Annual Report 2013

euromicron Aktiengesellschaft

AGENDA 500

Our path up to 2016

euromicron

Key figures and financial data
Group

Key figures

	2013 € m.	2012 € m.
Consolidated sales	**329.4**	**330.0**
Sales by division		
euromicron North	116.1	111.7
euromicron South	126.9	131.5
euromicron WAN services	102.2	102.8
Central services and Group consolidations	–15.8	–16.0
Sales by region		
Germany	291.3	298.9
Euro zone	27.4	25.5
Rest of World	10.7	5.6
EBIT (operating)*	**12.2**	**23.0**
Consolidated EBIT	**5.5**	**17.1**
EBIT of the divisions		
euromicron North	10.7	14.5
euromicron South	–4.9	0.5
eeuromicron WAN services	6.4	8.0
Central services and Group consolidations	–6.7	–5.9
EBITDA	**14.4**	**25.0**
Consolidated net loss / income for euromicron AG shareholders	**–0.9**	**8.6**
Net cash provided by operating activities	39.4	7.0
Adjusted weighted average number of shares issued (undiluted; in thousands)	7,716	6,664
Undiluted loss / earnings per share (in €)**	**–0.12**	**1.29**
Total equity and liabilities	**328.9**	**283.9**
Equity ratio	**37.3 %**	**41.9 %**
Employees (number as an average for the year)	**1,741**	**1,699**

* Before holding costs

** Including the capital increase, which was entered on January 8, 2014

AGENDA 500

Our path up to 2016

The next stage is sales of €500 million. The package of measures to get us fit for that is called Agenda 500.

Highlights in 2013

JANUARY 2013

An alliance with a future

NeckarCom sets store by euromicron's subsidiary telent as its strategic partner for broadband expansion.

MARCH 2013

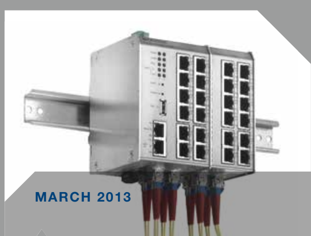
Pooled know-how for CeBIT

euromicron presents intelligent products, applications and services for a very wide range of application areas in professional communication at the world's largest ICT trade show.

JUNE 2013

DMR network complying with the tier 3 standard

The euromicron subsidiary telent supplies digital mobile radio to Stadtwerke Mainz Netze GmbH and unites the advantages of mobile radio with those of a digital, mobile communication switching system.



MARCH 2013

Innovation initiative continued

euromicron subsidiary MICROSENS presents “Profi Line Modular”, its newly developed family of switches for industrial use.

MARCH 2013

Safe thanks to euromicron

For the Dow Olefin group, SSM euromicron designs a cutting-edge, efficient control center that supports alarm management in the event of incidents and disasters.

MAY 2013

euromicron AG's General Meeting

The General Meeting votes in favor of all items on the agenda of importance to the company's development, rewards the company's first year of core integration and continues to trust in a strong future.

JUNE 2013

Partnerships expanded

By being named a Silver Certified Partner of Cisco, euromicron underscores its positioning and mission in Germany of offering the ideal solution for every customer and continues to invest in qualification of its employees.

JULY 2013

Everything under control with euromicron

The euromicron subsidiary Elabo equips Stadtwerke Neckarsulm with a cutting-edge control station.

AUGUST 2013

Emergency paging system for Vechta Prison

To enable full-coverage integration of the emergency paging system at Vechta Prison, euromicron systems GmbH installs an IP network structure that enables connection to the servers and to the central management system for alerting and locating.

DECEMBER 2013

More speed for R-KOM

The euromicron subsidiary telent implements the new high-speed backbone network for the Eastern Bavarian telecommunications company R-KOM GmbH & KG.

DECEMBER 2013

Production expertise expanded

In accordance with its planning and long-term corporate strategy, euromicron expands its production expertise in the field of high-tech security and surveillance technologies by taking over SIM GmbH and ATECS AG (CH).

JULY 2013

Sound insulation and security guaranteed

As part of construction of the new ERDGAS Sport Park in Halle, SSM euromicron planned all the communications and security components and systems and implemented them on time and budget.

NOVEMBER 2013

euromicron subsidiaries implement FTTH network

Close cooperation between the euromicron subsidiaries SKM Skyline GmbH and euromicron NBG Fiber Optics GmbH helped create a precisely tailored, easy-to-implement fiber-optic system solution for the community of Eichenzell.

DECEMBER 2013

Top 100 listing again

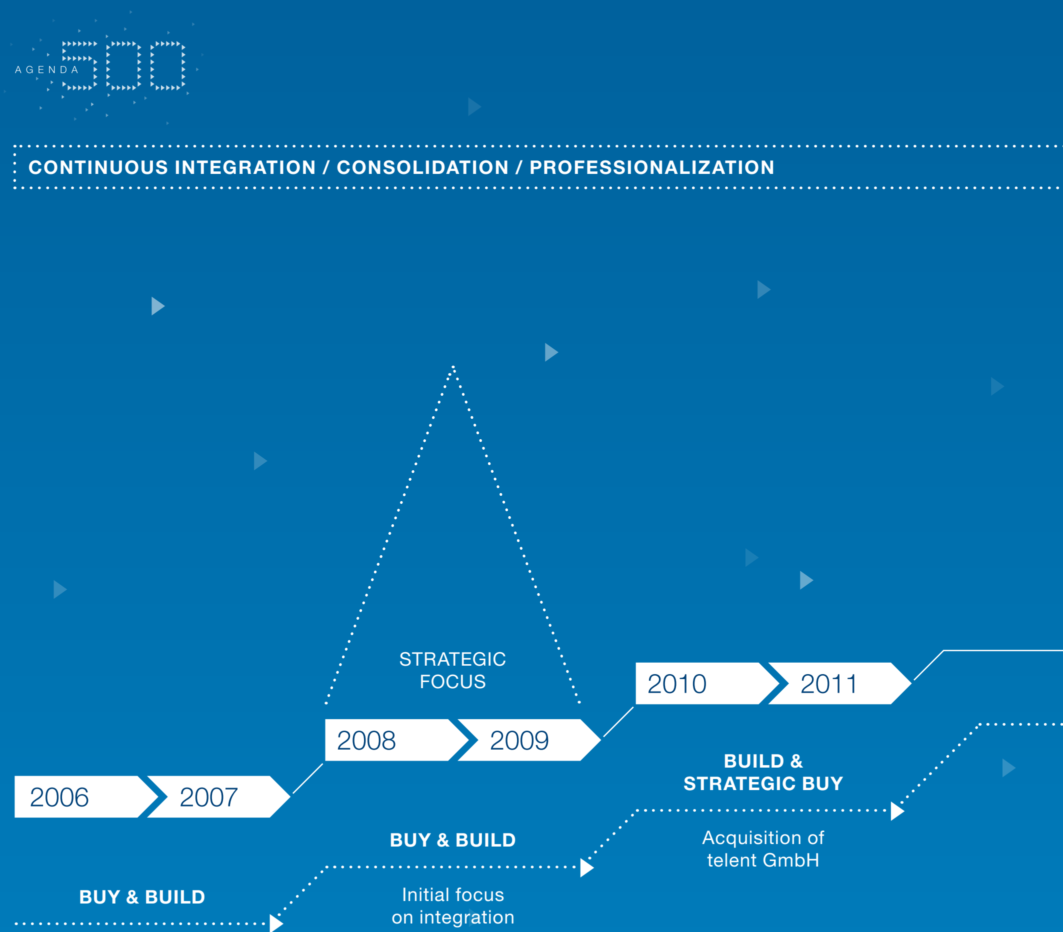
euromicron demonstrates its growth and earnings strength in the ranking of the top 100 German small and medium-sized enterprises for the fourth time in a row and occupies 37th spot.

MSG TOP 100 SMALL AND MEDIUM-SIZED ENTERPRISE RANKING 2013

AGENDA 500

The strategy: Foundation for future success.

euromicron AG has developed and grown profitably for the past 12 years. We achieve this growth through operational business and company acquisitions. That makes euromicron as a growing organism more complex. This complexity can be mastered by rigorous and purposeful harmonization, standardization, professionalization and consolidation. The Agenda 500 is a carefully assembled, extensive package of measures as part of our overall strategy. It is one of several strategically focused steps to enable us to get closer to our next long-term objectives after 2016.

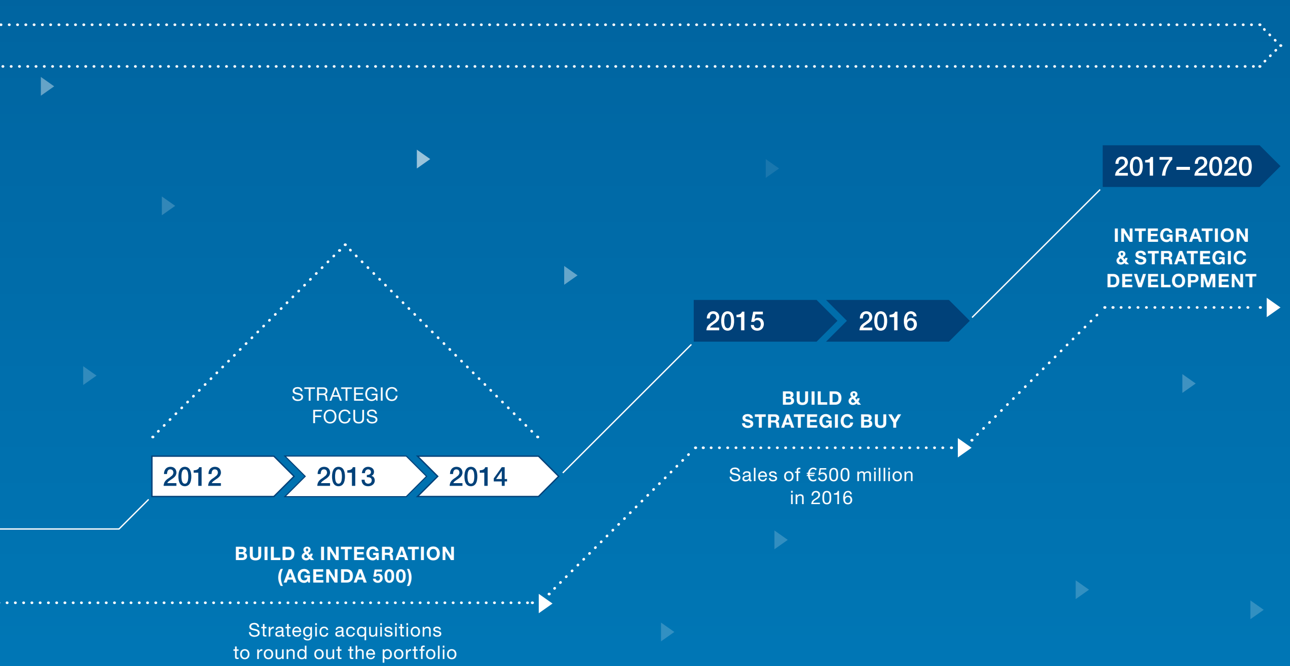


The way

Since 2000, euromicron has stuck to its strategic roadmap, one that has taken it step by step to growth, efficiency, innovativeness and market success. On this timeline we have anticipated the market's needs and achieved our envisaged milestones. Our initial focus on integration and consolidation was in 2008 and 2009, after we had systematically made suitable acquisitions in the previous years and merged these companies under the roof of the euromicron Group.

2010 was shaped by organic development of the company and targeted acquisitions.

The phase of integration and consolidation planned for the Group after that was postponed as a result of the purchase of telent GmbH in 2011. The Agenda 500 was launched in 2012 on a far broader base: sales of €300 million compared with €200 million in 2010. It will last until the end of 2014 at its peak.



AGENDA 500

The process: Feasible structures for the future

On our way to achieving the goal of the Agenda 500, we are optimizing and harmonizing processes. We are selectively building expertise and accomplishing further acquisitions. We are flanking these measures with an innovation initiative at our production companies and a Group-wide cost-cutting program. That costs strength, resources and earnings. In exchange, we ultimately gain in force, quality, efficiency and clout in the company and in our markets. euromicron is being prepared for the next steps in its growth.

GROWTH

STRENGTHS

KNOW-HOW

INTEGRATION

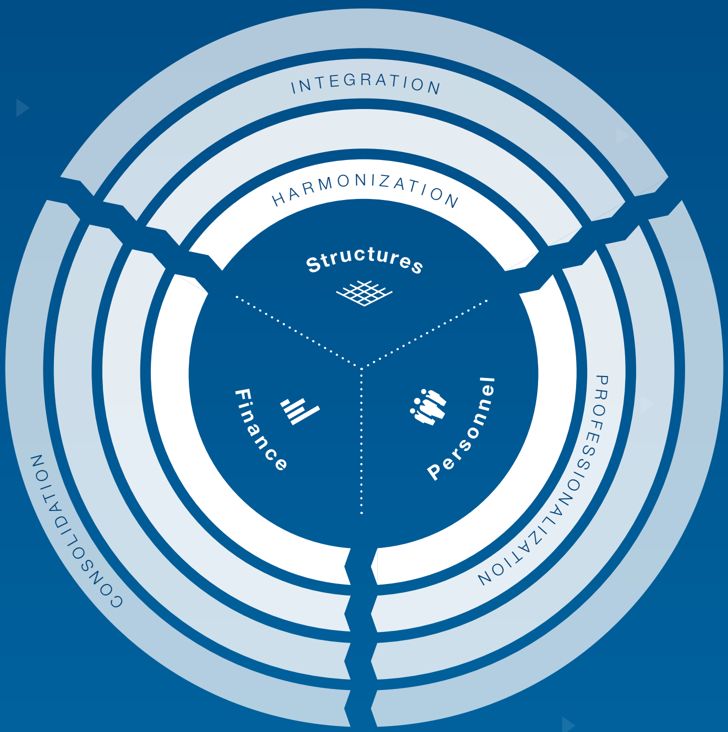
Structures

We create structures to meet market requirements and so allow our company to grow further in profitable niches. The measures range from optimization of locations, adequate allocation of responsibilities, implementation of Competence Centers to optimization of processes with the support of smart IT.

- Pooling of central units, such as IT, Purchasing and Contract Management
- Preparation for further steps in our internationalization
- Creation of new regional responsibilities
- Establishment of Competence Centers as innovation drivers
- Optimization of supply chain processes
- Greater differentiation in the portfolio

AGENDA 500

TRANSFORMATION PROCESS



ORGANIZATION

TALENTS

Personnel

We create future-oriented qualifications and enhance our management and controlling skills.
We ensure suitable personnel structures throughout the company and strengthen our employees' motivation and loyalty to euromicron.

- Reorganization of management structures
- Qualification of executives and employees
- Examination of human resources
- Further development of the corporate culture

Finance

We harmonize the Group's financial processes and pool treasury activities using a software-based cash management system. We speed up the cash flow by reducing throughout times in operational processes and optimize our liquidity and gearing ratio by further improving working capital management.

- Implementation of a Group-wide treasury system
- Grouping of bank accounts into a small number of cash pools and reduction in financing costs
- Further optimization of receivables and inventory management
- Reduction in throughput times in operational processes

AGENDA 500

The power: The strength of our strategy is measured by the success of our projects

We live our strategy with internal adjustments and in our day-to-day project work. We intensively optimize our structures by means of far-reaching measures. At the same time, we leverage the opportunities that arise in everyday project business. We benefit from synergy effects as well as from the force of the euphoric mood with which our teams implement the changes. As a result, we gear our Group to the tasks of the future – dynamically and methodically.

FRANKFURT

it security

PROJECT
Enhancement of IT security at the euromicron Group

GROUP AREA
euromicron-wide

CONTENT
Formulation of an information security process, standardization of Group-wide IT structures and processes, rollout of an IT security standard for the entire Group

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FRANKFURT

sourcing

PROJECT
Professionalization of purchasing activities

GROUP AREA
euromicron-wide

ACTIVITIES
Reorganization of purchasing and establishment of a lead buyer concept

LITHUANIA

internationalization

PROJECT
Expansion of international business

CONTENT
High-performance data transport network for Lithuania's air traffic control authority

PRODUCT
Fiber-optic multiplexing platform MP 3000

CRAILSHEIM

technology leadership

PROJECT
Process optimization to secure technology leadership in profitable niches

GROUP AREA
ELABO GmbH

CONTENT
Optimization of the supply chain, engineering, consulting, sales and service

it security

Stress test

IT concepts are crucial for customers and the Group

Data is the key asset in the information society. Protecting our own data and in particular the data customers have entrusted to us, deployment of reliable IT and IT products and processes, and ensuring high availability of IT are among our core tasks as a technology company.

Security that grows as we grow

As part of the Agenda 500, we have formulated an information security process that meets the increasing requirements of the workflows in our growing Group. We have put our IT structures on a consistent foundation throughout the Group and introduced a stringent standard of security by which to measure ourselves.

A group such as euromicron, which has grown out of different companies, is heterogeneous in just about all its processes. That is why we began back in 2012 to professionalize our existing IT structures and IT security structures and harmonize them for all companies. As part of expansion of an IT security organization, IT security officers were appointed and responsible teams set up at every company. The goal was to pool the different approaches, entrench IT security in a consistent manner throughout the Group and ultimately to work jointly on the basis of a new Group-wide standard of IT security. That includes technical and organizational measures, ranging from data flow management and archiving and encryption concepts to interface management at PCs.

Common data center

The previously decentralized IT structures and landscapes were transferred on a harmonized IT platform to a common data center that provides all the data for us in a highly available manner. The platform has a modular design – it is therefore future-proof and can grow as the company continues to develop. The physical environment is also geared to the very highest standards of security and so designed to survive disasters.

At present, the new data center already offers the euromicron Group more than 100 virtual servers with over 300 CPUs and several terabytes of working memory occupied with production data – and growing.

Our customers benefit very directly from these changes – above all from even more effective protection of their important company information, which is increasingly the object of attacks and data espionage in a global environment. Moreover, the platform with its high availability and strict security standards is the basis for compliance with the service level agreements we conclude with our customers.

100 virtual servers with over 300 CPUs and several terabytes of working memory occupied with production data are available from the data center.

TIER3 & TIER4

We classify our security standards solely by these levels

Extensive project

Changes relating to IT structures are always far-reaching and cost-intensive. The project is one of the especially extensive Agenda 500 measures – it affects just about every employee in his or her daily work and every process at our Group. And it raises questions about workflows and potential for improvements, which in turn initiate structural measures. On the other hand, such changes drive our professionalization rapidly. The new IT security concept entails considerable personnel, structural and so financial costs directly in the project and switchover phase. On top of that are measures to optimize the IT landscape. They intermesh in a complex way with other Agenda 500 measures, such as purchasing of our hardware using a jointly predefined IT shopping basket or qualification of employees.

SPOTLIGHT AGENDA 500

PROJECT
Expansion of the existing internal technical operator

CONTENT
Further development of this model into an operational internal IT service provider with a diverse portfolio for the euromicron Group

RESULT
IaaS, managed services and SaaS for the entire euromicron Group

PROJECT
Further standardization of software systems

CONTENT
Standardization of the software systems, such as ERP, requires a precise analysis of all processes. Harmonization of these processes affects every department at every company.

RESULT
The method of work is questioned and opportunities for change are seized.

PROJECT
Establishment and expansion of IT governance

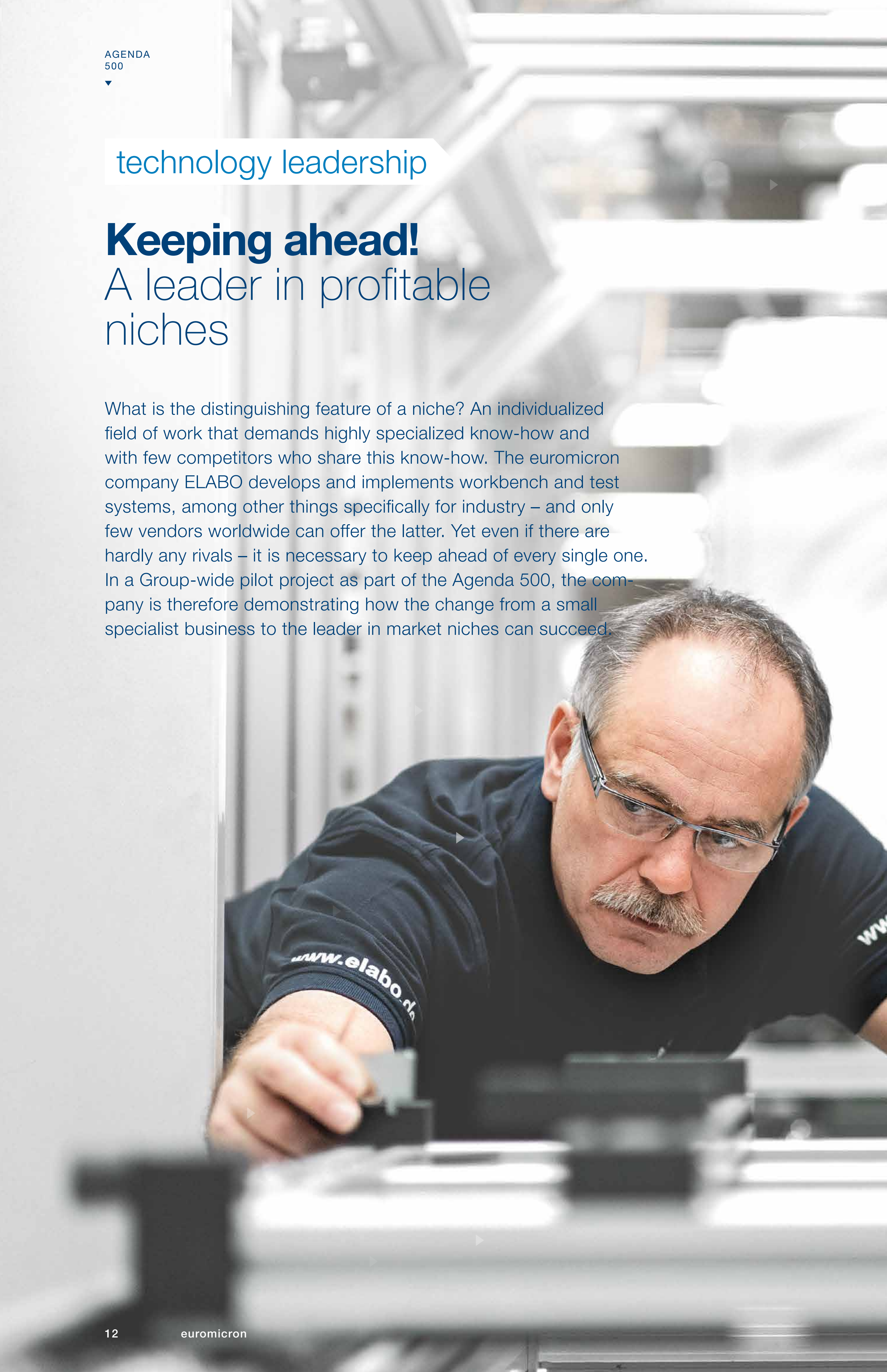
CONTENT
We professionalize our processes by means of central IT controlling structures. Harmonization also supports IT integration of future assets.

RESULT
Professionalization and harmonization as the basis for further growth

technology leadership

Keeping ahead!
A leader in profitable niches

What is the distinguishing feature of a niche? An individualized field of work that demands highly specialized know-how and with few competitors who share this know-how. The euromicron company ELABO develops and implements workbench and test systems, among other things specifically for industry – and only few vendors worldwide can offer the latter. Yet even if there are hardly any rivals – it is necessary to keep ahead of every single one. In a Group-wide pilot project as part of the Agenda 500, the company is therefore demonstrating how the change from a small specialist business to the leader in market niches can succeed.



Pilot project with a lighthouse function

Customer care: In its niche markets, ELABO provides customers with support as a system supplier – from consulting to service. The scope of the package of services also helps ELABO secure its lead in the market.

With its focus on networked workbench and test systems, ELABO GmbH fits excellently into the euromicron Group. The highly specialized company forges a bridge to high-performance networks with its workbench and test system solutions and, thanks to its know-how, is a partner for whom customers would have difficulty finding an alternative. So that it can retain and build on this lead in future, ELABO together with the holding company initiated a transformation process back in 2012 to create more efficient structures and optimize processes. The focus was on the subject areas of supply chain, engineering, consulting, sales and service. The result is a lighthouse project whose methodology can also be applied to other euromicron companies.

No stone is left uncovered in such a project. Because if you want to optimize things, you have to take a critical look at your own processes in detail. Fundamental questions were repeatedly raised at the weekly sessions and monthly management meetings: How can sales be increased and the quality of sales improved? What is the earnings situation? How can savings potential in purchasing and production be achieved? Is the pricing ideal? How well is quality assurance working? In order to obtain answers, the management team, team leaders and proven experts from the departments analyzed their entire value chain piece by piece and reassembled it anew – an energy-sapping process that was nevertheless rated very positively by the employees involved: “It’s exciting and motivating because you can pitch in and do your bit, but it’s also challenging because weaknesses are revealed. Such a project can only succeed if you leave your comfort zone,” says an ELABO project manager.

Intensive leveraging of expertise from the Group’s departments enables self-reflection and constant benchmarking in the change process.

CONSULTING

SALES

PROCESS OPTIMIZATION

ENGINEERING

SUPPLY CHAIN

SERVICE

The results are impressive: ELABO's Customer Service Center has been strengthened, collaboration between teams and departments improved and the supply chain optimized in a first step. Project planners were integrated more closely in customer care and support work and so the project handling phases were shortened. Medium-term measures to increase sales and win additional market share, improve profitability, reduce complexity and enable standardization and modularization have been initiated. The company has also cut its procurement costs. Both it and its customers benefit from these changes.

Change is a chance

To ensure success on this path, ELABO has obtained consulting and know-how from the specialist departments of the group holding company. The project has been – and will continue to be – accompanied by them intensively and the interim results have been jointly assessed. In the meantime, it has become a best-practice example for the whole Group. "There were a lot of things we didn't do badly before, but it wasn't perfect," says ELABO's Managing Director. To achieve optimal results, employees and management developed a change culture based on trust: Everyone can openly admit what is bothering them. This trust creates space for improvements – those improvements that are needed to use technologies across the Group, such as state-of-the-art switches from MICROSENS, so that the company can keep on maintaining its market leadership in profitable niches.

SPOTLIGHT

AGENDA 500

CUSTOMIZED PRODUCT DEVELOPMENTS

▸ **EXAMPLE**
Development of a switch to ensure communication in the event of a power outage at individual network stations in offshore wind farms in extreme temperature ranges from –70 to +60 degrees in close consultation with a large wind farm operator

▸ **PRODUCT**
MICROSENS Fiber Protection Switch

POOLING OF EXPERTISE

▸ **EXAMPLE**
Combining the expertise at the Group – from development, assembly to installation and maintenance of high-quality fiber-optic systems for data centers

▸ **PRODUCT / COMPETENCE CENTER**
euromicron URM

MULTIPLICATION OF INNOVATIVE SOLUTIONS

▸ **EXAMPLE**
Comprehensive availability of specialist know-how in the field of active network technology throughout the Group. Support for the regions in the fields of pre-sales, system engineering, servicing/maintenance and managed services.

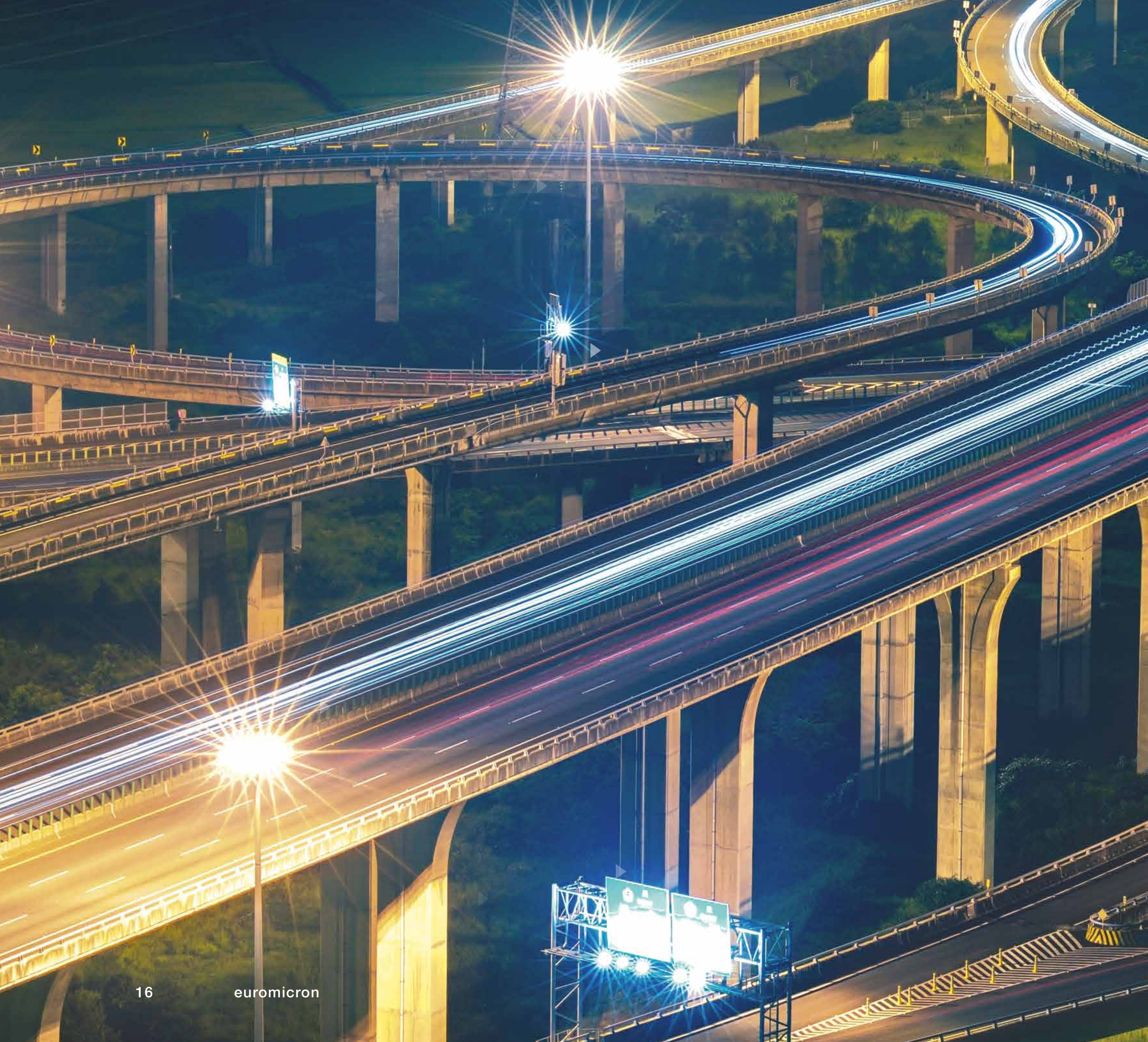
▸ **COMPETENCE CENTER**
Active Enterprise Networking (AEN)

sourcing

Quantity counts

Further professionalization of purchasing activities ensures ideal terms and conditions

euromicron is a manufacturer, distributor and system integrator and so purchasing processes are vital at our Group. The large proportion of bought-in material offers attractive potential for optimization. A key cornerstone of our Agenda 500 activities is therefore to further professionalize our procurement.



Interesting partner to suppliers and customers

What importance do we have in the eyes of our suppliers? What acquisition prices can we achieve? How can we ensure that our customers get the best terms and conditions? And how do we pool and scale the materials procured by our company, be it components or merchandise? We are answering these questions with a Group-wide Agenda 500 project: further professionalization of our purchasing. The goal is to significantly improve acquisition prices and optimize purchasing processes.

Frank Walter,
Managing Director,
euromicron International
Services GmbH

Lead buyer concept

The sourcing role that was previously established in distribution is being expanded to the whole Group by means of a lead buyer concept as part of optimization of our purchasing processes. The concept envisages a clear separation between strategic purchasing and decentralized procurement. The lead buyer structure is geared toward defined material groups. At the same time, it leverages the good relationships between our branch offices and existing suppliers and makes us attractive customers for manufacturers due the fact that we purchase large volumes. We benefit two-fold from this close cooperation: The manufacturers integrate us in their development roadmap and we are even more attuned to what is happening in the field of technology – to the benefit of our customers.

Reorganization of purchasing at euromicron networks

As a first step, the lead buyer concept was established at euromicron networks in 2013 and rolled out at our service companies. The team assigned for that elaborated the structures and the processes required to achieve the reorganization. That also included defining standards of quality and terms of delivery, supplier assessments, drafting agreements and harmonization of methods of payment. We have already been able to reduce our procurement costs despite the burdens of the restructuring phase and existing supply agreements.

Next steps

Our objective in 2014 is to optimize purchasing at our components companies with an approach similar to that at euromicron networks. We will also take into account existing purchasing activities in the field of distribution and review and optimize evolved supplier relationships.

Purchasing employees at our companies are integrated in the change process, reshaping the processes and defining the requirements for the IT support tools. This restructuring is costly and places a burden on human resources, processes and earnings. However, it is vital to ensuring continued profitable growth. With intensive communication and joint events, we are winning over our employees to the opportunities offered by this important Agenda 500 project.

SPOTLIGHT AGENDA 500

POOLING OF PURCHASING AT COMPONENTS

PROJECT
Strategic orientation of purchasing for euromicron Components

OBJECTIVE
To improve purchase prices and strengthen the production companies by leveraging joint purchasing resources

POOLING OF PURCHASING IN DISTRIBUTION

PROJECT
Strategic integration in euromicron's lead buyer concept

OBJECTIVE
We enhance our competitiveness and profitability by achieving favorable prices and delivery terms

GLOBAL SOURCING MANAGEMENT

PROJECT
Concentration of international purchasing activities

OBJECTIVE
Leveraging of international purchasing potential

OPPORTUNITIES
Broader range of second sources, expansion of international relationships, use of global procurement structures

internationalization

Better safe than sorry

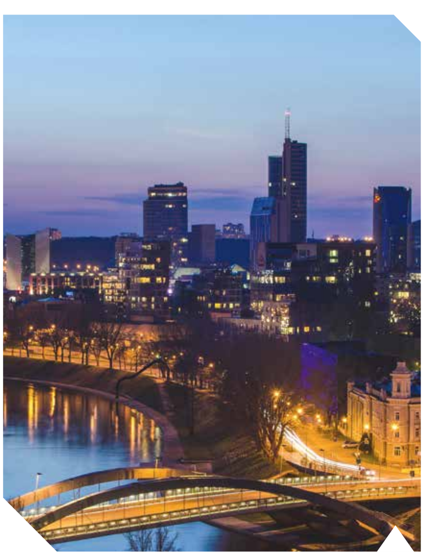
MICROSENS supports Lithuania's air traffic control authority with transmission technology

Lithuania is currently establishing a high-performance transmission network complying with the security requirements of the European Union. All national airports are connected to it. euromicron's subsidiary Microsens is supplying the fiber-optic multiplexing solution to enable smooth transfer of data over large distances. In view of that, we have strengthened our presence at our base in Poland.

We are expanding our international business by means of project business and selective acquisitions

Safety is by far the most important task in air transport. The requirements in civil aviation demanded of air traffic control, communication, navigation and surveillance are overseen in Lithuanian airspace by the state-owned air traffic control company “SE Oro navigacija”. Since 2009, SE Oro navigacija has been expanding its wide-ranging data transport network in accordance with the standards of the European Union. In this connection, our subsidiary MICROSENS was commissioned to supply fiber-optic transmission systems for creating a high-performance DWDM data network. DWDM stands for “Dense Wavelength Division Multiplexing”, an optical method offering enormous efficiency. With this technology, data is transferred without disruption over very large distances. All air traffic control locations in Lithuania – Vilnius, Kaunas, Palanga and Šiauliai – have been integrated in the network.

With its optical transport platform MSP 3000, MICROSENS was the only vendor able to meet the requirements of Lithuania’s air traffic control authority. The MSP 3000 has been designed to enable data transfer between all locations in the country without the need for any repeaters. The longest section is 290 kilometers. The system is operated on a single glass fiber instead of the customary glass fiber pair – a unique solution for such large distances.



DWDM ensures secure data transport over very large distances in fiber-optic networks.

The longest transmission section in the new network of Lithuania’s air traffic control authority has a total length of 290 km.

We take international projects as a chance to build a local presence and strengthen our customer proximity.

Global experience

Contacts between SE Oro navigacija and MICROSENS were established through our general agency in Lithuania. As part of our internationalization strategy, we are using local contacts to earn a good reputation in other markets with our products and solutions. And we leave a persuasive impression as a result of our visibility as a member of the group: Our subsidiary MICROSENS is an experienced vendor of efficient fiber-optic solutions for international airports of all sizes and has intimate knowledge of European and international safety requirements. This technological expertise together with the economic strength of the euromicron Group give our international partners the trust we need to keep on gaining a foothold in the international business.

In order to underline our customer proximity, we converted the Polish sales office of MICROSENS into an independent limited liability company in connection with the project and so created a permanent point of contact in the region for our customers. We are taking further steps toward internationalization by selective acquisitions of companies that have their headquarters or branch offices abroad. The euromicron Group currently numbers companies and branch offices in Austria, Italy, Poland, France, Switzerland, Benelux, Pakistan and China. These companies in turn are expanding their global business relationships and tapping new sales opportunities for the Group and its products.

SPOTLIGHT

ACQUISITION
ATECS AG Advance-Technology-Solutions

LOCATION
Zug [CH]

COMPETENCIES
Manufacturer and vendor of professional security technology with special requirements. Synergy and expansion potentials in international markets for the product portfolio of euromicron's production companies.

FOCAL COUNTRIES
Eastern Europe, MENA, own branch office in Pakistan

ACQUISITION
ProCom Professional Communication & Service GmbH

LOCATION
Essen [D], Beijing [CN]

COMPETENCIES
Manufacturer and vendor of rugged, innovative public address systems. Expansion of sales markets for euromicron products to countries outside Europe.

FOCAL COUNTRIES
China, Russia, South America; own branch office in Beijing [CN]

FOUNDATION
Qubix distribution GmbH

LOCATION
Seekirchen [AT]

COMPETENCIES
Manufacturer and solution supplier in accordance with euromicron's portfolio in Germany. Offers its own products/systems and solutions from prestigious national and international suppliers.

FOCAL COUNTRIES
Austria, Southeastern Europe

AGENDA 500

Agenda 500: Goals for the future

With the Agenda 500, we are pooling our forces to tackle the next major step for euromicron. The snappy goal we have formulated is the €500 sales mark. That entails further important milestones we aim to achieve in our markets. To enable that, we have set ourselves concrete objectives in the areas of finance, structure, organization and processes, market and technology, human resources and capitalization.

Change as culture

We are preparing for further growth and creating structures that grow as the Group increases in size. In this connection, we accomplished numerous projects in 2013 to achieve improvements and establish suitable processes – in a continuous process lasting several years.

The project groups are composed of executives, employees and, if necessary, external experts. That means that the people at the euromicron Group have to grow along with their new tasks. In order to prepare all our employees for the changes, we are holding information events and ensure open communication. We provide support tailored to this situation by means of special qualification measures, such as the program "Leadership in change processes". Those are key components in developing a corporate culture based on trust, motivation and identification. The response from our employees has been positive – the commitment and dedication we see among them is high. We would like to thank all our employees for that.

We have initiated a culture of change that will impact the way we work beyond the Agenda 500. That is perhaps where our greatest potential lies: By living change processes, we learn to be able to change. In that way, we tackle the requirements lying ahead of us.

2010	2013	2016

FINANCE

2010	2013	2016
Sales: €203.6 million **EBIT:** €20.1 million	**Sales:** €329.4 million **EBIT:** €5.5 million	**Sales:** €500 million **EBIT margin:** 8 – 11 %

CAPITAL MARKET

2010	2013	2016
▸ Market capitalization < €100 million	▸ Market capitalization > €100 million	▸ Market capitalization of around €250 million
▸ Continuous further development of the shareholder structure with the objective of as large a free float as possible	▸ Continuous further development of the shareholder structure	▸ Continuous further development of the shareholder structure
▸ Continuous capital increases to flank the company's growth	▸ Continuous capital increases to flank the company's growth	▸ Continuous capital increases to flank the company's growth
▸ Number of shares: 5,125,999	▸ Number of shares: 7,176,398	▸ Number of shares: ~ 10,000,000

CUSTOMER MARKET / TECHNOLOGY

2010	2013	2016
▸ Acquisition of core skills	▸ Acquisition of special skills	▸ Market leader in profitable niches/ leading vendor-independent system integrator in the LAN/MAN/WAN arena
▸ Initial Competence Centers	▸ Establishment of Competence Centers	▸ Competence Centers established as innovation drivers
▸ Product innovations	▸ Establishment of the innovation initiative	▸ Continuous innovation process
▸ International project business/ first international branch offices of our own	▸ Systematization and expansion of international activities	▸ Structures for international growth exist

HUMAN RESOURCES

2010	2013	2016
▸ Initial new management structure	▸ Further reorganization of management structures	▸ Feasible management structures
▸ Launch of the qualification drive	▸ Deepening of the qualification drive	▸ Continuous qualification of employees and executives

STRUCTURE, ORGANIZATION & PROCESSES

2010	2013	2016
▸ Companies with decentralized structures under the roof of the group holding company	▸ Companies with decentralized structures under the roof of the group holding company	▸ Companies with decentralized structures under the roof of the group holding company
▸ Initial mergers	▸ Setup of operational controlling units	▸ Functioning operational controlling units
▸ Resource/skill sharing	▸ Establishment of the shared service philosophy	▸ IT, purchasing and others as a shared service for the whole Group
▸ Rollout of the branch office concept	▸ Creation of regional structures	▸ Feasible regional structures
▸ Adaptation to corporate governance requirements	▸ Adaptation to corporate governance requirements	▸ Adaptation to corporate governance requirements
▸ Initial harmonization projects	▸ Optimization and harmonization of cross-Group processes	▸ CIP established

AGENDA 500

euromicron 2013
International footprint

We seize our opportunities on international markets and avoid incalculable risks. As a result, we are growing continuously into new, global tasks and assignments.

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Consolidated Financial Statements (IFRS)

To our shareholders

Single-entity Financial Statements (HGB)

Group Management Report

Further information

»As announced, we used 2013 to press ahead with consolidation and realignment of our company.«

Dr. Willibald Späth
Chairman of the
Executive Board

Thomas Hoffmann
Member of the
Executive Board

Foreword by the Executive Board
Fiscal year 2013

DEAR SHAREHOLDERS,
DEAR READERS,

2013 was for us the core year integration as part of the Agenda 500. As announced, we used it to press ahead intensively with consolidation and realignment of our company. euromicron now has more uniform processes, a broader know-how base, more innovative products, an optimized IT landscape, more modern locations and more professional structures than at the start of the integration phase in 2012. As a result, under the 2- to 3-year phase of integration, we are moving ahead as planned toward achieving our ambitious growth targets up to 2016. These comprise increasing sales to around €500 million and returning to an EBIT margin of 8% to 11%.

So as to prepare our Group for this next major step in its growth, we transitioned the initial integration measures commenced in 2012 to a structured process and accomplished a far higher number of projects in 2013. The magazine section of our Annual Report, in which we give you an insight into our activities as part of the Agenda 500 in the past fiscal year and what we aim to achieve for our company with these projects, conveys a lasting impression of this intensive work.

A record amount was invested in integration of the company in 2013. In order to realign euromicron and make it ready for the future, we made extensive investments in reducing and restructuring the workforce, included just about all IT fields and processes in an initial stage, reorganized our divisions and carried out a raft of cost-cutting measures.

Our objective in that is to create the foundation for being able to integrate the planned largish company we intend to acquire as of 2015 in our Group on a stable, consolidated and streamlined foundation. As a result, we increased integration and restructuring expenditures sharply again in 2013, with a total of around €5.5 million being spent on related measures in the year under review, a sum that – as in the previous year – was funded from our operating income.

Deferred investment in the customer market

The mainly politically induced uncertainties about future development, for example with regard to the energy debate, modernization of transport networks, future-oriented radio technology for public authorities or broadband expansion, were reflected in increasingly hesitant and deferred capital spending among customers, above all from the WAN arena. Accompanying that, euromicron's system houses increasingly had to cope with project delays and postponements in the course of 2013, which meant a higher cost burden and reduced earnings, whereas our production companies faced postponements in the call-off of deliveries by important regular customers.

Finally, the beginning of December saw a successive pickup in capital spending, such as by Deutsche Telekom in VDSL2 vectoring, but that was not sufficient for the company to achieve its customary strong performance of the final quarters of previous years and compensate for the dual effect of project postponements and lower call-offs of deliveries. We accordingly adjusted our guidance for the year as whole with the ad-hoc announcement on December 4, 2013.

The fiscal year in numbers

Despite project postponements and lower call-offs of deliveries, euromicron posted stable sales at December 31, 2013, of €329.4 million on an excellent order base of almost €127 million – around the same level of sales as in the previous year, but not enough to compensate for the extra costs for the planned stage of growth in 2013 in terms of earnings. Total operating performance rose slightly to €328.7 million, a year-on-year increase of 1.4%.

Earnings before interest and taxes (EBIT) were €5.5 million after integration costs of around €5.5 million, special effects from project valuation (approximately €4.9 million) and a loss of EBIT totaling some €8 million due to order postponements at the production companies and project postponements at the system houses. As announced EBITDA was €14.4 million.

Our company's liquidity and net debt were kept stable despite the non-recurring expenses for realignment and integration and so the adjusted guidance we issued on December 4 was fulfilled overall. After the capital increase of just under €7 million in December 2013, equity was around €123 million in absolute terms.

euromicron on the capital market

Our objective under the Agenda 500 – after around 12 years of buy and build and continuous profitable growth – is to prepare euromicron for the next step in its growth as part of a 2- to 3-year phase of integration and structuring. To enable that, we largely kept liquid funds within the company in 2013 and intend to do the same in 2014, the year with the largest expenditures. We reaped a lot of approval for this cautious and future-oriented strategy from you, our shareholders and lenders, in 2013 and in recent talks.

Since the planned positive economic effects of the Agenda 500 are not reflected in the short term in our key performance indicators, but the burdens can be seen directly in a balance sheet loss for euromicron AG, the Executive Board and Supervisory Board have decided to adjust the dividend policy to the situation as in 2013 and to propose to the General Meeting on May 14, 2014, to refrain from making a dividend payout for 2013.

However, after completion of the integration phase, we aim – as in the years of building the Group – to let all shareholders share in the anticipated success of the company and to resume paying a dividend on the basis of achievement of the original quality of earnings.

In order to strengthen our company's equity base and fund our further growth in part with our own funds, we carried out a capital increase on December 19, 2013, which we used to incorporate SIM Secure Information Management GmbH and ATECS AG, two companies that specialize in professional security technology, in our Group. With these acquisitions, we have expanded our customer relationships in the sensitive field of national and international protection, security and defense technology and so can achieve synergy and expansion potentials for the existing product portfolio of euromicron's production companies in international markets.

Given these highly promising acquisitions, initial successes of integration under the Agenda 500, the Group's long-term strategy and the trust in the company's operational stability, the majority of analysts again rated our share as a "buy" on the basis of an adjusted upside target in fiscal 2013.

Outlook

We intend to largely complete the phase of consolidation and restructuring of euromicron in 2014 and, on this optimized platform, to press ahead with expanding and enhancing its structures, processes and financial and human resources. As a result, we are transitioning figuratively from the "compulsory" to the "free" program in our Group's integration phase.

That initially comprises completely accomplishing the Agenda 500 projects that have been initiated and leading them to a successful result or transitioning them to a continuous improvement process. We are also working to round out our company here and there in terms of technology, geography or resources and expertise. In 2013, we consequently began to observe 3 to 4 smallish companies that are leaders in their special markets and would complement our portfolio with their skills.

With these long-planned strategic steps in the company's development and the associated integration phases, we will create the basis for our Group's further organic growth, smooth acquisition and integration of a largish company and so achievement of the planned quality of earnings of 8% to 11% on sales of around €500 million in 2016.

2014 has got off to a very promising start in operational terms, as evidenced by the level of new orders in the first months. Order books at February 2014 still have the same high volume of €125 million. We are also working vigorously to complete the projects and delivery orders that were postponed in 2013 and have since been placed. We feel sure that, given an increasingly positive climate for investment, we will be able to reflect the progress we have made with the Agenda 500 in our earnings and are aiming in 2014 to grow sales to €340 to €360 million and achieve an EBITDA margin of around 6% to 8%.

Dear shareholders and capital market participants, we thank you for your trust and your conscious and professional accompaniment of euromicron in this exciting phase of its development and would be delighted if you continued to invest in our company as a value-oriented commitment.

Dr. Willibald Späth
Chairman of the Executive Board

Thomas Hoffmann
Member of the Executive Board

Report of the Supervisory Board
2013

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

DEAR SHAREHOLDERS,

In fiscal 2013, euromicron AG rigorously continued to pursue the next stage of the Agenda 500 integration program. Alongside operational requirements, this represented a major challenge for all executives and employees. With the goal of achieving savings and synergies as well as optimizing processes, the integration measures were successfully consolidated and intensified further so as to create a stable basis for the next phase in the company's growth.

The Supervisory Board of euromicron AG once again discharged the tasks incumbent on it under the law, the Articles of Association, its bylaws and the corporate governance principles in this fiscal year.

Cooperation of the Executive Board and Supervisory Board

The Supervisory Board continuously monitored the Executive Board in running business. As part of that, the Executive Board regularly informed the Supervisory Board in writing and orally about the company's strategy, planning, development of its business, risks and risk management. It also provided reports on compliance and any deviations in business development from the original planning and important business transactions of the company and its subsidiaries.

The company's business development was discussed and reviewed on the basis of the Executive Board's reporting at every meeting of the Supervisory Board. In this regard, the Executive Board fulfilled its duties to provide the Supervisory Board with information promptly and fully and always met the requirements demanded by law and the principles of good corporate governance. In addition, the Supervisory Board obtained additional information from the Executive Board upon request. All information from the Executive Board was examined for plausibility, critically appraised and queried by the Supervisory Board. The members of the Supervisory Board had sufficient opportunity at all times to take a critical look at the reports by the Executive Board and contribute their own suggestions. The business transactions and measures that are of fundamental importance to the company and for which the Executive Board therefore requires the consent of the Supervisory Board pursuant to the bylaws were discussed by the Supervisory Board with the Executive and examined in detail by it. The Supervisory Board consented to each of the submitted business transactions and measures. Among other things, the Supervisory Board also examined the quarterly reports and gave its consent to the quarterly reporting.

Focus of deliberations in 2013

The Supervisory Board and Executive Board held five meetings in fiscal 2013 – on March 26, May 16, July 17, September 17 and December 11/12 – at which it discussed the company's planning, economic situation and strategic development, as well as the progress made in implementing the integration measures at the Group. All members of the Supervisory Board took part in all the meetings.

The focal subjects of the Supervisory Board meetings included the following:

- Deviation in planning in 2013 and operational planning for fiscal 2014
- Acquisition policy and integration of the acquired companies
- Human resources policy and personnel development
- Data protection and security
- The Group's financing structure and rating
- Questions of corporate planning and business policy
- Organizational development and strategy 2012 – 2015 and progress in implementation of the Agenda 500
- Risk management and the internal control system of the company
- Compliance activities and organization

The Supervisory Board satisfied itself that the Executive Board has conducted business correctly and has taken all necessary measures in good time. It supports the existing compliance organization of the Executive Board and in particular launch of an e-learning program on the subject of the Code of Conduct and basic knowledge of compliance for the entire Group. In addition, the Supervisory Board regularly obtained reports on risk management and risk controlling at the Group. One focus was to examine whether the risk management system was up-to-date and adequate.

The efficiency of the Supervisory Board's work and decision-making processes was regularly evaluated and optimized.

Corporate governance

The latest version of the German Corporate Governance Code, the amendments to it published on June, 10, 2013, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 12, 2013.

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the "German Corporate Governance Code" (DCGK) and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law (AktG). Both bodies have thus fulfilled the obligation to ensure transparent and responsible management and control of the company. The declaration on conformance is contained in the 2013 Annual Report 2013 in the section "Corporate governance declaration in accordance with Section 289a HGB (German Commercial Code)" on page 42 and is available at all times on the company's Internet site.

Independent auditor

The independent auditor elected for the company and the Group by the 2013 General Meeting for fiscal year 2013 is PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main.

Annual financial statements of euromicron AG and the group

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, which was appointed as auditor of the financial statements for fiscal year 2013 by the Ordinary General Meeting in 2013, audited the annual financial statements for fiscal year 2013, which were prepared by the Executive Board in compliance with the rules of the German Commercial Code (HGB), and the management report. The auditor issued an unqualified audit opinion for them. The consolidated financial statements of euromicron AG for the fiscal year 2013 and the group management report were prepared in accordance with Section 315a HGB on the basis of International Financial Reporting Standards (IFRS), as are applicable in the European Union. The consolidated financial statements and group management report were also issued with an unqualified audit opinion.

The financial statement documents and audit reports for euromicron AG and the Group were available to the Supervisory Board in good time before the balance sheet meeting on March 28, 2014. The Supervisory Board examined the financial statements and the management report, as well as the consolidated financial statements and group management report of euromicron AG and the auditor's reports and concurs with the auditor's findings following detailed discussion with the Executive Board. At the balance sheet meeting of the Supervisory Board on March 28, 2014, the auditors reported extensively on the main results of their audit of the single-entity and consolidated financial statements, as well as the company's internal control and risk management system and compliance structures, and answered supplementary questions by the Supervisory Board. There were no objections to this report.

In its meeting on March 28, 2014, the Supervisory Board therefore gave its consent to the result of the audit by the independent auditor and the annual financial statements of euromicron AG prepared by the Executive Board and the group management report. The annual and consolidated financial statements of euromicron AG were thus approved.

The Supervisory Board examined the Executive Board's proposal to carry the net accumulated losses of € –5,283,486.01 forward to a new account and endorses this proposal of the Executive Board.

We also endorse the opinion of the Executive Board that a dividend payment for the past fiscal year – despite the fact that formally speaking one can be paid out if the other revenue reserves are appropriated – is not justified economically. Together with the Executive Board, we therefore propose to the General Meeting to transfer the net retained profits of euromicron AG to the other revenue reserves in order to strengthen equity.

Composition of the boards

There were no changes to the composition of the Executive Board or Supervisory Board in fiscal year 2013. The Chairman of the Supervisory Board is Dr. Franz-Stephan von Gronau and his deputy is Mr. Josef Martin Ortolf. All three members of the Supervisory Board were reelected for a further 5 years (until 2016) at the General Meeting on June 9, 2011.

Thanks

The Supervisory Board wishes to express its thanks to the Executive Board, management, the Managing Directors and all employees of the euromicron Group for their personal commitment and achievements in fiscal 2013. With their great dedication, all of them contributed to euromicron's stable performance.

Frankfurt/Main, March 28, 2014
The Supervisory Board

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

Corporate governance

1. Corporate Governance Report

euromicron Aktiengesellschaft communication & control technology (also referred to in the following as “euromicron AG”) complies with the currently applicable recommendations of the German Corporate Governance Code (also referred to in the following as “Code” or “GCGK”) in the version dated May 13, 2014, apart from four justified exceptions. The code represents cardinal statutory regulations on managing and supervising German listed companies (corporate governance) and contains internationally and nationally acknowledged standards of good and responsible corporate governance. It illustrates the commitment of the Executive Board and Supervisory Board to ensure the company’s continued existence and sustainable value creation (corporate interest) in compliance with the principles of the social market economy.

The Executive Board and Supervisory Board of euromicron AG have dealt in detail with compliance with the code’s stipulations and existing deviations and the reasons for them. On the basis of these discussions, the annual declaration on conformance, including the reason for the deviations from the code, was adopted on December 12, 2013. This document has been published on our Internet site and can be found in the section “Corporate governance declaration in accordance with Section 289a HGB (German Commercial Code)” on page 42.

1.1 Composition and workings of the Executive Board and Supervisory Board

In compliance with the requirements of the German Stock Corporation Law (AktG), euromicron AG has a dual management system under which the Executive Board is tasked with managing the company and the Supervisory Board with advising and overseeing the Executive Board. A strict separation between their members prevents somebody being a member of both bodies at the same time. The Executive Board and Supervisory Board work closely together to the benefit of the company.

1.1.1 The Supervisory Board

In accordance with Section 95 of the German Stock Corporation Law (AktG) and Section 8 (1) of the Articles of Association of euromicron AG, the Supervisory Board consists of three members and is currently made up solely of shareholder representatives in accordance with Section 96 of the German Stock Corporation Law. The German Act on the Codetermination of Employees (MitBestG) and Act on One-Third Participation do not apply to the composition of euromicron AG’s Supervisory Board.

The term of office of the current members of the Supervisory Board expires at the end of the General Meeting that decides on discharge of the Supervisory Board members for fiscal year 2015.

The composition of the Supervisory Board did not change in 2013. The current composition of the Supervisory Board corresponds to the following general requirements and concrete objectives for its composition. Since the resolution adopted by the Supervisory Board in May 2012, these are still:

- General requirements for the members of the Supervisory Board

  Every member of the Supervisory Board must fulfill the requirements defined by the law and Articles of Association to become a member of the Supervisory Board (cf. in particular Section 100 (1) to (4) of the German Stock Corporation Law).

  Every member of the Supervisory Board must have the knowledge and skills required to properly discharge the tasks incumbent on him/her under the law and the Articles of Association.

  At least one independent member of the Supervisory Board must have expertise in the fields of preparing and auditing financial statements within the meaning of Section 100 (5) of the German Stock Corporation Law.

- Concrete objectives for the composition of the Supervisory Board

  Ideally, the members of the Supervisory Board in its entirety should have the following qualifications and qualities; a combination of several qualifications and qualities in one person is also possible:

  At least two independent members within the meaning of Section 5.4.2 Sentence 2 of the German Corporate Governance Code are to belong to the Supervisory Board.

  The members of the Supervisory Board are to have different educational backgrounds and expertise from different areas of business life. In particular, expertise in the fields of business management, preparing and auditing financial statements and in banking and finance is desirable.

  At least one member with expertise in the field of euromicron's international business is to sit on the Supervisory Board.

  The composition of the Supervisory Board is to represent as broad a range of experience of life as possible. No member of the Supervisory Board is to be older than 70 years of age.

  Anyone who is expected to be subject to a conflict of interests frequently or permanently in exercising his or her office is not to be elected as a member of the Supervisory Board.

  Adequate representation of women is to be aimed for in the Supervisory Board's composition.

Adequate representation of women is to be aimed for with the next regular elections to the Supervisory Board. As in the past, the above criteria of relevance to the qualification of a person for membership of the Supervisory Board should also be taken into account for nominations, thus ensuring the focus on what is best for the company.

In the opinion of the Supervisory Board, all its members are independent within the meaning of Section 5.4.2 of the code. Where members of the Supervisory Board hold a high-ranking post at other companies with which euromicron AG – directly or indirectly – has business relationships, these transactions are conducted at terms and conditions as with third-party companies and, in our opinion, do not affect the independence of the affected members of the Supervisory Board.

The Supervisory Board advises the Executive Board in running the company, supervises its activities and is directly integrated in decisions of fundamental importance for the company. The Supervisory Board discusses the company's business development and strategy as well as planning and implementation of the latter in regular meetings together with the Executive Board.

The Supervisory Board examines the annual financial statements, the consolidated financial statements, the respective management report and the proposal on appropriation of the net retained profits. It deals with the quarterly and half-yearly reports and is also responsible for adoption of the annual financial statements and approval of the consolidated financial statements, taking into account the audit reports of the independent auditor.

The Supervisory Board also deals with compliance with legal requirements, official regulations and internal guidelines on conduct by the company.

Furthermore, the Supervisory Board has the task of appointing the members of the Executive Board, setting the number of its members and defining spheres of authority. The Supervisory Board has defined rules for the work of the Executive Board in bylaws, where this is not already stipulated by the Articles of Association. In particular, the Supervisory Board has defined which important decisions by the Executive Board – such as large acquisitions, divestments and financial measures – require its consent.

The Chairman of the Supervisory Board coordinates its work. The Supervisory Board has not formed any committees.

The persons making up the Supervisory Board are presented in the section "Supervisory Board and Executive Board" on page 51 et seq. The specific work of the Supervisory Board is presented in the section "Report of the Supervisory Board" on page 34 et seq. The remuneration of the members of the Supervisory Board is explained in the section "Compensation Report" on page 86 et seq.

1.1.2 The Executive Board

The members of the Executive Board manage the company's business and run it in joint responsibility with the goal of creating sustainable value. They develop the strategic orientation as well as annual and multi-year planning, decide on fundamental matters relating to business policy, agree these with the Supervisory Board and ensure they are implemented.

The Executive Board prepares the quarterly and half-yearly financial statements of the company, the annual financial statements of euromicron AG and the consolidated financial statements. In addition, the Executive Board ensures compliance with legal requirements, official regulations and internal guidelines on conduct at the company and works to ensure compliance with them at the companies in the euromicron Group as well. You can find more information on the compliance program and related measures in fiscal 2013 in the section "Compliance Report" on page 44 of the Annual Report.

The Executive Board and Supervisory Board work closely together to the benefit of the Group. The Executive Board regularly informs the Supervisory Board promptly and extensively about all matters of relevance to the company as a whole relating to strategy, planning, development of its business, financial position and results of operations, commercial risks and compliance.

In filling management posts, the Executive Board ensures adequate representation of women, as well as a wide range of skill structures (diversity).

The Executive Board of euromicron AG currently consists of two members. The Supervisory Board has appointed one member as Chairman of the Executive Board. The persons making up the Supervisory Board are presented in the section "Supervisory Board and Executive Board" on page 51 et seq. The remuneration of the members of the Executive Board is explained in the section "Compensation Report" on page 86 et seq.

1.2 Shareholders and General Meeting

All shares in euromicron AG are equal and in principle each share entitles the holder to one vote. Shareholders exercise their voting right, in addition to their other rights under the law and Articles of Association, before or during the General Meeting.

The annual Ordinary General Meeting is held within the first eight months of a fiscal year in accordance with Section 14 of the Articles of Association. The Executive Board submits the annual financial statements, the management report, the consolidated financial statements and the group management report to it. The General Meeting decides on the appropriation of profits, as well as discharge of the Executive Board and Supervisory Board, and regularly elects the shareholder representatives on the Supervisory Board. The General Meeting also decides on changes to the Articles of Association, measures relating changes in equity, company agreements, the issue of new shares and other important commercial measures, which are then implemented by the Executive Board.

The General Meeting is convened along with details of the agenda and an explanation of the rights of shareholders. Explanatory reports and other documents that have to be made accessible and relate to the items on the agenda can be obtained on the homepage of euromicron AG.

1.3 Transparency

Our goal is to provide institutional investors, private shareholders, financial analysts, employees and interested members of the public equally with regular and up-to-date information on the company's situation. We publish press releases, ad-hoc announcements, voting rights notifications, all financial reports and other important information on our homepage. All documents relating to our General Meeting can also be found there. We publish details on recurring events, such as the date of the next General Meeting or quarterly reports, in a financial calendar, which is published on the company's homepage and elsewhere.

In accordance with Section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and Supervisory Board or persons related to them are obligated to report transactions of shares in euromicron AG that require disclosure if the value of the transactions within a calendar year is €5,000.00 or more. The transactions requiring disclosure for fiscal 2013 have been published on our homepage in the section "Directors' Dealings".

PricewaterhouseCoopers (PWC) was appointed as the independent auditor of the financial statements of euromicron AG and as the auditor of the consolidated financial statements for the first time in 2010. The responsible audit partner, Dr. Ulrich Störk, took office for the first time in fiscal year 2013.

2. Corporate governance declaration in accordance with Section 289a HGB (German Commercial Code)

The corporate governance declaration in accordance with Section 289a HGB (German Commercial Code) is part of the summarized management report. In accordance with Section 317 (2) Sentence 3 HGB, the disclosures in accordance with Section 289a HGB do not have to be included in the audit.

▸ Declaration on conformity (Section 161 AktG (German Stock Corporation Law)) of euromicron AG for the year 2013

The Executive Board and Supervisory Board of listed stock corporations are obligated under Section 161 of the German Stock Corporation Law to declare once a year that their company has complied and will continue to comply with the recommendations of the government commission on the "German Corporate Governance Code" or which recommendations it has not applied or will not apply. In the latter case, reasons must be given why the company did not and will not comply with the recommendation in question.

The Executive Board and Supervisory Board of euromicron AG issued the last declaration on conformance in accordance with Section 161 of the German Stock Corporation Law on December 10, 2012. The following declaration relates for the period from December 11, 2012 to June 9, 2013, to the recommendations of the German Corporate Governance Code ("code" or "DCGK") in its version dated May 15, 2012, as published on June 15, 2012, in the Federal Official Gazette.

The following declaration relates for the period from June 10, 2013, to the recommendations of the code in its version dated May 13, 2013, as published on June 10, 2013, in the Federal Official Gazette ("2013 version"). This having been stated, the Executive Board and the Supervisory Board of euromicron AG declare in accordance with Section 161 of the German Stock Corporation Law:

euromicron AG complied and will comply with the recommendations of the government commission on the "German Corporate Governance Code", with the following exceptions:

1. Capping of the overall compensation and variable compensation components for the Executive Board (Section 4.2.3 (2) Sentence 6 DCGK)
   The contracts of employment of the serving members of the Executive Board provide for a cap to the level of the fixed compensation and the variable compensation components. However, the contracts of employment do not provide for a cap for the "overall compensation". The company has therefore not complied in full with the recommendation in Section 4.2.3 (2) Sentence 6 of the code (2013 version) since June 10, 2013.

   Reason:
   The code's recommendation that the compensation of each Executive Board member should be capped overall and as regards its variable components was introduced when the new version of the code was introduced on June 10, 2013. The Executive Board and Supervisory Board

are currently deliberating on compensation of Executive Board members to comply with the recommendation of the Corporate Governance Code. In addition, the lack of a cap to the "overall compensation" does not result in a situation where the compensation to be awarded to Executive Board members might exceed reasonable bounds.

2. Formation of Supervisory Board committees (Section 5.3.1 to 5.3.3 DCGK)
   The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future, meaning euromicron AG deviates from the recommendations in Sections 5.3.1 to 5.3.3 of the German Corporate Governance Code.

   Reason:
   Since the General Meeting on June 24, 2004, the Supervisory Board of euromicron AG consists only of three persons in accordance with the Articles of Association. The formation of committees would not make the work of the three-member Supervisory Board easier, since the committees which adopt decisions would also have to have at least three members of the Supervisory Board on them.

3. Compensation of members of the Supervisory Board (Section 5.4.6 (2) sentence 2 DCGK)
   In the period up to June 4, 2013, the compensation promised to members of the Supervisory Board did not comply with the recommendation in Section 5.4.6 (2) Sentence 2 of the code, since the performance-related compensation promised to members of the Supervisory Board was not geared to sustainable growth of the company.

   Reason:
   The code's recommendation that performance-related compensation promised to members of the Supervisory Board is to be geared to sustainable growth of the company was introduced with the version of it published on June 15, 2012. On May 17, 2013, the General Meeting adopted a resolution to amend Section 13 of the company's Articles of Association so as to change the compensation for members of the Supervisory Board to a pure fixed one. The amendment to the Articles of Association was entered in the commercial register on June 4, 2013, and will apply for the first time to the compensation to be paid for fiscal year 2013. The compensation for members of the Supervisory Board therefore no longer deviates from the recommendation in Section 5.4.6 (2) Sentence 2 DCGK since the amendment to the Articles of Association was entered in the commercial register.

4. No list of third party companies (Section 7.1.4 DCGK)
   euromicron AG does not publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise, including the disclosures in accordance with Section 7.1.4 Sentence 3 of the of the German Corporate Governance Code.

Reason:
euromicron AG follows the recommendation of Section 7.1.4 of the German Corporate Governance Code insofar as it presents a list of holdings in the form of clear charts of the company structure. In addition, extensive details of the purpose and role in the Group of the companies that are not of minor importance to the existence and development of euromicron AG and the Group are given. More detailed publication is dispensed with in order to avoid competitive disadvantages as a result of disclosure of details on valuations and the earnings power of individual holdings.

Frankfurt, December 12, 2013

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

Dipl.-oec. Josef Ortolf
Member of the Supervisory Board

Dr. Andreas de Forestier
Member of the Supervisory Board

For the Executive Board:
Dr. Willibald Späth
Chairman of the Executive Board

Thomas Hoffmann
Member of the Executive Board

- Details on corporate governance practices
  Our Articles of Association, the German Corporate Governance Code, all declarations on conformance and the Code of Conduct of euromicron AG can be obtained on our homepage in the section “Corporate Governance”.

- Description of the workings of the Executive Board and Supervisory Board
  The persons on the Executive Board and Supervisory Board are stated in the section “Executive Board and Supervisory Board” on page 51 et seq. A general description of the tasks and workings of the Executive Board and Supervisory Board can be found in the section “Composition and workings of the Executive Board and Supervisory Board” in the Corporate Governance Report on page 38. The latter is also published in the Internet on our homepage on the section “Corporate Governance”.

3. Compliance Report

For the Executive Board of euromicron AG, corporate governance based on integrity means morally and legally responsible conduct toward executives, employees and all business partners. These maxims are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company’s Code of Conduct, which is intended to ensure that everyone in the Group acts and behaves consistently and ethically.

In this regard, the Executive Board of euromicron AG has formulated the mission for itself, the executives and the employees of the euromicron Group to practice a corporate culture which is characterized by honesty and integrity. These guidelines on conduct, which go beyond the basic requirements under the law, define the framework for commercial and personal conduct, internally and towards our customers, suppliers and other contractual partners. The Code of Conduct can be viewed on the company's homepage at www.euromicron.de/unternehmen/verhaltenskodex.

3.1 Focus of our compliance work
In addition to the general guidelines for compliance in practice, the Executive Board – in coordination with the compliance officer of euromicron AG – select each year a special area of focus so as to ensure adequately at all times that our individual divisions are able to cope with the changes that they are subject to. The aim of this is to address the changes in requirements from operational business and in the market environment. Our divisions are to be developed further on the bass of the created compliance structure with reference to the separately defined areas of focus.

One of the particular focal areas in fiscal 2013 was IT security.

As part of the IT security organization, IT officers were appointed at all companies in the Group. They are responsible for compliance with IT security standards and further development of the IT security organization, are directly integrated in the compliance organization and so help keep on improving compliance in the Group.

3.2 Compliance training
Various training measures ensure that the high standards euromicron AG demands of all executives and employees are implemented and practiced. In addition to on-the-job training in the form of e-learning, the compliance officers identify specific groups of executives and employees to attend in-person courses and learn what compliance involves. As a result, the specific requirements of our various divisions can be better addressed.

3.3 Compliance organization
The Executive Board has created an effective organizational structure to enforce, control and further develop the Code of Conduct and ensure that the Group lives up to its mission of complying with the law and company agreements. Local compliance officers have been appointed at all Group companies; information on compliance violations can be reported to them or directly to the Chief Compliance Officer of euromicron AG. The Chief Compliance Officer is in regular contact with the Executive Board in relation to all compliance issues and also reports regularly to the Supervisory Board.

Meetings of all compliance officers in the euromicron Group ensures that information and experience are shared and that the guidelines on conduct issued by the Executive Board are carried through effectively and filled with life. To enable that, the compliance and IT officers are in close dialog with the Group's Data Protection Officer.

As a result, the compliance organization of euromicron AG is firmly established in all of the company's units and ensures an effective structure to which employees can address their questions and information.

3.4 Further information
To make sure that the contents of compliance are practiced not only by employees and executives, but also with our business partners, they are also implemented in our general standard terms and conditions of trade and other contractual agreements.

euromicron
on the capital market

Our business activities are geared to growing the value of euromicron AG long term. We underpin that with effective communication with the capital markets, a dividend policy that reflects the company's situation, and selective capital measures.

Performance of euromicron's share

euromicron's share started the 2013 stock market year trading at a price of €18.74 and moved in line with the overall market in the first two months. The share reached its high for the year at €20.185 on January 29, 2013. In the unstable stock market phase after publication of our business figures and our announcement that the dividend would be adjusted in March 2013, the price stabilized at €16 toward the end of the first quarter.

The share price was little affected by the positive news from the company in the second quarter. It largely fluctuated in a range between €14 and €16. euromicron's share ended the first half of the year at €14.60.

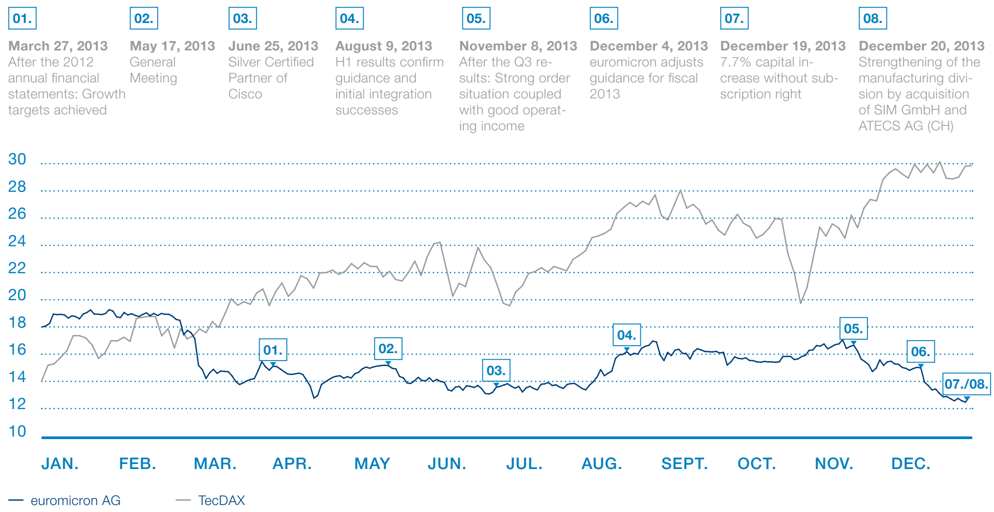
On the basis of publication of the solid half-yearly figures, euromicron's share performed positively in the third quarter and at one stage tipped €17.74. The share's exit from the TecDAX in September 2013 had virtually no effect, with the result that the share ended the third quarter at €16.35.

The share's positive performance continued at the beginning of the fourth quarter and again stood at €17.48. Finally, a downward trend was initiated with the announcement of the adjusted guidance, coinciding with another phase of stock market weakness in December 2013. There was a recovery after the capital increase placed on December 19, when the share stood at €13.86, with the result that in the short period of time up to the end of the year it was well above the placement price and listed at €14.35.

Share profile

Class	No-par registered shares
ISIN:	DE000A1K0300
Abbreviation	EUCA
Transparency level	Prime Standard
Market segment	Regulated Market
Sector	Technology
Places of trading	Frankfurt am Main/XETRA
Designated sponsors	Close Brothers Seydler AG, equinet Bank AG

SHARE PERFORMANCE IN €



Market capitalization and index membership

The market capitalization of euromicron at the end of the year was around €102.9 million compared with €120.9 million in the previous year. An average of around 32,470 shares were traded a day; the volume of trading in 2013 totaled around 7.4 million.

The shares of euromicron AG were listed on the TecDAX, the index of the 30 largest technology stocks at Frankfurt Stock Exchange, until September 2013. The composition of the index is defined on the basis of market capitalization and volume of trading and is reviewed periodically. On the basis of these criteria, euromicron AG was one of the smallest stocks on the TecDAX.

The shares on the market

	2013	2012
Number of shares issued at the balance sheet date*	7,176,398	6,663,799
– of which treasury shares	–	–
Capital stock (€)*	18,347,544.88	17,037,017
Highest price (XETRA) (€)	20.185	23.50
Lowest price (XETRA) (€)	13.38	16.05
Closing price at the end of the year (XETRA) (€)	14.35	18.14
Market capitalization at the end of the year (in € million)*	102.9	120.9
Undiluted earnings per share (€)*	–0.12	1.29
Volume of shares traded (in millions)	7.39	7.4

* Including the capital increase, which was entered on January 8, 2014

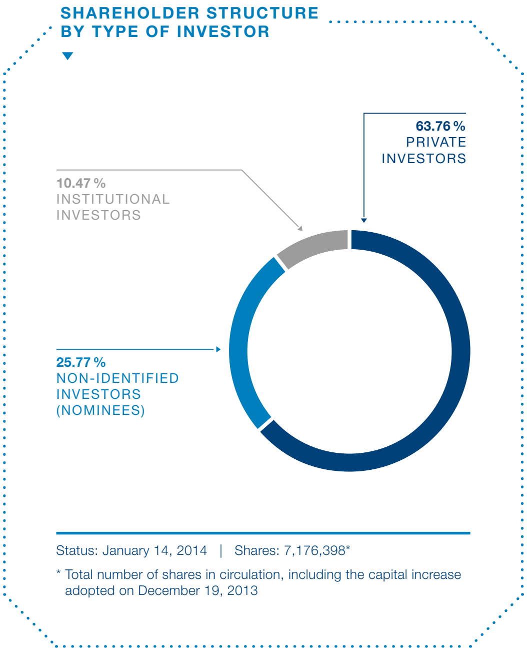
General Meeting

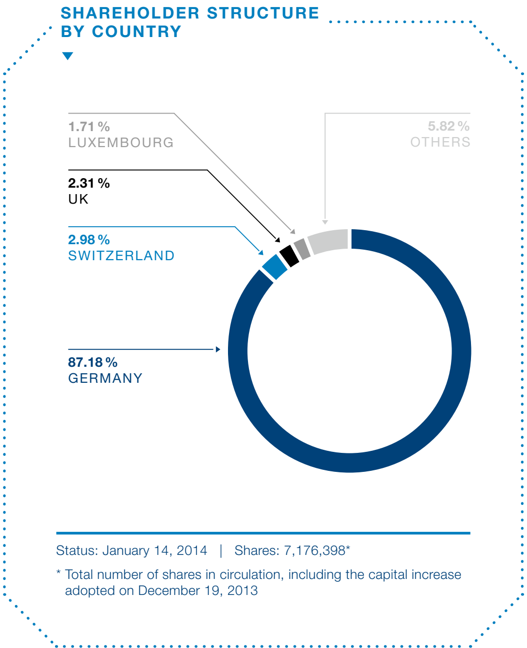
The Ordinary General Meeting of euromicron AG was held this year in the Auditorium of Commerzbank AG, Frankfurt/Main, on May 17, 2013. The company's Executive Board and Supervisory Board welcomed around 200 shareholders.

The acts of the Executive Board (92.56%) and Supervisory Board (89.99%) in fiscal year 2012 were ratified. in talks and discussions at the fringes of the event, shareholders confirmed their approval of the cautious dividend proposal, the future-oriented strategy and the company's planned development as part of the Agenda 500.

Shareholder structure

The majority of euromicron AG's shares – around 64% – is held by private investors. The share of institutional investors is around 10%. The proportion of shares held by investors whose identity is not known by us is therefore 26%. This group also includes private investors. euromicron's shares are predominantly held by investors from Germany (approximately 87%), while around 13% are held by investors from the UK, Switzerland, Luxembourg and other countries.





In the year under review, we received voting rights notifications from Allianz Global Investors Europe, Germany, and FPM Funds SICAV, Luxembourg. Allianz Global Investors Europe, Germany, informed us in February 2013 that its share of voting rights had fallen below 5%. The investment company FPM Funds SICAV, Luxembourg, announced in November 2013 that its stake in euromicron AG had exceeded the 3% mark.

Capital increase

On the basis of the authorization adopted and granted by the General Meeting in 2011, the Executive Board of euromicron AG decided, with the consent of the Supervisory Board, on December 19, 2013, to carry out a capital increase in exchange for cash contributions, with partial use of the authorized capital and with exclusion of the subscription right of shareholders.

The capital stock was increased by the issue of 512,599 new registered shares at the issue price of €13.86 and with a full share in profits as of January 1, 2013. Entry of the capital increase in the commercial register on January 8, 2014, increased the number of shares in euromicron AG in circulation from 6,663,799 to 7,176,398. The nominal value of the issued shares is around €2.56 per share and resulted in an increase in euromicron AG's capital stock by EUR 1,310,537.44 from €17,037,017.44 to €18,347,554.88.

The purpose of the capital increase was to finance the company's further planned growth from its own funds to a major extent and helps strengthen euromicron AG equity base.

Assessments of analysts

Interest in our company and its development among financial analysts remained high in 2013. euromicron AG nurtures a continuous dialog with analysts in order to inform them of the latest news about the company.

Overall, 3 analysts rated the euromicron share as "hold" in 2013, whereas 24 recommended it as a "buy".

Analysts' recommendation on euromicron's share

Buy	24
Hold	3
Sell	0

The following research houses accompanied euromicron with studies in 2013

Bankhaus Lampe KG	Wolfgang Specht
Close Brothers Seydler Research AG	Martin Decot
Dr. Kalliwoda Research	Dr. Norbert Kalliwoda
equinet Bank AG	Adrian Pehl
GBC AG	Philipp Leipold
Independent Research GmbH	Markus Friebel
LBBW	Thomas Hofmann

Investor relations

We addressed the steadily growing need for information on the part of the capital market last year by taking part in a raft of roadshows and investor conferences. The Executive Board of euromicron AG again presented the company in 2013 in one-on-one meetings with potential investors and analysts from Germany and other European countries. The goal of our investor relations work is transparent and fair financial communication with all market players. In this way we create trust among analysts, investors and private shareholders, which helps ensure a positive share price performance in the medium and long term.

In addition, our Internet presence and the Annual Report, as the key medium of financial reporting, are for us vital elements of communication with the financial market. We work continuously to update these media so as to provide our shareholders with all the information they need via these channels.

Dividend

As part of the Agenda 500, euromicron AG is in its planned phase of integration and structuring in the years 2012 – 2014 after around twelve years of continuous growth with a strong dividend. The goal is to prepare the company for the next step in its growth in 2015.

Following 2012, the Executive Board and Supervisory Board have agreed to again retain liquid funds within the company for fiscal 2013, the year with the highest expenditure on integration, restructuring and realignment in the history of the euromicron Group.

Given that the planned positive economic effects of the Agenda 500 are not yet reflected in the key ratios, but the burdens can be seen directly in a balance sheet loss for euromicron AG, the Executive Board and Supervisory Board will propose to the General Meeting on May 14, 2014, to refrain from making a dividend payout for 2013.

After completion of the integration phase, the Executive Board of euromicron AG aims – as in the years of building the Group – to let all shareholders share in the anticipated success of the company and to return to the dividend policy it has practiced for many years on the basis of achievement of the original quality of earnings of 8% to 11%.

Board Members of the Company
Executive Board and Supervisory Board

Executive Board

Dr. Willibald Späth
Chairman of the Executive Board

Strategy, Acquisitions, Finance,
Public Relations and Investor Relations

Thomas Hoffmann
Member of the Executive Board

Strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets

Supervisory Board

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

Certified public accountant, lawyer, tax consultant
Partner of the firm LKC Kemper Czarske v. Gronau Berz GbR, Munich

Josef Martin Ortolf
Deputy Chairman of the Supervisory Board of euromicron AG

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

Dr. Andreas de Forestier
Member of the Supervisory Board of euromicron AG

- Managing Director of DBE Immobilienverwaltungs GmbH, Munich
- Managing Director of DBE Liegenschaften GmbH, Munich
- Managing Director of KEA Vermögensverwaltungsgesellschaft mbH, Hamm
- Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
- Chairman of the Supervisory Board of cp consultingpartner AG, Cologne
- Chairman of the Supervisory Board of RECP AG, Berlin
- Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting the ecological and social market economy, Nuremberg

Group Management Report

Group Management Report
for the fiscal year 2013

from January 1, 2013, to December 31, 2013

1. Fundamentals of the Group

1.1 Business model of the Group

euromicron AG is a leading national, Europe-oriented system house for communications, security and data networks and boasts production expertise in the field of fiber optics technology. In the year under review, euromicron AG geared its structure and organization rigorously to its long-term corporate strategy and the objectives of the Agenda 500.

Profile

With its Group companies, euromicron AG offers customers from all sectors a one-stop shop for tailored, vendor-independent network solutions. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on copper, fiber-optic and wireless technology. The product portfolio includes active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber-optic cables, assembly and measuring equipment, intercom and public address systems, test and workbench systems and professional video, audio and special technology solutions. The components are used in WANs (wide area networks), MANs (metropolitan area networks) and LANs (local area networks) for data communication at data centers, and in the field of medical and security technology.

The euromicron Group is an integrated system house that boasts production expertise and unites top-level development, project planning, consulting and distribution know-how.

PROFILE OF EUROMICRON AG

COMPONENTS
- Active/passive network components
- Test and workbench systems
- Intercom and public address systems
- Professional video, audio and special technology solutions

SOLUTIONS
- Voice/unified communication
- Video/monitoring / public address systems
- Smart grids
- Security
- PMR solutions

SERVICES
- Consulting
- Training
- Analysis
- Servicing
- Maintenance
- Managed services

Innovation

System integration

Management

CUSTOMER SOLUTIONS

Professionalization and expansion of technological know-how

Against the backdrop of the Agenda 500, we spent a lot of money and worked hard on further professionalizing, optimizing and expanding our technological skills and expertise in the year under review, with the aim of rounding out our business model further.

In the field of system integration, our goal is to position our company as the technologically leading, independent system integrator in the LAN, MAN and WAN arena by 2016. To enable that, in 2013 we continued to expand our certification and partnerships with leading vendors and pool our expertise so as to keep on driving innovative technologies as part of Competence Centers.

In the field of production, our goal is to further build on our market leadership in profitable niches by 2016. This fiscal year we consequently launched further product innovations, identified profitable niches for us, for example in the field of professional video, audio and special technology solutions, and invested in developing them.

Certification and strategic partnerships expanded

An integral part of euromicron AG's business model is a vendor-independent combination of products and solutions to create customized end-to-end systems. In this connection, strategic partnerships with manufacturers from the field of network technology and security, as well as the certification for planning, installing and maintaining their products, are key factors in our success.

In the year under review, euromicron AG continued to deepen and expand collaboration with its strategic partners. One example of this is our certification as a "Silver Certified" partner of Cisco. This enables us to offer and implement Cisco solutions for end customers to a greater extent nationwide. In our integration phase, we are making extensive investments in training and further qualifying our pre-sales and sales staff, technicians and system specialists so as to give them the skills they need for the applications in question.

With this and other certification measures for various manufacturers, we are reaffirming our mission of planning, implementing and maintaining the ideal solution for every customer on a vendor-independent basis.

Further Competence Centers established

An important pillar in euromicron's portfolio are Competence Centers. There is stronger demand for certain products or solutions on the market. So as to provide customers with the up-to-date expert knowledge required for these products and solution at all times, euromicron AG pools the know-how available in the Group at Competence Centers.

One example is "Unified Communications and Collaboration" (UCC), currently one of the growth drivers in the telecommunications market. The goal here is to merge the various means of communication and collaboration tools (e.g. voice in the fixed/mobile network, e-mail, conferences, checking of availability, arrangement of appointments) in a single platform and integrate them in the existing network. The Experton Group assumes that more than 30% of expenditure on VoIP solutions in Germany can already be ascribed to the wider UCC market. As carriers continue to migrate toward next-generation networks, a growing number of customers is asking us to integrate these innovative solutions in their network infrastructure.

To cater for this demand comprehensively, euromicron AG established the “UCC” Competence Center in 2013. The same applies to solutions in the field of active network technology, which are served by the “Active Enterprise Networking” Competence Center. Back in 2012, the euromicron Group pooled its know-how in passive cabling for data centers in the URM (Yo**U** a**R**e **M**odular) Competence Center.

Following extensive investment since 2013, the Competence Centers have essentially been available to all regions to provide services as internal service units. As a result, all euromicron branches can leverage this special know-how and offer every customer the solution it wants.

Project highlights in 2013

euromicron AG’s increasing professionalization and further expansion of its technological skills enabled us to accompany and support a host of exciting projects for our customers again in 2013.

This selection from our references shows the great diversity of our technological know-how: As part of broadband expansion for NeckarCom Telekommunikation GmbH, a subsidiary of the energy group EnBW, the euromicron subsidiary telent assumed responsibility for planning, delivering and commissioning the passive and active network components and complete after-sales support. The ERDGAS Sport Park Halle relied on the competences of SSM euromicron in planning and networking all the communications and security components and systems, such as IP video cameras and the public address and voice alarm systems. At Vechta Prison, for example, euromicron implemented an IP network structure that enabled connection of a full-coverage DECT telephony solution and a combined DECT/low frequency-based solution for the location transmitters of a personal emergency signaling system to the servers and to the central management system for alerting and locating.

We aim to satisfy all these customers and win them over with our expertise in future as well. That is why we will continue to invest in our professionalization and expanding our technological skills.

Legal structure

euromicron AG, which is based in Frankfurt/Main and is the strategic management holding, assumes responsibility for further central tasks, relating to controlling, finance, human resources, legal affairs, purchasing, IT and public and investor relations. It has a controlling influence in operating business of the individual associated companies. euromicron AG tasks euromicron international services GmbH with providing operational services, for example in the fields of IT, fleet management, insurance or in overarching areas of purchasing.

At the beginning of fiscal year 2013 and with an eye to the company’s future growth, euromicron AG together with euromicron networks GmbH founded a subsidiary whose purpose is essentially to coordinate the activities and skills of the regional subsidiaries in system house business in order to achieve synergies and – such as in purchasing for the system houses – economies of scale, but always in compliance with the overarching regional controlling structure. Initial areas, such as Purchasing, Business Development and Marketing, were assigned appropriate human resources at the level of euromicron networks. They work hand on hand with the operating companies and help pool tasks and activities in order to develop euromicron AG’s business further. We will continue to expand these activities successively as an important component in the further growth of the euromicron Group in 2014.

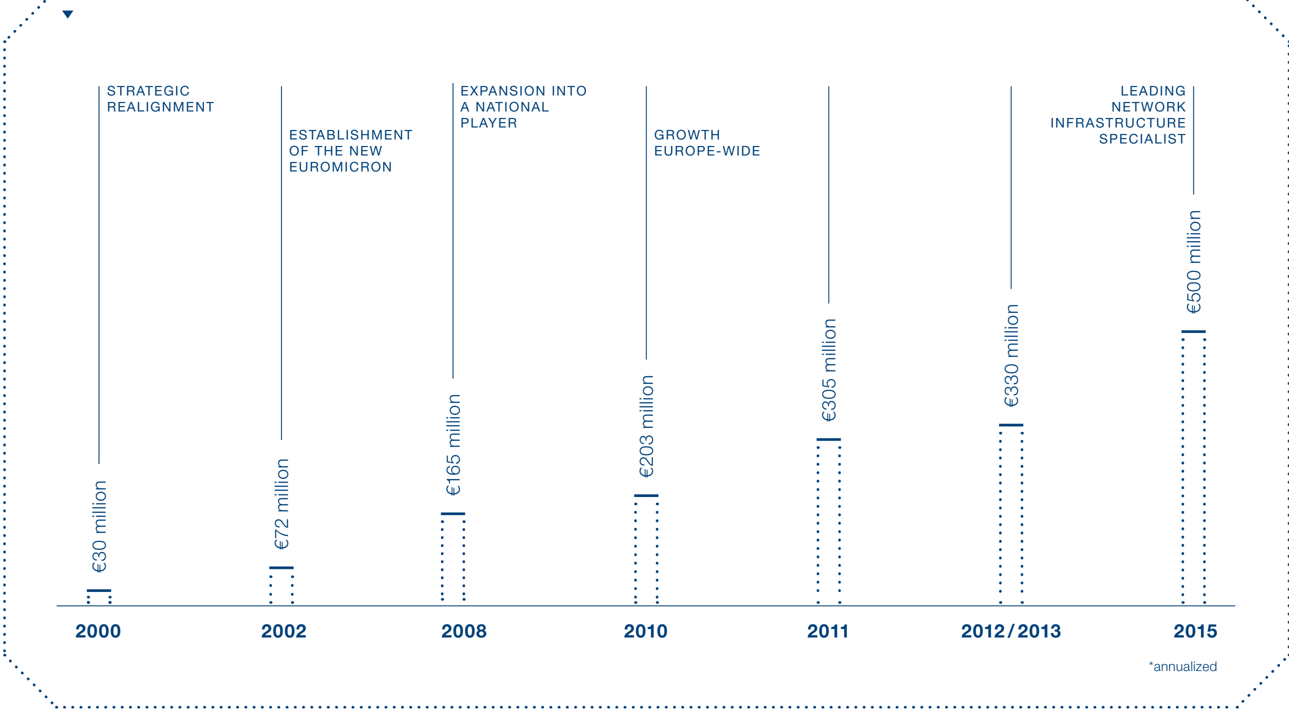
Under the group's umbrella, euromicron AG as the parent company, including euromicron international services GmbH and euromicron networks GmbH, consolidates 27 companies that are included in the consolidated financial statements.

1.2 Objectives and strategies

The euromicron Group's development into a leading player in the market for network infrastructures is based on a clearly defined corporate strategy with a time frame of 15 years. In line with this planning, 2013 is the core year integration of euromicron as part of its development. That entails intensive investments in order to gear the Group to sales of €500 million in 2016.

From a niche provider to a European player
euromicron AG's Executive Board has set itself ambitious growth targets in turning the company from a niche provider to a European player. The Group's goal is to achieve annualized sales of €500 million in 2015, with the company being developed by means of organic growth, acquisitions and integration.

SALES DEVELOPMENT IN NETWORK TECHNOLOGY



This objective requires average organic growth in revenue of 5% to 10% a year, with an annual EBIT margin of 8% to 11% apart from in the years of consolidation and integration.

Against this backdrop, in 2006 euromicron AG's Executive Board formulated a three-stage corporate strategy to help create a powerful company in the field of network infrastructures which is able to meet every requirement for data transport (voice, video and computer data wirelessly, by cooper cable or by fiber optic) in the dynamic market and achieve the planned growth objectives.

Early start of the final stage of implementation

On the basis of highly profitable growth in the first two phases of the strategy from 2000 to 2010 and following the earlier than originally planned purchase of telent GmbH in 2011, euromicron is now embarking on what is for the time being the last stage of implementing its long-term corporate strategy.

TRANSFORMATION INTO A LEADING NETWORK SPECIALIST

1ST STAGE

2000 – 2005

- Capital increases to flank the company's growth
- Strategic establishment and expansion of core business
- Sale of industrial holdings
- Repayment of debt

2ND STAGE

2005 – 2010

- Company acquisitions to round out the portfolio
- Further development of operational business and the structure
- 1st stage of integration and consolidation
- Transition to the CIP

3RD STAGE

2011 – 2015

- Strategic company acquisitions and integration
- Mergers / rights of use
- 2nd stage of integration and consolidation
- Continuous improvement process

As part of this, the integration measures that were initiated in 2008/2009 – and suspended due to the early acquisition of telent – were expanded and deepened so as to press ahead more comprehensively with realignment and integration of the euromicron Group in view of the sharp increase in sales volumes as a result of the acquisition.

Agenda 500

Under the 2- to 3-year integration phase that was resumed in 2012 on a broader base, the euromicron Group is to be expanded and reorganized, its structures and processes optimized and the financial and personnel requirements created for continued highly profitable growth to sales of €500 million. We have titled this phase, in which we will lay the foundation for preparing euromicron for the last step in implementation of the corporate strategy, "Agenda 500".

The focus of the Agenda 500 is:

- Reorganization and expansion of management structures
- Establishment of Competence and Shared Service Centers
- Acquisition of special skills
- Optimization of capital commitment
- Professionalization of the process and IT model
- Optimization of locations
- Further adaptation to corporate governance requirements

Annual costs of €3 to €5 million – to be funded from euromicron AG's earnings – have been earmarked in future to implement the measures as part of the Group's integration and structuring phase.

After successful accomplishment of the integration phase and acquisition of a further largish company, the third phase of implementing the corporate strategy will conclude in 2015 with annualized sales of €500 million and in 2016 with sales of €500 million.

Agenda 500 measures expanded in 2013, the core year integration
In 2013, the core year integration, the Agenda 500 measures were transitioned to a rigorous process and sharply expanded again. Apart from the ongoing measures, particular focus was placed on reducing and restructuring the workforce, reorganization of the divisions and a raft of cost-cutting measures.

Suitable human resources and personnel capacities are vital to euromicron AG's further growth. Consequently, euromicron not only added staff in the year under review. In order to press ahead successfully with the euromicron Group's integration process, the management structures in a large number of companies were modified and management changed. That is because in particular in change processes – such as the Agenda 500 for euromicron – it is important for local management to back the changes and get the workforce on board. In addition, just about all functions in the euromicron Group were scrutinized, their adequacy was examined in terms of quantities and quality, and restructuring was carried out in a number of divisions.

Expansion and further development in 2014
After streamlining, consolidation and realignment of the company's structures in the core year integration 2013, the Executive Board envisages a phase of expansion and further development of the company as part of integration in 2014.

The Executive Board is convinced that, after 10 years of highly profitable growth, the cost-intensive integration and capital spending measures of 2012 to 2014 are necessary and correct for the further growth of euromicron toward the target of €500 million in sales so as to secure the company's long-term prospects and so shareholder value.

1.3 Control system

Management structure
The euromicron Group's management is headed by two Executive Board members. Operational business is run locally by the subsidiaries, whose Managing Directors report directly to the Executive Board.

As a result, the most important feature of euromicron's SME model remains the hierarchical separation between strategic management of the Group by the Executive Board and management of the operating units. That means the strategic orientation is defined by the Group's Executive Board, whereas implementation of the strategy lies in the hands of the operationally independent local units. Compliance in implementation of the strategy is monitored and reviewed by means of regular reporting and communication between the Executive Board and management.

In this structure, the Managing Directors of the operating system integrators, as well as those at euromicron production companies and distributors, act as independent entrepreneurs with a high degree of responsibility of their own in the respective regional and supraregional markets. A compensation system geared rigorously to performance supports and promotes entrepreneurship on the part of the Managing Directors.

Regional focus of business operations
The regional focus of the company's business operations is on German-speaking countries, as a result of which intensive support for around 90% of euromicron's customers is enabled.

In particular in the consulting-intensive solution business of euromicron's system house, on-site contact with customers is crucial. That is why euromicron AG has a comprehensive network of branch offices extending over 20 locations in Germany.

In the year under review, the branch offices of the enterprise system houses were merged into overarching regions as part of a regional strategy. We have given these regions management teams who report to the enterprise system houses. The objective of the regional strategy is to serve our regional customers even more comprehensively with euromicron's entire portfolio of products and solutions so that euromicron's expertise is available comprehensively in all regions and synergy potentials between the individual branch offices can be identified and tapped.

euromicron also has its own locations in other European countries: Italy, Austria, Benelux, France, Poland and – since the acquisition of ATECS AG in December 2013 – in Switzerland. We are based in some non-European countries in the shape of project offices, for example in China and Pakistan, so as to cater for country-specific market requirements there.

Further countries continue to be tapped from our operating business by export and project business, with this largely being controlled from Germany. As part of its internationalization strategy, euromicron AG permanently examines its opportunities for tapping interesting foreign markets by acquiring niche companies as a springboard for the next step in its growth. Unit then, international business will be pursued by euromicron AG with its customary cautious "policy of small steps", even in the phase following integration.

Business segments

Business segments are identified on the basis of internal organizational and reporting structures which are in principle regionally oriented. The euromicron Group is divided into the three controlling units euromicron North, euromicron South and euromicron WAN services.

GROUP STRUCTURE

EUROMICRON GROUP

SEGMENTS

euromicron north
including Poland and France

euromicron south
including Austria, Italy and Switzerland

euromicron
WAN services

AREAS OF EXPERTISE

- Development and production of components and product categories
- Planning, design and integration of systems and solutions
- Consulting, distribution, sourcing and network services

Within these segments, euromicron's subsidiaries jointly cultivate the company's target markets in projects. euromicron North also has representative agencies in Poland and France, while euromicron South also includes companies in Austria, Italy and Switzerland. The WAN services segment groups business relating to planning, installation and maintenance of wide area networks, i.e. supraregional networks.

Key figures used for internal control purposes

All the euromicron Group's activities are controlled and monitored on a segment-oriented basis. To enable continuous analysis and controlling of the Group's business segments, management uses among other things quarterly forecasts as regards expectations, which are analyzed intensively. Budget variances are examined to determine their impact on the financial targets and measures to fulfill the budget are initiated. An extensive risk management system supplements current and quarterly reporting and the annual forecast so that potential changes can be identified at an early stage. Proposals for measures to ensure that targets are achieved and to avert risks and are constantly analyzed as regards their effectiveness, discussed and implemented. Important key figures that are monitored regularly are shown by way of example in the table below:

Key figures and control factors

	2013 € m.	2012 € m.
Sales	329.4	330.0
Earnings before interest and taxes (EBIT)	5.5	17.1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	14.4	25.0
EBITDA margin	4.4%	7.6%
Order books	126.5	125.2
Consolidated net income for euromicron AG shareholders	−0.9	8.6
Adjusted weighted average number of shares issued (undiluted)	7.18	6.66
Undiluted earnings per share in €	**−0.12**	**1.29**

The most important key figures used to control the Group are sales and the EBITDA margin. The EBITDA margin is defined as EBITDA divided by sales. The development in these key figures is explained in sections 2.2. "Business performance" and 2.3. "Net assets, financial position and results of operations".

1.4 Research and development

Innovation initiative continued

In the year under review, euromicron AG continued the innovation initiative it launched in 2012 and developed new and enhanced existing products. At CeBIT 2013, the euromicron subsidiary MICROSENS showcased the "Profi Line Modular" switch for industrial applications. The "Eurolens" lens connector developed by EUROMICRON Werkzeuge was made ready for the market and our subsidiary ELABO presented various mobile versions of its innovative workbench system in the shape of "Primus One mobile" at Hanover Industrial Trade Fair.

The continued investments in innovative and competitive new products are also reflected in the book values of capitalized development costs, which were €10.2 million (previous year: €9.7 million) at December 31, 2013; amortization of capitalized development costs was €2.2 million (previous year: €1.6 million). The new own work capitalized (development costs and other own work) in fiscal 2013 totaled €3.1 million (previous year: €5.6 million). As initial new orders at the beginning of 2014 show, the new products are going down well with our customers.

Development in the manufacturing division strengthened

In order to strengthen its manufacturing division and position itself even more strongly in the field of development, production and maintenance of security systems and surveillance technology, euromicron AG acquired two assembly businesses in December 2013: SIM Secure Information Management GmbH and ATECS AG Advance-Technology-Solutions, leading producers and vendors of professional video, audio, telecommunications and security technology solutions.

Both of them cooperate closely with industrial companies, but above all national and international ministries and public authorities, and have a good reputation and extensive experience in developing and integrating complex technical systems and in project management. Backed by years of experience, they develop tailored product and system solutions that meet all security requirements. They include laser-based video surveillance systems, automatic sign recognition, mobile mesh networks, tap-proof mobile communications and radiation-shielded building infrastructures for mobile and fixed-line communication via fiber optics.

As a result, euromicron AG is expanding the know-how base of its production operations to include expertise in developing highly professional video and security technology for special applications and markets. At the same time, it is taking a further step toward internationalization of the Group. We also see advantages from the acquisition in expansion of existing customer relationships in the sensitive field of national and international protection, security and defense technology.

2. Economic report

2.1 General economic and industry-specific conditions

2.1.1 General economic conditions

Global economic growth (GDP) reached at low at 1.8% at the beginning of 2013, but has picked up sharply since then. Global economic growth for the year as a whole stabilized at around 3.0% and so at the level of the previous year. This was aided in particular by economic growth in the U.S. and Japan, a slight recovery in Europe and stabilization of growth in China. The recently published early indicators point to a further economic pickup in 2014. According to the Ifo indicator, the business climate improved in the industrial nations and merging countries alike. The IMF expects economic output to grow by 3.7% in 2014.

Trends in the Euro area

Experts believe that the Euro area began to emerge from recession in calendar year 2013. After a first quarter of 2013 where there was a 0.2% decline in economic output, the Euro zone has exhibited sharply positive growth rates again from the spring of 2013 onward. The crisis countries made progress in consolidating their budgets and increasing their competiveness. Trust in the single currency and creditworthiness of individual crisis nations has grown, which is reflected among other things in the declining yields for Spanish and Italian government bonds. Over the year as a whole, the Euro area still suffered an economic decline of –0.5% compared with –0.7% in 2012 due to the weak start at the beginning of the year and the slowdown in France. The IMF and European Commission expect a continuing economic recovery in 2014 with an increase in GDP of around 1% in real terms.

The economic situation in the Federal Republic of Germany

After a phase of weak economic activity in the winter of 2012/2013, experts believe that the German economy has been back to normal again since the beginning of the second half of 2013. GDP growth in the fourth and third quarters of 2013 was 0.4% and 03% respectively compared with the previous quarter. Following GDP growth of 0.7% in the second quarter of 2013, there were signs of a much more dynamic upturn. This was due in part to catching-up processes as a result of the weak start at the beginning of the year. GDP growth for 2013 as a whole was 0.4% compared with 0.7% in the previous year, well above the average for the Euro area for the second year in succession, but still below the growth potential of the German economy.

The trend was mainly underpinned by strong domestic demand in the area of private consumer spending and higher investment in the housing sector. The foreign trade balance fell sharply compared with 2012, which was attributable to stagnating foreign demand.

Experts anticipate a further economic pickup for calendar year 2014, which was already reflected in a stable upward trend in new orders at German industrial companies at the end of 2013. The Ifo Business Climate Index rose at the beginning of 2014 for the third time in a row. Companies' business expectations have never been so optimistic since March 2011. Anticipated economic growth (GDP) for calendar year 2014 is 1.6%, with this growth being generated in particular by domestic demand and investment in plant and equipment.

2.1.2 General industry-specific conditions

German ICT market stagnant overall in 2013

Demand in the German ICT market was strained in 2013 in particular by drops in sales of consumer electronics, such as TV sets, IT hardware or desktop PCs and laptops. In the fall of 2013, the industry association BITKOM therefore cut back the forecast of 1.4% growth it had made at the beginning of the year.

Overall, the German market for IT and telecommunications generated sales of €152 billion (+0.1%) in 2013, around the level of the previous year, according to EITO (European Information Technology Observatory).

There were again clear differences between and within the segments: Whereas it was above all private expenditure on smartphones, tablet PCs, applications and software that stimulated demand in the field of information technology, there was still strong reluctance to invest on the part of industry as regards expansion of the ICT infrastructure. In the telecommunications segment, the technological shift to unified communications & collaboration (UCC) increased demand, but there were not initially any significant sales.

Investments in infrastructure expansion in 2013 postponed
After the poor final quarter of 2012, the German economy got off to a very restrained start to 2013. That also had an impact on expansion of ICT infrastructures and in the LAN and MAN arena, but especially in the field of wide area networks. Given the unclear situation in the Euro area, the debate about the energy shift and the upcoming elections, enterprises from the public, power supply and transport network sectors largely put their investment in expansion of the ICT infrastructure on ice at the beginning of the year. The situation eased only slightly in the course of the year, with the result that many companies – despite having well-filled order books – were faced with commissioned projects not being called off or being postponed further.

In the telecommunications industry, the awaited decision on VDSL vectoring ensured up to the end of the second half of the year that broadband expansion in the fixed-network arena almost completely came to a standstill. It was not until the positive decision by the German Federal Network Agency in July that investments slowly picked up again in the third quarter of 2013.

Outlook for 2014
The latest economic survey by the BITKOM high-tech association in the German information and telecommunications industry ("ICT industry") indicates positive business prospects for fiscal year 2014. 78% of the companies surveyed from the ICT industry expect their sales to increase in the first half of 2014 – compared with just 11% who expect them to fall. The BITKOM Industry Index thus improved sharply from 55 to 67 points, attesting to a much more positive mood in the ICT industry than in the overall economy. IT service providers and software companies are particularly optimistic.

2.2 Business performance

General statement on the performance of the euromicron Group in fiscal year 2013
The euromicron Group closed fiscal year 2013 with sales of €329.4 million (previous year: €330.0 million) and EBITDA of €14.4 million (previous year: €25.0 million). The EBITDA margin (relative to sales) was 4.4% compared with 7.6% in the previous year. EBIT was €5.5 million (previous year: €17.1 million).

As a result, sales in fiscal 2013 were at the level of the previous year, despite a tough market environment. However, the 2013 budget, which was geared toward growth and anticipated an increase in sales of 5% to 10%, was not able to be achieved. That was due in particular to postponement of sales from call-off orders in the manufacturing segment to the subsequent year and to the fact that projects in system house business were deferred or not awarded.

The planned EBITDA and EBIT margins were not achieved in fiscal 2013. One main cause of that was that the Group companies had geared their cost structures to the budgeted growth, with the result that below-budget sales meant a sharp reduction in EBIT for fiscal 2013.

IIn 2013, the core year of integration, the Executive Board focused as planned on integration and consolidation of the company's structures as part of its development. In addition to ongoing measures, the particular emphasis was on reducing and restructuring the workforce (to a greater extent in the South segment), reorganizing the divisions, expanding the corporate functions and investing in standardization of the Group's IT environment. Integration costs reduced EBIT in fiscal 2013 by a total of some €5.5 million (previous year: €4.4 million). They are mainly accounted for by personnel costs from implementation of the restructuring measures, IT costs, legal and consulting costs and other expenditures connected to optimizing the organization and structures. The next step envisaged by the Executive Board in 2014 under the Agenda 500 is a phase of expansion and further development of the company as part of integration.

In particular in the South segment, structural and personnel deficits caused special effects in project valuation totaling around €4.9 million. They are due to losses realized from projects completed in the fiscal year, in particular due to employee fluctuation at the management level and among project managers, with the result that lack of management led to inefficiencies and so reduced earnings in project business. Further effects came from the loss-free valuation of projects in progress at the end of the year. We refer to section 5. "Forecast, opportunity and risk report" as regards the optimization measures initiated in this connection.

Apart from the integration measures, further interesting enterprises were added to the portfolio of Group companies in fiscal 2013. With the objective of again generating one-third of consolidated sales in manufacturing and two-thirds in system house business in future, ATECS AG and Secure Information Management GmbH were acquired in December 2013, two highly professional production companies that will enable the euromicron Group to expand its know-how base in the area of assembly to include expertise in the field of highly professional video and security technology for special applications and markets and also take a further step toward internationalization.

The euromicron Group's equity and liquidity was strengthened further as a result of the capital increase in December 2013, which increased equity by €6.8 million and is a key component in the euromicron Group's overall financing concept.

2.3 Net assets, financial position and results of operations

Net assets

The table below presents the asset and equity structure of the euromicron Group:

Asset and equity structure

	Dec. 31, 2013 € m.	%	Dec. 31, 2012 € m.	%
Noncurrent assets	155.1	47.2	146.5	51.6
Current assets	135.0	41.0	132.0	46.5
Cash and cash equivalents	38.8	11.8	5.4	1.9
Assets	**328.9**	**100.0**	**283.9**	**100.0**
Equity	122.6	37.3	119.0	41.9
Long-term debt	53.4	16.2	57.7	20.3
of which financial liabilities	41.8	12.7	47.8	16.8
Current liabilities	152.9	46.5	107.2	37.8
of which financial liabilities	67.7	20.6	38.4	13.5
Equity and liabilities	**328.9**	**100.0**	**283.9**	**100.0**

The euromicron Group's total assets at December 31, 2013, increased by 15.8% to €328.9 million compared with €283.9 million in the previous year.

The increase in noncurrent assets is mainly the result of the growth in acquisition-related goodwill. This was €113.5 million at December 31, 2013, compared with €106.4 million in the previous year. The remainder of the rise in noncurrent assets is largely attributable to additions of intangible assets identified as part of first-time consolidation and own work capitalized; intangible assets increased overall in fiscal year 2013 from €21.0 million to €23.7 million. This was counteracted slightly by the reduction in property, plant and equipment from €16.3 million to €14.5 million. This is due to depreciation and disposals at remaining book values, which exceeded the additions in the fiscal year.

Total investments in fiscal year 2013 were €17.7 million; of this, additions totaling €11.3 million were from first-time consolidation of subsidiaries acquired in fiscal 2013. This sum is divided into additions to goodwill (€7.1 million), intangible assets identified as part of purchase price allocation (€4.0 million; essentially customer- and technology-related intangible assets and order books) and in additions to property, plant and equipment (€0.2 million). The remaining investments of €6.4 million are accounted for by capitalized development costs (€2.7 million), other intangible assets (€1.3 million) and property, plant and equipment (€2.3 million; essentially other equipment, operating and office equipment).

The ratio of equity and long-term outside capital to noncurrent assets fell slightly from 120.6% in the previous year to 113.5%.

As part of the current assets, the book values of inventories (€28.0 million; previous year: €27.5 million) and the total for trade accounts receivable and the gross amount due from customers for contract work €98.4 million; previous year: €96.8 million) were around the level of the previous year.

Working capital (trade accounts receivable, the gross amount due from customers for contract work and inventories minus trade accounts payable and prepayments) were €68.2 million at the balance sheet date (previous year: €77.9 million) and so was reduced sharply in the past fiscal year.

The increase in other financial assets (€2.2 million; previous year: €0.2 million) is essentially due to receivables from factoring monies still to be paid to Group companies (€1.7 million; previous year: €0.0 million).

Cash and cash equivalents increased from €5.4 million in the previous year to €38.8 million at December 31, 2013. The cash and cash equivalents are at the free disposal of the Group. The increase in cash and cash equivalents is due not only to the intensified cash optimization measures in fiscal 2013, but in particular to funds from the capital increase (€6.8 million) and the higher volume of factoring. Other financial liabilities of €21.6 million (previous year: €0.2 million) are carried for the part of the received customer monies that have to be passed on due to factoring in the subsequent period.

Equity increased by €6.8 million as a result of the successful capital increase in December 2013. It was reduced by the dividend payout in fiscal 2013 (€ –2.0 million), recognition of the overall earnings for 2013 and in the minority interest in equity (total: € –1.2 million). As a result, equity at December 31, 2013, was €122.6 million, €3.6 million above the previous year's figure of €119.0 million. The equity ratio was 37.3% (previous year: 41.9%), still at a very stable level given the increase in total assets.

Among the current liabilities, trade accounts payable rose as part of optimization of working capital from €42.9 million to €54.6 million at December 31, 2013. It should be taken into account that project financing is traditionally heavy at the end of the year, which is also reflected in a change in the balance sheet item "Gross amount due from customers for contract work".

The liabilities to banks are divided into long-term liabilities of €32.8 million (previous year: €37.6 million) and short-term liabilities of €30.4 million (previous year: €31.0 million). As a result, we achieved our goal of a financing structure consisting of around 50% plannable medium- and long-term financing and 50% short-term financing for operating business in the year under review.

The other short-term financial liabilities increased by €6.8 million to €36.8 million, in particular due to the liability from customers' monies to be passed on and due to the purchase price liabilities from the company acquisitions made in December 2013.

The Group's net debt (interest-bearing financial debt minus securities and cash) at December 31, 2013, was €33.2 million (previous year: €75.7 million). The sharp improvement is attributable in particular to the increase in the volume of factoring at the end of the fiscal year. The lower net debt is counteracted by an increase in other short-term financial liabilities of €30.0 million.

Financial position

The Group is in principle financed centrally through euromicron AG. This is done through a central cash pooling system to which all Group companies are linked in principle. Internal financial equalization as part of a cash management system of the individual companies reduces the volume of outside funding at the Group. Centralization of financing strengthens the Group's position vis-à-vis banks and other market players and so makes an important contribution to optimizing the opportunities for obtaining and investing capital. Apart from financing through euromicron AG, individual Group companies have a number of smaller lines of funding, which are however insignificant in terms of volume.

At December 31, 2013, unutilized promised credit lines of €71.7 million were available to the Group (previous year: €57.0 million). The Group thus has the necessary freedom to enable its planned corporate development, quick integration of business and financing of operational growth. The key financial indicators, which were adjusted due to the integration phase effective December 31, 2013, in agreement with the Group's long-term financing partners, were adhered to.

The Group's financial position in fiscal 2013 was as follows:

Statement of cash flows of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

	2013 € thou.	2012 € thou.
Net cash provided by operating activities	**39,433**	**6,958**
Net cash used in investing activities	**–5,127**	**–13,289**
Net cash used in/provided by financing activities	**–890**	**4,445**
Net change in cash and cash equivalents	33,416	–1,886
Cash and cash equivalents at start of period	5,414	7,300
Cash and cash equivalents at end of period	**38,830**	**5,414**

Net cash provided by operating activities increased in fiscal 2013 by €32.4 million from €7.0 million to €39.4 million. This effect is mainly due to the increase in the volume of factoring in order to optimize cash holdings and the associated increase in customers' monies that had to be passed on.

The net cash used in investing activities was € –5.1 million, €8.2 million below the previous year's figure of € –13.3 million. This is mainly due to the acquisition of consolidated companies, since the purchase price payments for them in 2013 were lower than the amount of liquid funds acquired. In addition, the money spent on purchasing intangible assets declined as a result of the lower amount of own work capitalized.

The net cash used in financing activities in fiscal 2013 was € –0.9 million (previous year: net cash provided by financing activities of €4.4 million). The proceeds from the capital increase in December 2013 (€6.7 million) were offset by the dividend adopted at the 2013 General Meeting (€ –2.0 million) and the repayment of financial loans of € –5.4 million.

Cash and cash equivalents of the euromicron Group at December 31, 2013, were thus €38.8 million (previous year: €5.4 million). With its funds and free, promised credit lines, the euromicron Group is well positioned to continue pursuing the phase of consolidation as planned and secure its financing needs for its companies' operating business. We aim to maintain the intensive, trusted and fine cooperation with all banks.

Results of operations

Income statement of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

	Note	2013 € thou.	2012 € thou.
Sales	(11)	**329,370**	**330,030**
Inventory changes		–698	–5,850
Own work capitalized	(12)	3,134	5,607
Other operating income	(13)	1,901	2,797
Cost of materials	(14)	–176,439	–171,002
Personnel costs	(15)	–99,181	–93,588
Amortization and depreciation	(16)	–8,901	–7,943
Other operating expenses	(17)	–43,677	–42,969
Earnings before interest and taxes (EBIT)		**5,509**	**17,082**
Interest income	(18)	61	175
Interest expenses	(18)	–3,869	–4,520
Other financial expenses	(18)	0	–511
Income before income taxes		**1,701**	**12,226**
Income taxes	(19)	–2,465	–3,398
Net loss/net income for the year		**–764**	**8,828**
Thereof for euromicron AG shareholders		–888	–8,568
Thereof for non-controlling interests	(20)	124	260
(Un)diluted earnings per share in (€)	(21)	**–0.12**	**1.29**

The euromicron Group generated sales of €329.4 million in fiscal 2013, almost matching the previous year's figure. A breakdown by the various regions shows that most sales were posted within Germany as in previous years: The sales generated in Germany in fiscal 2013 were €291.3 million (previous year: €298.9 million) or a share of 88.4% (previous year: 90.6%). Foreign sales were increased in 2013 from €31.1 million to €38.1 million, with the result that international sales contributed around 11.6% (previous year: 9.4%) to the euromicron Group's total volume of sales.

The euromicron Group's total operating performance (sales plus inventory changes) was €328.7 million, up by 1.4% year on year (€324.2 million).

Own work capitalized fell by €2.5 million from €5.6 million in the previous year to €3.1 million. The higher own work capitalized of the previous year was mainly due to specific product developments in the manufacturing arena and the establishment of a central IT and communications infrastructure in the form of a private cloud on a scale not seen in 2013. However, the euromicron Group continues to invest in developing new products to expand its market position and increase its innovativeness.

As in the previous year, the cost of materials is the largest expense item in the euromicron Group's income statement. The cost of materials in fiscal 2013 was €176.4 million (previous year: €171.0 million); its ratio to total operating performance increased slightly from 52.8% to 53.7%. The increase of €4.9 million in the cost of materials was mainly due to the previously described special effects from project valuation in the year of integration 2013. Adjusted for these special effects, it was 52.2% and so slightly below the figure for the previous year. This effect is essentially attributable to synergies in the area of the newly established central purchasing unit, thanks to which terms and conditions of purchase were optimized; this resulted in savings potential of around €1.8 million in fiscal year 2013.

Personnel costs increased in fiscal 2013 by €5.6 million from €93.6 million to €99.2 million, a rise of 6.0%. €4.4 million of this is due to effects from the change in consolidated companies, since the personnel costs of the RSR Group, which was acquired at the beginning of October 2012, and Stark- und Schwachstrommontage GmbH, which was acquired in mid-December 2012, were included in the consolidated financial statements for an entire fiscal year for the first time in 2013. The average headcount (excluding trainees) in the year under review rose from a total of 1,597 to 1,653 (+3.5%). Personnel costs in 2013 were impacted by the costs of integration and restructuring. They relate in particular to costs for reducing and restructuring staff in the South segment and personnel costs in connection with the establishment of euromicron networks and the Competence Centers, both of which are a key component of the integration process. This was countered by initial savings from the integration and restructuring measures in the area of human resources.

Amortization and depreciation was €8.9 million, as planned above the level of the previous year (€7.9 million). €0.6 million of the increase is mainly due to higher amortization of capitalized development costs. The item includes amortization of hidden reserves disclosed as part of capital consolidation to an amount of €1.8 million (previous year: €2.0 million).

Other operating expenses in the fiscal year were €43.7 million compared with €43.0 million in the previous year. The largest items in the other operating expenses were still vehicle and travel expenses (€13.8 million; previous year: €13.2 million), rent/room costs (€7.0 million; previous year: €6.3 million) and legal and consulting costs (€4.3 million; previous year: €4.1 million). Apart from that, there was also in particular an increase in IT costs from €0.9 million to €1.5 million, which is attributable to higher IT costs as part of integration and larger expenditure on IT security. Because the RSR Group and Stark- und Schwachstrommontage GmbH were included for the whole year for the first time, other operating expenses increased by €1.9 million in fiscal 2013. In addition, the extra costs of integration, which are reflected in various expense items, contributed to the increase in other operating expenses. On the other hand, there were positive effects from the cost-cutting program, which was implemented rigorously at all Group companies in the year under review. As a result, there was only a moderate increase in other operating expenses, despite the special charges.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled €14.4 million (previous year: €25.0 million); the EBITDA margin was 4.4% (previous year: 7.6%). Earnings before interest and taxes (EBIT) were €5.5 million (previous year: €17.1 million),

The net financial result improved sharply from € –4.9 million in the previous year to € –3.8 million in 2013. €0.5 million of this decline is due to the elimination of expenses from the impairment of financial assets and of expenses in connection with securities lending transactions. There were also positive effects from permanent optimization of terms of finance given the favorable market environment for raising funds.

The tax ratio in the year under review increased from 27.8% to 144.9%, mainly due to two effects: Changes to tax law meant that no securities lending transactions, which had resulted in positive tax effects in previous years, were able to be carried out in the year under review, which caused an increase in the tax ratio from 2013. In addition, the current loss-making situation in the South segment meant that deferred tax assets on loss carryforwards in 2013 were not recognized in accordance with the regulations of the IFRS, which also increased the tax ratio. We refer in this regard to the tax reconciliation in section 19. of the notes.

The consolidated net loss for shareholders of euromicron AG in 2013 was € –0.9 million compared with consolidated net income of €8.6 million in the previous year. Undiluted earnings per share were € –0.12 following €1.29 in the previous year.

New orders and order books
New orders at the euromicron Group from January 1 to December 31, 2013, were €327.7 million and so at the good level of the previous year (€327.8 million). Order books were €126.5 million, above the previous year's figure of €125.2 million. As a result, the production companies in particular are embarking on the next fiscal year 2014 with well-filled order books following the postponement of call-of orders in 2013.

Development of the segments

Within the euromicron Group, a regional division of business dominates in accordance with the Group's internal management structure. In addition, there is the segment WAN services, in which supraregional business in the field of planning, installing and servicing wide area networks is grouped and presented.

Segment sales

	2013 € m.	2012 € m.
euromicron North	116.1	111.7
euromicron South	126.9	131.5
euromicron WAN services	102.2	102.8
Central services and Group consolidations	–15.8	–16.0
Total sales	**329.4**	**330.0**

Segment earnings (EBITDA)

	2013 € m.	2012 € m.
euromicron North	14.1	17.7
euromicron South	–1.5	2.9
euromicron WAN services	8.1	10.0
Operating EBITDA	**20.7**	**30.6**
euromicron AG and consolidations	–6.3	–5.6
Total EBITDA	**14.4**	**25.0**

Segment earnings (EBIT)

	2013 € m.	2012 € m.
euromicron North	10.7	14.5
euromicron South	–4.9	0.5
euromicron WAN services	6.4	8.0
Operating EBIT	**12.2**	**23.0**
euromicron AG and consolidations	–6.7	–5.9
Total EBIT	**5.5**	**17.1**

The increase in sales at the North segment by €4.4 million from €111.7 million to €116.1 million is mainly attributable to higher sales in system house business. EBITDA fell by €3.6 million from €17.7 million to €14.1 million. The decline in EBIT by €3.8 million to €10.7 million is of a similar magnitude and results to an amount of €1.2 million from special effects from project valuation the year of integration 2013. It should also be taken into account that actual sales of the production companies in the North segment in 2013 were €5.6 million below the figure for the budgeted growth in 2013, but that they had geared their cost structures to this volume of sales, which led to a reduction in EBIT. In addition, EBIT was impacted by special effects as part of integration. In particular due to realization of the call-off orders in the production arena that were postponed to the next year in fiscal 2013, the planning for 2014 envisages sales growth of around 7% and a moderate increase in the EBITDA margin.

The South segment posted sales of €126.9 million, €4.6 million below the previous year's figure of €131.5 million. This is mainly due to the decline in sales from system house business: Sales of the South system houses were below expectations due to structural deficits and vacancies in fiscal 2013. In 2013, the core year of integration, the company pressed ahead with restructuring and realignment of the South segment. In this connection, many of the management posts – especially in regional and branch office management – were filled with new staff, a Sales Director was added to management of the South system house as of December 1 and personnel was reduced or reorganized by means of extensive restructuring measures.

The South segment's EBITDA fell by €4.4 million from €2.9 million to € –1.5 million. Its EBIT in 2013 fell more sharply than its EBITDA, in particular due to higher amortization of hidden reserves. EBIT declined by €5.5 million from €0.5 million to € –4.9 million. This is attributable to the costs of the integration and restructuring measures. In addition, €3.7 million of the fall in earnings is due to special effects from project valuation in the year of integration 2013. Deficits in management of sub-areas of the South segment were also reflected in project handling, with the result that the quality of earnings was diminished.

It should also be taken into account that actual sales of the production companies in the South segment in 2013 were €3.6 million below the figure for the budgeted growth in 2013, but that they had geared their cost structures to this volume of sales, which led to an additional reduction in EBIT.

Fiscal 2014 will be shaped by continuation of the integration measures in the South segment so as to create the foundation for sustained and positive quality of earnings in subsequent years. Sales in 2014 are to be increased by around 6% as a result of selective sales and marketing activities, whereas EBIT in 2014 is budgeted as being only slightly positive due to the anticipated costs in a first stage of the integration measures. A positive EBITDA margin in the lower single-digit percentage range is expected.

All activities at the euromicron Group with their focus on wide area network services are pooled in the "WAN services" segment, irrespective of the region in which the services are performed. This segment was strengthened in fiscal 2012 not only by telent GmbH, but also by integration of the RSR Group. The segment's sales were €102.2 million, around the level of the previous year (€102.8 million), while EBITDA fell by €1.9 million from €10.0 million to €8.1 million. The EBIT was €6.4 million (previous year: €8.0 million). The fall in EBITDA and EBIT is mainly due to the fact that in particular the cost structures of telent were geared in 2013 to a budgeted growth in sales by around €10.0 million higher than was actually able to be generated in fiscal 2013. In this segment, the planning for 2014 assumes stable development of the market, which is why sales and the EBITDA margin are expected to be around the level of 2013.

Overall, the operating companies of the euromicron Group generated an EBITDA of €14.4 million (previous year: €25.0 million). The EBIT of the operating companies in 2013 was €12.2 million (previous year: €23.0 million).

Costs at this segment rise in the year under review from € –5.9 million to € –6.7 million, in particular as a result of the increase in management requirements and planned expansion of central services at the euromicron Group, including due to the fact that euromicron networks GmbH started its operations. Apart from holding costs, the costs for merger and acquisition activities, other strategic projects and cross-segment expenses as part of Group integration are allocated in this segment. Costs in this segment are anticipated to increase in the coming year due to the expansion of central functions, although this is expected to be compensated for by gains in efficiency at the Group companies.

2.4 Non-financial performance indicators

Our efficiency is not only demonstrated in economic key performance indicators, but also in the sustainability of our activities. That requires competent and motivated employees, sparing use of the natural resources available to us, increasing and preserving the value of our brands, our customers' satisfaction and the social responsibility we wish to live up to with our company as a whole.

Employee development and loyalty

The average headcount (excluding trainees) at the Group in the year under review rose from a total of 1,597 to 1,653. This rise is attributable to acquisitions and new hirings. As a result, we are adding specialized and more highly qualified staff in preparation for the next step in our growth.

Enhancing the loyalty of our employees to the company is of major importance for us, since they and their expertise and dedication are vital to the success of our Group's integration phase. That is why we endeavor to support and encourage euromicron's employees not only with the aid of targeted further training measures in their daily work, but also by offering them interesting prospects for the future and development opportunities.

In order to identify the training needs of our workforce even better and to develop it systematically, we have expanded HR management at our Group to include a department for Organizational and Personnel Development. With this support, we are expanding our Group's further training programs and enriching them in terms of content and methodology in the areas of management, project management and sales.

One main focus is on development of our Group's executives. That is because we increasingly aim to fill strategically important management posts with talented managers from our own ranks. Given the diverse challenges facing our employees in connection with the Agenda 500, we staged extensive information events for the workforce and also designed the "Leadership as part of change" program for euromicron executives. As a result, we are giving our management levels the right "tools of the trade" to help them support this change process, which is so important to the Group, by leading and motivating their teams.

We permanently train our technical staff in new technologies, products and manufacturers. As a result, we ensure that our company keeps pace with technological developments on the market and we have sufficient qualified personal to plan, install and maintain the ideal solution for every customer in every region.

Trainee ratio
To actively counter the growing shortage of skilled workers and invest in our company's future, we are unswervingly committed to training young people. As in previous years, euromicron AG again had a high trainee ratio of 5.1% in the year under review (previous year: 6.0%).

80% of our 88 trainees at present are learning the professional of electronics technician in information and communications technology. euromicron is also training people as IT systems support specialists, office clerks and dialog marketing specialists. Once again this year, euromicron trainees were some of the best in their year and captured awards. The basis for this success is, apart from the dedication of the trainees themselves, the individual and pinpointed encouragement given to them by the company.

Responsible use of natural resources
None of euromicron's associated companies is subject to special environmental protection guidelines. euromicron aims to live up to its responsibility for society as a whole and so attaches great importance to complying with environmental protection regulations. Consequently, the Group helps ensure the responsible use of resources voluntarily and to the best of its abilities.

Great important was deliberately attached to economical and low-CO_2 vehicles in assembling the euromicron fleet and, associated with this, introducing the new business travel policy for the euromicron Group. As part of moving to new locations, we also ensured that the new buildings meet the latest environmental protection guidelines. The existing and new offices and workplaces have been equipped with energy-efficient equipment whose individual components are predominantly recyclable. The same goes for the newly established euromicron IT shopping basket, which among other things reflects a greater availability of hardware that consumes less energy. As a result, euromicron makes its contribution to achieving green IT. The operations of euromicron's production companies are geared to energy-saving processes. This includes, for example, computer-aided control of the standby switches or the permanent review and rollout of electric motors with higher efficiency classes.

Consequently, euromicron's corporate philosophy, which is geared toward sustainability, is not only applied in its commercial operations, but also reflected in sparing use of natural resources.

Established brands and growing visibility

Under the umbrella brand "euromicron", the Group and its production companies have corporate brands that in some cases have been established in their specific market segment for more than 40 years, such as EUROMICRON Werkzeuge GmbH, Sinn-Fleisbach, or ELABO GmbH, Crailsheim. These brands have a high visibility and so value in their market segments due to the act that they have operated so long and successfully in them. We will continue working to preserve and expand the value of our brands by means of continuous investments in product innovations, modern manufacturing methods and appropriate sales and marketing activities.

For our umbrella brand "euromicron", a high visibility and a brand image with positive connotations are of great importance for the company's positioning on the capital market, as well. Consequently, we continuously strive to keep on professionalizing our investor relations work and so increase our brand's value on the capital market. That is why we again presented our company at a large number of investor conferences, revised our Website and held one-on-one talks with potential investors in 2013. In order to promote our company on the capital market, in 2013 we also redesigned our company film, which also captured several awards.

Customers and quality

Our prime goal is to satisfy our customers with our services and products. That demands high standards as regards the quality of our processes, our products and services and our employees. We gauge our customers' satisfaction at our large system houses by means of standardized customer satisfaction analyses. For example, we actively check our services and derive appropriate potentials for improvement and optimization.

To meet customers' requirements and further demands made of the quality of our products and services, euromicron's products are certified in accordance with ISO 9001. In the production arena, we also hold certification, for example for making and assembling certain products, as well as approvals to supply specific products and solutions.

3. Postscript report

After the balance sheet date, there were no significant operational or structural changes at the euromicron Group, nor any business events, that might necessitate a change to the disclosures made in the consolidated financial statements for 2013 or require reporting.

4. Forecast, opportunity and risk report

4.1 Explanation of deviations from the previous year's forecast

The forecast from the previous year envisaged organic growth of 5% to 10% and, as an earnings target, an EBITDA margin between 8% and 11% for fiscal 2013. For the purposes of explaining the deviation between the actual and planned figured for fiscal 2013, the mean range of the forecast values is used as the basis of calculation, corresponding to forecast sales growth of 7.5% and an EBITDA margin of 9.5%. The table below presents the deviations between the planned and actual figures for sales and EBITDA:

Deviation from the forecast

Deviation from forecast sales	€ m.	Deviation from forecast EBITDA	€ m.
Actual sales in 2012	330.0	Forecast sales in 2013	354.8
Forecast increase	7.5%	Forecast EBITDA margin	9.5%
Forecast sales in 2013	354.8	Forecast EBITDA in 2013	33.7
Actual sales in 2013	329.4	Actual EBITDA in 2013	14.4
Deviation from the forecast	–25.4	Deviation from the forecast	–19.3

The deviation from the sales forecast is due to an amount of €9.2 million from the production companies, of which just €2.1 million relates to acquisition targets that were not achieved and lost orders. The lion's share, i.e. around €7.1 million, is accounted for by the postponement of sales from call-off-orders to the next year.

The second part of the deviation from the forecast totaling €16.2 million results from the system houses and distributors. The failure to achieve acquisition targets, i.e. lack of new orders and lost projects, accounts for €8.0 million. A further portion of €8.2 million as part of the decline in sales relates to traditional postponements or delays in projects, such as are recurrent in system business to various extents, but which are still expected to be commissioned.

The €19.3 million deviation in EBITDA from the forecast is attributable to an amount of €7.9 million to the volume effect from the loss of sales due to order postponements at the production companies, project postponements at the system houses and the share of lost projects or lack of new orders. Integration costs also reduced earnings by €5.5 million. A further effect of €4.9 million results from special effects from project valuation, which are explained in more detail in section 2.2 “Business performance”. The remaining €1.0 million of the deviation from the forecast is attributable to a large number of smaller effects.

We refer to the section “Development of the segments” in 2.3 “Net assets, financial position and results of operations” as regards segment-specific reporting on the forecasts.

4.2 Risk report and salient features of the risk management system

Risk strategy and general risk management

euromicron AG and its subsidiaries have an established risk management system based on statutory stipulations. The risk management system identifies and documents the main risks in accordance with their risk categories and assesses them as regards the probability of their occurring and the level of damage. The Group’s management is notified directly if defined thresholds are exceeded. The risk management system is applied in standardized form at all associated companies and is an integral part of their extensive ongoing planning, controlling and reporting processes. This ensures that the Executive Board is informed promptly of all major risks and can respond suitably. The risk management system also examines the validity of the consolidated accounting processes. It is supported in this by a centrally controlled management information system that is used throughout the Group. Group-wide policies are in place to ensure compliance with consistent standards in the risk management system and consolidated accounting.

The risks that may have a significant influence on the financial position, net assets and results of the euromicron Group are classified in the following categories in accordance with the risk management system:

- Markets
- Technology / R&D
- Products / projects
- Finances / liquidity
- Procurement
- Corporate

Markets

In principle, euromicron is dependent on positive economic trends in the Euro zone; as in the previous year, the German market accounts for around 90% of the company's sales and so is crucial to its success. Germany is also home to most of euromicron's subsidiaries, which benefit from investments in communications, security and data networks. Consequently, the development of the German market is of great significance for the overall Group's earnings; however, given the positive economic forecasts for 2014, the likelihood of potential economic risks occurring in the German market is assessed as being low. According to current assessments, the merely slow recovery in the economies of the Mediterranean region will not have any direct impact on the company. There are only very few business relationships outside the European economies, which is why distortions there should not have any direct effect on euromicron.

Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers so as to be able to offer top-quality products and services at competitive prices. Individual subsidiaries have a low degree of dependence on individual large accounts. This risk at the Group level is relativized, since only one customer accounts for more than 10% of total sales (previous year: no customer). The risk of default by large customers is assessed as being low due to their very good creditworthiness. The risk of nonpayment is additionally reduced by factoring of some receivables from customers.

Technology / R&D

Technology/R&D risks exist to the extent that leaps in technology may mean the loss of technological leadership. However, that applies to the Group only to a limited extent: euromicron's system houses and distributors can keep up with technological innovations without any problems because they have access to their own products and a diversified product portfolio from a wide range of different vendors (philosophy of vendor independence) for delivering customer solutions.

euromicron's customers demand that the production operations deliver top-quality, tailored solutions. To meet this requirement, euromicron's development departments endeavor not only to respond to technological trends, but also to occupy a pioneering role in research and development. In order to achieve this ambitious objective, the development units at the production companies have been significantly expanded in the past two years and the quality and quantity of support for them enhanced by enlisting the services of external development partners. As a result, innovativeness is of great importance for the euromicron Group's future economic development. Due to the continued investments in innovative new products and solutions, which is also reflected in the large proportion of capitalized development costs, only low risks to the Group's future earnings performance are seen in this area.

Products / projects

The market success of products goes hand in hand with the technology leadership described in the previous section. Constant orientation toward customers' needs reduces the risk of producing solutions that ignore market requirements.

There are other types of risk in project business. Projects are initially funded up-front by the system houses. If a customer does not meet its payment obligations when a project is completed, the result may be significant financial losses, depending on the size of the project. However, the Group as a whole is large enough to be able to compensate for payment defaults without jeopardizing its existence. Further project risks are errors in costing or inadequate order processing. In order to minimize risks from project business, euromicron AG took extensive further measures in fiscal 2013 relating to all project handling phases. In order to rule out risks from disadvantageous contractual terms and conditions before project orders are accepted, euromicron AG strengthened its Legal department in 2013 by hiring further contract attorneys who examine and assess the terms and conditions of every large project in cooperation with the subsidiary conducting it. In addition, the approval process for accepting project orders was structured further and expanded. Further project controllers were also hired to monitor the profitability of project orders continuously. Moreover, the “Major Projects” Competence Center was established. It is responsible solely for handling large projects and pools expert knowledge in connection with specific questions relating to handling of such projects. As a result of the implemented measures, the impact of risks from project business for subsequent years is expected only to the extent inherent in all project business.

Finances/liquidity

The Group’s focus on Germany and the Euro zone minimizes risks relating to the exchange rate between the US dollar and Euro. Goods paid for in US dollars are purchased on the basis of short-term, foreign currency-based sales lists, which means that the currency risk can be controlled. Other currencies have as good as no relevance to the euromicron Group.

Further important financial risks of euromicron AG are the intrinsic value and earnings strength of the associated companies. All associated companies have access to the cash pool and so sufficient liquidity. Consequently, euromicron AG must ensure that financing of the associated companies through the cash pool also retains value. This is achieved by a permanent and standardized management information system that constantly monitors and assesses the subsidiaries’ activities and assigns measures to them, which is why the likelihood of this risk occurring is assessed as being low.

As in past years, euromicron’s banks again regarded it as a strong and dependable partner in fiscal year 2013. There is keen interest on the part of the financial institutes to keep on intensifying their commitment at euromicron even despite the temporary negative impact on earnings and balance sheet ratios and to actively accompany the company on its path toward its sales target of €500 million in the coming years. The key financial indicators, which were adjusted due to the integration phase effective December 31, 2013, in agreement with the Group’s long-term financing partners, were adhered to.

However, if one of the banks should withdraw from euromicron in future, the dense network of its banks gives it excellent prerequisites to compensate for that. At present, this means that euromicron AG’s financing appears secure and represents a manageable risk.

Procurement
euromicron is still a vendor-independent system house that has cooperation agreements and nurtures active collaboration with various suppliers. In addition, goods are resold within the Group by manufacturers and distributors to the system houses. Consequently, there is only a limited risk in relation to procurement.

Corporate
The departure of qualified personnel is a key risk at a company with a broad technological lineup like euromicron. That is why the Group offers regular further training and development measures for its executives, experts and other staff. By gaining further qualifications, employees are motivated to assume more responsibility in their departments and demanding, varied tasks in their function. euromicron believes that professional and personal further development is a means of enhancing employee loyalty and key to a successful HR policy. Due to our extensive measures to ensure employees' loyalty and development, we believe the risk of losing highly qualified staff to be limited.

There are no legal risks from pending legal proceedings above and beyond current business. A tax audit is pending for the fiscal years 2006 to 2009. As far as is known at present, this will not result in any material financial risks.

In summary, it can be stated that, in the estimate of the Executive Board, the currently known risks will probably not have a significant influence on the Group's financial position, net assets and results of operations and so probably also no negative impact on euromicron's share price.

4.3 Opportunity report

A self-contained opportunity management system for the whole Group is currently being established. In fiscal 2014, we expect opportunities for the Group's future development which will improve earnings in particular from further rigorous implementation of the integration and Agenda 500 measures. The main opportunities from that are presented in the following.

By continuing to optimize purchasing activities and processing at euromicron networks, we aim to achieve a further improvement in acquisition prices and delivery terms for our Group. In order to enhance our competitiveness in the international arena in the field of manufacturing and distribution, we will also reorganize and merge purchasing activities in these areas in 2014, along the lines of the activities performed by euromicron networks for the system houses in order to leverage existing potentials, among other things by using global procurement structures.

In 2014 we will also put a further major focus on professionalizing and optimizing our sales activities in line with the growth situation of the individual companies. Expansion of indirect sales through regional and national general contractors will also be a focus of our activities at euromicron networks. In addition, we will continue to expand key account management at our Group for important customers and target industries. In the area of manufacturing, we will in particular strengthen our international sales. The companies acquired in 2013 form an additional springboard for that. Moreover, we will also work in 2014 to expand our product portfolio in profitable niches, such as the harsh environment segment, and further structure our solution portfolio in the service arena and transition it to appropriate marketing concepts.

With an eye to increasing the share of services in our portfolio, we will continue to coordinate, standardize and professionalize our service structures and processes in 2014. As a result, we aim to offer our customer even better service concepts tailored to their specific needs and increase our profitability.

In fiscal 2014 we will also initiate a Group-wide harmonization process in connection with commissioning of consulting services, with the goal of reducing consulting costs by stronger pooling and greater involvement of the Group's internal corporate functions.

A positive earnings potential in the single-digit million range is expected from these opportunities for the entire Group in fiscal 2014.

4.4 Forecast for fiscal 2014

Taking into account the opportunities and risks presented above, sales are expected to grow to €340 to €360 million in 2014 and the EBITDA margin to increase again to around 6% to 8%. This forecast is based on the assumption of a positive economic development in the Federal Republic of Germany and in the general conditions in the ICT industry 2014, as presented in section 2.1 "General economic and industry-specific conditions". Nevertheless, the actual results may deviate significantly from the expectations and forecasts if one of the above, or other, uncertainties arise or the assumptions on which the statements were based should prove to be inaccurate. We intend to largely complete the phase of consolidation and restructuring of euromicron in 2014 and, on this optimized platform, to press ahead with expanding and enhancing its structures, processes and financial and human resources. That initially comprises completely accomplishing the Agenda 500 projects that have been initiated and leading them to a successful conclusion or transitioning them to a continuous improvement process. We are also working to round out our company here and there in terms of technology, geography or resources and expertise.

5. Internal control and risk management system in relation to the consolidated accounting process

Legal background and definition of an internal accounting control and risk management system (ICS / RMS)

Stock corporations as defined by Section 264d of the German Commercial Code (HGB) are obliged pursuant to Section 315 (2) No. 5 of that code to present the salient features of the ICS/RMS in relation to the consolidated accounting process in the group management report. The ICS/RMS comprises all principles, procedures and measures to ensure effective, cost-efficient and proper consolidated accounting and compliance with the relevant financial reporting regulations. It is integrated in the risk management system of the overall Group, which is described in detail in section 4. under “Risk report and salient features of the risk management system”.

Fundamental regulatory and control activities to ensure proper and reliable consolidated accounting

The measures in the ICS at euromicron AG and the euromicron Group are geared to proper and reliable consolidated accounting and ensure that business transactions are recorded fully, promptly and in compliance with statutory provisions. They also ensure that stocktakes are carried out properly and assets and liabilities are carried, measured and reported accurately in the consolidated financial statements. The regulatory activities also ensure that reliable and transparent evidence relating to business transactions is available in the form of accounting documents.

Process-integrated and process-independent control measures form the main elements of the ICS at the euromicron Group. Apart from manual process controls – such as the “extra pair of eyes principle” –, automated IT process checks are also a key part of the process-integrated controls. This ensures that Financial Accounting is informed promptly of the status of all documents, which significantly reduces the risk of matters not being completely or correctly reported in accounting. The separation of functions and extra pair of eyes principle are prescribed in work instructions or have been implemented in some cases in the systems used. Strict compliance with these measures also reduces the possibility of acts of criminal intent.

Regular training courses make sure that employees at Accounting are informed of changes to the law that may have an impact on preparation of the consolidated financial statements. In addition, the text of laws and commentaries on them are available to an adequate extent.

Other control bodies, such as the Supervisory Board and independent auditor, are integrated in the Group's control environment with their process-independent auditing and monitoring activities. In particular, auditing of the consolidated financial statements and of the accounts presented by the Group companies included in the consolidated financial statements by our independent auditor form another main process-independent monitoring step in relation to the consolidated accounting procedure.

Specific accounting-related risks

A particular risk in relation to consolidated accounting is that the consolidated financial statements to be published contain errors that may have a significant influence on the Group's financial position, net assets and results of operations. This risk exists in reporting unusual or particularly complex business transactions or other business transactions that are not routine and so have a relatively high inherent risk.

Other aspects

In preparation of the consolidated financial statements, Accounting is also dependent in part on data and information from other organizational units of the euromicron Group. Of particular importance in examining the intrinsic value of goodwill and other assets is the budgeting prepared by the respective subsidiaries in agreement with the Controlling unit of euromicron AG and approved by its Executive Board and Supervisory Board. The Treasury unit provides the data required for reporting derivate financial instruments in the balance sheet. The data, which is provided by other organizational units, is subjected to a plausibility check in Accounting and discussed with the affected units before being further processed as part of preparation of the consolidated financial statements.

Within the euromicron Group, the segments are assessed on the basis of their earnings from operational activities and cash flow-based targets, among other things. The course of business is assessed during the year with reference to various key indicators, such as liquidity, profitability and comparison with budgeting. In the course of a fiscal year, three calculations on expectations with forecasts for the end of the year are conducted. However, far more criteria than pure key indicators are required as a basis for investment and business decisions in fast-moving technology markets and these are obtained through permanent monitoring and reviews. This is underpinned and assisted by the operational independence and responsibility of the Group companies. The company's management also bases its decisions on analyses by the specialists and persons responsible who are involved in the process and have extensive market, product and sector know-how. A wide range of different evaluation criteria are used, tailored to the specific case. The companies are accompanied permanently by investment controlling by euromicron AG; deviations are identified and countermeasures initiated immediately.

6. Corporate Governance Report

In 2013, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May 15, 2012, which was published on June 15, 2012, and in its amended version dated May 13, 2013, as of June 10, 2013. The exceptions, which are mainly due to the company's size and business model and to preparations for future adaptations, are listed on the company's homepage in the Corporate Governance Report at http://www.euromicron.de/en/investor-relations/entsprechenserklaerung-2013. The 2013 Corporate Governance Report published on this Internet site also contains the corporate governance declaration in accordance with Section 289a HGB (German Commercial Code).

7. Compensation Report

This Compensation Report is an integrated part of the management report, summarizes the principles governing how the compensation of the Executive Board and Supervisory Board of euromicron AG is set, follows the recommendations of the German Corporate Governance Code in the version dated May 15, 2012, which was published on June 15, 2012, or as of June 10, 2013, in its amended version dated May 13, 2013, and explains the level and structure of compensation for the respective members of the Executive Board. In addition, it specifies the principles for and level of compensation for the members of the Supervisory Board.

Salient features of the compensation system for the Executive Board

euromicron's future success depends on the company's ability to acquire, motivate and retain good personnel. The compensation system for euromicron AG's Executive Board is therefore oriented toward performance incentives for long-term corporate governance geared to sustainability. The Executive Board's compensation is also part of an end-to-end system for executives at the euromicron Group and is intended to reflect the size and strategic alignment of the company, its economic situation and future prospects and the personal performance of the board member in question. The compensation should be competitive nationally and internationally and so offer incentives for committed and successful work. Overall responsibility for defining the compensation principles for the Group lies with the Supervisory Board, which also regularly reviews them.

Compensation of the Executive Board

The total compensation of the Executive Board is based on Section 87 AktG (German Stock Corporation Law), is performance-based to a considerable extent and takes into account the Group's earnings targets. It is currently made up of performance-unrelated components (salary, other remuneration) and performance-related components (earnings-related bonus and a variable component with a long-term incentive effect ("LTI")). The contracts of employment and compensation structure overall are regularly reviewed together with independent external compensation experts and adjusted if necessary.

euromicron AG's compensation strategy also envisages offering remuneration that is fair and transparent and takes the interests of shareholders into consideration. The following criteria apply to the individual components of the Executive Board's compensation:

The performance-unrelated compensation is paid as a monthly salary, along with non-cash compensation. The fixed compensation of the Chairman of the Executive Board is higher than that of its other members. The other remuneration relates to use of company cars, premiums for a group accident insurance policy and a direct company insurance policy, contributions to health and nursing care insurance, and reimbursement of business-related travel and entertainment expenses. The Executive Board members pay tax on the respective benefit in money's worth of these non-cash benefits.

The company maintains an insurance policy for board members of the euromicron Group, what is termed a directors' and officers' (D&O) policy. This insurance covers personal liability if claims for financial loss are made against Executive Board members as part of their work. In accordance with the applicable arrangement in the contracts of employment with Executive Board members, a deductible of 10% is provided for in accordance with statutory provisions (deductible within the meaning of Section 93 (2) AktG (German Stock Corporation Law) in conjunction with Section 23 (1) EGAktG (Introductory Act to the German Stock Corporation Law)).

The variable, performance-related elements of the compensation for Executive Board members are geared to the company's sustainable development and consist of the following, mutually independent components:

First, there is an earnings-related bonus in the form of a variable cash payment which is geared to the Group's EBIT or EBITDA and is calculated taking the consolidated business results into account. An upper limit (cap) avoids entitlement to an excessively high bonus in the event of highly positive developments.

In addition, variable components with a multi-year basis of assessment (LTI = long term incentive) have been included in the system for compensation of an Executive Board member. For the contribution made to increases in the company's value, the Executive Board member can receive a long-term compensation component geared to the total EBITDA amounts for the years 2012 to 2015 ("performance period"). Payment of it will be due after the consolidated financial statements for the fiscal year 2015 have been approved; annual payments on account will be set off against this.

In addition, as part of the compensation structure, the Supervisory Board can decide – in compliance with statutory provisions – to grant a discretionary bonus to reflect exceptional achievements and especially significant contributions to the company's development and increases in its value. The Supervisory Board did not make use of this option in fiscal 2013.

For their work in fiscal year 2013, the individual members of the Executive Board received the following payments:

The total compensation for all members of the Executive Board was €991 thousand. The performance-unrelated, fixed basic compensation accounted for €771 thousand (including other non-cash compensation of €41 thousand) and the variable, performance-related compensation for €220 thousand.

The following amounts were paid to the individual members of the Executive Board:

- Dr. Willibald Späth: €656 thousand (performance-unrelated compensation €528 thousand, including €28 thousand in other remuneration, and performance-related compensation €128 thousand).

- Thomas Hoffmann: €335 thousand (performance-unrelated compensation €243 thousand, including €13 thousand in other remuneration, performance-related compensation €45 thousand and €47 thousand from the variable component with a long-term incentive effect).

In the event that an Executive Board member's activity is terminated without an important reason, all contracts provide for a payment with which the remaining term of the contract of employment is remunerated. The same applies in the event of premature termination of a board member's activity in the case of a change of control. In both cases, no further payments that necessitate a severance pay cap have been agreed.

No loans or advances were granted to the members of the Executive Board in the year under review. Apart from the stated compensation components, the members of the Executive Board did not receive any fringe benefits. In fiscal 2013, the members of the Executive Board did not receive any benefits from third parties that have been promised or granted in relation to their work as board members. Activities in or for subsidiaries are not remunerated separately.

Salient features of the compensation system for the Supervisory Board

The compensation of members of the Supervisory Board is governed by the Articles of Association of euromicron AG. Apart from being reimbursed for their outlays, the members of the Supervisory Board receive a fixed annual remuneration of €30 thousand. The Chairman of the Supervisory Board receives double and his/her deputy one-and-a-half times the fixed remuneration. The overall compensation for the Supervisory Board for 2013 in accordance with the Articles of Association was thus €135 thousand, which is broken down as follows:

- Dr. Franz-Stephan von Gronau: €60 thousand
- Josef Martin Ortolf: €45 thousand
- Dr. Andreas de Forestier: €30 thousand

In its own interests, the company maintains a directors' and officers' (D&O) insurance policy that also covers the members of the Supervisory Board. Its deductible is 10%.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €96 thousand was paid for the services.

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

a.) The subscribed capital of euromicron AG on the balance sheet date comprises 6,663,799 no-par value registered shares. Entry of the capital increase in the commercial register on January 8, 2014, increased the number of shares in euromicron AG in circulation by 512,599 from 6,663,799 to 7,176,398.

b.) The company's Executive Board is not aware of restrictions on voting rights or transfer of shares, even if they may be defined under agreements between shareholders.

c.) There are no direct or indirect capital stakes exceeding 10% of the voting rights, where the disclosures do not have to be made in the notes on the consolidated financial statements.

d.) There are no holders of shares with special rights that confer controlling powers.

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

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

Authorized capital
The Executive Board and Supervisory Board of euromicron AG decided on December 19, 2013, to carry out a capital increase with partial utilization of the authorized capital. The capital stock was increased by €1,310,537.44 by the issue of 512,599 new registered shares at a nominal value of around €2.56 a share and with full participation in profits as of January 1, 2013. After entry of the capital increase in the commercial register on January 8, 2014, the company's authorized capital is still €1,310,541.28.

The Executive Board is authorized to use the authorized capital to increase the capital stock of euromicron AG, with the approval of the Supervisory Board, until May 31, 2016, by issuing new registered shares on one or more occasions in exchange for cash or non-cash contributions. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right.

Treasury shares

The Company was authorized with effect from June 10, 2011, to acquire its own shares up to June 9, 2016, at a maximum proportional amount of the capital stock of €1,310,539.74 for these shares. This is 10% of the company's capital stock at the time of the General Meeting. The acquired shares – together with other shares that the Company has already acquired or still holds or can be ascribed to it pursuant to Sections 71 a ff. AktG (German Stock Corporation Law) – must at no time exceed 10% of the Company's capital stock.

The authorization may not be used for the purpose of trading in the company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the company or by third parties for the company's account.

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

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2013.

g.) There are no significant agreements by the company as defined by Section 289 (4) Nos. 8 and 9 of the German Commercial Code (HGB).

Frankfurt/Main, March 26, 2014

Dr. Willibald Späth	Thomas Hoffmann
Chairman of the Executive Board	Member of the Executive Board

Consolidated financial statements (IFRS)

Audit opinion

“We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes – prepared by euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, and the group management report for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as are to be applied in the EU, and in addition the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (Handelsgesetzbuch – German Commercial Code) is the responsibility of the Company’s Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit in such a way that misstatements and violations materially affecting the presentation of the picture of the net assets, financial position and results of operations conveyed by the consolidated financial statements, taking into account the principles of orderly accounting, and by the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion pursuant to the findings gained during the audit, the consolidated financial statements comply with the IFRS, as are to be applied in the EU, and in addition to the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (German Commercial Code) and give a true and fair view of the net assets, financial position and results of operations of the Group, taking into account these regulations. The group management report accords with the consolidated financial statements, conveys overall an accurate picture of the Group’s position and accurately presents the opportunities and risks of future development.”

Frankfurt/Main, March 26, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk	ppa. Christoph Tübbing
Wirtschaftsprüfer	Wirtschaftsprüfer

Balance sheet

of the euromicron Group as of December 31, 2013 (IFRS)

Assets

	Note	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Noncurrent assets			
Goodwill	(1)	113,529	106,369
Intangible assets	(1)	23,709	21,031
Property, plant and equipment	(1)	14,471	16,255
Other financial assets	(1)	960	718
Other assets	(1)	105	197
Deferred tax assets	(2)	2,299	1,933
		155,073	**146,503**
Current assets			
Inventories	(3)	27,961	27,500
Trade accounts receivable	(4)	34,593	40,806
Gross amount due from customers for contract work	(4)	63,761	55,960
Claims for income tax refunds	(4)	4,467	4,107
Other financial assets	(4)	2,217	228
Other assets	(4)	1,959	3,360
Cash and cash equivalents	(5)	38,830	5,414
		173,788	137,375
		328,861	**283,878**

Equity and liabilities

	Note	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Equity (equity ratio 37.3%/previous year: 41.9%)	(6)		
Subscribed capital		17,037	17,037
Contribution made to carry out the adopted capital increase		6,838	0
Capital reserves		88,771	88,771
Gain/loss on the valuation of securities		177	0
Currency translation difference		0	0
Consolidated retained earnings		9,384	12,711
Stockholders' equity		122,207	118,519
Non-controlling interests		392	525
Total equity		**122,599**	**119,044**
Long-term debt			
Provisions for pensions	(7)	947	983
Other provisions	(7)	1,776	1,157
Liabilities to banks	(8)	32,806	37,590
Liabilities from finance lease	(8)	1,670	2,158
Other financial liabilities	(8)	7,322	8,025
Other liabilities	(8)	205	0
Deferred tax liabilities	(9)	8,659	7,736
		53,385	**57,649**
Current liabilities			
Other provisions	(7)	2,308	2,062
Trade accounts payable	(8)	54,639	42,867
Liabilities from current income taxes	(8)	4,341	1,850
Liabilities to banks	(8)	30,390	30,995
Liabilities from finance lease	(8)	506	599
Other tax liabilities	(8)	6,826	6,130
Personnel obligations	(8)	11,471	9,833
Other financial liabilities	(8)	36,811	6,779
Other liabilities	(8)	5,585	6,070
		152,877	107,185
		328,861	**283,878**

Income statement

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

Income statement

	Note	2013 € thou.	2012 € thou.
Sales	(11)	**329,370**	**330,030**
Inventory changes		–698	–5,850
Own work capitalized	(12)	3,134	5,607
Other operating income	(13)	1,901	2,797
Cost of materials	(14)	–176,439	–171,002
Personnel costs	(15)	–99,181	–93,588
Amortization and depreciation	(16)	–8,901	–7,943
Other operating expenses	(17)	–43,677	–42,969
Earnings before interest and taxes (EBIT)		**5,509**	**17,082**
Interest income	(18)	61	175
Interest expenses	(18)	–3,869	–4,520
Other financial expenses	(18)	0	–511
Income before income taxes		**1,701**	**12,226**
Income taxes	(19)	–2,465	–3,398
Consolidated net loss/net income for the year		–764	8,828
Thereof for euromicron AG shareholders		–888	8,568
Thereof for non-controlling interests	(20)	124	260
(Un)diluted earnings per share in €	**(21)**	**–0.12**	**1.29**

Statement of comprehensive income

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

Statement of comprehensive income

	2013 € thou.	2012 € thou.
Consolidated net loss/net income for the year	**–764**	**8,828**
Items to be subsequently carried in profit or loss		
Gain/loss on the valuation of securities	177	286
Currency translation differences	0	0
Items not to be subsequently carried in profit or loss		
Revaluation effects from pensions	–440	–2,231
Other profit/loss (net)	**–263**	**–1,945**
Total profit/loss	**–1,027**	**6,883**
Thereof for euromicron AG shareholders	–1,151	6,623
Thereof for non-controlling interests	124	260

Equity
Statement of changes

of the euromicron Group as of December 31, 2013 (IFRS)

Statement of changes in equity

	Subscribed capital € thou.	Capital reserves € thou.	Contribution made to carry out the adopted capital increase € thou.
December 31, 2011	**17,037**	**88,771**	**0**
Consolidated net income for 2012	**0**	**0**	**0**
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total profit/loss	**0**	**0**	**0**
Transactions with owners			
Dividend for 2011	0	0	0
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0	0
	0	**0**	**0**
December 31, 2012	**17,037**	**88,771**	**0**
Consolidated net loss for 2013	**0**	**0**	**0**
Other profit/loss			
Gain/loss on the valuation of securities	0	0	0
Currency translation difference	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total profit/loss	**0**	**0**	**0**
Transactions with owners			
Dividend for 2012	0	0	0
Contributions made to carry out the adopted capital increase	0	0	6,838
Profit share of non-controlling shareholders	0	0	0
Transfer of profit shares for minority interests in outside capital	0	0	0
Distributions to/withdrawals by non-controlling shareholders	0	0	0
	0	**0**	**6,838**
December 31, 2013	**17,037**	**88,771**	**6,838**

Consolidated retained earnings	Gain/loss on the valuation of securities	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
14,037	−286	0	119,559	483	120,042
8,828	0	0	8,828	0	8,828
0	286	0	286	0	286
−2,231	0	0	−2,231	0	−2,231
−2,231	286	0	−1,945	0	−1,945
6,597	286	0	6,883	0	6,883
−7,663	0	0	−7,663	0	−7,663
−142	0	0	−142	142	0
−118	0	0	−118	0	−118
0	0	0	0	−100	−100
−7,923	0	0	−7,923	42	−7,881
12,711	0	0	118,519	525	119,044
−764	0	0	−764	0	−764
0	177	0	177	0	177
0	0	0	0	0	0
−440	0	0	−440	0	−440
−440	177	0	−263	0	−263
−1,204	177	0	−1,027	0	−1,027
−1,999	0	0	−1,999	0	−1,999
0	0	0	6,838	0	6,838
−117	0	0	−117	117	0
−7	0	0	−7	0	−7
0	0	0	0	−250	−250
−2,123	0	0	4,715	−133	4,582
9,384	177	0	122,207	392	122,599

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

Statement of cash flows

Note (22)	2013 € thou.	2012 € thou.
Income before income taxes	1,701	12,226
Net interest income/loss and other financial expenses	3,808	4,856
Depreciation and amortization of noncurrent assets	8,901	7,943
Disposal of assets, net	−18	−100
Allowances for inventories and doubtful accounts	1,074	508
Change in accrued liabilities	−98	−965
Changes in short- and long-term assets and liabilities		
– Inventories	584	1,395
– Trade accounts receivable and gross amount due from customers for contract work	−742	−6,766
– Trade accounts payable	9,275	9,046
– Other operating assets	−3,336	−3,112
– Other operating liabilities	21,770	−12,386
– Income tax paid	−4,066	−2,345
– Income tax received	4,085	98
– Interest paid	−3,561	−3,540
– Interest received	56	100
Net cash provided by operating activities	**39,433**	**6,958**
Proceeds from		
– Retirement of property, plant and equipment	766	100
– Acquired subsidiaries (purchase price payments of €2,463 thousand minus acquired liquid funds of €2,956 thousand. (Conditional) purchase price payments not yet made of €11,989 thousand are not included)	493	0
Payments due to acquisition of		
– Intangible assets	−4,056	−6,629
– Property, plant and equipment	−2,330	−4,204
– Subsidiaries (purchase price payments of €2,663 thousand minus acquired liquid funds of €107 thousand. Purchase price payments not yet made of €2,363 thousand are not included)	0	−2,556
Net cash used in investing activities	**−5,127**	**−13,289**
Dividends paid	−1,999	−7,663
Contribution made to carry out the adopted capital increase (excluding the effect from deferred taxes)	6,728	0
Proceeds from raising of financial loans	23,132	22,358
Cash repayments of financial loans	−28,536	−10,150
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	−215	−100
Net cash used in/provided by financing activities	**−890**	**4,445**
Net change in cash and cash equivalents	33,416	−1,886
Cash and cash equivalents at start of period	5,414	7,300
Cash and cash equivalents at end of period	**38,830**	**5,414**

Notes to the IFRS consolidated financial statements
for the fiscal year 2013

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

General disclosures

1. Description of business activities

euromicron AG (hereinafter referred to as the "company") is a registered stock corporation under German law whose shares are traded on the stock market and has its registered offices at Zum Laurenburger Hof 76, 60594 Frankfurt/Main, Germany. Its business activity focuses on network and fiber optics technology. The euromicron Group is a leading national, Europe-oriented system house for communications, security and data networks and boasts production expertise in the field of fiber optics technology. The company offers customers from all sectors a one-stop shop for tailored, vendor-independent network solutions. Its portfolio comprises planning, implementing and maintaining networks, as well as developing, producing and distributing network components based on copper, fiber optic and wireless technology. The product portfolio includes active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. The components are used in WANs and LANs for data communication at data centers, and in the field of medical and security technology.

2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315a (1) of the German Commercial Code (HGB), in the valid version at December 31, 2013. All the mandatory standards at the balance sheet date were applied.

In principle, the consolidated financial statements were prepared on the basis of historical acquisition or manufacturing costs, with the exception of re-measurement of the available-for-sale financial assets. The consolidated financial statements of euromicron AG are prepared in euros. Unless otherwise specified, all amounts, including the figures for the previous year(s), are shown in thousand euros (€ thou.). The consolidated income statement has been prepared using the type of expenditure format. The fiscal year is the calendar year.

The balance sheet is presented by noncurrent and current assets and liabilities in accordance with IAS 1. Assets and liabilities are classified as current if they are due within twelve months. Irrespective of when they are due, inventories, trade accounts receivable and trade accounts payable and gross amounts due from and to customers for contract work are regarded as current assets or liabilities if they are not sold, consumed or due within a year, but are sold, consumed or due within the normal course of the business cycle. The maturities of the assets and liabilities are presented in detail in the notes.

In accordance with IAS 1.32, assets and liabilities and income and expenses are not allowed to be offset unless required or permitted by a standard or an interpretation. Offsetting was carried out in the following circumstances:

- Offsetting of deferred tax assets against deferred tax liabilities if they relate to income tax levied by the same tax authority and there is an entitlement to offsetting of an actual tax refund claim against an actual tax liability.
- Offsetting of pension obligations against the associated plan assets.
- Offsetting of payments on account received that can be directly assigned to production contracts and are covered by services provided by the balance sheet date on the basis of the percentage of completion method.

Preparation of consolidated financial statements in compliance with IFRS requires estimates. In addition, the application of company-wide accounting policies necessitates assessments by management. Areas where there is a large latitude for assessment or greater complexity or areas where assumptions and estimates are crucial to the consolidated financial statements are specified in section 3.

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal 2013:

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 1	Presentation of Financial Statements – Presentation of Individual Items of the Other Profit/Loss (amendment)	July 1, 2012	Yes
IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets (amendment)	January 1, 2013	Yes
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2013	Yes
IFRS 13	Fair Value Measurement	January 1, 2013	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	Yes
AIP	Collection of amendments to various standards for 2011	January 1, 2013	Yes

IAS 1 – Presentation of Financial Statements –
Presentation of Individual Items of the Other Profit/Loss

Under this change, a distinction must be made in the “Other profit/loss” in the statement of comprehensive income between items of the other profit/loss that must be recognized in the income statement in subsequent periods and items that will also not affect profit/loss in future periods. The changes must be applied to fiscal years beginning on or after July 1. 2012. The change has an effect on presentation of the statement of comprehensive income.

IAS 12 – Income Taxes – Deferred Tax: Recovery of Underlying Assets

The IASB published changes to IAS 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets" on December 20, 2010. The change offers a practical solution to the problem of assessing whether the carrying amount of an asset is achieved through use or through sale by introducing a presumption, which can be disproved, that recovery of the carrying amount will normally be through sale. As a result of the amendment, SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" will no longer apply to investment properties carried at fair value. The remaining guidance has been incorporated into IAS 12 and SIC 21 accordingly withdrawn. The changes must be applied to fiscal years beginning on or after January 1. 2013. The amended standard is not currently of relevance to euromicron's consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities

The IASB published changes to IFRS 7 on December 16, 2011. The amendments comprise regulations on disclosures in the notes relating to offsetting financial assets and financial liabilities. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2013. Its first-time application does not have any significant effects on the consolidated financial statements.

IFRS 13 – Fair Value Measurement

The standard provides consistent guidance on measuring fair value across standards, among other things by defining the term and presenting what methods can be used for determining it. It addition, the disclosures on fair value in the notes are expanded. The changes must be applied to fiscal years beginning on or after January 1, 2013. The change has an effect on the disclosures in the notes of euromicron's consolidated financial statements.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

This interpretation deals with questions relating to the recognition and measurement of removal costs that are incurred in surface mining activity during the production phase of a mine. Companies may have to derecognize capitalized assets (stripping assets) through the revenue reserves in the opening balance sheet if these assets cannot be allocated to a separately identifiable part of an inventory produced. The interpretation must be applied to fiscal years beginning on or after January 1, 2013. This interpretation does not have any relevance for the euromicron Group.

Annual Improvement Project (AIP) –
Collection of amendments to various IFRS standards for 2011 ("Improvements to IFRS")
On June 22, 2011, the IASB published improvements to the International Financial Reporting Standards as part of its annual updates intended to streamline international accounting standards and make them more readily comprehensible. Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after January 1. 2013. Their first-time application does not have any significant effects on the consolidated financial statements.

The International Accounting Standards Board (IASB) has newly adopted the following amendment, which was used before it applies in fiscal year 2013:

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 36	Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets (amendment)	January 1, 2014	Yes

IAS 36 – Impairment of Assets:
Recoverable Amounts Disclosures for Non-Financial Assets
IFRS 13 introduced a new regulation in IAS 36, namely the requirement to disclose the recoverable amount of each cash-generating unit (or group of units) to which significant goodwill or significant intangible assets with an unlimited useful life are assigned. However, since the IASB actually intended to demand such a disclosure only for the cash-generating units (or groups of units) for which an impairment or recovery in value was carried in the current period under review, the IASB is now undertaking appropriate correction to the overly excessive disclosures demanded in the notes by IAS 36 with this amendment standard. In addition, the amendment standard introduces new disclosure obligations that have to be made if there is an impairment or recovery in value of an asset or a cash-generating unit and the recoverable amount was determined on the basis of the fair value minus costs of sale. The changes must be applied to fiscal years beginning on or after January 1, 2014. Their first-time application does not have any significant effects on the consolidated financial statements.

The following new or changed accounting regulations of the IASB have recently been adopted. However, since their application is not mandatory or they have not yet been adopted by the European Union, they were not used in the consolidated financial statements as of December 31, 2013:

	Standard/Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 19	Employee Benefits: Defined Benefit Plans: Employee Contributions (amendment)	July 1, 2014	No
IAS 27	Separate Financial Statements	January 1, 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	January 1, 2014	Yes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2014	Yes
IAS 36	Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets (amendment)	January 1, 2014	Yes
IAS 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting (amendment)	January 1, 2014	Yes
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities	–	No
IFRS 9	Financial Instruments: Hedge Accounting	–	No
IFRS 7 und IFRS 9	Mandatory Effective Date and Transition (amendment)	–	No
IFRS 10	Consolidated Financial Statements	January 1, 2014	Yes
IFRS 11	Joint Arrangements	January 1, 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014	Yes
IFRS 10, IFRS 12 und IAS 27	Investment Entities (amendment)	January 1, 2014	Yes
IFRS 10, IFRS 11 und IFRS 12	Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12 (amendment)	January 1, 2014	Yes
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	No
IFRIC 21	Levies	January 1, 2014	No
AIP	Collection of amendments to various standards, 2010-2012 cycle	July 1, 2014	No
AIP	Collection of amendments to various standards, 2011-2013 cycle	July 1, 2014	No

IAS 19 – Employee Benefits:
Defined Benefit Plans: Employee Contributions

The IASB published an amendment to IAS 19R in November 2013. The amendment includes in the standard an option relating to accounting of defined benefit plans to which employees (or third parties) make obligatory contributions. Taking into account the now published amendment to IAS 19R, it is permissible to carry employee contributions linked to service and not to the number of years of service in the period in which the corresponding service is performed, without following the described method of calculation and distribution using the projected unit credit method. The changes must be applied to fiscal years beginning on or after July 1, 2014. They can be applied before then. Any effects on the consolidated financial statements are still being examined at present.

IAS 27 – Separate Financial Statements

The IASB published the changes to IFRS 27 on May 12, 2011. The aim of the amendments to IAS 27 is to set standards that must be used in accounting for investments in subsidiaries, associated companies and joint ventures if an entity decides (or is required by local regulations) to prepare separate financial statements (or non-consolidated financial statements). The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will have no effects on the consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures

The IASB published the changes to IFRS 28 on May 12, 2011. The amendments comprise subsequent changes from the new IFRS 10, IFRS 11 and IFRS 12 and expand the scope of application of IAS 28 to accounting of joint ventures. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. The amended standard is not currently of relevance to euromicron's consolidated financial statements.

IAS 32 – Financial Instruments:
Offsetting Financial Assets and Financial Liabilities

The IASB published the changes to IFRS 32 on December 16, 2011. The amendments comprise clarifications on the conditions for offsetting financial assets and financial liabilities. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2014. Their first-time application will probably have no significant effects on the consolidated financial statements.

IAS 39 – Financial Instruments:
Novation of Derivatives and Continuation of Hedge Accounting

On June 27, 2013, the IASB added an exemption to IAS 39 to the effect that novation of a derivative from one counterparty to a central counterparty or to a member of a central counterparty does not result in discontinuation of hedge accounting under certain conditions. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

IFRS 9 – Financial Instruments:
Classification and Measurement of Financial Assets and Financial Liabilities

The standard introduces new regulations on classification and measurement of financial assets and liabilities. IFRS 9 is the first standard to be published as part of an extensive project to replace IAS 39. When first carried, financial assets are in future to be categorized as measured at "fair value" or at "amortized cost". This classification is dependent on the company's business model and the contractual terms of the financial asset. The regulations of IAS 39 relating to impairment of financial assets and recognition of hedging relationships still apply. In November 2012, the IASB published a draft of the revised regulations on classification and measurement of financial instruments which introduces a further category for debt instruments in addition to the two existing ones. They are measured at fair value and changes in their value are recognized in equity.

IFRS 9 – Financial Instruments: Hedge Accounting

As part of the third phase of replacing IAS 39 by IFRS 9, the IASB has published an up-to-date version of the standard with a chapter on hedge accounting. Special regulations on accounting of macro hedges are still being handled in a separate project and so are not part of the current publication.

Amendments to IFRS 7 and IFRS 9:
Mandatory Effective Date and Transition

The amendment postpones the (now rescinded) date of first-time adoption of IFRS 9 from fiscal years starting on or after January 1, 2013, to fiscal years starting on or after January 1, 2015. The amendment also specifies further obligations relating to disclosures in transitioning from IAS 39 to IFRS 9.

The mandatory date of first-time adoption of IFRS 9 is currently open. It can be applied before then. The new regulations have not yet been adopted in European law. The effects of the already adopted parts of IFRS 9 on the Group are being examined.

IFRS 10 – Consolidated Financial Statements

The standard replaces the previous regulations of IAS 27 and SIC 12 on control and consolidation and introduces a single consolidation model. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

IFRS 11 – Joint Arrangements

The new standard replaces the previous IAS 31 on joint ventures and introduces a change in terminology and classification of companies as joint ventures. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. There has not been any need to apply them at the euromicron Group up to now.

IFRS 12 – Disclosure of Interests in Other Entities

The new standard requires the disclosure of information that enables users of financial statements to evaluate the nature of, risks associated with and financial effects of a company's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities (special-purpose entities). The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. The scope of the disclosures in the consolidated financial statements will increase compared with currently prevailing law.

Amendment to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 27 (Separate Financial Statements – Investment Entities)

As a result of the amendments to IFRS 10, IFRS 12 and IAS 27, what are termed investment entities are exempted from the obligation to include the subsidiaries controlled by them in their consolidated financial statements as part of full consolidation. The amendments to IFRS 12 define new provisions for disclosing investment entities. The new regulations must be applied in fiscal years beginning on or after January 1, 2014. They can be applied before then voluntarily. Their first-time application will probably have no effects on the consolidated financial statements.

Transition guidance amendments for IFRS 10, IFRS 11 and IFRS 12
Exemptions are granted in that the adjusted comparative figures to be disclosed are restricted to the comparative period directly preceding first-time application and the requirement to present comparative information for the disclosures related to unconsolidated structured entities has been removed for the first year that IFRS 12 is applied. The changes must be applied to fiscal years beginning on or after January 1, 2014. This amendment must also be applied early if IFRS 10, IFRS 11 and IFRS 12 is applied early. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 14 – Regulatory Deferral Accounts
The standard introduces an optional exemption for first-time adopters in accordance with IFRS 1 with which, subject to restrictive conditions, these companies can continue recognition of regulatory deferral accounts from price regulation on the basis of their existing accounting principles. The changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will have no effects on the consolidated financial statements.

IFRIC 21 – Levies
IFRIC 21 contain regulations on recognition of obligations to pay public charges that are not levies within the meaning of IAS 12. Adoption of the interpretation may result in an obligation to pay levies being carried in the balance sheet at a different time, in particular if the obligation to pay them arises only if certain circumstances exist at a certain time. The changes must be applied to fiscal years beginning on or after January 1, 2014. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Collection of amendments to various IFRS standards for the 2010-2012 cycle ("Improvements to IFRS")
Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after July 1, 2014. They can be applied before then. Their first-time application will probably not have any significant effects on the consolidated financial statements.

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3. Discretionary decisions and uncertainties in estimates

In preparation of the consolidated financial statements, it is necessary to make estimates and assumptions that have an effect on the recognition and measurement method and the level of assets, liabilities and contingent liabilities, as well as the level of expenses and income. The assumptions and estimates are based on the knowledge and data available at the balance sheet date; however, the actual results may differ from the anticipated figures and result in appropriate adjustments to the book values of the assets and liabilities. The assumptions and estimates of relevance to preparation of the consolidated financial statements are constantly reviewed. Predictive estimates and assumptions are essentially made for the following:

- Measurement of goodwill: €113,529 thousand (previous year: €106,369 thousand)

- Measurement of brand name rights with an indefinite period of use: €0 thousand (previous year: €4,061 thousand). We refer to the notes on the consolidated balance sheet (section 1. (a)) with regard to the change in estimates made in the fiscal year pursuant to IAS 8.32 ff., which resulted in limited periods of use of the brand name rights.

- Measurement of capitalized development costs: €10,184 thousand (previous year: €9,701 thousand).
  We refer in this regard to the notes on the consolidated balance sheet (section 1.a)).

- Payment of income taxes (claims for refunds and income tax liabilities netted off): €125 thousand (previous year: €2,257 thousand).
  Claims for refunds and income tax liabilities are based on calculations that include estimates and assumptions. The final amount is not fixed until the tax assessment notices have been issued or the tax audits completed.

- Gross amount due from customers for contract work €63,761 thousand (previous year: €55,960 thousand).
  Application of the percentage of completion method requires in particular estimates of the anticipated total costs and revenue for production contracts. We refer in this regard to the notes on the consolidated balance sheet (section 4) and the notes on the consolidated income statement (section 11).

- Measurement of other accrued liabilities: €4,084 thousand (previous year: €3,219 thousand).
  Measurement of the other accrued liabilities is based in particular on estimates as to their amount, the likelihood of their being utilized and the time they are utilized. We refer in this regard to the notes on the consolidated balance sheet (section 7.a).

- Measurement of provisions for pensions: €947 thousand (previous year: €983 thousand).
  The present value of the pension obligations depends on a large number of factors that are based on actuarial assumptions. We refer in this regard to the notes on the consolidated balance sheet (section 7.b).

- Measurement of deferred taxes (surplus of deferred tax liabilities over deferred tax assets): €6,360 thousand (previous year: €5,803 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

Consolidated companies

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 27 companies to be consolidated. euromicron AG directly or indirectly hold the majority of voting rights in all associated companies and so is able to determine the financial and business policies of these companies in order to obtain benefits from their activity. All the companies are fully consolidated, i.e. not consolidated at-equity, since there are no investments in which euromicron AG holds more than 20%, but less than 50% of the voting rights. Investments below 20% have not been consolidated.

Of the associated companies, 18 (previous year: 16) are based in Germany and 9 (previous year: 7) in other European countries.

An overview of the consolidated companies can be found at the end of this section.

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2013:

	2013	2012
January 1	23	18
First-time consolidation	4	5
December 31	**27**	**23**

2. Acquisition of companies and divisions

In fiscal 2013 there were the following changes in the consolidated companies due to newly founded companies (see section 3) and significant acquisitions of subsidiaries and other business units in accordance with IFRS 3:

Acquired subsidiaries are carried using the purchase method of accounting. The transferred quid pro quos for the acquisition correspond to the fair value of the assets of the issued equity instruments and the debts that were assumed at the time of the transaction. They also include the fair values of any recognized assets or liabilities resulting from a conditional quid-pro-quo agreement. Identifiable assets, liabilities and contingent liabilities as part of a business combination are measured at their fair value at the time of acquisition in first-time consolidation. The positive difference remaining after allowance for deferred taxes is carried as goodwill. If the transferred quid pro quo is less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the income statement.

Non-controlling interests are measured at their share proportionate to the identifiable and re-measured net assets of the subsidiary. Any conditional considerations are measured at fair value at the time of acquisition. Subsequent changes to the fair value of a conditional quid pro quo classified as an asset or liability are measured in accordance with IAS 39 and any resultant profit or loss is recognized either in profit or loss or in the other profit/loss. A conditional quid pro quo classified as equity is not re-measured and its later settlement is recognized in equity.

When the group loses control of a company, the remaining potion is re-measured at fair value and the resultant difference recognized as profit or loss. In additional, all the amounts reported in the other profit/loss in relation to that company are recognized as would be required if the parent company had directly sold the associated assets and liabilities. That means any profit or loss previously carried in the other profit/loss is reclassified from equity to profit/loss.

Acquisition of the business operations of N&T GmbH, Erfurt
Under the notarized agreement, SSM euromicron GmbH acquired the business operations of N&T GmbH, Erfurt, by way of an asset deal. The date of acquisition was July 4, 2013. SSM euromicron GmbH acquired the business operations at a total purchase price of €100 thousand. The goodwill of €45 thousand resulting from the difference between the cash purchase price of €100 thousand and the provisionally measured net assets of €55 thousand is mainly attributable to the well-trained workforce in the field of telephony. We expect tax-deductible goodwill to the same amount. Acquisition of this company incurred incidental costs of €2 thousand, which have been recognized in the income statement under the other operating expenses. The earnings of the division for the period it was a member of the group (July 4 to December 31, 2013) were € –7 thousand, while its sales for this period were €337 thousand. euromicron will enhance its expertise in the field of telephony as a result of the acquisition.

Acquisition of ATECS AG, Zug / Switzerland
Under the notarized share purchase and assignment agreement, euromicron AG acquired 80% of the shares in ATECS AG, Zug/Switzerland. The date of acquisition was December 20, 2013. The agreed cash purchase price was €6,400 thousand. Under the agreement, a further purchase price of €800 thousand must be paid if the cumulated EBIT of ATECS AG and Secure Information Management GmbH exceed a firmly agreed amount in fiscal 2014. A further purchase price payment of €800 thousand must be paid if the cumulated EBIT of these two companies also exceeds the agreed amount in 2015. The liability from the conditional purchase price payment, which was assessed on the basis of the probability of the conditions occurring and discounted to the present value, was €1,594 thousand at December 31, 2013.

As part of acquisition of the 80% stake, the minority shareholders also obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them; this can be exercised for a minority interest of 10% in the period from October 1 to December 31, 2014 (in each case effective January 1, 2015) and for a further minority interest of 10% in the period from October 1 to December 31, 2015 (in each case effective January 1, 2016). The option involves a firmly agreed purchase price of in each case €800 thousand for a 10% minority interest. As a result of this put/call option, ATECS AG was fully consolidated. The long-term component of the option was discounted to the present value of €797 thousand.

The goodwill of €5,836 thousand resulting from the difference between the quid pro quo of €9,591 thousand and the provisionally measured net assets of €3,755 thousand is mainly attributable to the well-trained workforce and future synergy effects in the area of production. Acquisition of ATECS AG incurred ancillary costs of €167 thousand, which have been recognized under “Other operating expenses”. The earnings of ATECS AG for the period it was a member of the group – December 20 to December 31, 2013 – were €278 thousand and its sales in this period were €1,015 thousand. By acquiring ATECS AG and SIM GmbH, we will expand the know-how base of our production operations to include expertise in the field of highly professional video and security technology for special applications and markets and also take a further step toward internationalization of our Group.

Acquisition of Secure Information Management GmbH, Neustadt a. d. W.

Under the notarized share purchase and assignment agreement, euromicron AG acquired 80% of the shares in Secure Information Management GmbH, Neustadt a. d. W. (hereinafter referred to as SIM GmbH). The date of acquisition was December 20, 2013. The agreed cash purchase price was €1,600 thousand. Under the agreement, a further purchase price of €200 thousand must be paid if the cumulated EBIT of ATECS AG and SIM GmbH exceed a firmly agreed amount in fiscal 2014. A further purchase price payment of €200 thousand must be paid if the cumulated EBIT of these two companies also exceeds the agreed amount in 2015. The liability from the conditional purchase price payment, which was assessed on the basis of the probability of the conditions occurring and discounted to the present value, was €399 thousand at December 31, 2013.

As part of acquisition of the 80% stake, the minority shareholders also obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them; this can be exercised for a minority interest of 10% in the period from October 1 to December 31, 2014 (in each case effective January 1, 2015) and for a further minority interest of 10% in the period from October 1 to December 31, 2015 (in each case effective January 1, 2016). The option involves a firmly agreed purchase price of in each case €200 thousand for a 10% minority interest. As a result of this put/call option, SIM GmbH was fully consolidated. The long-term component of the option was discounted to the present value of €199 thousand.

The goodwill of €1,279 thousand resulting from the difference between the quid pro quo of €2,398 thousand and the provisionally measured net assets of €1,119 thousand is mainly attributable to the well-trained workforce and future synergy effects in the area of production. Acquisition of SIM GmbH incurred ancillary costs of €43 thousand, which have been recognized under “Other operating expenses”. The earnings of SIM GmbH for the period it was a member of the group – December 20 to December 31, 2013 – were €69 thousand and its sales in this period were €279 thousand. By acquiring SIM GmbH and ATECS AG, we will expand the know-how base of our production operations to include expertise in the field of highly professional video and security technology for special applications and markets and also take a further step toward internationalization of our Group.

Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated consolidated sales were €342.7 million. Under the assumption that the time of acquisition for all the business combinations was at the beginning of the period under review, the cumulated earnings for the period were €0.8 million.

The book values directly before the combination and the effects from re-measurement (fair value) of the assets and liabilities included in the consolidated balance sheet for the first time and the resultant goodwill are shown in the following tables. Consequently, pro-rata figures for the additions from company acquisitions are no longer explained separately in the detailed disclosures on balance sheet items. The net assets acquired in fiscal year 2013, including adjustments to assets and liabilities in accordance with IFRS 3, are shown below:

N&T

	Book values at the time of acquisition € thou.	Re-measurement of assets € thou.	Fair values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	0	16	16
Property, plant and equipment	6	0	6
Financial assets	1	0	1
	7	16	23
Current assets			
Inventories	27	1	28
Trade accounts receivable	34	0	34
Other assets	5	0	5
Cash and cash equivalents	10	0	10
	76	1	77
Acquired assets	**83**	**17**	**100**
Long-term debt			
Other provisions	17	0	17
	17	**0**	**17**
Current liabilities			
Trade accounts payable	9	0	9
Other current liabilities	19	0	19
	28	0	28
Acquired liabilities	**45**	**0**	**45**
Balance of acquired assets and liabilities = equity at the time of acquisition	**38**	**17**	**55**
Quid pro quo rendered			100
Goodwill			**45**

ATECS

	Book values at the time of acquisition € thou.	Re-measurement of assets € thou.	Fair values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	0	2,943	2,943
Property, plant and equipment	25	0	25
	25	2,943	2,968
Current assets			
Inventories	1,077	0	1,077
Trade accounts receivable [1]	861	0	861
Receivables from affiliated companies	165	0	165
Other assets	421	0	421
Cash and cash equivalents	2,804	0	2,804
Prepayments and accrued income	1	0	1
	5,329	0	5,329
Acquired assets	**5,354**	**2,943**	**8,297**
Long-term debt			
Other provisions	2	0	2
Deferred tax liabilities	0	250	250
	2	250	252
Current liabilities			
Accrued liabilities	120	0	120
Trade accounts payable	1,337	0	1,337
Liabilities to affiliated companies	3	0	3
Payments on account	249	0	249
Tax liabilities	254	0	254
Personnel obligations	26	0	26
Other current liabilities	2,301	0	2,301
	4,290	0	4,290
Acquired liabilities	**4,292**	**250**	**4,542**
Balance of acquired assets and liabilities = equity at the time of acquisition	**1,062**	**2,693**	**3,755**
Quid pro quo rendered			9,591
Goodwill			**5,836**

[1] The book value of the gross receivables is €954 thousand.

SIM

	Book values at the time of acquisition € thou.	Re-measurement of assets € thou.	Book values at first-time consolidation € thou.
Noncurrent assets			
Intangible assets	0	1,025	1,025
Property, plant and equipment	141	0	141
	141	1,025	1,166
Current assets			
Inventories	558	0	558
Trade accounts receivable	368	0	368
Receivables from affiliated companies	3	0	3
Other assets	213	0	213
Cash and cash equivalents	142	0	142
Prepayments and accrued income	7	0	7
	1,291	0	1,291
Acquired assets	**1,432**	**1,025**	**2,457**
Long-term debt			
Other provisions	2	0	2
Liabilities to banks	46	0	46
Deferred tax liabilities	1	306	307
	49	306	355
Current liabilities			
Other provisions	15	0	15
Trade accounts payable	413	0	413
Liabilities to affiliated companies	165	0	165
Liabilities to banks	11	0	11
Payments on account	107	0	107
Tax liabilities	143	0	143
Personnel obligations	117	0	117
Other current liabilities	12	0	12
	983	0	983
Acquired liabilities	**1,032**	**306**	**1,338**
Balance of acquired assets and liabilities = equity at the time of acquisition	**400**	**719**	**1,119**
Quid pro quo rendered			2,398
Goodwill			**1,279**

3. Foundation of new companies

Under the company agreement dated December 14, 2012, euromicron AG founded euromicron networks GmbH, Frankfurt/Main, as the sole shareholder with subscribed capital of €25 thousand. The subscribed capital was paid in on January 16, 2013 and euromicron networks GmbH was entered in the commercial register on January 21, 2013. euromicron networks acts as a service company in system house business and, among other things, assumes functions in the area of central purchasing.

Under the company agreement dated June 19, 2013, MICROSENS GmbH & Co. KG, Hamm, a subsidiary of euromicron AG, founded MICROSENS Sp.z.o.o., Wroclaw/Poland, as sole shareholder with subscribed capital of PLN 25 thousand. The company was entered in the state court register on June 17, 2013. MICROSENS Sp.z.o.o. began operating effective January 1, 2014, and strengthens the production operations in the euromicron Group in the field of sales and made-to-order development.

4. Disclosures on company acquisitions from previous years

As part of the acquisition of 80% of the shares in MICROSENS GmbH & Co. KG, Hamm, the minority shareholders obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them. The option comprises a fixed purchase price and a conditional purchase price component. euromicron AG exercised its option to acquire 10% of the shares in fiscal 2012. Following an extension in fiscal 2012, the option on the remaining 10% of the shares can be exercised no earlier than January 1 and no later than December 31, 2014. As a result of the mutual put/call options, this company is fully consolidated.

The present value of the purchase price liability (fixed purchase price plus the conditional purchase price component) is €983 thousand at December 31, 2013, and is carried under the financial liabilities. As a result of interest accrued on the purchase price liability, there were interest expenses of €20 thousand in fiscal 2013.

With the notarized agreement dated August 12, 2011, MICROSENS GmbH & Co. KG, a subsidiary of euromicron AG, acquired the business operations of TeraMile GmbH via an asset deal. The total purchase price of €1,298 thousand was determined allowing for possible subsequent purchase price adjustments on the basis of contractually agreed criteria. According to the contractual arrangements, the purchase price must be increased by up to €900 thousand if a set cumulated EBIT is exceeded in the years 2011 to 2013. The liability from the conditional purchase price payment, which was assessed on the basis of the probability of the conditions occurring and discounted to the present value, was €727 thousand.

There was no conditional purchase price payment due to the company's earnings in fiscal 2013. This purchase price liability at December 31, 2012, was €384 thousand. Consequently, there was income from derecognition of the accrued liability of €390 thousand, which is carried under the other operating income.

List of companies included in the consolidated financial statements

	Share in capital (%)
Parent company	
of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, Germany	
Consolidated subsidiaries	
a) North segment	
euromicron systems GmbH – ein Unternehmen der euromicron Gruppe – Essen, Germany	100.00
EUROMICRON Werkzeuge GmbH – ein Unternehmen der euromicron Gruppe – Sinn-Fleisbach, Germany	100.00
euromicron international services GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
MICROSENS GmbH & Co. KG [1], Hamm, Germany	90.00
MICROSENS Sp.z.o.o. [1], Wroclaw/Poland	90.00
Microsens Beteiligungs GmbH [1], Hamm, Germany	90.00
SSM euromicron GmbH – ein Unternehmen der euromicron Gruppe – Zwenkau, Germany	100.00
Stark- und Schwachstrommontage GmbH Hamburg, Germany	100.00
b) South segment	
ELABO GmbH – ein Unternehmen der euromicron Gruppe – Crailsheim, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00
euromicron solutions GmbH – ein Unternehmen der euromicron Gruppe – Frankfurt/Main, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe – Spiesen-Elversberg, Germany	100.00
WCS Fiber Optic B.V., Amersfoort, Netherlands	100.00
euromicron benelux S.A., Ellange, Luxembourg	100.00
Qubix distribution GmbH, Seekirchen, Austria	100.00
ATECS AG [2], Zug/Switzerland	80.00
Secure Information Management GmbH [2], Neustadt a. d. W., Germany	80.00
euromicron networks GmbH, Frankfurt/Main, Germany	100.00
c) WAN services segment	
telent GmbH – ein Unternehmen der euromicron Gruppe – Backnang, Germany	100.00
RSR Datacom GmbH & Co. KG Essen, Germany	100.00
RSR Datacom Verwaltungs GmbH Essen, Germany	100.00
ProCom Professional Communication & Service GmbH Essen, Germany	100.00

[1] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 10% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

[2] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 20% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

5. Consolidation principles

The financial statements of euromicron AG and its German and foreign subsidiaries included in the consolidated financial statements have been prepared in accordance with group-wide reporting and measurement methods in compliance with IAS 27.

Business combinations in accordance with IFRS 3 are carried using the purchase method of accounting, under which the acquired assets, liabilities and contingent liabilities must be recognized at fair value in first-time consolidation. The transferred quid pro quo is offset with the pro-rata equity of the purchased company at the time the stake was acquired. Any resulting difference on the asset side is carried as goodwill under “Intangible assets” and the causes of it analyzed as part of purchase price allocation. If it is due to the fact that dormant reserves or dormant charges have to be distributed over the individual assets and liabilities, the difference – after allowing for deferred taxes – is assigned to the items in the consolidated balance sheet as a result of appropriate corrections. Existing and acquired goodwill is tested for impairment every year and written down if necessary in accordance with IAS 36. Negative goodwill from company acquisitions is immediately recognized in the income statement. Incidental costs as part of company acquisitions are recognized as an expense in the current period and mainly carried as consulting costs under “Other operating expenses”.

Receivables and payables between the companies included in the consolidated financial statements are offset against each other; any differences are recognized in the income statement under “Other operating income” or “Other operating expenses” respectively. If valuation adjustments for shares of consolidated companies or intragroup receivables are carried in individual financial statements, they are reversed as part of consolidation.

Intragroup sales, material expenses, other operating expenses and income and interest are eliminated in the consolidated financial statements. Deferred taxes are formed for transactions recognized in profit or loss as part of consolidation.

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

Notes on the consolidated balance sheet

1. Fixed assets

A complete overview of all long-lived assets is provided in the fixed asset movement schedule under 1.b) "Property, plant and equipment" of these notes.

Long-lived assets are tested for impairment if, due to events or changes in circumstances, there are indications that the book value of the objects can no longer be recovered. As part of the impairment test, assets are grouped at the lowest level for which cash flows can be separately identified (CGU). The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value of the asset is the price that would be obtained for the asset on the measurement date in an orderly business transaction between market participants.

Value in use is the present value of the estimated future cash flow expected to be derived from continued use of an asset and its retirement at the end of its useful life. If the reasons for the value impairments in earlier reporting periods no longer exist, the assets – with the exception of goodwill – are written up again. euromicron does not have any noncurrent assets held for sale.

a) Intangible assets

Intangible assets comprise software, licenses, brand names, industrial rights, goodwill, customer relationships as well as capitalized development costs. Purchased intangible assets, with the exception of goodwill, are capitalized at their cost of acquisition and written down over their useful life of 3 to 25 years (certain brand name rights). Allowances for impairment are made in order to carry intangible assets at the lower recoverable amount on the balance sheet date.

The consolidated financial statements at December 31, 2012, carried brand name rights with an indefinite period of use totaling €4,061 thousand resulting from measurement in previous years as part of the purchase price allocation of newly acquired companies or directly from the single-entity financial statements of Group companies. The annual impairment test carried out at the start of the fourth quarter of 2013 did not reveal any need to write down the brand name rights. In connection with the impairment test, the useful lives of the brand name rights were reassessed at the beginning of the fourth quarter of 2013. Whereas an indefinite useful life had previously been assumed, market circumstances meant that the reassessment came to the conclusion that the useful life for these brand name rights is also limited (change in estimate in accordance with IAS 8.32 et seq.). The brand name rights were therefore written down over their remaining useful life, which is between 15 and 25 years, starting from October 1, 2013. This resulted in amortization of €44 thousand in fiscal year 2013.

In accordance with IFRS 3, goodwill from business combinations is not written off using the regular method of depreciation, but examined for impairment at least once a year in accordance with the regulations of IAS 36 (impairment test). euromicron tests goodwill for impairment every year in the fourth quarter of the reporting period after completion of its medium-term planning (five years) or if there are indications or circumstances (triggering events) that suggest its value may be impaired.

Due to the fact that the Group's business performance was below expectations in the fourth quarter of 2013, a further impairment test of the goodwill was carried out effective December 31, 2013, in addition to the scheduled annual impairment test at the beginning of the fourth quarter of 2013. In this connection, all the parameters of relevance in measurement were reviewed and, if necessary, adjusted to circumstances at the balance sheet date.

In the impairment test, the carrying amount of each cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. The recoverable amount is the higher of fair value less costs to sell and value in use of a CGU. The value in use is applied for purposes of the impairment test. The value in use is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC).

In line with our philosophy of a "system house with production expertise", the market is mainly accessed via the local branch office structure of the system houses. Accordingly, the euromicron Group is controlled by the Executive Board on the basis of regions. Consequently, as in the previous years, the business activities are pooled in the North and South segments and, for supra-regional activities, in the WAN services segment. The CGUS System Houses and Production Companies have developed within the North and South segments; the Distributors are also integrated in the South segment alongside the System Houses and Production Companies, whereas the WAN services segment acts as an integrated CGU.

The cash flow forecasts are based on medium-term planning for the financial position, net assets and results of operations; this planning, which is adopted by the Group's management, has a horizon of five years. The planning figures are updated for subsequent years using constant growth rates. In principle, the planning is created in detail as a bottom-up, top-down approach using the counterflow procedure, with management incorporating its experience from the past and medium-term expectations on the basis of estimates of market volumes, market shares and cost and price trends.

The detailed near-term sales planning is geared to the sales pipeline and the analyzed potentials for new and existing customers. In its multi-year approach, management is essentially oriented toward the potentials and anticipated individual developments of the addressed markets and the strategic measures and focuses geared toward them. The anticipated effects of measures by government and public authorities in the field of infrastructure are also taken into account if they can be adequately foreseen. The variable costs mainly change in line with the anticipated development of sale volumes, purchase prices and the expected success of the integration measures initiated to optimize cost structures. It is usually assumed that the contribution margin relative to sales will remain largely stable. Higher sales volumes result in an improvement in the operating margin, if economies of scale and knock-on effects can be expected in the value-added process. In principle, the initiated cost-cutting, efficiency and integration programs are planned conservatively and assuming that savings will have a positive impact on the operating margin down the road.

The planning envisages that the CGU System Houses North will post slight sales growth and a comparable EBIT margin to 2013. The medium-term planning for the years 2015 to 2018 is based on annual sales growth between 5% and 6% coupled with a moderate increase in profitability.

Following the postponement in call-off orders in the fourth quarter of 2013, the CGU Production Companies North is expected to grow sales to the level of 2011 again in 2014; sales growth of around 6% is expected for subsequent years. The EBIT margin for 2014 is budgeted to be at around the level of 2012 and increase slightly in subsequent years; however, this was again based on conservative planning assumptions in view of the competitive pressure in individual market segments.

Planning for the CGU System Houses South for 2014 is impacted by continuation of the integration and restructuring measures. Sales in 2014 are to be increased by around 5% as a result of selective sales and marketing activities, whereas EBIT in 2014 is budgeted as being around the same level due to the anticipated costs of the integration measures. Sales growth in 2015 is expected to be slightly above the level of 2012 and between 4% to 6% for 2016 to 2018. The quality of earnings for the system houses will move towards the target EBIT margin of just over 6% in the medium term when the integration and restructuring phase is completed.

The planning for the CGU Production Companies South for 2014 envisages positive effects on sales and earnings, in particular from projects for which orders have already been received. Moreover, the impact of new products will enable further sales growth. Sales growth of around 12% is anticipated in 2014 and between 6% and 9% for subsequent years. As regards profitability, it is anticipated that the EBIT margin of 2011 will be achieved again in the medium term thanks to the extensive cost-cutting and efficiency program that is already underway. Further growth effects are expected from the acquisitions of Secure Information Management GmbH and ATECS AG in December 2013.

In the WAN services segment, the planning for 2014 assumes stable development of the market, which is why sales and earnings for 2014 are expected to be around the level of 2013. Sales growth of around 9% is expected for 2015 and 2016 as a result of the planned development of new business segments and is budgeted to be just over 3% per annum again as of 2017. Profitability as measured by the EBIT margin is assessed as being largely stable.

In particular, estimates by management of how the markets, market share and prices will develop are subject to some uncertainty. It is ensured that no effects from future restructuring measures or expansion investments are included in the forecast calculations.

The need for value impairments is determined in accordance with the assignment of goodwill and the trade name rights at the level of the CGU.

Business risks are taken into account as far as they are known at the time planning was created and reduce the derived free cash flow. Accordingly, the following parameters were applied in the impairment test at December 31, 2013, for all CGUs:

	2013	2012
Borrowing rate after taxes	3.15%	3.38%
Risk-free interest	2.58%	2.14%
Markup for return on equity	5.30%	6.44%
Beta factor	0.82	0.99
Ratio of outside capital to equity	64.67%	62.53%
Weighted average cost of capital (WACC)	6.02%	6.58%
Growth rate	1.00%	1.00%
WACC perpetuity	5.02%	5.58%

The pre-tax WACC (perpetuity) used as basis for the impairment test carried out effective December 31, 2013, was 8.01% (previous year: 8.82%).

The goodwill impairment test at December 31, 2013, did not reveal any need to reduce the value of the goodwill of individual CGUs.

As part of a sensitivity analysis, changes to the parameters were simulated stepwise in a model calculation until a need to reduce the value for a CGU was arrived at. If the weighted average cost of capital (WACC) were to rise by 1.10 percentage points (previous year: 2.71 percentage points) to 7.12% (previous year: 9.29%), there would be a need for a value impairment of €97 thousand (previous year: €60 thousand) at one CGU.

Goodwill developed as follows in the fiscal year:

Goodwill

	2013 € thou.	2012 € thou.
Goodwill at January 1	106,369	103,626
Additions	7,160	2,843
Disposals	0	–100
Goodwill at December 31	**113,529**	**106,369**

For details of the gross values and cumulated goodwill impairments, please refer to the fixed asset movement schedule. For purposes of the impairment test, the goodwill is split over the following CGUs:

CGU

	2013 Goodwill € thou.	2012 Goodwill € thou.
CGU 1 System Houses North	18,616	18,571
CGU 2 Production Companies North	19,136	19,136
CGU 3 System Houses South	35,330	35,330
CGU 4 2 Production Companies South	12,653	5,538
CGU 5 Distributors South	5,688	5,688
CGU 6 WAN services	22,106	22,106
	113,529	**106,369**

The goodwill additions/disposals are as follows:

Goodwill additions/disposals

	2013 Goodwill € thou.
N&T GmbH, Erfurt	45
ATECS AG, Zug / Switzerland	5,836
Secure Information Management GmbH, Neustadt a.d.W.	1,279
	7,160

The change in goodwill results solely from additions in connection with the company acquisitions in fiscal 2013.

In accordance with IFRS 3, acquired identified assets, liabilities and contingent liabilities are measured at their fair value at the time of the company acquisition.

The purchase price allocation of the companies/divisions acquired in the current fiscal year is still provisional at the reporting date since definitive examinations in relation to assets, liabilities and legal matters must still be made. The calculated difference is carried as provisional goodwill.

The write-offs on purchased intangible assets in the year under review total €67 thousand (previous year: €0 thousand).

In accordance with IAS 38, development costs are carried at acquisition and manufacturing cost, provided the expenses can be clearly assigned, technical feasibility is ensured, there is the intent and ability to create and sell the intangible assets, and marketing of products based on development work is likely to result in future inflows of funds. In the year under review, development costs for self-created intangible assets of €2,738 thousand were capitalized (previous year: €4,522 thousand) and written down using the straight line method on the basis of the product cycles (3 to 8 years). Depreciation/amortization expense is reported in the depreciation/amortization in the income statement. In addition, own work for self-created software and IT solutions was capitalized to an amount of €332 thousand (previous year: €822 thousand) in the year under review. Capitalized development costs and own work for self-created software and IT solutions include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs. If a triggering event occurs, the value of the capitalized development costs is examined in an impairment test using the DCF method, with similar product categories being grouped into cash generating units and the same assumptions as in the goodwill impairment test being used.

In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23. Research expenditure – where incurred – is posted as an expense, but is not a material factor at the euromicron Group.

b) Property, plant and equipment

Property, plant and equipment is measured at its acquisition or manufacturing cost less cumulated depreciation. The manufacturing cost of capitalized, self-created property, plant and equipment contains the cost of direct materials and prime costs, as well as attributable overhead costs, and resulted in own work capitalized of €64 thousand in fiscal 2013 (previous year: €263 thousand).

Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives:

Property, plant and equipment

	Useful life in years
Buildings	10 – 40
Technical equipment and machinery	3 – 15
Other equipment, operating and office equipment	3 – 16

Allowances for impairment are made in order to carry property, plant and equipment at the lower recoverable amount on the balance sheet date. There were no write-offs in the past fiscal year. Financing costs are capitalized in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets for which borrowing costs can be directly attributed to the acquisition or production of a qualifying asset and for which a considerable period of usually more than twelve months is required to put them into a usable state. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23. Expenses for maintenance and repairs that are not significant replacement investments are recognized in the income statement in the current reporting period. In accordance with IAS 16.74, at the balance sheet date there are no restrictions on title to, nor any contractual commitments to acquire property, plant and equipment. In addition, no property, plant or equipment has been attached and there were no compensation payments to third parties due to value impairments in or loss of property, plant or equipment.

Group fixed-asset movement schedule 2013

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2013

	Acquisition costs					
	Jan. 1, 2013 € thou.	Additions € thou.	Disposals € thou.	Additions from first-time consolidation € thou.	Reclassification and other € thou.	Dec. 31, 2013 € thou.
Goodwill	113,940	0	0	7,160	0	121,100
Intangible assets						
Concessions, industrial and similar rights	37,819	1,318	185	3,985	44	42,981
Capitalized development costs	15,345	2,738	154	0	–44	17,885
	53,164	4,056	339	3,985	0	60,866
Property, plant and equipment						
Land and buildings	8,331	144	1,118	0	0	7,357
Technical equipment and machinery	8,348	265	134	0	107	8,586
Other equipment, operating and office equipment	21,550	1,921	560	171	–107	22,975
	38,229	2,330	1,812	171	0	38,918
	205,333	**6,386**	**2,151**	**11,316**	**0**	**220,884**

Amortization and depreciation						Book values	
Jan. 1, 2013 € thou.	Additions € thou.	Disposals € thou.	Reversal of write-downs € thou.	Reclassification and other € thou.	Dec. 31, 2013 € thou.	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
−7,571	0	0	0	0	−7,571	113,529	106,369
−26,489	−3,160	185	0	8	−29,456	13,525	11,330
−5,644	−2,203	154	0	−8	−7,701	10,184	9,701
−32,133	−5,363	339	0	0	−37,157	23,709	21,031
−3,511	−229	490	0	0	−3,250	4,107	4,820
−4,366	−701	124	0	−107	−5,050	3,536	3,982
−14,097	−2,608	451	0	107	−16,147	6,828	7,453
−21,974	−3,538	1,065	0	0	−24,447	14,471	16,255
−61,678	**−8,901**	**1,404**	**0**	**0**	**−69,175**	**151,709**	**143,655**

Group fixed-asset movement schedule 2012

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2012

	Acquisition costs					
	Jan. 1, 2012 € thou.	Additions € thou.	Disposals € thou.	Additions from first-time consolidation € thou.	Reclassification and other € thou.	Dec. 31, 2012 € thou.
Goodwill	111,197	0	100	2,843	0	113,940
Intangible assets						
Concessions, industrial and similar rights	34,939	2,107	0	780	–7	37,819
Capitalized development costs	10,820	4,522	120	0	123	15,345
	45,759	6,629	120	780	116	53,164
Property, plant and equipment						
Land and buildings	8,342	55	68	2	0	8,331
Technical equipment and machinery	7,012	1,336	0	0	0	8,348
Other equipment, operating and office equipment	18,625	2,813	0	228	–116	21,550
	33,979	4,204	68	230	–116	38,229
	190,935	**10,833**	**288**	**3,853**	**0**	**205,333**

	Amortization and depreciation						Book values	
	Jan. 1, 2012 € thou.	Additions € thou.	Disposals € thou.	Reversal of write-downs € thou.	Reclassification and other € thou.	Dec. 31, 2012 € thou.	Dec. 31, 2012 € thou.	Dec. 31, 2011 € thou.
	−7,571	0	0	0	0	−7,571	106,369	103,626
	−23,293	−3,196	0	0	0	−26,489	11,330	11,646
	−4,209	−1,555	120	0	0	−5,644	9,701	6,611
	−27,502	−4,751	120	0	0	−32,133	21,031	18,257
	−3,382	−197	68	0	0	−3,511	4,820	4,960
	−3,876	−490	0	0	0	−4,366	3,982	3,136
	−11,592	−2,505	0	0	0	−14,097	7,453	7,033
	−18,850	−3,192	68	0	0	−21,974	16,255	15,129
	−53,923	**−7,943**	**188**	**0**	**0**	**−61,678**	**143,655**	**137,012**

If, in accordance with IAS 17, the lessee bears the main risks and opportunities, economic ownership is ascribed to the lessee ("finance lease"). At the time of addition, leased objects are carried in the fixed assets at the lower of its fair value or the present value of the minimum lease payments. Capitalized leased objects are written down using the straight line method over their scheduled useful lives. The corresponding liability to the lessor is carried under "Liabilities from finance lease" in accordance with IAS 17. Leased equipment (€1,970 thousand) and operating and office equipment (€747 thousand) were carried as finance leases with a net book value of €2,717 thousand at December 31, 2013 (previous year: €3,134 thousand). Finance leases are used to fund assets with a useful life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group. There was no subleasing at the euromicron Group.

Dec. 31, 2013

		Due in		
	Total € thou.	Up to 1 year € thou.	More than 1 to 5 years € thou.	More than 5 years € thou.
Liabilities from finance lease	2,176	506	1,597	73
Interest	229	85	142	2
Minimum lease payment	2,405	591	1,739	75

Dec. 31, 2012

		Due in		
	Total € thou.	Up to 1 year € thou.	More than 1 to 5 years € thou.	More than 5 years € thou.
Liabilities from finance lease	2,757	599	1,844	314
Interest	326	107	208	11
Minimum lease payment	3,083	706	2,052	325

All other lease agreements in which companies of the euromicron Group are the lessee are recognized as operating leases. The leasing payments are charged to expenditure. There are no restrictions ("covenants") pursuant to leasing agreements.

c) Other assets (noncurrent)

Other financial assets (noncurrent)

Financial assets are classified at the euromicron Group in the categories "Loans and Receivables" and "Available-for-Sale".

There were no derivatives that have been qualified as hedges as part of a hedging relationship as of December 31, 2013.

Non-derivative financial assets that cannot be assigned to the categories "Loans and Receivables" are assigned to the category "Available-for-Sale".

Other financial assets (noncurrent)

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Other financial assets (noncurrent)	960	718

The other financial assets (noncurrent) essentially comprise to an amount of €849 thousand (previous year: €672 thousand) shares in the listed company SecureAlert Inc., Utah, USA, which euromicron AG acquired in 2009. The stake held in its capital stock on the balance sheet date was 0.64% (previous year: 1.60%). The investment in SecureAlert Inc. is classified as a financial asset under the category "Available-for-Sale" and is carried at fair value. It was first measured at fair value on the day of trading. In principle, the effects from subsequent measurement at fair value are taken directly to equity and carried under "other comprehensive income", provided there is no lasting impairment. A lasting impairment is assumed if the price falls significantly. In fiscal 2012, the value of the shares fell further, with the result that a lasting impairment to their value was assumed. Cumulated write-downs taken directly to equity and carried in the other comprehensive income at December 31, 2011 (€257 thousand) were recognized in the income statement in fiscal 2012 along with the amount that needed to be written off in the previous year (€4 thousand). In fiscal 2013, the fair value of the shares increased again by €177 thousand; the effect from the recovery in value was taken directly to equity and carried in the other comprehensive income. We also refer in this regard to section 6d.) "Gain/loss on the valuation of securities". Given acquisition costs of €934 thousand, the book value of the shares on the balance sheet date was thus €849 thousand (previous year: €672 thousand).

Other noncurrent assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Other noncurrent assets	105	197

The other noncurrent assets include the corporation income tax credit balance in accordance with Section 37 (4) KStG (German Corporation Tax Act).

2. Deferred tax assets

Deferred taxes are formed on temporary differences in carrying values between the consolidated balance sheet and tax balance sheet and on loss carryforwards using the liabilities method in accordance with IAS 12.

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

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

Deferred tax assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Intangible assets	994	1,695
Inventories	32,485	26,713
Other receivables and other assets	15	45
Accrued liabilities	1,388	1,549
Liabilities from finance lease	536	690
Other liabilities	1,442	1,602
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	3,995	3,020
Total deferred tax assets before netting off	**40,855**	**35,314**
Netting off	**–38,556**	**–33,381**
Total deferred tax assets after netting off	**2,299**	**1,933**

There are long-term deferred taxes (before netting off) of €8,130 thousand (previous year: €8,332 thousand) resulting mainly from the intangible assets, long-term accrued liabilities, loss carryforwards, long-term liabilities from finance leases and the other liabilities.

Deferred tax assets were netted off against deferred tax liabilities if they relate to income tax levied by the same tax authority and there is an entitlement to offsetting of an actual tax refund claim against an actual tax liability.

As of December 31, 2013, the Group had corporation income tax loss carryforwards totaling €23,713 thousand (previous year: €15,429 thousand), trade tax loss carryforwards totaling €11,659 thousand (previous year: €2,922 thousand) and loss carryforwards for income taxes abroad totaling €20,243 thousand (previous year: €18,189 thousand). The loss carryforwards relate to six domestic holdings and euromicron AG and seven foreign holdings. These losses may be carried forward without restriction in accordance with the current legal position. The deferred tax rates are 15.825% if only corporation income tax (including solidarity surcharge) is incurred and around 30.0% if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25.0% in Austria and 25.5% in the Netherlands.

There were surplus deferred tax assets of €2,299 thousand (previous year: €1,440 thousand) after netting off from nine (previous year: three) subsidiaries that made a loss in fiscal 2013 or the previous year. The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €30,986 thousand (previous year: €18,103 thousand) Of this, €12,446 thousand (previous year: €1,071 thousand) were for Germany and €18,540 thousand (previous year: €17,032 thousand) for abroad.

The Executive Board is of the view that it is highly probable that the deferred tax assets can be realized. In accordance with IAS 1.122, this discretionary decision by the Executive Board as regards the accounting method has a significant impact on the financial statements and may be subject to change, depending on future developments.

3. Inventories

Inventories are carried in principle at the lower of acquisition/historical cost or net realizable value on the balance sheet date in accordance with IAS 2.9. The net realizable value is the estimated selling price in the ordinary course of business, less the variable costs necessary to make the sale. The first in, first out method is used at the euromicron Group to measure inventories. The historical cost includes production materials and labor costs, as well as allocable material and production and administrative overheads. In the past fiscal year, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Inventories

	Dec. 31, 2013 € thou.	**Dec. 31, 2012** € thou.
Raw materials and supplies	10,454	11,260
Work in progress	1,966	2,288
Finished goods and merchandise	14,752	13,785
Prepayments	789	167
	27,961	**27,500**

In accordance with IAS 2.34, there were write-downs on inventories totaling €618 thousand in the fiscal year (previous year: €337 thousand); as in the previous year, there were no reversals in the period under review.

4. Receivables and other assets

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and Receivables". As in the previous year, all trade accounts receivable at December 31, 2013, were short-term. The book values are approximations of the fair value. When first carried, they are measured at fair value plus any transaction costs. They are subsequently measured at depreciated acquisition costs. If there are indications that receivables cannot be recovered, an appropriate allowance is recognized.

The receivables and other assets are composed as follows:

Receivables and other assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Trade accounts receivable (gross)	35,867	42,158
Allowances for doubtful accounts	–1,274	–1,352
Trade accounts receivable (net)	34,593	40,806
Gross amount due from customers for contract work	63,761	55,960
Claims for income tax refunds	4,467	4,107
Other financial assets (current)	2,217	228
Other current assets	1,959	3,360
	106,997	**104,461**

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

There were the following changes in the allowances for trade accounts receivable:

Allowances for trade accounts receivable

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Balance at the beginning of the period	–1,352	–1,278
Allocation	–506	–487
Utilization	534	97
Reversals	50	316
Balance at the end of the period	**–1,274**	**–1,352**

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €798 thousand (previous year: €431 thousand) in 2013 due to events that had an impact on their value. As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date, along with the net book value of the trade accounts receivable for which an allowance has been made on the balance sheet date:

		Accounts for which no allowance has been made and that are not overdue at the reporting date	Accounts for which no allowance has been made and are overdue in the following periods of time					For which an allowance has been made
	€ thou.	€ thou.	< 60 € thou.	60–120 € thou.	121–180 € thou.	181–360 € thou.	> 360 € thou.	€ thou.
	Dec. 31, 2013							
Trade accounts receivable	34,593	13,156	14,699	2,189	1,041	1,100	913	1,495
	Dec. 31, 2012							
Trade accounts receivable	40,806	13,422	17,608	3,211	1,466	2,183	1,097	1,819

The trade accounts receivable include receivables in foreign currency (US$) totaling €1,053 thousand (previous year: €434 thousand). Since the currency risk overall at the Group is not assessed to be material, a sensitivity analysis of it was not conducted. Foreign currency amounts were translated at the spot rate on the balance sheet date. Foreign currency transactions are translated into the functional currency at the exchange rates at the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement. There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivables include receivables from supplier rebates totaling €651 thousand (previous year: €435 thousand), which may be offset with corresponding trade accounts payable.

The Group's portfolio includes project companies that report project and installation services running beyond the key date in their balance sheet. In the case of significant services that run beyond the key date and whose costs and pro-rata profit realization can be clearly identified, the Group applies the percentage of completion (POC) method. The input-oriented cost-to-cost method is used to determine the percentage of completion, with the order costs incurred up to the balance sheet date being expressed as a ratio of the total estimated order costs or those specified in order costing. In general, only order costs that reflect the progress of the service are included in these costs. Using cost and contribution margin budgeting for each project, the project progress achieved on the key date is reflected in terms of value or the revenues from the order are recorded. Management of the project companies regularly examines the estimates of the project orders, including as regards potential risks and the costs still to be incurred in the project, that are required so that the overall success of a project can be assessed with sufficient reliability. The zero-profit method is also used.

The balances of projects running beyond the key date are reported in a separate balance sheet item "Gross amount due from customers for contract work" so as to improve the clarity of the financial statements. They are carried after being netted off against the payments on account covered by the services provided up to the key date. The gross amount due from customers for contract work was €63,761 thousand (previous year: €55,960 thousand); the payments on account netted off in this were €57,975 thousand (previous year: €45,076 thousand). The production contracts in progress at the balance sheet date were €121,736 thousand (previous year: €101,036 thousand) and are calculated from the total of accrued costs and reported profits (minus any losses) of €198,362 thousand (previous year: €156,781 thousand) less the partial final invoices of €76,626 thousand (previous year: €55,745 thousand).

Individual companies in the euromicron Group sell some of their receivables from customers to forfaiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €48,000 thousand (previous year: €22,000 thousand). At December 31, 2013, receivables with a volume of €46,281 thousand (previous year: €15,270 thousand) were sold by the entire Group. In accordance with IAS 39, sold receivables from customers are only derecognized if essentially all opportunities and risks of the sold receivables have been transferred to the buyer of the receivables. The risk of the customer becoming insolvent (risk of nonpayment) is transferred to the buyer of the receivables under the contractual arrangements. euromicron still bears the interest risk from delayed payments by customers. Since virtually all the opportunities and risks do not remain with euromicron and do not pass to the buyer of the receivables, euromicron carries the receivables at the amount of the continuing involvement of €50 thousand (previous year: €11 thousand). This comprises the maximum amount that euromicron would have had to pay to the buyer of the receivables up to receipt of payment relative to the book value of the receivables sold on the key date. Apart from then continuing involvement, there is a liability of €101 thousand (previous year: €17 thousand). The difference between the asset and liability items reflects the remaining claims from or obligations to the factor from the interest rate guarantee and the administration fees euromicron still has. In accordance with the requirements of IAS 39, the sold receivables are therefore partly derecognized at the balance sheet date; the share remaining as continuing involvement is low compared with the total amount of sold receivables. Interest expenses resulting from the sale of receivables are carried in the net financial result. Administration fees are carried under other operating expenses.

"Claims for income tax refunds" shows receivables from creditable capital gains tax due to euromicron AG to an amount of €2,371 thousand resulting from the dividend payouts by subsidiaries at the end of December 2013. These tax claims are offset to the same amount by tax liabilities of the subsidiaries, which are carried under "Liabilities from current income taxes".

The other current financial assets are as follows:

Other financial assets (current)

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Claim from withheld factoring monies	1,657	0
Loan receivable from outside shareholders	195	0
Deposits	161	0
Supplier loans	70	0
Securities	0	228
Other	134	0
	2,217	**228**

The securities portfolio carried the previous year was sold in fiscal 2013.

The other current assets are as follows:

Other current assets

	Dec. 31, 2013 € thou.	Dec. 31,2012 € thou.
Prepayments and accrued income	909	1,548
Claims for refunds from other taxes	591	969
Claims against employees	157	115
Other	302	728
	1,959	**3,360**

5. Cash and cash equivalents

Cash includes checks, cash on hand, demand deposits at banks and cash equivalents with a term of no more than three months and are classified in the category “Loans and Receivables”. Cash is measured at nominal value.

The cash and cash equivalents are as follows:

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Cash in banking accounts	38,791	5,375
Cash on hand	39	39
	38,830	**5,414**

6. Equity

a) Subscribed capital and authorized capital

The Executive Board and Supervisory Board of euromicron AG decided on December 19, 2013, to carry out a capital increase with partial utilization of the authorized capital. The capital stock was to be increased by €1,310,537.44 through the issue of 512,599 new registered shares at a nominal value of around €2.56 per share (corresponding to the nominal amount per share of the shares currently in circulation) and with a full share in profits as of January 1, 2013. The new shares were to be issued with exclusion of the subscription right for existing shareholders pursuant to the authorization in Section 5 (4) Sentence 4 of the Articles of Association. The issue price was €13.86 per share.

The capital increase was entered in the commercial register on January 8, 2014. The contributions of €7,104,622.14 received from the capital increase are carried at the balance sheet date (following deduction of the equity transaction costs after deferred taxes of €267,299.58) under a separate item "Contribution made to carry out the adopted capital increase" in the equity of euromicron's consolidated financial statements.

Entry of the capital increase on January 8, 2014, increased the number of shares in euromicron AG in circulation by 512,599 from 6,663,799 to 7,176,398 and the capital stock of euromicron AG by €1,310,537.44 from €17,037,017.44 to €18,347,554.88. The capital reserves increased by €5,526,785.12 from €88,770,758.23 to €94,297,543.35.

Following the capital increase with partial utilization of the authorized capital, the company's authorized capital is still €1,310,541.28.

The Executive Board is authorized to use it to increase the capital stock of euromicron AG, with the approval of the Supervisory Board, by issuing new registered shares on one or more occasions in exchange for cash or non-cash contributions. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right.

Treasury shares

The General Meeting on June 9, 2011, authorized euromicron AG as of June 10, 2011, to acquire its own shares up to June 9, 2016, at a maximum proportional amount of the capital stock of €1,310,539.74 for these shares. The acquired shares – together with other shares that the company has already acquired or still holds or can be ascribed to it pursuant to Sections 71a et seq. AktG (German Stock Corporation Law) – must at no time exceed 10% of the company's capital stock.

The authorization may not be used for the purpose of trading in the company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the company or by third parties for the company's account.

The shares are to be acquired on the stock market or by means of a public offering addressed to all shareholders of the company, at the discretion of the Executive Board. The details defined in the resolutions proposed to the General Meeting on June 9, 2011, must be taken into account. The provisions of the Wertpapiererwerbs- und Übernahmegesetz (German Security Purchase and Takeover Law) must also be observed insofar as and if they are applicable.

The Executive Board is authorized, with the consent of the Supervisory Board, to use the shares that are or have been acquired in the Company pursuant to this authorization in accordance with Section 71 (1) No. 8 AktG (German Stock Corporation Law) for all legally permitted purposes, in particular to sell acquired shares in the Company on the stock market or through a public offering to all shareholders. The shares can also be sold in the two following cases in another way, and thus excluding shareholders' subscription right:

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

- Assignment of the shares as a quid pro quo for the purpose of acquiring companies or holdings in companies.

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

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

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2013. At December 31, 2013, the company therefor did not hold any treasury shares that could be offset with equity in accordance with IAS 32.33.

Shares in circulation

	Number
Sales in circulation at December 31, 2013	6,663,799

b) Contribution made to carry out the adopted capital increase

The contributions made to carry out the adopted capital increase totaling €7,104,622.14 – following deduction of the equity transaction costs after deferred taxes of €267,299.58 (equity transaction costs of €376,956.11 and deferred taxes of € – 109,656.53) – are carried under a separate item. Of this, €1,310,537.44 is accounted for by the capital stock and €5,526,785.12 by the premium minus the offset equity transaction costs after deferred taxes.

c) Capital reserves

The company's capital reserves in accordance with Section 272 (2) of the German Commercial Code (HGB) comprise the premiums from share issues and capital increases. The capital reserves meet the requirements stipulated by Section 150 AktG (German Stock Corporation Law).

The capital increase adopted on December 19, 2013, injected liquids funds of €7,104,622.14 into the company (512,599 new shares at an issue price of €13.86 per share). The premium of €5,794,084.70 (issue amount €13.86, nominal value of around €2.56) is carried at the balance sheet date under the separate item "Contribution made to carry out the adopted capital increase" in the equity of euromicron's consolidated financial statements. When the capital increase is entered in the commercial register on January 8, 2014, the premium will be allocated to the capital reserves of euromicron AG.

In accordance with IAS 32.37, the equity transaction costs incurred as part of capital increases, minus deferred taxes, were directly offset with the premium and not recognized in the income statement. The capital increase adopted on December 19, 2013, entailed equity transaction costs, less deferred taxes, of €267,299.58, which are carried at the balance sheet date under the separate item "Contribution made to carry out the adopted capital increase" in the equity of euromicron's consolidated financial statements.

When the capital increase is entered in the commercial register on January 8, 2014, these will be allocated to the capital reserves of euromicron's consolidated financial statements.

d) Gain/loss on the valuation of securities

The valuation reserve carries changes to the market valuation of securities that qualify as available-for-sale financial assets in accordance with IAS 39. Due to the fact that the shares in SecureAlert increased in value in fiscal 2013, the valuation reserve at the balance sheet date is €177 thousand (previous year: €0 thousand).

Valuation reserve

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
SecureAlert Inc.	177	0
	177	**0**

e) Currency translation difference

The assets and liabilities of MICROSENS Sp.z.o.o., Wroclaw/Poland, whose functional currency is the Polish zloty, are translated at the mean spot exchange rate at the end of the period under review. Expenses and income are translated at mean rates during the year. The differences resulting from translation are recognized in equity and reclassified if the profit or loss from the sale of a foreign subsidiary is carried.

The difference from currency translation for the financial statements of MICROSENS Sp.z.o.o. at December 31, 2013, is €33.92.

f) Distributions in the fiscal year

In accordance with the resolution adopted by the General Meeting on May 17, 2013, €1,999 thousand was paid out as a dividend (a total of 6,663,799 shares at December 31, 2012; dividend per share: €0.30).

g) Non-controlling interests

The non-controlling interests reported at December 31, 2013 (€392 thousand) relate exclusively to Qubix S.p.A., Padua (10%).

h) Disclosures on capital management in accordance with IAS 1

The objective of capital management as part of the build and integrate phase is to increase the equity ratio in order to give the Group unrestricted access to the capital market, ensure its ability to repay debt at the most favorable terms possible, and to retain its financial substance. To ensure that, reduction of the working capital and net financial debt is constantly tracked by management. Balance sheet equity and net financial debt are used as performance indicators1. The net debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term) and an industry loan, less cash and cash equivalents and any securities2. The key financial indicators, which were adjusted due to the integration phase effective December 31, 2013, in agreement with the Group's long-term financing partners, were adhered to.

1 The equity ratio is 37.3% (previous year: 41.9%).
2 At December 31, 2013, it is €33,208 thousand (previous year: €75,700 thousand).

7. Accrued liabilities

a) Other accrued liabilities

Accrued liabilities are recognized in the case of a current legal or constructive obligation to third parties from a past event where utilization is probable and the expected amount of the necessary accrued liability can be measured reliably. The accrued liabilities are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Accrued liabilities are reversed against the expense item where the original allocation to an accrued liability was carried. If the discounting effect for long-term accrued liabilities is material, the accrued liabilities are recognized at the present value of the anticipated future cash flows. euromicron expects provisions of €2,308 thousand (previous year: €2,062 thousand) will be used within one year, €1,310 thousand (previous year: €708 thousand) in the next two to five years and €466 thousand (previous year: €449 thousand) in the period after five years.

The accrued liabilities developed as follows in the fiscal year:

Accrued liabilities

	Jan. 1, 2013 € thou.	Reclassification from liabilities € thou.	Transfer € thou.	First-time consolidation € thou.	Utilization € thou.	Reversal € thou.	Interest cost € thou.	Allocation € thou.	Dec. 31, 2013 € thou.
Provision for anniversaries and death benefits	531	0	0	0	–64	0	16	51	534
Provision for severance payments	367	0	0	0	–33	0	0	64	398
Provision for warranties and follow-up costs	125	0	–20	0	0	–7	0	163	261
Provision for restoration obligation	0	0	245	0	0	0	0	9	254
Provision for impending losses	0	0	0	0	0	0	1	104	105
Provision for archiving	0	26	62	3	0	–12	0	34	113
Other provisions	134	0	–38	0	–3	0	0	18	111
Total for other long-term accrued liabilities	**1,157**	**26**	**249**	**3**	**–100**	**–19**	**17**	**443**	**1,776**
Provision for warranties and follow-up costs	1,325	0	–21	130	–463	–23	0	1,055	2,003
Provision for impending losses	268	0	0	0	–90	–163	0	80	95
Provision for restoration obligation	245	0	–245	0	0	0	0	0	0
Provision for legal disputes	73	20	0	0	–36	–37	0	11	31
Other provisions	151	40	17	5	–81	0	0	47	179
Total for other short-term accrued liabilities	**2,062**	**60**	**–249**	**135**	**–670**	**–223**	**0**	**1,193**	**2,308**
Total for other accrued liabilities	**3,219**	**86**	**0**	**138**	**–770**	**–242**	**17**	**1,636**	**4,084**

The provisions for severance payments relate to Group companies based in Austria and were set up pursuant to the obligation to make a specific one-off payment when an employment relationship ends.

The other long-term accrued liabilities include in particular a provision for severance payments to free-lance commercial agents of a Group company based abroad.

The other short-term accrued liabilities are made up of various individual matters, such as provisions for ancillary costs of tenancy or for customer cash discounts.

b) Accrued benefit liabilities

The euromicron Group has regulations on company pensions for active and former employees after fulfillment of the vesting periods, as well as their surviving dependants. These are mainly executives and employees for whom commitments from the time before a company was acquired have been assumed by euromicron AG.

The designated payments made towards pensions may be based either on the wage or salary received in the last year of employment or on the average of the last five years or the compensation of an employee and are usually dependent on the length of service. The benefits must be granted as a one-off payment or an annual pension payment. In the case of pension payments, the euromicron Group bears the full risks of recipients living for a long time and inflation due to pension adjustments.

In the case that the employee is still alive, he or she acquires an entitlement to an existing benefit balance as an old-age benefit or invalidity benefit; the benefits paid to surviving dependants are a widow's pension and orphan's pension.

In order to cover a large part of the obligation, the euromicron Group has established a CTA (euromicron Pension Trust e. V.); the funds allocated to it are based on the level of the obligation. There are reinsurance policies to cover individual commitments.

In accordance with IAS 19, accrued liabilities for such pension commitments and similar obligations are calculated using the projected unit credit method for defined benefit pension plans. The resultant obligation after deduction of plan assets that can be offset are carried as an accrued liability in the balance sheet.

The development in the pension commitment and plan assets are evidenced by actuarial reports.

The changes in the present value of the defined benefit obligation (DBO) in the fiscal year are as follows:

Changes in the present value of the defined benefit obligation (DBO)

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Present value of benefit obligation at the beginning of the period under report	15,425	11,544
Current service cost	345	361
Past service costs and effects from plan settlements	–1,004	0
Interest cost	456	586
Pension payments	–209	–86
Revaluation effects	285	2,933
Of which		
Change in financial assumptions	–669	3,082
Change in demographic assumptions	824	–329
Experience adjustments	130	180
Change in consolidated companies	0	0
Contributions by plan participants	91	87
Present value of benefit obligation at the end of the period under report	**15,389**	**15,425**

The effect from past service costs and plan settlements of € –1,004 thousand (previous year: €0 thousand) is due to changes in the existing pension commitments at a Group company. The framework for allocation of funds to the company pensions scheme was no longer extended as of fiscal 2013.

The plan assets measured at fair value changed as follows:

Plan assets

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Plan assets at the beginning of the period under report	14,442	10,816
Anticipated income from plan assets	462	550
Revaluation effects	–341	–256
Employer's contributions/withdrawals	–121	3,332
Pension payments	0	0
Change in consolidated companies	0	0
Plan assets at the end of the period under report	**14,442**	**14,442**

The plan assets consist to 3.3% (previous year: 3.0%) of reinsurance policies and to 96.7% (previous year: 97.0%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA. These assets are not traded on an active market.

In the year under review, deferred tax assets of €85 thousand (previous year: €880 thousand) were recognized via the other profit/loss directly in equity on revaluation effects from pensions taken directly to equity. In addition, deferred tax expenses of €103 thousand (previous year: €77 thousand) from application of the net interest method were carried against the other profit/loss.

The provision on the balance sheet changed as follows:

Provision on the balance sheet

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Provision at the beginning of the period under report	983	728
Current service cost	345	361
Past service costs and effects from plan settlement	–1,004	0
Net interest cost/income	–6	36
Pension payments	–209	–86
Employer's contributions/withdrawals	121	–3,332
Contributions by plan participants	91	87
Revaluation effects	626	3,189
Change in consolidated companies	0	0
Provision at the end of the period under report	**947**	**983**

The net interest cost/income is carried under the overall item "Net interest income/loss"; the other components of the pension costs (current service cost and past service costs and effects from plan settlement) are carried under the personnel costs.

The revaluation effects are carried via the other profit/loss and completed by means of the item "Consolidated retained earnings".

The following parameters, which are based on assumptions, were used to measure the future level of benefits:

Average measurement factors

	2013	2012
Discount rate	3.50%	3.20%
Rates of increase in compensation levels	3.25%	3.25%
Future pension indexation	2.00%	2.00%

The discount rates are based on the returns for blue-chip corporate bonds with a corresponding term; the 2005 G mortality tables compiled by Heubeck were used as a basis for the biometric parameters. Since the pension commitments are mainly at euromicron Group companies in Germany, the parameters relate to the economic situation in Germany.

If the assumptions vary by +/–1 percentage points or +/–1 year, the effects on the DBO are as follows:

Variation of the assumptions by +/–1 percentage points or +/–1 year

	2013		2012	
	+1% or +1 year	–1% or –1 year	+1% or +1 year	–1% or –1 year
Discount rate	–12.20%	13.08%	–12.00%	14.70%
Life expectancy	0.87%	–1.03%	1.20%	–1.30%
Age at expiry of financing	–2.10%	1.95%	–1.30%	1.40%

A range of +/– 0.25% (previous year: +/– 1%) was used for the future pension trend.

Variation of the assumptions by +/–0.25 percentage points

	2013		2012	
	+0.25% or +0.25 years	–0.25% or –0.25 years	+1% or +1 year	–1% or –1 year
Future pension indexation	1.84%	–1.74%	6.00%	–4.80%

As in the previous year, the effects were determined using the same methods as for valuation of the commitment at the end of the year.

The pension payments anticipated in the subsequent year are €209 thousand, while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The weighted average duration of the commitment at the balance sheet date is 16.03 years (previous year: 14.0 years).

Contributions of €5,547 thousand (previous year: €5,234 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

Current liabilities are measured at their repayment amount or settlement amount. Long-term debt is measured at its amortized acquisition cost. The amortized acquisition costs are determined using the effective interest method. The book values of the trade accounts payable, the other short-term liabilities and the long-term variable-interest liabilities are an approximation of the fair value. The fair value of the fixed-interest long-term debt is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

The liabilities are composed as follows:

Liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Liabilities to banks	63,196	68,585
Liabilities from finance lease	2,176	2,757
Trade accounts payable	54,639	42,867
Liabilities from current income taxes	4,341	1,850
Other tax liabilities	6,826	6,130
Personnel obligations	11,471	9,833
Other financial liabilities	44,133	14,804
Other liabilities	5,790	6,070
	192,572	**152,896**

The euromicron Group's liabilities have the following terms:

Term of the liabilities

	Total	Due in			Fair value with DVA
		Up to 1 year	More than 1 to 5 years	More than 5 years	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,196	30,390	32,806	0	61,312
Liabilities from finance lease	2,176	506	1,597	73	–[1]
Accounts payable	54,639	54,639	0	0	–[1]
Liabilities from current income taxes	4,341	4,341	0	0	–[1]
Other tax liabilities	6,826	6,826	0	0	–[1]
Personnel obligations	11,471	11,471	0	0	–[1]
Other financial liabilities	44,133	36,811	7,322	0	43,863
Other liabilities	5,790	5,585	112	93	–[1]
	192,572	**150,569**	**41,837**	**166**	**105,175**
(Previous year)	152,896	105,123	42,459	5,314	75,641

[1] The book value corresponds approximately to the fair value.

Trade accounts payable in foreign currency (mainly US$ and CHF) amount to €3,267 thousand (previous year: €1,948 thousand).

In principle, the group companies of euromicron are financed centrally through euromicron AG.

The interest rates for liabilities to banks and overdrafts are fixed or variable and range from 1.08% to 11.0% (previous year: 1.05% to 12.5%). The high interest rates relate to terms for overdraft lines under individual agreements between newly acquired subsidiaries and their banks, but are not used or are terminable at short notice (with a view to optimizing financing).

euromicron AG utilized a borrower's note loan with a volume of €24,500 thousand in fiscal 2011. The loan consists of various tranches with different maturities. An amount of €5,000 thousand was repaid prematurely in fiscal 2013. The remaining liabilities from the borrower's note loan at December 31, 2013, have a term until July 15, 2016 (€14,500 thousand) and July 15, 2018 (€5,000 thousand). The bank retained €122.5 thousand (0.5%) as the arrangement fee; this affected net cash in 2011 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with IFRS, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €122.5 thousand at the time it was disbursed. A pro-rata amount of €30 thousand for fiscal year 2013 was recognized in the income statement in accordance with the effective interest method.

So as to ensure its solvency at all times and underpin the build and integrate strategy, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of €71,749 thousand (previous year: €57,038 thousand) were unused at the year-end.

The "Liabilities from current income taxes" show receivables from capital gains tax to be paid by subsidiaries of euromicron AG to an amount of €2,371 thousand resulting from the dividend payouts by subsidiaries to euromicron AG at the end of December 2013. These tax liabilities are offset to the same amount by receivables from creditable capital gains tax due to euromicron AG which are carried under the balance sheet item "Claims for income tax refunds".

The personnel obligations (€11,471 thousand; previous year: €9,833 thousand) are made up of financial obligations totaling €6,931 thousand (previous year: €4,338 thousand) and non-financial obligations totaling €4,540 thousand (previous year: €5,495 thousand). The financial personnel obligations mainly comprise obligations from wages and salaries, severance payments and bonuses. The non-financial personnel obligations mainly comprise obligations from vacation and flexitime credit balances that have been not been used by employees, as well as obligations from semi-retirement.

The other financial liabilities are composed as follows:

Other financial liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Industry loans	3,333	6,667
Liabilities from preemptive rights	1,996	963
Purchase price liabilities	1,993	384
Miscellaneous	0	11
Other financial liabilities (noncurrent)	**7,322**	**8,025**
Customers' monies to be passed on	21,629	176
Purchase price liabilities	8,000	2,363
Industry loans	3,333	3,333
Dividend/profit shares for minority interests	2,644	392
Obligations from preemptive rights	983	0
Miscellaneous	222	515
Other financial liabilities (current)	**36,811**	**6,779**
Total of other financial liabilities	**44,133**	**14,804**

All financial liabilities at December 31, 2013, are assigned to the category "financial liabilities measured at amortized cost" in accordance with IAS 39 and, when recognized for the first time, are carried at fair value less transaction costs. In the subsequent periods, they are measured at amortized acquisition cost using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €72 thousand (previous year: €34 thousand) and was recognized in the income statement.

The other liabilities are composed as follows:

Other liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Liability from rent smoothing	205	0
Other liabilities (noncurrent)	**205**	**0**
Payments on account	3,526	3,526
Liabilities from social security (incl. mutual indemnity association)	1,096	1,184
Deferred income	372	557
Miscellaneous	591	803
Other liabilities (current)	**5,585**	**6,070**
Total for other liabilities	**5,790**	**6,070**

The payments on account include payments that cannot be set off. They include payments on account from production contracts in accordance with the percentage of completion method which are in excess of the percentage of completion.

The contractually agreed (undiscounted) interest payments and repayments for the financial obligations of the euromicron Group are shown below:

		Cash flow 2014 Up to 1 year			Cash flow 2015–2018 More than 1 year to 5 years			Cash flow 2019 et seq. More than 5 years		
	Book value	Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
	Dec. 31, 2013	Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,196	813	265	30,390	1,019	560	32,806	0	0	0
Liabilities from finance lease	2,176	85	0	506	142	0	1,597	2	0	73
Accounts payable	54,639	0	0	54,639	0	0	0	0	0	0
Other financial liabilities	44,133	356	0	36,811	152	0	7,322	0	0	0
	164,144	**1,254**	**265**	**122,346**	**1,313**	**560**	**41,725**	**2**	**0**	**73**
(Previous year)	129,013	1,497	437	81,240	2,405	1,397	42,459	11	81	5,314

All financial instruments held on the balance sheet date December 31, 2013, and for which payments have already been contractually agreed were included. The variable interest payments from the financial instruments were calculated on the basis of the interest rates applicable on December 31, 2013 (previous year: December 31, 2012). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment. Foreign currency amounts were translated at the spot rate on the balance sheet date. Foreign currency transactions are translated into the functional currency at the exchange rates on the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement.

euromicron uses derivative financial instruments exclusively to hedge interest rate risks resulting from financial transactions. A decision on this is taken on a case-by-case basis. They are not held for the purposes of short-term speculation. euromicron did not hold any derivative financial instruments at December 31, 2013.

9. Deferred tax liabilities

Deferred tax liabilities are recognized and measured using the principles described under 2. “Deferred tax assets”.

In accordance with IAS 12.39, no deferred tax liabilities were recognized on taxable temporary differences between the shares in subsidiaries compared with the tax carried of €1,206 thousand (previous year: €963 thousand), since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary difference will not be reversed in the foreseeable future.

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

Deferred tax liabilities

	Dec. 31, 2013 € thou.	Dec. 31, 2012 € thou.
Intangible assets	8,105	7,650
Property, plant and equipment	908	1,011
Inventories	277	172
Other receivables and other assets	36,771	30,765
Accrued liabilities	1,137	1,444
Other liabilities	17	75
Total deferred tax liabilities before netting off	**47,215**	**41,117**
Netting off	**–38,556**	**–33,381**
Total deferred tax liabilities after netting off	**8,659**	**7,736**

There are long-term deferred taxes (before netting off) of €9,031 thousand (previous year: €8,661 thousand) resulting from the intangible assets and property, plant and equipment.

Deferred tax assets were netted off against deferred tax liabilities if they relate to income tax levied by the same tax authority and there is an entitlement to offsetting of an actual tax refund claim against an actual tax liability.

10. Additional details on the financial instruments – Carrying amounts and fair values by measurement categories

			Value carried in the balance sheet		
	Measurement category acc. to IAS 39	Book value at Dec. 31, 2013 € thou.	Amortized acquisition cost € thou.	Acquisition cost € thou.	
Assets					
Cash and cash equivalents	LaR [1]	38,830		38,830	
Trade accounts receivable	LaR [1]	34,593	34,593		
Gross amount due from customers for contract work	LaR [1]	63,761	63,761		
Other financial assets	AfS [3]	3,177			
Equity and liabilities					
Trade accounts payable	FLAC [2]	54,639	54,639		
Liabilities to banks	FLAC [2]	63,196	63,196		
Other financial liabilities	FLAC [2]	44,133	44,133		
Financial personnel obligations	FLAC [2]	6,931	6,931		
Liabilities from finance lease	IAS 17	2,176	2,176		

[1] LaR = Loans and Receivables
[2] FLAC = Financial Liabilities Measured at Amortized Cost
[3] AfS = Available-for-Sale Financial assets

* Presentation adjusted compared with the previous year in order to improve clarity

acc. to IAS 39			Value carried in the balance sheet acc. to IAS 39			
Fair value recognized directly in equity € thou.	**Fair value recognized in profit or loss** € thou.	**Book value at Dec. 31, 2012** € thou.	**Amortized acquisition cost** € thou.	**Acquisition cost** € thou.	**Fair value recognized directly in equity** € thou.	**Fair value recognized in profit or loss** € thou.
		5,414		5,414		
		40,806	40,806			
		55,960	55,960			
3,177		946			847	99
		42,867	42,867			
		68,585	68,585			
		14,804	14,804			
		4,338*	4,338			
		2,757	2,757			

Financial instruments are measured at fair value in accordance with IFRS 13 on three levels:

Level 1: Input factor in level 1 are (not adjusted) prices listed for identical assets or liabilities in active markets to which the company has access on the measurement date.

Level 2: Input factors in level 2 are market price listings other than those stated in level 1 which can be observed either directly or indirectly for the asset or liability.

Level 3: Input factors in level 3 are input factors that cannot be observed for the asset or liability.

The level model was applied for measuring the financial instruments reported at fair value at the euromicron Group.

The fair values of the shares in SecureAlert (classification: other financial assets) were measured on the basis of the 1st level, since the share price can be observed on an active market.

The fair values for the fixed-interest long-term debt presented in section 8. “Liabilities” were measured on the basis of level 2. The fair value is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

The preemptive right and purchase option for the remaining shares in ATECS, SIM and Microsens not held by euromicron were measured on the basis of level 2. The fair value of the long-term components was calculated as the present value of the contractually agreed selling or purchase prices using a market rate of interest. The conditional purchase price liabilities relating to the acquisition of ATECS and SIM are measured on the basis of level 3. Allowing for the likelihood of the occurrence of the conditional purchase price payments, which was calculated on the basis of estimated budgeting, the present value of the contractually agreed cash flows was calculated using a market rate of interest.

There were no transfers between the levels during the year.

There is no collateral received for financial instruments at the euromicron Group.

Notes on the consolidated income statement

11. Sales

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

Sales and earnings from the projects running beyond the key date were recognized in compliance with IAS 11 on a pro-rata basis using the percentage of completion method. The zero-profit method is also used. The percentage of completion is determined using the input-oriented cost-to-cost method. The POC sales revenues determined using the cost-to-cost method are derived from the costs of contracts incurred up to the balance sheet date plus a pro-rata profit. In contrast, no profit markups are included in sales ascertained using the zero-profit method.

Pro-rata profits from the POC method are realized only for projects whose outcome can be estimated reliably. The Group's sales include sales from production contracts totaling €119,454 thousand (previous year: €104,883 thousand). The related production costs were €107,572 thousand (previous year: €94,182 thousand).

Changes in net sales as a result of changes in the consolidated companies amounted to €1,631 thousand (previous year: €9,916 thousand).

Consolidated sales are divided into those from the sale of goods totaling €193,819 thousand (previous year: €179,219 thousand) and from the provision of services totaling €135,551 thousand (previous year: €150,811 thousand). We refer to the segment reporting for a further breakdown of the sales (section 24).

12. Own work capitalized

The own work capitalized was €3,134 thousand (previous year: €5,607 thousand) and, as in the previous year, mainly results from capitalization of development costs.

13. Other operating income

The other operating income is composed as follows:

Other operating income

	2013 € thou.	2012 € thou.
Revenue from the reversal of the earn-out liability for TeraMile	390	374
Currency gains	291	350
Income from property and rent	168	216
Refunds for health insurance / reintegration / passed-on charges	150	206
Income from derecognition of liabilities	142	50
Compensation paid from insurance	122	257
Income from retirement of noncurrent assets	95	265
Reduction in allowances for doubtful accounts	50	316
Income from damages	37	59
Income from cash received from written-down receivables	31	40
Other	425	664
	1,901	**2,797**

The “Other” item contains a large number of individual items; a presentation of them is dispensed with.

14. Cost of materials

The cost of materials is composed of:

Cost of materials

	2013 € thou.	2012 € thou.
Cost of raw materials and supplies and goods purchased	118,170	111,352
Cost of purchased services	58,269	59,650
	176,439	**171,002**

15. Personnel costs

The personnel costs are composed as follows:

Personnel costs

	2013 € thou.	2012 € thou.
Wages and salaries	83,588	78,507
Social security	15,593	15,081
	99,181	**93,588**

Average number of employees per year:

Employees

	2013	2012
Hourly-paid employees	850	812
Salaried employees	803	785
Trainees	88	102
	1.741	**1.699**

The increase in the workforce is mainly due to the companies that were newly acquired in fiscal 2012 and that were included for the whole year in fiscal 2013. In addition, personnel costs rose in particular due to the integration and restructuring costs incurred in fiscal 2013.

The companies included in the consolidated financial statements for the first time accounted for a yearly average of 5 (previous year: 40) employees on a pro rata temporis basis, or 24 (previous year: 98) employees at the balance sheet date.

16. Amortization and depreciation

Amortization and depreciation is composed as follows:

Amortization and depreciation

	2013 € thou.	2012 € thou.
Amortization of intangible assets	5,363	4,751
Depreciation of tangible assets	3,538	3,192
	8,901	**7,943**

Dormant reserves totaling €3,985 thousand (previous year: €915 thousand) before deferred taxes were identified and carried as part of purchase price allocation in the acquisition of new companies in 2013. The amortization and depreciation for this in fiscal 2013 was €356 thousand (previous year: €82 thousand).

17. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses

	2013 € thou.	2012 € thou.
Vehicle and travel expenses	13,768	13,175
Rent/room costs	7,006	6,334
Legal and consulting costs	4,337	4,061
Trade fair and advertising costs	2,160	2,586
Cost of goods consignment	1,597	2,093
Communication expenses	1,660	1,802
IT costs	1,479	891
Commission	1,067	1,361
Further training costs	947	1,153
Personnel leasing	935	772
Administrative expenses	927	1,719
Maintenance and repair	902	1,438
Losses of receivables	798	431
Running costs	616	873
Allocation of allowances for receivables	506	201
Expenses incidental to monetary transactions	133	54
Exchange rate losses	124	19
Miscellaneous	4,715	4,006
	43,677	**42,969**

18. Net financial result

Net financial result

	2013 € thou.	2012 € thou.
Interest income	61	175
Interest expenses	–3,869	–4,520
Net interest income/loss	**–3,808**	**–4,345**
Other financial expenses	0	–511
Net financial result	**–3,808**	**–4,856**

The other financial expenses of € –511 thousand in the previous year included changes in the value of financial assets of € –261 thousand and expenses in connection with securities lending transactions of € –250 thousand. There were no similar circumstances in fiscal year 2013.

Total interest income and expense

	2013 € thou.	2012 € thou.
For financial instruments not carried at fair value in acc. with IAS 39:		
Total interest expense	–3,707	–4,265
Total interest income	61	157

Net gains and losses from financial instruments

	2013 € thou.	2012 € thou.
Loans and receivables	–1,147	–503
Available-for-sale financial assets	207	–192
of which carried in the other profit/loss	177	0
of which carried in the income statement	30	–192
Financial liabilities measured at amortized cost	–3,208	–3,508

The net gains and losses from financial instruments comprise measurement gains and losses, discount amortization, the recognition and reversal of impairment write-downs, gains and losses from currency translation and interest and losses from the disposal of assets. Net gains or net losses from available-for-sale financial assets contain income from write-downs/write-ups, and the transfers of valuation effects from equity when the assets are sold or disposed of.

19. Income taxes

Income taxes

	2013 € thou.	2012 € thou.
Current taxes in Germany	1,455	3,057
Deferred taxes in Germany	448	–400
Current taxes abroad	714	617
Deferred taxes abroad	–152	124
	2,465	**3,398**

Deferred tax assets totaling €85 thousand (previous year: €1,244 thousand) were recognized directly in equity in fiscal 2013. All of this amount (previous year: €880 thousand) was from deferred tax assets that had to be recognized in the other profit/loss as part of the application of IAS 19 R. In addition, in the previous year there were (net) deferred tax assets of €364 thousand that were recognized directly in equity as part of the company acquisitions in 2012. In 2013, there were deferred tax liabilities from company acquisitions that were taken directly to equity totaling €558 thousand (previous year: €0 thousand). Application of the net interest method resulted in the year under review in deferred tax expenses of €103 thousand (previous year: €75 thousand) which did not result in recognition of deferred tax liabilities in the balance sheet. The costs of the capital increase, which were offset with the capital reserves and recognized directly in equity, resulted in deferred tax expenses of €109 thousand (previous year: €0 thousand), which likewise did not result in recognition of deferred tax liabilities in the balance sheet.

Net income taxes include income taxes for previous years totaling €106 thousand (previous year: €275 thousand) and tax refunds of €153 thousand (previous year: €104 thousand).

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

Tax reconciliation

	2013 € thou.	2012 € thou.
Income before income taxes	1,701	12,226
Expected tax expense	510	3,668
Income from securities lending	0	–1,500
Non-deductible expenses	426	314
Non-recognition of deferred taxes on loss carryforwards	1,889	554
Use of loss carryforwards not included to date / change in allowance	–313	–18
Effects of different national tax rates	23	109
Tax arrears/refunds	–47	171
Other	–23	100
Actual tax expense	**2,465**	**3,398**
Effective tax rate	**144.9%**	**27.8%**

20. Share of non-controlling interests in consolidated net income for the period

The share of non-controlling interests in consolidated net income for the period relates to Qubix S.p.A., Padua, and MICROSENS GmbH & Co. KG, Hamm.

21. Earnings per share

The capital increase adopted on December 19, 2013, resulted in the issue of 512,599 new shares which confer full voting and membership rights upon entry of the capital increase on January 8, 2014. In accordance with IAS 33.21a, the 512.599 new shares were included in calculating the number of shares in circulation, since the cash contributions were paid in before the balance sheet date.

The 512,599 new shares are fully entitled to share in profits retroactively effective January 1, 2013, since entry of the capital increase, with the result that they were weighted for 2013 as a whole.

Undiluted earnings per share are calculated as follows:

Undiluted earnings per share

	2013 € thou.	2012 € thou.
Earnings for euromicron AG shareholders in € thousand	−888	8,568
Number of shares issued at the beginning of the fiscal year	6,663,799	6,663,799
Shares from capital increase with retroactive right to share in profits as of January 1, 2013	512,599	0
Adjusted weighted average number of shares issued (undiluted)	7,176,398	6,663,799
Undiluted earnings per share in €	**−0.12**	**1.29**

The earnings for euromicron AG shareholders correspond to the consolidated net loss for the year minus the earnings for non-controlling interests.

The method of calculating diluted earnings per share is basically the same as that for calculating undiluted earnings per share. However, the quantities included in the calculation must also be adjusted for all equity dilution effects resulting from potential shares. There was no dilution effect at the time the consolidated financial statements were prepared. As a result, both figures are the same.

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2013, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € −5,283,486.01. It is proposed to the General Meeting to carry the net accumulated losses forward to a new account.

Other details

22. Notes on the statement of cash flows

In accordance with IAS 7, the statement of cash flows presents the changes in cash and cash equivalents reported in the consolidated balance sheet under the item “Cash and cash equivalents” and comprising cash and cash equivalents (cash on hand, demand deposits at banks and checks) with a term of no more than three months. The cash flows are grouped by the three areas of operating, investing and financing activities. Net cash provided by operating activities is determined using the indirect method in accordance with IAS 7.18.

Net cash provided by operating activities is derived indirectly by the income before income taxes being adjusted for the effects of non-cash transactions and allowing for changes in current assets and liabilities and paid and received interest and income taxes. It should also be noted that trade accounts receivable of €426 thousand (previous year: contribution of €3,599 thousand) were withdrawn from the plan assets in fiscal 2013 under the Contractual Trust Arrangement. The net cash provided by operating activities was €39,433 thousand, a year-on-year increase of €32,476 thousand. This effect is mainly due to the increase in the volume of factoring for the purpose of cash optimization and the associated increase in customers’ monies that had to be passed on.

Net cash used in investing activities is calculated from the net cash from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as noncurrent financial assets and company acquisitions. It was € –5,127 thousand, €8,162 thousand below the previous year’s figure of € –13,289 thousand. The decline in due in particular to the effect from the acquisition of consolidated companies, since the purchase price payments made in 2013 were lower than the amount of liquid funds acquired. In addition, the cash paid for intangible assets fell as a result of the lower amount of own work capitalized in fiscal 2013.

The net cash used in financing activities in fiscal 2013 was € – 890 thousand (previous year: net cash provided by financing activities of €4,445 thousand). This is mainly attributable to the fact that the funds provided by the capital increase in December 2013 (€6,728 thousand) were more than offset by the dividend paid (€ –1,999 thousand) and repayment of financial loans of € –5,404 thousand in net.

23. Contingencies and other financial obligations

a) Contingencies

The euromicron Group does not have any contingencies in favor of third parties.

b) Other financial obligations

Sonstige finanzielle Verpflichtungen bestehen am Bilanzstichtag wie folgt:

Other financial obligations

	Total € thou.	Up to 1 year € thou.	1 to 5 years € thou.	More than 5 years € thou.
Bill commitments	2,874	2,874	0	0
Operating lease	24,024	9,462	12,598	1,964
Purchase obligation	14,870	14,870	0	0
	41,768	**27,206**	**12,598**	**1,964**
Previous year	47,386	30,374	14,974	2,038

The purchase obligation relates to orders for order-related goods and services; orders of intangible assets or tangible assets were insignificant.

As in the previous year, there were no contingent liabilities in the euromicron Group in fiscal 2013.

Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminable agreements and mainly relate to rental and leasing agreements for operating and office equipment, such as cars, office machines or PC workstations, and communications technology and total €24,024 thousand (previous year: €25,741 thousand).

In fiscal 2013, payments from these leasing relationships totaling €10,630 thousand (previous year: €9,136 thousand) were recognized in income. Conditional lease payments of €24 thousand (previous year: €15 thousand) were carried. Future proceeds of €254 thousand (previous year: €0 thousand) are expected from subleasing as part of operating lease agreements up to when they can be terminated for the first time.

24. Segment reporting

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

euromicron reports in the operating segments North, South and WAN services, as well as Central services and Group consolidations. The reporting segments comprise all CGUs that can be assigned to the operating segments in accordance with the Group strategy of a system house with production expertise.

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

euromicron's model is based on the strategy of a "system house with production expertise". The core of this is that, if required, customers have the benefit of leveraging all the euromicron Group's pooled competence. The value chain starts at the system houses and grows in depth through the production companies right down to procurement of individual components at the distributors. Despite the depth of expertise, the system houses offer vendor independence in the market, which is documented by their certification for key technologies. Thanks to acquisitions systematically made in regions it had not previously tapped, euromicron can offer its portfolio with a largely comprehensive footprint in German-speaking countries. In order to make the economic performance of the regional units visible to euromicron's management, the units are controlled by means of the segments "North", "South" and "Central services and Group consolidations". Since the main and profitable competences of euromicron, both as regards sales and implementation expertise, are being made available at every location as part of the "build and integrate" phase, comparability of the segments is ensured. This long-term strategy also requires intensive observation of how the company's footprint develops so that analysis of the segments is assessed as being adequate. The segment "WAN services" comprises planning, construction and servicing of supraregional network structures (WANs), regardless of the region where the services are provided. As a result, this important segment can be controlled and developed transparently in the future.

Apart from the controlling and management instrument of the segments in accordance with IFRS 8, we also use marketing instruments to familiarize customers with the areas of expertise under our business model. Here we use the structuring into the subsections “Components”, “Networks”, “Distribution” and “International Services” in brochures, as well as in our Internet presence. These help visualize the competence and value chain of euromicron, but are not a controlling instrument.

The sales and earnings reported to the main decision-maker are measured in accordance with the same principles as in the income statement. Transactions within and between the segments are reflected at market prices (arm’s length principle).

As part of the company’s further strategic development, the controlling instrument is permanently reviewed to assess its effectiveness and will also be realigned in future if and when required.

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2013 (IFRS)

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

Sales by report segments

2013	Sales North € thou.	Sales South € thou.	Sales WAN services € thou.	Total for the segments € thou.	Central services and Group consolidations € thou.	euromicron Group € thou.
External sales	112,862	114,652	101,856	329,370	–	329,370
Sales within the Group	3,209	12,192	374	15,775	–15,775	–
Total sales	**116,071**	**126,844**	**102,230**	**345,145**	**–15,775**	**329,370**

2012	Sales North € thou.	Sales South € thou.	Sales WAN services € thou.	Total for the segments € thou.	Central services and Group consolidations € thou.	euromicron Group € thou.
External sales	108,289	119,163	102,578	330,030	–	330,030
Sales within the Group	3,356	12,361	263	15,980	–15,980	–
Total sales	**111,645**	**131,524**	**102,841**	**346,010**	**–15,980**	**330,030**

Sales in Germany were €291.3 million (previous year: €298.9 million), in the Euro zone €27.4 million (previous year: €25.5 million) and in the Rest of the World €10.7 million (previous year: €5.6 million). The sales relate to the geographical location of the customers.

EBIT by report segments: summary for euromicron and consolidation

	2013 € thou.	2012 € thou.
EBIT for the North segment	10,693	14,450
EBIT for the South segment	–4,869	520
EBIT for the WAN services segment	6,391	7,995
EBIT for Central services and Group consolidations	–6,706	–5,883
Consolidated EBIT for the Group	**5,509**	**17,082**

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

Amortization and depreciation

	2013 € thou.	2012 € thou.
North, consolidated	–3,424	–3,275
South, consolidated	–3,382	–2,368
WAN services, consolidated	–1,702	–1,989
Central services and Group consolidations	–393	–311
Consolidated depreciation/amortization for the Group	**–8,901**	**–7,943**

In accordance with IFRS 8.33b, noncurrent assets are €121,459 thousand in Germany (previous year: €122,614 thousand) and €31,315 thousand in the Euro zone (previous year: €21,958 thousand). The noncurrent assets are composed of

- Goodwill
- Intangible assets
- Property, plant and equipment
- Other financial assets
- Other assets

25. Risk management

Principles of risk management

As a result of its broad business field, the euromicron Group is exposed to various risks. The company counters them with a risk management system that applies throughout the Group and is closely harmonized with its business strategy. The internal control system and compliance policies are inseparable from the risk management system. They ensure that financial reporting is performed correctly and the rules of conduct are observed by employees. The existing system of controls and policies enables the euromicron Group to comply with the stipulations of the corporate governance guidelines. The focus is in particular on accounting and financial reporting, legal and compliance and the main operating processes.

Risk control

The concrete risks to which the euromicron Group is exposed in terms of assets, liabilities and strategic alignment are mainly in changes in the market situation, financing situation and interest rates. To minimize them, the basic elements of the business and financial policy are defined by the Executive Board and monitored by the Supervisory Board. In turn, Finance and Controlling is responsible for operationally implementing the financial policy and constant risk management.

Market risks

In principle, euromicron is dependent on economic trends in the Euro zone; as in the previous year, the German market accounts for around 88% of the company's sales and so is crucial to its success. Germany is also home to most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers so as to be able to offer top-quality products and services at competitive prices.

Risks of default

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual and general allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned. Only one customer accounts for more than 10% of consolidated sales, namely to an amount of €36,298 thousand. These sales are spread over the North, South and WAN segments. In the previous year, sales in excess of 10% of consolidated sales were not generated with any one customer. In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, credit sale insurance policies were concluded for specific companies.

The maximum risk of default is to the amount of the book values of the financial assets carried on the balance sheet.

Financing and liquidity risks

The Group's focus on Germany and the Euro zone minimizes risks relating to the exchange rate between the US dollar and Euro. Goods paid for in US dollars are purchased on the basis of short-term, foreign currency-based sales lists, which means that the currency risk can be controlled. Other currencies have as good as no relevance to the euromicron Group.

A further financial risk for the euromicron Group is supplying the business operations at the units with liquidity. euromicron AG must ensure that financing of the operating units through the cash pool retains value. This is achieved by a permanent and standardized management information system that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

Interest rate risks

Interest rate risks are restricted exclusively to the Euro zone. To protect against these risks, the euromicron Group relies on a balanced mix of a variable and fixed financing structure. Interest rate derivatives are also used to optimize the net interest income/loss on a case-by-case basis. As in the previous year, there were no interest rate derivatives at December 31, 2013.

The financing that was contractually agreed and utilized at December 31, 2013, will result in interest expenses of around €3.4 million (previous year: €5.8 million) by the end of their term. A sensitivity analysis is used to assess the interest rate risks.

This shows the effects of different market interest rates on interest payments, interest income and interest expenses.

The euromicron Group complies with these stipulations and applies further assumptions:

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

- Changes in market interest rates for original financial instruments that have a variable rate and whose interest payments are not designed as a hedged item as part of cash flow hedges against risks of interest rate changes have an effect on the net interest income/loss and are included in calculation as part of the earnings-oriented sensitivity analysis.

If the average market level for interest rates in 2013 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €389 thousand lower (€389 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Internal control system

In order to comply with statutory requirements, the euromicron Group continued to focus in fiscal 2013 on monitoring its main corporate processes. The internal controls are aimed at avoiding misstatements in financing reporting and minimizing operational risks. For example, the company ensures that key functions are kept strictly separate from each other. Moreover, Finance and Controlling very closely observe changes in accounting and employees are given extensive training by external consultants if and when required.

The controls are carried out throughout the Group and their suitability and comprehensiveness are reviewed regularly.

In fiscal 2013, euromicron AG's risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) AktG (German Stock Corporation Law). The risk identification system is suitable for promptly detecting developments that jeopardize the company's continued existence.

Compliance

Compliance means for euromicron: We abide by the law wherever we operate and also by our own regulations – above all euromicron's Code of Conduct. The euromicron Group's internal compliance policies contain clear rules on competition and conduct for all its employees. The objective of these rules is to create general conditions for sustainable economic and social activity. The euromicron Group thereby underscores its mission to prevent misconduct and ensure fair competition.

The euromicron Compliance organization headed by the Chief Compliance Officer drives compliance in the area of anti-corruption and anti-competitive violations throughout the Group. The organization is supported by the Chief Counsel Compliance and local Compliance Officers. Since it launched the compliance program at the Group, euromicron has continuously developed and improved it further.

Responsibility for observance of the compliance regulations lies with euromicron AG's Executive Board and management. The Chairman of the Supervisory Board and two members of the Supervisory Board monitor compliance with the company's internal policies.

26. Related parties

Companies and persons are regarded as related parties if they control the euromicron Group or exert a significant influence on its financial and business policy or the euromicron Group has a significant influence over them.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €96 thousand (previous year: €54 thousand) was paid for the services; there is still a liability of €51 thousand (previous year: €0 thousand) due on this at December 31, 2013. Further relations with members of the Executive Board and Supervisory Board are explained in section 32.

Apart from that, there were no transactions with other related parties or associated companies. There are no further receivables due from or liabilities toward related parties.

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

In 2013, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated May 15, 2012, which was published on June 15, 2012, and in its amended version dated May 13, 2012, as of June 10, 2013. The exceptions, which are mainly due to the company's size and business model and to preparations for future adaptations, are listed on the company's homepage at http://www.euromicron.de/en/investor-relations/entsprechenserklaerung-2013.

28. Stock option program / securities transactions requiring disclosure

There is currently no new stock option program or comparable incentive system based on securities. The members of the Executive Board and Supervisory Board do not hold more than 1% of the shares issued by euromicron AG directly or indirectly.

29. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of €996 thousand (previous year: €925 thousand). €622 thousand (previous year: €629 thousand) relate to auditing of the financial statements of the companies and the Group. They include expenses of €103 thousand (previous year: €85 thousand) not related to the period. They also include costs for other confirmation or valuation services (€13 thousand; previous year: €12 thousand), tax consulting services (€330 thousand; previous year: €274 thousand) and other services (€31 thousand; previous year: €10 thousand) for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

No events that require reporting in accordance with IAS 10 (Events after the Balance Sheet Date) occurred after December 31, 2013.

31. Publication of the consolidated financial statements

On March 28, 2014, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 31, 2014, by the Supervisory Board following their submission by the Executive Board and deposited with the operator of the electronic Federal Official Gazette.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to prepare notes and/or a management report and to audit and disclose annual financial statements and management reports and fulfills all the necessary conditions. This goes for all subsidiaries (see "List of companies included in the consolidated financial statements" in the section "Consolidated companies") with the exception of the following. Exceptions are euromicron networks GmbH, Frankfurt/Main, Secure Information Management GmbH, Neustadt a. d. W., ATECS AG, Zug, Switzerland, MICROSENS Sp.z.o.o., Wroclaw, Poland, euromicron austria GmbH, Seekirchen, Austria, euromicron holding GmbH, Seekirchen, Austria, Qubix distributions GmbH, Seekirchen, Austria, NBG Fiber Optics GmbH, Gmünd, Austria, WCS Fiber Optic B.V., SV Amersfoort, Netherlands, and Qubix S.p.A., Padua, Italy, which disclose their annual financial statements in accordance with their respective national regulations.

32. Supervisory Board and Executive Board

a) Executive Board

The members of the Executive Board of euromicron AG are:

Dr. Willibald Späth, Chairman of the Executive Board
Strategy, Acquisitions, Finance, Public Relations and Investor Relations

Thomas Hoffmann
Strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets

b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman
Certified public accountant, lawyer, tax consultant
Partner of the firm LKC Kemper Czarske v. Gronau Berz GbR, Munich

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

Dr. Andreas de Forestier
Managing Director of DBE Immobilienverwaltungs GmbH, Munich
Managing Director of DBE Liegenschaften GmbH, Munich
Managing Director of KEA Vermögensverwaltungsgesellschaft mbH, Hamm
Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
Chairman of the Supervisory Board of cp consultingpartner AG, Cologne
Chairman of the Supervisory Board of RECP AG, Berlin
Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting the ecological and social market economy, Nuremberg

c) Remuneration of the board members

In total, the members of the Supervisory Board received compensation of €135 thousand (previous year: €63 thousand) in accordance with the Articles of Association. Pursuant to the resolution adopted by the General Meeting on May 17, 2013, this is made up only of fixed compensation as of fiscal year 2013. In the previous year, the Supervisory Board's compensation was made up of fixed compensation (€45 thousand) and variable compensation (€18 thousand). The fixed compensation for members of the Supervisory Board is €30 thousand as of fiscal 2013, with the Chairman of the Supervisory Board receiving twice and his deputy one-and-a-half times the fixed compensation.

In fiscal 2013, the Executive Board received a total remuneration of €991 thousand (previous year: €1,533 thousand); the variable payment made up €220 thousand of this (previous year: €775 thousand). In addition, €22 thousand (previous year: €22 thousand) from the pension commitments to Executive Board members was recognized in the income statement in fiscal 2013.

The disclosures required for listed stock corporations pursuant to Section 314 (1) No. 6a a Sentences 5 to 8 of the German Commercial Code (HGB) are contained in the Compensation Report, which is part of the management report. Additional presentation of the information included in that report in the notes is therefore dispensed with.

33. Declaration by the legal representatives

"We affirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with the applicable accounting principles and that the group management report gives a true and fair presentation of the course of business, including the business results, and the position of the Group and accurately describes the main opportunities and risks of the Group's anticipated development."

Frankfurt/Main, March 26, 2014

Dr. Willibald Späth
Chairman of the Executive Board

Thomas Hoffmann
Member of the Executive Board

Single-entity financial statements (HGB)

Balance sheet
as of December 31, 2013

of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main

Assets

	Dec. 31, 2013 €	Dec. 31, 2012 €
A. Fixed assets		
I. Intangible assets		
Purchased concessions, industrial and similar rights	620,711.00	684,405.00
II. Property, plant and equipment		
Other equipment, operating and office equipment	164,365.82	212,280.42
III. Financial assets		
1. Shares in affiliated companies	146,081,189.57	128,499,520.71
2. Loans to affiliated companies	30,112,500.00	27,418,750.00
3. Other long-term equity investments	849,375.00	672,693.00
4. Prepayments	40,000.00	40,000.00
	177,083,064.57	156,630,963.71
	177,868,141.39	**157,527,649.13**
B. Current assets		
I. Receivables and other assets		
1. Trade accounts receivable	476.00	0.00
2. Receivables from affiliated companies	19,750,194.49	44,761,315.39
3. Other assets	2,970,839.73	3,468,547.51
	22,721,510.22	48,229,862.90
II. Securities		
Other securities	0.00	227,500.00
III. Cash-in-hand, bank balances	29,073,827.12	22,593.05
	51,795,337.34	**48,479,955.95**
C. Prepayments and accrued income	**81,647.47**	**120,875.04**
	229,745,126.20	**206,128,480.12**

Equity and liabilities

	Dec, 31. 2013 €	Dec, 31. 2012 €
A. Equity		
I. Subscribed capital	17,037,017.44	17,037,017.44
II. Contribution made to carry out the adopted capital increase	7,104,622.14	0.00
III. Capital reserves	90,871,357.22	90,871,357.22
IV. Revenue reserves		
Other revenue reserves	6,433,729.53	6,433,729.53
V. Net accumulated losses / net retained profits	−5,283,486.01	3,857,776.20
	116,163,240.32	**118,199,880.39**
B. Accrued liabilities		
1. Provisions for pensions and similar obligations	0.00	0.00
2. Provisions for taxes	40,501.80	40,501.80
3. Other provisions	3,135,281.86	1,648,050.00
	3,175,783.66	**1,688,551.80**
C. Liabilities		
1. Liabilities to banks	60,624,585.20	64,703,084.38
2. Trade accounts payable	698,173.33	397,170.85
3. Liabilities to affiliated companies	31,569,882.14	5,706,305.67
4. Other liabilities	17,513,461.55	15,433,487.03
(of which from taxes €2,732,990.71; previous year €3,026,994.33)		
	110,406,102.22	**86,240,047.93**
	229,745,126.20	**206,128,480.12**

Income statement
for the period from January 1 to December 31, 2013

of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main

Income statement

	2013 €	2012 €
1. Income from investments	2,123,036.59	4,247,095.03
(thereof from affiliated companies €2,123,036.59;		
previous year €4,247,095.03)		
2. Income from profit and loss transfer agreements	5,376,421.07	10,083,081.51
(thereof from affiliated companies €5,376,421.07;		
previous year €10,083,081.51)		
3. Expenses from assumption of losses	−6,990,967.54	−5,194,996.90
(thereof from affiliated companies €6,990,967.54;		
previous year €5,194,996.90)		
4. Other operating income	2,726,242.60	1,708,401.39
5. Personnel costs		
a) Salaries	−2,188,039.03	−2,611,528.77
b) Social security, post-employment and employee benefit costs	−213,140.48	−190,332.73
(of which in respect of old age pensions €25,661.00;		
previous year €23,544.16)		
6. Amortization of intangible assets		
and depreciation of tangible assets	−217,821.68	−160,814.40
7. Other operating expenses	−7,317,996.16	−6,380,492.88
8. Income from long-term loans	516,125.69	712,234.36
(thereof from affiliated companies €516,125.69;		
previous year €712,234.36)		
9. Other interest and similar income	1,956,845.75	12,475,523.77
(thereof from affiliated companies €1,941,453.48;		
previous year €2,434,710.02)		
10. Write-down of long-term financial assets and securities		
classified as current assets	0.00	−261,397.00
11. Interest and similar expenses	−2,892,895.06	−12,874,804.86
(thereof to affiliated companies €389,948.62;		
previous year €303,092.23)		
(of which expenses from interest accrued for provisions		
€5,080.59; previous year €3,484.84)		
12. Result from ordinary activities	**−7,122,188.25**	**1,551,968.52**
13. Income taxes	−19,074.38	−248,796.44
14. Other taxes	−859.88	−31,071.07
15. Net loss / net income for the year	**−7,142,122.51**	**1,272,101.01**
16. Accumulated profit	1,858,636.50	2,585,675.19
17. Net accumulated losses / net retained profits	**−5,283,486.01**	**3,857,776.20**

Proposal on the appropriation of profits

The annual financial statements of euromicron AG at December 31, 2013, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € – 5,283,486.01. It is proposed to the General Meeting to carry the net accumulated losses forward to a new account.

The annual financial statements of euromicron Aktiengesellschaft communication & control technology, Frankfurt / Main, as of December 31, 2013, were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt / Main, and granted an unqualified audit opinion. The annual financial statements have been filed with Frankfurt / Main Local Court.

Further information

Five-year overview of the Group

Values from the income statement

	2013 € m.	2012 € m.	2011 € m.	2010 € m.	2009 € m.
Consolidated sales	329.4	330.0	305.3	203.6	179.6
Germany	291.3	298.9	267.8	174.0	154.5
Euro zone	27.4	25.5	34.2	26.0	22.6
Rest of World	10.7	5.6	3.3	3.6	2.5
EBIT	5.5	17.1	24.2	20.1	16.4
EBT	1.7	12.2	17.8	17.2	13.4
Consolidated net income for the period for shareholders of euromicron AG	–0.9	8.6	12.2	11.5	9.8
Net cash provided by operating activities	39.4	7.0	0.5	8.5	14.2

Values from the balance sheet

	2013 € m.	2012 € m.	2011 € m.	2010 € m.	2009 € m.
Current assets	173.8	137.4	126.8	86.6	77.5
Noncurrent assets	155.1	146.5	138.4	109.6	103.9
Current liabilities	152.9	107.2	99.2	81.5	81.2
Long-term debt	8.7	57.7	46.0	25.5	28.8
Minority interests	0.4	0.5	0.5	0.4	0.3
Equity	122.6	119.0	120.0	89.3	71.4
Total assets	328.9	283.9	265.2	196.2	181.4
Equity ratio in %	37.3	41.9	45.3	45.5	39.4

Miscellaneous

	2013 € m.	2012 € m.	2011 € m.	2010 € m.	2009 € m.
Investments in intangible assets and property, plant and equipment	6.4	10.8	8.2	4.6	6.5
Employees (number as an average for the year)	1,741	1,699	1,455	1,081	1,149

Glossary

AAL (ambient assisted living)
Ambient assisted living involves methods, concepts, (electronic) systems, products and services that support the elderly and disadvantaged people in everyday life, situatively and discreetly. The technologies are user-centric, i. e. geared toward people and their needs, and integrate in their direct living environment. The technology consequently adapts to the needs of the user and not the other way round.

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

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

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

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

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

Category 5, 6, 7, etc.
The transmission qualities of copper cables are defined by their shielding and quality. The requirements placed on the cable and so the maximum possible transfer rates are classified into categories in accordance with the relevant standards. The higher the category, the higher the transmission speed and capacity.

Cloud computing
Cloud computing describes the approach for providing abstracted IT infrastructures (e. g. computing capacity, data storage, network capacities or ready software) over a network and dynamically adapted to requirements. From the user's perspective, the abstracted IT infrastructure that is provided appears remote and opaque, as if surrounded by a "cloud". These services are offered and used only via defined technical interfaces and protocols. The services offered in cloud computing cover the full range of information technology and include infrastructure (e. g. computing power, storage space), platforms and software.

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

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

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

CPU (processor)
A CPU is a machine or an electronic circuit which controls other machines or electric circuits in accordance with the commands issued and at the same time drives a process or algorithm usually involving the processing of data. CPUs are most commonly used as central processing units in computers, where they execute commands (software); they are most widespread as microcontrollers in embedded systems (washing machines, ticket machines or DVD players).

eFos
eFos is the central office rack specially developed by euromicron for FTTH cabling. eFos optimizes flexibility, ease of use and functionalities for laying fiber-optic connections.

Ethernet
The term Ethernet denotes both the type of cabling and transmission methods or frameworks. Ethernet can be operated at 10 megabit/s (Ethernet), 100 to 1,000 Mbit/s (Fast Ethernet) and, more recently, 10,000 megabit/s – or 10 gigabit/s – (Gigabit Ethernet).

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

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

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

Fiber-to-the-home (FTTH)
External cabling in fiber optics technology in which fiber optic connections are established between the optical wide area network and the building cabling.

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

FTTX
A generic term for any type of broadband network architecture based on fiber-optic technology. X can be a placeholder for various user endpoints of the optical fiber, such as H for home, B for building or O for office.

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

Infrastructure as a Service (IaaS)
Infrastructure as a Service denotes a business model where computer infrastructure is not purchased as customary, but instead leased on demand.

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

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

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

Lead buyer concept
At large companies and group, similar or identical materials and raw materials for different sectors, divisions or units can be pooled into material groups and made the responsibility of a lead buyer. The advantages of central purchasing management can be combined with those of a local purchasing organization – where regional authority on procurement matters is retained at the production sites – in order to increase bargaining power in negotiations with suppliers.

LTE (Long Term Evolution)
LTE is a new mobile communications standard and future successor to UMTS which can achieve far higher download rates at up to 300 megabits a second (also termed 4G). The basic schema of UMTS is retained in LTE. That enables rapid and low-cost upgrading of UMTS technology infrastructures (3G standard) to LTE (4G standard).

MAN (Metropolitan Area Network)
A communications network typically set up within towns, cities and municipalities, for transmitting data, voice, TV programs and other electronic information.

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

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

Mesh network
In a mesh network, every network node is connected to one or more other ones. Information is passed from node to node until it reaches its destination. If every user is connected to every other user, this is termed a full mesh network. Mesh networks are usually self-healing and so very reliable: If a node or connection is blocked or fails, the network can knit its way around it. The data is rerouted and the network remains operable. The concept of mesh networks can be applied to cable and wireless networks, as well as to interaction between programs.

MICA (Modular Information, Communications and Application platform).
MICA is a state-of-the-art software and hardware platform for the control station of a security and service center, such as used by the police, fire brigade, power utilities and on autobahns, in railways and at public transport companies. Thanks to integration of existing individual systems, operational and security-related processes can be automated end-to-end if required.

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

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

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

Network monitoring
Network monitoring denotes the observation and regular control of networks, their hardware (e. g. servers, routers, switches) and services (e. g. Web servers, DNS services, e-mail services). A distinction is made between external and internal monitoring. In external monitoring, an additional monitoring device is connected to the network, which is not the case in internal monitoring. It is further characterized by the terms “active” and “passive”. In active monitoring, additional packets are sent into the network, whereas only eavesdropping is carried out in passive monitoring.

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

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

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

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

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

Platform as a Service (PaaS)
Platform as a Service (PaaS) denotes a service that provides developers of Web applications with a computer platform in the cloud. This can be runtime environments that can be used quickly (typically for Web applications), as well as development environments that can be used at little administrative overhead and without the need to purchase the underlying hardware and software.

PMR (Professional Mobile Radio)
Mobile radio which, in order to distinguish it from other radio services, such as maritime radio and aeronautical radio, was also called “non-public mobile land radio”. It includes all radio services that are used by individual institutions, industrial enterprises, the transport industry, trade and craft, as well as emergency services and public authorities that perform regulatory and security tasks. A common feature of all of them is the non-public, virtually private use of the radio service for a defined user group, such as taxi or haulage companies, airports or industrial plants, regardless of the radio technology used.

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

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

Privus Manager®
Privus Manager® is a network management solution that can be tailored flexibly to the specific network scenarios in question. Privus Manager® also enables network management solutions when existing PDH/SDH networks are migrated to packet-based networks (IP or IP/MPLS).

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

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

Quartz glass (silica)
Silicon dioxide in non-crystalline form. The basic material for the core of fiber optic cable.

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

SaaS (Software as a Service)
Software as a Service (SaaS) is a sub-area of cloud computing. The SaaS model is based on the principle of the software and IT infrastructure being run at the premises of an external IT service provider and used by the customer as a service. The party utilizing the services pays a usage-based charge (usually per user and month) for use and operation of the services. The SaaS models means that the party using the services can cut its procurement and operating costs in part. The service provider assumes responsibility for all IT administration work and other services, such as maintenance and updates. To this end, the entire IT infrastructure, including all administrative tasks, are outsourced, enabling the party using the services to focus on its core business.

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

Second source
In materials management and the production industry, the term “second source” demotes one or more alternative suppliers of a product that has the same design as and is compatible with another product.

Service level agreement (SLA)
The term “service level agreement” (SLA) denotes an agreement or the interface between the customer and service provider for recurrent services. The objective is to give the customer a transparent means of controlling whether the services are delivered by precisely describing warranted qualities of the services, such as their scope, response time and speed of handling. An important component is the service level, which defines the agreed quality of service.

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

SFF (small form factor)
This denotes the design of optical components, specifically fiber optic connectors. A general designation for a low size.

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

Smart home applications
Smart home applications are solutions for the home using devices, systems and technologies that deliver greater energy efficiency, convenience, cost-effectiveness and security. The digital data required for this is increasingly exchanged using IP technology.

Smart meter / smart grid
Smart grids are electricity grids in which various power generators and consumers are integrated and in which digital communication (in future IP technology) is used to measure the amounts of electricity fed into or taken from them and for control, distribution and billing (smart meter).

Software as a Service (SaaS)
Software as a Service (SaaS) is a sub-area of cloud computing. The SaaS model is based on the principle of the software and IT infrastructure being run at the premises of an external IT service provider and used by the customer as a service. Just an Internet-capable PC and an Internet connection to the external IT service provider are needed to use the services. The software is usually accessed via a Web browser. The party utilizing the services pays a usage-based charge (usually per user and month) for use and operation of the services. The SaaS models means that the party using the services can cut its procurement and operating costs in part. The service provider assumes responsibility for all IT administration work and other services, such as maintenance and updates. To this end, the entire IT infrastructure, including all administrative tasks, are outsourced, enabling the party using the services to focus on its core business.

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

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

Transmission technology
The term transmission technology is very extensive. In principle, it relates to how information is sent from A to B via a defined transmission medium. The transmission network supplies the transport capacity for bit streams required by applications and networks that work on higher protocol layers. Transmission technology also includes specific functions for operation and maintenance.

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

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

VDSL2 vectoring
VDSL2 vectoring is an extension of VDSL2 and is intended to reduce undesired crosstalk between neighboring subscriber lines. As a result the transmission rate, in particular in unscreened cable bundles of conventional telephone networks and with many VDSL subscribers, can be increased, in some cases significantly.

Virtual machine
A virtual machine (VM) is a computer that is not executed directly on the hardware, but by virtualization. A virtual machine is provided by a hypervisor. Multiple virtual machines can be operated simultaneously on one physical computer. This feature is leveraged in particular on servers.

Voice over IP (VoIP)
Integrated transfer of voice and data in digital form via the Internet Protocol (IP). VoIP technology packages voice in small digital packets that, like normal data, are then transferred over data networks by means of the Internet Protocol but over different lines and routes, and then combined back into “voice”. Unlike traditional telephony, where a separate line for the voice connection is required for each call, the data network (Internet) can be used far more efficiently when voice is transferred in data packets over IP. As a result, a second network for pure telephony is not necessary.

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

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

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

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

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

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

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

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

Financial calendar

March 31, 2014	Publication of the 2013 Annual Report and Analysts' Conference
May 9, 2014	Publication of the business figures for the 1st quarter of 2014
May 14, 2014	General Meeting
August 8, 2014	Publication of the business figures for the 2nd quarter of 2014
November 7, 2014	Publication of the business figures for the 3rd quarter of 2014

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