

Joint Report

**by the Executive Board of euromicron Aktiengesellschaft
communication & control technology**

and

management of euromicron Deutschland GmbH

**on conclusion of a
profit and loss transfer agreement**

**between euromicron Aktiengesellschaft communication & control technology and
euromicron Deutschland GmbH**

in accordance with Section 293a AktG (German Stock Corporation Law)

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A. Preamble

euromicron Aktiengesellschaft communication & control technology (“**euromicron AG**”) is the sole shareholder of euromicron Deutschland GmbH (“**euromicron GmbH**”). Conclusion of the profit and loss transfer agreement rounds out the financial and economic integration of euromicron GmbH in euromicron AG and is based in particular on tax considerations.

The wording of the profit and loss transfer agreement is printed in the **Annex** to this report.

In accordance with Section 293 AktG (German Stock Corporation Law), the shareholders of both parties to the profit and loss transfer agreement must consent to the agreement for it to become effective. That means the General Meeting of euromicron AG and the shareholders’ meeting of euromicron GmbH must approve it.

The Executive Board of euromicron AG and management of euromicron GmbH jointly submit the following report on the profit and loss transfer agreement in accordance with Section 293a (1), second half of Sentence 1 AktG (German Stock Corporation Law):

B. Presentation of the parties

I. euromicron AG and the euromicron Group

1. Overview

The listed company euromicron AG is entered in the commercial register of Frankfurt/Main Local Court under HRB 45562. It has its registered offices in Frankfurt/Main.

2. Fiscal year, purpose of the company

euromicron AG’s fiscal year is the calendar year.

The purpose of the company is the development and distribution of mechanical, electrical and electronic components and systems, including software and engineering services for them. The company can achieve this purpose itself or through subsidiaries and associated companies.

The company can undertake all business transactions suited to promoting the purpose of the company. The company can also take a participating interest in other companies in Germany and abroad, acquire them, assume management of them, establish branch offices and conclude affiliation agreements with other companies.

3. Capital stock, shares, shareholders and stock exchange trading

The capital stock of euromicron AG is €18,347,554.88 and is divided into 7,176,398 no-par value registered shares.

According to the last voting rights notifications issued, LAZARD FRERES GESTION S.A.S. holds 3.47% of the shares, Herr Christian Bischoff 3.04% and Universal-Investment-GmbH 3.01%. The other shares are free float.

The shares are admitted to stock market trading.

4. Management bodies of euromicron AG

The Executive Board of euromicron AG consists of Bettina Meyer (Spokeswoman) and Jürgen Hansjosten.

The Supervisory Board of euromicron AG is composed of Dr. Franz-Stephan v. Gronau (Chairman), Mr. Josef Martin Ortolf, Dipl.-oec. (Deputy Chairman) and Dr. Andreas de Forestier.

5. Business activity

euromicron AG is a leading national, Europe-oriented vendor of complete infrastructure solutions for communications, security and data networks and a manufacturer, system integrator and distributor. The company unites top-level development, project planning, consulting and purchasing

know-how and offers its customers from all sectors a one-stop shop for tailor-made, vendor-independent solutions for all network applications. The company provides an extensive range of services – from design, planning, procurement and installation to maintenance and service. The euromicron Group has a comprehensive network of branch offices in Germany and numerous European locations.

6. Business performance and earnings situation of euromicron AG

a) Key data for fiscal year 2015

The earnings under commercial law in the fiscal year 2015 are made up as follows:

	2015
	In million EUR
Result from investments in equity interests	-4.4
Operating profit	-8.6
Financial result	-1.8
Result from ordinary activities	-14.8
Tax result	-0.4
Net loss for the year	-15.2

The earnings under commercial law in fiscal year were negatively impacted by special effects based on the reorganization. The reconciliation of profit according to commercial law adjusted for these special effects is presented below:

	2015
	In million
	EUR
Result from investments in equity interests	-4.4
Effects from taking on higher losses (reorganization-related)	3.5
Effects from depreciation on equity interests	1.9
Adjusted earnings from investments in equity interests	1.0
Operating profit	-8.6
Effect of the grant to euromicron NBG Fiber Optics GmbH	1.1
Effects from the costs of reorganization at the level of euromicron AG	2.7
Adjusted operating result	-4.8
Financial result	-1.8
Adjusted earnings from ordinary activities	-5.6
Tax result	-0.4
Adjusted net loss for the year	-6.0

Adjusted earnings from investments in equity interests thus amounted to EUR 1.0 million while adjusted operating profit was EUR -4.8 million. The financial result amounted to EUR -1.8 million. Adjusted earnings from operating activities thus amounted to EUR -5.6 million. After taking the tax result into account, an adjusted net loss of EUR -6.0 million was posted for fiscal year 2015.

The total assets of euromicron AG as of December 31, 2015, amounted to EUR 203.2 million. Fixed assets (primarily financial assets) of EUR 166.1 million accounted for approximately 81.7% of total assets. Current assets including prepaid expenses amounted to EUR 37.1 million and consisted mainly of receivables from affiliated

companies (EUR 32.3 million) and cash and cash equivalents (EUR 3.2 million).

Equity amounted to EUR 93.3 million on December 31, 2015, and the equity ratio of 45.9% remained at a stable level. Provisions amounted to EUR 2.9 million and liabilities to EUR 107.0 million. Of these liabilities, liabilities to banks (EUR 61.3 million) and liabilities to affiliated companies (EUR 44.1 million) were the largest positions.

b) Outlook for the current fiscal year 2016

Based on its current assessment, the Executive Board expects euromicron AG to post income from Investments in equity interests of EUR 8.0 to EUR 10.0 million in fiscal year 2016. After taking the negative operating result and the negative financial result into consideration, the company expects a positive result from ordinary business activities in the order of approximately EUR 1.0 million.

II. euromicron GmbH

1. Overview

euromicron GmbH is entered in the commercial register of Offenbach am Main Local Court under HRB 48947. It has its registered offices in Neu-Isenburg.

2. Fiscal year, purpose of the company

euromicron GmbH's fiscal year is the calendar year.

The purpose of the company is the planning, setup, installation, commissioning and servicing of products, plant, systems and networks in the fields of information technology, electrical engineering, safety and security technology, fire alarm technology, mobile communications technology and data and communications technology and all related systems; analysis,

monitoring, restructuring and optimization of plant and networks and their safety, security and performance; trading and distribution of all types of goods and services in the field of information technology, safety and security technology and data and communications technology, in Germany and abroad, and associated consulting services.

The company can undertake all business transactions that promote its purpose directly or indirectly. It can take participating interests in other companies in the same or a similar line of business in any suitable form or acquire such companies or establish branch offices. The company can also be a controlled company as part of an integrated inter-company relationship for fiscal purposes.

3. Nominal capital, shareholders

The nominal capital of euromicron GmbH is €1 million. The equity of euromicron GmbH under commercial law at December 31, 2015, was €6.7 million.

The only shareholder of euromicron GmbH is euromicron AG.

4. Management bodies of euromicron GmbH

The Managing Directors of euromicron GmbH are Mr. Michael Klems, Mr. Andreas Lendner, Mr. Marc Lützenkirchen and Mr. Marcus Mauch.

5. Business activity

euromicron GmbH's extensive all-round offering in the fields of innovative building, network and security technology and its tailored services make it easier for its customers to solve current challenges simply. euromicron GmbH combines all technologies and applications from information and communications technology (ICT) to offer its customers tailored solutions for smart building technologies. As part of that, euromicron GmbH ensures proximity to customers with on-site service and its central Network Operation Center (NOC) – for companies and organizations of all sizes and in all sectors. With more than 700 employees, euromicron GmbH is a leading

vendor of complete infrastructure solutions for communications, transmission, security and data networks with a comprehensive network of branch offices in Germany.

6. Business performance and earnings situation of euromicron GmbH

The key figures of the last three financial years for euromicron GmbH can be broken down as follows.

	2015 in million EUR	2014 in million EUR	2013 in million EUR
Net loss before loss transfer	-10.0	-11,9	-4,7
Sales revenues	128.4	54.2	53.4
Equity as of December 31	6.7	2.9	2.9

In comparing earnings, it should be noted that the net loss before the loss transfer in fiscal year 2014 was charged with approximately EUR -5.8 million by the processing of HGB effects from necessary project adjustments in current accounting (the result of correcting errors in accordance with IAS 8). In fiscal year 2015, this was burdened in the amount of EUR -2.6 million due to reorganization costs that were incurred in order to restructure the company.

a) *Key data for the short fiscal year 2015*

In fiscal year 2015, sales revenues were EUR 128.4 million and EBIT (HGB) EUR -9.2 million following the merger of euromicron systems GmbH and euromicron networks GmbH into euromicron solutions GmbH (and renaming of the company euromicron Deutschland GmbH). The statutory net loss before euromicron AG assumed these losses amounted to EUR -10.0 million. Here it should be noted that this was charged by reorganization costs of approximately EUR -2.6 million in fiscal year 2015.

The balance sheet total amounted to EUR 80.6 million. Fixed assets were EUR 3.5 million, which represents 4.3% of total assets. Current assets including prepaid expenses amounted to EUR 77.1 million, whereby the largest positions were inventories at EUR 34.1 million, (especially work in progress), receivables from affiliated companies

at EUR 24.1 million and EUR 16.3 million in receivables from goods and services.

Equity amounted to EUR 6.7 million on December 31, 2015, and the equity ratio was thus 8.3%. Provisions amounted to EUR 9.6 million, liabilities including prepaid expenses totaled EUR 64.3 million. Of these liabilities, liabilities to affiliated companies (EUR 33.2 million) and trade payables (EUR 14.9 million) were the largest positions.

b) Outlook for the current fiscal year 2016

A moderate increase in revenues and a reduction in the commercial loss are expected for fiscal year 2016. This will be due in particular to effects from the reorganization of euromicron GmbH, which was initiated in 2015 and largely completed by the end of 2016.

C. Legal and economic reasons for concluding the profit and loss transfer agreement

I. Deepening of the existing group relationship

euromicron GmbH has been part of the euromicron Group and was created with the 2015 merger of euromicron systems GmbH and euromicron networks GmbH into euromicron solutions GmbH. The profit and loss transfer agreement is intended to round out the financial and economic integration of euromicron GmbH in euromicron AG.

Both in previous years and in fiscal year 2016, arrangements on the transfer of losses were made between euromicron AG and euromicron GmbH to bring about the liberation requirements of section 264 (3) of HGB (German Commercial Code). Thus, the losses that resulted at euromicron GmbH were already assumed by euromicron AG under commercial law. Due to the planned conclusion of the profit and loss transfer agreement, any losses that result will have no further impact on the annual financial statements of euromicron AG than in the existing contract constellation. The advantages of the profit and loss transfer agreement compared to the current contract constellation lie particularly in its tax-related implications. These benefits are described below

II. Tax reasons for concluding the profit and loss transfer agreement

1. Establishment of an inter-company relationship for tax purposes

The conclusion of the profit and loss transfer agreement for at least five years takes place against the background that a corporation and trade tax fiscal unity ratio (hereinafter affiliation) is to be established through it starting in 2016. The conclusion of a profit and loss transfer agreement between euromicron AG as the parent or controlling company and euromicron GmbH as the controlled or dependent company represents an important prerequisite to establishing such an affiliation.

2. Consequences of the inter-company relationship for tax purposes

The euromicron Group's tax structure can be optimized by conclusion of the profit and loss transfer agreement. The profit and loss transfer agreement enables taxable profits and losses of euromicron AG to be offset with taxable losses and profits of euromicron GmbH thanks to offsetting of profits and losses of the controlling company (euromicron AG) and controlled company (euromicron GmbH).

The taxable income of euromicron GmbH in Germany will no longer be taxed at the level of euromicron GmbH if an inter-company relationship for tax purposes exists. Instead, the taxable positive or negative income will be attributed to euromicron AG, which will then pay tax on it. This permits direct offsetting of taxable earnings of euromicron GmbH with the taxable earnings of euromicron AG and the subsidiaries belonging to the scope of consolidation of euromicron AG.

According to the company's tax planning for the years 2016 to 2018, positive taxable income for corporation and trade tax purposes will result for the fiscal unity of euromicron AG in each case in its current structure. Despite the current corporation tax loss carryforwards, corporate tax must be paid on this due to the minimum taxation rules. No trade tax loss carryforwards exist as of December 31, 2015, at the level of the previous entity of euromicron AG, therefore business tax is payable on the taxable income of the previous fiscal unity. Negative taxable income is expected for euromicron GmbH for the year 2016. By concluding the profit and loss trans-

fer agreement and the consequent inclusion of euromicron GmbH in the fiscal unity of euromicron AG starting in 2016, a cash charge of income taxes in accordance with the corporate tax planning would be completely dispensed of in accordance with the planning for the fiscal unity in its new structure for the years 2016 and 2017. This means an expected liquidity advantage for the Group in the order of approximately EUR 1.0 million

Existing pre-consolidated tax losses carried forward for euromicron GmbH will not be affected by the conclusion of the profit and loss transfer agreement, but rather remain in the full amount. This cannot be used only during the existence of the affiliation relationship and will thus remain frozen. Since the profit and loss transfer agreement can be terminated without jeopardizing tax advantages after a minimum term of five years, there will then be an opportunity to reexamine whether continuation of the profit and loss transfer agreement or termination (coupled with the possibility of pre-consolidation loss carryforwards at the level of euromicron GmbH) is the more advantageous option from a tax perspective.

In addition, conclusion of the profit and loss transfer agreement between euromicron AG and euromicron GmbH lets expect a positive effect on liquidity in medium-term for the euromicron Group insofar as the potential future profits transferred by euromicron GmbH to euromicron AG are not subject to deduction of capital gains tax, including the solidarity surcharge. If a profit and loss transfer agreement were not concluded, the deducted taxes would in principle only be refunded as part of the assessment of corporation income tax for euromicron AG. Moreover, profit transfers, unlike with a profit distribution by euromicron GmbH, are not subject to the imputed 5% prohibition on deduction of operating expenses for euromicron AG as specified by Section 8b (5) KStG (German Corporation Tax Act).

III. No equivalent alternatives

There are no equivalent alternatives to conclusion of the intended profit and loss transfer agreement. In particular, a merger of euromicron GmbH with euromicron AG or integration of euromicron GmbH in euromicron AG, for example, are out of the question for the following reasons:

1. Merger of euromicron GmbH with euromicron AG / change in legal form

A merger of euromicron GmbH with euromicron AG or with another legal entity is ruled out as an alternative. A merger would entail far higher costs than conclusion of a profit and loss transfer agreement, but unlike the latter would not produce any additional advantages of mention. In the event of a merger, euromicron GmbH would also cease to exist as an independent legal entity, which is not intended by the parties. An alternative change of legal form of euromicron GmbH into a partnership would not lead to a similar result as the conclusion of a profit and loss transfer agreement from a tax perspective because the income of euromicron GmbH would be subject to business tax for trade tax purposes at the level of the partnership, while it is taxable at the level of the controlling company in the case of affiliation and can be offset there with the negative income of the controlling company.

2. Integration of euromicron GmbH in euromicron AG

Integration in the Group as envisaged by Sections 319 et seq. AktG (German Stock Corporation Law) is not possible in this case since only a company with the legal form of a stock corporation can be integrated in another stock corporation.

IV. No compensatory payment or compensation for outside shareholders

Since euromicron AG holds all the shares in euromicron GmbH, it is not necessary to set a reasonable compensatory payment (Section 304 AktG (German Stock Corporation Law) analogously) or reasonable compensation (Section 305 AktG (German Stock Corporation Law) analogously) for outside shareholders.

In view of the reasons for concluding the profit and loss transfer agreement presented in Sections I to IV above, the Executive Board of euromicron AG and management of euromicron GmbH concur in proposing that the shareholders of euromicron AG and the shareholders of euromicron GmbH give their consent to the profit and loss transfer agreement.

D. Explanation of the contents of the profit and loss transfer agreement

I. Dispensability of a compensatory payment and cash compensation (Section 1 of the profit and loss transfer agreement)

Since euromicron AG holds all the shares in euromicron GmbH, it is not necessary to set a reasonable compensatory payment (Section 304 AktG (German Stock Corporation Law) analogously) or reasonable compensation (Section 305 AktG (German Stock Corporation Law) analogously) for outside shareholders.

II. Transfer of profits (Section 2 of the profit and loss transfer agreement)

Section 2 (1) of the profit and loss transfer agreement contains the constitutive provision for a profit and loss transfer agreement, namely that euromicron GmbH is obliged to transfer its entire profit to euromicron AG. The agreement defines – in compliance with the statutory provision in Section 301 AktG (German Stock Corporation Law) – how the profit to be transferred is calculated: The following is to be transferred: the whole profit, but at most the net income excluding the profit transfer in accordance with the currently valid version of Section 301 (1) AktG (German Stock Corporation Law), less (i) any loss carried forward from the previous year, (ii) less the adjusted amount for the legal reserve possibly pursuant to Section 300 AktG (German Stock Corporation Law) and (iii) less the amount barred in accordance with Section 268 (8) HGB (German Commercial Code). Otherwise, Section 2 (5) of the profit and loss transfer agreement refers to the rules on determining the profit payable in Section 301 AktG (German Stock Corporation Law) (analogously) in its respective current version.

In particular, the profit transfer has the effect that as of the fiscal year in which the obligation to transfer profits takes effect in accordance with Section 5, the annual financial statements of euromicron GmbH will not have any net income for the year which could be distributed. The entire profit must be transferred subject to the obligation to transfer profits.

III. Assumption of losses (Section 3 of the profit and loss transfer agreement)

In Section 3 of the profit and loss transfer agreement, euromicron AG undertakes to assume the loss of the controlled company according to the provisions of Section 302 AktG (German Stock Corporation Law). This obligation to assume losses ensures that the balance sheet equity of euromicron GmbH at the

time the profit and loss transfer agreement takes effect is not reduced during the term of the agreement.

In accordance with rulings by the supreme court, euromicron AG can offset its own claims against a claim of euromicron GmbH offsetting a loss pursuant to Section 3 of the profit and loss transfer agreement only if the claim of euromicron AG is of intrinsic value. This is always not the case if the existence of euromicron GmbH is in jeopardy. This provision likewise secures the survivability of euromicron GmbH, which is contractually included in the Group.

IV. Due date, payment of interest (Section 4 of the profit and loss transfer agreement)

The entitlement to transfer of profits of euromicron AG and the entitlement of euromicron GmbH to have its losses offset accrue on the balance sheet date of euromicron GmbH and are due at that time. At the request of euromicron AG, euromicron GmbH is obliged to transfer the estimated profit in full or in part before the balance sheet date, provided there are sufficient indications for a positive earnings forecast.

Interest of 5 percent as of the balance sheet date (due date) is payable on the entitlement of euromicron GmbH to offsetting of its loss.

V. Effectiveness (Section 5 of the profit and loss transfer agreement)

The profit and loss transfer agreement is concluded subject to the approval of the General Meeting of euromicron AG and the shareholders' meeting of euromicron GmbH. The profit and loss transfer agreement becomes effective upon its entry in the commercial register of euromicron GmbH and applies retroactively as of the beginning of the fiscal year of euromicron GmbH in which it is entered in the commercial register. However, the profit and loss transfer agreement will not become effective before midnight on December 31, 2015.

VI. Term and termination of the agreement (Section 6 of the profit and loss transfer agreement)

The profit and loss transfer agreement shall be concluded for an indefinite period of time. However, it cannot be terminated before it has run five years.

The right to terminate the profit and loss transfer agreement for an important reason remains unaffected. Such an important reason is, for example, if euromicron AG sells a part of its shareholding in euromicron GmbH such that the conditions for financial integration of euromicron GmbH in euromicron AG no longer exist in accordance with Section 14 (1) Sentence 1 No. 1 KStG (German Corporation Tax Act).

VII. Final provisions (Section 7 of the profit and loss transfer agreement)

Section 7 contains a customary severability clause, which aims to ensure that any deficiencies and gaps in the contract have no effect on its effectiveness and its implementation as intended by the parties.

E. Further explanations

No consequences for the interests of the shareholders of euromicron AG that extend beyond the effects mentioned in this report can be foreseen.

A summary assessment of the profit and loss transfer agreement shows it to be beneficial for both euromicron AG and its subsidiary euromicron GmbH.

The Executive Board of euromicron AG therefore recommends approving the conclusion of the profit and loss transfer agreement to the Annual General Meeting and the management of euromicron GmbH recommends that its shareholders' meeting likewise approve it.

Frankfurt/Main, June 15, 2016

euromicron Aktiengesellschaft
communication & control technology
– The Executive Board –

euromicron Deutschland GmbH -
– Management –