

INTERIM REPORT Q3/2012

euromicron Aktiengesellschaft

euromicron

KEY INCOME FIGURES

for the euromicron Group at September 30, 2012

	2012 € thou.	2011 € thou.
Consolidated EBIT	12,105	14,902
Operating EBIT	16,503	19,643
EBIT return as a ratio of sales (in %)	5.3	6.8
EBITDA	18,212	18,996
Income before taxes	9,199	12,337
Net profit for the period	6,250	7,825
Earnings per share in € (undiluted)	0.94	1.53

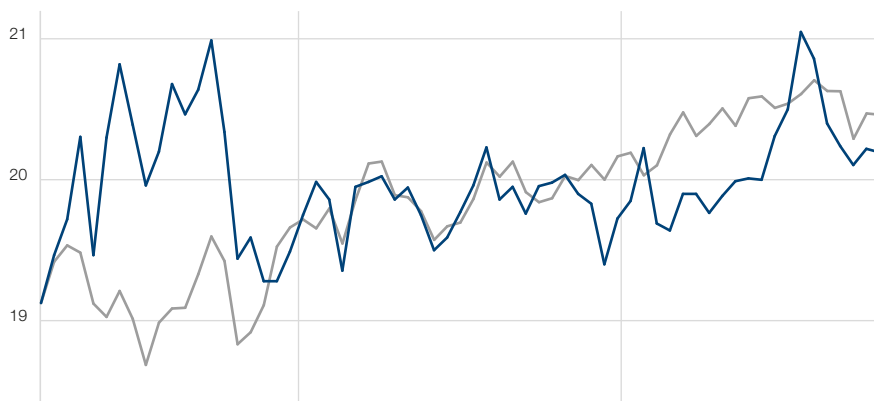
(unaudited acc. to IFRS)

euromicron AG

SHARE PERFORMANCE

in €

July 2, 2012 – September 28, 2012



■ euromicron (XETRA)

■ TecDAX (perf.) (Deutsche Börse index) (relative)

DEAR SHAREHOLDERS,

On the basis of the company's strong economic and solid financial situation, we successfully continued our integration program in the third quarter so as to ensure that euromicron has an even better setup moving ahead and to strengthen long-term prospects for our shareholders.

Frankfurt/Main, November 2012

The Executive Board

FOREWORD

Following the successful first two quarters, euromicron was also not able to avoid being impacted by unexpected weak demand from just about all major sectors and the cooling down in investment in the German and European economy in the third quarter of 2012.

The main causes of this included the huge downturn in the economic mood, which reached Germany's key industries at the beginning of September. As a result, already promised orders from our customers in the energy and telecommunications industries, as well as from the automotive sector, retailing, construction and mechanical engineering, did not match our expectations. We also recorded few new orders from the public sector.

In view of the discussion about the costs of network expansion which has been going on for months, there was reluctance to invest on the part of customers from the energy industry in particular.

We also recorded an unusually strong decline in orders in the field of telecommunications. The decisions by public authorities on the issue of "vectoring" have been awaited since July and in the meantime investment projects in broadband expansion by means of fiber optics in the fixed-network arena have virtually been completely shelved as a result. In the field of mobile communication, expansion of new LTE base stations came to a virtual standstill due to the backlog in approval.

euromicron increased its sales by around 3% to €226.5 million, meaning it was not able to follow up on its strong first half of the year as expected. The Group's operating performance increased by 8% to €234.6 million, confirming our optimistic expectations of the final quarter. Earnings before interest and taxes (EBIT) were €12.1 million, around 20% below the exceptionally strong figure of the previous year of €14.9 million, above all due to depreciation and amortization. They were also impacted by non-recurring effects of the integration phase that has now been underway for nine months, such as extra costs for IT/data processing, optimization of locations or personnel rationalization measures, totaling approximately €2.5 million, which will however also enable the company to cut costs and fund its sustainable development.

The operating income of the associated companies in this difficult climate is also some 16% down on the previous year's €19.6 million. Net profit for the period fell from €7.8 million last year to €6.3 million and, in conjunction with the larger number of shares – around 1.5 million – compared with the same period of the previous year, resulted in lower undiluted earnings per share of €0.94 (previous year: €1.53).

Despite the fact that investments and projects in the telecommunications sector were postponed, we were able to increase new orders by around €16 million to €77 million in the third quarter. Nevertheless, the accumulated figure is below our expectations and is approximately €225 million, lower than the previous year's record of €245.4 million. Order books are around €126 million, of which the lion's share will be handled in 2012.

These developments were not foreseeable on such a scale. However, we remain optimistic, have adjusted to the situation and will stick to our path of continuity, provided there is no further turndown in general economic conditions.

Building on our solid economic foundation, we continued in the third quarter to press ahead rigorously and successfully with integrating the company in the areas of structures, processes and personnel with an eye to the future. Alongside this, we worked to broaden the Group's expert workforce and, by acquiring RSR Datacom GmbH & Co. KG, signaled the start of our intention to start taking over smallish specialist companies so as to expand our company's competence and complement the integration phase from 2012 to 2014.

Our strategy of continuity has been confirmed to be the right path for our company and – something that has always been our objective – we have shown we can successfully drive the company's development even in times of difficult external conditions. We are embarking on the final quarter with optimism. Operating business is stable at a lower level with weaker earnings. The strong level of new orders in October may well be an indicator of good end-of-year business, on the basis of which our higher sales target of up to €345 million and earnings at last year's level should be achievable.

Overall, however, we assume that our ambitious targets – above all our goal of an 8% consolidated EBIT margin in 2012 despite financing of our growth and the planned costs of integration, cannot be achieved. Experience shows that the decline in high-margin large projects in the energy and telecommunications market can only be compensated for insufficiently in the short time remaining to the end of the year. We are already undertaking every effort to lay as usual a sustainable foundation for 2013 and to capitalize on a renewed strengthening in the investment climate.

INTERIM MANAGEMENT REPORT

of the euromicron Group from January 1 to September 30, 2012

General conditions and development of the company

The global economy remains in a phase of weakness. The largest risks to it are currently seen in the U.S. economy and the continuing Euro crisis. According to the OECD, the economy is developing more weakly than expected in the U.S. and Japan, despite some positive news. The economy has cooled down in large emerging countries such as China.

Global economic trends and uncertainty about the future of the Euro zone means the mood in the Euro area remains depressed. In the third quarter, the ifo Business Climate Index for the Euro zone was not able to follow up on the increases in the first two quarters of 2012 and trod water at virtually the same level. The current assessment of the economic situation and expectations for the coming months were much worse in the third quarter than three months ago.

The German economy is still proving resilient, but is characterized overall by muted dynamism and frequently a wait-and-see attitude. Economic expansion will remain weak for the time being and will probably only pick up again in 2013. The leading economic institutes predict that gross domestic product will grow by 0.8% in 2012 and 1.0% in 2013.

The economic mood weakened sharply in Germany in the third quarter, so there are still downside economic risks for fiscal year 2012 resulting from international and political uncertainties.

A compensatory factor is that German exports can still hold their own thanks to their strong competitiveness and despite a tough environment and reluctance to invest at home. Then fact that the consumer climate remains pretty optimistic indicates that private consumption could bolster economic development in Germany.

According to the German Association for Information Technology, Telecommunications and New Media (BITKOM), the global information and telecommunications market remains stable despite the financial and banking crisis in Europe. However, its latest economic survey also reveals that the decline in the Euro zone is not leaving ICT markets unscathed. Nevertheless, the industry is outperforming the general economy and remains on track.

euromicron's share performance was characterized by repeated volatility in the course of the third quarter of 2012, although the price always stayed at around a good level, for the most part above the €20 mark.

The share began the second half of the year at the beginning of July 2012 at a price of €20.74 and by the end of the month had almost reached the €21 mark.

Toward the end of the third quarter of 2012, the share was constantly above the €20 mark and even rose temporarily above €21, causing a raft of investors to move into it.

Sales

The gloomier investment climate in the third quarter resulted in a restrained order situation and project postponements on the part of many key customers from just about all sectors and so to a far lower increase in sales in the last three months than planned and anticipated in the seasonal course of business.

euromicron posted consolidated sales of €226.5 million as of September 30, 2012, an increase of around 3% on the figure of €220.6 million for the same period in the previous year. Nevertheless, its total operating performance rose pleasingly by approximately 8% year on year from €217.1 million to €234.6 million.

After inclusion of telent, the current fiscal year 2012 is exhibiting to an even greater degree the customary seasonal course of business for euromicron, which provides and bills most of its value-added services in the last quarter of the year. Following the unusually restrained trend in the third quarter, extrapolating the figures for the year as a whole from individual quarters may be more problematical than in the past, also due to the strong project business the company has recorded in past fourth quarters. Our good performance in October comes too late for us to produce a top year and will not be able to compensate fully for the weak third quarter due to the short time available until December 31, 2012.

A comparison with the previous year's figures is impacted by the pro-rata consolidation of telent GmbH since June 7, 2011. At this time, the balance sheet figures were included in full and the income statement figures on a pro-rata basis. In the further course of the fiscal year, we expect further consolidation effects, as well as a sustained strengthening in the seasonal course of business, with most services being performed in the final quarter, in particular after the change in telent GmbH's fiscal year to January 1 to December 31 (calendar year).

euromicron's commercial activity still focuses on Germany, where it generated €201.4 million, or 88.9% of total sales, an increase of 4.2% year-on-year.

Foreign business was within our expectations. As a whole, sales in the Euro zone countries were slightly below the level of the previous year, above all in Southern Europe, due to the overall economic situation.

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

Further countries 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, systematic penetration of the domestic market is still the Group's main focus, even after integration of telent GmbH, since it should continue to offer sufficient potential in the coming years.

euromicron Group

SALES DEVELOPMENT – CONSOLIDATED BY REGIONS AT SEPTEMBER 30, 2012

Regions	2012 € thou.	2011 € thou.
Germany	201,371	193,306
Euro zone	20,827	25,161
Rest of World	4,291	2,159
Consolidated net sales	226,489	220,626

(unaudited acc. to IFRS)

Income

EBITDA is €18.21 million (previous year: €18.99 million), in the high double-digit range and virtually the same year on year.

Above all due to amortization and depreciation, EBIT is €12.1 million, down year on year from €14.9 million; the write-offs for the purchase price allocation are having an impact for the first time this year. The measures to integrate the euromicron Group that were announced and have already been accomplished resulted, in addition to financing of our growth, in non-recurring expenses of approximately €2.5 million in the current fiscal year; due to the weak period in the late third quarter, these cannot be compensated for fully, meaning we do not expect earnings to grow above the previous year's by the end of the year.

The non-recurring expenses for integration include influences such as personnel rationalization measures (job cuts, recruitment, training) totaling around €1.1 million, restructuring, integration and optimization costs of around €0.7 million, and IT/data processing, consulting and other costs of some €0.7 million.

The costs of material rose slightly year on year from €122.2 million to €122.8 million as a result of the higher volume of business; the ratio of costs of materials to total operating performance was 52.3% compared with 56.3% in the previous year.

Personnel costs were €65.6 million compared with €53.1 million in the previous year. The increase in personnel costs is mainly attributable to changes in the consolidated companies and pinpointed expansion of the organization.

The increase in amortization and depreciation is attributable in particular to amortization of capitalized hidden reserves as part of capital consolidation. Of the Group's total amortization and depreciation of €6.1 million (previous year: €4.1 million), depreciation of plant, fixtures and fittings, tools and equipment was around €4.6 million.

Other operating expenses were €29.3 million, up on the previous year's €24.1 million, and are likewise mainly impacted by the changes in the consolidated companies and the above-mentioned non-recurring effects as part of integration. In line with the company's development, vehicle and travel expenses, rent/room costs and legal and consulting costs are the largest items within the other operating expenses.

Interest expenses were €3.2 million, around €0.5 million above the previous year. This is attributable to the euromicron Group's growth and higher long-term financing.

The tax ratio was 29.2%, within the average for German industrial companies and at a comparable level to previous years.

The net profit for the period after minority interests as of September 30, 2012, was €6.3 million, down on the previous year (€7.8 million). Undiluted earnings per share are calculated in 2012 on the basis of around 1.5 million more shares than in the comparable period for 2011. This and the lower net income for the period are the main factors influencing the figure of €0.94 (previous year: €1.53).

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KEY INCOME FIGURES AT SEPTEMBER 30, 2012

	2012 € thou.	2011 € thou.
Consolidated EBIT	12,105	14,902
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EBIT return as a ratio of sales (in %)	5.3	6.8
EBITDA	18,212	18,996
Income before taxes	9,199	12,337
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(unaudited acc. to IFRS)

New orders and order books

At September 30, 2012, euromicron posted new orders of €224.9 million, below expectations and the previous year's figure due to the particularly weak month of September.

Following a good October, however, euromicron assumes that new orders will be stronger in the final quarter of 2012 than in the first three.

Orders books at September 30, 2012, are at a good level in terms of our planning, but declined year on year from €173.8 million to €125.9 million. Project delays or postponements were a constant companion of our business performance in the third quarter, but – like the investment freeze in individual sectors – should disappear perceptibly when demand picks up and the investment mood improves.

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NEW ORDERS/ORDER BOOKS – CONSOLIDATED AT SEPTEMBER 30, 2012

	2012 € thou.	2011 € thou.
Consolidated new orders	224,900	245,374
Consolidated order books	125,930	173,818

(unaudited acc. to IFRS)

Net assets

The euromicron Group's total assets at September 30, 2012, were €284.7 million, up by around €19 million from December 31, 2011 (€265.7 million).

Noncurrent assets were 48.7% of total assets, slightly below the figure at December 31, 2011 (52.3%). Current assets increased by €19.4 million compared with the 2011 annual financial statements and were €146.2 million. Of this, approximately €9.1 million is from the increase in inventories, whereas the increase in receivables is €12.0 million.

Cash and cash equivalents fell by around €0.1 million compared with at December 31, 2011, to €7.2 million.

At September 30, 2012, noncurrent assets were covered to an extent of 133% by equity and long-term outside capital, i.e. to a greater extent than in the previous year (120%).

Equity at September 30, 2012, is €118.8 million and, after payment of the total dividend of approximately €7.7 million, is around €1.4 million below the level at December 31, 2011. As in the previous year, the equity ratio at September 30, 2012, is thus temporarily at 41.7% due to the effects of the dividend payout (December 31, 2011: 45.2%).

Long-term debt was €65.5 million or around 23% of total assets. Current liabilities rose by €0.9 million and are now €100.4 million.

INCOME STATEMENT

of the euromicron Group from January 1 to September 30, 2012

	3-month report		9-month report	
	July 1, 2012 – Sept. 30, 2012 € thou.	July 1, 2011 – Sept. 30, 2011 € thou.	Jan. 1, 2012 – Sept. 30, 2012 € thou.	Jan. 1, 2011 – Sept. 30, 2011 € thou.
Sales	73,686	92,326	226,489	220,626
Inventory changes	221	–1,234	7,290	–3,553
Own work capitalized	194	0	773	5
Other operating income	697	458	1,390	1,324
Cost of materials	–38,978	–54,776	–122,765	–122,175
Personnel expenses	–22,271	–20,213	–65,643	–53,143
Amortization and depreciation	–2,082	–1,715	–6,107	–4,094
Other operating expenses	–9,020	–8,578	–29,322	–24,088
Operating profit	2,447	6,268	12,105	14,902
Interest income	184	35	260	77
Interest expenses	–1,270	–1,260	–3,166	–2,642
Income before income taxes	1,361	5,043	9,199	12,337
Income taxes	–365	–1,810	–2,687	–4,006
Income before minority interests	996	3,233	6,512	8,331
Thereof for euromicron AG shareholders	807	2,971	6,250	7,825
Thereof for non-controlling interests	189	262	262	506
Earnings per share (undiluted) in €	0.12	0.58	0.94	1.53
Earnings per share (diluted) in €	0.12	0.58	0.94	1.53

(unaudited acc. to IFRS)

RECONCILIATION OF THE QUARTERLY RESULTS WITH THE STATEMENT OF COMPREHENSIVE INCOME

for the euromicron Group at September 30, 2012

	Jan. 1, 2012 – Sept. 30, 2012 € thou.	Jan. 1, 2011 – Sept. 30, 2011 € thou.
Consolidated net income before minority interests	6,512	8,331
Gain/loss on the valuation of securities	0	0
Other profit/loss	0	0
Total result	6,512	8,331
Thereof for euromicron AG shareholders	6,250	7,825
Thereof for non-controlling interests	262	506

(unaudited acc. to IFRS)

euromicron Group

CONSOLIDATED BALANCE SHEET ASSETS

	Sept. 30, 2012 € thou.	Dec. 31, 2011 € thou.
Noncurrent assets		
Goodwill	104,211	104,211
Intangible assets	17,190	18,257
Property, plant and equipment	15,538	15,129
Financial assets	841	725
Other assets	233	175
Deferred tax assets	485	474
	138,498	138,971
Current assets		
Inventories	34,162	25,079
Trade accounts receivable	100,050	88,068
Claims for income tax refunds	903	2,971
Financial assets	1,272	1,159
Other assets	2,616	2,198
Cash and cash equivalents	7,163	7,300
	146,166	126,775
Total assets	284,664	265,746

(unaudited acc. to IFRS)

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CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

	Sept. 30, 2012 € thou.	Dec. 31, 2011 € thou.
Equity		
Subscribed capital	17,037	17,037
Capital reserves	88,771	88,771
Gain/loss on the valuation of securities	-286	-286
Net retained profits	12,780	14,192
Stockholders' equity	118,302	119,714
Non-controlling interests	510	483
Total equity	118,812	120,197
Long-term debt		
Provisions for pensions	764	728
Other provisions	462	481
Liabilities to banks	46,163	24,674
Liabilities from finance lease	1,910	1,459
Financial liabilities	8,056	10,789
Deferred tax liabilities	8,117	7,936
	65,472	46,067
Current liabilities		
Accrued liabilities	754	1,222
Trade accounts payable	29,780	31,617
Liabilities from current income taxes	883	2,096
Liabilities to banks	38,340	29,762
Liabilities from finance lease	410	297
Tax liabilities	2,722	7,608
Personnel obligations	7,696	10,037
Financial liabilities	5,349	2,967
Other current liabilities	14,446	13,876
	100,380	99,482
Total equity and liabilities	284,664	265,746

(unaudited acc. to IFRS)

STATEMENT OF CHANGES IN EQUITY

of the euromicron Group from January 1 to September 30, 2012

	Subscribed capital	Additional paid-in capital
	€ thou.	€ thou.
January 1, 2011	13,105	68,487
Consolidated net income for 2011	0	0
Other profit/loss		
Gain/loss on the valuation of securities	0	0
	0	0
Total profit/loss for 2011	0	0
Transactions with owners		
Dividend for 2010	0	0
Capital increase at the AG after costs	3,932	20,284
Profit share of non-controlling shareholders	0	0
Transfer of profit shares for minority interests in outside capital	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0
	3,932	20,284
December 31, 2011	17,037	88,771
Net income for the quarter in 2012	0	0
Other profit/loss		
Gain/loss on the valuation of securities	0	0
	0	0
Total result at September 30, 2012	0	0
Transactions with owners		
Dividend for 2011	0	0
Profit share of non-controlling shareholders	0	0
Transfer of profit shares for minority interests in outside capital	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0
	0	0
September 30, 2012	17,037	88,771

(unaudited acc. to IFRS)

Consolidated retained earnings	Gain/loss on the valuation of securities	Equity attributable to shareholders of euromicron AG	Non-controlling interests	Total equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
7,605	-363	88,834	428	89,262
12,899	0	12,899	0	12,899
0	77	77	0	77
0	77	77	0	77
12,899	77	12,976	0	12,976
-5,639	0	-5,639	0	-5,639
0	0	24,216	0	24,216
-155	0	-155	155	0
-518	0	-518	0	-518
0	0	0	-100	-100
-6,312	0	17,904	55	17,959
14,192	-286	119,714	483	120,197
6,512	0	6,512	0	6,512
0	0	0	0	0
0	0	0	0	0
6,512	0	6,512	0	6,512
-7,663	0	-7,663	0	-7,663
-128	0	-128	128	0
-134	0	-134	0	-134
0	0	0	-100	-100
-7,924	0	-7,924	27	-7,897
12,780	-286	118,302	510	118,812

euromicron Group

STATEMENT OF CASH FLOWS

	Jan. 1, 2012 – Sept. 30, 2012 € thou.	Jan. 1, 2011 – Sept. 30, 2011 € thou.
Income before income taxes	9,199	12,337
Net interest income/loss	2,906	2,565
Depreciation and amortization of noncurrent assets	6,107	4,094
Disposal of assets, net	-93	-42
Allowances for inventories and doubtful accounts	-403	-481
Change in accrued liabilities	-599	-420
Cash flow	17,117	18,053
Changes in short- and long-term assets and liabilities:		
– Inventories	-8,596	-6,563
– Trade accounts receivable	-12,273	-31,556
– Trade accounts payable	-1,274	2,140
– Other operating assets	-622	-1,644
– Other operating liabilities	-8,183	4,290
– Income tax paid	-1,806	-4,996
– Income tax received	2,226	2,394
– Interest paid	-3,035	-2,641
– Interest received	146	77
Net cash used in operating activities	-16,300	-20,446
Proceeds from retirement/disposal of		
– Property, plant and equipment	247	60
Payments due to acquisition of		
– Intangible assets	-627	-956
– Property, plant and equipment	-4,976	-4,862
– Financial assets	-116	-22
– Consolidated companies	-534	-11,031
Net cash used in investing activities	-6,006	-16,811
Dividends paid	-7,663	-5,639
Proceeds from raising of financial loans	70,570	51,500
Cash repayments of financial loans	-40,503	-12,938
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	-234	-440
Net cash provided by financing activities	22,170	32,483
Net change in cash and cash equivalents	-136	-4,774
Cash and cash equivalents at start of period	7,300	8,572
Cash and cash equivalents at end of period	7,163	3,798

(unaudited acc. to IFRS)

euromicron Group

SEGMENT REPORTING AT SEPTEMBER 30, 2012

Sales by report segments

	2012 € thou.	2011 € thou.
Total sales, North	81,524	91,873
Inter-segment sales, North	-2,322	-3,988
Consolidated sales, North	79,202	87,885
Total sales, South	99,488	109,796
Inter-segment sales, South	-1,681	-1,780
Consolidated sales, South	97,807	108,016
Total sales, WAN services	59,863	34,148
Inter-segment sales, WAN services	0	0
Consolidated sales, WAN services	59,863	34,148
Consolidated cross-segment sales	-10,383	-9,423
Consolidated sales for the Group	226,489	220,626

EBIT by report segments

	2012 € thou.	2011 € thou.
Consolidated EBIT, North	10,565	12,919
Consolidated EBIT, South	2,584	4,224
Consolidated EBIT, WAN services	3,354	2,500
euromicron AG and group consolidations	-4,398	-4,741
Consolidated EBIT for the Group	12,105	14,902

Amortization/depreciation by report segments

	2012 € thou.	2011 € thou.
North, consolidated	-2,669	-1,730
South, consolidated	-1,641	-1,545
WAN services, consolidated	-1,699	-790
euromicron AG	-98	-29
Consolidated depreciation/amortization for the Group	-6,107	-4,094

(unaudited acc. to IFRS)

Financial position

The euromicron Group's net debt (financial debt minus securities and cash) at September 30, 2012, was around €88.5 million, an improvement of €5.3 million compared with the figure after six months. This fall in net debt is mainly due to a Group-wide liquidity optimization program, which will additionally secure our financing if our business performance is weaker.

Up-front financing of current large projects is ensured by sufficient funds from the solid structure of our financing.

At September 30, 2012, the Group has sufficient liquidity and free credit lines to cover its need for cash to handle the higher volume of business and also accomplish important investments for developing the Group further.

Thanks to its good rating and longstanding partnerships with Germany's leading banks, the Group again has a solid liquidity reserve in 2012 for its current and strategic development.

euromicron AG will continue to fund the euromicron Group and its associated companies directly 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-looking opportunities for development and secure jobs.

1,605 persons were employed by the euromicron Group as of September 30 of fiscal 2012. Personnel costs totaled €65.6 million (previous year: €53.1 million).

Finding new, well-trained employees and safeguarding and expanding its base of qualified employees is still regarded by euromicron as a key objective. 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 core elements of our business policy.

In this connection, euromicron gives 102 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, 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, 2011, have been continuously examined and updated as part of the interim report at September 30, 2012. At September 30, 2012, there were no significant changes in the analysis of risks and their structure or evaluation at the euromicron Group as a result of telent's integration compared with as stated and described in detail in the management report in the 2011 Annual Report.

Taking into account all known facts and circumstances, euromicron does not anticipate any significant effects on its operational business from macroeconomic and political 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

There were very great differences regionally as regards general economic conditions in the third quarter of 2012. Whereas many economies in the EU battled with a recession due to the effects of the Euro crisis, the German market was able to hold up well up to the beginning of September.

Growth in Germany's ICT industry continued to be driven in particular by growing demand for mobile devices, such as tablet computers and smart phones. However, this was not matched in the third quarter of 2012 by the anticipated expansion of high-speed network infrastructures for data transmission in the mobile and fixed-network arenas.

In the fixed-network segment, business in voice services fell by 7.5% to €11.3 billion according to BITKOM. In the mobile segment, network expansion was almost completely frozen as a result of the approval backlog in handling of applications for new LTE base stations by the German Federal Network Agency.

Moreover, the muted economic situation in many European countries and uncertainty about how the economy would develop was reflected in deferred investments by our customers from key industries, such as energy, automotive, retailing, construction and mechanical engineering. In Germany, the Ifo Index fell for the sixth straight time, indicating that companies are less and less satisfied with their current economic situation and capacity utilization.

euromicron was likewise not able to evade the impact of the general market trend and the resultant reluctance to invest in the third quarter of 2012. Nevertheless, we again accompanied innovative and challenging projects of our customers in the quarter.

With its commission to ensure smooth data transfer in the world's only flying observatory, our subsidiary MICROSENS has established itself as a partner to customers who demand the very highest quality requirements in their projects. The flying observatory is located in a converted Boeing 747SP of the German/American Stratospheric Observatory for Infrared Astronomy (SOFIA). It houses a 17-ton infrared telescope, which is regarded as the heart of the observatory and is also the German contribution to the joint project between the German Aerospace Center (DLR) and the U.S. National Aeronautics and Space Administration (NASA). The objective of the research project, which is being conducted at an altitude of 13 kilometers, is to transfer measurements on infrared radiation from space and so gain new insights into the formation of young stars.

All data between the on-board measuring systems, the positioning control systems, the guider cameras and the telescope drives is transmitted via the network, comprising media converters from MICROSENS®. The customer's key concern was fault tolerance and reliability. That is why the scientists approached MICROSENS. First, the company is regarded as one of the pioneers in the field of fiber-optic transmission technology. Second, all the products are developed in its own laboratory and made and tested in accordance with the very highest standards of quality in its own production facilities.

The flying observatory has now successfully completed many hours of flight and successfully transferred fascinating infrared images of the planet Jupiter, the Messier 82 galaxy and the M17SW star formation region thanks to smooth operation of the media converters.

At the energy service company Rhön GmbH (ÜWR), our subsidiary telent demonstrated its many years of experience in system integration of tried-and-tested and state-of-the-art technologies, delivering a network management system (NMS) named Privus Manager® to monitor the existing heterogeneous communications network with its historically evolved structure made up of radio relay, fiber-optic and copper-based technologies from different vendors. The flexible and end-to-end NMS functionalities of euromicron's solution ensured that the customer's requirements for a highly future-proof system that protects its investments were met.

Apart from permanently developing our skills further to meet our customers' requirements in individual projects, we successfully pressed ahead with expanding our technological expertise in system business and our product portfolio by acquiring RSR Datacom GmbH & Co. KG.

RSR Datacom is a vendor-independent system integrator based in Essen. The company specializes in consulting, planning and project planning for, as well as assembly, commissioning, documentation and round-the-clock maintenance of communications technology in the fields of public address and dispatcher control systems, cable and alarm technology and radio relay and multiplexer systems. Under the brand name ProCom® and with its subsidiary ProCom Professional Communication & Service GmbH, RSR Datacom also develops, produces and distributes rugged and innovative public address systems that are used nationally and internationally in industry, at rail and transport companies, for tunnel systems in the transport sector and in the process industry. By broadening our company's expert workforce with the integration of acoustic and public address systems and with the related vendor know-how, we will be able to offer our customers even more comprehensive consulting and support in future.

Outlook

Given the current gloomier economic climate overall and the reluctance to invest in the telecommunications sector due to the fact that the a decision still has to be taken by public authorities in relation to expansion of the fiber-optic network in Germany, we assume that we will not see any major changes in the order situation in the fourth quarter of 2012 from our customers in key industries such as energy, telecommunications, automotive, retailing, construction or mechanical engineering. Following the decline in September 2012, we expect all these sectors to stabilize at a lower level for the rest of the year, which will make it more difficult to make good the declines in income.

In the remaining weeks, we are consequently focusing on familiar sectors that are bucking the general negative market trend, such as customers from the healthcare, transportation and data center sectors. We are working intensively here to provide these customers with euromicron's entire portfolio of products and services, expand the depth of our value added and where possible compensate for largish losses promptly.

We at euromicron provide consulting, planning, installation and maintenance services in the healthcare market for networking of the entire hospital infrastructure via copper, fiber optic and wireless technologies, with integration of relevant applications, such as telephony, patient entertainment, light call, information systems for health professionals, video surveillance and others. We will apply this success model to additional segments in order to make us even more independent from temporary volatilities on the order front in individual industries now and in future.

Moreover, we continue to work intensively to integrate and professionalize our company further. To enable that, we will strengthen the ongoing continuous improvement process (CIP) further. In this process, however, we will always act in accordance with the maxim of our medium-sized model of retaining advantageous elements locally and complementing them solely with expedient components of a group organization.

A further focus of our activities will be to recruit sufficiently qualified personnel and retain them long term. To this end, we will continue further developing management and leadership structures at our company and flanking this with numerous training and further education measures. Alongside this, we will invest in enhancing awareness and attractiveness of the euromicron brand on the labor market and in the customer and capital markets.

We will also continue to invest in new, innovative products and technologies. Many of the products and solutions we launched or further developed this year as part of our innovation drive – such as the workbench system Primus One, the latest-generation FTTO switch for intelligent networking of buildings by fiber optic, the SFP transceiver for potentially explosive atmospheres, and the K6A module, which can be assembled without the need for special tools – have already established themselves excellently in their respective market and achieved initial successes.

To expand our Group's competence in the ICT market and broaden our expert workforce, we are also selectively seeking attractive companies that offer their and our customers value added with their special know-how and round out our portfolio. We are currently looking at three to four such specialist companies and, if the result of this examination is positive, will seize the chance to expand our business model with them and include their qualified teams, technologies, access to markets or patents in our Group.

Despite all these measures to give our organization a more and more professional setup in the medium and long term, however, we do not assume that we will be able to offset the unexpected decline in the third quarter of 2012 by the end of the year. In view of the good new orders in October and the fact that many large projects are billed in the final quarter, we feel positive, in particular about achieving our sales target of €330 to €345 million. However, the time remaining in the final quarter of 2012 will probably not be sufficient to allow us to post the quality of earnings in 2012 we would like to achieve with a consolidated EBIT return in the 8% to 11% corridor, which we aim to accomplish again on a stable basis once the integration phase from 2012 to 2014 has been completed.

The growing number and quality of terminal devices is also impressive proof that, in the medium to long term, there will still be high demand in Germany for expansion of high-speed network infrastructures with integration of the relevant applications. With a business model geared toward sustainable growth, our clear strategic orientation, our operational expertise and skills and a basis for financing that remains secure, we are excellently equipped to steer euromicron through the current market fluctuations, the uncertain situation as regards investment and the structural changes in the world of communications.

If policy makers and business manage to create the necessary prerequisites and general conditions for the urgently needed radical changes in all sectors, public agencies and households – such as introduction of the Internet in vehicles, expansion of high-speed telecommunications networks in the fixed-network and mobile arenas, or the establishment of smart grids in the energy sector –, euromicron is ready to actively accompany these developments so as to increase the company's value and ensure a return on its shareholders' capital.

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 September 30, 2012, 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 (€ thou.).

The results in the interim financial statements as of September 30, 2012, 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 September 30, 2012, as for preparing the consolidated financial statements at December 31, 2011, unless changes are explicitly specified. A detailed description of these methods is published in the 2011 Annual Report and is available on the company's homepage. The consolidated financial statements of euromicron AG as of December 31, 2011, 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.

An individual tax rate 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.

As regards the content of new standards and interpretations and changes to existing standards, we refer to our comments on pages 69 to 76 of the 2011 Annual Report. Application of the following interpretations and changes to an already published standard has been obligatory since the start of the 2012 fiscal year:

- Amendments to IFRS 7 “Financial Instruments: Disclosures – Transfers of Financial Assets”

The following new standards or interpretations or changes to existing standards have been adopted by the EU since the consolidated financial statements as of December 31, 2011, were prepared.

- Amendments to IAS 1 “Presentation of Financial Statements – Presentation of Individual Items of the Other Profit/Loss”
- Amendments to IAS 19 “Employee Benefits”

Application of the amended standards and interpretations has no significant impact on the Group’s financial position, net assets and results of operations or cash flow.

Consolidated companies

Apart from euromicron AG, the consolidated financial statements at September 30, 2012, include 18 companies, in which euromicron AG has the majority of voting rights directly or indirectly. There have been no changes in the companies consolidated in the euromicron Group compared with at December 31, 2011.

Treasury shares

At September 30, 2012, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

Non-controlling interests (minority interests)

Under IFRS 3 (2008), non-controlling interests are disclosed as part of equity in accordance with the entity point of view.

The minority interests in equity reported at September 30, 2012 (€510 thousand) relate exclusively to Qubix S.p.A., Padua (10%).

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 segments euromicron North, euromicron South and – since 2011 – the segment euromicron WAN services 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

There were no significant changes in contingencies, contingent liabilities and other financial obligations compared with the annual financial statements at December 31, 2011.

Miscellaneous

euromicron's financial reporting is currently being audited by the German Financial Reporting Enforcement Panel (FREP). If errors are discovered, changes to values carried in the balance sheet can be expected.

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, November 9, 2012

The Executive Board

Dr. Willibald Späth

Thomas Hoffmann

FINANCIAL CALENDAR 2012/2013:

November 13, 2012	German Equity Capital Forum, Frankfurt/Main
March 28, 2013	Publication of the 2012 Annual Report and Analysts' Conference
May 8, 2013	Publication of the business figures for the 1st quarter of 2013
May 17, 2013	General Meeting
August 9, 2013	Publication of the business figures for the 2nd quarter of 2013
November 8, 2013	Publication of the business figures for the 3rd quarter of 2013

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.

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if source is acknowledged.

Disclaimer on predictive statements

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, changes in general political and economic conditions, 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. Any liability or guarantee for the used and published data and information being up-to-date, correct and/or complete is not assumed, either explicitly or implicitly.

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