



Annual Report 2007

euromicron
Aktiengesellschaft

Highlights 2007

January

The experts from the stock market newsletter "TradeCentre" include euromicron in their sample securities account.



February

DHL equips its new cargo center at Leipzig Airport with control station furniture from euromicron's subsidiary ELABO.

March

The euromicron Group again takes part in CeBIT in 2007, presenting itself under the slogans "Competence Transformed Into Solutions" and "euromicron inside".



Dr. Kalliwoda Research recommends buying shares in euromicron.

April

Austria's AvW Group invests in euromicron.

euromicron presents itself to analysts and investors at a roadshow in London.

May

euromicron at the Munich Capital Market Conference: presentation of its latest quarterly figures to institutional investors, analysts and financial journalists.

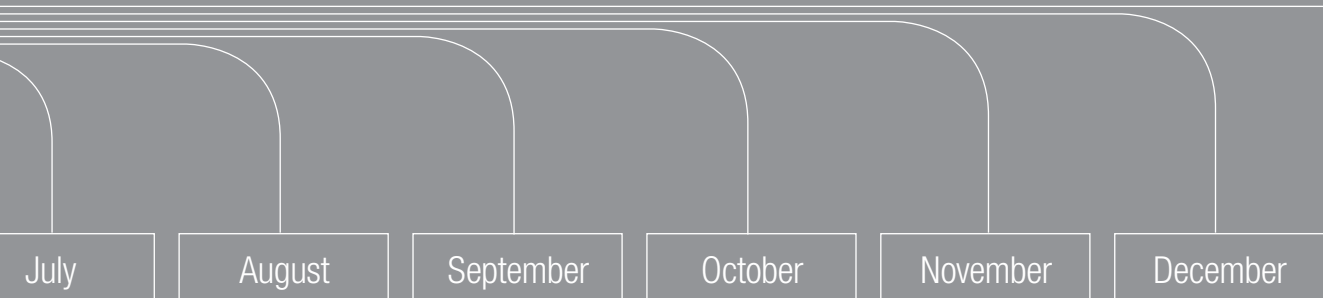


June

euromicron takes over all the shares in Cteam Consulting & Anlagenbau GmbH in Seekirchen, Austria, along with its subsidiary Cteam Deutschland Munich/Stuttgart.



Satisfied shareholders agree to the resolutions proposed by the Executive Board and Supervisory Board, with a majority of 99% in favor of the items on the agenda, at the General Meeting on June 20, 2007.



euromicron and Alcatel conclude partnership agreement on cooperation in the field of convergence and data communications.

A nationwide sales partnership is concluded with Aastra-DeTeWe, in particular for projects placing high demands on integration of information and communications infrastructures.



euromicron joins D.I.R.K., the German Association for Professional Investor Relations, and so will contribute to developing its investor relations through its active collaboration in the body.

Successful roadshow for analysts and investors in Zurich.

euromicron AG reorganizes its companies in Southern Germany and merges Krumm, NTA, O.N.E., Pfeiffer and TBS into euromicron solutions GmbH. The aim is to pool and further expand the strengths of its individual areas of competence.



euromicron acquires all the shares in LAN-TECHNIK and Delwave Distributions GmbH in Hamburg, expanding its range of products and services for active network components and server security software.

Completion of the 1st Junior Executive Program in euromicron's history.

euromicron wins an order from Duisburg Clinic to renew its automated goods transport system.



The euromicron Group – Key figures

KEY FIGURES

	2007 EUR m.	2006 EUR m.
Consolidated sales	136.5	115.9
Sales by division		
euromicron North	61.5	56.8
euromicron South	79.1	62.1
Segment-related consolidation	–4.1	–3.0
Sales by region		
Germany	115.4	106.2
Euro zone	17.3	6.8
Rest of World	3.8	2.9
EBIT (operating)	16.3*	12.9*
EBIT (consolidated)	12.0	7.7
EBIT by division		
euromicron North	9.2	7.6
euromicron South	7.1	5.3
euromicron AG and consolidation	–4.3	–5.2
EBITDA	15.2	9.6
Consolidated net profit	7.0	4.4
Cash flow	9.0	5.9
Number of shares in circulation (thousands)	4,578	4,620
Undiluted earnings per share (in EUR)	1.53	0.95
Total assets	148.0	109.8
Equity ratio	47.6 %	61.3 %
Employees (number as an average for the year)	929	767

* Before non-recurring expenses and holding costs

euromicron

Systematic network solutions

Be it mobile phones, organizers, PC systems, entertainment electronics or highly sensitive medical, aerospace or security technology – transporting voice, image and computer data demands broad know-how and specialist knowledge in components and systems.

euromicron has continuously built and expanded this know-how and established itself in the market as a competent provider of network technology solutions.

Our work is geared toward a balanced strategy for expansion and growing the company's value.

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Dr. Edgar Bernardi
Member of the Executive Board

Dr. Willibald Späth
Chairman of the Executive Board

Dear Shareholders,

Dear Readers,

Fiscal 2007 was a successful year for the euromicron Group, one in which we stuck to our value-oriented course of growth. The Group companies performed well thanks to the rise in private consumption and greater willingness to invest by industry and the public sector. The challenge was to meet the growing requirements for faster transfer rates, processing of larger volumes of data and greater security. Although competition in system business remained fierce, we can look back on an important fiscal year that promises well for the future in a number of demanding niche markets in which our company operates.

Based on a balanced strategy of expansion and growing the company's value, the focus in 2007 was on systematically continuing our buy and build strategy, further internationalization, rounding out our comprehensive coverage in the domestic market and growing into a future-oriented technology group. By entering the Austrian market, we were able to increase the share of sales from international business to around 15% in 2007. The acquisitions we made complement our portfolio of products and services in profitable niche markets and strengthen our technology platform.

The euromicron Group increased its sales year-on-year by 18% to EUR 136 million.

That is pleasing given that we were not able to achieve further planned growth through acquisitions due to the weak performance of a number of companies we were targeting. We believe we act as our shareholders would wish by carefully examining and evaluating our acquisition projects and submitting well-calculated offers that reflect the capital market's valuation and are a fair investment that can pay off for our company.

Earnings before interest and taxes (consolidated EBIT) were EUR 12.0 million, an increase of more than 55% over 2006 (EUR 7.7 million). Income from the newly consolidated acquisitions made a major contribution to this success. The EBIT margin rose from 6.6% in 2006 to 8.8%, mainly due to projects with higher margins and lower special expenses for company acquisitions.

The euromicron Group was able to expand its market position significantly and strengthen perception of it as a high-tech company that offers an outstanding level of quality and reliability. This positioning reflects the fact that our company is being involved by customers in their decision-making processes at an early stage as a provider of end-to-end solutions in the network and ITC arena. A key foundation for this is our expertise in being able to offer all-round concepts that are geared to solving problems and that are distinguished by innovation, quality, reliability and service.

In June 2007, euromicron AG made its largest acquisition to date, taking over all the shares in Cteam Consulting & Anlagenbau in Seekirchen (Austria) and so indirectly in its subsidiary in Munich. With this step toward internationalization, the Group is also rounding out its skills in providing consulting for, planning and implementing turnkey mobile technology projects and marked the launch of the "Mobile Solutions" Competence Center.

Last November, euromicron AG then purchased all the shares in LAN-TECHNIK GmbH and Delwave Distribution GmbH. Both companies strengthen the Group in the field of active network technology solutions. As part of the ongoing integration process, LAN-TECHNIK GmbH was merged with euromicron systems GmbH and Delwave Distribution GmbH with SKM Spezialkabel München GmbH to create SKM Delwave GmbH on November 1, 2007.

A milestone in our structural reorganization was the merger of Pfeiffer GmbH, NTA GmbH, Telefonbau Schneider GmbH, Krumm Telecom GmbH and o-n-e optical network elements GmbH into the Southern grouping, “euromicron solutions GmbH”. This created the foundation for being able to offer the market and our customers services from two large system houses in future: euromicron solutions GmbH in Southern Germany and euromicron systems GmbH in the north.

This element of our overall strategy of merging companies and forming larger units has proven right. By pooling expertise, leveraging potentials to increase efficiency and seizing opportunities for growth, we have improved our competitive position in many markets. As part of this development, the assembly operations of rako electronic data technology GmbH were also relocated to and integrated in our assembly center at LWL Sachsenkabel GmbH in 2007.

Apart from the Group's work on creating innovations, backed by a streamlined process, we have pooled established specific know-how in our first three Competence Centers: Data Center Solutions, Voice Solutions and Mobile Solutions. In cooperation between experts and Sales, this will mean that we will be able to combine industry and solution know-how more effectively and so create tailored end-to-end solutions for our customers.

The foundation for euromicron AG's growing operational success is the good qualifications of our employees. A comprehensive concept for systematic qualification and further training for special-

ists and executives to reflect our and their needs will make a major contribution to improving our structures and enhancing the quality of the consulting we provide customers with. So as to make the personnel development process more professional, we established the Human Resources department at the company's headquarters at the beginning of 2008.

We have sharply stepped up our investor relations work in order to achieve an even broader spread of our shares among private and financial investors in Germany and abroad. By joining the German Investor Relations Association (D.I.R.K.), we laid the basis for intensifying communication with the capital markets and strengthening confidence in euromicron's share. It began the year at EUR 21.50 and got off to a promising start; however, despite peaking at EUR 22.50 in March 2007, it was not able to rise above the value for 2006. The share buyback program launched in 2006 was continued as planned and its first stage completed, with a total of 81,585 shares (1.8% of the capital stock) having been bought back. Our share price at the end of the year was EUR 19.00. The Chairman of the Executive Board underscored his confidence in euromicron AG, despite the general nervousness on the stock markets, by personally acquiring 5,000 shares in the past fiscal year.

Undiluted earnings per shares were around EUR 1.53 on a consolidated net profit of more than EUR 7.0 million, as well as due to our achieving the envisaged goals of profitable growth. That is a sharp increase over the previous year's earnings per share of EUR 0.95. The Executive Board will therefore propose to the General Meeting an increase in the dividend for fiscal 2007 to EUR 0.80 a share, or an increase of around 14%.

By creating the basic conditions, further planned structural optimization and with good development in the level of business activity, the euromicron Group aims to reach the sales mark of EUR 200 million with its customary quality of earnings in fiscal 2008 by continuing the buy and build strategy and so achieve a further milestone in its expansion.

The Executive Board of the euromicron Group thanks you, our shareholders and lenders, all employees and executives, business partners and friends for your loyalty to the company and your trust.



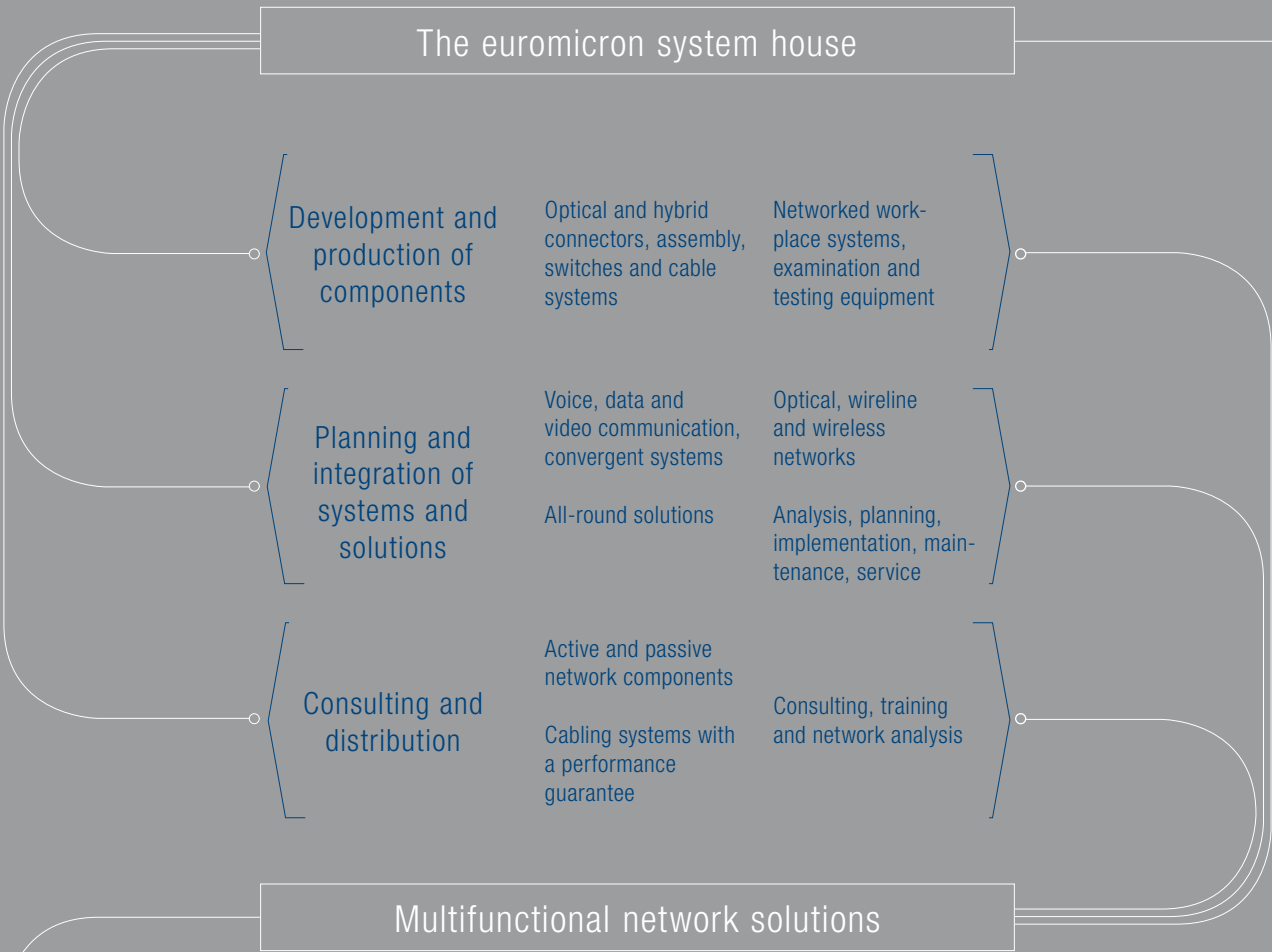
Dr. Willibald Späth

Chairman of the Executive Board



Dr. Edgar Bernardi

Member of the Executive Board



euromicron

euromicron – the system house

We unite the strengths of a group with the flexibility of small and medium-sized enterprises to the benefit of our customers.

Our know-how in developing and producing high-quality network components bolsters our expertise in consulting, planning and integrating and providing services for communications networks.

Security

Experience security with high-tech solutions



euromicron

Solutions

Powerful surveillance and control systems are vital to ensuring we feel secure in public places where large crowds of people congregate.

The euromicron Group offers integrated and active security solutions for public places and control centers. Cutting-edge access control systems, Internet-based video surveillance and applications such as 360-degree illumination, image selection, focusing and storage, etc., ensure constantly up-to-date monitoring of performance and processes in real time via an active communications network, as well as complete monitoring of access and rooms. euromicron has developed an ergonomic control system workplace with integrated fiber-optic networking in a flexible and modular design to ensure users keep the overview and composure they need, even in critical situations.



The Police Headquarters of Central Franconia is regarded as one of the most modern command centers in Europe. For the 2006 World Cup, the euromicron Group developed and built a new control center that unites the best possible ergonomics – thanks to round multifunctional tables with monitors that can be lowered – with the very best information and communications technology.

Reliability

Work successfully with reliable data and systems



euromicron

Components

Frankfurt Stock Exchange knows no closing hours: the Neue Börse's communications system in Frankfurt can only be out of operation for a maximum of 2.5 hours a year – after all, up to 32 billion euros are traded every day using the electronic system XETRA.

euromicron reliably ensures such network availability with a top international mark of 99.97%, among other things thanks to its innovative and high-quality components.

euromicron was responsible for planning and implementing the complete project for the data, communications and security network with video surveillance, intruder detection system, fully digital intercom system, security management system and satellite and broadband cable system.



The leading-edge network of Neue Börse in Frankfurt for monitoring and controlling what is happening on the global stock markets meets all the requirements demanded of a modern, integrated network:

- The very highest quality and precision of the components
- Absolutely stable connections
- Reliability and security of the systems

Individuality

Communicate individually with professional systems



euromicron

Systems

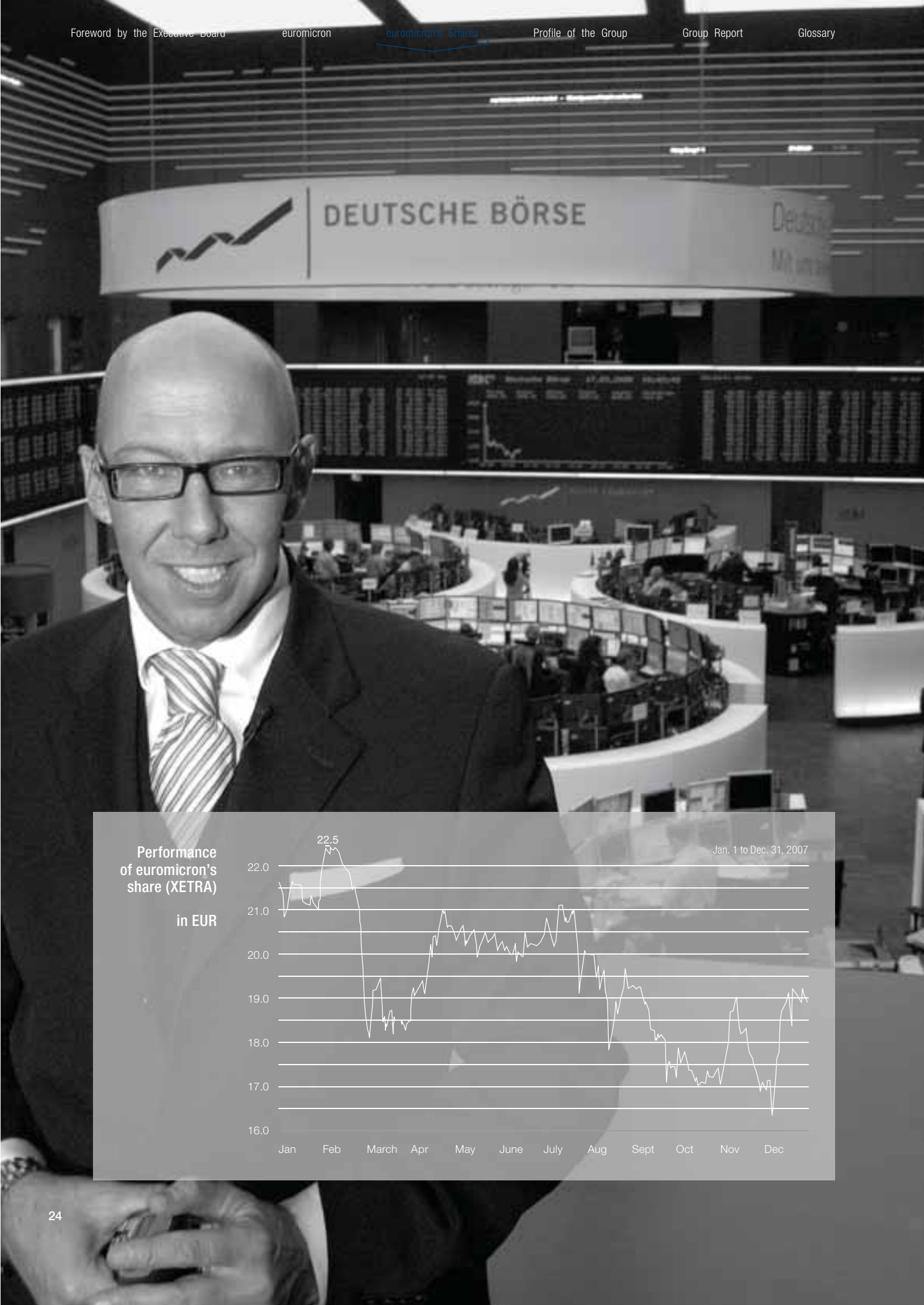
There has been a huge increase in individual travel by air, on the ground and on water, necessitating quick and up-to-date information and the very highest security in communications systems.

Our knowledge and information society has three major needs – communicating anytime, anywhere using a wide range of different media, overcoming large distances in a short time, and a feeling of security at all times coupled with maximum system availability.

High-performance networks built by euromicron help ensure that all of us can use a laptop online in the park, watch the news on mobile phone, receive TV and surf in the Internet over a network, experience medical diagnosis or operations wherever we may be, receive e-mails just about anywhere in the world or simply send a video clip to friends.



Be it a fixed network, mobile broadband technology, or all types of wireless network – the euromicron system houses creates the conditions for a wide range of individual applications for end users.



Performance
of euromicron's
share (XETRA)
in EUR



euromicron's Shares

The stock market

German stock markets once again performed positively overall in 2007 against the backdrop of a friendly economic climate. In the second half of the year, however, the financial market crisis triggered by the real estate market in the USA resulted in sharp price corrections and increasing volatility on all international stock markets.

The DAX closed 2007 at 8,067 points, an increase for the year of some 22%.

In the same period of time, the TecDAX – which tracks the 30 largest technology companies from the Prime Standard – started at 750 points and ended the year at 974, a rise of around 30%.

In this segment, too, a single sector dominated the index to an abnormal extent: the solar industry.

In the final analysis, the DAX and TecDAX were thus shaped by strong demand for individual and select blue chips.

In contrast, after an initial upturn the SDAX declined and ended the year in negative territory, among other things due to the aversion of international investors to small caps in 2007.

euromicron's shares

Like the SDAX, euromicron's share began the year promisingly, but was not able to continue this upward trend in the course of the year, despite positive opinions by analysts, strong, earnings-oriented growth in business and systematic acquisitions. The share closed the year at EUR 19.00 after starting it at EUR 21.55. Despite peaking briefly at EUR 22.50, it was thus not able to increase its price over 2006. The prime cause of this was the general nervousness on the stock markets, where – in particular at the end of the year – institutional investors rigorously sold shares in small-cap technology companies, regardless of their individual business performance, with the result that all securities in this segment came under huge pressure.

The pressure on this segment and so on euromicron's share continued at the beginning of the year and caused the price to fall further.

The market capitalization at the end of the year was EUR 88.50 million.

The volume of trading in our shares developed pleasingly in 2007. Whereas 2.0 million were traded in 2006, the figure in 2007 was just under 4.2 million, an increase of more than 40%. This is a reflection of the fact that the share is more widely known, as well as of our intensive investor relations work.

In continuation of the 1st stock buyback program that began in 2006 and was completed on April 30, 2007, the company again acquired 40,000 of its own shares in 2007. euromicron AG currently holds 81,585 of its own shares.

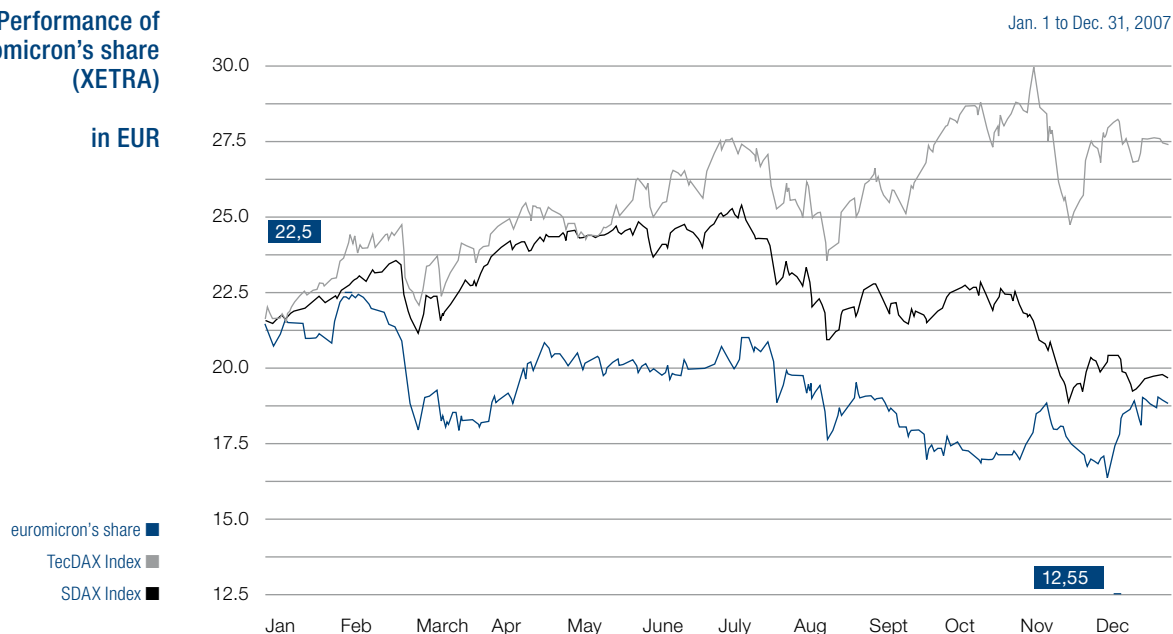
Dividend and yield

The Executive Board and Supervisory Board of euromicron AG will again propose to the General Meeting on June 12, 2008, an increase in the dividend for fiscal 2007 by around 14% to EUR 0.80 due to the company's continuing good business performance. This corresponds to a dividend yield of more than 4% on the basis of the share price at the end of the year. In relation to the average price of EUR 14.00 at the first quarter of 2008, the dividend for our "new shareholders" is around 6%.

The Executive Board and Supervisory Board are thus adhering to their shareholder-friendly dividend policy, continuously giving shareholders a share of the company's increasing operational performance, yet suitably taking into account the company's capital needs to ensure its further growth and development.

Performance of euromicron's share (XETRA)

in EUR



Share profile (key data)

Type of share	No-par bearer shares
Segment	Prime Standard
Sector	Technology
Index	Technology All Share
ISIN	DE0005660005
Places of trading	Frankfurt/XETRA
Abbreviation	EUC.GY
Designated sponsor	Commerzbank AG, Gebhard Wertpapierhandelsbank AG Nord/LB Hannover

The shares on the market

	2007	2006
Number of shares issued at the balance sheet date	4,660,000	4,660,000
– of which own shares	81,585	39,050
Capital stock (EUR)	11,914,000	11,914,000
Highest price (XETRA) (EUR)	22.50	22.50
Lowest price (XETRA) (EUR)	16.31	16.60
Closing price at the end of the year (XETRA) (EUR)	19.00	21.50
Market capitalization at the end of the year (in EUR million)	88.5	100.2
Undiluted earnings per share (EUR)	1.53	0.95
Volume of shares traded	4,194,540	2,919,142

Investor relations

The goal of our investor relations work is and will remain to provide our shareholders, institutional and other investors, journalists and banks with comprehensive, prompt and transparent information on the company's performance in the spirit of equal treatment and also in compliance with the Corporate Governance Code and to enable them to make a reasonable assessment of the company's strategy and its business situation. In addition, we aim to arouse interest in euromicron, its further development and its potentials.

Once again in 2007, we further intensified our dialog with the capital market. The goal is to strengthen our presence on the capital markets, achieve a realistic and fair valuation of the euromicron share and further expand our national and international investor base. One focus of our IR work remains on acquiring long-term, value-oriented investors. For example, we were not only able to win well-known German addresses, but also new, top-flight institutional investors, asset management companies, family offices and private investors in Austria and Switzerland.

In order to put its IR work on a more professional footing and to intensify cross-sector IR networking, euromicron joined the D.I.R.K., the German association for professional investor relations, in 2007.

euromicron took part in five investors' conferences in the past fiscal year. The Executive Board and Investor Relations team held a large number of one-to-one meetings, telephone conferences and presentations with analysts and investors to discuss the current business situation, significant developments at the company and investment highlights. We staged an Analysts' Conference and also published matters of relevance to the company and share price in ad-hoc communications and press releases. Our principle is to provide all target groups on the capital market with the same information at the same time. The latest communications, releases, annual and quarterly reports, analysts' opinions, presentations, share price information, etc., are published comprehensively and promptly on our Website at www.euromicron.de. Since 2007, our shareholders have also been able to obtain information on their company by means of a film about it.

In addition, the annual General Meeting also gives private shareholders the opportunity to obtain comprehensive information on the company's business development from the Executive Board of euromicron AG. The numerous shareholders who attended the General Meeting on June 20, 2007, underscored their confidence in euromicron by voting 99% in favor of the individual items on the agenda.

Investor relations activities will be conducted at the same high level in fiscal 2008. The goal is not only to provide professional support for existing shareholders and strengthen their trust in the share, but also to win further investors in euromicron from Germany and abroad.

Consequently, a number of roadshows and one-to-one meetings at major European financial centers in Germany and abroad – for instance in London and Zurich – were scheduled and held in the first quarter of 2008, an Analysts' Conference in connection with the 2007 financial statements was arranged, and participation in various capital market conferences has been planned.

In order to learn more about what the company does in practice, more and more analysts and investors are visiting euromicron at CeBIT in Hanover. Alongside demonstrations of the latest products and solutions, they can talk to us and obtain an insight into the Group's operational activities.

Coverage expanded

Despite the relatively short time that euromicron's shares have been the focus of investors again, we were able to build sound coverage for the euromicron share and so offer private and institutional investors alike an important means of guidance.

euromicron's share is regularly analyzed and valued by five banks and research institutes at present. Studies and commentaries on its current business development, questions of valuation and background information are issued. The following establishments report on euromicron: Bankhaus Lampe, BHF-Bank, Dr. Kalliwoda Research, SES Research and First Berlin. The assessments by the analysts were and still are "buy" across the board, reflecting the belief in the company's earnings strength and the share's upside potential.

The Executive Board and Investor Relations team attach importance to active and open dialog with investors.



The euromicron AG team in Frankfurt/Main

Our employees – our success

The employees of the euromicron Group

The euromicron Group is expanding on the basis of its technological lead, innovativeness and professional service. As a result, it is able to offer its employees responsible and challenging activities, a performance-oriented working environment shaped by team spirit and, thanks to our high growth objectives, very good possibilities for development.

In fiscal 2007, an average of 940 people were employed at the euromicron Group, a year-on-year increase of some 22% over the figure of 767 in 2006. This rise is primarily due to the company acquisitions as part of the Group's expansion, but also as a result of staff that was newly hired in order to enhance the workforce's qualifications structure. euromicron exhibits above-average commitment to training people, as evidenced by the 61 trainees who are being prepared for a vocation in information technology or business administration at various locations.

The euromicron Group covers its increasing need for highly specialized experts not only by buying in services and know-how, but mainly through its own qualification programs and internal and external further training measures, including in the fields of leadership, project management and sales.

As part of our personnel development work, we continued the "Junior Staff Encouragement" project that was launched last year. Potential junior staff will be trained for future management tasks and responsible specialist posts at the Group in order to recognize and foster employees' potentials, enhance their entrepreneurial thinking and to create long-term loyalty to the company. This is also a good means for the company to systematically plan, prepare and solve forthcoming matters relating to successors and so offer active and committed junior staff the possibility of developing themselves and proving their mettle in new tasks. A broad training with systematic job rotation offers the opportunity for a management career and assumption of additional responsibility.

We are aware that our employees' know-how is crucial to our Group's future. Consequently, encouragement and requirements-oriented, systematic qualification of our employees will remain a key element of our business policy. As a means of optimization, this will be accompanied by external recruiting, active applicant management and an intensive personnel procurement and post-filling process. In order to give greater weight to this aspect, the Human Resources department was established at the company's headquarters at the beginning of 2008, headed by an experienced HR manager.

The Executive Board personally thanks all employees for their commitment in fiscal 2007.



Markets, Technologies and Products

euromicron – security, reliability, availability

Permanente availability of data is the engine that drives our society and in particular our economy. Huge efforts are required to ensure availability. Complex technical requirements have to be fulfilled so that we can call up “our” data reliably and individually anytime, anywhere. And yet: unauthorized persons must not be able to access it under any circumstances.

As a result, connectivity technologies and security systems are becoming key foundations of our modern information society. In interaction with high-quality components, foresighted planning and appropriate and proper maintenance of the physical ITC network, they guarantee end-to-end security and availability of the systems.

Rising energy costs are entailing new requirements in the operation of powerful data centers and server farms. Green IT is a burning issue and mainly addresses the problem of energy efficiency.

The industry association BITKOM put growth in the ITC industry in 2007 at 2%, with the market having a volume of some EUR 150 billion. That means the growth rate of 1.3% forecast at the start of the year was well exceeded.

Dr. Alois Rhiel, Minister of
Economic Affairs of the
German state of Hesse,
talking to Dr. Edgar Bernardi
from the Executive Board at
euromicron's stand at CeBIT

Networks – with their cabling infrastructures as well as intelligent active and passive network components – are the arteries of modern society: without rapid data transfer, the world as we know it is inconceivable – be it in business, media reporting, medicine or the private sphere.

In all areas, increasing demands are being placed on availability – quantitatively as regards bandwidth and speed, and qualitatively in relation to undisrupted, end-to-end performance and reliability.

A growing need for broadband access is emerging as a result of triple play applications, in which voice, data and the Internet are transported over a common network infrastructure. In this context, particular requirements are demanded from the use of “virtual worlds”, where real-time interaction necessitates the very highest performance from mainframes, servers and network structures. High-speed Internet access is also the basis for offerings in the entertainment sector, such as video on demand, where TV viewers become their own program director and can individually select films and programs via Internet TV.

In medicine, powerful networks allow specialist colleagues to be called in to help in difficult diagnoses; video-based remote operations will become an indispensable part of everyday medical work.

Efficient infrastructures are the basis for cashless payment systems – such as payment by EC or credit card –, for Internet commerce or road toll systems. Since more than 40% of Germans now shop in the Internet, comprehensive availability of applications is becoming an essential parameter for numerous business models in many sectors and business segments.

Changes in legislation relating to permanent storage of data – be it phone calls or Internet data – as a means of preventing terrorism entails modernization and expansion of active and passive network components.

All these applications are backed by high-performance data centers, whose availability not only depends on the reliability of IT and networks, but increasingly also on their level of security.

As a means of backup, data is basically stored in duplicate, i.e. mirrored, at separate locations that are often several kilometers apart. These locations are connected by high-performance fiber-optic links via redundant channels, so that even if one link fails, performance is retained without restriction. State-of-the-art multiplexing technologies are used to ensure optimum use of the links. euromicron has its own development and production expertise in these technologies and plans and implements scalable solutions tailored to the customer and project. However, data security is only one aspect; a further major one is physical security of the transport networks and data center locations. This also includes the entire issue of building and access security, access control systems, perimeter protection, video surveillance and systems that can detect danger as early as possible.

Security solutions from euromicron are used not only at data centers, but also in monitoring processes, industrial production or video surveillance of public areas. euromicron tackled one particularly complex challenge by providing large-scale and complete video surveillance for prisons.

With its innovative Data Center Solutions and Control Solutions, euromicron caters fully for all relevant areas – from IP cameras to ergonomic control center workplaces.

The importance of ITC as a core foundation for modern business processes was often underestimated in the past, but is now gaining sharply in importance as a result of directives such as Basel II, since security standards in IT directly impact ratings and so the terms granted for obtaining outside capital. Increasing consolidation of data centers and migration of the network infrastructures for voice, data and the Internet to one network mean that the resultant systems are increasingly complex. The demand for solutions “from a single source” is caused by this development. As a producer and integrator, euromicron is excellently positioned to meet these requirements competently – as underscored by mature and intelligent all-round solutions in the segments of communication and security solutions.

A burning issue at data centers is energy efficiency. The creation of expansive server farms in the past years solely addressed the need for availability and speed. Aspects such as power dissipation and consumption, as well as energy costs, played a minor role for the consumer. This has changed radically: first because data centers run the risk of heat collapse if they keep on growing without restriction, and second because operating costs have risen above-proportionately as a result of the increase in energy costs. Issues relating to energy efficiency – “Green IT” or the “Green Data Center” – are multi-faceted and demand an end-to-end concept and approach. euromicron has been prompt to address this issue and has developed possible alternatives based on modular solutions. As a result, the euromicron Group has underscored its position as a leading provider of solutions for communications and security networks. An end-to-end approach in cabling means delivering solutions that connect the data center as a node with the end user. In the area of cabling for offices or buildings, euromicron has realized cutting-edge FTTO (fiber-to-the-office) and FTTD (fiber-to-the-desk) solutions based on its own patented cabling concepts and embodying the latest requirements, such as PoE (Power over Ethernet). In the field of industry automation, euromicron has also patented a ring technology with which optimized availability is achieved by means of fault-tolerant self-healing fiber optic ring structures.

The euromicron Group is committed to offering its customers tailor-made modular solutions, without the need to sacrifice customer-specific adaptations. Competent service – from consulting, planning and installation to maintenance and service – from a single source is a decisive competitive advantage for customized projects. A hallmark of euromicron is the broad and always up-to-date know-how and skills of its experienced employees.

euromicron’s acquisitions in the past year were aimed at expanding its portfolio of products and services, as well as rounding out the Group’s comprehensive coverage in Germany and strengthening its presence abroad.

Flexibility and a lead in knowledge are the essential foundations of our success.

Report of the Supervisory Board



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

Cooperation between the Supervisory Board and the Executive Board

During the fiscal year 2007, the Supervisory Board performed the duties required if it by law and the Articles of Association, advised the Executive Board of euromicron AG and constantly supervised management of the company. The Supervisory Board was directly involved in all significant business events and decisions of fundamental importance.

The Executive Board regularly and comprehensively informed the Supervisory Board at its meetings about the company's situation, development of its business and financial situation, investment and acquisition projects and basic questions of corporate policy and strategy. It informed the Supervisory Board about the most important key financial indicators on the basis of monthly reports and submitted matters requiring approval in good time so that a resolution on them could be adopted. The Supervisory Board approved these after examining extensive documents, queries to the Executive Board and intensive discussions with the members of the Executive Board. It was also informed comprehensively of special business transactions between the meetings and, where necessary, asked to adopt resolutions by circularization. In addition, the Chairman of the Executive Board

informed the Chairman of the Supervisory Board about all important developments and impending decisions in regular one-on-one meetings and phone calls.

Subjects of the Supervisory Board meetings in 2007

The Supervisory Board held four meetings in fiscal 2007 – on March 28, June 19, September 20 and December 5 – at which it examined in detail the company's economic situation and strategic development.

In addition to current business developments of euromicron AG and the Group, the topics regularly discussed at the meetings of the Supervisory Board were the course of business of the Group companies and their market environment, risk management, basic questions of corporate planning and the Company's corporate policy, questions of Group integration, the Group-wide ERP system and its financing situation. In addition, the Supervisory Board kept itself informed in regular meetings and talks with the Executive Board of euromicron's AG ongoing growth strategy. Points of emphasis in this context were external growth through company acquisitions, organic growth and the costs required for this, as well as the development of liquidity and the key financial indicators.

The Supervisory Board satisfied itself that the Executive Board has conducted business correctly and has taken all necessary measures in good time.

Corporate governance

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the German Corporate Governance Code and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law. Both bodies have thus fulfilled the obligation to ensure transparent and responsible management and control of the company. The declaration on conformance is contained in the Annual Report 2007 and is available at all times on the company's Internet site.

Examination of the 2007 financial statements

The annual financial statements of euromicron AG and the Management Report as of December 31, 2007, as well as the IFRS consolidated financial statements including the group management report as of December 31, 2007, along with the bookkeeping and the risk identification system, were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and each issued with an unqualified audit opinion. The audit reports of the Company and the Group were available to the Supervisory Board in good time before the balance sheet meeting on March 26, 2008. The Supervisory Board examined the financial statements and the management report, as well as the consolidated financial statements and group management report of euromicron AG and the auditor's reports and concurs with the auditor's findings following detailed discussion with the Executive Board. The auditors took part in the balance sheet meeting of the Supervisory Board, reported on the main results of their audit of the annual and consolidated financial statements and answered supplementary questions by the Supervisory Board.

Upon conclusion of its examination, the Supervisory Board raises no objections.

The Supervisory Board therefore approved the financial statements of euromicron AG and the euromicron Group prepared by the Executive Board at its meeting on March 26, 2008. The financial statements of euromicron AG are thus adopted. The Supervisory Board examined the Executive Board's proposal to pay a dividend of EUR 0.80 a share (i.e. a total of EUR 3,662,732) and to carry the remaining net income of EUR 3,216,047 forward to a new account, and endorses this proposal of the Executive Board.

Composition of the Supervisory Board

There were no changes in the members on the company's boards in the fiscal year.

Thanks

The Supervisory Board wishes to express its thanks to the Executive Board, the General Managers and all employees of the euromicron Group for their personal commitment and achievement in fiscal 2007.

Frankfurt/Main, March 26, 2008

The Supervisory Board



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

Corporate Governance

Report by the Executive Board and Supervisory Board of euromicron AG for 2007

The Executive Board and Supervisory Board of euromicron AG expressly approve the recommendations in the German Corporate Governance Code for transparent management and monitoring of companies.

Cooperation of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board of euromicron AG work together for the benefit of the company. The Supervisory Board is involved in all significant business transactions as a control and advisory instance. The Executive Board requires the Supervisory Board's consent to fundamental decisions. The Supervisory Board has also defined the duties of the Executive Board to provide information and report to it, as well as the responsibilities of the Executive Board's members, in rules of internal procedure.

Declaration on conformity (Section 161 AktG (German Stock Corporation Law))

euromicron AG is firmly convinced that it has been practicing a series of principles and recommendations in the code for a long time and has fully satisfied the statutory demands and expectations of its shareholders with its understanding of corporate governance.

The Company will also acknowledge the German Corporate Governance Code in the version dated June 14, 2007, as binding on it in future and comply with it with the exception of a small number of deviations. These deviations are mainly due to the Company's size and business model.

The Executive Board and Supervisory Board of euromicron AG hereby declare in accordance with Section 161 AktG that the company has complied in principle with the recommendations of the government commission on the "German Corporate Governance Code" in the version dated June 14, 2007, since the declaration of conformity from December 2006 and will comply with them in future. The following recommendations were not and will not be applied:

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."

Reason:

euromicron AG does not follow this recommendation. The D&O policy does not envisage any deductible for the board members. It is a group insurance policy for a large number of executive employees in which a differentiation by board members and other executives does not appear appropriate.

Re Sections 4.2.4 and 4.2.5 of the code:

"The total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components ...
... Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable way."

Reason:

The General Meeting of euromicron AG decided on June 23, 2006, with a three-quarter majority that the details demanded in Section 285 Sentence 1 No. 9 lit. a) Sentences 5 to 9 and Section 314 (1) Sentence 1 No. 6 lit. a) Sentences 5 to 8 of the German Commercial Code (HGB) and relating to individualized disclosure of the remuneration of the Executive Board do not have to be provided for a period of five years. The compensation of the Executive Board consists of a fixed salary plus an earnings-related bonus. In the view of the company, individualization and a breakdown of the details does not provide investors with any substantial information due to the existing remuneration structure.

Re Section 5.3 of the code:

"Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise. ..."

Reason:

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 committees is therefore not expedient, especially since the Supervisory Board constitutes a quorum in accordance with Section 108 (2) Sentence 3 AktG (German Stock Corporation Law) only if there are at least three members.

Re Section 5.4.7 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.”

Reason:

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. In addition, the overall compensation is published in the Annual Report, with the result that no further disclosure is envisaged. A company acquisition entailed consulting services, mainly for due diligence processes, that were provided by an auditing firm in which a member of the Supervisory Board has an interest. A total fee of EUR 81 thousand was paid for this.

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.”

Reason:

euromicron AG follows the recommendation of the code in 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.

Stock option program

The General Meeting on June 23, 2006, adopted a resolution to authorize the Executive Board of euromicron AG, with the consent of the Supervisory Board, to issue up to 466,000 stock options with a subscription right to shares in euromicron AG as part of the 2006 stock option program by December 31, 2009. The stock options are intended solely for subscription by members of the Executive Board of euromicron AG, members of the management bodies of subordinate affiliated companies of euromicron AG and selected executive employees of euromicron AG (including assistants to the Executive Board members).

A total of 185,000 stock options were issued in fiscal 2007.

Securities transactions requiring disclosure

Director's dealing transactions in accordance with Section 15a WpHG (German Securities Trading Law) in fiscal 2007:

Acquisition of 5,000 shares in euromicron AG by Dr. Willibald Späth, Chairman of the Executive Board, on December 7, 2007, at a price of EUR 17.00.

The members of the Executive Board and Supervisory Board do not hold more than 1% of the shares issued by euromicron AG directly or indirectly.

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

Frankfurt, December 2007

For the Supervisory Board:



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

For the Executive Board:



Dr. Willibald Späth
Chairman of the Executive Board

Board Members of the Company

Executive Board

Dr. Willibald Späth

Chairman of the Executive Board

Strategy, Acquisitions, Finance, Public
Relations and Investor Relations

Dr. Edgar Bernardi

Member of the Executive Board

Products, Market, Technologies and
Operations

Supervisory Board

Dr. Franz-Stephan von Gronau

Chairman of the Supervisory Board
of euromicron AG

Certified public accountant, tax consultant,
lawyer

Partner of the firm of auditors LKC, Grünwald
near Munich

Josef Martin Ortolf

Deputy Chairman of the Supervisory Board of
euromicron AG

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

Dr. Andreas de Forestier

Banker

Member of the Supervisory Board of
euromicron AG

Unlimited partner of DG Immobilien
Objektgesellschaft

- Stuttgart, Industriestraße and
- Berlin, Kronenstraße 5 and 7

Chairman of the Board of the charitable
foundation Noris Stiftung, Nuremberg

1. General conditions

Profile

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.

Structure and organization

In the period under review, the euromicron Group consisted of the parent company euromicron AG and a further 16 companies, which are included in the consolidated financial statements.

Its management is headed by two Executive Board members. Operational business is run by the subsidiaries, whose General Managers usually report directly to the Executive Board.

The Group's strategic alignment is defined by the Executive Board and implementation of it is ensured by continuous reporting and communication between the holding and operating companies.

euromicron AG, the strategic management holding for the Group, assumes responsibility for further global tasks, such as public and investor relations, as well as central issues relating to purchasing, human resources, finance and IT, and has a controlling influence in operating business.

Compensation report of the Executive Board

The total remuneration of the members of the Executive Board consists of a number of components. These are a fixed amount, the bonus and a component with a long-term incentive effect (stock options), as well as fringe benefits. The fringe benefits are non-cash compensation, such as use of a company car, on which tax is paid in accordance with the applicable fiscal guidelines. There are also pension commitments.

The stock option program was introduced in fiscal 2006 as a long-term remuneration component.

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, 2007, 375,000 subscription rights were issued to members of the Executive Board. 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.

The earliest possible time at which the options can be exercised is August 18, 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 average exercise price of the options for all persons entitled to exercise them is EUR 18.50. At the time of being granted, the subscription rights have a fair value of EUR 4.46 or EUR 4.93 per subscription right. This corresponds to a total amount of EUR 1,759 thousand.

The structure of the remuneration system is discussed and reviewed regularly by the Supervisory Board. The Supervisory Board is responsible for setting the remuneration for the Executive Board. Criteria for assessing the reasonableness of the remuneration are in particular the tasks of the respective member of the Executive Board, the performance of the Executive Board and the company's economic situation, and the company's success and future prospects on a comparative basis with other companies.

Corporate governance

In fiscal 2007, the company again essentially complied with the recommendations of the German Corporate Governance Code, with a number of exceptions. The exceptions are due to the size and business model of the company; in some cases, future adjustments are being prepared.

The exceptions to the recommendations are listed on the company's homepage at <http://www.euromicron.de> and can be viewed at the company.

Disclosures in accordance with Section 315 (4) HGB (German Commercial Code)

- a.) The company's subscribed capital consists of 4,660,000 no-par bearer shares.
- b.) Capital stakes that exceed 10% of the voting rights and have last been reported to the company:

VATAS Belgique S.A. (formerly: Longview S.A), Brussels, Belgium: 11.34%

- c.) The Executive Board is appointed and removed by the Supervisory Board in accordance with the Articles of Association in compliance with Section 84 AktG (German Stock Corporation Law). Amendments to the Articles of Association require the consent of the General Meeting.

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

The Executive Board was authorized by the General Meeting to increase the capital stock by up to EUR 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.

The General Meeting on June 20, 2007, (again) authorized the company pursuant to Section 71 (1) No. 8 AktG to acquire its own shares up to December 20, 2008, at a maximum proportional amount of the capital stock of EUR 1,191,400.00 for these shares. This is 10% of the Company's capital stock at the time of the General Meeting of EUR 11,914,000.00. The company has acquired 81,585 shares up to now.

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

Environment

The euromicron Group with its associated companies does not own any large production sites that are subject to strict environmental protection guidelines. Nevertheless, the protection of people, the air, soil and water and sparing use of natural resources have high priority at the euromicron Group. Consequently, compliance with all pertinent regulations is observed in all environment-related areas in order to ensure that products and services are produced and delivered in an as ecologically friendly way as possible.

2. Internal control system

The mission to safeguard and grow the euromicron Group's success sustainably is supported proactively by the internal control system. The Group's information systems contain actual, expected and budget calculations that are flanked by regular, if necessary measure-related, communication.

As part of Group-wide reporting and following an intensive budget process, all subsidiaries prepare monthly financial statements that are included in consolidated form in management reporting and the published quarterly and annual reports in compliance with IFRS. At regular intervals, the subsidiaries give an assessment of their current business trends and their anticipated annual income. The controlling system is continuously optimized and adapted to the Group's development and changing requirements. Important key figures that are monitored regularly are shown by way of example in the table below (in EUR million):

KEY FIGURES AND CONTROL FACTORS

	2007 EUR m.	2006 EUR m.
Sales revenue	136.5	115.9
Earnings before interest and taxes (EBIT)	12.0	7.7
EBIT margin	8.8%	6.6%
Working capital *	31.7	22.3
Order books	69.4	44.1

* Current assets excluding securities and cash, minus current non-interest-bearing liabilities

3. Course of business in 2007

Development of the market and sector

Fiscal 2007 was characterized by satisfactory general economic conditions that, unlike in the past, were not only shored up by exports, but also increasingly by the domestic market. Apart from an increase in private consumption, the industry also invested to a greater extent in new technologies in order to cope with the higher requirements of larger and larger data volumes, faster and faster transfer rates and greater security. It remains to be seen whether this marks a lasting and significant turnaround in the IT and telecommunications market.

The financial situation in the public sector tends to be easing, but this has not had any substantial impact on its investment behavior so far. Only necessary investments were made or commissioned so as to prevent it completely falling behind technological developments.

The sub-prime mortgage crisis that originated primarily in the USA in the second half of the year and the resultant and in some cases enormous write-offs by banks have not had any major effect on the economy in Germany and Europe or on banks' lending behavior to date. However, it remains to be seen what further developments are in store here.

The fierce competition that has been raging for years in system business was also a great challenge for the euromicron Group in the past fiscal year, although a slight easing was visible in a number of niche markets where our companies operate. It is not clear whether this easing will be permanent and so we expect tough competition in future, too. Nevertheless, it is discernable that customers are again focusing to a greater and greater extent on quality and reliability.

The euromicron Group performed pleasingly in this environment. The rationalization and cost flexibilization measures initiated in previous years and improved general economic conditions mean that most of the Group's companies recorded positive business trends.

Course of business for the Group

The buy and build strategy was continued rigorously in 2007. The aim of company acquisitions was and will remain to further expand euromicron into a future-oriented, clearly structured technology group. The focus in the past year was, as announced, on internationalization – with entry into the Austrian market – and on rounding out the Group's blanket presence in Germany, as well as complementing its portfolio of products and services in further interesting and profitable niche markets.

In June 2007, euromicron AG made its largest acquisition to date, taking over all the shares in Cteam Consulting & Anlagenbau GmbH in Seekirchen (Austria) and so indirectly all the shares in its subsidiary Cteam Kommunikationstechnik GmbH in Munich. Cteam provides consulting for, plans and implements turnkey projects in mobile communications technology, such as GSM, UMTS, BOS, WLAN etc., and accompanies customers throughout the project. In the field of plant construction / communications technology, it implements turnkey transmission systems for Austria's largest mobile provider. Cteam's planned sales are around EUR 30 million. The acquisition opens up a number of extensive opportunities for euromicron to develop:

- Enhancement of its competence in wireless communications in Austria and Germany
- Development of the Group's international presence and
- Tapping of market potentials in Eastern Europe.

After starting to expand its international activities in Poland and France through the purchase of Microsens last year, euromicron has thus moved into Austria. As a result, the share of sales contributed by international business has risen as planned and was more than 15% in 2007.

In November 2007 euromicron AG acquired all the shares in LAN-TECHNIK GmbH and Delwave Distribution GmbH, both headquartered in Hamburg. Whereas LAN-TECHNIK GmbH strengthens euromicron systems GmbH in project and system business – in particular in active network technology, including maintenance and service –, Delwave contributes active components to the product, distribution and trading portfolio of SKM Delwave GmbH (formerly: SKM Spezialkabel München GmbH). As part of the ongoing process of integration at the Group, LAN-TECHNIK was merged with euromicron systems GmbH and Delwave Distribution GmbH with SKM Delwave GmbH effective November 1, 2007.

Apart from acquisition activity, one focus – as in previous years – was on boosting organic growth and gearing the existing portfolio operationally and structurally to the future. In particular, an important step was taken toward creating the "Southern grouping" in system business as part of the Group's integration: the companies Pfeiffer GmbH, NTA GmbH, TBS Telefonbau Schneider GmbH, Krumm Telekom GmbH and o-n-e optical network elements GmbH were merged into one unit effective October 1, 2007, and now operate under the name euromicron solutions GmbH, Mainz.

We have pushed ahead with structural further development of our production operations. For example, the assembly activities of rako electronic data technology gmbh were relocated to LWL-Sachsenkabel GmbH so that further synergies can be leveraged.

We will continue in future to counter competitive pressure promptly and continuously through rationalization, cost flexibilization and merging of companies and production operations and to identify and exploit synergy potentials. The success of the past years confirms our actions. We will keep up and intensify these efforts so as to remain a powerful, calculable and reliable partner to our customers in future, retain a profitable and strongly growing company for our shareholders and advance into lucrative, future-oriented niche markets through acquisitions and organic growth.

Apart from the above-described portfolio changes, we undertook further selective steps in the fiscal year to promote cooperation between the Group companies and so tap additional benefit for all sides. The main focus in this was on sales, where three Competence Centers – Data Center Solutions, Voice Solutions and Mobile Solutions – have been established and create and offer specific or customized end-to-end solutions. The orders we have won, for example from Lufthansa or the German Parliament, again demonstrate that this is the right path.

In order to ensure even greater market penetration, in particular in convergent voice and data communications, euromicron AG concluded two cooperation agreements with Alcatel-Lucent and Aastra DeTeWe in the past fiscal year.

An extensive IT project was launched in 2007 as part of further integration at the Group. The aim is to create a harmonized and consistent IT platform and a standardized billing and reporting system for all Group companies by 2010.

The earnings situation of most euromicron Group companies developed pleasingly in the past fiscal year. The companies participated well in the overall positive level of economic activity and one associated company was able to report the most successful year in its history. Despite continuing fierce competition, great pressure on prices and margins and delays in projects, our companies were able to withstand the competition outstandingly, not least thanks to prudent and foresighted cost awareness, permanent process adjustments and constant optimization. Three companies did not end the year positively and so failed to achieve their targets. As a consequence, the portfolio at one project company was compressed, with low-margin business being scrapped and technically sophisticated business offering higher earnings being established for the future. The costs for this were around EUR 500 thousand, including job cuts and requalification of employees, and were included in the expenses for 2007.

Share price and investor relations

In the area of investor relations, we held a large number of roadshows, one-on-one meetings and conferences with investors, both in Germany and abroad, with the goal of presenting euromicron AG to an even broader spread of potential financial and wealthy private investors.

In 2007, euromicron AG also joined D.I.R.K, the German association for professional investor relations. As a result, dialog with the capital markets is to be further intensified, their confidence in euromicron's share further strengthened and so the interests of shareholders and potential investors addressed more systematically.

The share price started 2007 promisingly, but was not satisfactory in the course of the year. The shares ended the year at EUR 19.00 after starting at EUR 21.50. Pressure on their price continued after the reporting date, primarily due to the generally high level of nervousness on the stock markets, where in particular small-cap technology companies were sold by institutional investors, regardless of their individual business performance.

The Chairman of the Executive Board underlined his confidence in euromicron AG and, in particular in view of the stock market situation at the time, acquired 5,000 shares in the past fiscal year.

The share buyback program that was launched in 2006 was continued as planned until April 30, 2007. A total of 81,585 shares, or just below 1.8% of the capital stock, were purchased under it.

4. Net assets, financial position and results of operations

Due to the change in consolidated companies, the following data is comparable to a limited extent only. The main effects from the changes in consolidated companies are additionally stated in the following. Reference is made to the explanations in the notes to the consolidated financial statements (IFRS).

Assets and equity

The table below provides an overview of the asset and equity structure of the euromicron Group (in EUR million):

ASSET AND EQUITY STRUCTURE

	Dec. 31, 2007 EUR m.	%	Dec. 31, 2006 EUR m.	%
Noncurrent assets	83.1	56.1	61.5	56.0
Current assets	52.5	35.5	40.0	36.4
Marketable securities and cash	12.4	8.4	8.3	7.6
Assets	148.0	100.0	109.8	100.0
Stockholders' equity	70.4	47.6	67.3	61.3
Long-term debt	27.4	18.5	4.4	4.0
of which: financial debt	22.9		–	
Current liabilities	50.2	33.9	38.1	34.7
of which: financial debt	29.4		20.4	
Equity	148.0	100.0	109.8	100.0

The Group's assets total EUR 148.0 million (previous year: EUR 109.8 million), an increase of just under 35%. The change is mainly the result of additions in the consolidated companies and the associated financing.

The main driver as regards noncurrent assets is acquisition-related goodwill, which was carried at EUR 66.9 million (previous year: EUR 49.5 million) on the reporting date. The ratio of equity and long-term outside capital to assets is 117.7% (previous year: 116.5%), i.e. almost unchanged.

As part of the current assets, inventories remained largely constant year-on-year, but trade accounts receivable rose sharply from EUR 25.3 million to EUR 36.2 million. Apart from additions in the consolidated companies totaling around EUR 9.7 million, this increase was also driven by the late completion of projects that were invoiced in the past fiscal year, but not settled until the subsequent year.

Working capital (current assets excluding securities and cash, minus current non-interest-bearing liabilities) was EUR 31.7 million (previous year: EUR 22.3 million) at the reporting date.

Stockholders' equity increased from EUR 67.3 million to EUR 70.4 million. This figure contains the shares (81,585) acquired by April 30, 2007, as part of the share buyback program, which – together with the costs of acquiring them – were offset against stockholders' equity without any impact on profit.

The equity ratio at December 31, 2007, nevertheless remains at a comfortable level of 47.6% (previous year: 61.3%). The percentage reduction is mainly the result of the strict policy of outside funding for company acquisitions so as to utilize the leverage effect to a greater extent and optimize the capital structure.

Long-term debt and current liabilities increased. This was mainly due in both cases to financial debt – primarily owing to the acquisitions –, but current liabilities also increased as a result of temporary project financing.

The Group's net debt (financial debt minus securities and cash) at December 31, 2007, is EUR 39.9 million. It should be taken into account that project financing is traditionally heavy at the end of the year.

Results of operations

In fiscal 2007, the euromicron Group achieved consolidated sales of EUR 136.5 million, an increase of 18% on the previous year (EUR 115.9 million). The share of sales generated by the companies acquired in 2007 was EUR 13.9 million, giving an adjusted growth rate of 5.7%. This is all the more pleasing because fiscal 2007 was also marked by project postponements and increasingly shorter-term commissions by our customers. In particular, around EUR 12 million in orders were postponed to the next year as a result of restructuring of the mobile communications market in Austria and the early onset of winter as of November 2007.

In terms of secondary reporting segments, all the segments – production operations, project companies and distribution – participated in this overall growth (in EUR million):

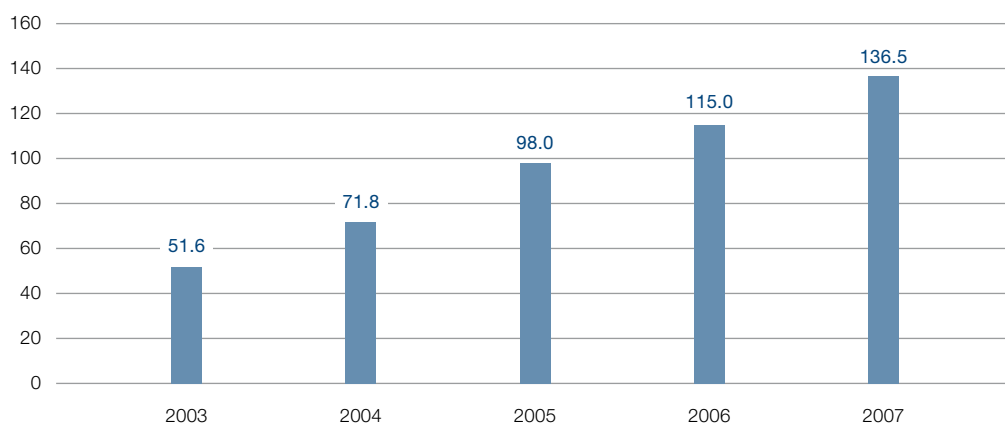
SALES ANALYSIS

	2007 EUR m.	2006 EUR m.	Change %
Components and Assembly	49.1	41.3	+19
Projects and Systems	85.1	72.6	+17
Distribution and Services	8.1	6.7	+21
Consolidations	-5.8	-4.7	+23
Sales	136.5	115.9	+18

The share of sales abroad was EUR 21.1 million or 15% of the total.

A look at the past five years (2003 – 2007) shows that the Group has grown more than 150% in its current core segment of network technology:

SALES TREND IN NETWORK TECHNOLOGY



Like the previous year, the major cost item was cost of materials at EUR 62.3 million (of which from changes in the consolidated companies: EUR 5.8 million), giving a ratio of cost of materials on the basis of sales revenues of 45.7%. This figure was 50.2% last year, a fall that reflects more efficient use of materials and leveraging of procurement synergies, as well as individual fluctuations in the intensity of material usage in individual project structures.

Personnel costs were EUR 39.6 million (of which from changes in the consolidated companies: EUR 2.8 million), compared with EUR 32.1 million the previous year. Relative to sales, personnel costs increased slightly to 29.0% compared with the previous year's figure of 27.7%. This is primarily attributable to the staff added due to the acquisitions in 2006 and 2007.

The increase in depreciation and amortization expense to EUR 3.2 million from EUR 1.9 million the year before is primarily due to depreciation and amortization as part of purchase price allocation in accordance with IFRS 3 and in connection with capitalized development costs in accordance with IAS 38.

Vehicle and travel expenses (EUR 5.2 million), rent/room costs (EUR 3.2 million) and legal and consulting costs (EUR 2.1 million) are the largest blocks within the other operating expenses, which totaled EUR 19.7 million (previous year: EUR 14.9 million). These include expenses to the amount of EUR 2.5 million caused by changes in the consolidated companies. Only moderate research and development costs were incurred, since our companies do not conduct basic research, but just application-oriented development and carry them as assets and write them off if the requirements stipulated by IAS 38 are met. The other operating expenses include fees for auditing of the financial statements of EUR 459 thousand.

Earnings before interest and taxes (EBIT) were EUR 12.0 million, an increase of 55% over the previous year (EUR 7.7 million). The companies acquired in 2007 contributed EUR 2.0 million to this. The EBIT margin is also pleasing: it rose from 6.6% in the previous year to 8.8%. Reasons that can be mentioned for this are the earnings strength of the companies acquired since 2006 and projects with higher margins, as well as lower special expenses as part of company acquisitions.

Net financing costs were EUR –1.9 million, a further decline over the previous year (EUR –0.5 million), mainly due to outside financing of the company acquisitions. They include securities lending transactions, which are recognized directly in equity.

The tax ratio is around 26% (previous year: 36%). This decline is due to the capitalization of deferred tax assets on loss carryforwards, as well as tax-free income from investments.

The Group achieved a consolidated net profit of EUR 7.0 million, compared with EUR 4.4 million in the previous year. Undiluted earnings per share increased from EUR 0.95 in 2006 to EUR 1.53 in the past fiscal year. The positive effect from changes in the consolidated companies in the consolidated net profit was EUR 1.4 million, or EUR 0.30 in earnings per share.

Overview of the results of operations (in EUR million):

OVERVIEW OF RESULTS OF OPERATIONS

	2007 EUR m.	%	2006 EUR m.	%
Net sales	136.5	100.0	115.9	100.0
Inventory changes	–2.6	–1.9	–3.1	–2.7
Own work capitalized	0.8	0.6	0.9	0.8
Other operating income	2.2	1.6	1.2	1.0
Cost of materials	–62.4	–45.7	–58.2	–50.2
Personnel costs	–39.6	–29.0	–32.1	–27.7
Depreciation and amortization expense	–3.2	–2.3	–1.9	–1.6
Other operating expenses	–19.7	–14.4	–15.0	–12.9
Earnings before interest and expenses (EBIT)	12.0	8.8	7.7	6.6
Net financing costs	–1.9	–1.4	–0.5	–0.4
Income taxes	–2.6	–1.9	–2.6	–2.2
Minority interests	–0.5	–0.4	–0.2	–0.2
Consolidated net profit	7.0	5.1	4.4	3.8
Earnings per share (EPS) in EUR (undiluted)	1.53		0.95	

Financial position

The Group is in principle financed centrally, with euromicron AG assuming the obligation to maintain the liquidity of the Group companies. This is done in particular by the provision of funds as part of financial transactions within the Group. Internal financial equalization as part of a cash management system reduces the volume of outside funding.

Centralization of financing strengthens the Group's position vis-à-vis banks and other market players and so makes an important contribution to optimizing the opportunities for obtaining and investing capital.

Financial and liquidity planning in conjunction with free promised credit lines of EUR 27.8 million at the reporting date ensures that the Group always has a sufficient liquidity reserve.

The Group's financial position for fiscal 2007 is as follows (in EUR million):

CASH FLOW ANALYSIS

	2007 EUR m.	2006 EUR m.
Net cash provided by operating activities	5.6	5.3
Net cash used in investing activities	-24.8	-21.4
Net cash provided by financing activities	23.6	4.0
Change in cash flow	4.4	-12.1
of which due to changes in the consolidated companies	1.7	0.9
Other changes	-0.2	-0.1
Cash and cash equivalents at beginning of period	8.2	20.4
Cash and cash equivalents at end of period	12.4	8.2

Cash and cash equivalents of the euromicron Group at December 31, 2007, increased from EUR 8.2 million to EUR 12.4 million.

The net cash provided by operating activities is mainly attributable to the net profit for 2007 (EUR 7.0 million) and the higher depreciation and amortization (EUR 3.2 million) compared with the previous year. This is mainly in contrast to the EUR 9.4 million increase in working capital: in particular, trade accounts receivable increased, since business is traditionally strong at the end of the year, meaning that invoices are issued, but usually not paid until after the reporting date. As in the previous year, the net cash used in investing activities is almost solely attributable to the company acquisitions.

The net cash provided by financing activities results from raising of medium- and long-term loans for funding the acquisitions and short-term utilization of credit lines – mainly for financing projects (total: approximately EUR 32.4 million). The main counter-effects are the 2006 dividend payment (EUR 3.2 million) and loan repayments (EUR 5.2 million).

Overall, a cash flow of EUR 4.4 million was generated in the fiscal year, of which EUR 1.7 million comes from additions at the consolidated companies (= liquid funds of the new companies upon first-time consolidation).

The net cash and cash equivalents at the end of the period of more than EUR 12.4 million allow us, together with unutilized promised credit lines, to keep on pursuing our growth strategy, make the planned acquisitions and yet retain a certain independence from the capital markets. At the same time, we aim to maintain the trusted and fine cooperation with our banks.

New orders and order books

The past decision to sacrifice order volumes in favor of quality of earnings and not to acquire any low-margin or loss-making projects was again a major premise of euromicron's corporate policy in the year under review. The Group continues not to pursue the strategy of displacing competitors from the market with cut-rate prices, but to offer customers all-round solutions with its competence and unique selling points.

New orders in fiscal 2007 developed in line with our expectations against the backdrop of the improvement in general economic conditions and were EUR 142.1 million (of which as a result of changes in the consolidated companies: EUR 14.5 million), more than 31% above the adjusted figure for the previous year of EUR 108.4 million.

Order books at December 31, 2007, were EUR 69.4 million (of which as a result of changes in the consolidated companies: EUR 6.9 million), some 57% up on the previous year (EUR 44.1 million). This pleasing development above all reflects the fact that the euromicron Group is being perceived to a greater and greater extent as an end-to-end and solution-oriented player by customers and so receives appropriate commissions. At the same time, it indicates the tendency to increasingly shorter-term commissions by our customers, as well as the issue of project postponements that straddle the reporting date, something that is an inherent part of our business.

These orders on hand, which are mainly expected to be accomplished in 2008, mean that there are contractual agreements for a not insignificant portion of the sales planned for 2008.

Segments

The dominant structure at the Group is a regional division of business, mainly underpinned by the strategy being implemented by euromicron to generate structurally and operationally powerful Northern grouping and Southern grouping in project and system business. Consequently, the following comments relate to the primary segments of euromicron North and euromicron South.

SEGMENT SALES

	2007 EUR thou.	2006 EUR thou.
euromicron North	61.5	56.8
euromicron South	79.0	62.1
euromicron AG and eliminations	-4.0	-3.0
Total sales	136.5	115.9

**SEGMENT
EARNINGS**

	2007 EUR thou.	2006 EUR thou.
euromicron North	9.2	7.6
euromicron South	7.1	5.3
Operating EBIT	16.3	12.9
euromicron AG and consolidations	-4.3	-5.2
Total consolidated EBIT	12.0	7.7

A pickup in the general economic picture could be perceived in the North segment, supported by special topics such as further expansion by Deutsche Telekom of its high-speed network. Sales were grown by 8.3% to EUR 61.5 million. Earnings before interest and taxes (EBIT) were able to achieve an increase of more than 21% on the back of high-margin business.

This segment groups seven companies: three production and four project and system companies.

The South segment also increased its sales, by more than 27%. A major factor in this, apart from large orders, was the acquisition of Cteam in Austria. EBIT also increased sharply by 34%.

This segment groups seven companies: two production and five project and system companies.

Taken together, these two segments were thus able to grow operating EBIT (= consolidated EBIT excluding central costs) sharply again. Following the strong increase in 2006, they succeeded in increasing the figure by just over 25% from EUR 12.9 million to EUR 16.3 million.

In the remaining segment – euromicron AG and consolidations (central costs) –, the EBIT was EUR -4.3 million, compared with EUR -5.2 million in the year before. Apart from holding costs, merger and acquisition costs are allocated to this segment. There were particularly high non-recurring expenses relating to acquisitions in the previous year, which were far lower in the past fiscal year because of the fact that only three companies were purchased.

Summary

The net assets, financial position and results of operations show that the euromicron Group was in a good and solid economic position when the management report was prepared.

5. Personnel report

The high motivation and fine education of our employees were again a foundation for our success in the past fiscal year. The euromicron Group makes high demands on the quality of its products and services and provides attractive jobs offering great challenges and interesting opportunities for development. In fiscal 2007, an average of 929 people (including 61 trainees) were employed at the euromicron Group, an increase of around 21% over the previous year (767 employees). This is primarily due to changes in the consolidated companies, i.e. as a result of the company acquisitions in 2006, which had a full impact in the past fiscal year, and on a pro-rata basis as a result of the companies added in 2007.

The euromicron Group ensures a supply of qualified employees for the future through practical vocational training. In addition, the Group will ensure its growing need for highly specialized skilled workers not only externally by buying in services and knowledge, but also by internal qualification programs and internal and external further training and development programs.

As part of personnel development, we actively continued the project launched the previous year to train potential junior staff for future management tasks and responsible specialist posts at the Group, to expand their potential for entrepreneurial thinking, to encourage employees and to enhance their loyalty, as well as to be able to leverage all the options available for a medium-term generation change.

We are fully aware that our employees' know-how is crucial to the Group's future. That is why fostering our employees and qualifying them systematically in line with requirements is a core element of our corporate policy. In order to lend greater weight to this aspect, the Human Resources department was established at the holding at the beginning of 2008, headed by an experienced HR manager.

6. Investment and development report

In 2007 euromicron again lived up to its mission to be a high-tech enterprise with a high standard of quality and reliability thanks to its innovative work – by rigorously optimizing production and control processes, as well as by investing in the development of new products, services and solutions and continuous further development of existing products and solutions. Since we are a company that operates in a fast-paced technological environment, development is of outstanding importance for us, with our focus being on customer-centric development of products and solutions.

Integration of Microsens GmbH, which was acquired in 2006, in the company and strategic expansion of the portfolio in the field of active components by the purchase of LAN-TECHNIK and Delwave have significantly improved the euromicron Group's position in active system technology.

Innovations at the euromicron Group are initiated and steered by an Innovation Circle. From the time an idea is hatched, all development projects are defined, structured, planned and implemented with strong feedback from the market. euromicron's successful innovation work is documented by the registration or award of 10 new patents and utility models for components and applications for specific practical uses.

Of particular mention is development of the FTTO (fiber-to-the-office) concept based on a mature combination of twisted pair and fiber optic cabling. Thanks to conversion of the optical signals to electrical ones for terminal devices, copper-based terminal devices can be connected inexpensively to the fiber optic network. To enable this, we have developed a Gigabit Ethernet installation switch that also supports the subscriber lines with full power-over-Ethernet (PoE) functionality.

Application-specific solutions were developed and implemented in close cooperation with customers. euromicron focuses in the field of components on developing high-quality niche products that document the company's efficiency and innovativeness and help set it apart.

The EM-RJ® connector has been developed to market maturity and has been admitted by the IEC (International Electrotechnical Commission) to the international standardization process. As a result, the euromicron Group is catching up with the international competition in the field of connector technology thanks to a product it has developed itself.

A key aspect of our training activities was further qualification of our employees in current topics and development trends in the ITC and security sector, as well as intensification of their specialist know-how on the products and solutions we integrate. The huge pace of development in the ITC industry and its growing complexity demand competent employees who must have know-how that is always up-to-date so that they can provide our customers with the very highest quality of consulting.

The techniques needed to measure quality assurance at our production companies are permanently updated in order to ensure the sustained reliability of our products.

By continuously investing in new products and solutions, the euromicron Group reinforces its claim to be a competent solution provider and so stands out from the competition in the market.

7. Postscript report

Up to March 7, 2008, there were no significant operational or structural changes at the euromicron Group, nor any business events, that might necessitate a change to what has been disclosed in the financial statements for 2007.

Under the purchase and assignment agreement dated February 18, 2008, euromicron AG acquired the remaining 20% stake in BCK Systeme Datentechnik GmbH.

8. Risk report

Risk strategy and general risk management

The euromicron Group has complied with its statutory obligation and since 2000 has maintained an extensive risk management system that is geared to ensuring that management can recognize significant risks at an early stage and take prompt measures to counter them.

The risk management system is an integral part of the entire planning, control and reporting process at all associated companies.

The aim is to identify, assess, control and document risks systematically. Taking into account defined risk categories, the main risks are assessed as regards the probability of their occurring and the level of damage. Communication and reporting on relevant risks is controlled by defined thresholds. The risks are reviewed at regular intervals as part of risk monitoring to determine their applicability. A Group-wide policy is in place to ensure compliance with consistent standards in the risk management system.

Development of risks in the individual risk categories

Risks at euromicron's associates essentially relate – as in previous years – to the general economic data, in particular the continuing structural problems specifically in the German market and in general in the euro zone compared with other large economic zones. The pickup in industry's willingness to invest and the increase in private consumption reduced these risks in the year under review.

The investment freeze by large carriers in the previous years ended partly, as hoped for last year. This trend will probably continue in the coming year. Competitive pressure will continue in the vast majority of markets. We have taken proactive steps against this risk for years by means of extensive restructuring, cost-cutting and rationalization measures, a continuous process that necessitates permanent observation of markets and process optimization. Our companies' quality of earnings is testimony to the fact that this risk has been successfully controlled in the past. In addition, we will initiate and implement all measures to achieve our earnings targets in future in good time and rigorously. The particular focus here is on further flexibilization of our cost structures, be it through outsourcing or shifting of simple activities to contractors, in order to optimize costs and adapt the entire Group to market conditions.

The constant improvement in our procurement terms and strengthening of sales with the aim of being able to offer customers our whole portfolio of products and solutions "from a single source" will also reduce the risks that individual associated companies on their own have in their traditional markets.

The mergers of associated companies already carried out or planned in the future will give us larger units that can better cope with market risks, yet through their medium size still have the flexibility to seize and exploit all opportunities quickly. In addition, synergy potentials can be leveraged by means of optimized internal communication and the elimination of duplicate functions.

Exchange rate risks from the price of the dollar against the euro and negative effects from politically unstable regions of the world have little impact on the euromicron Group at present since it predominantly operates in Germany and the euro zone. The possibilities of currency hedges for the other transactions are constantly examined, if necessary, and they are concluded as and when required.

The most far-reaching risks of euromicron AG lie mainly in the long-term preservation of the value and earnings power of its associates, and to financing of these as part of cash pooling. These risks, which are directly related to the risks of the associates, are constantly monitored, assessed and assigned measures as a result of our permanent, standardized management information system. Business performance is assessed during the year using the submitted sales, earnings and order figures and liquidity, profitability and other key indicators as compared with planning. The flat hierarchies at the Group, short information channels and constant communication at all levels of the companies mean that the risks can be recognized and counteracted promptly and effectively.

We do not see any particular procurement risks. There is currently a stronger trend toward longer delivery times, which the Group is countering where sensible by pooling requirements and purchasing larger volumes.

Risks from investments in new companies are countered by extensive due diligence processes and long-term accompaniment of prospective acquisitions.

The financing of the euromicron Group does not harbor any risks as far as can be seen at present. Despite the extensive loan repayments of past years, both at euromicron AG and the associated companies, and high investments in the fiscal year, the Group has sufficient liquid funds and credit lines. Just about all associates obtain funding from the cash pool and have virtually no external debt. The Group's further development and continuation of restructuring and integration are not exposed to any risks in terms of liquidity.

Interest rate risks for the Group are exclusively in the euro zone. They are minimized by a balanced mix of funding with fixed and variable rates of interest. Taking into account the given and planned structure of financing, interest rate derivatives are used to optimize the amount of interest paid.

The risk of defaults is addressed by systematic monitoring and individual and general allowances for doubtful debts. Although a few companies generate significant sales with individual customers, there is no discernable material risk here since at the Group level there is no one customer that accounts for more than 8% of total sales.

We do not see any risks due to pending legal proceedings. A tax audit for the years 2001 to 2005 is being conducted and had not been completed by the end of the period under review.

In the current assessment of the Executive Board, the known risks will have no significant impact on the financial position, net assets and results of operations of the euromicron Group.

9. Forecast report

The euromicron Group assumes that the positive economic dynamism will continue, above all in Germany, and result in greater demand for more powerful networks for voice, data and video transport, as well as for security, surveillance and alarm and detection networks. As an experienced and competent niche provider, the euromicron Group is well-positioned here with its capabilities and approach geared toward solving customers' problems. In particular, it boasts the expertise of a producer of fiber optic components that are used to create solutions that offer end-to-end reliability for communications and security applications.

The euromicron Group sets store by quality, service and reliability and its philosophy of being able to offer an overall concept geared toward solving customers' problems. The results of past years show that our strategy is the right path and that customers appreciate this and attach great importance to quality where security-related, cost-intensive or vital aspects of data networks of all types are concerned. We are confident that quality will win through in the long term, despite times of pressure on margins and prices.

Despite the current satisfactory general economic conditions, which we believe will continue in 2008, the aim is to continue leveraging rationalization and cost-cutting potentials and building our competence and the products and services we can offer.

Integration of the new companies and deeper cooperation between the Group companies will also be a focus of our activity in the new fiscal year. At the same time, we will undertake further steps to form the company into larger units with a broader range of products and services and better cost structures.

First, the establishment of euromicron solutions GmbH as the Southern grouping in the past year will now be followed by final creation of the Northern grouping with euromicron systems GmbH as its nucleus. As a result, the goal of having two large system houses in the south and north of Germany will be achieved in 2008. At the same time, smaller acquisitions will be merged right away with the existing companies and no longer be continued as legally independent units.

euromicron intends to complete the first phase of the Group's expansion by creating the Northern and Southern groupings as part of project and system business in a joint network and achieving the sales threshold of EUR 200 million in 2008. For the coming years, the Group aims to increase sales to up to EUR 300 million. This is to be aided by organic growth and above all by large acquisitions, as well as through cooperation with large companies.

In particular, the share of business generated by the Group abroad is to be grown further. Now that euromicron has a presence in Austria, France, Poland and Singapore, we aim to keep on pursuing our path of a stronger international setup rigorously.

As part of this, we will continue to develop our investment strategy with care and subject business models and the sustainable perspectives of potential investments to a critical review.

As part of the Group-wide IT project that has been launched and will run for two to three years, the new IT platform is to be rolled out at selected companies in 2008 in order to achieve standardization and tap the resultant synergies as rapidly as possible.

Investor relations activities will be continued intensively in 2008 in order to further increase the attention to and attractiveness of our shares. For example, two roadshows were held in Zurich and London in the first two months, along with a number of positive one-on-one meetings.

euromicron's dividend policy can still be outlined with the words "earnings-oriented distribution" and "dividend continuity". As in the past, euromicron will justify the trust of its shareholders by paying out an adequate dividend.

In the coming fiscal years, the balance sheet structure is to continue to show a balanced ratio between own equity and external capital.

The focus in investment will still be on the acquisition of companies as part of our buy and build strategy. Investments will also be made in a new ERP system and application-related product developments. Due to the low ratio of fixed to total assets at the euromicron Group, investments in property, plant and equipment will tend to remain of moderate importance.

The banks have pledged total funding of more than EUR 80 million (of which around EUR 28 million had not been utilized at December 31, 2007) to the euromicron Group for all these tasks ahead of it. In addition to our own cash flow, we have a stable and sufficient financial framework to be able to achieve our objectives in the future.

With our clear and persuasive business model, a secure basis for financing in conjunction with a strong cash flow, and our still comfortable equity ratio, we believe we are excellently equipped to develop the company successfully and so give our shareholders promising long-term perspectives.

Summary

Assuming the above, the Executive Board of the euromicron Group assumes that sales and earnings will continue to develop positively in the coming fiscal years.

Nevertheless, the actual results may deviate significantly from the expectations of anticipated developments if one of the above, or other, uncertainties arise or the assumptions on which the statements were based should prove to be inaccurate.

Frankfurt/Main, March 7, 2008



Dr. Willibald Späth
Chairman of the Executive Board



Dr. Edgar Bernardi
Member of the Executive Board

Consolidated balance sheet of the euromicron Group

as of December 31, 2007 (IFRS)

ASSETS	Note	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Noncurrent assets			
Intangible assets	(1)	72,660	54,076
Property, plant and equipment	(1)	8,009	5,386
Financial assets	(1)	66	166
Other receivables and other assets	(4)	84	50
Deferred tax assets	(2)	2,296	1,863
		83,115	61,541
Current assets			
Inventories	(3)	12,523	12,363
Trade accounts receivable	(4)	36,243	25,257
Receivables from affiliates	(4)	0	1
Other receivables and other assets	(4)	3,689	2,353
Marketable securities and cash	(5)	12,442	8,242
		64,897	48,216
		148,012	109,757

PASSIVA

	Note	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Stockholders' equity (equity ratio: 47.6% / 61.3%)	(6)		
Subscribed capital (composed of 4,660,000 no-par value shares / authorized capital EUR 5,957 thousand)		11,914	11,914
Own shares at acquisition cost		-1,680	-828
Additional paid-in capital		61,781	61,781
Gain/loss on the valuation of securities		-170	-92
Consolidated retained earnings		-9,086	-10,250
Net income for the period		7,002	4,368
Minority interests		684	440
		70,445	67,333
Long-term debt			
Accrued liabilities	(7)	644	710
Liabilities	(8)	23,615	540
Deferred taxes	(9)	3,111	3,095
		27,370	4,345
Current liabilities			
Accrued liabilities	(7)	1,731	1,458
Trade accounts payable	(8)	11,514	10,498
Other liabilities	(8)	36,952	26,123
		50,197	38,079
		148,012	109,757

Consolidated income statement

of the euromicron Group for the period January 1 to December 31, 2007 (IFRS)

INCOME STATEMENT

	Note	2007 EUR thou.	2006 EUR thou.
Net sales	(11)	136,457	115,937
Inventory changes		-2,576	-3,101
Own work capitalized	(12)	784	892
Other operating income	(13)	2,153	1,172
Cost of materials	(14)	-62,345	-58,225
Personnel costs	(15)	-39,543	-32,130
Depreciation and amortization expense	(16)	-3,210	-1,906
Other operating expenses	(17)	-19,711	-14,942
Operating profit		12,009	7,697
Net financing costs	(18)	-1,933	-515
Income before income taxes		10,076	7,182
Income taxes	(19)	-2,592	-2,565
Consolidated net income for the period, before minority interests		7,484	4,617
Minority interests	(20)	-482	-249
Consolidated net profit		7,002	4,368
Undiluted earnings per share (EPS) in EUR	(21)	1.53	0.95

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2007 (IFRS)

STATEMENT OF CASH FLOWS

	2007 EUR thou.	2006 EUR thou.
Consolidated net profit for the period	7,002	4,368
Depreciation and amortization of noncurrent assets	3,210	1,906
Disposal of assets, net	-448	-93
Allowances for inventories and doubtful accounts *	716	801
Partial profits realized using the POC method *	-943	538
Change in accrued liabilities	-468	-3,497
Change in deferred taxes *	-91	1,906
Cash flow	8,978	5,929
Changes in short- and long-term assets and liabilities:		
– Inventories	871	6,142
– Trade accounts receivable	-5,843	-6,374
– Trade accounts payable	-40	563
– Other operating assets *	5,188	2,394
– Other operating liabilities	-3,556	-3,340
Cash provided by operating activities	5,598	5,314
Proceeds from retirement/disposal of		
– Property, plant and equipment *	1,265	93
– Financial assets *	122	0
– Consolidated companies	0	800
Disbursements due to acquisition of		
– Intangible assets *	-2,088	-1,097
– Property, plant and equipment *	-2,602	-1,280
– Financial assets *	-17	0
– Consolidated companies *	-21,471	-19,934
Net cash used in investment activities	-24,791	-21,418
Dividends paid	-3,205	-2,796
Proceeds from raising of financial loans	32,444	12,554
Disbursements due to repayment of financial loans *	-5,150	-5,150
Change in minority interests	244	192
Own shares	-681	-828
Net cash provided by financing activities	23,652	3,972
Gain/loss from derivatives and securities	-259	-92
Change in cash and cash equivalents due to consolidation *	1,729	859
Net change in cash and cash equivalents *	2,730	-12,991
Cash and cash equivalents at start of period	8,242	20,466
Cash and cash equivalents at end of period	12,442	8,242
Cash and cash equivalents are composed of:		
Cash	11,112	6,794
Securities	1,330	1,448
	12,442	8,242

* The statement of cash flows has been amended as regards these items in order to provide a more informative presentation of the financial position. The figures for the previous year have been amended accordingly.

Statement of changes in stockholders' equity

of the euromicron Group up to December 31, 2007 (IFRS)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Subscribed capital EUR thou.	Additional paid in capital EUR thou.	Own shares EUR thou.
Balance at December 31, 2004	11,914	61,781	0
Dividend for 2004			
Consolidated net income for 2005			
Profit share for minority interests			
Balance at December 31, 2005	11,914	61,781	0
Dividend for 2005			
Consolidated net income for 2006			
Purchase of own shares			-828
Gain/loss on the valuation of securities			
Profit share for minority interests			
Balance at December 31, 2006	11,914	61,781	-828
Dividend for 2006			
Consolidated net income for 2007			
Purchase of own shares			-852
Gain/loss on the valuation of securities			
Profit share for minority interests			
Balance at December 31, 2007	11,914	61,781	-1,680

Consolidated retained earnings EUR thou.	Gain/loss on the valuation of derivatives and securities EUR thou.	Minority interests EUR thou.	Total EUR thou.
-10,305	0	374	63,764
-2,796			-2,796
5,647			5,647
		-140	-140
-7,454	0	234	66,475
-2,796			-2,796
4,368			4,368
	-92		-828
			-92
		206	206
-5,882	-92	440	67,333
-3,204			-3,204
7,002			7,002
	-78		-852
			-78
		244	244
-2,084	-170	684	70,445

Notes to the IFRS consolidated financial statements for fiscal year 2007

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 Company specializes in the development, implementation and maintenance of data networks based on fiber optics. Its key products are optical components, tools and fiber optic cable assembly, as well as system business, distribution and services. The Company focuses on niche markets which require highly specialized products and customized solutions and which large system providers usually find too small. The Company is the European leader in some of these sectors.

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, in the valid version at December 31, 2007. All the mandatory standards at the balance sheet date were applied.

The following standards are not yet mandatory and therefore were not applied by euromicron.

IFRIC 11	Mandatory application for fiscal years that start on or after March 1, 2007 (endorsement has been given)
IFRS 8 (Operating Segments) (endorsement has been given)	Mandatory application for fiscal years that start on or after January 1, 2009

The changes in IFRS 8 will result in added details in the notes. First-time application of IFRIC 11 will not have any significant impact on presentation of the financial statements as far as can be assessed at present.

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 1.94 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 sixteen companies in which euromicron AG directly or indirectly holds the majority of voting rights. The majority of them are German companies, with two being 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. Four companies that no longer perform any operational activities were not included in the consolidated financial statements due to their secondary importance for the net assets, financial position and results of operations.

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

CHANGES IN CONSOLIDATED COMPANIES

	2007	2006
January 1	17	10
First-time consolidation	6	8
Mergers within the Group	-7	-1
December 31	16	17

(a) Significant acquisitions in fiscal year 2007

With the notarized agreement dated May 15, 2007, Engel & Co. GmbH, Schwerin, acquired 51% of the shares in Telecom Partner Berlin GmbH, Berlin, at a price of EUR 120 thousand. Following transfer of the remaining 49% stake in Telecom Partner Berlin GmbH, Berlin, from an outside shareholder – at a price of EUR 100 thousand – to Engel & Co. GmbH, Schwerin, the latter now holds all the shares in Telecom Partner Berlin GmbH, Berlin.

With the notarized agreement dated June 11, 2007, euromicron AG founded euromicron holding gmbh in Seekirchen, Austria, with stockholders' equity of EUR 35 thousand.

With the notarized agreement dated June 15, 2007, euromicron holding GmbH, Seekirchen, Austria, acquired 98% and euromicron AG 2% of the shares in Cteam Consulting & Anlagenbau GmbH, Seekirchen, Austria, and indirectly all of the shares in Cteam Kommunikationstechnik GmbH, Munich, at a total price (including incidental costs) of EUR 14,992 thousand.

With the notarized agreements dated November 28, 2007, euromicron AG acquired all the shares in Delwave Distribution GmbH, Hamburg, and all the shares in LAN-TECHNIK GmbH, Hamburg, at a total price (including incidental costs) of EUR 2,969 thousand.

The acquiring companies are fully entitled to the rights to participate in profits at the acquired stock corporations for fiscal 2007.

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

The additions to assets and liabilities of the newly acquired companies upon first-time consolidation are shown below.

ADDITIONS FROM NEWLY ACQUIRED COMPANIES

	2007
Noncurrent assets	5,034
Current assets	9,523
Liabilities	11,231
Accrued liabilities	675

The following cash and cash equivalents were taken over with the acquisition of the subsidiaries:

	EUR thou.
Cteam Germany	677
Cteam Austria	496
LAN-TECHNIK	272
Delwave	252
TPB	32
	1,729

The newly acquired companies were consolidated at different times in the Group. The sales from the new companies carried on a pro rata basis in the Group are EUR 13,957 thousand; the pro-rata net profit is EUR 1,380 thousand.

The business generated by the new companies contributed sales of EUR 28,428 thousand for the whole of 2007 and a net profit for the whole of 2007 of EUR 806 thousand.

(b) Other changes to the consolidated companies

With the notarized agreement dated May 15, 2007, SSM Halle GmbH was merged with SSM euromicron GmbH retroactively effective January 1, 2007.

With the notarized agreement dated October 30, 2007, NTA GmbH, Mainz, KRUMM Telekom GmbH, Langen, Telefonbau Schneider GmbH, Munich, and o-n-e optical network elements GmbH, Grünstadt, were merged with Pfeiffer GmbH, Ettlingen, retroactively effective October 1, 2007. As part of the merger, Pfeiffer GmbH was renamed euromicron solutions GmbH and the company's headquarters moved from Ettlingen to Mainz.

With the notarized agreement dated December 19, 2007, Delwave Distribution GmbH, Hamburg, was merged with SKM Spezialkabel München GmbH, Munich, retroactively effective November 1, 2007.

With the notarized agreement dated December 19, 2007, LAN-TECHNIK GmbH, Hamburg, was merged with euromicron systems GmbH, Essen, retroactively effective November 1, 2007.

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 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 in accordance with the regulations of IAS 36.

The Group dispenses with the elimination of intercompany profits 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.

Explanations on the balance sheet and income statement

1. Noncurrent assets

A fixed asset movement schedule can be found on pages 114 and 115 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 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. 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 primary 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. 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	4.58
Risk-free interest	4.75
Markup for return on equity	5.00
Beta factor	0.78
Weighted average cost of capital (WACC)	7.62
Growth rate	1.00

The impairment test in 2007 did not reveal any need to reduce the value of the goodwill.

Goodwill developed as follows in the fiscal year:

GOODWILL

	2007 EUR thou.	2006 EUR thou.
Goodwill as of January 1	49,486	35,553
Additions	17,438	14,742
Amortization	-14	-9
Retirements	0	-800
Goodwill as of December 31	66,910	49,486

The additions relate to the following companies:

ADDITIONS TO GOODWILL

	2007 EUR thou.
Cteam Consulting & Anlagenbau GmbH	12,804
5 smaller companies	2,634
	15,438
Goodwill for acquired companies	2,000
	17,438

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.

Development costs of EUR 1,812 thousand (previous year: EUR 1,011 thousand) were carried in the year under review. Amortization of the development costs carried in 2006 has not yet commenced since the development work will not be completed until 2008.

(b) Property, plant and equipment

Property, plant and equipment is carried at its acquisition or manufacturing cost less regular depreciation. 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

Minor assets with a procurement cost of up to EUR 410 are depreciated in full in the year of their acquisition. 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 Company has leased property, plant and equipment which it uses. 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. Leased equipment, operating and office equipment totaling EUR 186 thousand (previous year: EUR 219 thousand) were carried as finance leases at December 31.

Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The future payment obligations from leasing 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 less write-downs for permanent impairment.

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 it is probable that there will be a taxable result in future. The tax rates that are enacted or can be expected to be enacted on the balance sheet at the time of realization are used to calculate deferred taxes.

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

DEFERRED TAX ASSETS	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Deferred tax assets for:		
– Tax loss carryforwards	2,289	1,933
– Accrued liabilities	75	198
– Finance lease	56	83
– Other assets	– 124	– 351
Deferred tax assets	2,296	1,863

As of December 31, 2007, the Group had corporation income tax loss carryforwards totaling EUR 7,952 (previous year: EUR 5,217 thousand) and trade tax loss carryforwards totaling EUR 7,266 (previous year: EUR 4,854 thousand). The loss carryforwards relate to four domestic holdings. These losses may be carried forward indefinitely in accordance with the current legal position. The deferred tax rates are 15.83% 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.

3. Inventories

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads.

The Group's portfolio includes project companies that increasingly report project and installation services running beyond the key date in their balance sheet. In the case of significant services that run beyond the key date and whose costs and pro-rata profit realization can be clearly identified, the Group applies the percentage of completion (POC) method. The stage of completion is determined as part of the POC method in principle on the basis of the costs incurred in relation to the total anticipated costs.

INVENTORIES

	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Raw materials and supplies	5,647	4,344
Work in progress	2,037	3,684
Finished goods and merchandise	4,839	4,335
	12,523	12,363

EUR 6,476 thousand of inventories (previous year: EUR 4,842 thousand) are attributable to the euromicron North division and EUR 6,047 thousand (previous year: EUR 7,521 thousand) to the euromicron South division. They were able to be maintained at the level of the previous year despite the acquisition of new companies, mainly due to large key date-related billing of unfinished products. The increase in raw materials and supplies mainly results from the newly acquired companies. Inventories totaling EUR 1,531 thousand were carried due to changes in the consolidated companies compared with the previous year.

In accordance with IAS 2.34, there were write-downs on inventories totaling EUR 452 thousand (previous year: EUR 417 thousand) and reversals totaling EUR 218 thousand (previous year: EUR 0 thousand). These values are carried under the cost of materials in the income statement.

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, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Trade accounts receivable	36,725	25,641
Allowances for doubtful accounts	-482	-384
	36,243	25,257
Receivables from affiliates	0	1
Other assets	3,773	2,403
	40,016	27,661

Apart from an amount of EUR 467 thousand, none of the trade accounts receivables and other assets has a term of more than one year. The allowances for doubtful accounts comprise individual adjustments for receivables and are carried under the item "Other operating expenses" in the income statement. Changes in the consolidated companies resulted in an increase in trade account receivables of EUR 9,704 thousand.

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
	EUR thou.	EUR thou.		EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Trade accounts receivable								
Dec. 31, 2007	36,243	27,866	5,944	676	1,014	276	467	
Trade accounts receivable								
Dec. 31, 2006	25,257	19,987	3,700	505	88	410	567	

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.

The trade accounts receivable include receivables in foreign currency totaling EUR 350 thousand (previous year: EUR 432 thousand). Losses from receivables in foreign currency as a result of the exchange rate on the reporting date were EUR 2 thousand (previous year: EUR 0 thousand).

The trade accounts receivable also include receivables from production contracts in accordance with the percentage of completion method. The costs associated with the contracts, including a pro-rata profit corresponding to the stage of completion, are recognized as income as the cumulative outcome from production contracts. The production contracts are 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 EUR 16,724 thousand (previous year: EUR 8,941 thousand) and is carried under trade accounts receivable. Received payments on account of EUR 3,662 (previous year: EUR 4,530 thousand) were offset against these receivables from production contracts.

Other assets mainly comprise prepaid capital gains tax and solidarity surcharge, as well as creditable taxes from dividend payments of the euromicron Group companies. Changes in the consolidated companies resulted in additional other assets totaling EUR 1,837 thousand being charged compared with the previous year.

The other assets do not contain any amounts with payment periods that are overdue.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banking accounts, as well as marketable securities. The cash and cash equivalents are as follows:

CASH AND CASH EQUIVALENTS

	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Cash	11,112	6,794
Marketable securities	1,330	1,448
	12,442	8,242

The increase in cash is the result of quicker settlement of trade accounts receivable, in particular at the project companies due to intensified receivables management. Cash and cash equivalents totaling EUR 752 thousand were reported as a result of changes to the consolidated companies.

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 EUR 619 thousand (previous year: EUR 255 thousand).

6. Stockholders' equity

(a) Subscribed capital

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

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

Own shares

The General Meeting on June 20, 2007 adopted a resolution to rescind the authorization granted by the General Meeting on June 23, 2006, for the Company to acquire its own shares. The General Meeting on June 20, 2007, authorized the Company pursuant to Section 71 (1) No. 8 AktG (German Stock Corporation Law) to acquire its own shares up to December 20, 2008, at a maximum proportional amount of the capital stock of EUR 1,191,400.00 for these shares. This is 10% of the Company's capital stock at the time of the General Meeting of EUR 11,914,000.00. 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 – 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 shares are to be acquired on the stock market or by means of a public offering addressed to all shareholders of the Company.

The Executive Board is further authorized to sell the shares acquired in the Company to third parties in exchange for non-cash contributions, with the consent of the Supervisory Board and excluding shareholders' subscription right, in particular also in connection with company mergers and the acquisition of companies, parts of companies and/or holdings in companies.

The Executive Board is further authorized to sell the shares acquired in the Company for a cash payment in a way other than on the stock market or through an offering to all shareholders, with the consent of the Supervisory Board and excluding shareholders' subscription right.

The Executive Board is 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, it is also authorized to redeem no-par value shares without a capital reduction. If no-par value shares are redeemed without a capital reduction, the share of the other shares in the capital stock will increase in accordance with Section 8 (3) AktG. In this case, the Executive Board is also authorized to adjust the number of shares in the Company in the Articles of Association (Section 237 (3) No. 3 AktG).

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

The Executive Board had not made use of this authorization at December 31, 2007.

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

OWN SHARES

	Number
Total bearer shares	4,660,000
Own shares at December 31, 2006	39,050
Purchase of own shares in the year under review	42,535
= shares in circulation at December 31, 2007	4,578,415

At the balance sheet date, a total of 81,585 bearer shares were held by the Company with a value of EUR 209 thousand (previous year: EUR 100 thousand) measured by the capital stock or 1.75% (previous year: 0.84%) of the capital stock. The value of its own shares at acquisition cost is EUR 1,680 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 EUR 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, 2007.

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 EUR 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 EUR 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 EUR 61,781 thousand and so meets this requirement.

(c) Gain/loss on the valuation of securities

The difference of EUR 170 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 EUR –9,086 thousand (previous year: EUR –10,250 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 2007, since all the consolidated associated companies of euromicron AG prepare their financial statements in euros.

(f) 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 of the consolidated subsidiaries relate to three companies: Microsens GmbH & Co. KG, Hamm, BCK-Systeme Datentechnik GmbH, Oberhaid, and Gustav Hartmann GmbH, Munich.

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, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Taxes	1,475	1,005
Other short-term accrued liabilities	256	453
Short-term accrued liabilities	1,731	1,458
Accrued benefit liabilities	529	703
Accrued liabilities for anniversaries	7	0
Other long-term accrued liabilities	108	0
Long-term accrued liabilities	644	710
Total accrued liabilities	2,375	2,168

(a) Other accrued liabilities

The other accrued liabilities are composed as follows:

OTHER ACCRUED LIABILITIES	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Severance payments	108	0
Legal disputes	24	102
Semi-retirement	42	15
Other	190	336
	364	453

EUR 154 thousand are the result of changes in the consolidated companies.

The accrued liabilities developed as follows in the fiscal year:

**DEVELOPMENT
OF ACCRUED
LIABILITIES**

	Jan. 1, 2007 EUR thou.	First-time consolidation EUR thou.	Utiliza- tion EUR thou.	Rever- sal EUR thou.	Transfer EUR thou.	Changes in reinsurance EUR thou.	Dec. 31, 2007 EUR thou.
Noncurrent							
Accrued benefit liabilities	703	0	7	319	36	116	529
Anniversary	7	0	0	0	0	0	7
Other	0	102	0	0	6	0	108
Current							
Tax provisions	1,005	406	899	155	1,118	0	1,475
Other	453	150	395	91	139	0	256
	2,168	658	1,301	565	1,299	116	2,375

(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 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 using the statement of recognized income and expense (SORIE) 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.

**PENSION
PROVISIONS**

	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Present value of benefit obligation at the beginning the period under report	1,113	1,030
Service cost	2	45
Interest cost	34	44
Pension payments	-7	-6
Reversal	-319	0
Present value of benefit obligation at the end of the period under report	823	1,113
Balance of the surrender value of reinsurance policies	-294	-410
Value carried in balance sheet	529	703

The service costs 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	2007 %	2006 %
Discount rate	4.25	4.25
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 liabilities are composed as follows:

LIABILITIES	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Bank loans and overdrafts	42,257	15,130
Finance Lease liabilities	186	219
Trade accounts payable	11,514	10,498
Other liabilities	18,124	11,314
	72,081	37,161

The liabilities have the following terms:

TERMS OF THE LIABILITIES	Total amount EUR thou.	2008	2009	2010	2011	2012	2013 and later
		EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Bank loans and overdrafts	42,257	29,377	4,060	3,966	3,059	1,780	15
Finance Lease liabilities	186	65	65	28	28	0	0
Trade accounts payable	11,514	11,514	0	0	0	0	0
Other liabilities	18,124	7,510	614	0	0	0	10,000
	72,081	48,466	4,739	3,994	3,087	1,780	10,015
(Previous year)	(37,161)	(36,073)	(302)	(462)	(118)	(118)	(0)

Trade accounts payable in foreign currency amount to EUR 368 thousand (previous year: EUR 0 thousand).

The bank loans and overdrafts are secured at the associated companies by a real estate lien of EUR 438 thousand, as well as by a global assignment on trade accounts receivable.

The interest rates for bank loans and overdrafts range from 4.75 % to 11.5 %.

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 EUR 27,756 thousand (previous year: EUR 14,998 thousand) were unused at the year-end.

The other liabilities are composed as follows:

OTHER LIABILITIES

	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Industry loans	10,000	5,301
Tax liabilities	2,157	1,752
Personnel obligations	1,198	1,347
Payments on account	683	359
Other	4,086	2,555
	18,124	11,314

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. Trade accounts payable of EUR 2,968 thousand, payments on account of EUR 105 thousand, bank loans and overdrafts of EUR 8,855 thousand and other liabilities of EUR 1,554 thousand are carried as a result of changes in the consolidated companies.

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, 2007, 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, 2007. Financial obligations that can be repaid at any time are always assigned to the earliest time slot.

	Cash flow 2008				Cash flow 2009				Cash flow 2010 – 2013				Cash flow 2014 ff			
	Book value		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.		
	Dec. 31, 2007	Fixed	Var.			Fixed	Var.		Fixed	Var.			Fixed	Var.		
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	
Bank loans and over-drafts	42,257	143	1,345	29,427	111	582	4,010	144	560	8,820		0	0		0	
Liabilities from finance lease	186	0	9	64	0	6	33	0	7	89		0	0		0	
Interest rate derivatives in conjunction with cash flow hedges	0	24	–24													
Other interest-bearing liabilities	10,000	607	0	0	607	0	0	1,821	0	3,333	1,012	0			6,667	

9. Deferred tax liabilities

Deferred taxes are recognized for differences in carrying values between the IFRS balance sheet and tax balance sheet (time differences) and for accumulated losses brought forward 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.

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

DEFERRED TAX LIABILITIES

	Dec. 31, 2007 TEUR	Dec. 31, 2006 TEUR
Deferred tax liabilities for:		
Noncurrent assets	1,547	1,372
Dormant reserves from capital consolidation	588	979
Other assets and liabilities	976	744
Deferred tax liabilities	3,111	3,095

10. Additional details on the financial instruments

DETAILS ON
FINANCIAL
INSTRUMENTS

		Value carried in the		
	Measure- ment cat- egory acc. to IAS 39	Book value at Dec. 31, 2007 EUR thou.	Depreci- ated acqui- sition cost EUR thou.	Acquisition cost EUR thou.
Assets				
Cash and cash equivalents	LaR	11,112		11,112
Accounts receivable	LaR	36,243	36,243	
Other receivables	LaR	3,773	3,773	
Other financial assets				
– Held-to-maturity investments	HtM			
– Available-for-sale financial assets	AfS	1,396		66
– Financial assets held for trading	FAHfT			
Liabilities				
Accounts payable	FLAC	11,514	11,514	
Bank loans and overdrafts	FLAC	42,257	42,257	
Other interest-bearing liabilities	FLAC	10,000	10,000	
Other non-interest-bearing liabilities	FLAC	8,124	8,124	
Liabilities from finance lease	FLAC	186	186	

balance sheet acc. to IAS 39			Value carried in the balance sheet acc. to IAS 39				
Fair value recognized directly in equity	Fair value recognized as income	Book value at Dec. 31, 2006	Depreciated acquisition cost	Acquisition cost	Fair value recognized di- rectly in equity	Fair value recognized as income	
EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	
		6,794		6,794			
		25,257	25,257				
		2,403	2,403				
		120	120				
1,330		1,454		46	1,408		
		40				40	
		10,498	10,498				
		15,130	15,130				
		5,150	5,150				
		6,164	6,164				
		219	219				

11. Sales

In accordance with IAS 18, sales revenues are recognized on transfer of risk or performance of the service, and are stated net of discounts, customer bonuses and rebates.

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 stage of completion of the contracts is derived from the ratio of the costs incurred to date and the estimated total costs of the contract. 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 EUR 5,911 thousand (previous year: EUR –119 thousand).

The effect on earnings in the year under review compared with the single-entity financial statements (HGB) is EUR 943 thousand (previous year: EUR –538 thousand). There were sales of EUR 13,947 thousand as a result of changes in the consolidated companies.

Sales are broken down by secondary segment reporting as follows:

SALES BY SECONDARY BUSINESS SEGMENTS	2007	2006
	EUR thou.	EUR thou.
Components and Assembly	49,042	41,317
Projects and Systems	85,140	72,573
Distribution and Services	8,112	6,723
Cross-segment consolidation	–5,837	–4,676
	136,457	115,937

12. Own work capitalized

Own work capitalized is carried at EUR 784 thousand (previous year: EUR 892 thousand) and, as in the previous year, is mainly due to the sharp increase in development costs at an associated company in order to secure its 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) Other operating income is composed as follows::

OTHER OPERATING INCOME	2007 EUR thou.	2006 EUR thou.
Income from retirement of noncurrent assets	477	93
Income from reversal of accrued liabilities	466	310
Reduction in allowances for doubtful accounts	410	141
Income from property and rent	124	50
Compensation paid from insurance	111	63
Currency gains	77	0
Other	488	515
	2,153	1,172

The changes in other operating income primarily result from the increased income from retirement of noncurrent assets and the reduction in allowances for doubtful accounts receivable. Changes in the consolidated companies resulted in other income of EUR 262 thousand.

14. Cost of materials

The cost of materials is composed as follows:

COST OF MATERIALS	2007 EUR thou.	2006 EUR thou.
Cost of raw materials and supplies and goods purchased	43,985	38,419
Cost of purchased services	18,360	19,806
	62,345	58,225

Changes in the consolidated companies resulted in costs of materials totaling EUR 5,869 thousand.

15. The personnel costs are composed as follows:

PERSONNEL COSTS	2007 EUR thou.	2006 EUR thou.
Wages and salaries	32,974	26,688
Social security	6,569	5,442
	39,543	32,130

Changes in the consolidated companies resulted in personnel costs totaling EUR 2,770 thousand.

Average number of employees per year:

EMPLOYEES	2007 EUR thou.	2006 EUR thou.
Hourly-paid employees	551	446
Salaried employees	317	268
Trainees	61	53
	929	767

16. Amortization and depreciation is composed as follows:

AMORTIZATION AND DEPRECIATION	2007 EUR thou.	2006 EUR thou.
Amortization of intangible assets	1482	604
Depreciation of tangible assets	1,728	1,302
	3,210	1,906

Dormant reserves totaling EUR 224 thousand were identified and carried as part of purchase price allocation in the acquisition of new companies in 2007. The amortization and depreciation for this in 2007 was EUR 224 thousand. Changes in the consolidated companies resulted in higher current amortization and depreciation of EUR 265 thousand.

17. Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES	2007	2006
	EUR thou.	EUR thou.
Vehicle and travel expenses	5,245	3,973
Rent/room costs	3,160	2,213
Legal and consulting costs	2,056	1,652
Trade fair and advertising costs	1,226	942
Personnel leasing	1,130	196
Cost of goods consignment	966	837
Communication expenses	892	680
Insurance/charges/contributions	723	516
Maintenance and repair	582	417
Commission	380	390
Other	3,351	3,126
	19,711	14,942

Changes in the consolidated companies resulted in an increase in other operating expenses totaling EUR 2,495 thousand.

18. Net financing costs

NET FINANCING COSTS	2007	2006
	EUR thou.	EUR thou.
Other interest and similar income	382	410
Income from investments	0	3
Interest and similar expenses	-2,315	-928
	-1,933	-515

Net financing costs were increased by an amount of EUR 228 thousand due to changes in the consolidated companies.

19. Income taxes

INCOME TAXES

	2007 EUR thou.	2006 EUR thou.
Current taxes in Germany	2,626	1,585
Deferred taxes in Germany	-473	0
Current taxes abroad	10	0
Deferred taxes abroad	429	980
	2,592	2,565

Income taxes totaling EUR 374 thousand were carried due to changes in the consolidated companies.

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 37.87 % and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 22.26 % and the effective trade tax rate of 15.61 %. Pursuant to the 2008 corporate income tax reform, the deferred taxes at the balance sheet date were calculated using the total tax rate of 30 % applicable as of fiscal 2008.

TAX
RECONCILIATION

	2007 EUR thou.	2006 EUR thou.
Expected tax expense	3,816	2,720
Effect of consolidation measures	0	48
Effect of changes in tax rates	-214	0
Tax-free income from investments	-883	-407
Non-deductible expenses	121	92
Effect of other measurement differences	6	998
Tax arrears/refunds	501	-230
Other	-755	-656
Actual tax expense	2,592	2,565
Effective tax rate	25.7 %	35.7 %

The "Other" item essentially results from the difference between the actual tax rates in the individual financial statements and the assumed average total tax rate in the Group.

20. Minority interests in net income for the period

Minority interests in the net income for the period of the consolidated subsidiaries relate to Microsens GmbH & Co. KG, Hamm, BCK-Systeme Datentechnik GmbH, Oberhaid, and Gustav Hartmann GmbH, Munich.

21. Earnings per share

The number of no-par value shares issued in 2007 remained constant at 4,660,000.

Undiluted and diluted earnings per share are calculated as follows:

Undiluted earnings per share

UNDILUTED EARNINGS PER SHARE		
	2007	2006
Consolidated net income for the period in EUR thou.	7,002	4,368
Number of shares issued	4,660,000	4,660,000
Weighted own shares	74,716	39,050
Adjusted weighted average number of shares issued (undiluted)	4,585,284	4,620,950
Undiluted earnings per share in EUR	1.53	0.95

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. Bought-back own shares were included in fiscal 2007 in calculating the undiluted earnings per share in accordance with their pro rata temporis weighting. In fiscal 2006, own shares were bought back in the last quarter of the fiscal year, with the result that pro rata temporis weighting of the number of own shares was dispensed with.

Diluted earnings per share

DILUTED EARNINGS PER SHARE		
	2007	2006
Consolidated net income for the period in EUR thou.	7,002	4,368
Adjusted weighted average number of shares issued (undiluted)	4,585,284	4,620,950
Shares from potential stock options with a diluting effect	10,684	15,134
Weighted average number of shares issued (diluted)	4,595,968	4,636,084
Diluted earnings per share in EUR	1.52	0.94

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 diluted earnings per share.

There were dilution effects from tranches 1 and 2 of the stock option program (please refer to the comments under "Stock option program") that were included in calculating diluted earnings per share for fiscal 2007; tranche 3 did not result in any dilution effects.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2007, disclose net retained profits of EUR 6,878,779.92. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of EUR 0.80 for 4,578,415 shares	EUR	3,662,732.00
Carryforward to a new account	EUR	3,216,047.92

22. Contingencies and commitments

(a) Contingent liabilities

euromicron AG has extended letters of subordination issued to SKM Spezialkabel München GmbH, Munich, (EUR 1,500 thousand) and to BCK-Systeme Datentechnik GmbH, Oberhaid, (EUR 600 thousand).

Cteam Consulting und Anlagenbau GmbH, Seekirchen, Austria, has issued a liquidity support guarantee to Cteam Kommunikationstechnik GmbH, Munich.

(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 2004, euromicron AG conducted an interest rate swap effective March 1, 2004, that was concluded with its basic parameters (term and level) on the existing Allianz loan and so can be regarded as a hedging transaction. euromicron AG exchanges the fixed rate of interest on the loan against a variable rate of interest calculated on the basis of the 12-month EURIBOR. As of September 1, 2005, the variable rate of interest is capped.

The loan was repaid as agreed by September 1, 2007; the associated interest rate swap expired at the same time. Over the entire term of the interest rate swap up to the due date, euromicron AG earned income from this hedging transaction of EUR 145 thousand.

In fiscal 2007, euromicron AG concluded an interest rate swap with Taunussparkasse effective June 12, 2007. The basic parameters (term, volume and rate of interest) of this interest rate swap were coordinated to be identical with the hedged item, a euro loan. The euro loan is EUR 2 million and its term ends on September 30, 2008. The fixed rate of interest payable by euromicron AG is 4.84%, whereas euromicron AG receives the 3-month EURIBOR as a variable payment. The payments are made in each case at the end of a quarter.

The market-to-market valuation at the balance sheet date is EUR –3 thousand. Over the term of the interest rate swap up to the balance sheet date, euromicron AG has earned income from this hedging transaction of EUR 5 thousand.

There are the following other financial obligations:

OTHER FINANCIAL OBLIGATIONS

	Up to 1 year EUR thou.	2 to 5 years EUR thou.
Rental agreements	2,248	2,288
Purchase obligation	1,515	0
Guaranties and sureties	694	74
	4,457	2,362

There are no further contingent liabilities at the euromicron Group outside the guaranties and sureties.

Obligations under operating lease agreements mainly relate to operating and office equipment and amount to EUR 2,265 thousand (previous year: EUR 2,372 thousand). In 2007, payments from these leasing relationships totaling EUR 1,451 thousand (previous year: EUR 1,423 thousand) were recognized as income. Amounts totaling EUR 1,171 thousand (previous year: EUR 1,266 thousand) will be due within the next year and EUR 1,094 thousand (previous year: EUR 1,097 thousand) in a period of between one and five years.

23. Segment reporting

euromicron AG is structured into the business segments euromicron North and euromicron South, with the future option of adding an International segment as soon as the Group's international business has achieved an appropriate size. Conversion of the structure of primary reporting to a regional alignment in 2006 was further strengthened by the merger in 2007 of five project companies in Southern Germany into one project company (euromicron solutions GmbH). Further mergers as part of the Group's structural reorganization will follow in 2008.

Management measures the success of the segments on the basis of income before interest and taxes on income. The details on primary segment reporting required under IFRS are contained in the following table.

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2007 (IFRS)

		euromicron North EUR thou.	euromicron South EUR thou.	euromicron AG and eliminations EUR thou.	euromicron Group EUR thou.
2007	Sales	61,529	79,043	-4,115	136,457
	of which sales to third parties	59,920	76,534		
	of which sales to affiliated companies	1,609	2,509		
	Income before interest and income taxes	9,144	7,124	-4,259	12,009
	Assets	59,246	98,699	-13,415	144,530
	of which goodwill	25,872	37,290		
	Liabilities	22,183	63,600	-14,959	70,824
	Investments in tangible assets and property, plant and equipment*	4,561	14,925	642	20,128
	Amortization/depreciation	1,385	1,766	59	3,210
	Other non-cash expenses	667	405	405	1,477
		euromicron North EUR thou.	euromicron South EUR thou.	euromicron AG and eliminations EUR thou.	euromicron Group EUR thou.
2006	Sales	56,775	62,165	-3,003	115,937
	of which sales to third parties	55,514	60,426		
	of which sales to affiliated companies	1,261	1,739		
	Income before interest and income taxes	7,561	5,308	-5,172	7,697
	Assets*	52,246	53,766	1,437	107,449
	of which goodwill	23,928	23,802		
	Liabilities*	19,092	24,056	-6,576	36,572
	Investments in tangible assets and property, plant and equipment	11,951	6,238	217	18,406
	Amortization/depreciation	980	869	57	1,906
	Other non-cash expenses	636	1,133	309	2,078

* The method of calculation was standardized to enable better comparison of the 2006 figures with those from 2007.

The assets are broken down by secondary segment reporting as follows:

ASSETS		2007	2006
		EUR thou.	EUR thou.
SECONDARY SEGMENT REPORTING	Components and Assembly	50,307	46,811
	Projects and Systems	88,275	57,243 *
	Distribution and Services	19,005	5,065
	euromicron AG and eliminations	-9,575	-246
		148,012	108,873

* The method of calculation was standardized to enable better comparison of the 2006 figures with those from 2007.

The investments in intangible assets and property, plant and equipment are broken down by secondary segment reporting as follows:

INVESTMENTS		2007	2006*
		EUR thou.	EUR thou.
SECONDARY SEGMENT REPORTING	Components and Assembly	4,272	9,916
	Projects and Systems	14,676	8,332
	Distribution and Services	538	24
	euromicron AG	642	134
		20,128	18,406

* The method of calculation was standardized to enable better comparison of the 2006 figures with those from 2007.

24. Risk management

Principles of risk management:

The euromicron Group is subject in particular to risks from changes in exchange rates and interest rates that may impact its assets, liabilities and buy and build strategy. 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 operate almost only in the Euro zone. 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 euromicron Group began in 2007 to reorganize its financing structure. The financing that was contractually agreed and utilized at December 31, 2007, will result in interest expenses of around EUR 7.0 million by the end of their term. Of this, around EUR 4.5 million, or 64%, has a fixed rate. That is a figure that the Group aims for in future.

Interest rate risks are presented 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 2007 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been EUR 361 thousand lower (EUR 364 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.

At December 31, 2007, the euromicron Group did not hold any significant investments that are categorized as available for sale.

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.

In the area of financing, there is no significant financing outside euromicron AG.

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 8% 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. At the reporting date, there were no significant agreements that alleviate the maximum risk from default.

Liquidity risks

Please refer to the comments under "Liabilities".

25. Related parties

There are business relations for the entire fiscal year with the Executive Board and the Supervisory Board and with the companies in the list of those included in the consolidated financial statements, in which euromicron AG has a direct or indirect participating interest.

(a) euromicron Group cash pool management

The Group-wide cash pool management allows the companies of the euromicron Group to obtain a short-term source of finance at favorable conditions. The interest earned and paid is based on market conditions, taking into account availability and collateral, with the result that euromicron AG's participation in this system does not place it at a disadvantage. The standard interest earned amounted to 4.0% p.a. and the standard interest paid 6.0% p.a. as of December 31, 2007.

SKM Spezialkabel München GmbH, Munich, has been granted a loan by euromicron AG to finance acquisition of a company, with a rate of interest that differs from market terms, namely 0.5%.

(b) Relations with related persons

Apart from the compensation for the Executive Board and Supervisory Board, there are no significant relations with related persons.

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

In fiscal 2007, the Company complied with the recommendations of the Corporate Governance Code, with a number of exceptions. The exceptions are due to the size and business model of the Company; in some cases, future adjustments are being prepared.

The declaration on conformance and the exceptions to the recommendations are listed on the Company's homepage at <http://www.euromicron.de> and can be viewed at the Company.

27. 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, 2007, 415,000 subscription rights were issued to members of the Executive Board, 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 EUR	Exercisable from	to
1	40,000	0	18.00	2008	2010
2	190,000	190,000	18.50	2008	2010
3	185,000	185,000	19.94	2009	2011

The earliest possible time at which the options issued to executive employees can be exercised is August 10, 2008, and for the options issued to the Executive Board August 18, 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 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 EUR
Number at start of year	230,000	18.41
Options granted in 2007	185,000	19.94
Number at end of year	415,000	19.09

Liabilities totaling EUR 611 thousand and personnel costs of EUR 353 thousand were generated by the stock option program in fiscal 2007.

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.

The parameters included in calculating the fair value and the overall values based on this are shown in the table below.

Tranche	1	2	3
Implied volatility at the time of issue	39.08 %	38.86 %	38.25 %
Risk-free interest rate	3.62 %	3.64 %	4.48 %
Term in years	0.61	0.63	1.47
Fair value per option right in EUR			
– at the date of valuation	3.0	2.99	3.1
– at the date of issue	4.15	4.46	4.93
Total value per program in EUR thou.	118	557	548

The forecast dividends used for calculating the total value are:

	2008 EUR	2009 EUR	2010 EUR	2011 EUR
Anticipated dividend	0.78	0.88	0.92	0.97

28. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, BDO Deutsche Warentreuhand AG, of EUR 380 thousand. These fees relate solely to the audits of the financial statements of the companies.

29. Significant events after the balance sheet date

Under the notarized agreement dated February 18, 2008, euromicron AG took over the remaining 20% stake in BCK-Systeme Datentechnik GmbH, Oberhaid, at a price of EUR 1.00.

30. Publication of the consolidated financial statements

The consolidated financial statements were released for publication on March 26, 2008, 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 BCK-Systeme Datentechnik GmbH, Oberhaid, euromicron systems GmbH, Essen, Cteam Kommunikationstechnik GmbH, Munich, Cteam Consulting & Anlagenbau GmbH, Seekirchen, Austria, euromicron holding gmbh, Seekirchen, Austria, and euromicron solutions GmbH, Mainz, which disclose their annual financial statements.

31. 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

(b) Supervisory Board

The members of the Executive Board of euromicron AG are:

Dr. Franz-Stephan von Gronau

Chairman

Certified public accountant, tax consultant, lawyer

Partner of the firm of auditors LKC, Grünwald near 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

- Unlimited partner of DG Immobilien
Objektgesellschaft Stuttgart Industriestraße
and Berlin Kronenstraße 5 and 7
- Chairman of the Board of the charitable
foundation Noris Stiftung, 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, bonus, a component with a long-term incentive effect (stock option program) and fringe benefits.

In 2006, the Executive Board received a total remuneration of EUR 937 thousand (previous year: EUR 936 thousand); the variable payment made up EUR 423 thousand of this (previous year: EUR 420 thousand).

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.

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 EUR 6 thousand and an annual performance-related payment of EUR 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 EUR 76 thousand (previous year: EUR 52 thousand). The new company acquisitions entailed consulting services, mainly relating to due diligence process, of which four examinations were conducted by the auditing firm of a member of the Supervisory Board. A fee totaling EUR 81 thousand was paid for this.

**LIST OF
COMPANIES
INCLUDED IN THE
CONSOLIDATED
FINANCIAL
STATEMENTS**

	Stake %	Equity (IFRS) EUR thou.
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Parent company:

euromicron Aktiengesellschaft communication & control technology
Frankfurt/Main, Germany

Included subsidiaries:

a) North division

Engel & Co, GmbH, Schwerin, Germany	100	226
euomciron systems GmbH – A euromicron Group company – Essen, Germany	100	3,129
EUROMICRON Werkzeuge GmbH, Mittenaar, Germany	100	1,170
LWL-Sachsenkabel GmbH, Spezialkabel und Vernetzungstechnik Gornsdorf, Germany	100	574
Microsens GmbH & Co. Gesellschaft für Entwicklung und Vermark- tung von Optoelektronischen Systemen für Datenverarbeitung KG, Hamm, Germany	100	1,392
SSM euromicron GmbH, Zwenkau, Germany	80	1,227
TPB Telecom Partner in Berlin GmbH, Berlin, Germany	100	50

b) South division

BCK-Systeme Datentechnik GmbH, Oberhaid, Germany	80	123
Cteam Consulting & Anlagenbau GmbH, Seekirchen, Austria	100	3,483
Cteam Kommunikationstechnik, Errichtung von Mobilfunkanlagen GmbH, Munich, Germany	100	-215
ELABO GmbH, Crailsheim, Germany	100	3,656
euromicron holding gmbh, Seekirchen, Austria	100	1,594
euromicron solutions GmbH, Mainz, Germany	100	3,057
Gustav Hartmann Nachrichten- und Fernmeldetechnik GmbH, Munich, Germany	80	257
rako electronic data technology gmbh, Grünstadt, Germany	100	1,210
SKM Spezialkabel München GmbH Kabel- und Anschlusstechnik Computer-Netzwerke, München, Germany	100	191

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

Jiangsu Euromicron Technology Co., Ltd. (JET), in liquidation Shanghai, P.R. China	100	0
Karsys GmbH, Munich, Germany	100	0
Macrogate Deutschland GmbH, Berlin, Germany	49	0
SEB System Elektronik GmbH Berlin, in liquidation Braunschweig, Germany	100	0

The annual financial statements of the affiliated companies and holdings not included in the consoli-
dated financial statements are not available,

Group fixed-asset movement schedule 2007

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

GROUP FIXED-ASSET MOVEMENT SCHEDULE 2007

	Acquisition costs					
	Jan. 1, 2007 EUR thou.	Additions EUR thou.	Retire- ments EUR thou.	Change in first-time consolidation EUR thou.	Reclassifi- cation EUR thou.	Dec. 31, 2007 EUR thou.
Intangible assets						
Goodwill	54,559	15,438	0	2,000	0	71,997
Concessions, industrial and similar rights	13,585	276	-180	945	0	14,626
Own work capitalized	1,571	1,812	0	16	0	3,399
Tangible assets						
Land and buildings	4,021	67	-1	3,529	0	7,616
Plant and machinery	8,305	419	-1,457	100	-2,436	4,931
Other fixtures and fittings, tools and equipment	8,640	2,116	-1,143	1,534	2,436	13,583
Financial assets						
Other loans and investments	263	17	-192	5	0	93
	90,944	20,145	-2,973	8,129	0	116,245

	Depreciation and amortization						Book values	
	Jan. 1, 2007 EUR thou.	Additions EUR thou.	Retire- ments EUR thou.	Change in first-time consolidation EUR thou.	Reclassifi- cation EUR thou.	Dec. 31, 2007 EUR thou.	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
	-5,073	-14	0	0	0	-5,087	66,910	49,486
	-10,507	-1,183	181	-412	0	-11,921	2,705	3,078
	-59	-285	0	-10	0	-354	3,045	1,512
	-1,851	-146	0	-1,384	0	-3,381	4,235	2,170
	-6,825	-346	1,398	-93	1,924	-3,942	989	1,480
	-6,904	-1,236	385	-1,119	-1,924	-10,798	2,785	1,736
	-97	0	70	0	0	-27	66	166
	-31,316	-3,210	2,034	-3,018	0	-35,510	80,735	59,628

Frankfurt/Main, March 7, 2008



Dr. Willibald Späth



Dr. Edgar Bernardi

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 2007 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 36 to 39 of the Annual Report).

Dr. Willibald Späth

Dr. Edgar Bernardi

Auditor's Report

We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, 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, 2007 to December 31, 2007. 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 10, 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Simon-Heckroth
Wirtschaftsprüfer

Heckhäuser
Wirtschaftsprüferin

Five-year Overview of the Group

**VALUES FROM
THE INCOME
STATEMENT**

	2007 EUR m.	2006 EUR m.	2005 EUR m.	2004 EUR m.	2003* EUR m.
Consolidated sales	136.5	115.9	114.1	110.0	134.5
Germany	115.4	106.2	100.9	96.5	104.3
Euro zone	17.3	6.8	7.9	7.1	10.4
Rest of World	3.8	2.9	5.3	6.4	19.8
EBIT	12.0	7.7	8.3	10.1	15.6
EBT	10.1	7.2	7.7	9.4	13.5
Consolidated net income/loss for the period	7.0	4.4	5.6	4.5	12.1
Cash flow	9.0	5.9	4.2	1.3	8.6

**FROM THE
BALANCE SHEET**

	2007 EUR m.	2006 EUR m.	2005 EUR m.	2004 EUR m.	2003* EUR m.
Current assets	64.9	48.2	57.1	57.6	79.8
Noncurrent assets	83.1	61.6	43.7	50.1	44.3
Current liabilities	50.2	38.1	26.5	30.3	40.6
Long-term debt	27.4	4.4	7.8	13.6	20.7
Minority interests	0.7	0.4	–	–	0.3
Stockholders' equity	70.4	67.3	66.5	63.8	62.5
Total assets	148.0	109.8	100.8	107.7	124.1
Equity ratio	47.6	61.3	66.0	59.2	50.4

MISCELLANEOUS

	2007 EUR m.	2006 EUR m.	2005 EUR m.	2004 EUR m.	2003* EUR m.
Investments in intangible assets and in property, plant and equipment	4.7	2.4	1.5	7.7	1.9
Employees (annual average)	929	767	805	765	997

* US GAAP

AG-Single-entity Financial Statements (HGB)

Balance sheet as of December 31, 2007

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

ASSETS

	Dec, 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
A. Assets		
I. Intangible assets		
Concessions, industrial and similar rights	28	41
II. Tangible assets		
Other equipment, operating and office equipment	79	113
III. Financial assets		
1. Shares in affiliated companies	83,896	73,941
2. Loans to affiliated companies	17,387	3,000
	101,390	77,095
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	21,229	21,536
2. Other assets	2,760	2,153
II. Securities	2,839	2,235
III. Cash-in-hand, bank balances	6,103	3,587
	32,931	29,511
C. Prepayments and accrued income	55	54
	134,376	106,660

**EQUITY
AND LIABILITIES**

	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
A. Equity		
I. Subscribed capital	11,914	11,914
II. Capital reserves	62,847	62,847
III. Revenue reserves		
1. Reserves for own shares	1,509	828
2. Other revenue reserves	5,195	5,876
IV. Retained profits	6,878	4,819
	88,343	86,284
B. Provisions		
1. Provisions for pensions and similar obligations	239	203
2. Provisions for taxes	604	305
3. Other provisions	400	402
	1,243	910
C. Liabilities		
1. Liabilities to banks	32,320	13,054
2. Trade payables	181	146
3. Liabilities to affiliated companies	1,990	1,022
4. Other liabilities	10,299	5,244
	44,790	19,466
	134,376	106,660

Income statement for the period January 1 to December 31, 2007

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

INCOME STATEMENT

	2007 EUR thou.	2006 EUR thou.
1. Income from investments	2,359	2,027
2. Income from profit and loss transfer agreements	8,749	7,450
3. Other operating income	624	159
4. Personnel expenses		
a) Salaries	-1,838	-1,498
b) Social security and other pension costs – thereof pension costs EUR 36 thousand (previous year: EUR 35 thousand)	-120	-125
5. Amortization of intangible assets and depreciation of tangible assets	-58	-58
6. Other operating expenses	-6,485	-5,391
7. Income from long-term loans – thereof from affiliated companies EUR 278 thousand (previous year: EUR 104 thousand)	278	104
8. Other interest and similar income – thereof from affiliated companies EUR 668 thousand (previous year: EUR 381 thousand)	4,735	2,900
9. Amortization of financial assets and securities	-247	-93
10. Interest and similar expenses – thereof to affiliated companies EUR 155 thousand (previous year: EUR 125 thousand)	-1,763	-785
11. Result from ordinary activities	6,234	4,690
12. Income taxes	-967	-422
13. Other taxes	-2	-32
14. Net profit for the year	5,265	4,236
15. Accumulated profit	1,614	583
16. Net retained profits	6,879	4,819

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 12, 2007, disclose net retained profits of EUR 6,878,779.92. It is proposed to the General Meeting to appropriate the net retained profits as follows:

Dividend of EUR 0.80 for 4,578,415 shares	EUR 3,662,732.00
Carryforward to a new account	EUR 3,216,047.92

The annual financial statements of euromicron Aktiengesellschaft communication & control technology as of December 31, 2007, were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and granted an unqualified audit opinion. The annual financial statements have been filed with the Frankfurt/Main Local Court.

ADSL (Asymmetric Digital Subscriber Line)

A modulation method for transferring data on the analog two-wire copper line that has been used to date only as a simple telephone line for connecting an analog phone. This method has been specially adapted to the needs of Internet use, in which a small quantity of data (query command) with low speed (upload) is required for the query, whereas a large quantity of data (files) has to be transferred at high speed (download) for the response.

Assembling fiber optic cables

Fiber optic cables are connected to one another by various methods using connectors and linked via couplings so that the light signal is transported with as far as possible none of the signal being lost. This creates optical fiber assemblies that are pre-assembled at the factory, are suitable for mounting, have the right length and the right connectors for the network components to be connected and that are supplied directly to the construction site or as a spare part for storage along with the associated measurement protocol.

Attenuation

A characteristic feature of lines or coupling points – fiber optic or copper – that indicates their quality: attenuation describes the losses on the route (the signal's strength at the end of the cable compared with when it was fed in). It is specified in dB/km or dB.

Backbone

The part of a network that connects the various components and subnetworks of a large network with each other. Since backbones bear the brunt of the data load, they are mostly constructed with a large bandwidth.

Bandwidth

This denotes the transmission capacity of a voice or data connection, i.e. the volume and speed of transmission. It is therefore specified in bit/s. The greater the bandwidth, the more information can be transferred per unit of time.

BITKOM

Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V. (German Association for Information Technology, Telecommunications and New Media); it represents around 1,000 companies from the IT and communications industry that generate more than EUR 120 billion in sales and employ some 700,000 people, accounting for almost 90% of the market. They include in particular equipment manufacturers and providers of software, telecommunications services and content.

BOS wireless communication (public authorities and organizations that perform security tasks)

Separate wireless systems for public authorities and organizations that perform security tasks, such as the police, fire brigade and emergency services. These mobile systems have to be expanded in particular in tunnels, garages, etc., due to the increased requirements for security in these areas and to ensure that emergency forces can be reached there.

Bot net

The infiltration into a computer system of external software that then executes a different process or job on the computer and integrates it in the bot net, which in turn sends spam mails worldwide, for example.

Carriers

Operators of communications networks that install, provide and maintain a network infrastructure for transporting various information, such as telephony, fax, e-mails, Internet data, TV programs, etc. Service providers lease these network capacities and provide their content to end customers with it. Before global deregulation in the telecommunications sector, network operation and related services were the responsibility of a single body and were the tasks of the national telecommunications companies. Today, these are also private wireless, metropolitan and cable network operators or providers, as well as radio and television companies.

Category 5, 6, 7, etc.

The transmission qualities of copper cables are defined by their shielding and quality. The requirements placed on the cable and so the maximum possible transfer rates are classified into categories in accordance with the relevant standards. The higher the category, the higher the transmission speed and capacity.

(Optical fiber) coating

Optically transparent fiber optic material that protects the glass core from mechanical damage and, in combination with the core, enables data transfer as a result of total reflection.

Connector

Mechanically detachable element for connecting two fiber optic cables. Two connectors are connected by a coupling with high-precision guide bushes.

Control station (process control center)

Part of a control center in which processes and/or rooms are monitored. All the signals in video surveillance, danger alerting, power control and other process-specific signals converge at the control station. Clear presentation of the signals on screens or large panel displays enables rapid response times. Since the control station is usually staffed around the clock, its design has also to take ergonomic requirements into consideration.

(Optical fiber) core

The central, actual transmission medium of an optical fiber. The core diameter of a monomode fiber optic cable is only 9 µm. The entire optical fiber, including its coating, has a diameter of 125 µm, which is about the thickness of a human hair.

DSL (digital subscriber line)

General description for high-speed access based on the two-wire copper line (phone line) to the end customer (see also "Last mile"). Different variants of the transmission method are also called ADSL, SDSL, VDSL, etc.

EM-RJ®

A new connector generation from euromicron for fiber optic connections that has two fibers with the size of a RJ-45 connector. The EM-RJ® can be used as a duplex connector for optical fibers and polymer optical fibers (POFs) and, in its hybrid version, can be used to transmit data up to category 6 via the standard RJ-45 copper connections, provide a power supply (for example power over Ethernet) and define encodings. As a result, the EM-RJ® can be used for a very wide range of applications.

Ethernet

A medium-independent communication protocol standard (IEEE 802.3) in packet transmission. It denotes a protocol for coordinating simultaneous access to a transmission medium by different users. The term Ethernet denotes both the type of cabling and transmission methods or frameworks. Ethernet can be operated at 10 megabit/s (Ethernet), 100 to 1,000 Mbit/s (Fast Ethernet) and, more recently, 10,000 megabit/s – or 10 gigabit/s – (Gigabit Ethernet). The maximum speed achieved at present is 10 GE (10 Gigabit Ethernet). The 10 Gbit/s Ethernet variant 10GE (IEEE 802.3ae) has been standardized since 2002 and is the first Ethernet standard to be intended exclusively for transfer via fiber optic cable. In the meantime, these speeds have also been achieved with copper cables. Development work to achieve 40 Gbit or 100 Gbit is currently underway.

Fiber optic cable (optical waveguide)

Fiber optic cable is a glass or plastic fiber for transferring modulated light. It is distinguished among other things by its extremely high transmission capacity, which can be several terabits per second. Fiber optic cable is not sensitive to electromagnetic disturbances, is more or less interception-proof, and has extremely low attenuation values.

Fiber-to-the-Building (FTTB)

This is actually the extension of FTTC to the building – usually the basement. From there, the connections are distributed further to the end user (FTTH).

Fiber-to-the-Curb (FTTC)

Fiber-optic connection from carriers' local switching centers to the road junctions, from where the cabling to the buildings ("last mile") branches off.

Fiber-to-the-Desk (FTTD)

Terminal device cabling in fiber optics technology in which the end system on the desktop is connected directly to an optical data network. Optical-electrical conversion of the signals is carried out in the end system. This is the FTTx solution that extends the furthest.

Fiber-to-the-Home (FTTH)

External cabling in fiber optics technology in which fiber optic connections are established between the optical wide area network and the building cabling.

Fiber-to-the-Office (FTTO)

Building cabling in which a fiber optic connection is led right to the cable duct directly near the office or workplace. A mini installation switch is usually placed in the cable duct, where optical-electrical conversion is carried out, and the end systems are connected with inexpensive copper patch cables.

Firewall

A "protective wall" that is established by a special active network component between the worldwide and generally accessible Internet and a connected terminal device, such as a PC, router, switch, etc., or the local area network (LAN) connected behind it. A firewall is configured so that only information from password-protected permitted users can enter the Internet from the "inside" to the "outside", but not the other way round. A firewall therefore acts like a controlled valve.

Gerontotechnology (living at an old age)

A technology that enables elderly people to live in their familiar surroundings under their own responsibility and by their own. It covers any device, facility or technology for management of everyday life or supporting or caring for old people, in particular in the fields of communications and security, but also in medical engineering, technology for the handicapped and orthopedics.

GSM (Global System for Mobile Communication)

Initially a Europe-wide and now a globally established standard for a digital wireless system (termed D network in Germany in emulation of the analog C network) which works in the frequency range of 900 MHz (Germany: T-Mobile (D1), Vodafone (D2)) and 1800 MHz (Germany: e plus, O2). Also termed 2nd generation (2G). Apart from telephony, fax applications and data transfer are also possible, albeit at low speed (9,600 Kbits/sec.).

Intrusion detection and prevention system (IDS and IPS)

A hardware or software system for detecting or preventing attacks on a computer system or network, usually for systems that are connected to the Internet. In conjunction with a firewall, such systems complement each other and increase network security.

IT (information technology)

A general term for the entire field of electronic data processing. This includes the sector of hardware and software for small computers (servers, PCs, notebooks, palmtops, etc.), large computers (mainframes, storage systems, server farms, etc.) and relevant network components (servers, routers, etc.).

LAN (Local Area Network)

Local network, mainly for transferring data, but also voice and other electronic information. LANs are usually to be found in office buildings or industrial plants, but also as on-board networks on vehicles, aircraft and ships.

LASER (Light Amplification by Stimulated Emission Radiation)

A laser is a light source that emits coherent (light waves that oscillate in the same phase) and quasi-monochromatic and focused light. Today, lasers are the most important high-performance sources of light for the optical transfer of data using fiber optic cables. The data information is modulated onto the light signal of the laser and fed into the fiber optic cable at high power. An optical receiver at the other end of the fiber optic cable converts the modulated data information back into signals.

Last mile

The point of telecommunication access to the end customer, i.e. the last part of the route in the telephone, data or radio network that is located between the last network node of the carrier and the socket within the end user's house. This is the two-wire phone line for the telephone network, the coaxial cable connection or satellite reception unit for the radio and television network, and modulation on the telephone line in accordance with the ADSL method (DSL connection) for the Internet.

Malware

Malicious software with a destructive or criminal function, such as computer viruses (a computer program that spreads unchecked by itself, infiltrates a computer system passively, for example by copying files, causes damage there and multiplies via networked computer systems), worms (a computer program that multiplies activity, for example on a certain date, and has a similar damaging function as a virus), spyware (software that collects the personal data of a computer user and passes it on to third parties for commercial purposes) or Trojans (software disguised as useful programs that then covertly and secretly execute other functions on the computer).

MAN (Metropolitan Area Network)

A communications network typically set up within towns, cities and municipalities, for transmitting data, voice, TV programs and other electronic information.

Managed services

Information and communications services that are performed for a defined period of time by a specialist provider and can be obtained as required. They comprise outsourcing services: from IT workstations, networks to operation of data centers.

Media converter

A media converter converts electrical signals on the copper line into optical signals on the fiber optic cable. It enables, for example, coupling of copper cables (twisted-pair cable) and optical fibers in an Ethernet network. As a result of direct coupling, existing twisted-pair cables can be extended beyond the limit of 100 m. Depending on the transmission method, distances of up to 2 km (multi-mode) or up to 5 km (mono-mode) can be bridged. If mono-mode fibers are used, distances of up to 20 km (mono-mode) can even be achieved.

They are also used in pairs for electrical decoupling by interpolation of optical fiber routes and so help protect against lightning strikes.

Mode

The individual colors or wavelengths of a white light beam are called light modes. They can be sent great distances through fiber optic cable. Some fiber optic cable has a very small diameter large enough for only a single wave of light. Such fiber optic cables are called mono-mode or single-mode fibers, in contrast to multi-mode fibers.

Multi-mode fiber

Fiber optic cable with a core diameter that is larger than the wavelength of the light. In multi-mode fibers, the different colors or wavelengths, also termed modes, spread out, traveling different distances along the fiber. Multi-mode fibers have a lower transmission range and so are used preferentially for local area networks (LANs) for networks in buildings.

Multiplexer

Multiplexers concentrate (pool) several data streams or channels on one connection line. The data streams are distributed statically (passively), i.e. in accordance with the firmly set connection, unlike with switches or routers, where the data streams are distributed dynamically (actively). Electrical or optical multiplexing technologies are available (see also “Optical multiplexer” and “WDM”).

Network management

This comprises administration, operation and monitoring of IT networks and telecommunication networks, among other things in terms of their configuration, performance and security. IP networks are frequently managed by means of SNMP (Simple Network Management Protocol).

Optical fiber

Physical basis in the form of a glass fiber for transferring digital information using light as the carrier medium.

Optical free space transmission

A transmission technique of a communications system in which the optical signals are transferred in free space (air) by means of infrared or laser transmitters and receivers over a distance of up to some kilometers. A free line of sight is required for this.

Optical multiplexer

A passive optical component of a fiber optic network that simultaneously distributes the different wavelengths of a beam of light according to a prescribed setting (see also “WDM”).

Optical switches

Active optical components for controlling light used as a means of transmission, for example at junctions in the transfer of optical data. Unlike the multiplexer, where the control is specified statically, the control can be changed dynamically with switches.

Patch cable

A pluggable, flexible connecting cable between network distributors or transmission systems and between sockets and end systems. Patch cables can be produced using fiber optics or copper. They are used for flexibly bridging two cable ends and so “patch” these gaps in the connection. The first patch cable was used at the telephone exchange in manually setting up a connection (by the exchange operator).

Phishing

Criminally motivated fishing out of identification codes such as PINs and TANs in Internet banking, for example. The unsuspecting user of a unprotected computer system enters an identification code that is intercepted and then misused.

Pigtail

A connecting cable that is preassembled at one end, is ready to connect up and can be attached to the other end of a single glass fiber of a multiple cable by means of a splice in order to avoid the need to mount fiber optic connectors on site. It is mainly used for terminating exterior cables after they enter a building.

POF

Polymer optical fiber. Fiber optic cables made of plastic that are easier to process and cheaper than glass fiber, but less pure and so can bridge shorter distances in lightwave transmission. POF is mainly used in industry and the automotive sector.

Power over Ethernet (PoE)

Terminal devices that are connected to a copper or fiber-optic based data network (Ethernet) are powered from this data connection instead of from an additional power supply unit. In particular in data networks based on fiber optic cables, such a data and power supply connection can be created by means of a hybrid cable (optical fiber and copper wire in one cable). However, VoIP phones can also be supplied with power by this means.

ProfiLIGHT family

A cabling system based on fiber optics for maximum performance requirements, analogously to the copper-based ProfiLINK family.

ProfiLINK family

A fully screened cabling system based on copper for various performance requirements from 1 Gbit/s to 10 Gbit/s (ProfiLINK Design, ProfiLINK Modul and ProfiLINK multimedia) with a system guarantee of up to 15 years. Selection of the high-quality components of the system, system tests and certification of installers for the system are conducted by the euromicron subsidiary SKM Spezialkabel München GmbH.

Providers

Companies that provide telecommunications services such as telephony (wireline and mobile), fax, Internet, TV programs, video on demand, etc. Such service providers usually do not have their own telecommunications network, but instead lease network capacities for transporting their services from carriers.

Quartz glass (silica)

Silicon dioxide in non-crystalline form. The basic material for the core of fiber optic cable.

RoHS

(Restriction of the use of certain hazardous substances in electrical and electronic equipment). An EU directive restricting the use of certain hazardous substances in electrical and electronic equipment. In particular, it affects the production of printed circuit boards containing lead and other soldered joints, but also in general promotes environmentally-friendly development, production, marketing and disposal of electrical and electronic equipment.

Router

An active component of a data network that distributes the information which is split into individual data packets and does not necessarily follow in sequence, dynamically (i.e. by control signals) within the network by means of route finding, forwarding and delivery. Switches in a voice network have a similar function.

SAN (Storage Area Network)

A communications network, typically within data centers and computer centers, that connects storage media, large computer systems and server farms with each other, often using Fiber Channel technology, since high-capacity, rapid "data channels" usually based on fiber optic connections are involved.

Security networks

A general term for the network system that is used physically and logically for protection and surveillance of a room, building, grounds or a communications network and its critical components. Physical protection and surveillance denotes protection against fire, intrusion, unauthorized access, theft, vandalism and manipulation, as well as surveillance by means of fire alarms, video cameras, access codes, etc. Logical protection and surveillance denotes protection against hackers, viruses, unauthorized dial-in attempts, spams, etc., and the surveillance of data and control signals in a communications network by means of monitoring, log files, etc.

SFF (small form factor)

This denotes the design of optical components, specifically fiber optic connectors. A general designation for a low size.

Single-mode fibers

Fiber optic cables with a core diameter so small that only one color or wavelength, also termed mode, is able to pass through it. Their manufacture is more complex and so single-mode fibers are more expensive than multi-mode fibers. Single-mode fibers have a higher transmission range than multi-mode fibers and so are used in wide area networks (WANs) to transport large volumes of data.

Smartphones

Mobile end devices with multiple functions, such as telephone, e-mail, Internet browser, alphanumeric keypad, etc. Such a device is now familiar under the brand name Blackberry or iPhone; all well-known mobile phone manufacturers now offer such smartphones.

Splice

Arcs of light and precision technology are used to splice together extremely fine fiber optic cables to ensure a permanent connection with no loss of data. This spliced transition point is generally termed a splice.

Splicing

Permanent connection between two fiber optic cables achieved by either fusing, gluing, or mechanically joining the cables together.

Switch

An active component in a voice network that establishes the permanent switched connection for transporting voice dynamically, i.e. in accordance with the dialing signal, within the network by means of route finding and forwarding. Large exchanges and small telephone systems have such a switching function and so are generally termed switches. Routers have a similar function in a data network.

Telecommunications technology

A general term for the entire field of communications transmission. Historically, this sector initially included only transfer of voice and documents (telephony, telegraphy, fax). Increasing digitization has resulted in the transfer of data in the form of software files, e-mails, music, video, etc.

Triple play

High-speed data transfer over the Internet, partly based on fiber optic cable, for the simultaneous transport of the three applications telephony (ISDN), surfing and telephony in the Internet and video or TV.

UMTS (Universal Mobile Telecommunications System)

A further development of the GSM standard, also termed 3rd generation (3G), in which the main focus is on mobile data communication (internet use and image transfer). Transfer rates of up to 2 Mbit/second are possible with this system.

URM®

Short name for an innovative fiber optic cable connector system produced by euromicron AG: yoU aRe Modular. A fiber-optic structure with high packing density in the connector (four times greater than with SC duplex). Fiber optic cable connectors built as modules with up to 8 fibers, compatible with small form factor (SFF) design duplex connectors. Interfaces in the form of a mini patch field in the active components enable modular and flexible reconfiguration of the fiber optic connections in the backbone network without the latter having to be laid again.

VDSL (Very High Speed Digital Subscriber Line)

A DSL technology (see also "DSL") that permits far higher data transfer rates over a conventional phone line than ADSL (see also "ADSL"). Transfer rates of up to 200 Mbit/s are achieved, enabling triple play applications, i.e. the simultaneous use of telephony, Internet and TV broadcasts over the phone line.

Video over IP

Integrated transfer of video signals and voice and data information in digital form via the Internet Protocol (IP). Video over IP technology packages the analog video signals from the camera in small digital data packets that, like normal data, are then transferred over data networks by means of the Internet Protocol. As a result, video signals can be transferred over one and the same cabling system in addition to telephony and data.

Voice over IP (VoIP)

Integrated transfer of voice and data in digital form via the Internet Protocol (IP). VoIP technology packages voice in small digital packets that, like normal data, are then transferred over data networks by means of the Internet Protocol but over different lines and routes, and then combined back into "voice". Unlike traditional telephony, where a separate line for the voice connection is required for each call, the data network (Internet) can be used far more efficiently when voice is transferred in data packets over IP. As a result, a second network for pure telephony can be dispensed with.

VPN (virtual private network)

In the worldwide and generally accessible Internet, a logical separated subnetwork can be established by means of special active components so that it acts like a virtual private network (VPN) within the entire Internet. This virtual private network can then be protected so as to prevent external intrusion by unauthorized persons outside the VPN. The security zone created in this way within the generally accessible Internet is termed a "VPN tunnel".

WAN (Wide Area Network)

A wide network that connects together several small networks (LAN, MAN), for example from different countries, cities or locations, over large distances by means of cable, fiber optics or satellite.

WDM (Wavelength Division Multiplex)

A method of concentration (multiplex method) on electrical, optical or wireless-based connections in order to achieve better utilization of the available bandwidth of the transmission paths and minimize the transfer costs per individual signal. A distinction is made between the following methods:

SDM (Space Division Multiplex): Spatial separation of individual signals, for example on separate lines

FDM (Frequency Division Multiplex): Individual signals are modulated onto different frequencies

TDM (Time Division Multiplex): Individual, usually digital, signals are transferred chronologically after each other

CDM (Code Division Multiplex): Code words are assigned to the individual digital signals

DWDM (Dense Wavelength Division Multiplex): An optical Frequency Division Multiplex method with a very dense channel (signal) spacing

CWDM (Coarse Wavelength Division Multiplex): An optical Frequency Division Multiplex method with a wide (coarse) channel (signal) spacing; a lower-cost alternative to DWDM

WLAN (wireless LAN)

A radio-based transmission method that is usually operated in the license-free microwave band. Wireless LANs consist of radio cells in which users can log on in order to access the networks behind them. Several standards are currently new on the market, for example 802.11b (max. 11 Mbit/s), 802.11a (54 Mbit/s) or Bluetooth. All users of a radio cell share the bandwidth.

Financial Calendar 2008

March 27, 2008	Annual Report 2007
March 27, 2008	Analysts' Conference
May 7, 2008	MKK Munich Capital Market Conference in Munich
May 15, 2008	Publication of the business figures for the 1st quarter of 2008
June 12, 2008	General Meeting
August 14, 2008	Half-yearly Report
November 14, 2008	Publication of the business figures for the 3rd quarter of 2008

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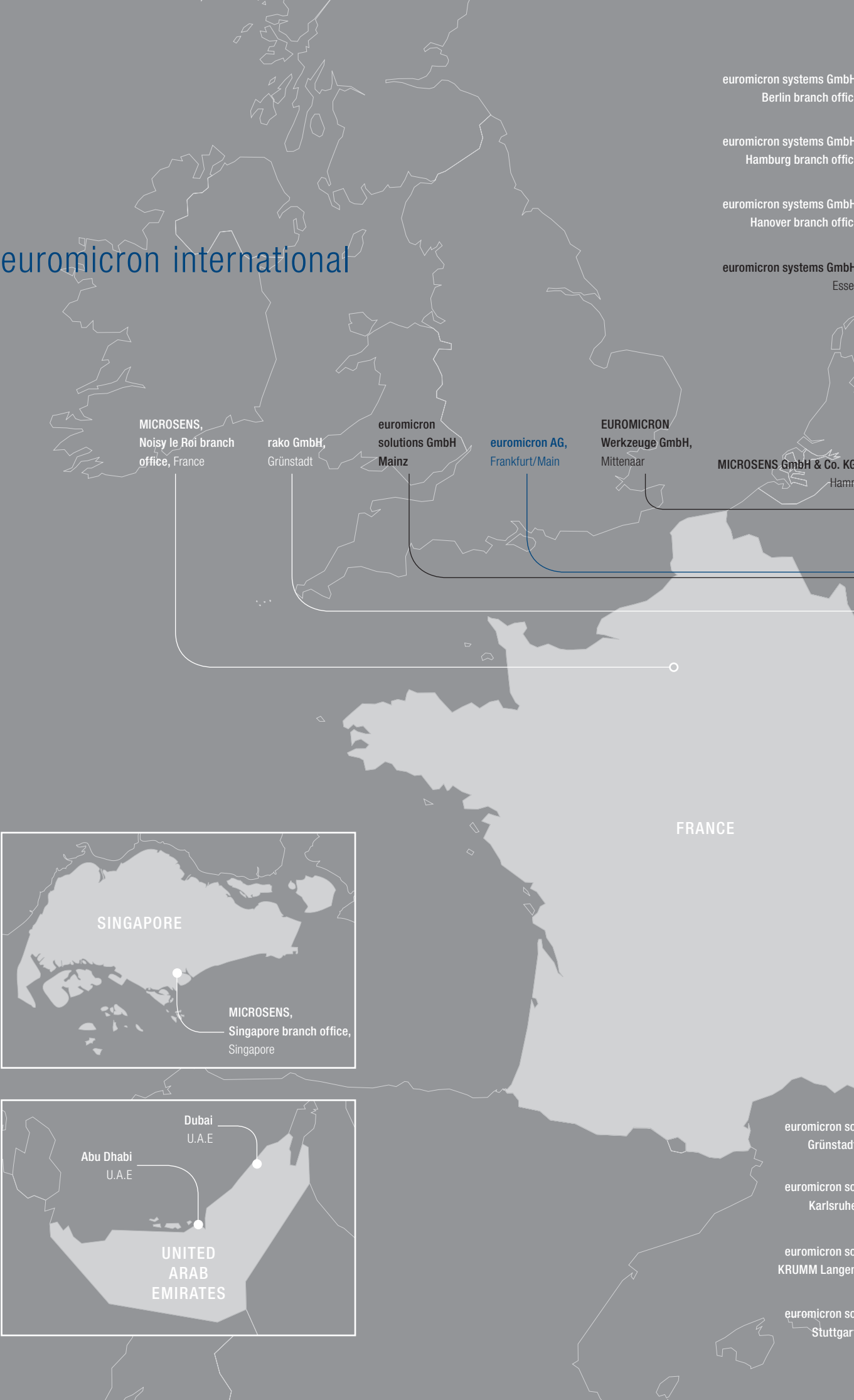
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Note / disclaimer

This Annual Report also includes predictive statements and information on future developments that are based on the convictions and current views of euromicron AG's management and on assumptions and information currently available to euromicron. Where the terms "assume", "believe", "assess", "expect", "intend", "can/may/might", "plan" or similar expressions are used, they are intended to indicate predictive statements that are subject to certain elements of insecurity and risks, such as competitive pressure, changes to the law, political and economic changes, changes to business strategy, other risks and uncertainties that euromicron AG in many cases cannot influence and that may result in significant deviations between the actual results and predictive statements.

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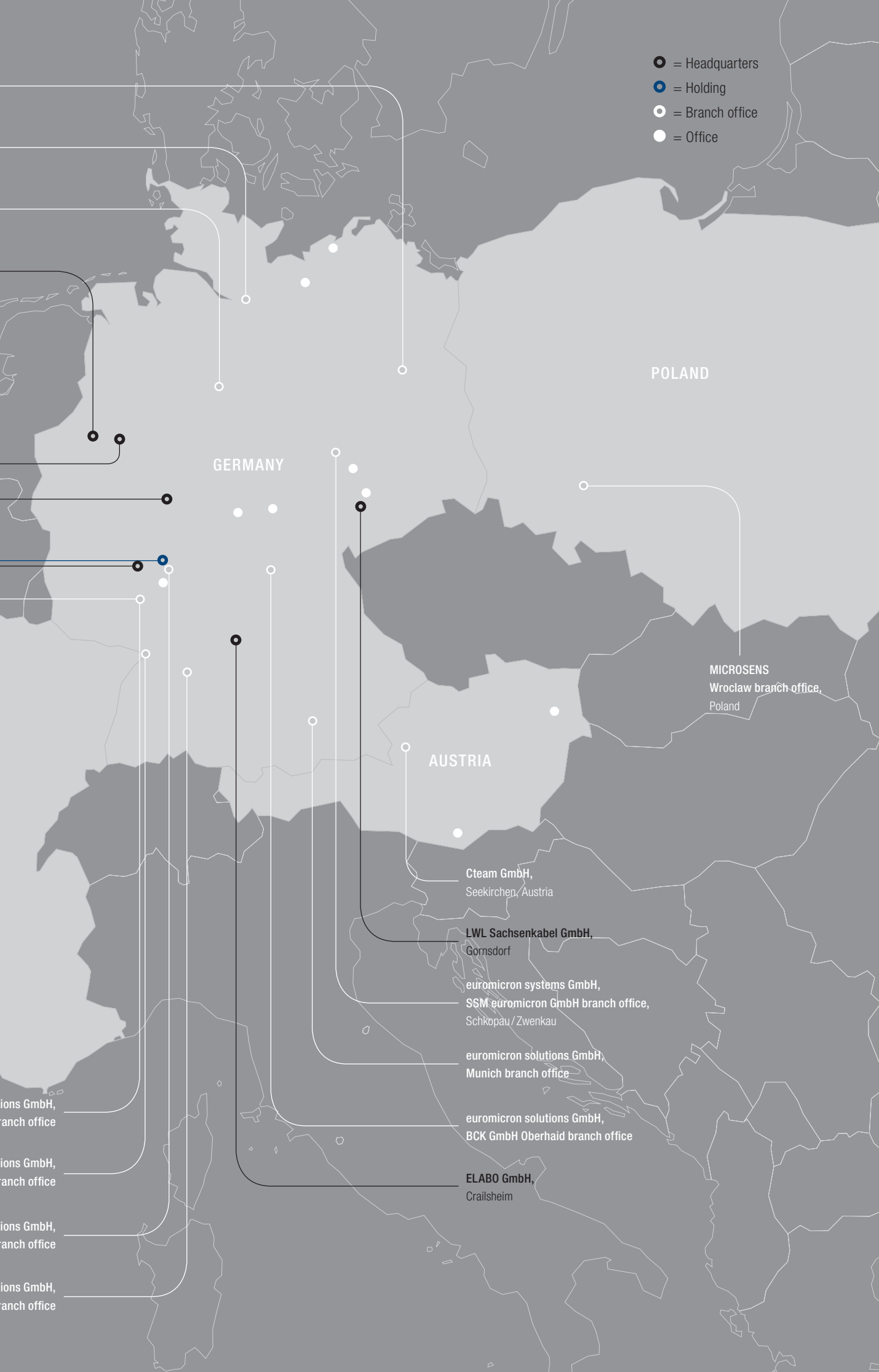
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