 2005.

The Executive Board was authorized to increase the capital stock by up to €5,957,000 on one or several occasions with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions (authorized capital) by June 20, 2010. A subscription right will be granted to shareholders. However, the Executive Board is authorized to exempt fractional amounts from the subscription right of shareholders. The Executive Board is further authorized with the consent of the Supervisory Board to exclude the subscription right of shareholders if the authorization is used provided the capital increase in exchange for cash contributions does not exceed 10% of the capital stock and the issue price of the new shares is not significantly below the stock market price of the already listed shares with the same features at the time when the issue price is definitively set. Finally, the Executive Board is authorized with the consent of the Supervisory Board to exclude the subscription right if the capital increase is made for the purpose of acquiring companies or holdings in companies. The Executive Board is further authorized with the consent of the Supervisory Board to define the further details of the issue and features of the new shares.

The authorized capital has not been used up to now.

(b) Additional paid-in capital

In accordance with Section 150 (2) AktG, one-twentieth of the net income for the year, minus any loss carried forward from the previous year, must be transferred to the additional paid-in capital until the latter amounts to one-tenth of the capital stock.

As in the previous year, the Company’s additional paid-in capital amounts to €61,781 thousand and so meets this requirement.

(c) Gain/loss on the valuation of securities

The difference of €– 358 thousand (previous year: €– 429 thousand) is the result of the valuation of securities that are qualified as available for sale in accordance with IAS 39.

(d) Consolidated retained earnings

Consolidated retained earnings of €–2,124 thousand (previous year: €–5,689 thousand) are composed of the retained earnings brought forward by the consolidated companies, the effects of capital consolidation, former amortization of goodwill and hidden reserves and other consolidation measures.

(e) Currency translation difference

There were no currency translation differences in fiscal 2009, since all the consolidated associated companies of euromicron AG prepare their financial statements in euros.

(f) Distributions in the fiscal year

Dividends from the net profit for 2008 of €1.00 per share, or a total of €4,503 thousand, were paid out in fiscal 2009.

(g) Minority interests

Under IFRS, minority interests are disclosed as part of stockholders’ equity in accordance with the entity point of view.

The minority interests in stockholders’ equity relate to three companies: Microsens GmbH & Co. KG, Hamm (20%), NetWays Netzwerk Consulting GmbH, Ettlingen (20%), and Qubix S.p.A., Padua (10%).

(h) Additional disclosures on stockholders’ equity

The minimum capital requirements as part of the financial covenants of loan agreements were fulfilled. So as to ensure that the euromicron Group retains unrestricted access to the capital markets and can still service its financial debts at as favorable terms as possible, the objective of capital management in the build and integration phase is to increase the equity ratio. Management is pursuing this goal at the level of the individual companies and at the Group level by reducing working capital and net financial debt. The stockholders’ equity carried in the balance sheet is regarded as the control instrument for this.

7. Accrued liabilities

Tax accruals and other accrued liabilities are recognized in the case of legal or constructive obligations to third parties where utilization is probable and the expected amount of the necessary accrued liability can be measured reliably. The accrued liabilities are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Long-term accrued liabilities are measured at their cash value on the balance sheet date. They include accrued liabilities for pensions.

The accrued liabilities are composed as follows:

ACCRUED LIABILITIES

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Taxes	1,145	1,828
Other short-term accrued liabilities	322	1,687
Short-term accrued liabilities	1,467	3,515
Accrued liabilities for benefits and anniversaries and other liabilities	960	347
Other long-term accrued liabilities	51	99
Long-term accrued liabilities	1,011	446
Total accrued liabilities	**2,478**	**3,961**

Existing surrender values for reinsurance policies totaling €272 thousand have been netted out in the analysis of the accrued liabilities for benefits (IAS 19.120A d).

A reconciliation of the plan assets as regards expected income, capitalized claims for refunds and the effects of changes in illness costs (IAS 19.120Ad ff.) was dispensed with due to the non-material changes in the subsequent periods.

The accrued liabilities developed as follows in the fiscal year:

DEVELOPMENT OF ACCRUED LIABILITIES

	Jan. 1, 2009 € thou.	First-time consolidation € thou.	Utilization € thou.	Reversal € thou.	Transfer € thou.	Changes in reinsurance € thou.	Dec. 31, 2009 € thou.
Taxes	1,828	50	1,035	370	672	0	1,145
Other short-term accrued liabilities	1,687	113	1,494	241	257	0	322
Short-term accrued liabilities	**3,515**	**163**	**2,529**	**611**	**929**	**0**	**1,467**
Accrued liabilities for benefits and anniversaries and other liabilities	347	514	52	0	91	– 60	960
Other long-term accrued liabilities	**99**	**0**	**43**	**5**	**0**	**0**	**51**
Long-term accrued liabilities	**446**	**514**	**95**	**5**	**91**	**– 60**	**1,011**
Total accrued liabilities	**3,961**	**677**	**2,624**	**616**	**1,020**	**– 60**	**2,478**

(a) Other accrued liabilities

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

OTHER ACCRUED LIABILITIES

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Semi-retirement	66	114
Severance payments	46	1,038
Impending losses	15	–
Legal disputes	15	38
Other	231	596
	373	**1,786**

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

(b) Accrued benefit liabilities

The Company and a number of associates maintain a company pension scheme for certain active and retired employees. The designated payments made towards pensions may be based either on the wage or salary received in the last year of employment or else on the average of the last five years.

Provisions for pensions and similar obligations are calculated using the projected unit credit method prescribed in IAS 19. The resultant obligation is recognized in the balance sheet as an accrued liability.

The 10% band rule of IAS 19 is not applied at euromicron AG in measuring the pension obligations and determining personnel costs. euromicron AG uses the method of immediate and complete payment, in which actuarial gains and losses are recognized in income, in particular if the calculation parameters change. The option of recognizing these actuarial gains and losses without any affect on income was not utilized.

If pension obligations were reinsured with insurance companies, the surrender values are offset with the pension obligations.

The following table provides information on the change in the projected benefit obligation in the fiscal year.

PENSIONS PROVISIONS

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Present value of benefit obligation at the beginning the period under report	679	823
Service cost	41	49
Interest cost	41	35
Pension payments	–52	–8
Reversal	0	0
Actuarial gains/losses	9	–220
Change in consolidated companies	514	0
Present value of benefit obligation at the end of the period under report	1,232	679
Balance of the surrender value of reinsurance policies	–272	–337
Value carried in balance sheet	960	342

The service cost, the actuarial gains and losses and interest cost are carried in the personnel costs in the income statement.

The following table provides information on the assumptions made in the calculation of benefit obligations:

AVERAGE MEASUREMENT FACTORS

	2009 %	2008 %
Discount rate	5.50	6.00
Rates of increase in compensation levels	2.5	2.5
Future pension indexation	1.5	1.5

8. Liabilities

Current liabilities are measured at their repayment amount or amount required to discharge them. Long-term debt is measured at its depreciated acquisition cost. The depreciated acquisition costs are determined using the effective interest method.

The liabilities are composed as follows:

LIABILITIES

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Bank loans and overdrafts	57,972	58,479
Liabilities from finance lease	742	113
Trade accounts payable	20,519	13,620
Other liabilities	18,741	17,846
	97,974	**90,058**

The liabilities have the following terms:

TERMS OF THE LIABILITIES

	Total € thou.	Due Up to 1 year € thou.	1 to 2 years € thou.	2 to 5 years € thou.	More than 5 years € thou.
Bank loans and overdrafts	57,972	49,814	5,031	3,127	0
Liabilities from finance lease	742	199	158	385	0
Trade accounts payable	20,519	20,519	0	0	0
Other liabilities	18,741	8,638	103	6,667	3,333
	97,974	**79,170**	**5,292**	**10,179**	**3,333**
(previous year)	90,058	66,451	5,684	11,256	6,667

Trade accounts payable in foreign currency amount to €686 thousand (previous year: €927 thousand).

In principle, the associated companies of euromicron are financed centrally through euromicron AG. Additional external funding is mainly due to newly acquired companies and securing of their bank loans and overdrafts by furnishing of individual security, e.g. assignment of receivables or assignment of inventory assets or fixed assets as security. Financial covenants under clauses in loan agreements were observed without exception.

The interest rates for bank loans and overdrafts range from 1.30% to 9.75% (previous year: 3.25% to 11.5%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used (with a view to optimizing financing).

So as to ensure its solvency at all times and underpin the buy and build 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 €10,764 thousand (previous year: €17,079 thousand) were unused at the year-end.

The other liabilities are composed as follows:

OTHER LIABILITIES

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Industry loans	10,000	10,000
Tax liabilities	2,608	2,748
Personnel obligations	1,105	1,206
Payments on account	30	203
Miscellaneous	4,998	3,689
	18,741	**17,846**

The payments on account received do not include those that can be directly assigned to production contracts on the basis of the percentage of completion method and can be offset.

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

They include all financial instruments that were held at the balance sheet date of December 31, 2009, and for which payments have already been contractually agreed. The variable interest rate payments from the financial instruments were calculated using the interest rates last fixed before December 31, 2009. Financial obligations that can be repaid at any time are always assigned to the earliest time slot.

		Cash flow 2010			Cash flow 2011			Cash flow 2012–2015			Cash flow 2016 ff.		
		Up to 1 year			1 to 2 years			2 to 5 years			More than 5 years		
	Book value	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
	Dec. 31, 2009	Fixed	Variable		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Bank loans and overdrafts	57,972	257	777	49,814	172	224	5,031	310	23	3,127	7	0	0
Liabilities from finance lease	742	25	0	199	20	0	158	18	0	385	0	0	0
Other interest-bearing liabilities	10,000	532	0	0	532	0	0	1,300	0	6,667	118	0	3,333

9. Deferred tax liabilities

Deferred taxes are recognized for differences in carrying values between the IFRS balance sheet and tax balance sheet (time differences) using the liabilities method in accordance with IAS 12, if these differences are temporary ones. In this, deferred taxes at the level of the individual companies and consolidated entities are taken into account. In principle, deferred tax debts are recorded for all temporary differences on which tax is to be paid and reported separately as deferred tax liabilities.

There are taxable temporary differences between the shares in subsidiaries compared with the tax carried of €739 thousand (previous year: €464 thousand) for which no deferred tax liabilities were recognized in accordance with IAS 12.39, 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, 2009 € thou.	Dec. 31, 2008 € thou.
Intangible assets	3,440	2,915
Property, plant and equipment	301	31
Inventories	43	89
Other receivables and other assets	10,594	6,225
Accrued liabilities	411	367
Other liabilities	31	69
Total deferred tax liabilities before netting off	**14,820**	**9,696**
Netting off	**– 9,631**	**– 5,401**
Total deferred tax liabilities after netting off	**5,189**	**4,295**

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 offering of an actual tax refund claim against an actual tax liability.

10. Additional details on the financial instruments

DETAILS ON THE FINANCIAL INSTRUMENTS

			Value carried in the balance sheet	
	Measurement category acc. to IAS 39	Book value at Dec. 31, 2009 € thou.	Depreciated acquisition cost € thou.	Acquisition cost € thou.
Assets				
Cash and cash equivalents	LaR [1]	8,628		8,628
Accounts receivable	LaR [1]	51,837	51,837	
Allowances for trade accounts receivable	LaR [1]	– 640	– 640	
Other assets	LaR [1]	6,082	6,082	
Other financial assets				
– Held-to-maturity investments	HtM [3]			
– Available-for-sale financial assets	AfS [4]	1,145		
– Financial assets held for trading	FAHfT [5]			
Liabilities				
Accounts payable	FLAC [2]	20,519	20,519	
Bank loans and overdrafts	FLAC [2]	57,972	57,972	
Other interest-bearing liabilities	FLAC [2]	10,000	10,000	
Other non-interest-bearing liabilities	FLAC [2]	8,741	8,741	
Liabilities from finance lease	FLAC [2]	742	742	

[1] LaR = Loans and Receivables

[2] FLAC = Financial Liabilities Measured at Amortised Cost

[3] HtM = Held to Maturity

[4] AfS = Available for Sale

[5] FAHfT = Financial Assets Held for Trading

acc. to IAS 39			Value carried in the balance sheet acc. to IAS 39			
Fair value recognized directly in equity € thou.	Fair value recognized as income € thou.	Book value at Dec. 31, 2008 € thou.	Depreciated acquisition cost € thou.	Acquisition cost € thou.	Fair value recognized directly in equity € thou.	Fair value recognized as income € thou.
		10,166		10,166		
		45,726	45,726			
		– 600	– 600			
		5,236	5,236			
1,145		1,080			1,080	
		13,620	13,620			
		58,479	58,479			
		10,000	10,000			
		9,180	9,180			
		113	113			

Explanations on the consolidated income statement

11. Net sales

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

Sales and earnings from the main projects running beyond the key date were recognized in compliance with IAS 11 on a pro rata basis using the percentage of completion method. The percentage of completion is determined using the output-oriented earned value method. The POC sales revenues recognized using this method correspond to the production costs for the contract plus a pro-rata profit based on the stage of completion at the balance sheet date. Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The sales include amounts from application of the percentage of completion method totaling €11,733 thousand (previous year: €3,373 thousand).

Production contracts with a net liability balance are included in the other accrued liabilities.

The effect on earnings in the year under review compared with the single-entity financial statements under the German Commercial Code is €3,232 thousand (previous year: €1,577 thousand).

Changes in sales as a result of changes in the consolidated companies are shown on page 92.

12. Own work capitalized

Own work capitalized is carried at €1,702 thousand (previous year: €358 thousand) and, as in the previous year, is mainly due to the sharp increase in development costs to secure the company's market position and achieve unique selling points. Changes in the consolidated companies did not result in any own work capitalized.

13. Other operating income

(a) The other operating income is composed as follows:

OTHER OPERATING INCOME

	2009 € thou.	2008 € thou.
Reduction in allowances for doubtful accounts	383	177
Income from retirement of noncurrent assets	373	97
Income from reversal of accrued liabilities	246	352
Income from property and rent	164	168
Currency gains	140	144
Compensation paid from insurance	77	69
Health insurance refunds	47	0
Income unrelated to the accounting period	37	0
Income from complaints	18	0
Canteen revenue	15	0
Refunds from overpayment	9	0
Income from reversal of write-downs of noncurrent assets	0	215
Other	592	1,396
	2,101	**2,618**

The changes in other operating income mainly result from lower other income, such as passed-on charges, income unrelated to the accounting period or income from legal disputes. There were no government grants (IAS 20.39 a/b) in the year under review. The "Other" item contains a large number of individual items, each with a value below €20 thousand; a presentation of them is dispensed with. The companies included in the consolidated financial statements for the first time accounted for other operating income of €122 thousand.

14. Cost of materials

The cost of materials is composed of:

COST OF MATERIALS

	2009 € thou.	2008 € thou.
Cost of raw materials and supplies and goods purchased	65,697	59,420
Cost of purchased services	26,771	24,097
	92,468	**83,517**

The cost of materials from the POC method is €8,501 thousand (previous year: €1,834 thousand).

The companies included in the consolidated financial statements for the first time accounted for cost of materials of €2,026 thousand.

15. Personnel costs

The personnel costs are composed as follows:

PERSONNEL COSTS

	2009 € thou.	2008 € thou.
Wages and salaries	40,687	35,083
Social security	7,449	7,926
Total	**48,136**	**43,009**

The companies included in the consolidated financial statements for the first time accounted for personnel costs of €1,225 thousand.

Average number of employees per year:

EMPLOYEES

	2009	2008
Hourly-paid employees	590	563
Salaried employees	472	361
Trainees	87	55
	1,149	**979**

The companies included in the consolidated financial statements for the first time accounted for 114 employees.

16. Depreciation and amortization expense

Amortization and depreciation is composed as follows:

AMORTIZATION AND DEPRECIATION

	2009 € thou.	2008 € thou.
Amortization of intangible assets	1,485	1,219
Depreciation of tangible assets	1,575	1,628
	3,060	**2,847**

Dormant reserves totaling €796 thousand before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2009. The amortization and depreciation for this in 2009 was €94 thousand. The companies included in the consolidated financial statements for the first time accounted for amortization and depreciation of €20 thousand.

17. Other operating expenses

Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES

	2009 € thou.	2008 € thou.
Vehicle and travel expenses	5,844	6,166
Rent/room costs	2,945	2,875
Legal and consulting costs	2,614	2,060
Trade fair and advertising costs	1,277	1,297
Communication expenses	1,176	1,138
Cost of goods consignment	1,418	1,092
Allowances for receivables / losses of receivables	682	784
Commission	902	686
Maintenance and repair	600	632
Insurance / charges & contributions	720	597
Energy costs	668	496
Further training costs	424	307
Running costs	397	188
Exchange rate losses	157	146
Retirement of noncurrent assets	89	49
Customer service / technical service	198	0
Loaned workers (industrial)	96	0
Expense unrelated to the accounting period	77	0
Other	2,270	2,309
	22,554	**20,804**

The item “Other” contains a large number of individual expense items below €20 thousand. The companies included in the consolidated financial statements for the first time accounted for other operating expenses of €305 thousand.

18. Net financing costs

NET FINANCING COSTS

	2009 € thou.	2008 € thou.
Interest income	103	181
Interest expenses	–2,935	–4,143
	–2,832	**–3,962**

The companies included in the consolidated financial statements for the first time accounted for financial income of €6 thousand.

19. Income taxes

INCOME TAXES

	2009 € thou.	2008 € thou.
Current taxes in Germany	1,876	1,560
Deferred taxes in Germany	1,615	2,497
Current taxes abroad	511	61
Deferred taxes abroad	–244	–813
	3,758	**3,305**

The figure contains income tax for previous years to an amount of €18 thousand and tax refunds of €492 thousand.

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

TAX RECONCILIATION

	2009 € thou.	2008 € thou.
Expected tax expense	4,561	3,611
Tax-free income from investments	0	–940
Non-deductible expenses	209	117
Effect of other measurement differences	–39	23
Use of loss carryforwards not included to date/ change in allowance	–155	356
Effects of different national tax rates	–216	195
Tax arrears/refunds	–474	17
Other	–128	–74
Actual tax expense	**3,758**	**3,305**
Effective tax rate	**24.7%**	**27.5%**

There were no loss carryforwards for which no deferred taxes were carried. Business combinations resulted in deferred tax assets of €167 thousand that were recognized directly in equity and deferred tax liabilities of €239 thousand that were recognized directly in equity.

20. Minority interests in net income for the period

The minority interests in the consolidated net income for the period of the consolidated subsidiaries relate to Microsens GmbH & Co. KG, Hamm, NetWays Netzwerk Consulting GmbH, Ettlingen, and Qubix S.p.A., Padua.

21. Earnings per share

The number of no-par value shares issued in 2009 remained constant at 4,660,000.

Undiluted and diluted earnings per share are calculated as follows:

UNDILUTED EARNINGS PER SHARE

	2009	2008
Consolidated net income for the period in € thousand	10,744	8,067
Number of shares issued	4,660,000	4,660,000
Weighted treasury shares	157,234	125,768
Adjusted weighted average number of shares issued (undiluted)	4,502,766	4,534,232
Undiluted earnings per share in €	**2.39**	**1.78**

The consolidated net income for the period is after income tax (net income for the year) and the income to which other shareholders are entitled. The total number of all issued shares is used to calculate undiluted earnings per share. The treasury shares that were bought back up to fiscal year 2008 were included in full; no treasury shares were bought back in fiscal 2009.

DILUTED EARNINGS PER SHARE

	2009	2008
Consolidated net income for the period in € thousand	10,744	8,067
Adjusted weighted average number of shares issued (undiluted)	4,502,766	4,534,232
Shares from potential stock options with a diluting effect	–	–
Weighted average number of shares issued (diluted)	4,502,766	4,534,232
Diluted earnings per share in €	**2.39**	**1.78**

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.

The equity instruments that may dilute undiluted earnings per share in future include the stock options of euromicron AG, which were included in calculating undiluted earnings per share. Since the likelihood of the stock options being used is assessed as being very low due to euromicron's share price, there is no adjustment for equity dilution effects from potential stocks.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2009, disclose net retained profits of €11,044,909.23. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of €1.00 for 4,502,766 shares	€4,502,766.00
Carryforward to a new account	€6,542,143.23

Other details

22. Notes on the statement of cash flows

Reporting of individual items in the statement of cash flows has been changed compared with the previous year to give a better insight.

Paid and received income tax and paid and received interest are specified separately. Distributions to/drawings from minority interests are not netted off with the profit portions. The liquid funds acquired as part of company combinations, which used to be reported directly as a change in cash and cash equivalents, are now netted off and shown with the payments due to purchase of consolidated companies. The assumption of liabilities of the seller as part of the acquisition of Engel Vermietungs- und Servicegesellschaft mbH – €526 thousand – was deducted as a non-cash item from the payments due to purchase of consolidated companies.

Securities have been reclassified from cash and cash equivalents to other operating assets.

Cash and cash equivalents subject to restrictions on their disposal (mainly because they have been furnished as security for warranty bonds or performance bonds) total €219 thousand (previous year: €313 thousand).

The previous year's figures have been adjusted to permit better comparison.

23. Contingencies and commitments

(a) Contingencies
The euromicron Group does not have any contingencies in favor of third parties.

(b) Other financial obligations
Derivative financial instruments

As a matter of principle, euromicron AG only uses derivative financial instruments for hedging. In these cases, the hedged item and the hedging transaction (interest rate swap) are aggregated to form a closed position.

In fiscal year 2009, euromicron AG concluded an interest rate swap with WestLB on February 19, 2009. The procurement amount was €5,000,000 and its term ends on December 14, 2012. The volume, rate of interest and term of this interest rate swap were identical to the underlying hedged item, a euro loan. The payments are made at the end of each quarter; the mark-to-market valuation at the balance sheet date is €–48 thousand.

OTHER FINANCIAL OBLIGATIONS

	Total € thou.	Up to 1 year € thou.	2 to 5 years € thou.	More than 5 years € thou.
Warranty obligations	10,413	6,174	4,237	2
Rental agreements	6,065	2,343	3,696	26
Other	2,697	2,697	0	0
Operating lease	3,676	1,897	1,776	3
Purchase obligation	2,096	2,096	0	0
Preemptive tender rights of minority shareholders	2,480	680	1,800	0
	27,427	**15,887**	**11,509**	**31**

The companies included in the consolidated financial statements for the first time accounted for other financial obligations for guaranties and sureties of €336 thousands, for rental agreements of €551 thousand, for lease agreements of €590 and for purchase obligations of €63 thousand. The purchase obligation relates to orders for order-related goods and services; orders of intangible assets or tangible assets were insignificant.

There are further contingent liabilities of €5 thousand (previous year: €50 thousand) at the euromicron Group outside the guaranties and sureties. There were no additions to the contingent liabilities from the newly acquired companies.

Obligations as part of operating lease agreements mainly relate to operating and office equipment, such as cars, office machines or PC workstations, and communications technology with maximum terms of three years and total €3,676 thousand (previous year: €3,397 thousand). In fiscal 2009, payments from these leasing arrangements totaled €2,281 thousand (previous year: €2,110 thousand) and were recognized as income. Amounts of €1,897 thousand (previous year: €1,686 thousand) will be due within the next years and €1,776 thousand in a period of between one and five years (previous year: €1,704 thousand).

As part of the acquisitions in the past years, euromicron AG holds an 80% stake in two companies: Microsens GmbH & Co. KG, Hamm, and NetWays Netzwerk Consulting GmbH, Ettlingen. The minority shareholders have a preemptive right to tender the remaining 20% of the shares to euromicron AG. This preemptive tender right results in other financial obligations totaling €2,480 thousand for euromicron AG.

24. Segment reporting

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

euromicron reports in the two operating segments North and South and Group headquarters. The reporting segments comprise all individual companies that can be assigned regionally to the operating segments in accordance with the Group strategy of a system house with production expertise.

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

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2009 (IFRS)

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

SALES BY REPORT SEGMENTS

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Total sales, North	97,014	82,761
Inter-segment sales, North	–4,481	–2,753
Sales to external third parties, North	92,533	80,008
Total sales, South	104,733	93,801
Inter-segment sales, South	–2,249	–3,214
Sales to external third parties, South	102,484	90,587
Cross-segment consolidated sales	–7,683	–5,967
Consolidated sales for the Group	**187,334**	**164,628**

EBIT BY REPORT SEGMENTS

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
Consolidated EBIT, North	15,251	14,621
Consolidated EBIT, South	7,241	4,800
euromicron AG	–4,428	–3,421
Group consolidations	–27	0
Consolidated EBIT for the Group	**18,037**	**16,000**

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

DEPRECIATION/ AMORTIZATION

	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
North, consolidated	–1,711	–1,490
South, consolidated	–1,306	–1,308
euromicron AG	–43	–49
Consolidated depreciation/amortization for the Group	**–3,060**	**–2,847**

Noncurrent assets are €101,996 thousand in Germany and €5,215 thousand in the Euro zone (IFRS 8.33b).

25. Risk management

Principles of risk management

In relation to its assets, liabilities and strategic orientation, the euromicron Group is exposed to risks resulting from changes in interest rates and – to a not inconsiderable extent – changes in exchange rates. The aim of financial risk management is to limit these risks by means of ongoing operational and finance-related activities.

The basic elements of financial policy are defined annually by the Executive Board and monitored by the Supervisory Board. Finance and Controlling is responsible for implementing the financial policy and constant risk management. Transactions of a certain size require the prior consent of the Executive Board and Supervisory Board, which is also informed regularly of the scope and volume of the current risk portfolio.

Currency risks

The euromicron Group's currency risks result solely from operational activities. Foreign currency risks that affect the Group's cash flow are of minor significance, with the result that they are only hedged against on a case-by-case basis. The operational companies in the euromicron Group are predominantly active in the Euro zone. All foreign currency transactions in fiscal 2009 were in US dollars. Foreign currency risks that do not affect the Group's cash flow (translation of assets and liabilities from foreign currencies to the Group currency on the reporting date) are not hedged against in principle.

There are currently no foreign currency risks at the Group in the areas of investments and financing.

Interest rate risks

Interest rate risks for the euromicron Group are exclusively in the Euro zone. They are minimized by a balanced mix of financing with fixed and variable interest rates. Taking into account the given and planned structure of financing, interest rate derivatives are also used to optimize the net interest paid (please also refer to the comments under "Derivative financial instruments").

The financing that was contractually agreed and utilized at December 31, 2009, will result in interest expenses of around €3.9 million by the end of their term. Interest rate risks are shown by means of sensitivity analyses in accordance with IFRS 7. These show the effects from changes in market interest rates on interest payments, income and expenses. The interest rate sensitivity analyses are based on the following assumptions:

Changes in market interest rates for original financial instruments with a fixed rate only have an impact on the result if these instruments are measured at their fair value. All financial instruments with a fixed rate that are measured at their depreciated acquisition cost are not therefore exposed to the risk of any change in interest rates in accordance with IFRS 7.

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 interest paid and are included in calculation as part of the earnings-oriented sensitivity analysis.

If the average market level for interest rates in 2009 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €562 thousand lower (€562 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Other price risks

As part of the analysis of market risks, IFRS 7 demands details of how hypothetical changes to risk variables affect prices of financial instruments. Particular risk variables are indexes and stock market prices.

Risks from rising prices of raw materials are protected against by conclusion of long-term purchasing agreements. if this is not possible, the Group tries to pass the increase in procurement prices on to customers.

Risks of default

The companies in the euromicron Group are exposed to a risk of default as a result of their operational and financing activities. In the operational arena, accounts receivable are monitored constantly for each associate. The risk of default is reflected by means of individual and general allowances for doubtful accounts.

The risk of default by large customers can be regarded as being low in relation to the total risk of default, since the euromicron Group does not have a large customer that accounts for more than 6% of total sales. Consequently, there is no discernable extraordinary concentration of risks; nevertheless, this risk is a special point in our general risk management activities.

The maximum risk of default is to the amount of the book values of the financial assets carried on the balance sheet. Apart from a credit sale insurance policy at one Group company, there are no significant agreements that reduce the maximum risk of default at the balance sheet date.

Liquidity risks

Please refer to the comments under “Liabilities”.

26. Related parties

There are business relations for the entire fiscal year with the Executive Board and the Supervisory Board.

There are no other relationships with related parties.

27. Declaration on the Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Law)

The Executive Board and the Supervisory Board of euromicron AG adopted this declaration on conformance at the meeting of the Supervisory Board on December 8, 2009. It relates for the period from December 19, 2008, to August 4, 2009, to the recommendations of the code in its version dated June 6, 2008, as published on August 8, 2008, in the electronic Federal Official Gazette (“2008 version”). The following declaration relates for the period from August 5, 2009, to the recommendations of the code in its version dated June 18, 2009, as published on August 5, 2009, in the electronic Federal Official Gazette (“2009 version”).

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

euromicron AG complied and complies with the recommendations of the government commission on the “German Corporate Governance Code”, with the following exceptions:

Re Section 3.8 of the code:

“If the company takes out a D&O (directors’ and officers’ liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed.”

Section 3.8 (2) and (3) (2009 version)

“If the company takes out a D&O (directors’ and officers’ liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon. A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.”

Reason:
In principle, euromicron AG does not believe that the commitment and responsibility with which the members of the Executive Board and the Supervisory Board discharge their duties will be improved by agreeing a deductible. Contrary to section 3.8 of the code in its 2008 version and, where it affects the Supervisory Board, also contrary to Section 3.8 of the 2009 version, the existing D&O policy for members of the Executive Board and Supervisory Board of euromicron AG does not envisage any deductible.

The D&O policy for the Executive Board and the Supervisory Board will be modified by July 1, 2010, so that it comprises a deductible in compliance with statutory regulations and also complies in future with the recommendation in Section 3.8 of the code (2009 version).

Re Section 5.3 of the code:

“Formation of Committees” (2008 and 2009 versions)

Reason:
The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future. Since the General Meeting on June 24, 2004, the Supervisory Board of euromicron AG consists only of three persons in accordance with the Articles of Association. The formation of committee would not make the work of the three-member Supervisory Board easier, since the committees (which adopt decisions) must also have at least three members of the Supervisory Board on them.

Re Section 5.4.6 of the code:

“The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components.” (2008 and 2009 versions)

Reason:
euromicron AG refrains from reporting the compensation of the Supervisory Board members individually in the Corporate Governance Report. In accordance with Section 13 of the Articles of Association, the members of the Supervisory Board receive compensation that consists of a fixed and a variable component. The variable part of their compensation is geared to the company’s

profitability and is calculated on the basis of the dividend adopted at the General Meeting. In addition, the overall compensation is published in the Annual Report, with the result that the individual compensation of the members of the Supervisory Board is not difficult to deduce. By dispensing with separate disclosure of information that is not difficult to discover, the company also pursues the goal of reducing the size of the Annual Report, which has increased over the past years, and so of making it clearer.

Re Section 7.1.4 of the code:

"The company shall publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise. … The following shall be provided: name and headquarters of the company, the amount of the shareholding, the amount of equity and the operating result of the past financial year." (2008 and 2009 versions)

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

Apart from this, the Company now already complies in many parts with the additional suggestions of the German Corporate Governance Code.

28. Stock option program

At the General Meeting on June 23, 2006, the Executive Board was authorized, with the consent of the Supervisory Board, to issue up to 466,000 stock options with a subscription right to shares in euromicron AG by December 31, 2009. The total volume of stock options (subscription rights) for members of the Executive Board must not exceed 375,000.

At December 31, 2009, 30,000 subscription rights were issued to General Managers and employees. The stock options can be exercised at the earliest after a waiting period of two years after the respective date of issue within a period of two further years.

Detailed information on the individual tranches is provided in the table below.

TRANCHES

Tranche	Total options	Of which for the Executive Board	Exercise price in €	Exercisable from	Exercisable to
1	30,000	0	18.00	2008	2010
2	0	0	18.50	2008	2010
3	0	0	19.94	2009	2011

The earliest possible time at which the options issued to executive employees could be exercised was August 10, 2008, if the shares of euromicron AG perform better in the reference period than the TecDAX of Deutsche Börse AG or if the stock market price of shares in euromicron AG has increased by more than an average of 5% per annum in the reference period. The options have not been exercised to date.

The option rights cannot be exercised in full or in part within the following periods:

– 30 calendar days before announcement of quarterly results, if euromicron AG publishes these

– 30 calendar days before announcement of half-yearly results, for example in the form of an interim report

– 30 calendar days before the Ordinary General Meeting

The exercise price of the options is the arithmetic mean of the final prices of shares in euromicron AG in XETRA trading of Deutsche Börse AG during the ten days of stock market trading directly preceding the respective day of issue.

The development of the issued stock options is shown in the table below.

DEVELOPMENT OF STOCK OPTIONS

	Number of option rights	Weighted average price in €
Number at start of year	415,000	19.09
Options granted in 2009	0	0.00
Return of stock options	–385,000	
Number at end of year	30,000	18.00

Liabilities totaling €3 thousand and income of €84 thousand were generated by the stock option program in fiscal 2009. The subscription rights change significantly in particular as a result of the return of all stock options by the Chairman of the Executive Board.

A Monte Carlo simulation is used to value the subscription rights. In this, the log-normally distributed processes for the price of euromicron’s share and the TecDAX Index are simulated in order to reflect the performance goal in the form of outperformance by euromicron’s share compared with the index or the performance goal that increases over time.

Due to the insignificant amount involved, presentation of the parameters included in calculating the fair value and the overall values based on this has been dispensed with.

29. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, BDO Deutsche Warentreuhand AG, of €432 thousand. These fees relate to the audits of the financial statements of the companies (€360 thousand), other confirmation or valuation services (€3 thousand), tax consulting services (€20 thousand) and other services provided for euromicron AG or its subsidiaries (€20 thousand).

30. Significant events after the balance sheet date

With the notarized agreement dated January 12, 2010, euromicron AG acquired the remaining shares in NetWays Netzwerk Consulting GmbH, Ettlingen, at a purchase price of € 920 thousand. There were no other significant events after the balance sheet date up to March 19, 2010.

31. Publication of the consolidated financial statements

The consolidated financial statements were released for publication as of March 19, 2010, on March 25, 2010, by the Supervisory Board following their submission by the Executive Board.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to disclose annual financial statements and management reports and fulfills all the necessary conditions. Exceptions to this are euromicron austria GmbH, Seekirchen, Austria, and euromicron holding gmbh, Seekirchen, Austria, which disclose their annual financial statements.

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

Dr. Edgar Bernardi
Board member responsible for Products, Market, Technology and Operations
Since June 30, 2009

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
Since July 15, 2009

(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 of auditors LKC, Munich

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

Dr. Andreas de Forestier
- Chairman of the Supervisory Board of consultingpartner AG, Cologne
- Chairman of the Board of the Noris Stiftung, a civil-law foundation, Nuremberg

(c) Remuneration of the board members

The total remuneration of the members of the Executive Board consists of a number of components: a fixed amount, the bonus and fringe benefits.

The total compensation awarded to the company's Executive Board in 2009 was €1,400 thousand (previous year: €1,179 thousand), of which the variable remuneration accounted for €790 thousand (previous year: €640 thousand). There was no compensation for former members of the Executive Board; there are also no related claims against the company. No other remuneration for Executive Board members apart from that stated above was granted.

Individual disclosure of the remuneration of the members of the Executive Board was waived pursuant to a resolution adopted by the General Meeting on June 23, 2006.

Section 5.4.7 of the German Corporate Governance Code proposes that performance-related compensation of Supervisory Boards should also contain components based on the long-term performance of the enterprise. euromicron AG has complied with this recommendation since 2006 with a modification of its previous remuneration system.

The remuneration of the members of the Supervisory Board is composed of a fixed and performance-related component.

Apart from being reimbursed for their outlays, the members of the Supervisory Board receive a fixed annual remuneration of €6 thousand and an annual performance-related payment of €100.00 for each cent of dividend distributed per share that exceeds four cents per share. The Chairman of the Supervisory Board receives double and his deputy one-and-a-half times the fixed and variable remuneration.

In the past fiscal year, the members of the Supervisory Board received remuneration of €63 thousand (previous year: €61 thousand). The company acquisitions entailed consulting services, mainly relating to due diligence processes, which were conducted by the auditing firm of a member of the Supervisory Board. A fee totaling €143 thousand was paid for this.

There was no compensation for former members of the Supervisory Board; there are also no related claims against the company.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Share in equity %	Equity capital acc. to IFRS € thou.
Parent company		
euromicron Aktiengesellschaft communication & control technology Frankfurt/Main, Germany		
Included subsidiaries		
a) Segment North		
Engel Vermietungs- und Servicegesellschaft mbH and Engel Technik GmbH consolidated, Haan, Germany	100.00	–313
euromicron systems GmbH – An euromicron Group company – Essen, Germany	100.00	5,875
euromicron Werkzeuge GmbH – An euromicron Group company – Sinn-Fleisbach, Germany	100.00	1,585
euromicron international services GmbH – An euromicron Group company – Frankfurt, Germany	100.00	–157
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00	1,943
MICROSENS GmbH & Co. KG, Hamm, Germany	80.00	1,974
Skyline Communication Systems GmbH, Hamburg, Germany	100.00	–178
SSM euromicron GmbH – An euromicron Group company – Zwenkau, Germany	100.00	2,352
SSM Service Gesellschaft mbH, Hamburg, Germany	100.00	303
b) Segment South		
ckt GmbH, München, Germany	100.00	61
ELABO GmbH – An euromicron Group company – Crailsheim, Germany	100.00	3,855
euromicron austria GmbH, Seekirchen, Austria	100.00	–690
euromicron holding gmbh, Seekirchen, Austria	100.00	–113
euromicron solutions GmbH – An euromicron Group company – Mainz, Germany	100.00	5,972
FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH, Darmstadt, Germany	100.00	126
NetWays Netzwerk Consulting GmbH, Ettlingen, Germany	80.00	806
Qubix S.p.A., Padua, Italy	90.00	3,095
SKM Delwave GmbH – An euromicron Group company – Munich, Germany	100.00	1,292

LIST OF AFFILIATED COMPANIES AND HOLDINGS NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Share in equity	Equity capital acc. to IFRS	Net income for the year acc. to IFRS
	%	€ thou.	€ thou.
RemoteMDx, Inc., Sandy, Utah, USA [1)]	5.00	–8,480	–15,820

[1)] Shifted fiscal year, data as at September 30, 2009

As expected, RemoteMDx initially posted negative earnings. Income and inflows of liquidity can only be expected when the product line has reached market maturity. Since the company's liquidity situation appears secure, we assume a positive future for the company. In addition, the licenses acquired by us retain their full value, separate from the company's earnings strength.

Group fixed-asset movement schedule 2009

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2009

	Acquisition costs					
	Jan. 1. 2009 € thou.	Additions € thou.	Retire-ments € thou.	Change in first-time consolidation € thou.	Reclassi-fication € thou.	Dec. 31, 2009 € thou.
Intangible assets						
Goodwill	86,461	0	0	5,231	–77	91,615
Concessions, industrial and similar rights	15,823	1,288	–71	799	–118	17,721
Own work capitalized	5,152	1,689	–115	0	0	6,726
Tangible assets						
Land and buildings	7,808	261	–69	0	0	8,000
Plant and machinery	4,261	1,295	–183	0	42	5,415
Other fixtures and fittings, tools and equipment	13,083	2,001	–1,564	313	153	13,986
Financial assets						
Other loans and investments	44	934	–5	111	0	1,084
	132,632	**7,468**	**–2,007**	**6,454**	**0**	**144,547**

Depreciation and amortization							Book values	
Jan 1, 2009 € thou.	Additions € thou.	Retire-ments € thou.	Reversal of write-downs € thou.	Change in first-time consolidation € thou.	Reclassi-fication € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
–7,645	–3	0	0	0	77	–7,571	84,044	78,816
–12,781	–678	70	0	0	118	–13,271	4,450	3,042
–907	–804	115	0	0	0	–1,596	5,130	4,245
–3,403	–191	43	0	0	0	–3,551	4,449	4,405
–3,200	–232	183	0	0	0	–3,249	2,166	1,061
–9,584	–1,152	1,242	0	0	–195	–9,689	4,297	3,499
0	0	–2	0	0	0	–2	1,082	44
–37,520	**–3,060**	**1,651**	**0**	**0**	**0**	**–38,929**	**105,618**	**95,112**

Frankfurt/Main, March 19, 2010

Dr. Willibald Späth   Thomas Hoffmann

Group fixed-asset movement schedule 2008

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2008

	Acquisition costs					
	Jan. 1. 2009 € thou.	Additions € thou.	Retire-ments € thou.	Change in first-time consolidation € thou.	Reclassi-fication € thou.	Dec. 31, 2009 € thou.
Intangible assets						
Goodwill	74,545	11,916	0	0	0	86,461
Concessions, industrial and similar rights	14,300	463	–48	1,053	55	15,823
Own work capitalized	3,454	1,759	–61	0	0	5,152
Tangible assets						
Land and buildings	7,678	141	–11	0	0	7,808
Plant and machinery	3,596	387	–328	8	598	4,261
Other fixtures and fittings, tools and equipment	12,765	1,706	–1,752	1,017	–653	13,083
Financial assets						
Other loans and investments	92	4	–54	2	0	44
	116,430	**16,376**	**–2,254**	**2,080**	**0**	**132,632**

* Adjusted figures for the previous year without any effect on earnings

	Depreciation and amortization							Book values	
	Jan 1, 2009 € thou.	Additions € thou.	Retire-ments € thou.	Reversal of write-downs € thou.	Change in first-time consolidation € thou.	Reclassi-fication € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2008 € thou.
	–7,635	–10	0	0	0	0	–7,645	78,816	66,910
	–11,595	–653	48	0	–582	0	–12,782	3,041	2,705
	–409	–556	58	0	0	0	–907	4,245	3,045
	–3,443	–187	12	215	0	0	–3,403	4,405	4,235
	–2,607	–359	230	0	–8	–456	–3,200	1,061	989
	–9,980	–1,082	1,691	0	–669	456	–9,584	3,499	2,785
	–26	0	26	0	0	0	0	44	66
	–35,695	**–2,846**	**2,065**	**215**	**–1,259**	**0**	**–37,520**	**95,112**	**80,735**

Declaration by the Executive Board

The Executive Board of euromicron AG is responsible for the preparation, completeness and correctness of the consolidated financial statements and group management report, as well as the other information given in the Annual Report. The International Financial Reporting Standards (IFRS), as well as the principles of proper accounting, were observed in preparing the consolidated financial statements and, where necessary, appropriate estimates made. The group management report contains an analysis of the Group's net assets, financial position and results of operations, as well as further details that are required pursuant to the provisions of the German Commercial Code, and accords with the consolidated financial statements.

There is an effective internal control system to ensure the reliability of the data, both for preparing the consolidated financial statements and group management report and for internal reporting. It includes consistent Group-wide policies on accounting and risk management in accordance with KonTraG (German Corporate Control and Transparency Act), which are continuously reviewed and developed further, and an integrated controlling concept as part of value-oriented management and audits by Group Controlling. This enables the Executive Board to identify significant risks and initiate countermeasures promptly.

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.

BDO Deutsche Warentreuhand Aktiengesellschaft has been appointed by the Supervisory Board in accordance with the resolution adopted by the General Meeting as the auditor for euromicron AG's 2009 fiscal year. It has audited the consolidated financial statements prepared in accordance with the International Financial Reporting Standards and granted the following unqualified audit opinion.

The consolidated financial statements, the group management report, the audit report and the risk management system were discussed in detail together with the auditors at the balance sheet meeting of the Supervisory Board.

The result of the examination by the Supervisory Board is stated in the report of the Supervisory Board (please refer to pages 40 to 43 of the Annual Report).

Dr. Willibald Späth Thomas Hoffmann

Audit Opinion

We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in stockholders' equity, the statements 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, 2009 to December 31, 2009. 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 legal representatives. 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 legal representatives, 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 19, 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Simon-Heckroth	ppa. Heckhäuser
Wirtschaftsprüfer	Wirtschaftsprüferin