

Development

From technology
to solution

Interim Report Q1/2010

euromicron Group

KEY INCOME FIGURES AT MARCH 31, 2010

	2010 EUR thou.	2009 EUR thou.
Consolidated EBIT	3,070	2,676
Operating EBIT	4,160	3,821
EBIT return/total operating performance in %	6.4	6.0
EBITDA	3,931	3,411
Income before taxes	2,523	2,113
Net income	1,708	1,403
Earnings per share in EUR (undiluted)	0.38	0.31

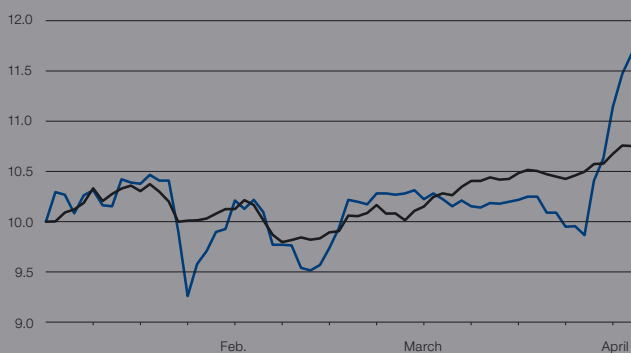
(unaudited acc. to IFRS)

euromicron AG

SHARE PERFORMANCE

in EUR

Jan. 1, 2010 – March 31, 2010



■ EUC GY Equity
 ■ SDYP Index

Dear shareholders,

Work on integrating euromicron continues smoothly in 2010.

Intensive cultivation of the market and growing our market volume are the tasks of our significantly expanded sales team, which has been trained in our entire portfolio of products and services.

Frankfurt/Main, May 2010

The Executive Board

Company profile

Development and production
of components and
product categories

- Optical and hybrid connectors, assembly, switches and cable systems
- Networked workplace systems, examination and testing equipment
- Customized product solutions

- Voice, data and video communication, convergent systems
- All-round solutions for networked working and living
- Optical, wireline and wireless networks
- Analysis, planning, implementation, maintenance and service

- Active and passive network components from a global range
- Top-performance cabling systems
- Consulting, training, network analysis and services

Planning and
integration of
systems and
solutions

Consulting,
distribution
and services

Multifunctional network solutions

Foreword

Despite a turbulent 2009, a year impacted by the financial and economic crisis, euromicron was able to buck the market trend at the beginning of the new fiscal year.

In the meantime, the financial market is also leaning more and more toward solid securities that offer growth potential. In this regard in particular, euromicron was able to attract significantly greater attention from investors following completion of its buy and build phase with the final acquisitions at the end of 2009 and in view of the build and integrate phase that has been underway since that year.

The focus on integration means not only leveraging technologies on the market and customized further development of them, but also a balanced financing structure at the euromicron Group so as to ensure its expected growth long-term and to allow shareholders to participate in the company's success.

A solid balance sheet structure with sufficient own funds, complemented by a good liquidity situation with unused credit lines, is the foundation to protect the company against market fluctuations.

Long-term positioning of us as a reliable partner to our customers, partner banks and investors remains the focus of our actions in 2010.

To adjust the equity structure of euromicron to the current annual sales of approximately EUR 200 million, on April 29, 2010, euromicron's Executive Board made use of the power to utilize authorized capital as granted by the General Meeting on June 23, 2005, with the consent of the Supervisory Board. As part of this, the capital stock of EUR 11,914 thousand, divided into 4,660,000 no-par value bearer shares, was increased by EUR 1,191 thousand to EUR 13,105 thousand in exchange for cash contributions. 465,999 no-par value bearer shares with an entitlement to a share in profits as of fiscal year 2010 were issued.

Demand for euromicron's share was so pleasing that the issue of new shares was able to be completed on the next day of trading and did not result in any decline in the stock price. This capital increase was a key step in fostering the Group's organic growth and achieving the goal of reducing net financial debt.

The company's sustained operational growth was also reflected in the first three months of fiscal 2010. New orders (EUR 52.8 million) and order books (EUR 83.2 million) increased yet again.

In the first three months of fiscal 2010, euromicron generated consolidated sales of EUR 45.2 million, a year-on-year increase of 12.6%. The euromicron Group's total operating performance rose from EUR 44.8 million to EUR 47.8 million at March 31, 2010, a year-on-year increase of 7%.

Earnings before interest and taxes (EBIT) also developed very positively and were EUR 3.1 million, an increase of 14.7% over 2009. The ratio between the EBIT return and total operating performance was 6.4% (previous year: 6.0%). Operating income of the associated companies was as we expected: EUR 4.2 million, compared with EUR 3.8 million in the previous year. Undiluted earnings per share were EUR 0.38 (previous year: EUR 0.31) on a net profit of EUR 1.7 million (previous year: EUR 1.4 million).

The focus of our human resources policy in the first quarter was on personnel at our branches. Further measures will follow in the course of the year.

We selectively use trade shows, in particular CeBIT, to position the euromicron brand further in the market. This platform for forging business relationships has been able to be expanded this year to cover the entire Group's solution portfolio. Areas of emphasis were telecommunications, control station technology and integrated product and system technology.

The importance of information and communications technology (ICT) as an economic factor and driver of innovation is increasingly becoming the major source of productivity, growth and employment. Demand for bandwidth to control and promote energy efficiency, healthcare, mobility, climate protection and much more will surge in the coming years and so offers euromicron good market opportunities.

euromicron's good and solid performance in 2009 meant that its share significantly outperformed the market trend in the first four months of fiscal 2010 to stand at EUR 18.29 at the end of April, an increase of 17% over its price at the end of 2009. Apart from the Accounts Press Conference and Analysts' Conference on March 29, 2010, euromicron also presented itself to investors at the Solventis Forum on April 24, 2010. A series of one-on-one meetings with investors supported the share.

By focusing on value-oriented growth in the build and integrate phase, we have laid the foundation for establishing our company as a reliable partner with perspectives, even in choppy times.

The Executive Board and Supervisory Board want all shareholders to participate in the company's success and at the General Meeting on June 17, 2011, will propose distribution of a dividend of EUR 1.00 per share. In line with the continuous dividend policy of euromicron, the aim is not only to pay back shareholders interest on their capital, but also to achieve the key objectives of growth and ensure the quality of our results long-term, as well as to reduce net financial debt and strengthen our equity structure.

Interim management report of the euromicron Group from January 1 to March 31, 2010

General conditions and development of the company

In the wake of the **worldwide financial crisis** on the markets of the advanced economies, the global economy was plunged in 2009 into its deepest recession since World War Two. During fiscal year 2009, the crisis had a faster and more extensive impact than expected – despite intensive efforts by policymakers in major economies. Newly industrializing and low-income countries, which were not very exposed to mortgage-based assets in the USA and so were relatively sheltered from the financial troubles, were eventually sucked in when the international credit, trade finance and many foreign exchange markets also came under strong pressure.

Inflationary pressure quickly receded in most regions of the world, and the growing economic slackness curbed the upward pressure on prices. Overall inflation fell below 1% in the advanced economies in 2009.

Inflation decreased perceptibly in the newly industrializing countries, although falling exchange rates abated the downward trend in some cases.

In this situation, national and international political steps were taken to initiate a coordinated political response to stabilize the financial system.

In their “Gemeinschaftsdiagnose” forecast of fall 2009, the participating economic research institutes assumed that the **German economy** had stabilized since the summer of 2009, albeit it at a far lower level of output. The progressing crisis of trust led to a slump in foreign orders and caused industrial production to plummet to an unprecedented extent. The ensuing stabilization is mainly attributable to massive economic intervention. Central banks worldwide cut their interest rates and supplied banks with virtually unlimited liquidity as a substitute for the inter-bank markets that had dried up. At the same time, governments helped troubled banks by giving guarantees and injecting capital and also increased the guarantee for private savings. In this way, an impending collapse of the banking system was also able to be averted in Germany.

The German government also passed various measures to stabilize the economy. As a consequence, confidence among financial market players increased again and non-financial companies also looked less and less pessimistically to the future.

Private households increased their spending noticeably, underpinned by the situation on the labor market, which has remained relatively stable to date thanks to short-time working arrangements.

Although since the beginning of 2010 there are increasing signs of a pickup in German exports, which were particularly hit by the global recession, the prospects for the other industrialized countries remain muted and so strong export-driven growth cannot be expected for the time being. The situation on the labor market also remains strained. Job cuts in line with the decline in output have been able to be prevented up to now through the intensive use of short-time work and by reducing time accounts.

There were upward trends again in the ICT market towards the end of 2009 and beginning of 2010. The Industry Index of BITKOM, the German Association for Information Technology, Telecommunications and New Media, rose by 18 points at the end of 2009 – the strongest increase for five years. Further industry surveys by BITKOM revealed that, unlike other branches of the economy, IT and telecommunications have pulled through the crisis in very good shape.

The companies surveyed by BITKOM see further positive economic signs in the high-tech industry in 2010, and just about all of them consequently expect a perceptible pickup in demand.

Boosts to growth in 2010 are mainly anticipated from Germany.

Despite the tough economic conditions overall on national and international markets, the euromicron Group was able to continue establishing itself successfully on the market and follow up its pleasing performance of the past years.

A significant advantage here is that we are an integrated system house that is perceived throughout Germany as a competent partner in all areas of network technology, including for complex solutions.

With our focus as a “system house with production expertise”, we have succeeded in fully satisfying the market’s demand for solution-oriented, intelligent network infrastructures.

In the first three months of fiscal 2010, we have been able to increase our Group’s earnings strength again by means of further consolidation. As part of this, we remain true to the maxim of increasing expansion of technology, market access and market volume, as well as entering new, forward-looking markets and business segments, for example by addressing the growing requirements in the field of health and care.

Sales

In the first three months of fiscal 2010, euromicron generated consolidated sales of EUR 45.2 million, a year-on-year increase of 12.6%.

The euromicron Group's total operating performance rose from EUR 44.8 million to EUR 47.8 million at March 31, 2010.

Like in the past, the current fiscal year is proceeding as customary for euromicron, which usually provides and bills most of its value-added services in the second half of year. Extrapolating the figures for the year as whole from individual quarters therefore remains difficult and has to reflect the development of project business.

euromicron's commercial activity still focuses on Germany. 87.8% of total sales was generated in the domestic market. Sales in Germany increased by around 15.8% year-on-year. The foreign companies were not able to fully live up to expectations in the first three months of 2010.

Operational business outside Germany centers on Italy, Austria, France and Poland.

The goal for 2010 is to seize opportunities in other European countries as an end-to-end network and infrastructure solution provider and, as in Germany, act as a partner to carriers and large network equipment vendors, as well as to industry and public authorities.

The sales pipeline is well filled at present and means we can look optimistically beyond our national borders.

Apart from Austria, Poland and France, Italy is currently the focus of our commitment in the Euro zone with Qubix S.p.A. Further countries such as Portugal and the UK will be tapped by export and project business, with this being controlled from Germany.

Markets outside Europe are still not a focus of our sales strategy, so sales in this segment are below-proportionate. If interesting business opportunities should arise, such as a current inquiry from the USA relating to the URM connection system, we will naturally pursue them. However, we are not addressing these markets strategically at present.

Income

In the first three months of fiscal 2010, euromicron posted consolidated income before interest and taxes of around EUR 3.1 million, a rise of 14.7% over the same period in 2009. The ratio between the EBIT return and total operating performance was approximately 6.4%. Operating income of the associated companies was as we expected: EUR 4.2 million, compared with EUR 3.8 million in the previous year.

euromicron Group

SALES DEVELOPMENT CONSOLIDATED BY REGIONS AT MARCH 31, 2010

Regions	2010 EUR thou.	2009 EUR thou.
Germany	39,696	34,290
Euro zone	5,245	5,341
Rest of World	250	517
Consolidated net sales	45,191	40,148

(unaudited acc. to IFRS)

The cost of materials at euromicron fell again at March 31, 2010, and is now 51.2% of total operating performance. Major contributions to this were made by the cost-cutting programs and further variabilization of personnel and other costs. As a result, risk positions associated with market fluctuations have been able to be counteracted.

Personnel costs in the first three months of fiscal 2010 were EUR 13.6 million compared with EUR 12.0 million the previous year. This increase is attributable to the additions in staff as a result of the acquisitions at the end of 2009. Cost increases due to higher qualifications of employees are always compensated for by cost adjustments in other areas.

As a result of amortization of hidden reserves and on development expenses, amortization and depreciation is above the figure for the previous year. Depreciation of plant, fixtures and fittings, tools and equipment was at the level of the new investment. Depreciation and amortization at the Group level totaled EUR 861 thousand.

Other operating expenses were EUR 6.3 million and so above the figure for the previous year of EUR 5.7 million. Like the rise in personnel costs, this is also attributable to the new companies.

Net financing costs were EUR 0.5 million, slightly below the previous year's figure. This is mainly due to financing of investments in acquiring companies that need higher liquidity for a transitional period until their own cash flow ensures a return on investment.

The tax ratio was 30.1%, slightly below the level of the previous year (31.1%).

Net income at March 31, 2010, was EUR 1.7 million, 21.7% up over the previous year (EUR 1.4 million). Undiluted earnings per share were EUR 0.38 versus EUR 0.31 at March 31, 2009.

euromicron Group

KEY INCOME FIGURES AT MARCH 31, 2010

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(unaudited acc. to IFRS)

New orders and order books

The euromicron Group recorded new orders worth EUR 52.8 million in the first quarter of fiscal 2010, an increase of 16.7% year-on-year.

The main reasons for this are the broad customer structure, the group's competence in all network infrastructure matters, the acknowledged reliability and flexibility of euromicron's employees and our financing strength in large projects.

Order books at March 31 were at the high level of EUR 83.2 million (previous year: EUR 79.9 million). The orders will mainly be billed in the current fiscal year. As a result, we have laid a solid foundation for achieving our targets in 2010. We are not currently aware of any risks from significant project delays or postponements.

euromicron Group

NEW ORDERS/ORDER BOOKS – CONSOLIDATED AT MARCH 31, 2010

	2010 EUR thou.	2009 EUR thou.
Consolidated new orders	52,820	45,258
Consolidated order books	83,204	79,912

(unaudited acc. to IFRS)

Net assets

The euromicron Group's total assets at March 31, 2010, were EUR 185.6 million, virtually constant compared with December 31, 2009 (EUR 185.9 million).

On the assets side, noncurrent assets rose slightly, mainly due to the acquisition of the remaining shares in NetWays Netzwerk Consulting GmbH, Ettlingen.

As part of acquisition of an 80% stake in Microsens GmbH & Co. KG, Hamm, the minority shareholders obtained a preemptive right to tender the remaining 20% and euromicron AG an option to purchase them, which can be exercised in 2012. Pursuant to the amended regulations of IAS 32, stakes of minority shareholders who have a preemptive tender right must be requalified as financial debt and accordingly the goodwill carried at its fair value; this has been done.

In addition, replacement and expansion investments were made by the subsidiaries to enable them to respond to greater market needs.

As a result of the fact that total assets remained virtually constant, the percentage figure for noncurrent assets rose slightly to 59.1% of total assets, compared with 57.7% at December 31, 2009. Current assets fell compared with at the end of the past fiscal year to EUR 75.9 million. Inventories rose by some EUR 6.5 million, solely as a result of increase in work in progress. This reflects the course of business of euromicron's project companies, which traditionally post a sharp increase in the value-added services they can charge for in the second half of the year and complete and invoice the majority of projects in progress at the end of a fiscal year.

Liquid funds fell compared with the level reported in the 2009 financial statements. They were used to repay financial debt and in particular to fund projects in progress at the system companies.

Noncurrent assets comprise around 58.2% of total assets and are covered to 99.7% by stockholders' equity and long-term outside capital.

Shareholders' equity is EUR 81.1 million at March 31, 2010, around EUR 0.8 million above the level stated in the 2009 financial statements. The equity ratio is 43.7%.

Long-term debt was around 14.3% of total assets. This essentially contains the long-term components of the Group's outside financing.

Current liabilities fell from around EUR 81 million as of December 2009 to approximately EUR 78 million in March 2010 and are now 42% of total assets.

Financial position

The euromicron Group's net debt at March 31, 2010, was around EUR 65.5 million, a figure mainly impacted by an increase in up-front financing for projects as a result of growing business where there is a greater need for working capital.

Treasury shares are not included in calculating net debt and are recognized directly in equity.

Given a price of EUR 18.29 on the balance sheet date of March 31, 2010, the treasury shares are worth around EUR 2.9 million.

At March 31, 2010, the Group has sufficient free credit lines from its partner banks to cover its traditionally, high need for cash in the first half of the new fiscal year.

Following completion of the buy and build phase in 2008 and continuation of integration and consolidation after 2009, the Group thus has sufficient liquidity reserves in 2010 for its planned development.

euromicron AG will continue to fund the euromicron Group and its associated companies directly or through its cash pool model.

Employees

The euromicron Group makes high demands on the quality of its products and services, founded on the high qualifications and motivation of its employees. The Group can offer them interesting challenges, as well as forward-looking opportunities for development and secure jobs.

1,069 persons (excluding trainees) were employed by the euromicron Group in the first three months of fiscal 2010, roughly the same as the figure stated in the 2009 financial statements. Personnel costs totaled EUR 13.6 million (previous year: EUR 12.0 million):

An increasingly important goal of the Group is to secure and expand its base of qualified employees and their potential. Only a sufficient workforce with high qualifications will ensure its future success. Consequently, we have launched qualification programs in a wide range of fields so as to address steadily growing requirements in project controlling and monitoring, in particular in project management and production. Individual development and future-oriented, systematic qualification of our employees in line with requirements are a core element of our business policy.

In this context, the Group gives 87 young people the chance of practical vocational training. Apart from taking social responsibility for training the next generations, euromicron also secures potential employees for future tasks with this policy. In addition, the Group will satisfy growing demand for highly specialized experts not only by buying in services and knowledge, but also through its own internal and external qualification programs.

Market & Technology: 1st quarter of 2010

The importance of information and communications technology (ICT) as an economic factor and driver of innovation continues to increase. ICT is the most important source of growth in productivity in the European Union, accounting for around 40% in this area. According to the OECD, the industry generates some 10% of Germany's gross domestic product and is one of the country's largest sectors, with sales of around EUR 150 billion. In addition to the 830,000 employees in the industry itself, there are also approximately 650,000 ICT specialists in users' sectors. The leverage effects are therefore considerable. In many markets, far more than 50% of all new products will be created in future through the use of ICT.

ICT is a dominant factor in creating greater productivity, growth and employment and also makes a major contribution to solving key challenges such as energy efficiency, healthcare, mobility and climate protection.

Thanks to a good research landscape and an internationally oriented ICT industry, Germany plays a leading role when it comes to innovation in fixed and mobile networks. That opens up the opportunity of supplying the world market with urgently needed components, systems and applications that have been invented and engineered in Germany.

The Internet continues to develop into a global multimedia communication platform for a growing number of applications. Network data traffic has been growing by 50 to 100% over the past 15 years. Systems must therefore be adapted long-term to growing bandwidth requirements so as to enable subscribers to be provided with a data rate of at least 1 Gbit/s in future.

According to the Germany Ministry of Economic Affairs, BITCOM or the German Association for Electrical, Electronic & Information Technologies (VDE), important future areas of use and development for ICT are in the fields of the future Internet, such as ambient assisted living, e-home or smart living, e-energy or smart grid, fiber-to-the-Home (FTTH) and electromobility:

Ambient assisted living: This involves methods, concepts, (electronic) systems, products and services that support the elderly in everyday life, situatively and discreetly. The technologies are user-centric, i.e. geared toward peoples and their needs, and integrate in their direct living environment. The users of such technology constitute a very heterogeneous group. It comprises both healthy and active elderly persons who mainly use lifestyle functions to increase their quality of life, to multimorbid people who are to be given the chance of leading a longer, independent life in their home habitat. Support here is not only restricted to the persons directly affected, but also explicitly includes care staff, doctors and family members, for example by means of enhanced means of communication and by making social interaction easier.

euromicron is already active in various ITC infrastructure projects in the healthcare market, with the result that in May 2009 we secured exclusive Europe-wide licensing rights for a mobile care and surveillance system and have now taken the first steps to market it under the name "euromicron mobile care center". With this system, elderly people or those who need help can still move about freely in their customary surroundings thanks to relatively simple mobile communications technology and enjoy their familiar environment, yet have the peace of mind that they are not only provided with medical surveillance via a supervision center thanks to this system, but can communicate with the center if required or be put through to relatives. In an emergency, they can also be located with the system, allowing medical aid to be sent to them quickly and purposefully.

A similar system can be used in enforcement, where there is a growing focus on enabling offenders to serve their sentence on probation with greater freedom and in their familiar environment so as to ensure that the chances of successful rehabilitation are potentially higher. This system likewise uses a mobile device that is worn by offenders and allows them to be monitored by a supervision center so that it always knows where they are, their movements can be restricted and, in the event of transgressions, intervening action can be taken at the behest of the supervision center until the probation officer is called.

E-home or smart living: This relates to controlling home functions relating to telecommunications and the Internet, alerting systems and video monitoring, infotainment and power consumption by means of a central unit that can be remote-controlled and is based on IP networking. Intelligent, Internet-based, networked display, surveillance and security solutions, which were not previously feasible due to technological restrictions, are used at public and business buildings and areas, such as office and industrial buildings or premises, for instance public squares, train stations, airports and stadiums.

With its great project experience in the field of communications solutions and alerting and monitoring systems, euromicron has also been able to win new customers in this report cycle. A further large project for Deutsche Bahn and various projects for hospitals are currently being implemented, for instance. National and international airport operators are also showing keen interest in using products and solutions from euromicron for communication and security applications.

E-energy or smart grid: This relates to optimization of electricity flows in the grids of virtual combined power plants, new ways of flexibly controlling power consumption and intelligent integration and control of power storage units by means of state-of-the-art information network and smart systems, coupled with completely new online services and electronic marketplaces relating to the subject of energy.

Together with vendors and operators of wind energy plants, euromicron already develops customized concepts and solutions for operating the entire communications structure of wind parks. The high-tech wind parks – offshore or onshore – must be equipped with efficient, future-proof data networks to enable their control and monitoring and must be networked so that efficient and safe electricity generation is ensured, utilization and efficiency of the park can be monitored and error messages and control information are sent to the control rooms of the operators or vendors. Further services, such as video-over-IP, telephony, access control and fire alarm systems or meteorological services, also increasingly use this data network for communication.

euromicron's range of products and services comprises active and passive components, setup and maintenance of the complex data networks, as well as support of customers as part of reliable, effective park management.

Fiber-to-the-home: In the wake of greater demand for bandwidth in the private and professional spheres, fiber-optic networks are increasingly being expanded right up to the actual user. FTTH is a synonym for various endpoints (e.g. up to the distributing box, cellar, office or residential unit) in a fiber-optic network.

The German government has set itself ambitious goals in expanding broadband delivery. Broadband connections are to be available throughout the country by the end of 2010 at the latest. By 2014, connections with transfer rates of at least 50 megabits a second are to be available to 75% of households. That also gives euromicron promising opportunities to share in this expansion. Internationally, Germany lags far behind when it comes to development of the broadband infrastructure.

euromicron was commissioned by NetCologne GmbH, a regional carrier in the economic area Cologne/Bonn, with planning and implementing a turnkey fiber-to-the-building (FTTB) network for more than 1,500 buildings in Cologne-Braunsfeld and Cologne-Sülz South. As a result, NetCologne has confirmed euromicron as general contractor with responsibility for equipping parts of the CityNetCologne to create a highly efficient network infrastructure based on optical fiber and with bandwidths of 100 megabits a second. Those are transfer rates and speeds that internationally only few customers are offered by their provider.

“No broadband, no future”: that is the pithy slogan of euromicron’s “Broadband” network, in which we have pooled our competence in fiber-optic and high-capacity wireless technology. By transferring this competence to the operating subsidiaries, euromicron is well positioned as a one-stop shop that offers enterprises, municipalities, public utilities and carriers customized solutions for broadband networks – from planning and construction to complete project controlling. In the meantime, we have used this expertise to create a complete FTTH product line called eFOS (euromicron Fiber Optics System).

Electromobility and onboard services: This relates to creating end-to-end data transfer systems for traffic control, intelligent control rooms and battery recharging and replacement stations that communicate with them. In order to ensure acceptance of future electromobility concepts, the aim is also to develop and test customer-friendly billing and roaming models, onboard devices for providing information for drivers, and integrated navigation and car-2-car communications services.

Here too, euromicron is reviewing its further positioning for future applications. Communication and monitoring solutions from euromicron and its subsidiary ELABO® are already in use today at control centers.

The foundation for growth and these development is IP network (IP = Internet Protocol), usually based on highly available, secure optical and mobile broadband networks. This is already the starting point for all developments driven by euromicron, the network components and the core expertise of euromicron's system integrators. In line with these market requirements, we constantly review our portfolio of products and services. We have increased our expenditure on innovation and development at euromicron components, in particular to development components for these markets into all-round solutions.

Examples of this are the customizable application levels of fiber-optic networks for local and wide-area transport. Suitable active and passive components are selected with an eye to the ideal solution in terms of flexibility, future proofness and cost optimization. The offered and implemented solutions range from enterprise to metropolitan area networks.

Switches, converters, CWDM/DWDM components and network management systems from our MICROSENS® brand are used for this in the fields of education and research, healthcare, traffic control and automation, for carriers and data centers alike.

The requirements by the market of such a "management agent" are growing from year to year, since as networks increase in complexity, the demands placed on services provided by the devices keep on growing.

One key issue is the demand for greater protection of networks against manipulation. This requires the unprotected communications protocols used to date to be replaced by secure alternatives. Our development efforts are thus concentrated on an improved, standardized and secure protocol for MICROSENS® products.

euromicron is thus systematically pursuing its adopted strategy of always successfully participating in the forefront of market trends by means of growth, innovation and specialization – from product development and solutions to leveraging of its own potential, through acquisitions, by obtaining licenses and with partnerships. The positive effects of the synergies from the expertise we have acquired are now unfolding in many individual projects.

Although it is much more difficult to introduce the entire euromicron portfolio in countries outside Germany, we are nevertheless making faster progress than planned. In Austria, we have been able to position our traditional portfolio well in the market thanks to initial successes and in Italy we are examining further market access and opportunities for euromicron through our established subsidiary Qubix.

euromicron is therefore proving yet again how innovatively, flexibly and swiftly it responds to customers' needs and translates these into special solutions that solve its customers' problems and thus enable rationalization and cost optimization even in difficult times.

euromicron is thus demonstrating right from the start of the new fiscal year 2010 that it is an innovative and dependable market player. Whether high-quality products developed among other things on the basis of system integration requirements, customized special solutions or, as now in the next phase, purpose-designed applications – euromicron is one of the most competent solution providers on the ITC market.

Risk report

The reports from the risk management system at December 31, 2009, have been continuously examined and updated as part of the interim report at March 31, 2010. At March 31, 2010, there were no significant changes in the analysis of risks and their structure or evaluation at the euromicron Group compared with as stated and described in detail in the management report in the 2009 Annual Report.

Taking into account all known facts and circumstances, euromicron does not anticipate any significant effects from the deterioration in macroeconomic prospects on its operational business and does not see any risks that might jeopardize the existence of the euromicron Group in a foreseeable period of time or, as far as can be assessed at present, will have a significant influence on the Group's financial position, net assets and results of operations.

Outlook

Following the most successful fiscal year in the company's history, we expect to share successfully in the market's forecast revival in 2010. We are tackling the still tough general economic conditions by means of appropriate cost-cutting precautions and selective investments in personnel development so as to enable us to strengthen our market presence as a company that boasts of the advantages of a solution-oriented system house with production expertise.

We continue to expect a slight increase in new orders over the past fiscal year, but with the risk of possible postponements in individual sectors. The euromicron Group's broad lineup in terms of customers, sectors and technologies helps compensate for economic fluctuations.

We assume that demand for powerful networks and cost-effective applications for voice, data and video transmission, as well as for security, surveillance and alarm networks, will continue.

In line with the slogan "We fill visions with life", we are systematically tackling development products in important growth markets for us in the field of health and care so that we can proactively recognize the changes in these segments and participate in the development of these markets.

euromicron does not generally compete with cut-price vendors from the Far East, but sets store by integrated quality, service and reliability, high standards of certification and its philosophy of offering an overall concept geared toward solving customers' problems. The performance of past years show that our strategy is the right path and that customers appreciate this and are increasingly critical of the quality of low-cost vendors where security-related, cost-intensive or vital aspects of data networks of all types are concerned. We are confident that this perspective will continue to win through, even in difficult times.

The intensified phase of build and integrate in the company's development in the past fiscal year will continue to follow the objective of further optimizing the Group's structures in 2010. We anticipate positive effects in terms of process efficiency and organic growth. The integration and consolidation measures that have been planned and accomplished to date are basically geared to market needs and so to improving service delivery for our customers.

Apart from strategic further development of the company, we have begun to optimize our cash flow, financing, capital flow, shareholders' equity and outside debts as part of the integration phase following completion of our small and medium-sized acquisition activities. To this end, the company's financing will be developed toward a balanced structure that ensures our strategic and operational growth and also enables further optimization of our balance sheet ratios.

euromicron is now regarded as an established company among the leading network specialists in the market and as an all-round provider of communications and security solutions, from planning, project planning, execution to turnkey handover, as well as maintenance and service. We have the blanket coverage to offer customers any desired solution tailored to their needs. In addition, we are continuously examining new and lucrative market potentials so as to identify and leverage opportunities in the nursing, care and health market and in surveillance of persons by mobile communications. The focus here is on merging technology and the defined solution. We will also continue to actively review our portfolio, as well as take up innovative ideas and, where of commercial interest, develop them to market maturity.

In particular, our objective for fiscal year 2010 is therefore still to continue to establish the brand name euromicron as a byword for quality, solution-oriented expertise and know-how in all areas relating to network-based information, communications and security needs and to keep up our active PR and investor relations work in order to actively support our share performance and give institutional investors opportunities for interesting placements that look to the company's future.

The EBIT return target at the Group level remains 8 to 11%. Following completion of the consolidation phase of build and integrate, the Group aims to achieve the EUR 300 million sales mark for the years following 2011. This is to be assisted not only by organic growth, but above all by focused and stronger growth abroad, largish mergers or mutual investments in companies, as well as cooperation deals and partnerships.

We feel certain that this path also reflects the interests of our shareholders and company as best possible. We will continue to work towards this goal in future.

If investors in euromicron AG indicate that they wish to replace a large number of our shares, our objective will be to find investors who accompany us for the medium to long term and do not seek short-term success. Crucial factors in our eyes will be for the investors to back our business model sustainably, give management support in developing the group commercially and provide the company with the resources required for this.

With our business model, a secure basis for financing and a stable cash flow in conjunction with our still good equity ratio, we are convinced that we are equipped to secure the company's long-term development and also give our shareholders promising perspectives.

euromicron Group

**CONSOLIDATED INCOME STATEMENT
AT MARCH 31, 2010**

	3-month report	
	Jan. 1, 2010 – March 31, 2010 EUR thou.	Jan. 1, 2009 – March 31, 2009 EUR thou.
Sales	45,191	40,148
Inventory changes	2,637	4,656
Own work capitalized	30	0
Other operating income	460	425
Cost of materials	– 24,482	– 24,152
Personnel expenses	– 13,610	– 12,001
Amortization/depreciation	– 861	– 735
Other operating expenses	– 6,295	– 5,665
Operating profit	3,070	2,676
Interest income	27	53
Interest expenses	– 574	– 616
Income before income taxes	2,523	2,113
Income taxes	– 760	– 638
Income before minority interests	1,763	1,475
Minority interests	– 55	– 72
Net profit for the period	1,708	1,403
Earnings per share (undiluted) in EUR	0.38	0.31
Earnings per share (diluted) in EUR	0.37	0.30

(unaudited acc. to IFRS)

euromicron Group

**CONSOLIDATED BALANCE SHEET
ASSETS**

	March 31, 2010 EUR thou.	Dec. 31, 2009 EUR thou.
Noncurrent assets		
Intangible assets	95,687	93,623
Tangible assets	11,337	10,913
Financial assets	1,082	1,082
Other assets	117	188
Deferred tax assets	1,522	1,405
	109,745	107,211
Current assets		
Inventories	19,725	13,235
Trade accounts receivable	48,911	51,197
Other assets	3,768	4,489
Marketable securities and cash	3,464	9,773
	75,868	78,694
Total assets	185,613	185,905

(unaudited acc. to IFRS)

euromicron Group

CONSOLIDATED BALANCE SHEET LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2010 EUR thou.	Dec. 31, 2009 EUR thou.
Stockholders' equity		
Subscribed capital	11,914	11,914
Treasury shares at acquisition cost	– 2,941	– 2,941
Additional paid-in capital	61,781	61,781
Gain/loss on the valuation of securities	– 358	– 358
Consolidated retained earnings	8,619	– 2,124
Consolidated net income	1,708	10,744
Minority interests	364	1,248
	81,087	80,264
Long-term debt		
Accrued liabilities	992	1,011
Liabilities to banks	7,890	8,158
Liabilities from finance lease	498	543
Financial debt	10,000	10,000
Other liabilities	2,337	102
Deferred taxes	4,924	5,189
	26,641	25,003
Current liabilities		
Accrued liabilities	1,245	1,467
Trade payables	18,720	20,519
Liabilities to banks	51,031	49,814
Liabilities from finance lease	191	199
Tax liabilities	1,446	2,608
Liabilities to personnel	811	1,105
Other current liabilities	4,441	4,926
	77,885	80,638
Total assets	185,613	185,905

(unaudited acc. to IFRS)

euromicron Group

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FROM JANUARY 1, 2009, TO MARCH 31, 2010**

	Subscribed capital EUR thou.	Additional paid-in capital EUR thou.
Balance at January 1, 2009	11,914	61,781
Dividend for 2008		
Consolidated net income for 2009		
Gain/loss on the valuation of securities		
Profit share for minority interests		
Distributions to/drawings from minority interests		
Balance at December 31, 2009	11,914	61,781
Consolidated net income for the period in 2010		
Profit share for minority interests		
Change from subsequent consolidation		
Distributions to/drawings from minority interests		
Balance at March 31, 2010	11,914	61,781

(unaudited acc. to IFRS)

Treasury shares EUR thou.	Consolidated retained earnings EUR thou.	Gain/loss from the valuation of securities EUR thou.	Minority interests EUR thou.	Total EUR thou.
- 2,941	2,378	- 429	1,098	73,801
	- 4,503			- 4,503
	10,744			10,744
		71		71
			703	703
			- 552	- 552
- 2,941	8,619	- 358	1,249	80,264
	1,708			1,708
			55	55
			- 526	- 526
			- 414	- 414
- 2,941	10,327	- 358	364	81,087

euromicron Group

STATEMENT OF CASH FLOWS

	Jan. 1, 2010 – March 31, 2010 EUR thou.	Jan. 1, 2009 – March 31, 2009 EUR thou.
Income before income taxes	2,523	2,113
Net interest income/loss	547	563
Depreciation and amortization of noncurrent assets	861	735
Disposal of assets, net	– 2	– 68
Allowances for inventories and doubtful accounts	0	71
Change in accrued liabilities	– 242	– 151
Change in deferred taxes	– 382	– 183
Cash flow	3,305	3,080
Changes in short- and long-term assets and liabilities:		
– Inventories	– 6,490	– 5,150
– Accounts receivable	2,285	6,763
– Accounts payable	– 1,799	– 2,101
– Other operating assets	627	– 421
– Other operating liabilities	– 285	1,348
– Income tax paid	– 734	– 1,934
– Interest paid	– 617	– 616
– Interest received	27	53
Net cash provided by operating activities	– 3,681	1,022
Proceeds from retirement/disposal of		
– Property, plant and equipment	21	73
– Financial assets	0	2
Disbursements due to acquisition of		
– Property, plant and equipment	– 374	– 985
– Consolidated companies	– 2,975	0
Net cash used in investing activities	– 3,328	– 910
Proceeds from raising of financial loans	948	0
Disbursements due to repayment of financial loans	0	– 7,862
Distributions to/drawings from minority interests	– 413	– 552
Net cash provided by (used in) financing activities	535	– 8,414
Net change in cash and cash equivalents	– 6,474	– 8,302
Cash and cash equivalents at start of period	8,628	10,166
Cash and cash equivalents at end of period	2,154	1,864

(unaudited acc. to IFRS)

euromicron Group

SEGMENT REPORTING AT MARCH 31, 2010

Sales by report segments	2010 EUR thou.	2009 EUR thou.
Total sales, North	24,922	20,590
Inter-segment sales, North	– 924	– 1,363
Sales to external third parties, North	23,998	19,227
Total sales, South	23,035	23,043
Inter-segment sales, South	– 195	– 331
Sales to external third parties, South	22,840	22,712
Consolidated cross-segment sales	– 1,647	– 1,791
Consolidated sales for the Group	45,191	40,148

EBIT by report segments	2010 EUR thou.	2009 EUR thou.
Consolidated EBIT, North	2,636	2,822
Consolidated EBIT, South	1,524	999
euromicron AG	– 1,086	– 1,045
Group consolidations	– 4	– 100
Consolidated EBIT for the Group	3,070	2,676

Amortization/depreciation by report segments	2010 EUR thou.	2009 EUR thou.
North, consolidated	– 512	– 352
South, consolidated	– 327	– 327
euromicron AG	– 22	– 56
Consolidated depreciation/amortization for the Group	– 861	– 735

(unaudited acc. to IFRS)

euromicron Group

STATEMENT OF COMPREHENSIVE INCOME

	Jan. 1, 2010 – March 31, 2010 EUR thou.	Jan. 1, 2009 – March 31, 2009 EUR thou.
Consolidated net income for the period, before minority interests	1,763	1,475
Gain/loss on the valuation of securities	0	0
Other profit/loss	0	0
Total result	1,763	1,475
Of which minority interests	55	72
Of which shareholders of euromicron AG	1,708	1,403

(unaudited acc. to IFRS)

Notes

Preliminary remarks

euromicron AG 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.

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date and with their interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The interim report as of March 31, 2010, was prepared in compliance with the stipulations of the International Accounting Standard (IAS) 34 “Interim Financial Reporting” and with the requirements of standard no. 16 “Interim Financial Reporting” of the DRSC (Deutsche Rechnungslegungs Standards Committee e.V.). The previous year’s figures were determined using the same principles.

Unless otherwise stated, the figures in this interim report are presented in thousands of euros.

The results in the interim financial statements as of March 31, 2010, do not necessarily permit forecasts for the further course of business.

Reporting and measurement methods

The same reporting and measurement methods were used in the abridged presentation of the consolidated financial statements as of March 31, 2010, as for preparing the consolidated financial statements at December 31, 2009. A detailed description of these methods is published in the 2009 Annual Report. The consolidated financial statements of euromicron AG as of December 31, 2009, were prepared on the basis of Section 315a of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards, as are applicable in the European Union.

Changes to the standard IFRS 3 (2008, business combinations) and IAS 27 (consolidated and separate financial statements) that apply to fiscal years that begin on or after July 1, 2009, are of relevance to the euromicron Group and result in changes to the figures carried.

For example, the amended IFRS 3 specifies that incidental costs relating to the acquisition of companies must no longer be carried as an asset, but instead as expense in the period in question. Effects on income of the euromicron Group cannot be assessed at present.

Changes to the standard IAS 32 (Financial Instruments: Presentation) resulted in charges to goodwill (see "Consolidated companies" below).

A tax rate of 30% is used as the basis for calculating the income taxes for German companies and is also applied to the deferred taxes. The respective national rates of tax are used for calculating the income taxes for foreign companies.

Estimates and assumptions must be made to a certain extent in the interim report; 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 interim report.

Consolidated companies

Apart from euromicron AG, the consolidated financial statements at March 31, 2010, include 16 German companies and three foreign companies, in which euromicron AG has the majority of voting rights directly or indirectly. There have been the following changes in the consolidated companies of the euromicron group compared with at December 31, 2009:

With the notarized agreement dated January 12, 2010, euromicron AG acquired the remaining 20% of shares in NetWays Netzwerk Consulting GmbH, Ettlingen, at a purchase price of EUR 920 thousand.

As part of acquisition of an 80% stake in Microsens GmbH & Co. KG, Hamm, the minority shareholders obtained a preemptive right to tender the remaining 20% and euromicron AG an option to purchase them, which can be exercised in 2012. Pursuant to the amended regulations of IAS 32, stakes of minority shareholders who have a preemptive tender right must be requalified as financial debt and accordingly the goodwill carried at its fair value of EUR 1,660 thousand.

Treasury shares

A share buyback program was adopted by the General Meeting in 2006. No further own shares were acquired as part of this program up to March 31, 2010. There were the following changes in the number of shares in circulation:

	Number
Total number of bearer shares	4,660,000
Treasury shares at December 31, 2009	157,234
Purchase of treasury shares in the year under review	0
Sale of treasury shares in the year under review	0
= shares in circulation at March 31, 2010	4,502,766

(unaudited acc. to IFRS)

At March 31, 2010, as in the previous year, a total of 157,234 bearer shares were held by the company with a value of EUR 403 thousand measured by the capital stock or 3.37% of the capital stock. The value of the treasury shares at acquisition cost is EUR 2,941 thousand. In accordance with IAS 32.33, the value the treasury shares was deducted in one sum from stockholders' equity.

Minority interests

The reduction in minority shares of EUR 556 thousand is the result of the acquisition of the remaining 20% stake in NetWays Netzwerk Consulting GmbH and of adjustment to the measurement of minority shares and pre-emptive tender options in Microsens GmbH & Co. KG in accordance with IAS 32.

Segment information

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

euromicron reports in the two segments North and South and Group headquarters. The interim report presents the details regularly reported to the main decision-maker. Further items from the balance sheet and income statement are not reported regularly and so are not disclosed (IFRS 8.32).

The applied accounting principles and methods are identical for all segments. The information shown for the individual segments contains segment-related consolidations.

Business transactions with related parties

Apart from the compensation for the Executive Board and Supervisory Board, there are no significant relations with related persons. There are also no business transactions between consolidated companies of the euromicron group and non-consolidated or associated companies of the euromicron Group.

Contingencies

As a result of exercise or the change in carrying of the preemptive tender rights of the minority interests in NetWays Netzwerk Consulting GmbH and Microsens GmbH & Co. KG, other financial obligations totaling EUR 2,480 thousand have been eliminated at the balance sheet date of March 31, 2010, compared with the 2009 financial statements.

Apart from that, there were no significant changes in contingencies, contingent liabilities and other financial obligations from December 31, 2009.

Postscript report

On April 29, 2010, euromicron's Executive Board made use of the power to utilize authorized capital as granted by the General Meeting on June 23, 2005, with the consent of the Supervisory Board. euromicron AG's capital stock of EUR 11,914,000.00, divided into 4,660,000 no-par value bearer shares, was increased by EUR 1,191,397.44 to EUR 13,105,397.44 in exchange for cash contributions. 465,999 no-par value bearer shares with a full entitlement to a share in profits as of fiscal year 2010 were issued. The subscription right of shareholders was excluded. The 465,999 new shares were placed with German and international institutional investors by way of the accelerated bookbuilding method.

Apart from that, events that require reporting in accordance with IAS 10 (Events after the Balance Sheet Date) did not occur after March 31, 2010.

Declaration by the legal representatives

We declare to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the accounting principles to be applied for interim reporting and that the course of business, including the business results and the Group's position, is presented in the interim group management report in such a way that a true and fair view is given and the main opportunities and risks of the Group's anticipated development in the remainder of the fiscal year are described.

Frankfurt/Main, May 12, 2010

The Executive Board

Dr. Willibald Späth

Thomas Hoffmann

Financial Calendar 2010:

June 17, 2010	General Meeting
August 13, 2010	Publication of the business figures for the 2 nd quarter of 2010
November 12, 2010	Publication of the business figures for the 3 rd quarter of 2010

This quarterly report is available in German and English.

Both versions can also be downloaded from the Internet at **www.euromicron.de**.

In cases of doubt, the German version is authoritative.

Note / disclaimer

This 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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