

# Development

From technology  
to solution

Interim Report Q3/2010

euromicron Group

**KEY INCOME FIGURES AT SEPTEMBER 30, 2010**

	2010 € thou.	2009 € thou.
Consolidated EBIT	10,297	8,634
Operating EBIT	14,837	13,478
EBIT return/total operating performance in %	6.8 %	6.3 %
EBITDA	13,065	10,825
Income before taxes	8,595	6,734
Net income	5,573	4,302
Earnings per share in € (undiluted)	1.17	0.96

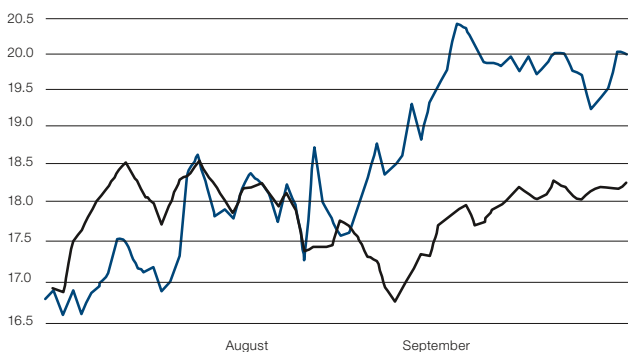
(unaudited acc. to IFRS)

euromicron AG

**SHARE PERFORMANCE**

in €

July 1, 2010 – Sept. 30, 2010



■ EUC GY Equity  
 ■ TecDAX

Dear shareholders,

Whether data centers, infrastructure, fiber-optic cabling or network management, security technology or voice communication systems – euro-micron's experts work hand-in-hand to deliver the best possible solutions to our customers.

Frankfurt/Main, November 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 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

Planning and  
integration of  
systems and  
solutions

Consulting,  
distribution  
and services

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

Multifunctional network solutions

## Foreword

Germany proved to be the engine driving economic growth in Europe in 2010. A well-considered spending policy before the 2008 economic crisis was an important foundation for the upturn this year, both for the national budget and in particular for the industry.

euromicron's long-term strategy of careful spending and at the same time making all technologies available at all German locations as part of the build and integrate phase so as to provide customers with the very best advice and support means that the company can actively leverage the recovery in the country's economy and further expand its operational business.

As a result, new orders in the first nine months of fiscal 2010 were €154.0 million, a rise of some 18% over the previous year (€131 million). Order books stood at a very high level: approximately €100 million or around 25% up on the previous year (€80 million).

In view of the sales already posted and our solid situation as regards orders on hand, we are sticking to our target of total sales of €200 million and an adjusted EBIT of 8–11% for the current year.

In the first nine months of fiscal 2010, euromicron generated consolidated sales of €149.8 million, a year-on-year increase of 14.3%. The euromicron Group's total operating performance rose to €151.7 million at September 30, 2010, an increase of 11% over the previous year (€136.9 million).

Earnings before interest and taxes (EBIT) also developed positively and were €10.3 million, an increase of 19.3% over the same period in 2009 (€8.6 million). The ratio between the EBIT return and total operating performance was 6.8% (previous year: 6.3%). Operating income of the associated companies was as expected at €14.8 million. Net profit was €5.6 million (previous year: €4.3 million), giving undiluted earnings per share of €1.17 (previous year: €0.96), an improvement on the previous year despite the fact that new shares were issued.

Focusing on untapped potential to successfully enhance our earnings strength in the coming years is a key component of our intensive build and integrate phase.

Integrating and bringing together highly specialized employees and locations to give a homogeneous local presence with extensive know-how in the entire field of network infrastructure is the key emphasis in the current fiscal year.

The positive business performance and the fact that our market capitalization is now above €100 million mean we have been able to increase the awareness of our company and attract the attention of new, interesting investors. euromicron's share price at the beginning of November was around 50% higher than at the end of 2009.

We held more roadshows and meetings with investors in order to bolster the share performance and provide the capital market with greater information. The response to euromicron as a long-term, value-oriented investment is very great. euromicron's investors are not aiming for short-term effects, but are committed to the company's medium- and long-term development and stability.

# Interim Management Report of the euromicron Group from January 1 to September 30, 2010

## General conditions and development of the company

The boom in the domestic economy in the current fiscal year 2010 has one of its roots in the high demand for German products in Asia and Latin America. In the opinion of experts, the current economic situation in Asia is even better than in the first half of 2010. Nevertheless, a slight decline in economic growth is expected in the coming six months – due to the end of extensive governmental economic stimulus programs. In addition, it is becoming more and more apparent that many innovations are now coming from Asia.

That is true of India, which has established itself in the software industry and is now also gaining a foothold in the pharmaceuticals sector, and of China and South Korea, which are now making a mark of their own in the electrical and automotive industries. In contrast, Japan's growth is stagnating, which is connected to weak domestic demand and the strong Yen. The latter makes Japanese products more expensive in foreign markets and, vice versa, makes imports cheaper and so more attractive. This situation will probably continue, given that virtually all the leeway for monetary measures have been used up with the recent interest rate cut.

The current economic situation in North America is better than previous surveys indicated. However, expectations for the coming six months fell below the long-term average, a result that is mainly due to high unemployment and the trade deficit.

The economic climate in Western Europe has improved far better than the global average, with Germany once more posting by far the best performance in the final quarter. France and Italy, which unlike the other member states were largely spared by the Euro crisis, will likely experience economic stagnation at the end of the year. In contrast, countries like Greece and Ireland are still stuck in recession or can prop up their banking sector only by means of governmental aid. As a result, the economies of the Euro zone continue to drift apart. A stabilizing counter to this is private consumption in Germany, which is also reflected in demand for foreign products. As a result, the country's imports from EU states increased 17% year-on-year between January and August 2010, whereas its exports to the EU only rose by 14.3%.

Apart from the increase in private demand, the business climate for industry improved again in Germany and the third quarter once more closed better than the previous one. The growth forecast was revised again during the year and is now expected to be 3.3% for fiscal 2010. On the back of economic growth of more than 3%, there is also a continued recovery in the labor market. This is accompanied by a decline in unemployment, which fell below the 3 million mark at the end of the third quarter. The good news from the German labor market is marred only by the fact that most of the newly created jobs are filled with leased employees and that there is now a shortage of skilled workers in specific sectors. Nevertheless, these two factors are not expected to restrict growth in the medium term. According to the Institute for Economic Research (ifo), German companies in just about all sectors are very optimistic about the future. That also goes for the ITC industry.

The Industry Index of BITKOM, the German Association for Information Technology, Telecommunications and New Media, climbed in the third quarter of fiscal 2010 to an all-time high of 67 points (second quarter: 48 points). As a result, the economic situation in the ITC market is as good as it has been for years and business trends in all market segments are positive at present. The greatest demand was experienced by software vendors and in IT services. Most hardware vendors were also able to grow their sales, due to attractive products such as smartphones and tablet PCs, as well as expansion of mobile and stationary broadband networks. Overall, it can be observed that in particular the manufacturing industry, which was hardest hit by the crisis, now has some catching up to do as regards IT investment. Apart from full order books, the good situation in the ITC sector means that 55% of companies intend to create new jobs and 29% aim to retain their workforce level.

The economic upturn and favorable parameters in the ITC market meant that euromicron was able to maintain its positive operating performance. The surge in euromicron's share price was especially pleasing. At just under €16 at the beginning of the year, it stabilized at above €23 four weeks after the reporting date for the third quarter. This share performance is attributable on the one hand to euromicron's stable fundamentals. On the other, there is now greater awareness of the share thanks to measures such as

roadshows, one-on-one meetings and regular participation in analysts' conferences. Shareholders see the company's forecast as a calculable risk and realize the competitive advantages that euromicron has as a **"system house with production expertise"** in operating successfully on the market. However, the good share prices does not in any way change euromicron's mission to be a long-term and solid investment in the portfolio of our shareholders and to build on that.

## Sales

As of September 30, 2010, euromicron generated consolidated sales of €149.8 million (previous year: €131.0 million). euromicron's total operating performance rose from €136.8 million to €151.7 million year-on-year.

The current fiscal year is proceeding as customary for euromicron, which usually provides and bills most of its value-added services in the last quarter of the 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. It generated €132.5 million, or 88.5% of total sales, in Germany. Sales in Germany increased by around 15.9% year-on-year. The foreign companies performed as expected in the first nine months.

Operational business outside Germany continues to center on Italy, Austria, France and Poland.



Further countries such as Portugal and the UK will be tapped by export and project business, with this being controlled from Germany.

If opportunities arise outside Europe, euromicron is ready to exploit them with the know-how of its employees. However, the Group's main focus remains to penetrate the domestic market.

euromicron Group

### SALES DEVELOPMENT CONSOLIDATED BY REGIONS AT SEPTEMBER 30, 2010

	2010 € thou.	2009 € thou.
Germany	132,501	114,372
Euro zone	15,045	14,745
Rest of World	2,218	1,899
<b>Consolidated net sales</b>	<b>149,764</b>	<b>131,016</b>

(unaudited acc. to IFRS)

## Income

euromicron's consolidated income before interest and taxes at the end of the third quarter of 2010 was around €10.3 million, an increase of 19.3% over the same period in 2009. The EBIT return was 6.8%. Operating income of the associated companies is within our expectations at €14.8 million.

Due to the good business of our production operations, both in the North and South segments, the cost of materials rose slightly year-on-year from €74.2 million to €79.4 million and their ratio to total operating performance was 52.3%.

Personnel costs were €41.1 million compared with €36.4 million in the previous year. The increase in personnel costs is mainly attributable to changes in the consolidated companies and expansion of our sales activities. Cost increases due to higher qualifications of employees are permanently compensated for by cost adjustments in other areas.

The figure for depreciation and amortization was above that of the previous year, in particular as a result of amortization of hidden reserves from the purchase price allocation for companies acquired last year and of development costs. Depreciation of plant, fixtures and fittings, tools and equipment at the Group was around €2.8 million.

Other operating expenses were €19.5 million and so above the figure for the previous year of €16.5 million. Like the rise in personnel costs, this is also attributable to the new activities. This trend is constantly reviewed by means of active cost management and adjusted to reflect market needs.

Net financing costs were €1.7 million, below the previous year's figure. This clearly demonstrates that, despite the high level of up-front financing required for project business, resource planning at euromicron's system houses is efficient and responsible.

The tax ratio was 31.2%, i.e. roughly at the level of the previous year (31.1%).

Net income at September 30, 2010, was €5.6 million, almost 30% up over the previous year (€4.3 million). Undiluted earnings per share were €1.17 versus €0.96 in the same period for the previous year.

euromicron Group

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(unaudited acc. to IFRS)

## New orders and order books

euromicron's new orders at September 30, 2010, were €154.0 million, 17.6 % higher year-on-year. Investment in Germany has picked up and, in euromicron's assessment, has not yet peaked. On the back of a continuing economic improvement in core domestic industries, we expect further interesting possibilities for euromicron's solution portfolio.

We have laid the foundation for the company to be able to respond quickly and agilely to a further pickup in the market with our diversified customer structure and euromicron's expertise in all network infrastructure matters.

Order books were €100.3 million (previous year: €80.0 million), once again up on the previous year. The orders will mainly be billed in the fourth quarter. As a result, we have a solid base for achieving the operational growth objectives for the current fiscal year 2010. We are not currently aware of any risks from significant project delays or postponements. However, one thing that is increasingly causing difficulties for the company in its projects is that subcontractors are finding it more and more difficult to recruit qualified personnel.

euromicron Group

### NEW ORDERS/ORDER BOOKS – CONSOLIDATED AT SEPTEMBER 30, 2010

	2010 € thou.	2009 € thou.
Consolidated new orders	154,037	131,015
Consolidated order books	100,283	80,070

(unaudited acc. to IFRS)

## Net assets

The euromicron Group's total assets at September 30, 2010, were €192.6 million, up by €6.7 million from December 31, 2009 (€185.9 million).

Noncurrent assets were still 56.8% of total assets, virtually identical with the figure at December 31, 2009 (57.7%). Current assets increased to €83.3 million (previous year: €78.7 million). Inventories rose by around €4.8 million, which is the result of the growth in sales and associated increase in receivables.

Marketable securities and cash fell to €5.1 million, almost half their figure at December 31, 2009. The liquid funds were used to pay out the dividend for fiscal 2009, repay financial debt and fund the system companies' current projects.

Assets are fully covered (103%) by equity and long-term outside capital.

Stockholders' equity at September 31, 2010, was €88.2 million, around €8.0 million above the level stated in the 2009 financial statements. The equity ratio was 45.8%. The subscribed capital increased by €1.2 million from €11.9 million to €13.1 million as a result of utilization of the authorized capital.

Long-term debt was around 12.5% of total assets. This essentially contains the long-term components of the Group's outside financing.

Current liabilities remained just under €80.2 million and so at around the level of December 2009 (€80.6 million) and are now 41.7% of total assets.

## Financial position

The euromicron Group's net debt (long- and short-term) at September 30, 2010, was around €62.3 million, a figure mainly impacted by an increase in up-front financing for projects as a result of growing business and the greater need for working capital this entails.

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

Given a price of €19.98 on September 30, 2010, our treasury shares are worth some €3.1 million. However, it should be noted that the price of euromicron AG's share has risen since the reporting date for the third quarter and has been above €23 since the end of October.

At September 30, 2010, the Group had sufficient free credit lines from its partner banks to cover its cash needs resulting from the increase in business volume.

Thanks to its good relations and longstanding partnerships with Germany's leading banks, the Group has a solid liquidity reserve in 2010 for its current and strategic development.

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

## Employees

euromicron makes high demands on the quality of its products and services, founded on the high qualifications and motivation of its employees. The Group offers its employees exciting and demanding tasks, as well as forward-long opportunities for development and secure jobs.

The euromicron group employed 1,073 people at September 30, 2010. Personnel costs totaled €41.1 million (previous year: €36.4 million).

An increasingly important goal of euromicron 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, qualification programs in a wide range of fields are being held so as to address steadily growing requirements in sales, process controlling and monitoring, in particular in project management and production. Individual development and future-oriented qualification of our employees in line with requirements are a core element of our business policy.

In this context, euromicron gives 72 young people the chance of practical vocational training. Apart from taking social responsibility for training the next generations, euromicron also secures potential employees for its future tasks with this policy. In addition, euromicron 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.

## Risk report

The reports from the risk management system at December 31, 2009, have been continuously examined and updated as part of the Q3 Interim Report at September 30, 2010. At September 30, 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 on its operational business from macroeconomic changes and in particular 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.



## Market & Technology

With a sales volume of more than €140 billion, Germany is the most important market for ITC products and services in the European Union. The ITC industry files more than 5,000 patents in Germany every year and thus accounts for a quarter of all new applications – a figure only surpassed by the USA and Japan. According to estimates, the ITC industry has contributed to a third of the growth of Germany's gross domestic product in the past 15 years by increasing general work productivity and thanks to its innovations. The great importance of innovations for the ITC industry is also reflected in the above-average amount it spends on research and development: around €7 billion in Germany or some 15% of total R&D expenditure. A major focus is on promising fields of development such as ambient assisted living, e-home or smart living, e-energy or the smart grid, fiber-to-the-home (FTTH) and electromobility.

**Ambient assisted living** subsumes electronic ITC systems that help elderly people or people in specific situations with the goal of enhancing their quality of life or safety and security.

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".

A similar system can be deployed in enforcement to assist smooth rehabilitation of offenders into society.

**E-energy or the smart grid** denotes the optimization of electricity flows in the grids of virtual combined power plants. New ways of flexibly controlling power consumption and integrated power storage units by means of state-of-the-art information networks open up opportunities for 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. Further services, such as Video over IP or Voice over IP, access control and fire alarm systems or meteorological services, also increasingly use this data network for communication. euromicron's range of products and services also comprises active and passive components, setup and maintenance of complex data networks, as well as support of customers as part of reliable, effective wind park management.

euromicron's most important e-energy/smart grid project at the moment relates to DWDM technology. On behalf of Amprion, the network operation subsidiary of RWE AG, RWE's data centers will be connected with each other this year. euromicron has assumed responsibility for planning this and supplying transmission equipment.

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 (fiber-to-the-home)** is a synonym for various endpoints (e.g. up to the office, cellar, distributing box or residential unit) in a fiber-optic network.

Pooling of our broadband expertise means we can offer our customers a one-stop shop for tailored solutions for broadband networks – from planning, construction to complete project management. In the meantime, this comprehensive broadband competence has been expanded by a complete FTTH product line called eFOS (euromicron Fiber Optical System).

euromicron planned, among other things, expansion of the already laid empty pipes and fiber-optic connections for the public utility Stadtwerke Steinfurt to create a powerful fiber-optic network. Establishment of technical rooms with passive technology in the various parts of the town and blowing in further fiber-optic cables into the existing empty pipes can create flexible prerequisites for fulfilling a wide range of different customer requirements. By creating a full-coverage fiber-optic network, Stadtwerke Steinfurt ensures modern, future-proof broadband delivery that

gives all households and companies access to cutting-edge means of information and communications. The extensive FTTH expertise that euromicron has in this field as a system integrator and producer and that was also demanded in the NetCologne project is proving its value here, too.

Another project is currently being implemented with Thüringer Netcom, Thuringia's largest private fiber-optic network operator, and Mygate, a provider of TV, telephony and Internet services. More than 100 residential and industrial units are to be supplied with fiber-optic broadband connections, with the result that data download and upload rates of 100 Mbit/s will be normal. euromicron is responsible for all the planning and consulting work in this project.

euromicron was also commissioned to expand the network of the public utility Stadtwerke Norderstedt. 5,000 more end customers can now enjoy the benefits offered by a broadband triple play provider.

**Electromobility and on-board services** essentially relate to creating end-to-end data transfer systems for traffic control, intelligent control rooms and battery recharging and replacement stations that communicate with them, for example. 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.

Communication and monitoring solutions from euromicron and its subsidiary ELABO® are already in use today at control centers. A current innovation that can be mentioned is the prototype of a testing system for charging columns for e-cars. As a result, euromicron reveals solutions in the field of (automotive) electromobility that accounted for a major part of the drive innovations on display at the last Paris Motor Show.

In line with these trends and 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 develop components for these markets into all-round solutions.

For example, switches, converters and CWDM/DWDM components are being developed by our MICROSENS® brand and used in the fields of education and research, healthcare, traffic control and automation, for carriers and data centers alike.

euromicron is thus systematically pursuing its adopted strategy of always 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.

Our strategy abroad will continue to be one of small and secure steps so as to ensure success positioning of euromicron's entire product portfolio in our various foreign markets.

In this report cycle, euromicron again demonstrated its solution expertise as a competent partner in the communications, IT and security market and was able to expand its reference customer base significantly.

As in past years, its partners number prestigious companies who trust in euromicron's project experience in the field of communications solutions and alerting and monitoring systems.

For instance, euromicron has now supplied Fraport AG with surveillance and security solutions at Frankfurt Airport for 15 years. Since August 2010, a team from euromicron has been equipping the new "A West" pier with access control and alerting systems. In the westward extension of Terminal 1, a new pier will be erected by 2012 to handle the A380 wide-body aircraft. By mid-2012, euromicron will implement access control equipment for some 1,000 doors in the around 185,000 m<sup>2</sup> building and install the burglar alarm and transmission technology of relevance for the airport.

Michelin is also leveraging euromicron's security expertise to create and implement its customized security concept at its Landau plant.

Deutsche Bahn AG, euromicron's most important partner in the transportation sector, has again requested the company's services at a further 20 regional train stations, for example in Solingen, Cologne, Wuppertal, Duisburg, etc. euromicron is acting as general contractor with responsibility for the entire process chain.

## Outlook

The general economic conditions for our core market of Germany are trending positively and the investment bottlenecks have loosened in just about all of the customer segments we cater for. Following the success of the fiscal year thus far, we expect new orders to remain stable in the final quarter of 2010.

As a result of the huge pickup in the market, especially in Germany, the greatest challenge at present is material procurement, hiring of qualified employees and subcontractors and so successful accomplishment of the high level of orders on hand.

At a very early stage, we therefore began to increase the inventories at individual companies so as to be able to respond to a further revival in the market.

As in past years, the risk for our system houses from project postponements at the end of the year or only partial settlement in individual markets due to liquidity aspects cannot be ruled out. The volume involved is some 10% of the system houses' sales and for years has been an existing end-of-year risk that must be tackled again this year with complete focus and great commitment.

We again expect demand for powerful networks and cost-effective applications for voice, data and video transport within security, surveillance and alarm networks to increase further in the coming year in our core market of Germany.

In particular in the important segment of voice transport, we were able to take over as representative agent for the German telephony business of NEC Corporation (formerly Philips) and so make great advances in our strategic expansion in this future market. As a result, euromicron represents all major vendors in voice communication and transport management.

Pinpointed development and pilot projects in important markets of the future and growth markets for us, including health and care, will enable us to proactively recognize the changes in these segments and participate in developments in these markets.

The build and integrate phase that was intensified in the past fiscal year will remain a focus in 2010 in continued optimization of the Group's structures. Experienced management teams at the subsidiaries ensure efficient processes and organic growth. The integration and consolidation measures are basically geared to market needs and to enhancing our solution competence for our customers throughout Germany.

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 healthcare 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 and expand our portfolio, as well as take up innovative ideas and, where of commercial interest, develop them to market maturity.

We counter increasing pressure from major competitors in the wake of euromicron's greater market presence with our highly qualified employees and the reliability and quality of our products and services.

To combine the flexibility of a medium-sized enterprise with the advantages of a group, we have decentralized structures, short decision lines and stable financing and earnings strength. As a result, the individual companies can work independently, successfully and in a customer-oriented manner.

Apart from the economic targets, our goal for fiscal 2010 remains in particular to establish the euromicron brand further. With quality, solution-oriented expertise and know-how in all areas of network-based information, communication and security needs and our continued active PR and investor relations work, we will support our share's performance so as to give institutional and individual investors opportunities for interesting placements that look to the company's future.

The long-term nature of our investors' commitment, as reflected in their support for management and close accompaniment of the company's strategy and development, is crucial.

With our business model, a clear strategic orientation and a secure basis for financing in conjunction with the fact that our equity ratio remains good, we are convinced that we are equipped to secure the company's long-term development and also give our shareholders and euromicron's share further promising perspectives.





euromicron Group

# **CONSOLIDATED INCOME STATEMENT** **AT SEPTEMBER 30, 2010**

	3-month report		9-month report	
	July 1, 2010 – Sept. 30, 2010 € thou.	July 1, 2009 – Sept. 30, 2009 € thou.	Jan. 1, 2010 – Sept. 30, 2010 € thou.	Jan. 1, 2010 – Sept. 30, 2009 € thou.
<b>Net sales</b>	<b>53,610</b>	<b>43,273</b>	<b>149,764</b>	<b>131,016</b>
Inventory changes	1,773	5,851	1,966	5,773
Own work capitalized	0	19	37	19
Other operating income	327	330	1,285	1,113
Cost of materials	–31,754	–29,448	–79,397	–74,169
Personnel costs	–13,085	–11,508	–41,119	–36,409
Amortization and depreciation expense	–1,023	–796	–2,768	–2,191
Other operating expenses	–6,668	–5,227	–19,471	–16,518
<b>Operating profit</b>	<b>3,180</b>	<b>2,494</b>	<b>10,297</b>	<b>8,634</b>
Interest income	48	15	128	88
Interest expenses	–393	–714	–1,830	–1,988
<b>Income before income taxes</b>	<b>2,835</b>	<b>1,795</b>	<b>8,595</b>	<b>6,734</b>
Income taxes	–1,144	–811	–2,683	–2,097
<b>Income before minority interests</b>	<b>1,691</b>	<b>984</b>	<b>5,912</b>	<b>4,637</b>
Minority interests	–175	–31	–339	–335
<b>Net profit for the period</b>	<b>1,516</b>	<b>953</b>	<b>5,573</b>	<b>4,302</b>
<b>Earnings per share (undiluted) in €</b>	<b>0.31</b>	<b>0.21</b>	<b>1.17</b>	<b>0.96</b>
<b>Earnings per share (diluted) in €</b>	<b>0.30</b>	<b>0.20</b>	<b>1.13</b>	<b>0.92</b>

(unaudited acc. to IFRS)

euromicron Group

**CONSOLIDATED BALANCE SHEET  
ASSETS**

	Sept. 30, 2010 € thou.	Dec. 31, 2009 € thou.
<b>Noncurrent assets</b>		
Intangible assets	94,985	93,623
Property, plant and equipment	11,330	10,913
Financial assets	992	1,082
Other assets	112	188
Deferred tax assets	1,881	1,405
	<b>109,300</b>	<b>107,211</b>
<b>Current assets</b>		
Inventories	18,062	13,235
Trade accounts receivable	56,190	51,197
Other assets	3,959	4,489
Marketable securities and cash	5,083	9,773
	<b>83,294</b>	<b>78,694</b>
<b>Total assets</b>	<b>192,594</b>	<b>185,905</b>

(unaudited acc. to IFRS)

euromicron Group

## CONSOLIDATED BALANCE SHEET LIABILITIES AND STOCKHOLDERS' EQUITY

	Sept. 30, 2010 € thou.	Dec. 31, 2009 € thou.
<b>Stockholders' equity</b>		
Subscribed capital	13,105	11,914
Treasury shares at acquisition cost	-2,941	-2,941
Additional paid-in capital	68,126	61,781
Gain/loss on the valuation of securities	-358	-358
Consolidated retained earnings	4,116	-2,124
Consolidated net income	5,573	10,744
Minority interests	600	1,248
	<b>88,221</b>	<b>80,264</b>
<b>Long-term debt</b>		
Accrued liabilities	937	1,011
Liabilities to banks	4,225	8,158
Liabilities from finance lease	540	543
Financial debt	10,000	10,000
Other liabilities	2,296	102
Deferred taxes	6,154	5,189
	<b>24,152</b>	<b>25,003</b>
<b>Current liabilities</b>		
Accrued liabilities	506	1,467
Trade accounts payable	19,801	20,519
Liabilities to banks	53,158	49,814
Liabilities from finance lease	195	199
Tax liabilities	2,380	2,608
Liabilities to personnel	524	1,105
Other current liabilities	3,657	4,926
	<b>80,221</b>	<b>80,638</b>
<b>Total assets</b>	<b>192,594</b>	<b>185,905</b>

(unaudited acc. to IFRS)

## euromicron Group

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FROM JANUARY 1, 2009, TO SEPTEMBER 30, 2010**

	Subscribed capital € thou.	Additional paid-in capital € thou.
<b>Balance at January 1, 2009</b>	<b>11,914</b>	<b>61,781</b>
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		
<b>Balance at December 31, 2009</b>	<b>11,914</b>	<b>61,781</b>
Dividend for 2009		
Consolidated net income for the period in 2010		
Capital increase at the AG after costs	1,191	6,345
Gain/loss on the valuation of securities		
Profit share for minority interests		
Change from subsequent consolidation		
Distributions to/drawings from minority interests		
<b>Balance at September 30, 2010</b>	<b>13,105</b>	<b>68,126</b>

(unaudited acc. to IFRS)

Treasury shares € thou.	Consolidated retained earnings € thou.	Gain/loss from the valuation of securities € thou.	Minority interests € thou.	Total €€ thou.
<b>-2,941</b>	<b>2,378</b>	<b>-429</b>	<b>1,098</b>	<b>73,801</b>
	-4,503			-4,503
	10,744			10,744
		71		71
			703	703
			-552	-552
<b>-2,941</b>	<b>8,619</b>	<b>-358</b>	<b>1,249</b>	<b>80,264</b>
	-4,503			-4,503
	5,573			5,573
				7,536
		0		0
			339	339
			-525	-525
			-463	-463
<b>-2,941</b>	<b>9,689</b>	<b>-358</b>	<b>600</b>	<b>88,221</b>

## euromicron Group

Jan 1, 2010 – Jan. 1, 2009 –  
 Sept. 30, 2010 Sept. 30, 2009  
 € thou. € thou.

**STATEMENT OF CASH FLOWS**

Income before income taxes	8,595	6,734
Net interest income/loss	1,702	1,900
Depreciation and amortization of noncurrent assets	2,768	2,191
Disposal of assets, net	–20	46
Allowances for inventories and doubtful accounts	–335	20
Change in accrued liabilities	–395	–22
Change in deferred taxes	488	38
<b>Cash flow</b>	<b>12,803</b>	<b>10,907</b>
Changes in short- and long-term assets and liabilities		
Inventories	–4,828	–925
Trade accounts receivable	–4,985	283
Trade accounts payable	–726	–2,599
Other operating assets	743	–488
Other operating liabilities	118	–777
Income tax paid	–3,322	–2,357
Interest paid	–1,830	–1,988
Interest received	128	88
<b>Net cash used in (provided by) operating activities</b>	<b>–1,899</b>	<b>2,144</b>
Proceeds from retirement/disposal of tangible fixed assets	101	135
Payments due to acquisition of intangible assets	–679	–1,347
tangible fixed assets	–804	–3,645
consolidated companies	–2,975	0
<b>Net cash used in investing activities</b>	<b>–4,357</b>	<b>–4,857</b>
Dividends paid	–4,503	–4,503
Capital increase at the AG after costs	7,537	0
Proceeds from raising of financial loans	0	2,785
Cash repayments of financial loans	–589	0
Distributions to/drawings from minority interests	–413	–552
Changes in the consolidated companies	–526	0
<b>Net cash provided by (used in) financing activities</b>	<b>1,506</b>	<b>–2,270</b>
Net change in cash and cash equivalents	–4,750	–5,163
Cash and cash equivalents at start of period	8,628	10,166
<b>Cash and cash equivalents at end of period</b>	<b>3,878</b>	<b>5,003</b>

(unaudited acc. to IFRS)

## euromicron Group

## SEGMENT REPORTING AT SEPTEMBER 30, 2010

Sales by report segments	2010 € thou.	2009 € thou.
Total sales, North	82,864	67,977
Inter-segment sales, North	-4,502	-3,371
Sales to external third parties, North	78,362	64,606
Total sales, South	80,495	76,839
Inter-segment sales, South	-1,371	-4,579
Sales to external third parties, South	79,124	72,260
Consolidated cross-segment sales	-7,722	-5,852
<b>Consolidated sales for the Group</b>	<b>149,764</b>	<b>131,014</b>

EBIT by report segments	2010 € thou.	2009 € thou.
Consolidated EBIT, North	10,123	9,145
Consolidated EBIT, South	4,714	4,333
euromicron AG	-4,540	-4,525
Group consolidations	-1	-319
<b>Consolidated EBIT for the Group</b>	<b>10,296</b>	<b>8,634</b>

Amortization/depreciation by report segments	2010 € thou.	2009 € thou.
North, consolidated	-1,711	-1,113
South, consolidated	-985	-1,041
euromicron AG	-72	-37
<b>Consolidated depreciation/amortization for the Group</b>	<b>-2,768</b>	<b>-2,191</b>

(unaudited acc. to IFRS)

euromicron Group

**STATEMENT OF COMPREHENSIVE INCOME**

	Jan. 1, 2010 – Sept. 30, 2010 € thou.	Jan. 1, 2009 – Sept. 30, 2009 € thou.
<b>Consolidated net income for the period, before minority interests</b>	<b>5,912</b>	<b>4,637</b>
Gain/loss on the valuation of securities	0	0
<b>Other profit/loss</b>	<b>0</b>	<b>0</b>
<b>Total result</b>	<b>5,912</b>	<b>4,637</b>
Of which minority interests	339	335
Of which shareholders of euromicron AG	5,573	4,302

(unaudited acc. to IFRS)



# Notes

## Preliminary remarks

euromicron AG is a registered stock corporation under German law and has its registered offices in Frankfurt/Main. Its business activity is in the field of network and fiber-optic technology, focusing on security and communications technology and industrial applications.

The consolidated financial statements for the period from January 1, 2010, to September 30, 2010, were prepared in compliance with the stipulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as abridged statements in accordance with the applicable International Financial Reporting Standards (IFRS) and their interpretations and with the requirements of standard no. 16 "Interim Financial Reporting" of the DRSC (Deutsche Rechnungslegungs Standards Committee e.V.).

Unless otherwise stated, the figures in the interim report are in thousands of euros (€ thou.).

The results in the interim financial statements as of September 30, 2010, do not necessarily permit forecasts for the further course of business. The interim report and interim management report have not been audited or inspected by an auditor.

## Reporting and measurement methods

The reporting and measurement methods used in the abridged consolidated financial statements at September 30, 2010, are based on the same methods applied in the consolidated financial statements at December 31, 2009. Details of these methods are 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.

Differences from these standards are the result of the new or revised International Financial Reporting Standards (IFRS) that are mandatory as of January 1, 2010 and are presented below.

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 resulted in changes to the figures carried. According to the applicable version of IFRS 3, 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. In this connection, the relevant provisions of IAS 7 "Statement of Cash Flows" were applied.

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

The changes made as part of the annual continuous improvement process have been implemented by the euromicron Group, but did not result in any corrections. Amendments of the following standards do not have any significant impact on the presentation of the consolidated financial statements: IFRS 1 (First-time Adoption of International Financial Reporting Standards), IFRS 2 (Share-based Payment), IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) and IFRIC 17 (Distributions of Non-cash Assets to Owners).

The income tax to be paid was deferred on the basis of the rate of tax expected for the fiscal year as a whole, allowing for tax additions and reductions and the use of loss carryforwards. A tax rate of 30% is used as the basis for calculating the income taxes for German companies and deferred taxes. The respective national rates of tax are used for calculating the income taxes for foreign companies.

Preparation of the interim report requires a number of estimates, assessments and assumptions by the Executive Board which impact application of accounting principles and reporting of assets and liabilities, contingent liabilities and the amount of expenses and income in the period under review. The actual amounts may differ from the estimates stated in the interim report.

## Consolidated companies

Apart from the parent company euromicron AG, the consolidated financial statements at September 30, 2010, include eleven 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 €920 thousand.

With the notarized agreement dated April 1, 2010, FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mit beschränkter Haftung, Darmstadt, was merged with euromicron solutions GmbH – a euromicron Group company, Mainz, – effective January 1, 2010.

With the notarized agreement dated August 17, 2010, SSM Service Gesellschaft mbH, Hamburg, was merged with euromicron systems GmbH – a euromicron Group company, Essen – effective January 1, 2010. With the notarized agreement dated March 23, 2010, Engel Technik GmbH and Engel Vermietungs- und Servicegesellschaft GmbH, both with registered offices in Haan, were also merged with euromicron systems GmbH effective January 1, 2010. For reasons of simplification, the two companies were previously consolidated and reported as one company in the annual financial statements at December 31, 2009.

With the notarized agreement dated June 10, 2010, Skyline Communication Systems GmbH, Hamburg, and a branch office in Kaarst were merged with SKM Delwave GmbH – a euromicron Group company, Munich – effective January 1, 2010. The name of SKM Delwave GmbH – a euromicron Group company – was changed to SKM Skyline GmbH pursuant to the resolution adopted by the General Meeting on August 17, 2010; its registered offices are still in Munich.

As part of acquisition of an 80% stake in Microsens GmbH & Co. KG, Hamm, the company extended the preemptive right for the minority shareholders to tender the remaining 20% and euromicron AG's option to purchase them, which can now 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 €1,660 thousand.

## Treasury shares

A share buyback program was adopted by the General Meeting in 2006. No further treasury shares were acquired as part of the program up to September 30, 2010. Pursuant to a resolution adopted by the General Meeting on June 23, 2005, the Executive Board was authorized, with the consent of the Supervisory Board, to increase the capital stock ("authorized capital") by up to 10% of the capital stock, with exclusion of the shareholders' subscription right. Use was made of the authorized capital at April 29, 2010. There were the following changes in the number of shares in circulation:

	Number
Total number of bearer shares	5,125,999
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
<b>= shares in circulation at September 30, 2010</b>	<b>4,968,765</b>

(unaudited acc. to IFRS)

At September 30, 2010, as in the previous year, a total of 157,234 bearer shares were held by the company with a value of €403 thousand measured by the capital stock or 3.07% of the capital stock. The value of its own shares at acquisition cost is €2,941 thousand. In accordance with IAS 32.33, the value of the treasury shares was deducted in one sum from stockholders' equity.

## Minority interests

The reduction in minority shares of €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 on the basis of 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 individual segments are shown after consolidation of internal segment relationships, but before cross-segment consolidation. The same accounting and measurement methods were used for all segments.

## Related parties

The Executive Board and Supervisory Board receive compensation for their work as management bodies of the company within the meaning of IAS 24. Apart from that, there are no further transactions or relations with related persons. There are no significant business relations between consolidated companies of the euromicron Group and other related companies or persons.

## 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

€2,480 thousand have been eliminated at the balance sheet date of September 30, 2010, compared with the 2009 financial statements.

Apart from that, there were no significant changes in contingencies, contingent liabilities and other financial obligations compared with the annual financial statements at December 31, 2009.

## Postscript report

With the notarized agreement dated August 17, 2010, NetWays Netzwerk Consulting GmbH, Ettlingen, was merged with euromicron solutions GmbH – a euromicron Group company, Mainz – effective January 1, 2010. The merger had not been entered in the commercial register by the repotting date of September 30, 2010.

Apart from that, events that require reporting in accordance with IAS 10 (Events after the Balance Sheet Date) did not occur after September 30, 2010.

## German Financial Reporting Enforcement Panel examination

In the 2010 half-yearly report, we pointed out that euromicron AG was currently being audited by the German Financial Reporting Enforcement Panel (DPR). The examination has now been completed and the results from the German Financial Reporting Enforcement Panel are available.

In relation to the points specified below, the German Financial Reporting Enforcement Panel takes an assessment that differs from the viewpoint of euromicron AG's management and that of the auditors of the consolidated financial statements as regards the interpretation of individual accounting regulations and discovered mistakes in accounting for the fiscal year 2008.

After detailed examination, the Executive Board endorses the findings of the German Financial Reporting Enforcement Panel.

The identified mistakes will be published in the electronic Federal Official Gazette and a supra-regional journal for statutory stock market announcements as soon as instruction to publish them has been received from the Federal Financial Supervisory Authority (BaFin).

In particular, various purchase price allocations relating to the company acquisitions in 2008 and, in an adapted procedure, those from 2006 and 2007 were audited.

In addition, the Executive Board has taken the findings relating to the company acquisitions in 2008 as an opportunity to apply the measurement system defined as correct by the German Financial Reporting Enforcement Panel to the company acquisitions in 2009 and thus to reassess the main acquisitions of 2006 to 2009 retroactively. According to accounting regulations, the total value of approximately €7.5 million to be allocated from these four years must be offset in one sum against stockholders' equity in the consolidated financial statements for 2009 and so also in the 2010 financial statements. Amortization of brand names, order books and customer relationships, allowance for deferred taxes and the partial re-measurement of assets and liabilities essentially have no impact on sales, income and the cash flow in fiscal 2010.

The responsible chamber of the German Financial Reporting Enforcement Panel has found:

In the IFRS consolidated financial statements of euromicron AG at December 31, 2008, the goodwill carried was approximately €6.8 million too high and the consolidated earnings reported were more than €5.0 million too high as a result of inaccurate recognition of the company acquisitions in 2006, 2007 and 2008 and the consequential effects of this.

1. Intangible assets, such as customer relationships, order books or brands, were measured in some cases not at all or at a lower value as part of the purchase price allocation in the case of company acquisitions in 2006, 2007 and 2008 (IFRS 3.36 and IFRS 3.45 f).
2. Other assets, e.g. inventories, were measured at too low a value and liabilities at too high a value as part of these purchase price allocations. A provision for restructuring was carried despite the fact that it had not been reported in the balance sheet by the seller and so did not exist at the time of acquisition (IFRS 3.36 and IFRS 3.41).
3. In two company acquisitions, minority interests which euromicron AG has a factual obligation to purchase were not carried as outside capital, but reported as stockholders' equity under minority interests (IAS 32.18b).

All these effects will be corrected in the 2010 consolidated financial statements by being offset against stockholders' equity. Due to the company's growing stockholders' equity in 2010, this correction will not have any negative effects on the company's financial position, net assets, liquidity and results of operations. This will also not have any impact on the sales, income and cash flow forecasts of euromicron AG for fiscal 2010.



## Declaration by the legal representatives

We declare 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 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, November 12, 2010

The Executive Board

Dr. Willibald Späth

Thomas Hoffmann



# Financial Calendar 2010/2011:

November 16, 2010	Roadshow in London
November 17, 2010	Roadshow in Vienna
November 22, 2010	Equity Capital Forum, Frankfurt/Main
March 31, 2011	Publication of the 2010 Annual Report
May 13, 2011	Publication of the Q1 Interim Report
August 12, 2011	Publication of the Q2 Interim Report
November 11, 2011	Publication of the Q3 Interim Report

This quarterly report is available in German and English.

Both versions can also be downloaded from the Internet at  
**[www.euromicron.de](http://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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