INTERIM REPORT FOR THE FIRST NINE MONTHS OF 2019

euromicron

Key figures

Key figures

	9 M 2019	9 M 2018
	€ thou.	€ thou.
Sales	221,927	233,037
EBITDA (before IFRS 16)	1,977	1,633
EBITDA margin (before IFRS 16), in % (relative to sales at the reporting date)	0.9%	0.7%
EBITDA	7,455	1,633
EBITDA margin in % (relative to sales at the reporting date)	3.4%	0.7%
EBIT (before IFRS 16)	–5,138	–5,706
EBIT	–4,727	–5,706
Consolidated net loss for the period (before IFRS 16)	–7,655	–7,785
Consolidated net loss for the period	–7,846	–7,785
Equity ratio (before IFRS 16), in %	26.9%	28.2%
Equity ratio, in %	24.4%	28.2%
Working capital (after factoring)	40,118	43,399
Working capital ratio (after factoring), in % (relative to sales of the past 12 months)	13.1%	13.5%
Working capital (before factoring)	69,876	70,525
Working capital ratio (before factoring), in % (relative to sales of the past 12 months)	22.8%	21.9%
Cash flow from operating activities (before IFRS 16)	–16,203	–10,708

Highlights

- The interim financial statements are impacted by conversion effects resulting from the fact that the standard IFRS 16 – Leases had to be applied effective January 1, 2019. (see section 6c.) in the notes on the consolidated financial statements starting on page 22). The comments on the key figures do not include the effects from IFRS 16.

- euromicron generated sales of €221.9 million in the first nine months of 2019 (previous year: €233.0 million). This decline of € –11.1 million was mainly due to developments in the “Smart Buildings” segment (€ -10.1 million). The figure was affected by declines in sales in construction-related business, which are attributable to a more selective policy in choosing projects and to postponed works. There were also order postponements and a reluctance to place orders by particular major customers in business with smart switches and assembled connectors.

- Despite the lower sales, EBITDA (before IFRS 16) at September 30, 2019, was €2.0 million and so has increased by €0.4 million in comparison to prior year. The EBITDA margin (before IFRS 16) was 0.9% (previous year: 0.7%). In particular, the improved quality of margins is due to effects of the structural measures that were implemented at the “Smart Buildings” segment in 2018. However, this improvement in earnings was largely offset by negative effects on gross operating profit from the decline in volumes. Consequently, earnings are well below expectations, resulting in the adjustment of the forecast.

- Working Capital (after factoring) decreased by € –3.3 compared to September 30, 2018, in particular due to a lower level of sales and a higher factoring volume. The result was an improved working capital ratio (after factoring) of 13.1% (previous year: 13.5 %).

CONTENTS

I. INTERIM MANAGEMENT REPORT

II. INTERIM FINANCIAL STATEMENENT

I. Interim Management Report

1. Fundamentals of the Group

Profile

The euromicron Group is organized into the three segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”.

From consulting, design and implementation, operation, to intelligent services – euromicron provides its customers with tailor-made digitalization solutions from a single source. To achieve that, the companies of the euromicron Group combine the technically and economically most expedient components from the fields of terminal devices and sensors, infrastructure, platforms, applications and services. End-to-end cybersecurity concepts complete the portfolio.

As a result, euromicron enables its customers from small and medium-sized enterprises (SMEs) and the public sector, as well as large companies, to digitize their business processes with secure infrastructures.

The activities of the euromicron Group in the markets of “Digital Buildings” and “Smart Industry” are pooled in the **“Smart Buildings”** segment.

For **“Digital Buildings”**, euromicron delivers cross-industry, all-round solutions for innovative building, network and security technology, as well as complementary digital and other services. Using suitable software in the smart building means manual processes can be eliminated and improved, resulting in an efficient use of resources and corresponding cost savings. This area also includes equipping data centers with high-performance cabling systems.

The focus of **“Smart Industry”** is on digitizing and networking development, production and service processes at medium-sized industrial companies. The euromicron Group develops holistic Smart Industry solutions for and with its customers and implements them in a forward-looking way that protects investments. Intelligent data management and a highly available, fault-tolerant network infrastructure are crucial success factors for customers. For that reason the euromicron Group puts strong emphasis on digital business processes by comprehensive risk analysis. Moreover, the euromicron Group offers integrated security solutions so that production can be networked securely and with a high level of performance.

The segment **“Critical Infrastructures”** is targeted to operators with highly need of available and secure communications solutions. Critical infrastructures (KRITIS) are vital business infrastructures whose failure is highly problematic for a company and also for large sections of the public. That may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example.

The euromicron Group has expert knowledge of the legal requirements, guidelines and standards to meet those demands and offers a legally secure overall package for operators of critical infrastructures. With its broad customer base in the segments telecommunications, energy, healthcare and transportation, euromicron has an extensive practical experience as a specialist for planning, creating and operating secure networks and systems. Moreover, customers in the “Critical Infrastructures” segment obtain specialized expertise for holistic solutions relating to cybersecurity, automation, process control systems and power system control technology. Last but not least, the technology manufacturing companies in this segment complete the product portfolio with their professional video, audio and special technology solutions for sensitive security restricted areas.

The **“Distribution”** segment groups consulting and supply of vendor-independent products relating to active and passive network components in the fiber-optic and copper arena.

Key control indicators and control system

Our main financial control factors comprise key indicators for our business development, profitability, capital efficiency and liquidity controlling. EBITDA (before IFRS 16), the EBITDA margin (before IFRS 16), sales and the working capital ratio are the main key indicators used to control the Group.

The introduction of the standard IFRS 16 – Leases has a considerable impact on the presentation of the financial statements, in particular on EBITDA, which is reduced by the fact that rights of use are recognized. euromicron has decided to continue using EBITDA (before IFRS 16) as a control factor and to take into account the reduction due to lease expenses, since there has been no change to the system of cash-oriented corporate controlling and so EBITDA adjusted for leasing effects represents a sensible control indicator for the euromicron Group. There will also be no adjustment of EBITDA to reflect special costs as of fiscal 2019.

The other key control indicators will be retained without any changes. Reconciliation of the reported EBITDA with EBITDA (before IFRS 16) is presented in the table below.

2. Results of operations

a) Sales and results of operations

The euromicron Group's sales in the first three quarters of 2019 were €221.9 million (previous year: €233.0 million). Sales of €181.8 million (previous year: €196.6 million) – or around 81.9% of total sales (previous year: 84.4%) – were generated in the German market. Foreign sales were €40.1 million (previous year: €36.4 million) and accounted for 18.1% of total sales (previous year: 15.6%).

The cost of materials relative to total operating performance was reduced sharply by 2.7 percentage points to 49.1% (previous year: 51.8%) Despite the € –9.3 million decrease in total operating performance, gross operating profit was €1.5 million higher at €113.6 million (previous year: €112.1 million).

EBITDA (before IFRS 16) at September 30, 2019, totaled €2.0 million (previous year: €1.6 million).

Consolidated Income Statement

	9-month report			
	9 M 2019	Effects from application of IFRS 16	9 M 2019 before IFRS 16	9 M 2018
	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**221,927**	**0**	**221,927**	**233,037**
Inventory changes	1,343	0	1,343	–430
Own work capitalized	3,068	0	3,068	2,553
Other operating income	1,179	0	1,179	1,006
Cost of materials	–109,689	0	–109,689	–120,512
Personnel costs	–85,080	0	–85,080	–83,535
Other operating expenses	–25,293	5,478	–30,771	–30,486
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**7,455**	**5,478**	**1,977**	**1,633**
Depreciation and amortization	–12,182	–5,067	–7,115	–7,339
Earnings before interest and taxes (EBIT)	**–4,727**	**411**	**–5,138**	**–5,706**
Interest income	39	0	39	15
Interest expenses	–5,565	–679	–4,886	–4,638
Income before income taxes	**–10,253**	**–268**	**–9,985**	**–10,329**
Income taxes	2,407	77	2,330	2,544
Consolidated net loss for the period	**–7,846**	**–191**	**–7,655**	**–7,785**
Thereof for euromicron AG shareholders	–8,111	–190	–7,921	–8,039
Thereof for non-controlling interests	265	–1	266	254
(Un)diluted earnings per share in €	**–1.05**	**–0.03**	**–1.02**	**–1.12**

External sales by segments

	9 M 2019	9 M 2018	Change
	€ thou.	€ thou.	€ thou.
Smart Buildings	117,509	128,246	–10,737
Critical Infrastructures	84,424	85,395	–971
Distribution	20,087	19,168	919
Total for all operating segments that must be reported	**222,020**	**232,809**	**–10,789**
Non-strategic Business Areas	–93	228	–321
Group	**221,927**	**233,037**	**–11,110**

EBITDA (before IFRS 16) by segments

	9 M 2019	9 M 2018	Change
	€ thou.	€ thou.	€ thou.
Smart Buildings	1,552	435	1,117
Critical Infrastructures	1,894	2,784	–890
Distribution	3,832	3,671	161
Total for all operating segments that must be reported	**7,278**	**6,890**	**388**
Non-strategic Business Areas	–177	–127	–50
Central Services	–5,124	–5,097	–27
Reconciliation	0	–33	33
Group	**1,977**	**1,633**	**344**

External sales in the "Smart Buildings" segment were € –10.7 million and so below the level of the same period of the previous year. They were affected by declines in sales in construction-related business, which were attributable to a more selective policy for choosing projects and to work being postponed. There were also order postponements and a reluctance to place orders by individual large customers in business with smart switches and assembled connectors.

Nevertheless, the segment's EBITDA (before IFRS 16) improved by €1.1 million. The main cause of that was positive effects from the structural measures implemented in the previous year in construction-related project business.

External sales in the "Critical Infrastructures" segment fell slightly by € –1.0 million, whereas gross operating profit was €0.5 million higher than in the previous year due to the increase in inventories (previous year: reduction in inventories). EBITDA (before IFRS 16) was € –0.9 million lower, mainly as a result of higher personnel costs due to the new hirings aimed at expanding business.

External sales in the "Distribution" segment were €0.9 million up year over year. In line with the positive sales performance, EBITDA (before IFRS 16) was likewise €0.2 million up over the same period of the previous year.

The "Central Services" area (holding) was at the level of the same period of the previous year.

The Group's EBITDA margin (before IFRS 16) in the first three quarters of 2019 improved by 0.2 percentage points to 0.9% (previous year: 0.7%).

The consolidated net loss for the period (before IFRS 16) at September 30, 2019, totaled € –7.7 million (previous year: € –7.8 million).

b) Order situation

New orders in the first three quarters of 2019 declined by € –15.9 million or –6.5%. That decrease was attributable to an amount of € –11.8 million to lower new orders in the "Smart Buildings" segment. € –7.5 million of that figure was due to system integration business, in particular on account of a more selective policy for choosing projects in construction-related project business. New orders at this segment's technology companies also fell by € –4.3 million. However, the Group's order books at September 30, 2019, were €13.8 million or 9.8% above the figure for the previous year.

New orders/order books

	Sept. 30, 2019	Sept. 30, 2018
	€ thou.	€ thou.
Consolidated new orders	227,560	**243,426**
Consolidated order books	154,771	**140,937**

3. Financial position

The euromicron Group's net debt (before IFRS 16) at September 30, 2019, was € –103.8 million and so fell by €1.3 million over the figure at September 30, 2018 (€ –105.1 million). In the 12-month period, there were positive cash effects from the capital increase (€9.4 million) and the Group's factoring program (€4.9 million). On the other hand, the net cash used in operating activities totaled € –7.1 million and the net cash used in investing activities totaled € –4.2 million. In addition, distributions to non-controlling shareholders (€ –0.5 million) and non-cash effects from additions to liabilities from finance leases (€ –1.0 million) and higher interest payable (€ –0.2 million) impacted net debt.

At September 30, 2019, the euromicron Group had free liquidity of €10.2 million (previous year: €11.0 million).

The current agreement with the financing partners has a term running until March 31, 2021. The agreement specifies that the company must fulfill specific key ratios (covenants). They include the gearing ratio and key indicators relating to earnings and liquidity. In addition, the agreement envisages a further repayment of €25.0 million effective January 31, 2020.

At September 30, 2019, the euromicron Group had liabilities to banks totaling €107.3 million (previous year: €109.1 million), of which €38.5 million (previous year: €39.0 million) is long-term and €68.8 million (previous year: €70.1 million) is short-term loan liabilities.

At September 30, 2019, the reported cash flow from operating activities was € –11.4 million (previous year € –10.7 million). However, the reported cash flow figures in 2019 are impacted by effects from adoption of the standard IFRS 16 – Leases. An adjustment for the effects of IFRS 16 is carried out to determine cash flow figures that permit comparison with those for the previous year. The main effects that resulted in an improvement of €4.8 in the net reported cash flow from operating activities were as follows:

- Elimination of the positive EBITDA effects due to the fact that leasing installments are no longer recognized in the income statement (€5.5 million)
- Elimination of interest paid from finance leases (€ –0.7 million)

IFRS 16 results in a reduction in the cash flow from financing activities to the same amount (€ –4.8 million) due to higher repayments of liabilities from finance leases.

Calculation of cash flow from operating activities (before IFRS 16)

	9 M 2019	9 M 2018
	€ thou.	€ thou.
Cash flow from operating activities acc. to statement of cash flows	–11,358	–10,708
Thereof effects from IFRS 16	4,845	0
Cash flow from operating activities (before IFRS 16)	–16,203	–10,708

There was consequently a cash flow from operating activities (before IFRS 16) of € –16.2 million in the first nine months of 2019, a reduction of € –5.5 million over the previous year (€ –10.7 million). That was mainly attributable to cash flow effects from working capital.

Net cash used in investing activities in the first nine months of 2019 was € –2.7 million, a sharp drop of €3.6 million over the figure of € –6.3 million for the same period of the previous year. €2.7 million of that figure is due to higher net cash from the retirement/disposal of property, plant and equipment (in particular from the completed property sale). In addition, the cash used for investments was €0.9 million lower in comparison to prior year.

The net cash provided by financing activities (before IFRS 16) was €17.5 million compared with €17.3 million in the first nine months of the previous year. €9.4 million of that figure is attributable to cash effects from the capital increase. The balance of cash from loans and cash used to repay loans totaled €9.0 million (previous year: €17.8 million). On the other hand, there were repayments of liabilities from finance leases and distributions to non-controlling shareholders totaling € –0.9 million (previous year: € –0.5 million)

Cash funds of the euromicron Group at September 30, 2019, were thus €5.2 million compared with €5.3 million at September 30, 2018.

4. Net assets

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

Asset and equity structure

	Sept. 30, 2019	Effects from application of IFRS 16	Sept. 30, 2019 (before IFRS 16)		Dec. 31, 2018	
	€ m.	€ m.	€ m.	%	€ m.	%
Noncurrent assets	174.6	25.2	149.4	59.7%	148.4	60.9%
Current assets	95.7	– 0.1	95.8	38.2%	88.8	36.4%
Cash and cash equivalents	5.2	0.0	5.2	2.1%	6.5	2.7%
Assets	**275.5**	**25.1**	**250.4**	**100.0%**	**243.7**	**100.0%**
Equity	67.2	– 0.2	67.4	26.9%	66.2	27.2%
Noncurrent liabilities	64.3	18.7	45.6	18.2%	45.6	18.7%
of which financial liabilities	58.5	18.8	39.7	15.9%	39.7	16.3%
Current liabilities	144.0	6.6	137.4	54.9%	131.9	54.1%
of which financial liabilities	77.3	6.7	70.6	28.2%	60.3	24.7%
Equity and liabilities	**275.5**	**25.1**	**250.4**	**100.0%**	**243.7**	**100.0%**

Total assets (before IFRS 16) at the euromicron Group at September 30, 2019, were €250.4 million, an increase of €6.7 million compared to December 31, 2018.

Noncurrent assets were €149.4 million, €1.0 million above the level at December 31, 2018 (€148.4 million). €3.7 million of that increase is due to higher deferred tax assets. In addition, noncurrent financial assets also increased by €1.5 million. This was due to an amendment of the factoring agreement in the third quarter of 2019. Previously as part of factoring, 95% of the amount of the receivables offered for sale was paid out and a blocked amount of 5% was withheld by the factoring company until the customer paid. This blocked amount was carried under the current financial assets. The amendment of the agreement means that an amount of €1.5 million is now paid as security to an account that is pledged until the end of the factoring agreement (that corresponds to 5% of the volume under the factoring agreement). In exchange, however, the amounts of the receivables offered for sale as part of factoring are now fully paid out. The result is an increase in the noncurrent financial assets and a reduction in the current financial assets recognized in the financial statements.

On the other hand, fixed assets decreased by € –4.2 million. € –2.2 million of that is due to retirement of the carrying amount for a developed property that was sold effective March 31, 2019. In addition, depreciation/amortization also exceeded capital spending in the first nine months of fiscal 2019.

Noncurrent assets accounted for 59.7% of total assets, slightly below the level at December 31, 2018 (60.9%). The ratio of equity and long-term outside capital to noncurrent assets at September 30, 2019, was 75.6% (December 31, 2018: 75.4%).

Noncurrent assets (before IFRS 16) were €95.8 million, €7.0 million above the level of December 31, 2018 (€88.8 million). Among them, there was in particular an increase in contract assets (+ €9.0 million) and inventories (+ €3.0 million). The increase in contract assets is due to the higher degree of work in progress on projects during the year as well as to the fact that various capital-intensive projects are currently in a phase where the finished work is being measured, which means that billing and so a decline in contract assets can only be expected after this activity has been completed. In addition, there is an increase in inventories at the manufacturing companies in anticipation of end-of-year business.

On the other hand, there was in particular a decline in other financial assets of € –3.5 million. € –1.6 million of that is attributable to effects from the previously described amendment to the factoring agreement (decrease in blocked amounts) and € –1.9 million to lower receivables due from the factoring company from factoring monies not yet paid out (for example because receivables are still being examined). In addition, trade accounts receivable fell by € –1.4 million.

Compared to December 31, 2018, cash and cash equivalents declined by € –1.3 million to €5.2 million.

The €1.2 million increase in equity (before IFRS 16) is due to an amount of €9.3 million to the capital increase conducted in the third quarter of 2019 (effect after costs and deferred taxes). On the other hand, there was the consolidated net loss of € –7.6 million for the first three quarters of 2019 (before IFRS 16) and, to an amount of € –0.5 million, the dividends from subsidiaries that were adopted in 2019, to which non-controlling shareholders were entitled on a pro-rata basis. The equity ratio (before IFRS 16) of 26.9% was almost at the same level as at December 31, 2018 (27.2%).

In particular, noncurrent liabilities (before IFRS 16) contain the long-term components of the Group's outside financing and deferred tax liabilities and were €45.6 million, i.e. at the same level as at December 31, 2018 (€45.6 million). Noncurrent liabilities were 18.2% of total assets compared with 18.7% at December 31, 2018.

Current liabilities (before IFRS 16) were €137.4 million, an increase of €5.5 million over December 31, 2018; they accounted for 54.9% of total assets (previous year: 54.1%).

There was an increase of €10.1 million in short-term liabilities to banks, which was attributable to the higher utilization of overdraft lines during the year. Contract liabilities also increased by €0.7 million as a result of higher customer payments.

That was offset by a € –2.7 million decrease in personnel obligations (mainly lower liabilities from wages and salaries and liabilities for vacation). In addition, trade payables were reduced by € –1.5 million. Liabilities from other taxes (above all value-added tax) also decreased by € –1.1 million.

Working capital (before factoring) was €69.9 million, € –0.6 million lower than at September 30, 2018 (€70.5 million). The working capital ratio rose slightly by 0.9 percentage points from 21.9% to 22.8%. We refer in this regard to the notes on current assets. Since there was a higher factoring volume, working capital (after factoring) at September 30, 2019, fell by € –3.3 million to €40.1 million. The working capital ratio (after factoring) was 13.1% and so 0.4 percentage points lower than in the previous year (13.5%).

5. Opportunity and Risk Report

The reports from the risk management system at December 31, 2018, have been continuously examined and updated as part of this Group interim report at September 30, 2019. Due to the fact that sales at September 30, 2019, were well below expectations, there are the following risks in addition to those stated and described in detail in the management report in the 2018 Annual Report:

Lower sales revenues will have a negative impact on earnings and so strain the Group's liquidity. Due to the Group's personnel-intensive business model, the lower contributions to earnings cannot be offset to the same extent by cost cuts. Because of various reasons in the third quarter of 2019, orders have been postponed. However, due to lack of personnel these orders cannot be fully implemented in the fourth quarter of 2019.

In addition, the current high level of working capital tie-up in relation to sales will also have a negative impact on the Group's liquidity. That is in particular attributable to project business. Currently, various capital-intensive projects are in the process of final measurements, hence billings and inflow of capital from these projects can only be expected after this activity has been completed. In addition, there is an increase in inventories at the manufacturing companies in anticipation of end-of-year business. The Executive Board assumes that the liquidity situation will improve in the fourth quarter as a result of an increase in customer payments.

Alongside savings in the area of non-operational personnel and material costs, as well as measures to reduce working capital, the Executive Board has initiated a raft of divestment processes so as to focus the Group on its core business. The processes are currently in different stages and are intended in particular to ensure partial repayment of existing financing at January 31, 2020. Such a loan repayment was agreed with the banks in question under the existing financing agreement. The Executive Board of euromicron is currently involved in intensive coordination with the lenders to agree the details of repayment.

The existing financing agreement specifies, among other things, that the company must fulfill specific key ratios (covenants). They include the gearing ratio and a key indicator relating to earnings and liquidity. They will not be achieved with our results at September 30, 2019. Failure to fulfill the key ratios may ultimately give the lenders the right to terminate the agreement. However, the company has contractually specified remedies to maintain the credit lines to the agreed total scope. These are currently being discussed with the lenders by euromicron's Executive Board. The Executive Board therefore assumes at present that the credit lines will be retained until the end of their contractual term.

Taking into account all known facts and circumstances, euromicron does not anticipate from the macroeconomic perspective any risks that might jeopardize the existence of the euromicron Group in a foreseeable period of time or, as far as can be assessed at present, might have a lasting and significant influence on the Group's net assets, financial position and results of operations. Nevertheless, order postponements by customers waiting to see how the market develops in general moving ahead may also result in the euromicron Group only being able to realize sales and earnings later, which may also have an impact on the Group's net assets, financial position and results of operations. On the other hand, there are growing requirements for security in network infrastructures in the public sector and industry, a factor that will have a positive impact on euromicron's core business.

6. Outlook

Due to the fact that sales and earnings at September 30, 2019, were below expectations, euromicron AG is adjusting its outlook for 2019. Despite a forecast improvement in sales and earnings in the fourth quarter, the original figures planned for fiscal 2019 will probably no longer be achievable.

Taking into consideration the opportunities and risks, a sales volume of €310 million to €325 million can therefore be expected for fiscal 2019 (previous forecast: €325 million to €345 million). The EBITDA margin (before IFRS 16) is expected to be between 2.0% and 4.5% (previous forecast: between 4.0% and 5.5%).

The forecast EBITDA margin range is due to the potential variance in sales: As presented in the risk report, there are only limited possibilities in the short term up to the end of the year to mitigate effects on gross operating profit from our sales performance by adjusting structural costs. With a gross profit margin for the Group averaging around 50%, the effects on gross operating profit will therefore impact earnings largely to this scale. In addition, margins in the fourth quarter will also depend on the composition of the product mix and so in particular on the sales ratios between system integration and technology business.

This outlook is based on the assumption that the overall economy in the Federal Republic of Germany and the general conditions in the IT/ICT industry will continue to develop positively in 2019. Nevertheless, the actual results may deviate significantly from the expectations and forecasts, if uncertainties arise or the assumptions on which the statements were based should prove to be inaccurate.

II. Interim Financial Statements

1. Consolidated Income Statement

Consolidated Income Statement

	3-month report		9-month report	
	Q3 2019	Q3 2018	9 M 2019	9 M 2018
	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**75,193**	**82,388**	**221,927**	**233,037**
Inventory changes	979	99	1,343	–430
Own work capitalized	849	969	3,068	2,553
Other operating income	223	199	1,179	1,006
Cost of materials	–38,549	–43,158	–109,689	–120,512
Personnel costs	–28,336	–27,240	–85,080	–83,535
Other operating expenses	–8,670	–9,933	–25,293	–30,486
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**1,689**	**3,324**	**7,455**	**1,633**
Depreciation and amortization	–3,986	–2,526	–12,182	–7,339
Earnings before interest and taxes (EBIT)	**–2,297**	**798**	**–4,727**	**–5,706**
Interest income	27	4	39	15
Interest expenses	–1,862	–1,538	–5,565	–4,638
Income before income taxes	**–4,132**	**–736**	**–10,253**	**–10,329**
Income taxes	1,048	–102	2,407	2,544
Consolidated net loss for the period	**–3,084**	**–838**	**–7,846**	**–7,785**
Thereof for euromicron AG shareholders	–3,161	–907	–8,111	–8,039
Thereof for non-controlling interests	77	69	265	254
(Un)diluted earnings per share in €	**–0.36**	**–0.13**	**–1.05**	**–1.12**

2. Statement of Comprehensive Income for the Group

Statement of Comprehensive Income for the Group

	3-month report		9-month report	
	Q3 2019	Q3 2018	9 M 2019	9 M 2018
	€ thou.	€ thou.	€ thou.	€ thou.
Consolidated net loss for the period, before minority interests	**–3,084**	**–838**	**–7,846**	**–7,785**
Currency translation differences (may have to be reclassified to the income statement in future)	–6	3	–3	–5
Other comprehensive income	**–6**	**3**	**–3**	**–5**
Total profit/loss	**–3,090**	**–835**	**–7,849**	**–7,790**
Thereof for euromicron AG shareholders	–3,167	–904	–8,114	–8,044
Thereof for non-controlling interests	77	69	265	254

3. Consolidated Balance Sheet – Assets

Assets

	Sept. 30, 2019	Dec. 31, 2018
	€ thou.	€ thou.
Noncurrent assets		
Goodwill	110,629	110,629
Intangible assets	16,031	15,879
Property, plant and equipment	39,767	18,933
Other financial assets	1,688	159
Other assets	1	1
Deferred tax assets	6,553	2,758
Total noncurrent assets	**174,669**	**148,359**
Current assets		
Inventories	31,809	28,820
Trade accounts receivable	10,541	11,937
Contract assets	49,749	40,755
Claims for income tax refunds	27	430
Other financial assets	1,194	4,738
Other assets	2,398	2,085
Cash and cash equivalents	5,157	6,553
Total current assets	**100,875**	**95,318**
Total assets	**275,544**	**243,677**

3. Consolidated Balance Sheet – Equity and liabilities

Equity and liabilities

	Sept. 30, 2019	Dec. 31, 2018
	€ thou.	€ thou.
Equity		
Subscribed capital	25,687	18,348
Capital reserves	96,278	94,298
Currency translation difference	–7	–4
Consolidated retained earnings	–55,339	–47,228
Stockholders' equity	66,619	65,414
Non-controlling interests	578	793
Total equity	**67,197**	**66,207**
Noncurrent liabilities		
Provisions for pensions	1,369	1,369
Other provisions	1,626	1,653
Liabilities to banks	38,491	38,958
Liabilities from finance leases	20,009	790
Other liabilities	0	114
Deferred tax liabilities	2,846	2,724
Total noncurrent liabilities	**64,341**	**45,608**

↓ Continuation of the consolidated balance sheet – Equity and liabilities on page 16

Continuation of the consolidated balance sheet – Equity and liabilities

Equity and liabilities

	Sept. 30, 2019	Dec. 31, 2018
	€ thou.	€ thou.
Current liabilities		
Other provisions	1,881	1,941
Trade accounts payable	47,123	48,631
Contract liabilities	4,858	4,209
Liabilities from current income taxes	755	1,165
Liabilities to banks	68,775	58,681
Liabilities from finance leases	7,157	363
Other tax liabilities	2,511	3,595
Personnel obligations	7,028	9,727
Other financial liabilities	1,369	1,295
Other liabilities	2,549	2,255
Total current liabilities	**144,006**	**131,862**
Total equity and liabilities	**275,544**	**243,677**

4. Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows

	9 M 2019	9 M 2018
	€ thou.	€ thou.
Income before income taxes	– 10,253	– 10,329
Net interest income/loss	5,526	4,623
Depreciation and amortization of fixed assets	12,182	7,339
Disposal of assets, net	– 473	– 5
Allowances for inventories, doubtful accounts and contract assets	396	429
Change in provisions	– 98	– 793
Changes in current and noncurrent assets and liabilities:		
– Inventories	– 3,246	– 258
– Trade accounts receivable and contract assets	– 7,712	3,003
– Trade accounts payable and contract liabilities	– 191	– 4,705
– Other operating assets	1,567	– 1,063
– Other operating liabilities	– 3,283	– 4,358
– Income tax paid	– 1,542	– 1,570
– Income tax received	439	726
– Interest paid	– 4,714	– 3,952
– Interest received	26	205
Net cash used in operating activities	**– 11,358**	**– 10,708**

Continuation of the consolidated balance sheet on page 18

Continuation of the consolidated statement of cash flows

Consolidated Statement of Cash Flows

	9 M 2019	9 M 2018
	€ thou.	€ thou.
Net cash used in operating activities	**–11,358**	**–10,708**
Proceeds from		
– Retirement/disposal of property, plant and equipment	2,683	22
Payments due to acquisition of		
– Intangible assets	–3,298	–2,928
– Property, plant and equipment	–2,054	–2,871
– Subsidiaries	–32	–500
Net cash used in investing activities	**–2,701**	**–6,277**
Proceeds from the capital increase (after costs of the capital increase)	9,365	0
Proceeds from raising of financial loans	11,431	24,177
Cash repayments of financial loans	–2,385	–6,390
Cash repayments of liabilities from finance leases	–5,268	–412
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–480	–85
Net cash provided by financing activities	**12,663**	**17,290**
Net change in cash funds	–1,396	305
Cash funds at start of period	6,553	4,954
Cash funds at end of period	**5,157**	**5,259**

5. Statement of Changes in Equity for the Group

Statement of Changes in Equity for the Group

	Subscribed capital	Capital reserves	Consolidated retained earnings	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
December 31, 2017	**18,348**	**94,298**	**–34,708**	**4**	**77,942**	**599**	**78,541**
Adjustments from first-time application of IFRS 9 and IFRS 15 in acc. with IAS 8	0	0	–739	0	–739	0	–739
January 1, 2018 (adjusted)	**18,348**	**94,298**	**–35,447**	**4**	**77,203**	**599**	**77,802**
Net loss for Q3 2018	**0**	**0**	**–8,039**	**0**	**–8,039**	**254**	**–7,785**
Other comprehensive income							
Currency translation differences	0	0	0	–5	–5	0	0
Total profit/loss	**0**	**0**	**–8,039**	**–5**	**–8,044**	**254**	**–7,790**
Transactions with owners							
Correction to the pro-rata claim for compensation of losses on the part of minority interests recognized in the previous year	0	0	–5	0	–5	0	–5
Distributions to / drawings by minority interests	0	0	0	0	0	–125	–125
Total transactions with owners	**0**	**0**	**–5**	**0**	**–5**	**–125**	**–130**
September 30, 2018	**18,348**	**94,298**	**–43,491**	**–1**	**69,154**	**728**	**69,882**

↓ Continuation of the statement of changes in equity for the Group on page 20

Continuation of the statement of changes in equity for the Group

Statement of Changes in Equity for the Group

	Subscribed capital	Capital reserves	Consolidated retained earnings	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
December 31, 2018	**18,348**	**94,298**	**–47,228**	**–4**	**65,414**	**793**	**66,207**
Net loss for Q3 2019	**0**	**0**	**–8,111**	**0**	**–8,111**	**265**	**–7,846**
Other comprehensive income							
Currency translation differences	0	0	0	–3	–3	0	–3
Total profit/loss	**0**	**0**	**–8,111**	**–3**	**–8,114**	**265**	**–7,849**
Transactions with owners							
Capital increase (after offsetting of the costs of the capital increase / deferred taxes with the capital reserves)	7,339	1,980	0	0	9,319	0	9,319
Distributions to / drawings by minority interests	0	0	0	0	0	–480	–480
Total transactions with owners	**7,339**	**1,980**	**0**	**0**	**–9,319**	**–480**	**8,839**
September 30, 2019	**25,687**	**96,278**	**–55,339**	**–7**	**66,619**	**578**	**67,197**

6. Selected explanatory disclosures on the notes on the consolidated financial statements

a) Preliminary remarks

euromicron AG is a registered company under German law with its headquarter in Frankfurt/Main and is mainly active in the areas of network and fiber optics technology.

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date and with their interpretations by the IFRS IC. The interim report as of September 30, 2019, was prepared in compliance with the stipulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and with the requirements of standard no. 16 "Interim Financial Reporting" of the DRSC (Deutsches Rechnungslegungs Standards Committee e. V.). The previous year's figures were determined using the same principles.

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

The results in the interim financial statements do not necessarily permit forecasts for the further course of business.

b) Accounting and measurement policies

The same accounting and measurement policies were used in the abridged presentation of the consolidated financial statements as of September 30, 2019, as for preparing the consolidated financial statements at December 31, 2018, unless changes are explicitly specified.

A detailed description of these policies is published in the 2018 Annual Report, which is available on the company's homepage. The consolidated financial statements of euromicron AG as of December 31, 2018, were prepared on the basis of Section 315e of the German Commercial Code (HGB) in accordance with the IFRS, as are applicable in the European Union.

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

Estimates and assumptions have to be made to a certain extent in the interim report; the value of assets, liabilities and contingent liabilities, as well as expenses and income in the reporting period, depend on these. The actual later figures may differ from the amounts reported in the interim report.

There are changes to the accounting and measurement policies as a result of the following standards that had to be applied for the first time in fiscal 2019. Apart from the effects of IFRS 16 presented in the following, however, there are not expected to be any significant effects from that on the consolidated financial statements:

Standards to be applied for the first time in the fiscal year

	Standard / Interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement (amendment)	January 1, 2019	Yes
IAS 28	Long-term Interests in Associates and Joint Ventures (amendment)	January 1, 2019	Yes
IFRS 16	Leases	January 1, 2019	Yes
IFRS 9	Financial Instruments: Prepayment Features with Negative Compensation (amendment)	January 1, 2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	Yes
AIP	Annual improvements to the IFRSs, cycle 2015–2017	January 1, 2019	Yes

c) Effects of IFRS 16 – Leases

As part of conversion to IFRS 16, assets for the rights of use to leased objects were recognized to an amount of €27,809 thousand at January 1, 2019. In addition, the other assets (prepaid expenses) fell by € –59 thousand. On the liabilities side, lease obligations totaling €27,904 thousand were carried, while the other liabilities (liabilities from contracts with a rent-free period) fell by € –154 thousand. All in all, total assets therefore increased by €27,750 thousand. The equity ratio fell as a result by 2.8 percentage points from 27.2% to 24.4%.

Conversion to IFRS 16 was based on the modified retrospective method. The comparative figures for the periods of the previous year were not adjusted. As regards the options and exemptions available under IFRS 16, the euromicron Group chooses the following approach:

- Assets from rights of use are carried under the fixed assets and presented separately in the notes
- Lease obligations are recognized as separate items in the balance sheet
- Leases whose term ends within twelve months are carried as expenses from short-term leases
- The exemption whereby the new regulations are not to be applied to leases whose term ends within twelve months of the time of first-time adoption of the standard and they are to be treated as short-term leases was not utilized, with the result that corresponding rights of use and lease obligations were carried for these leases
- Leases with a value of less than €5 thousand are regarded as low-value assets and carried as expenses from leases for low-value assets
- The direct costs initially incurred are not included at the time of adoption
- In the case of significant, short-term agreements relating to the rental of buildings, the terms of the agreements were adjusted to reflect the Group's five-year planning horizon

On the basis of the operating leases and finance leases at December 31, 2018, there was the following reconciliation with the opening balance sheet value for the lease obligations at January 1, 2019:

Reconciliation

	€ thou.
Obligation from operating leases at December 31, 2018	24,662
Finance leases at December 31, 2018	1,153
Leases at December 31, 2018	25,815
Effects from IFRS 16	3,242
Carried lease obligations at January 1, 2019	29,057

The effects are mainly due to the fact that the obligations from operating leases at December 31, 2018, were determined on the basis of the terms of the agreements. In the case of significant, short-term agreements relating to the rental of buildings, the terms of the agreements for lease obligations at January 1, 2019, on which measurement is based were adjusted to reflect the Group's five-year planning horizon. There were further effects in particular from discounting to the date of adoption of IFRS 16 (January 1, 2019) at the marginal cost of capital.

In determining the marginal cost of capital, the incremental borrowing rate of interest of euromicron was taken and corrected by separate markdowns for property and movables. That results in a weighted average rate of interest of 3.09% for property and of 3.37% for movables.

With regard to the date of conversion (January 1, 2019) and the reporting date for the quarter (September 30, 2019), there were the following effects:

Reconciliation of the opening balance sheet values at December 31, 2018 / January 1, 2019

	Dec. 31, 2018	IFRS 16 lease effect	Jan. 1, 2019
	€ thou.	€ thou.	€ thou.
Assets			
Property, plant and equipment	18,933	27,809	46,742
Other assets (including effects from IFRS 16)	2,086	–59	2,027
Other assets	222,658	0	222,658
Total assets	**243,677**	**27,750**	**271,427**
Equity and liabilities			
Equity	66,207	0	66,207
Liabilities from finance leases	1,153	27,904	29,057
Other liabilities (including effects from IFRS 16)	2,369	–154	2,215
Other liabilities	173,948	0	173,948
Total equity and liabilities	**243,677**	**27,750**	**271,427**

Reconciliation of the IFRS 16 lease effects in the income statement (9 M 2019)

	9 M 2019 (before IFRS 16)	IFRS 16 lease effect	9 M 2019 (after IFRS 16)
	€ thou.	€ thou.	€ thou.
Other operating income	1,179	0	1,179
Other operating expenses	–30,771	5,478	–25,293
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**1,977**	**5,478**	**7,455**
Depreciation and amortization	–7,115	–5,067	–12,182
Earnings before interest and taxes (EBIT)	**–5,138**	**411**	**–4,727**
Interest income	39	0	39
Interest expenses	–4,886	–679	–5,565
Income before income taxes	**–9,985**	**–268**	**–10,253**
Income taxes	2,330	77	2,407
Consolidated net loss for the period	**–7,655**	**–191**	**–7,846**

Reconciliation of the IFRS 16 lease effects in the balance sheet at September 30, 2019

	Sept. 30, 2019 (before IFRS 16)	IFRS 16 lease effect	Sept. 30, 2019 (after IFRS 16)
	€ thou.	€ thou.	€ thou.
Assets			
Property, plant and equipment	14,610	25,157	39,767
Other assets (including effects from IFRS 16)	2,481	–83	2,398
Deferred tax assets	6,481	72	6,553
Other assets	226,826	0	226,826
Total assets	**250,398**	**25,146**	**275,544**
Equity and liabilities			
Equity	67,388	–191	67,197
Deferred tax liabilities	2,852	–6	2,846
Liabilities from finance leases	1,681	25,485	27,166
Other liabilities (including effects from IFRS 16)	2,691	–142	2,549
Other liabilities	175,786	0	175,786
Total equity and liabilities	**250,398**	**25,146**	**275,544**

Rights of use and liabilities from finance leases at January 1, 2019, and September 30, 2019

	Jan. 1, 2019	Sept. 30, 2019
	€ thou.	€ thou.
Property, plant and equipment		
Rights of use – land and buildings	23,445	21,202
Rights of use – technical equipment and machinery	1,441	2,026
Rights of use – other equipment, operating and office equipment	4,854	4,329
Total	**29,741**	**27,557**
Liabilities from finance leases	29,057	27,166

Leases in the income statement

	9 M 2019
	€ thou.
Other operating income	
Income from sale and leaseback transactions	466
Other operating expenses	**– 266**
Expenses from short-term leases	– 126
Expenses from leases for low-value assets	– 140
Amortization	**– 5,403**
Amortization of rights of use – land and buildings	– 3,252
Amortization of rights of use – technical equipment and machinery	– 292
Amortization of rights of use – other equipment, operating and office equipment	– 1,859

A developed property of the subsidiary euromicron Austria in Seekirchen, Austria, was sold effective March 31, 2019, under the agreement dated March 19, 2019. This sale resulted in a retirement within the meaning of IFRS 15. The income of €466 thousand from the sale was carried under "Other operating income". The remaining book value of the developed property at the time of its sale was €2,184 thousand. The proceeds from its sale were €2,650 thousand. The buyer paid the purchase price on April 1, 2019. At the same time, a rental agreement with a minimum term of three years as from April 1, 2019, was concluded and can be terminated with a period of notice of six months, but no earlier than effective March 31, 2022.

Effects from conversion to IFRS 16 in the first nine months of 2019 resulted in an increase of €4,845 thousand in the reported cash flow from operating activities, whereas the reported cash flow from financing activities fell by the same amount (due to cash repayments of liabilities from finance leases).

d) Consolidated companies

Apart from euromicron AG, 23 (December 31, 2018: 23) companies controlled by euromicron AG are included in the interim consolidated financial statements.

e) Significant business events

The Executive Board and Supervisory Board of euromicron AG adopted a resolution on July 10, 2019, to increase the capital stock of the company by up to €7,339,020 through the issue of a total of up to 2,870,558 new registered shares by fully utilizing the authorized capital. The company acquired Funkwerk AG as anchor and backstop investor for the capital increase and it now holds around 15% of euromicron AG's capital stock.

The new shares were issued in the form of cash capital increases in two tranches. Under the first tranche, 717,639 new shares were issued to Funkwerk as part of a private placement excluding shareholders' subscription rights. That increased the company's share capital to €20,182,308.60, i.e. by around 10%. The new shares are entitled to dividends from January 1, 2019. The placement price was set at €3.40 per share, so that the gross proceeds from the first tranche amounted to €2,439,972.60.

The second tranche was effected as part of a cash capital increase with subscription rights. As a result, the capital stock of the company was increased by a further amount of €5,504,266.28 through the issue of 2,152,919 new registered shares. The subscription price was set at €3.40 per share, so that the gross proceeds from the second tranche amounted to €7,319,924.60. The shares from the second tranche will be admitted to the stock exchange and included in stock exchange trading later, probably in July 2020.

The costs incurred by the capital increase up to September 30, 2019, were offset with the capital reserves (after allowing for deferred taxes).

f) Treasury shares

At September 30, 2019, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

g) Non-controlling interests

Under IFRS 3 (2008), non-controlling interests are disclosed as part of equity in accordance with the entity point of view. The minority interests in equity reported at September 30, 2019 (€578 thousand) relate exclusively to Qubix S.p.A., Padua, Italy (10%).

h) Reporting on financial instruments

The following table compares the carrying amounts and fair values of the financial instruments.

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

Level 1: Input factors 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 Track Group Inc. (balance sheet item: “Other financial assets”) were measured on the basis of level 1, since the share price can be observed on an active market.

Receivables to be assigned to the business model “Sell” and so assigned to the measurement category “Fair Value through Profit or Loss” were measured on the basis of level 2. The carrying amount of these receivables is approximately their fair value.

The liabilities from the opposite put/call options for the remaining shares in MICROSENS GmbH & Co. KG and Microsens Beteiligungs GmbH not held by euromicron were measured on the basis of level 3. They are carried under the other current financial liabilities.

Comparison of carrying amounts and fair values

	Sept. 30, 2019		Dec. 31, 2018	
	Carrying amount	Fair value with DVA	Carrying amount	Fair value with DVA
	€ thou.	€ thou.	€ thou.	€ thou.
Assets				
Cash and cash equivalents	5,157	– [1]	6,553	– [1]
Trade accounts receivable	10,541	– [1]	11,937	– [1]
Contract assets	49,749	– [1]	40,755	– [1]
Other financial assets	2,882	– [1]	4,897	– [1]
Equity and liabilities				
Trade accounts payable	47,123	– [1]	48,631	– [1]
Liabilities to banks	107,266	107,780	97,639	97,547
Other financial liabilities	1,369	1,367	1,295	1,292
Financial personnel obligations	3,341	– [1]	5,996	– [1]
Liabilities from finance leases	27,166	– [1]	1,153	– [1]

[1] The carrying amount corresponds approximately to the fair value.

The liabilities from the put/call option for the remaining shares in KORAMIS GmbH not held by telent GmbH were measured on the basis of level 3. The Black-Scholes formula was used to determine the fair value of the put/call options. The main model parameters were the value of the underlying instrument, the exercise price, the anticipated volatility of the underlying instrument, any dividend payments, the risk-free interest rate, and the anticipated remaining term. The liability from the put option is carried under the other current financial liabilities. The call option is carried under the other current financial assets.

In the first nine months of 2019, there were no changes to or movements in the fair value of assets or liabilities assigned to level 3 of the fair value hierarchy. There were also no shifts between the levels of the fair value hierarchy.

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

7. Segment reporting

Segment reporting

	Smart Buildings		Critical Infrastructures		Distribution		Total for all reportable operating segments	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	117,509	128,246	84,424	85,395	20,087	19,168	222,020	232,809
Sales within the Group	814	642	660	652	326	735	1,800	2,029
Total sales	**118,323**	**128,888**	**85,084**	**86,047**	**20,413**	**19,903**	**223,820**	**234,838**
EBITDA	4,317	435	3,979	2,784	4,115	3,671	12,411	6,890
EBITDA margin	3.6%	0.3%	4.7%	3.2%	20.2%	18.4%	5.5%	2.9%
Thereof effects from IFRS 16	2,765	0	2,085	0	283	0	5,133	0
EBITDA (before IFRS 16)	**1,552**	**435**	**1,894**	**2,784**	**3,832**	**3,671**	**7,278**	**6,890**
EBITDA margin (before IFRS 16)	**1.3%**	**0.3%**	**2.2%**	**3.2%**	**18.8%**	**18.4%**	**3.3%**	**2.9%**
Depreciation/amortization	–6,470	–4,508	–4,686	–2,484	–341	–121	–11,497	–7,113
Write-downs	–85	0	0	0	0	0	–85	0
Thereof effects from IFRS 16	–2,508	0	–1,940	0	–263	0	4,711	0
Depreciation/amortization (before IFRS 16)	–3,962	–4,508	–2,746	–2,484	–78	–121	–6,786	–7,113
Write-downs (before IFRS 16)	–85	0	0	0	0	0	–85	0
EBIT	–2,238	–4,073	–707	300	3,774	3,550	829	–223
Thereof effects from IFRS 16	257	0	145	0	20	0	422	0
EBIT (before IFRS 16)	–2,495	–4,073	–852	300	3,754	3,550	407	–223
Order books	83,188	80,654	68,515	56,882	3,819	3,239	155,522	140,775
New orders	121,874	133,032	84,965	89,857	21,747	20,545	228,586	243,434
Working capital	46,280	46,235	11,676	13,772	4,649	4,734	62,605	64,741
Working capital ratio	**28.4%**	**25.4%**	**9.7%**	**11.7%**	**17.6%**	**18.3%**	**20.2%**	**19.9%**

→ Continuation of segment reporting on page 28

↓ Continuation of segment reporting

Segment reporting

	All other segments									
	Non-strategic Business Areas		Central Services		Total for the segments		Reconciliation		Group	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	–93	228	0	0	221,927	233,037	0	0	221,927	233,037
Sales within the Group	0	2	0	0	1,800	2,031	–1,800	–2,031	0	0
Total sales	**–93**	**230**	**0**	**0**	**223,727**	**235,068**	**–1,800**	**–2,031**	**221,927**	**233,037**
EBITDA	–177	–127	–4,779	–5,097	7,455	1,666	0	–33	7,455	1,633
EBITDA margin					3.3%	0.7%			3.4%	0.7%
Thereof effects from IFRS 16	0	0	345	0	5,478	0	0	0	5,478	0
EBITDA (before IFRS 16)	**–177**	**–127**	**–5,124**	**–5,097**	**1,977**	**1,666**	**0**	**–33**	**1,977**	**1,633**
EBITDA margin (before IFRS 16)					**0.9%**	**0.7%**			**0.9%**	**0.7%**
Depreciation/amortization	–1	–1	–599	–225	–12,097	–7,339	0	0	–12,097	–7,339
Write-downs	0	0	0	0	–85	0	0	0	–85	0
Thereof effects from IFRS 16	0	0	–356	0	5,067	0	0	0	5,067	0
Depreciation/amortization (before IFRS 16)	–1	–1	–243	–225	–7,030	–7,339	0	0	–7,030	–7,339
Write-downs (before IFRS 16)	0	0	0	0	–85	0	0	0	–85	0
EBIT	–178	–128	–5,378	–5,322	–4,727	–5,673	0	–33	–4,727	–5,706
Thereof effects from IFRS 16	0	0	–11	0	411	0	0	0	411	0
EBIT (before IFRS 16)	–178	–128	–5,367	–5,322	–5,138	–5,673	0	–33	–5,138	–5,706
Order books	8	365	0	0	154,869	141,140	–98	–203	154,771	140,937
New orders	–365	–8	0	0	227,560	243,426	0	0	227,560	243,426
Working capital	–283	–166	–2,128	–1,439	60,194	63,136	–20,076	–19,737	40,118	43,399
Working capital ratio					**19.5%**	**19.4%**			**13.1%**	**13.5%**

8. Breakdown of revenue

Breakdown of revenue by type of business and time/period of fulfillment

	Reportable operating segments											
	Smart Buildings		Critical Infrastructures		Distribution		Total for all operating segments that must be reported		All other business areas and reconciliation		Group	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Sales of the segment	**118,323**	**128,888**	**85,084**	**86,047**	**20,413**	**19,903**	**223,820**	**234,838**	**–1,893**	**–1,801**	**221,927**	**233,037**
Type of business												
Revenue from project business	68,113	73,732	46,471	48,656	0	0	114,584	122,388	–908	–412	113,676	121,976
Revenue from the sale of goods	37,782	41,095	19,156	15,727	20,413	19,903	77,351	76,725	–326	–736	77,025	75,989
Revenue from the provision of services	12,428	14,061	19,457	21,664	0	0	31,885	35,725	–659	–653	31,226	35,072
Fulfillment of the performance obligation and recognition of the sales												
Recognition at a specific point in time	37,782	41,095	19,156	15,727	20,413	19,903	77,351	76,725	–326	–736	77,025	75,989
Recognition over time	80,541	87,793	65,928	70,320	0	0	146,469	158,113	–1,567	–1,065	144,902	157,048

9. Further explanations

a) Contingencies, contingent liabilities and other financial obligations

There were no significant changes in contingencies, contingent liabilities and contingent claims compared with the consolidated financial statements at December 31, 2018. From fiscal 2019 on, operating lease obligations are recognized in accordance with the requirements of IFRS 16 (see section 6c).

b) Business transactions with related parties

Persons and companies 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.

In the first nine months of 2019, services totaling €119 thousand (previous year: €0 thousand) were obtained from companies that are controlled by members of management in key positions. At the balance sheet date, there were no liabilities from them.

10. Miscellaneous

a) Disclosure in accordance with Section 115 (7) of the German Securities Trading Act (WpHG)

The abridged financial statements and the interim management report at September 30, 2019, have neither been audited nor inspected by an auditor in accordance with Section 317 of the German Commercial Code (HGB).

b) Declaration by the legal representatives

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

Bettina Meyer
Spokeswoman of the Executive Board

Dr. Frank Schmitt
Member of the Executive Board

Financial calendar

March 30, 2020	Publication of the 2019 Annual Report
May 13, 2020	Publication of the business figures for the 1st quarter of 2020
June 9, 2020	General Meeting, Frankfurt/Main
August 12, 2020	Publication of the business figures for the 1st half of 2020
November 11, 2020	Publication of the business figures for the first nine months of 2020

Imprint

Publisher and copyright: euromicron AG
Siemensstraße 6
63263 Neu-Isenburg
www.euromicron.de
E-Mail: info@euromicron.de

Registry court: Frankfurt/Main, HRB 45562

Contact

Investor Relations: Phone: +49 69 631583-0
Fax: +49 69 631583-17
E-Mail: IR-PR@euromicron.de

ISIN: DE000A1K0300, DE000A2NBTK4
WKN: A1K030, A2NBTK4

Concept, design and production: MPM Corporate Communication Solutions, Mainz, Düsseldorf
www.mpm.de

This Annual Report is available in German and English.

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

In cases of doubt, the German version is authoritative.

All rights reserved. Reproduction, in whole or in part, permitted only if source is acknowledged.

Disclaimer on predictive statements

This report also includes predictive statements and information on future developments that are based on the convictions and current views of euromicron AG's management and on assumptions and information currently available to euromicron. Where the terms "assume", "believe", "assess", "expect", "intend", "can/may/might", "plan" or similar expressions are used, they are intended to indicate predictive statements that are subject to certain elements of insecurity and risks, such as competitive pressure, changes to the law, changes in general political and economic conditions, changes to business strategy, other risks and uncertainties that euromicron AG in many cases cannot influence and that may result in significant deviations between the actual results and predictive statements. Any liability or guarantee for the used and published data and information being up-to-date, correct and/or complete is not assumed, either explicitly or implicitly.