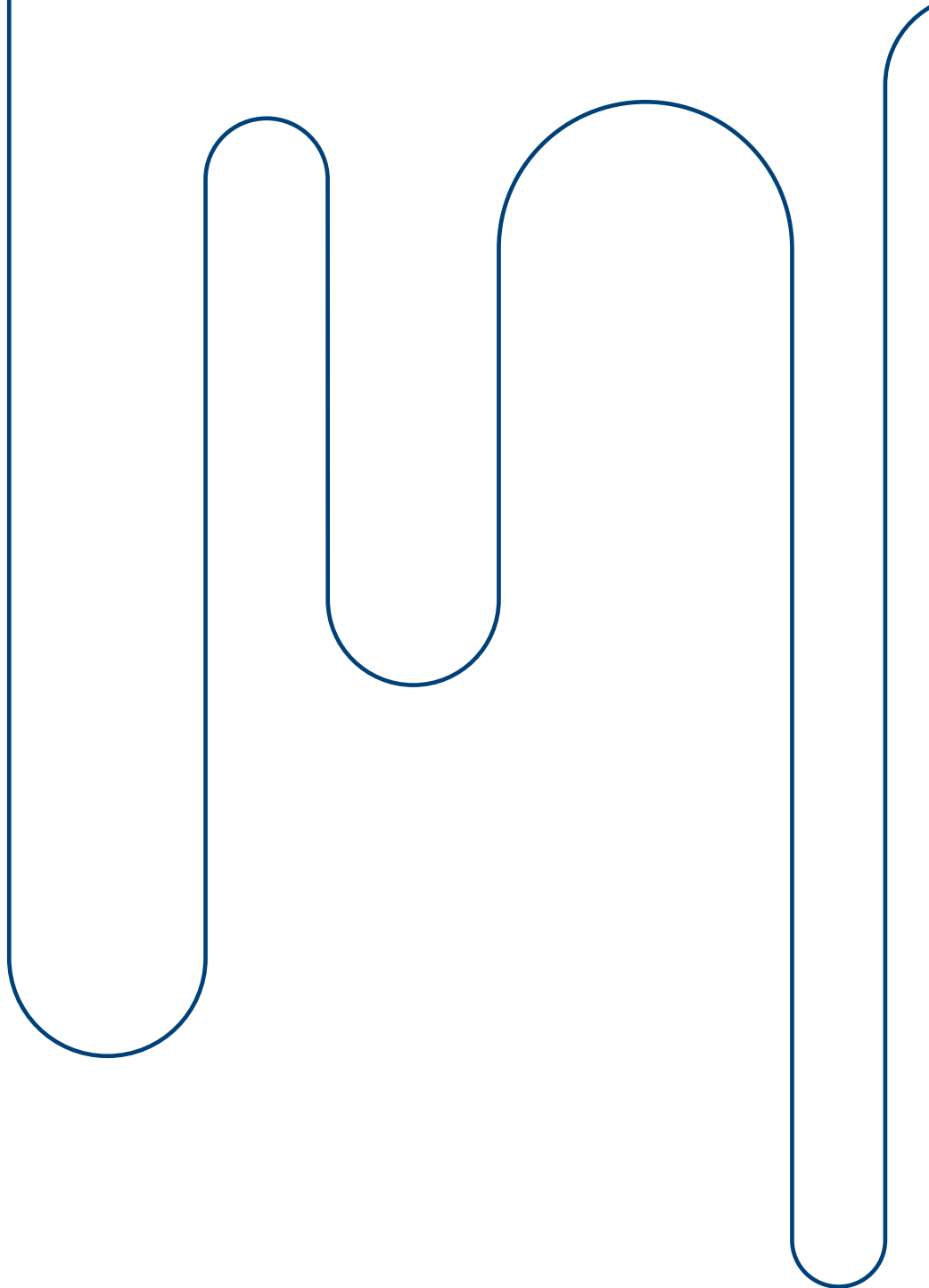
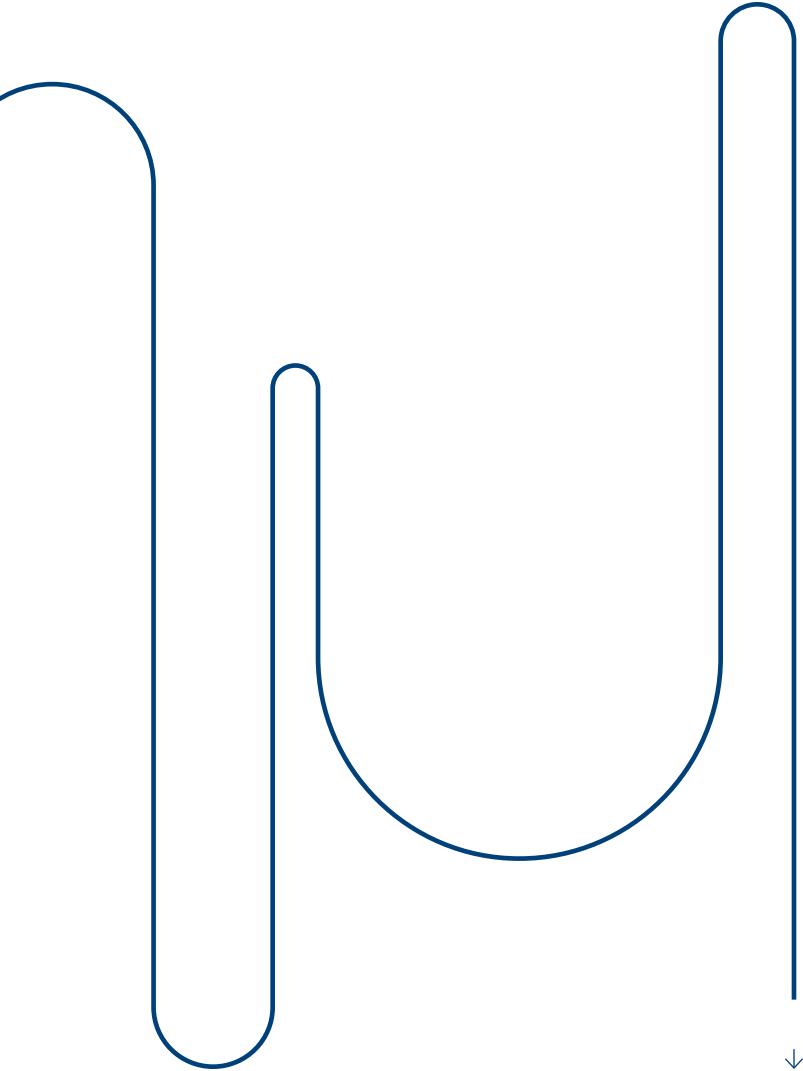


GROUP MANAGEMENT REPORT





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1. FUNDAMENTALS OF THE GROUP

1.1 Business model of the Group

EUROMICRON

Specialist for digital infrastructures

The central controlling functions are pooled at euromicron AG.

Profile

The euromicron Group unites medium-sized high-tech companies that operate in particular in the target markets of “Digital Buildings”, “Critical Infrastructures” and “Smart Industry”.

As a German specialist for digital infrastructures, euromicron enables its customers to network business and production processes and so successfully move to a digital future.

From design and implementation, operation, to intelligent services – euromicron offers its customers customized solutions for technologies, system integration and smart services and creates the IT, network and security infrastructures required for them. As a result, euromicron lets its customers migrate existing infrastructures gradually to the digital age. Thanks to this expertise, the euromicron Group helps its customers increase their own company’s agility and efficiency, as well as develop new business models that lay the foundation for commercial success down the road.

The Group’s structure and locations

euromicron AG, Frankfurt/Main, is a strategic management holding that discharges overarching tasks at the Group. They include not only strategic controlling, but also assumption of cross-cutting functions such as financing, Group controlling and accounting, taxes, legal affairs, human resources, purchasing and IT as well as corporate marketing, investor relations and innovation management.

Extensive restructuring and reorganization measures were undertaken within the euromicron Group in the course of fiscal 2015. For example, the two large regional system houses in the south (euromicron solutions GmbH) and north (euromicron systems GmbH) and euromicron networks GmbH were merged to create the new company “euromicron Deutschland GmbH” effective January 1, 2015. National system house business for the target market of “Digital Buildings” was pooled at euromicron Deutschland GmbH and its processes reorganized, which will increase efficiency in the medium term. telent GmbH, which is also organized nationally, is the second large system house in the euromicron Group and offers its services in the target market of “Critical Infrastructures”.

The Group's holding structures were also streamlined by the merger of euromicron international services GmbH with euromicron AG effective January 1, 2015. The structure of the Austrian Group companies was also optimized by the merger of Qubix distributions GmbH with euromicron austria GmbH.

As part of the strategic realignment, the existing portfolio of the euromicron Group was reviewed and enterprises that were loss-making or not strategically relevant were shed. In this connection, a decision was taken to discontinue the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of 2015.

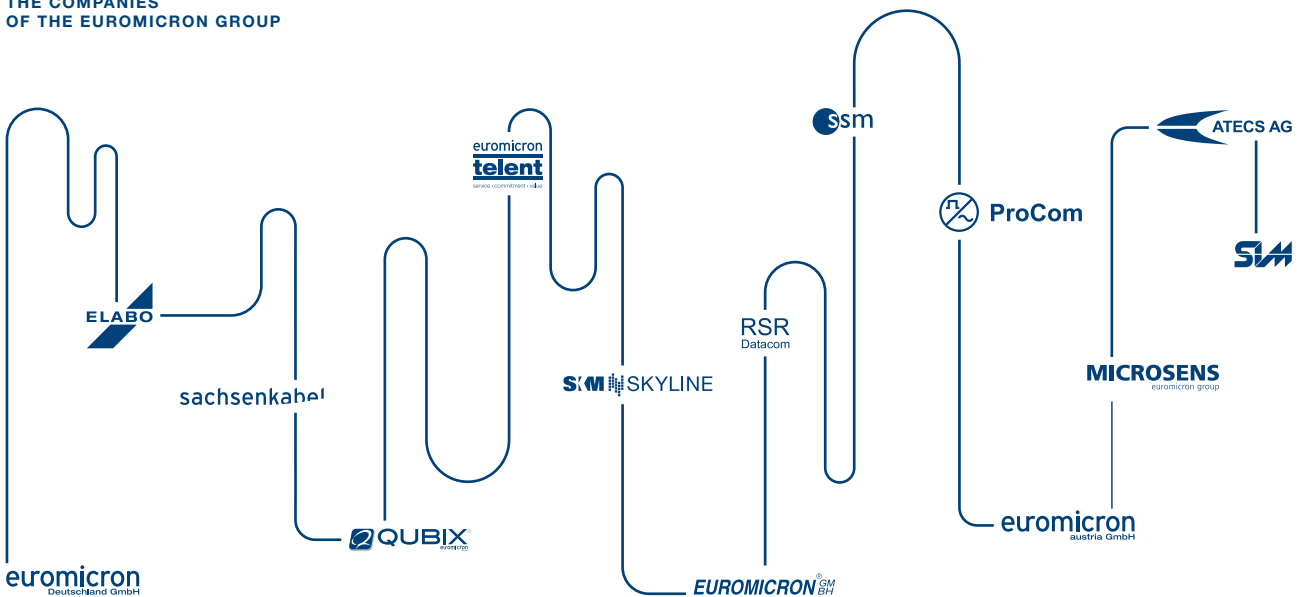
Alongside euromicron AG as the ultimate parent company, the euromicron Group's operating business will thus be conducted by the following 14 group companies:

The investment portfolio is now geared even more strongly to the Group's strategic areas of focus.

14

associated companies are responsible for operating business.

THE COMPANIES OF THE EUROMICRON GROUP



With its three new segments, euromicron has a market-oriented setup.

To reflect its strategic realignment toward the future market of the Internet of Things, the Group will report on operating business on a market-oriented basis in future. The euromicron Group's segments in accordance with its internal reporting structure are as follows:

SMART
BUILDINGS

CRITICAL
INFRASTRUCTURES

DISTRIBUTION

All the activities of the euromicron Group in the target markets of "Digital Buildings" and "Smart Industry" are pooled in the Smart Buildings segment. The Critical Infrastructures segment comprises the euromicron Group's activities in the target market of the same name. The "Distribution" segment groups consulting and supply of vendor-independent products in all matters relating to active and passive network components in the fiber-optic and copper arena.

30 LOCATIONS

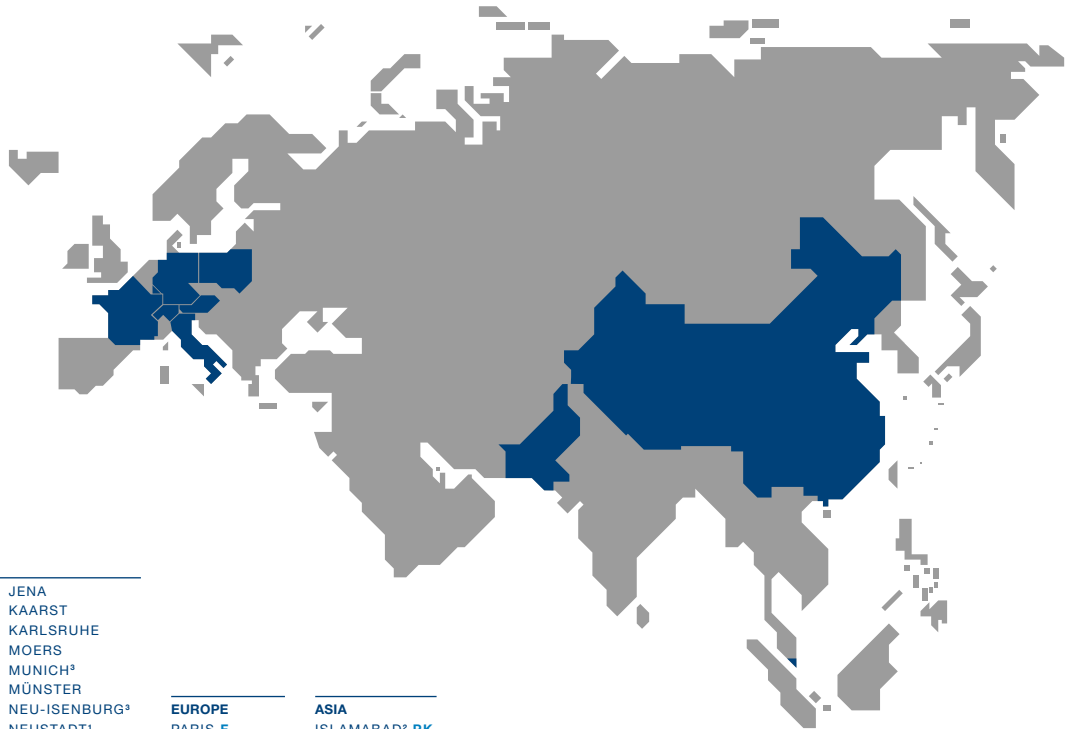
in Germany enable proximity to customers.

The regional focus of the euromicron Group's business operations is on German-speaking countries. euromicron's companies in Germany are represented at a total of 30 locations distributed throughout the country. That enables ideal proximity to and intensive care and support for euromicron's customers.

The companies in the euromicron Group are represented in other European countries with locations in Italy, Austria, France, Poland and Switzerland. Group companies 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. Our activities in emerging markets with their great demand, such as the United Arab Emirates, Turkey, Brazil or the former CIS countries, are growing in importance. We tap these markets through project and export business and intensified international sales activities, with these operations usually being controlled from Germany. As part of its internationalization strategy, the euromicron Group permanently examines its opportunities for tapping interesting foreign markets by acquiring niche companies as a basis for additional business activities.

The chart below shows the regional presence of the euromicron Group's companies:

MAIN EUROMICRON LOCATIONS



- GERMANY**
- AUGSBURG¹
- BACKNANG
- BAMBERG
- BERLIN³
- BREMEN
- BURKHARDTSDORF
- CRAILSHEIM¹
- ERFURT
- ESSEN^{1,3}
- FRANKFURT³
- GORNSDORF¹
- HAMBURG³
- HAAN
- HAMM¹
- HANOVER
- JENA
- KAARST
- KARLSRUHE
- MOERS
- MÜNICH³
- MÜNSTER
- NEU-ISENBURG³
- NEUSTADT¹
- PFULLINGEN
- RADEBERG
- SCHKOPAU
- SCHWERIN
- SINN-FLEISBACH¹
- STUTTGART
- TELTOW
- ZWENKAU

- EUROPE**
- PARIS **F**
- GMÜND **A**
- KLAGENFURT **A**
- SEEKIRCHEN **A**
- VIENNA **A**
- LUXEMBOURG **L**
- PADUA **I**
- WROCLAW **PL**
- ZUG **CH**

- ASIA**
- ISLAMABAD² **PK**
- BEIJING² **CN**
- SINGAPORE **SG**

¹ Production site
² Project office
³ Locations where multiple euromicron companies are based
 The other locations mainly discharge administrative, sales, technical and service functions.

Target markets

The euromicron Group pools the know-how of different high-tech companies for the target market of the “Internet of Things”, specifically the target markets of “Digital Buildings”, “Smart Industry” and “Critical Infrastructures”. In each of these target markets, euromicron offers its customers tailored solutions for technologies, system integration and complementary smart services. There is significant market potential for the euromicron Group with its more than 15 years of know-how in IT, network and security infrastructures in view of the growing digitization and networking of these structures.

Digital Buildings/Smart Industry

In the target market of “Digital Buildings”, euromicron provides infrastructure-related intelligent services, such as “Smart Office”, “Smart Energy” or “Smart Lighting”. Services relating to building or process automation, light control, access control, video surveillance, fire prevention or support services as part of efficient energy and building management are planned, implemented and operated as part of that. One application example of that is the intelligent, energy-efficient lighting systems from MICROSENS, which can be integrated as part of our solution-oriented group strategy by the system house euromicron Deutschland GmbH.



You can find out more about our expertise in the field of Digital Buildings at:
<http://www.euromicron.de/en/areas-of-expertise/digital-buildings>

After telephony and security technology, lighting is also following the trend toward IP-capable devices powered by PoE. LED lights are increasingly replacing conventional lighting with fluorescent tubes and ballasts, both in new installations and as part of extensive renovations. Combined with powerful sensors and intelligent controllers from our product portfolio, power savings of up to 80% are possible.

Security, convenience and greater cost-effectiveness through digitization of buildings

The benefits of the Digital Building for our customers are in particular security, convenience and greater cost-effectiveness of their buildings and properties. Existing buildings can also be digitized with euromicron technologies, since digitization of the infrastructure can be carried out gradually, i.e. room by room.

This area also includes equipping data centers with innovative connector systems that have been developed by our technology companies and can also be installed by euromicron Deutschland GmbH.

40

billion euros:

The amount German industry intends to invest in Smart Industry by 2020.

The focus in the target market of “Smart Industry” is on digitizing and networking development, production and service processes in industry. The Smart Industry market is developing at a rapid pace. According to a study by PwC, German industry intends to invest €40 billion a year in applications and network components by 2020. Companies thereby hope to increase efficiency and cut costs, as well as achieve qualitative advantages, such as great flexibility and the possibility of catering for customers’ individual wishes. The euromicron Group develops holistic approaches and the related processes for and with its customers and implements them in a forward-looking way that protects investments.

A highly available, fault-tolerant network infrastructure is a crucial success factor here. In networking and automating digital business processes, the euromicron Group mainly sets store by comprehensive risk analysis. It is developing an IT security solution that is compatible with Smart Industry so that production can be networked with IT securely and with a high level of performance.

Smart Industry is based on highly available networks, such as from euromicron Deutschland GmbH.

For example, ELABO GmbH is showcasing concrete application scenarios for Smart Industry solutions with its “Smart Industry Model Factory” in Crailsheim, Swabia. The model factory is specially tailored to working conditions in production at SMEs and shows how typical subprocesses in industrial production – research and development, production and quality assurance, repair and maintenance – can be networked with each other in a practical way on the basis of central data management software. All production-related information is available in real time at every workplace. Measurement and testing equipment is automatically parameterized. Also integrated are access control, video surveillance and light controlling, as well as intelligent material chutes and equipment storage facilities directly at the assembly line. Special IT security solutions from euromicron Deutschland GmbH protect processes and production data against external intrusion and round out the concept, meaning the technology companies and system integrators of the euromicron Group offer their customers a holistic solution.



You can find out more about our expertise in the field of Smart Industry at:
<http://www.euromicron.de/en/areas-of-expertise/smart-industry>

Critical Infrastructures

Critical infrastructures are vital business infrastructures whose failure is highly problematic. That may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example. In this target market, telent GmbH is the nationally oriented system integrator within the euromicron Group, boasting a broad customer base in the segments telecommunications, energy and transportation, as well as highly specialized process know-how in this market. In August 2015, telent GmbH won a noteworthy project for a building radio system at the customer Daimler, for example. This contract comprises planning, supplying and implementing the building radio technology for the automotive manufacturer's plants in Stuttgart-Untertürkheim, Esslingen-Mettingen, Stuttgart-Möhringen and Sindelfingen. A further project is the supply of pagers for alerting systems for fire brigades in Germany. Together with its partners TPL for pagers and DB Elektronik for the system technology, telent GmbH was able to clinch an exclusive agreement and so position itself in the field of digital alerting.

Apart from that, professional video, audio and special technology solutions for sensitive security restricted areas round out the euromicron Group's product portfolio in this target market.

Products and solutions

In its target markets, the euromicron Group unites technological and system integration expertise to create holistic, innovative solutions. These are systematically made ready for the market as part of a cross-company, structured innovation process.

The Group's technology suppliers develop and produce active and passive optical network components, high-quality fiber-optic cabling systems, public address systems, testing and inspection equipment, networked workplace systems and highly professional safety and security technology for special applications. Reliable delivery, professional training in how to use our products and comprehensive services round out the portfolio.

As a system integrator, euromicron takes care of handling the entire project – from consulting, planning, selecting the system technology and implementation to service, maintenance and operation. As part of that, euromicron combines all technologies and applications in the field of information and communications technology (ICT) with digital sensor systems and software applications so as to be able to offer its customers tailored solutions in the Internet of Things arena. In doing so, it combines the most innovative internal and external technologies to suit customers' requirements in order to create best-in-class solutions. As a result of the ever-changing and in some cases very specific customer requirements, strategic partnerships with leading technology suppliers are key success criteria for supplying best-in-class solutions. Thanks to our many established partnerships with external vendors who are market leaders in the fields of network, transmission and security technology, we are always able to deliver the ideal solution for the customer's specific needs. At the same time, we have the necessary certification to ensure top quality when it comes to planning, installing and maintaining the products used. Customer proximity by means of on-site service is crucial in consulting-intensive solution business and we achieve that with our comprehensive network of branch offices. We provide services directly on-site and through our central Service and Network Operation Center (NOC).

Critical Infrastructures are the lifelines of modern societies.



You can find out more about our expertise in the field of Critical Infrastructures at:
<http://www.euromicron.de/en/areas-of-expertise/critical-infra-structures>

1.2 Objectives and strategies

After it took office in April 2015, the new Executive Board of euromicron AG adopted a strategic realignment based on the company's existing basic business, with the focus on the growth market of the Internet of Things (IoT). The overriding object is to position the company with a solution-oriented differentiation strategy in the IoT market and so leverage the market's growth potential.

Increasing networking and digitization of all information imaginable are affecting the work- and life environments of existing and potential customers. The terrific pace of technological developments, such as in the Internet of Things, Smart Industry, smart data or cloud computing, pose new challenges for companies. In the past, customers mainly demanded individual communications and IT infrastructures or individual solutions for building technology, but now want complex, holistic solutions as a result of increasing digitization of processes.

Planning, implementing and operating digital infrastructures is the focus of euromicron's business activity. euromicron is positioning itself in a market segment that is at the start of its growth phase. The objective is a profitable growth model in a dynamic market of the future. To supplement that, we envisage targeted, strategic M&A activities in order to expand the portfolio with complementary solutions and technologies and so continuously increase our own competitiveness in the IoT market.

In order to achieve this strategy, necessary reorganization measures were initiated in 2015 and we mainly accomplished them by the end of fiscal 2015. Some of the measures will still be continued and completed in fiscal 2016.

A core component of the strategy for fiscal years 2016 and 2017 is euromicron's transformation into a high-tech solution provider that generates a significant share of its sales from the IoT market. The goal in this phase of transformation is to leverage stable basic business to systematically develop solutions that unite technology expertise and system integration expertise lastingly at the company. euromicron's substantial customer base, broad solution portfolio and enormous innovativeness in the areas of technology and system integration are the foundation for that. By intermeshing collaboration between the technology and system integration companies and pooling know-how, euromicron will be able in future to offer smart services for all target markets in the IoT market. In this way, the Group differentiates itself clearly and lastingly from the competition. This phase is flanked by a tactical M&A strategy.

From 2018 onward, euromicron aims to grow further through rigorous continuation of the IoT strategy. The medium-term goal up to 2018 is profitable sales growth averaging 5% to 6% a year to around €400 million. The share of smart services in the system integration approach is to rise to more than 10%. We assume that we will post an EBITDA margin at the lower end of our medium-term range of 8% to 11% in 2018.



You can find out more about our expertise in the field of Smart Services at:
<http://www.euromicron.de/en/areas-of-expertise/smart-services>

1.3 Control system

Corporate controlling

euromicron AG with its two Executive Board members and implemented cross-cutting functions sees itself as a strategic management holding.

The future target markets of the euromicron Group were defined and the Group was geared toward market needs as part of the strategic alignment. In this connection, the Group's structures and organizational units were re-molded. The focus is on close collaboration between our Group companies so as to leverage synergies. As a result of that, we offer our customers tailored solutions using the full value chain of our Group's portfolio.

Corporate controlling is geared toward liquidity and profitable growth. Securing competitiveness is based on innovativeness, a focus on solutions and proximity to our customers. The core aspect for us is not only to secure our basic business, but also to tap future markets in the growth market of the Internet of Things by means of a structured, Group-wide innovation process. The key success factor as part of that is our excellent employees.

Internal key control indicators

Our main financial control factors comprise key indicators for our business development, profitability, capital efficiency and liquidity controlling. At present, the operating EBITDA, the operating EBITDA margin, sales and the working capital ratio are the main key indicators used to control the Group.

Operating EBITDA and operating EBITDA margin

The factor for measuring operating results of the business units and Group and so the key earnings ratio for segment reporting is "earnings before interest, taxes, depreciation and amortization". The main focus of the analysis is on return on earnings. To permit better comparison over time, we therefore look at EBITDA adjusted for reorganization costs ("operating EBITDA").

Sales

Profitable organic sales growth is a key element of our strategy to increase the company's value.

Working capital ratio

In addition, the working capital ratio (working capital deployed relative to sales) is used to control the Group so that the Group's tied-up capital and liquidity development can be systematically monitored and continuously optimized. Working capital is defined as the total of inventories, trade accounts receivable and the gross amount due from customers for contract work minus trade accounts payable, the gross amount due to customers for contract work and prepayments.

All the euromicron Group's activities are controlled and monitored on a segment-oriented basis.

IoT
Internet of Things

This strategic focus taps synergies.

Focus on liquidity and profitable growth.

Important key figures that are monitored regularly are shown in the table below:

Key figures and control factors

003

	2015	2014	
	€ m.	€ m.	
Sales	344.9	346.3	-0.4 %
Operating earnings before interest, taxes, depreciation and amortization (operating EBITDA)*	13.8	21.1	-34.7 %
Operating EBITDA margin*	4.0%	6.1%	-34.5 %
Reorganization costs (with an impact on EBITDA)	-6.9	0.0	
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6.9	21.1	-67.4 %
EBIT margin	2.0%	6.1%	-67.2 %
Working capital	61.4	66.6	-7.8 %
Working capital ratio	17.8%	19.2%	-7.4%

* Adjusted for special effects of the reorganization

The development in these key figures is explained in sections 2.2. "Course of business" and 2.3. "Net assets, financial position and results of operations".

1.4 Research and development

Objectives

Research and development are the foundation of our technological leadership and play a major part in helping us stand out from the competition. Our main goal is to develop products and solutions that enable our customers to make their work processes more efficient. In addition, our innovations should have unique technical selling points, safeguard our position in profitable niche markets and let us tap new markets of the future.

Significant projects and results

The focus of the development activities of euromicron's subsidiary MICROSENS in 2015 was on software and hardware components for implementing solutions in the fields of Smart Office, Smart Building and Smart Lighting based on existing intelligent network technology.

At the Light + Building trade fair in Frankfurt in March 2016, MICROSENS showcased its decentralized Smart Office concept, which brings network intelligence to the application's direct vicinity and so creates an unprecedented level of performance and security. The innovative Smart Lighting concept (light from the network) presented by MICROSENS met with an enthusiastic reception across the board.

With Smart Lighting, the LED lights are supplied with power by means of Power over Ethernet Plus (PoE+) via standards-compliant cabling. Sensors placed near to the lights record ambient parameters (e.g. brightness, incident daylight and the presence of persons in the room). The smart apps installed on the micro-switches use this data and settings to adjust the lighting to suit the users' needs. The application "Daylight Harvesting", for example, is used to supplement the incident daylight with LED lighting to achieve the desired brightness, which can be defined individually for each workplace. If rooms are not used or the person leaves them, the lighting is switched off immediately or after a preset waiting period.

MICROSENS

presented solution packages at Light + Building 2016 in Frankfurt: Smart Office, Smart Lighting and Smart Building.

The brightness and color of the light can also be controlled from the smartphone or tablet. The use of state-of-the-art lighting technology and smart controlling of it can result in large savings in electricity charges. Rigorous implementation and combination of various measures means power consumption for lighting can be cut by up to 80%.

In 2015, EUROMICRON Werkzeuge GmbH expanded its product family for connection solutions in harsh environments. They include environments where a fiber-optic connection is exposed to crude oil, mud, extreme temperatures or strong vibrations. An 8-channel variant was also developed in addition to the tried-and-tested 2- and 4-channel lens connectors from EUROLENS, which have exceptional tolerance to soiling and vibrations. In addition, the EUROMICRON lens connector euMicron, which is especially suited for harsh environment connections with a high number of mating cycles, was developed further. Thanks to its small diameter, it can be used in particular for expanded beam applications, where size and space requirements play a key role.

One focus of ELABO GmbH's development activities in 2015 was on basic development of a modular small testing system that will enable customers' requirements in the fields of security and functional testing technology to be addressed more flexibly and individually in future. Thanks to the modular concept, customers assemble an overall system to suit their needs from a raft of individual modules. The functionality of the testing system can also be expanded subsequently.

A further focus of development was on software, in particular continuation of the ongoing development work on the measurement and testing software package "Elution". It enables operation of measurement and testing equipment, programming of measurement routines, and processing and analysis of measured results. In addition, the "Elution" package has been extended by a web-based operating and display concept that, among other things, enables controlling of workplace and test systems from the smartphone or tablet. The development concepts were successfully presented to visitors to the Productronica trade show in Munich in November 2015 in the form of initial market studies.

R&D ratios

The continued investments in innovative and competitive new products and solutions are also reflected in the carrying amounts of capitalized development costs and self-developed software, which were €9.5 million at December 31, 2015 (previous year: €10.7 million); amortization of capitalized development costs and self-developed software was €3.8 million (previous year: €3.1 million). The newly capitalized costs in fiscal 2015 totaled €2.6 million (previous year: €2.6 million).

ELABO

focused part of its development work on the measurement and testing software package "Elution". It was supplemented with a web-based operating concept, among other things.

9.5 million EUROS

in capitalized development costs

2. ECONOMIC REPORT

2.1 General economic and industry-specific conditions

General economic conditions

According to the spring economic report of the Kiel Institute for the World Economy (IfW), the global economy's expansion declined in 2015. It also noted that economic growth in emerging countries was also weak recently. In particular, the drop in raw material prices and far-reaching structural problems are preventing a rapid recovery. All in all, global gross domestic product (GDP) in 2015 grew by 3.0%, the lowest rate since the crisis year of 2009. In view of the greater economic uncertainties, the IfW's economists assume that GDP will only grow by 2.9% in the current year. Economic growth will likely strengthen again to 3.5% in 2017.

2.9%

The rate at which the IfW expects global GDP to increase by in 2016.

Trends in the Euro area

According to the Kiel-based institute, the economy in the Euro area is gradually picking up again and is expected to expand in the next two years. The European economy grew by 1.5% in 2015. The economists predict GDP to grow at the level of the previous year in 2016 and at 2.0% in 2017. According to the IfW, economic dynamism in the Euro area is still low as a whole and unemployment, although declining, remains high.

The economic situation in the Federal Republic of Germany

The regional focus of the euromicron Group companies' business operations is on German-speaking countries. According to the Federal Statistical Office, the economic situation in Germany in 2015 was characterized by solid and steady growth. It increased moderately by 0.4% in the first two quarters of 2015 and in each case by 0.3% in the third and fourth quarters of the year compared with the same quarters of the previous year. All in all, the average increase for 2015 as a whole was 1.7% (after price, seasonal and working-day adjustments). According to the IfW, the upturn is still underpinned by private consumption, whose high growth rates are due to the strong rises in real incomes among private households. Foreign business stagnated slightly due to muted activity in industry. The IfW anticipates that gross domestic product will grow by 2.0% in 2016 and 2.2% the year after.

2.0%

growth in German GDP is forecast by the IfW for 2016.

German ICT market grows by 1.9% to €156 billion in 2015

The German Association for Information Technology, Telecommunications and New Media (BITKOM) states that the German ICT market grew by 1.9% to €165 billion in the whole of 2015, compared with 1.6% the year before. The industry's growth driver remains information technology, whose revenue BITKOM expects to increase by 3.5% to €80.4 billion. It also notes that business with IT services rose by 3.0% to €37.3 billion in 2015. Service providers are benefiting from digital transformation of the economy and the related changes in companies as they move toward digitization.

Business with infrastructure systems performed highly positively in 2015, growing by 3.6% to €6.5 billion. According to a survey by BITKOM, around half the industrial companies assume that using Smart Factory applications will be accompanied by an increase in revenue. Revenue from IT hardware also developed surprisingly positively in 2015, rising by 2.8% to €23.0 billion.

The annual report of EITO (European Information Technology Observatory) shows that almost every one in two companies in Western Europe regards applications for mobile devices to be particularly important, a figure that was just every one-in-four in 2013. Projects and initiatives in the fields of cloud computing and big data were likewise classified as particularly important.

The international ICT market is also growing more strongly than anticipated. According to EITO, global revenue from information technology and telecommunications products and services grew by 3.8% to €2.81 trillion in 2015. The drivers here are mobile data services, which grew by 9.2% to €324 billion.

Outlook for 2016

BITKOM expects the overall ICT market to grow by 1.5% to €158.4 billion in 2016. Apart from that fact that weaker business with PCs and saturation effects for end-user devices for telecommunications are expected, the “Volkswagen” effect will in particular cause uncertainty among IT service providers and software vendors. EITO assumes that the global ICT market will grow by 2.6% in the coming year.

1.5%

growth is expected by BITKOM for the ICT industry.

2.2 Course of business

General statement on the performance of the euromicron Group in fiscal year 2015

The euromicron Group closed fiscal year 2015 with sales of €344.9 million (previous year: €346.3 million). Consequently, the sales generated in fiscal 2015 are in the forecast range of between €340 to €360 million.

Operating EBITDA (EBITDA before reorganization costs) was €13.8 million (previous year: €21.1 million), while the operating EBITDA margin (relative to sales) was 4.0% compared with 6.1% the year before. The latter is at the lower end of the target range of 4-5% forecast in the Q3 2015 report (original forecast in the 2014 Annual Report: 6-8%).

€ 13.8 million:

our operating EBITDA.

The decline in operating EBITDA by € -7.3 million is mainly due to an amount of € -7.1 million to the fact that the material usage ratio (cost of materials after adjustment for reorganization effects relative to total operating performance) increased by 2.1 percentage points to 54.7% in fiscal 2015.

The main reasons for that is that in 2015 no contribution margin was generated from further handling and completion of projects assessed as loss-free (see the 2014 consolidated financial statements) within the “Smart Buildings” segment. In addition, closure of the business operations of Avalan GmbH meant that existing projects had to be completed in the fourth quarter of 2015 using third-party services to a greater extent, which likewise increased the material usage ratio. In particular, the planned tapping of future-oriented business segments also temporarily reduced the material usage ratio in the “Critical Infrastructures” segment. Moreover, there was a more unfavorable margin mix compared with the previous year in parts of product and solution business, which is also attributable to the fact that completion of certain innovative and high-margin products extended into 2016.

Reorganization costs with an impact on EBITDA totaled €6.8 million and reduced the EBITDA margin by 2%. The latter is thus at the upper end of the range of 1-2% forecast in the Q3 2015 report (original forecast in the 2014 annual report: 1%).

The effects of write-downs from reorganization measures, which mainly result from divestment of loss-making business segments that are not strategically relevant, are €6.3 million and are in line with the figure in the medium single-digit million range forecast in the Q3 2015 report.

The working capital ratio fell by 1.4 percentage points to

17.8%

The euromicron Group's working capital ratio (working capital relative to sales) was reduced by 1.4 percentage points to 17.8% in 2015. This shows that the measures initiated in 2015 to optimize working capital and so reduce the Group's tied-up capital are already having a perceptible impact. It was in particular thanks to these measures that the cash flow from operating activities, adjusted for factoring effects, increased sharply by €3.1 million to €6.1 million.

The Group's equity ratio is stable at 35.8% following 38.4% in the previous year.

There were no additions to the portfolio of Group companies in fiscal 2015; only one business establishment was acquired by way of an asset deal.

In addition, a division of SKM Skyline GmbH was sold within the Group to euromicron Deutschland GmbH by way of an asset deal effective April 1, 2015.

There were also the following mergers within the Group effective January 1, 2015:

- Sideways merger of euromicron systems GmbH and euromicron networks GmbH with euromicron solutions GmbH, which was then renamed euromicron Deutschland GmbH.
- Sideways merger of Qubix distributions GmbH with euromicron austria GmbH
- Merger of euromicron international services GmbH with euromicron AG

Development of the segments

The key figures for the individual segments of the euromicron Group changed as follows in fiscal 2015:

Sales	2015	2014
	€ m.	€ m.
Smart Buildings	197.9	192.7
Critical Infrastructures	121.4	129.0
Distribution	22.5	24.6
Non-strategic Business Segments	10.9	10.9
Reconciliation	-7.8	-10.9
Total sales	344.9	346.3

Operating EBITDA **005**

	2015			2014
	Reported EBITDA	Reorganization costs	Operating EBITDA	Reported EBITDA = operating
	€ m.			€ m.
Smart Buildings	7.5	-2.6	10.1	12.8
Critical Infrastructures	7.9	-0.2	8.1	14.4
Distribution	2.5	0.0	2.5	2.8
Non-strategic Business Segments	-5.0	-1.8	-3.2	-1.6
Central Services	-7.0	-2.3	-4.7	-7.3
Reconciliation	1.0	0.0	1.0	0.0
Total EBITDA	6.9	-6.9	13.8	21.1

Working capital ratio **006**

	2015	2014
	in %	in %
Smart Buildings	30.3	31.1
Critical Infrastructures	12.5	16.4
Distribution	19.0	12.5
Group	17.8	19.2

Smart Buildings

In fiscal 2015, euromicron systems GmbH and euromicron networks GmbH were merged with euromicron solutions GmbH, which was then renamed euromicron Deutschland GmbH. As a result, the system houses of the Smart Buildings segment with their regional setup were merged into one national unit in line with the needs of the market. Following the merger, processes and IT systems at euromicron Deutschland GmbH were harmonized, and personnel and real estate structures at individual regional units of the company optimized. This merger created synergies and savings potentials, yet also standardized the portfolio so that it can be offered uniformly throughout Germany.

Sales in the Smart Buildings segment were €197.9 million and so €5.2 million or 2.7% above the previous year's figure of €192.7 million. Sales were thus €6.4 million or 3.1% below planned. Actual sales growth being below budgeted sales growth is mainly due to the fact that the company consciously refrained from accepting risky large projects due to the strategic realignment undertaken by the Executive Board. In addition, capacities for completion of old projects that had been assessed as loss-free were still tied up in fiscal 2015 and could not be used to handle new orders. On the other hand, there were higher sales from passive optical network components and cabling systems.

€ **5.2** million:

The increase in sales at the Smart Buildings segment.

Operating EBITDA decreased by €2.7 million from €12.8 million to €10.1 million, meaning the operating EBITDA margin fell from 6.6% in the previous year to 5.1%. The planning envisaged an increase to 8.6%. The year-on-year decline in the margin is due on the one hand to handling of the previously mentioned old projects, from whose sales no contribution margin can be obtained any more due to the fact that they have been assessed as loss-free. On the other hand, there was a more unfavorable margin mix compared with the previous year in parts of product and solution business, which is attributable in particular to the fact that completion of certain innovative and high-margin products extended into 2016. The additional deviation in the margin compared with the planning is mainly due to a lack of contribution margins from sales that are below budgeted.

The reorganization costs at the Smart Buildings segment were €2.6 million, around €1.0 million higher than planned. This was due in particular to additional measures to optimize the personnel structure that were initiated in December 2015.

0.8%

improvement in the working capital ratio for the Smart Buildings segment.

The working capital ratio improved by 0.8 percentage points from 31.1% to 30.3%. That is attributable in particular to the fact that a number of old projects in which a lot of capital was tied up were able to be billed in fiscal 2015. Due to the completion and billing of further old projects and additional measures to optimize working capital, we expect a further sharp improvement in the working capital ratio by up to 4% for the next year, accompanied by a significant increase in cash flow from operating activities.

We expect sales in 2016 to grow for this segment in the high single-digit percentage range due to development of the market, the fact that new products are ready for the market and the realignment of the organization. The planned operating EBITDA margin is around the level of fiscal 2015. In 2016, we will continue to invest in developing new business segments, which will increase the EBITDA margin in subsequent years. Completion of the reorganization measures that were initiated in 2015 is expected to reduce this segment's EBITDA in 2016 by around €1.0 to €1.2 million.

Critical Infrastructures

3.9%

improvement in the working capital ratio for the Critical Infrastructures segment.

The Critical Infrastructures segment posted sales of €121.4 million, a 5.9% decrease compared with the previous year (€129.0 million). The decline in sales is therefore €5.0 million or 3.9% higher than anticipated in the planning. The segment's operating EBITDA (previous year: €14.4 million) fell by €6.3 million to €8.1 million. The operating EBITDA margin is thus 6.7% compared with 11.1% the year before and is 2.6 percentage points under the already lower planned margin of 9.3%. The planned fall in sales and EBITDA anticipated in part the loss of certain especially high-margin product deliveries and projects in 2014 that were one-off in nature. Apart from that, sales and EBITDA effects from investments in strategic new business segments that were to be tapped were already included in the planning. However, the sales and EBITDA effects from them were actually higher than planned. In addition, the operating EBITDA margin in this segment also declined in 2015 due to the loss of a major order for which the required structures had already been established and whose costs temporarily reduced the segment's income until those structures had been dismantled.

As part of the reorganization, the Group company Qubix distributions GmbH was merged with euromicron austria GmbH in 2015. The decision to not continue distribution business in Austria meant that non-recurring reorganization costs of €0.2 million were incurred in 2015.

This segment's working capital ratio improved sharply from 16.4% to 12.5%, which is attributable in particular to lower up-front financing in project business.

Sales are expected to grow moderately next year by a figure in the medium single-digit percentage range; an operating EBITDA margin at the level of 2015 has been budgeted. We expect to be able to further cut working capital in this segment and are planning to reduce its ratio to below 11% in fiscal 2016.

Distribution

The “Distribution” segment pools consulting and supply of vendor-independent products in all matters relating to active and passive network components in the fiber-optic and copper arena. The segment’s sales are €22.6 million, €2.0 million below the previous year’s figure of €24.6 million, but exactly in line with as planned for fiscal 2015. The operating EBITDA is €2.5 million (previous year: €2.8 million), giving an operating EBITDA margin of 11.3% almost at the same level of the previous year (11.6%). The operating EBITDA is thus €0.4 million above planned. The cause of the fall in sales, which had already been anticipated in the planning, was the transfer of a division to a sister company in the group in 2015 by way of an asset deal. The main reason for the positive deviation from the budgeted EBITDA is a higher gross profit margin than planned due to an advantageous product and sales mix.

A stable market development for this segment is expected in 2016, so sales at the level of 2015 are anticipated. The EBITDA margin budgeted for 2016 is slightly below that achieved in fiscal 2015, since investments in the sales organization are to be made in 2016.

The working capital ratio rose by 12.5% to 19.0%, which – given virtually constant inventories and receivables – is due to very high reporting date-related liabilities in fiscal 2014 that had a positive impact on this key ratio. For the subsequent year, we expect a working capital ratio at the level of fiscal 2015.

Overall, the euromicron Group generated an operating EBITDA of €20.7 million (previous year: €30.0 million) from these segments. The operating EBITDA margin was 6.1% compared with 8.7% the previous year.

Non-strategic Business Segments

In fiscal 2015 a decision was taken to discontinue the business operations of Avalan GmbH, euromicron NBG Fiber Optics GmbH, euromicron benelux S.A. and WCS Fiber Optic B.V., since the loss-making core business of these companies is no longer consistent with the euromicron Group’s new strategic orientation. Sales at the non-strategic business segments were €10.9 million and so at the level of the previous year. The negative operating EBITDA increased year on year by € –1.6 million to € –3.2 million. This was due on the one hand to greater utilization of third-party services for handling the existing projects of Avalan GmbH. In addition, the companies did not accept any further orders in the final months of the fiscal year, with the result that the contribution margins required to cover existing structural costs were not generated. Due to the effects of discontinuing the business operations, the segment’s sales were €1.2 million and its EBITDA €2.3 million below the figures planned for fiscal 2015.

An **11.3%**

operating EBITDA margin means the Distribution segment performed roughly in line with the previous year.

Strategic decision: The business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH are to be discontinued.

The closure of the companies resulted in 2015 in non-recurring reorganization costs totaling €1.8 million due to the staff reductions, the costs of the closures and write-down of inventories. Apart from that, there was amortization of goodwill totaling €5.3 million and special depreciation and amortization of intangible assets and property, plant and equipment totaling €0.4 million. In line with the management reporting, the amortized goodwill was allocated to the “Non-strategic Business Segments” area. These special effects from reorganization costs were not included in the planning, since the decisions to close these business operations were only taken in the course of fiscal 2015.

Closure of these non-strategic business segments means that the related reduction in EBITDA (€-5.0 million) and EBIT (€-11.0 million) in 2015 will be eliminated in subsequent periods. The only costs from the reorganization planned for 2016 are follow-up costs of the closures totaling €0.3 million.

Central Services

By merging euromicron international services GmbH with euromicron AG, the holding structures were streamlined and euromicron Group’s central controlling functions pooled at euromicron AG in fiscal 2015.

The negative operating EBITDA fell sharply by €2.6 million from € -7.3 million to € -4.7 million and so was €0.2 million better than planned. The improvement over the previous year is due in particular to the decline in bonus expenses of €1.1 million. It should be noted here that parts of the provisions for bonuses (€0.5 million) set up in the previous year were able to be reversed due to the fact that the grounds for entitlement to them no longer applied in 2015. In addition, current personnel costs fell by €0.5 million as a result of the adjusted personnel structure. Other operating expenses were also reduced.

The reorganization costs were €2.3 million, €1.5 million higher than planned, since in addition to the budgeted personnel measures there were also unplanned legal and consulting costs, costs in connection with the realignment of financing and IT costs.

Negative operating EBITDA of around € -5.6 million is anticipated for the subsequent year. This increase is due to the elimination of the special effect in 2015 from reversal of the bonus provisions, as well as higher personnel costs in connection with further expansion of euromicron AG into the strategic management holding.

The reorganization measures initiated in the Central Services segment will likewise be completed in fiscal 2016; we estimate that the reorganization costs incurred as part of that will be €1.1 to €1.3 million.

There was a sharp reduction of

€ **2.6** million

in the negative EBITDA in the Central Services segment.

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

007

	Dec. 31, 2015		Dec. 31, 2014	
	€ m.	%	€ m.	%
Noncurrent assets	142.0	52.4	150.7	52.5
Current assets	118.1	43.6	121.1	42.1
Cash and cash equivalents	10.7	4.0	15.6	5.4
Assets	270.8	100.0	287.4	100.0
Equity	97.0	35.8	110.4	38.4
Noncurrent liabilities	31.0	11.5	57.6	20.0
of which financial liabilities	22.2	8.2	46.9	16.3
Current liabilities	142.8	52.7	119.4	41.6
of which financial liabilities	69.7	25.7	49.4	17.2
Equity and liabilities	270.8	100.0	287.4	100.0

The euromicron Group's total assets at December 31, 2015, decreased by 5.8% to €270.8 million compared with €287.4 million in the previous year.

The fall in noncurrent assets of €8.7 million (€142.0 million; previous year: €150.7 million) is due to write-offs to an amount of €5.3 million on goodwill, which decreased as a result from €113.5 million to €108.2 million. In addition, the other intangible assets declined by €3.3 million to €17.5 million due to amortization. Moreover, deferred tax assets fell by €1.3 million from €1.4 million to €0.1 million. On the other hand, there was in particular an investment-related increase in property, plant and equipment of €1.2 million to €15.3 million.

Capital spending in fiscal 2015 totaled €8.3 million (previous year: €6.5 million). This figure includes additions from the acquisition of a business operation (asset deal) of around €0.2 million (previous year: €0.1 million).

The remaining investments of €8.1 million (previous year: €6.4 million) include €2.4 million (previous year: €2.2 million) on capitalized development costs, €0.9 million (previous year: €1.2 million) on other intangible assets and €4.8 million (previous year: €3.0 million) on property, plant and equipment.

The ratio of equity and long-term outside capital to noncurrent assets is 90.1% (previous year: 111.5%).

Within the current assets, inventories increased slightly by €1.8 million (€30.8 million; previous year: €29.0 million), while trade accounts receivable and the gross amount due from customers for contract work fell sharply year on year (€80.7 million; previous year: €85.8 million).

An **8%**

reduction in working capital.

Working capital (trade accounts receivable, gross amount due from customers for contract work and inventories minus trade accounts payable and prepayments) was €61.4 million at the balance sheet date, a decrease of €5.2 million or around 8% over the previous year (€66.6 million). The Group's working capital ratio (working capital relative to sales) was thus reduced by 1.4 percentage points to 17.8% in 2015. This is attributable in particular to the measures initiated in 2015 to optimize working capital and so reduce the Group's tied-up capital; the company intends to continue with these measures in 2016.

Cash and cash equivalents were €10.7 million, a decline of €4.9 million compared with the figure at December 31 of the previous year (€15.6 million). We refer in this regard to the comments on the Group's financial position.

35.8%

equity ratio – still at a high level.

Equity at December 31, 2015, was €97.0 million, below the level of the previous year (€110.4 million). The equity ratio is 35.8% (previous year: 38.4%) and so is still at a high level. The decline in equity by €13.4 million is mainly due to an amount of €13.1 million to the consolidated net loss in 2015.

Other noncurrent financial liabilities fell by €2.0 million from €2.5 million in the previous year to €0.5 million in particular due to the reclassification of obligations for conditional additional purchase price payments (€1.0 million) and purchase price obligations from preemptive rights (€1.0 million) as other current financial liabilities. Due to the fact that the condition did not arise, the obligation for conditional additional purchase price payments (€1.0 million) that was reclassified as current liabilities was able to be reversed and recognized as income at December 31, 2015.

The liabilities to banks are divided into long-term liabilities of €20.5 million (previous year: €43.2 million) and short-term liabilities of €44.3 million (previous year: €19.9 million).

Trade accounts payable increased from €44.2 million to €47.6 million at the key date.

The reduction in other current financial liabilities of €4.3 million from €29.1 million to €24.8 million consists to an amount of €1.6 million of lower liabilities from customer monies to be passed on as part of factoring. In particular, the current purchase price liabilities from company acquisitions and the liabilities from dividends/profit shares for minority interests fell by €1.5 million and €1.1 million respectively.

The Group's net debt (interest-bearing financial debt minus securities and cash) at December 31, 2015, was €55.8 million (previous year: €49.2 million). The increase in net debt is due in particular to the drop in liquid funds. We refer in this regard to the comments on the Group's financial position.

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 makes a contribution to optimizing the costs of capital and 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, 2015, unutilized promised credit lines of €48.2 million (previous year: €75.8 million) were available to the Group. It was agreed with the long-term financing partners that a review of compliance with the key financial indicators at December 31, 2015, would not be conducted due to the reorganization of the euromicron Group.

The Group's cash funds changed in fiscal 2015 as follows:

Statement of cash flows of the euromicron Group		008
for the period from January 1 to December 31, 2015 (IFRS)	2015	2014
	€ thou.	€ thou.
Net cash provided by/used in operating activities	4,558	-1,930
Net cash used in investing activities	-9,868	-14,306
Net cash provided by/used in financing activities	410	-6,972
Net change in cash funds	-4,900	-23,208
Cash funds at start of period	15,622	38,830
Cash funds at end of period	10,722	15,622

The reported cash provided by operating activities in fiscal 2015 was €4.6 million, whereas in the previous year there was net cash used in operating activities totaling € -1.9 million. However, the reported cash flow figures from operating activities are mainly impacted by effects resulting from the Group's factoring program.

€ **4.6** million:

The cash flow from operating activities reported in 2015

In order to obtain comparable cash flow figures that permit a statement to be made on the development of cash flows from operating activities, the figure was therefore adjusted to take into account the factoring effects. This involves the following:

- Elimination of the effect from the change in the volume of factoring used between the balance sheet date and the respective balance sheet date for the previous period. This resulted in a negative cash flow effect to be eliminated of € -6.3 million at December 31, 2014, due to the lower volume of factoring compared with at December 31, 2013. The volume of factoring used at December 31, 2015, was unchanged compared with at December 31, 2014, which means there is no need for any adjustment here.
- Where Group companies received monies from customers resulting from receivables sold as part of factoring shortly before the balance sheet date and the Group companies were not able to pay these monies over to the factoring company, this results in a liability from customer monies to be passed on, which is recognized under "Other financial liabilities". The effect on liquidity from the change in these liabilities between the respective balance sheet date and the balance sheet date of the previous period is eliminated for the purposes of analyzing the cash flow from operating activities. This effect, which has to be eliminated, is €1.9 million for 2014 and € -1.6 million for 2015.
- The full amount of the receivable offered for sale is initially not paid out by the factoring company, but a blocked amount is withheld. This receivable due from the factoring company is recognized under "Other financial assets"; here too, the change in the balance sheet item has to be eliminated for the purposes of analyzing the cash flow from operating activities. This effect to be eliminated was € -0.5 million in 2014 and €0.1 million in 2015.

All in all, reconciliation of these three factors results in cash flows from operating activities after adjustment for factoring effects as summarized in the table below:

Adjusted cash flow

009

	Cash flow from operating activities acc. to statement of cash flows	Effects from factoring and cus- tomers' monies to be passed on included in the above	Adjusted cash flow
	€ m.	€ m.	€ m.
2014	-1.9	4.9	3.0 *
2015	4.6	1.5	6.1

* The previous year's figure has been adjusted.

€ **3.1** million

increase in the adjusted cash flow
from operating activities.

After adjustment for factoring effects, there is net cash provided by operating activities totaling €6.1 million in fiscal 2015 compared with €3.0 million in the previous year. As a result, the cash flow from operating activities after adjustment for the effects of factoring improved sharply by €3.1 million in fiscal 2015. This is mainly due to the measures implemented in fiscal 2015 to reduce working capital.

Net cash used in investing activities was € -9.9 million in fiscal 2015, €4.4 million below the figure for the previous year (€ -14.3 million). This change is mainly due to lower purchase price payments in connection with the company acquisitions, where were €2.7 million in 2015 (previous year: €8.0 million). Of this, €1.0 million related to conditional purchase price payments, €1.5 million to payments in connection with the exercise of options to purchase company shares, and €0.2 million to purchase price payments as part of asset deals. On the other hand, there were in particular higher payments for the acquisition of property, plant and equipment, which increased in 2015 by €1.0 million from €3.0 million to €4.0 million.

The net cash provided by financing activities in fiscal 2015 was €0.4 million (previous year: net cash used of € -7.0 million). The net cash provided was mainly due to the raising of new loans, which exceeded the net cash used to repay loans by €1.7 million (previous year: net cash used of € -6.8 million). On the other hand, there were payments due to distributions to non-controlling shareholders and from profit shares of minority interests, which totaled € -1.3 million in 2015 (previous year: € -0.2 million).

Cash and cash equivalents of the euromicron Group at December 31, 2015, were thus €10.7 million (previous year: €15.6 million).

Results of operations

010

Income statement of the Group for the period January 1 to December 31, 2015 (IFRS)	Note	2015 incl.	Reorgani-	2015	2014*
		reorganiza-	zation	Operat-	
		tion costs	costs	ing*	
		€ thou.	€ thou.	€ thou.	€ thou.
Sales	(11)	344,887	0	344,887	346,338
Inventory changes		883	0	883	573
Own work capitalized	(12)	2,942	0	2,942	2,617
Other operating income	(13)	3,073	0	3,073	2,144
Cost of materials	(14)	-189,883	-909	-188,974	-182,468
Personnel costs	(15)	-107,875	-3,193	-104,682	-103,176
Other operating expenses	(17)	-47,104	-2,733	-44,371	-44,879
Earnings before interest, taxes, depreciation and amortization (EBITDA)		6,923	-6,835	13,758	21,149
Amortization and depreciation	(16)	-10,238	-1,003	-9,325	-9,702
Impairment of goodwill	(16)	-5,333	-5,333	0	0
Earnings before interest and taxes (EBIT)		-8,648	-13,171	4,523	11,447
Interest income	(18)	66	0	66	333
Interest expenses	(18)	-3,791	0	-3,791	-4,012
Other financial expenses	(18)	-332	0	-332	0
Income before income taxes		-12,705	-13,171	466	7,768
Income taxes	(19)	-424	0	-424	-4,924
Consolidated net loss/net income for the year		-13,129	-13,171	42	2,844
Thereof for euromicron AG shareholders		-13,253	-13,171	-82	2,576
Thereof for non-controlling interests	(20)	124	0	124	268
(Un)diluted earnings per share in €	(21)	-1.85	-1.84	-0.01	0.36

* Adjusted for special effects of the reorganization

Consolidated earnings for 2015 are mainly reduced by reorganization costs incurred as part of the strategic realignment. They are distributed over the individual companies of the euromicron Group as follows:

Allocation of reorganization costs

011

	2015
	€ thou.
euromicron AG	-2,850
euromicron Deutschland GmbH	-2,610
euromicron austria GmbH	-217
Avalan GmbH	-923
euromicron NBG Fiber Optics GmbH	-1,238
Impairment of goodwill	-5,333
Total	-13,171

€ **13.2** million:

The costs of the Group-wide reorganization measures in 2015

The reorganization costs of euromicron AG are mainly accounted for by legal and consulting costs, financial advice, IT costs, personnel costs and special write-downs. The focus of the reorganization measures was on expanding euromicron AG into a strategic management holding and restructuring of the Group's financing.

The lion's share of the reorganization costs at euromicron Deutschland GmbH were incurred as part of reducing and restructuring the workforce at the locations. The figure includes in particular costs for optimizing real estate structures and other consulting fees.

The reorganization costs at euromicron austria GmbH are mainly due to write-downs on material and legal and consulting costs in connection with the merger of Qubix distributions GmbH in the fiscal year.

Avalan GmbH and euromicron NBG Fiber Optics GmbH, two strategically irrelevant, loss-making divisions, were closed in fiscal 2015. The reorganization costs include in particular the costs of reducing the workforce, write-downs of material due to the closures, special write-downs and other costs incurred by the closure.

The decision to discontinue the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH initiated a trigger, which resulted in an event-driven impairment test of the goodwill allocated to the former CGU 3 "System Houses South". This impairment test revealed a need to write down the goodwill allocated to the former CGU 3 to an amount of €5.3 million. We refer in this regard to the comments in the notes on the consolidated financial statements, section "Notes on the consolidated balance sheet", section 1 (a) "Intangible assets".

The following explains the year-on-year changes in the results of operations of the euromicron Group after adjustment for the effects of the reorganization.

The euromicron Group generated sales of €344.9 in fiscal 2015 and so only slightly – 0.4% – below the previous year's figure of €346.3 million.

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 2015 were €291.3 million (previous year: €293.9 million) or a share of 84.5% (previous year: 84.9%). Foreign sales were increased slightly in 2015 from €52.4 million to €53.6 million, with the result that international sales contributed around 15.5% (previous year: 15.1%) to the euromicron Group's total volume of sales.

€ **291.3** million

in sales in Germany

The euromicron Group's total operating performance (sales plus inventory changes) was €345.8 million, which is only slightly lower by 0.3% compared to the previous year (€346.9 million).

Own work capitalized increased slightly by €0.3 million from €2.6 million in the previous year to €2.9 million. The euromicron Group continues to invest in developing new products to expand its market position and increase its innovativeness.

The rise in other operating income is mainly due to income from the reversal of a conditional purchase price obligation (€ 1.0 million) due the fact that the condition for it did not arise.

As in the previous year, the cost of materials is the largest expense item in the euromicron Group's income statement. The (adjusted) cost of materials in fiscal 2015 was €189.0 million (previous year: €182.5 million); its (adjusted) ratio to total operating performance (material usage ratio) declined by 2.1 percentage points from 52.6% to 54.7%.

The increase in the adjusted material usage ratio is partly due to the work in fiscal 2015 on completing projects in the "Smart Buildings" segment that had been assessed as loss-free in the 2014 annual financial statements, with the result that no contribution margin was achieved from these sales. When the final accounts for these projects are invoiced, there will then be significant cash receipts that will have a positive impact on the Group's liquidity.

In addition, effects from developing new forward-looking business segments during the piloting phase of these projects reduced the material usage ratio in the short term, in particular in the "Critical Infrastructures" segment.

Closure of the business operations of Avalan GmbH meant that existing projects had to be completed in the fourth quarter of 2015 using third-party services to a greater extent, which likewise increased the material usage ratio.

There was also a more unfavorable margin mix compared with the previous year in parts of product and solution business. This effect is also attributable to the fact that completion of certain innovative and high-margin products extended into 2016.

(Adjusted) personnel costs increased in fiscal 2015 by €1.5 million from €103.2 million to €104.7 million, a rise of 1.5%. The average headcount (excluding trainees) in the year under review rose from a total of 1,704 to 1,747 (+2.5%).

(Adjusted) amortization and depreciation totaled €9.3 million, a fall of €0.4 million compared with the previous year (€9.7 million). This is mainly due to lower amortization of hidden reserves disclosed as part of capital consolidation, which declined to €1.4 million (previous year: €2.0 million).

(Adjusted) other operating expenses in the fiscal year were €44.4 million, €0.5 million below the comparative figure for the previous year of €44.9 million. The largest items in the other operating expenses were still vehicle and travel expenses (€13.6 million; previous year: €13.9 million), rent/room costs (€6.6 million; previous year: €6.6 million) and legal and consulting costs (€4.4 million; previous year: €4.9 million).

Operating earnings before interest, taxes, depreciation and amortization (operating EBITDA) totaled €13.8 million, following €21.1 million in the previous year. The operating EBITDA margin was 4.0% (previous year: 6.1%). There was a similar trend for operating EBIT, which was €4.5 million, a decrease of €6.9 million compared with the previous year (€11.4 million).

The net financial result was € -4.1 million, € -0.4 million up on the previous year (€ -3.7 million). This is mainly due to the write-down of shares in a U.S. listed company in the fiscal year to their lower fair value, which reduced the net financial result by € -0.3 million.

4.0%

The operating EBITDA margin is therefore within the announced forecast.

The tax ratio in the year under review was € -3.3% (previous year: 63.4%). The deviation from the anticipated tax ratio of 30% is mainly due to effects from goodwill write-downs with no impact on taxes and other write-downs with no impact on taxes. In addition, the current loss-making situation of a number of companies meant no deferred tax assets were recognized on loss carryforwards incurred in fiscal 2015 in accordance with IFRS regulations. We refer in this regard to the tax reconciliation in section 19 of the notes.

The (adjusted) consolidated net loss for shareholders of euromicron AG was € -0.1 million (previous year: income of €2.6 million). (Adjusted) undiluted earnings per share were € -0.01 versus €0.36 in the previous year.

With adjustment for the effects of the reorganization, the consolidated net loss for shareholders of euromicron AG for fiscal 2015 is € -13.3 million and the undiluted earnings per share € -1.85.

New orders and order books

New orders at the euromicron Group in fiscal 2015 were €326.8 million (previous year: €340.1 million). Order books at December 31, 2015, were €103.4 million (previous year: €121.5 million). The fall in order books is mainly due to orders being postponed to January 2016.

New orders at the euromicron Group in January 2016 were €41.5 million, a sharp increase of €11.8 on the figure from January 2015 (€29.7 million). It should be noted in this regard that new orders in January 2015 still contained orders totaling €0.4 million from the divisions that have since been closed. In relation to continuing core business operations, new orders in January 2016 thus increased by €12.2 million.

Order books at January 31, 2016, were €127.9 million, compared with €129.8 million at January 31, 2015. Adjusted for order books of the now closed divisions (€7.1 million), the order books for continuing core business operations at January 31, 2015, were €122.7 million. The order books for continuing core business operations at January 31, 2016, were thus €5.2 million higher than the comparative figure at January 31, 2015.

2.4 Non-financial performance indicators

As a German specialist for the Internet of Things who paves the way to the digital future for its customers, not only key economic ratios are important for us, but also the sustainability of our activities. That is also reflected in our performance indicators. Competent and motivated employees, sparing use of the natural resources available to us, increasing and preserving the value of our brand value, our customers' satisfaction and social responsibility are preconditions for our Group's sustainability. We endeavor to increase and improve them at all times.

Employee development and loyalty

The euromicron Group's success is founded on the skills and commitment of its employees. Our focus as part of that is on close cooperation with the HR departments at our locations and strategic further development and implementation of the Group-wide HR strategy. Organizational development, employee development and employer branding are also important focal areas.

€ **11.8** million:

The year-on-year increase in new orders in January 2016.

As part of the HR strategy, our HR tools such as performance and career reviews, agreements on objectives and development plans are to be constantly developed further and communication between the team and managers optimized actively. To achieve that, we have formulated communication plans, a system of values and recommended actions relating to communication in various workshops as part of our program “F³ – Mitarbeiter fordern, fördern und führen” (“Challenging, encouraging and leading employees”).

euromicron aims to employ a sufficient number of qualified and committed employees at all times at all business levels and to offer them attractive working conditions and prospects. In fiscal 2015, we were able to acquire further specialists and more highly qualified staff so as to ensure that the company can continue developing positively in future.

The average headcount (excluding trainees) rose from a total of 1,704 to 1,747. This is due to new hirings, although we also had to release employees as part of the reorganization and optimization of the Group’s structure. Personnel costs in fiscal year 2015 were €107.9 million (adjusted for reorganization costs: €104.7 million), compared with €103.2 in the previous year. A slight rise in the headcount is again expected in fiscal 2016 due to planned recruitments, in particular in sales, project management and project handling.

1,747

The average headcount
(excluding trainees)

Enhancing the loyalty of our employees to the company remains of major importance for us, since they and their expertise and dedication are the main guarantee of our Group’s sustainable success in the coming years. Especially in times of a shortage of skilled workers and demographic change, it is vital for us to ensure their long-term loyalty. That is why euromicron launched an extensive program linking three levels with each other in 2015: Working environment, corporate/management culture and quality of management.

In the “working environment” area, our goal is to offer our employees a family-friendly job, as well as offer them development paths and programs at all times, and to provide them with modern, technologically leading-edge working equipment and keep this up-to-date.

The corporate/management culture is intended to enhance the degree to which employees identify with the company so that the resultant synergies in the Group can be leveraged. The goal is also to establish a leadership culture in which managers and employees engage in an appropriate and personal communication.

In addition, the aim of quality of management at euromicron remains to enhance clarity and transparency in relation to processes, structures and responsibilities and to keep on promoting the feedback culture at all levels now and in the future. Regular meetings are essential for enhancing the quality of management. The measures that have already been implemented are to be reflected and developed further with a Group-wide employee survey in the current year.

In addition to the extensive employee loyalty program, employees are offered further education to support and encourage them in their day-to-day work, as well as interesting prospects for the future and development opportunities.

60%

of our project managers have now acquired the status "Certified Project Manager".

For example, we launched a training program that is geared closely to the identified needs of the employees. It addresses a total of 21 subjects from the areas of leadership, sales, project management and other specialist topics. As part of that, euromicron uses a mix of different event formats, such as multi-module programs, seminars, workshops and online training courses. Application of the knowledge acquired to everyday work is ensured by a multi-stage transfer program that includes participants, their managers and HR development alike.

The qualification campaign for project managers was continued successfully in 2015. 50% of all project managers gained the certificate "Certified Project Manager" in the previous year, a figure that was increased to 60% in 2015.

There was a growing number of attendants in our in-house seminars. Whereas 337 employees took part in the seminars in 2014, the figure in the year under review was 559.

At 4.2%

the trainee ratio is once more at a good level.

Trainee ratio and career

As in previous years, training of new employees is of particular importance to euromicron. The euromicron Group's trainee ratio was again at a good level in the year under review: 4.2% compared with 4.6% in the previous year. The objective for fiscal 2016 is to maintain this ratio at the high level of the previous year.

Once again this year, our 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. Apart from traditional training paths, euromicron offers dual courses of study (bachelor's degree), trainee programs and internships.

As part of its HR strategy, euromicron launched its own career portal for jobseekers in the Internet in the second half of 2015. The content, which up to now was integrated in the group website, has been newly edited and posted in a separate microsite. An Applicant Management System for online applications complements the range of information alongside extensive job ads.

euromicron's online job market offers a diverse range of posts in vocations in the fields of IT, technology, sales and business administration. At this site, we also offer applicants insights into subjects such as career planning, development programs and certification. Topics such as compensation and performance, as well as work and leisure time, are also covered. We at euromicron also give our potential employees authentic impressions of what it is like to work in our fields, as well as what development opportunities they have.

Our objective is to stage successful initiatives and programs in future as well and also develop new measures in response to requirements in the IoT market. We want our employees to keep on contributing their strengths competently to the company and so help make euromicron a success through their motivation and personal successes.

Responsible use of natural resources

Although none of the Group's companies is subject to special environmental protection guidelines, euromicron nevertheless 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. As part of that, audits are conducted to identify potentials for increasing efficiency in and reducing power consumption at the Group and appropriate measures are initiated cut the company's ecological footprint further. As part of the DIN EN 16247 energy audit in connection with the requirements of the German Energy Services Act, we had our company audited by external, independent energy consultants in fiscal 2015.

In purchasing additions to the euromicron Group's fleet, we deliberately attach importance to economical and low-CO₂ vehicles. In relation to existing vehicles, we pay attention to pass them on internally, since it makes more sense in terms of procurement costs and CO₂ footprint to deploy energy-saving models under new leasing agreements or if the fleet is otherwise expanded and not to take existing vehicles out of service prematurely. In order to enhance health prevention among employees, the cars used in the fleet also have ergonomic seats as minimum equipment. euromicron is also examining the possibility of converting the fleet to electric vehicles or ones with alternative drives.

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. All in all, euromicron makes a major contribution to achieving green IT by using hardware that has low power consumption.

A switch to efficient LED technologies for lighting the buildings at the individual locations is also being examined. The production operations of euromicron's technology companies are also geared to energy-saving processes. These include, for example, computer-aided control of the standby switches or the continuous review and rollout of electric motors with higher efficiency classes.

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

Established brands and growing visibility

Under the umbrella brand "euromicron", the Group and its technology companies have corporate brands that in some cases have been established in their specific market segment for more than 40 years. This brands include, for example, EUROMICRON Werkzeuge GmbH or ELABO GmbH. Both have a high reputation and so a brand value in their segment due to the fact that they have operated so long and successfully in the market.

Preserving and increasing the value of our brands will continue to be a key element of our corporate strategy in future: Continuous investments in product innovations, modern manufacturing methods, patent applications and appropriate sales and marketing activities help entrench our brands lastingly in their special segments.

We still keep on striving to enhance the visibility and image of our umbrella brand. Following our extensive reorganization, positioning of the euromicron brand is especially important so that in particular the realignment can be presented understandably and in detail on the capital market. We aim to increase the value of the euromicron brand on the capital market, as well as ensure transparent, clear reporting as the basis of a trusted relationship with our investors. As part of that, we conduct active investor and public relations work. In the year under review, we presented our company in a raft of investor conferences and roadshows, as well as in programs and articles in various media. In March 2016, we carried out an extensive relaunch of our website in order to give further structure to its contents and create a better overview of the Group's new focal areas.

Customers and quality

Apart from our employees and our visibility as a brand, another aspect of great importance to us is to ensure the products and services we offer give our customers maximum satisfaction. By streamlining our structure and reorganizing the segments, we are able to network our customers' business and production processes and successfully accompany them on the way to the digital future. That demands the very highest 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 surveys and analyses. Appearances at trade fairs have also proven useful in ascertaining and increasing our customers' interest in our products and solutions. We thus use customer feedback to actively achieve potentials for improvement and optimization.

To meet the very highest demands made of the quality of our products and services, some of euromicron's companies 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

On February 22, 2016, it was agreed that the existing purchase option for half of the minority stake of 10% of the shares in ATECS AG and for half of the minority stake of 10% of the shares in SIM GmbH would be partially exercised effective March 31, 2016. 5% of the shares in ATECS AG and in SIM GmbH were acquired. The purchase price for exercising the options is €400 thousand for the shares in ATECS AG and €100 thousand for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH rose to 95% in each case. Due to the fact that the existing purchase options are designed as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligations totaling €500 thousand resulting from exercise of the options was already recognized under "Other current financial liabilities" in the financial statements at December 31, 2015.

At the same time, the period for exercising the preemptive right and the purchase option relating to the remaining 5% stakes held by the minority shareholder was extended until December 31, 2017. The options can now be exercised on January 1, 2017, at the earliest and on December 31, 2017, at the latest.

Distributions to the shareholders were resolved at the General Meeting of SIM GmbH and at the Ordinary General Meeting of ATECS AG on February 22, 2016. The distribution to minority shareholders totaling €167 thousand must be transferred from the consolidated equity to the item "Dividend/profit shares for minority interests", which is presented in the balance sheet item "Other financial liabilities", effective February 22, 2016.

Talks with the financing partners were continued in the first months of 2016 in relation to follow-up financing and restructuring of the funding of euromicron AG. In view of the talks conducted recently with the financing partners, the Executive Board is convinced that new financing structures will be established by the middle of the year and agreements to this effect can be concluded.

4. FORECAST, OPPORTUNITY AND RISK REPORT

4.1 Explanation of deviations from the previous year's forecast

The previous year's forecast envisaged a sales target of €340 million to €360 million and an operating EBITDA margin between 6% and 8% for fiscal 2015. It was also expected that reorganization costs would reduce the EBITDA margin for fiscal 2015 by around one percentage point, with the result that a reported EBITDA margin in the range from 5% to 7% was forecast.

The forecast for fiscal 2015 was adjusted with publication of the interim report for the third quarter of 2015 on November 6, 2015. The forecast was adjusted on the basis of the new Executive Board's planning analysis, taking into account the effects arising from euromicron's strategic realignment. The adjusted forecast envisaged sales at the lower end of the forecast range of €340 million to €360 million for fiscal 2015. An operating EBITDA margin in the range between 4% and 5% was forecast. The anticipated reduction in the EBITDA margin was put at one to two percentage points. In addition, the effects from write-offs due to the divestment of loss-making, strategically irrelevant business segments were forecast as being in the medium single-digit million range.

The actual figures for fiscal 2015 are within the adjusted ranges for all forecast numbers. Sales are €344.9 million. The operating EBITDA margin is 4% and so at the lower end of the forecast range. The reorganization costs reduced the EBITDA margin in fiscal 2015 by two percentage points. The write-downs from reorganization measures, in particular from divestment decisions, total €6.3 million.

The budgeting on which the original forecast was based is used as the basis for explaining the deviation between the actual and planned figures for fiscal 2015, regardless of whether the adjusted forecast was achieved.

The following tables present the deviations between the original planning and the actual figures for sales, operating EBITDA and reorganization costs with an impact on EBITDA:

Deviation from forecast sales**012**

	€ m.
Forecast sales for fiscal 2015	358.9
Actual sales for fiscal 2015	344.9
Deviation from the forecast	-14.0

Deviation from forecast EBITDA**013**

	€ m.
Forecast sales for fiscal 2015	358.9
Forecast operating EBITDA margin for fiscal 2015	7.1%
Forecast operating EBITDA for fiscal 2015	25.6
Actual operating EBITDA margin for fiscal 2015	4.0%
Actual operating EBITDA for fiscal 2015	13.8
Deviation from the forecast	-11.8

Deviation from forecast reorganization costs with an impact on EBITDA**014**

	€ m.
Forecast reorganization costs with an impact on EBITDA for fiscal 2015	-2.3
Actual reorganization costs with an impact on EBITDA for fiscal 2015	-6.8
Deviation from the forecast	-4.5

The deviation from the forecast sales totaling € -14.0 million is due to an amount of € -6.4 million to lower sales at the Smart Buildings segment. That is mainly due to the fact that the company consciously refrained from accepting risky large projects due to the strategic realignment. In addition, higher capacities than reflected in the planning for completion of old projects that had been assessed as loss-free were tied up in fiscal 2015 and so could not be used to handle new orders. In addition, sales at the Critical Infrastructures segment were €5.0 million below planned, due to the loss of certain product deliveries and projects in 2014 that were one-off in nature. There are also temporarily negative effects on sales due to investments in new strategic business segments that are to be tapped. These effects were also partly reflected in the planning, but were stronger than planned. A further effect on sales totaling € -1.2 million came from the decision to discontinue the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of fiscal 2015, since negative deviations from the planned sales resulted from the fact that orders could not be accepted. In addition, the effects from cross-segment sales consolidation were € -1.4 higher than assumed in planning.

The € –11.8 million deviation from the forecast EBITDA is, on the back of a planned material usage ratio of 52.7%, due to an amount of € –6.2 million from the lower gross profit due to the fact that total operating performance was € –13.1 million below planned. In addition, the actual material usage ratio for fiscal 2015 was 54.7%, two percentage points above planned, which resulted in a further negative deviation from the planned EBITDA of € –6.7 million. This is partly due to the fact that in fiscal 2015 work was still carried out on completing old projects that had been assessed as loss-free in the “Smart Buildings” segment, but no further contribution margin was achieved from them. In addition, effects from developing new forward-looking business segments during the piloting phase of these projects reduced the material usage ratio in the short term, in particular in the “Critical Infrastructure” segment. In addition, closure of the business operations of Avalan GmbH meant that existing projects had to be completed in the fourth quarter of 2015 using third-party services to a greater extent, which likewise increased the material usage ratio. There was also a more unfavorable margin mix compared with the previous year in parts of product and solution business. This effect is also attributable to the fact that completion of certain innovative and high-margin products extended into 2016.

On the other hand, there was non-budgeted other operating income of €1.0 million resulting from reversal of a conditional purchase price obligation due the fact that the agreed conditions for it did not arise. Netting out the other effects also gave a positive deviation of €1.0 million from the forecast EBITDA.

The reorganization costs with an impact on EBITDA in fiscal 2015 were € –6.8 million, € –4.5 million higher than envisaged in the original planning. This is due on the one hand to the fact that the closure costs with an impact on EBITDA for Avalan GmbH and euromicron NBG Fiber Optics GmbH, which totaled € –1.8 million, were not reflected in the original planning, since the decisions to close them were only taken in the course of fiscal 2015. The reorganization costs in the Critical Infrastructures segment (€ –0.2 million) had not been included in the original planning. In addition, the reorganization costs for euromicron Deutschland GmbH were € –1.0 million above plan, which is due in particular to the personnel measures adopted in December 2015. Moreover, the reorganization costs at the level of euromicron AG were € –1.5 million higher than planned, since in addition to the budgeted personnel measures there were also unplanned legal and consulting costs, costs in connection with the realignment of financing and IT costs.

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 covers the consolidated accounting processes. 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 85% of the company's sales and so is crucial to its success. Germany is also the place of activity of 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 2016, 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 currently only few business relationships outside the European economies, which is why distortions there should not have any direct effects 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 and special solutions in niche markets 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.

85%

of sales are generated in the German market, which is crucial to our success.

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 euromicron's technology companies 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 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. Many projects are initially funded up-front in part by the system houses. If a customer does not meet its payment obligations when a project is completed, the result may be financial losses, depending on the size of the project. However, the average default ratio for receivables at the Group in the past three years was below 0.1% of sales. In addition, there are clear stipulations that down-payments and partial invoices should be agreed when the project is accepted so that up-front financing is minimized.

Further project risks are errors in costing or inadequate order processing. In order to minimize risks from project business, a standardized process was developed and implemented at various branch offices in 2015; it is to be rolled out comprehensively in all regions in 2016. It covers all aspects from the process for approval and acceptance of project orders, processes in implementation management, to standardization of project controlling. The general organizational conditions for that were created in fiscal 2015 by the merger of euromicron systems GmbH with euromicron solutions GmbH and the related foundation of the national system house euromicron Deutschland GmbH. A further increase in personnel in project controlling is planned. Moreover, project controlling will be integrated even more strongly in Group reporting in future and accompanied centrally. Thanks to the measures that have already been implemented and those additionally planned in 2016, the impact of risks from project business in subsequent years is regarded as manageable, with the result that project losses above and beyond the customary operational extent are not expected.

The default ratio for receivables was below

0.1%

of sales in the past three years.

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.

A further significant financial risk at the euromicron Group is the earnings strength of its companies. Since the Group companies are part of the centrally managed cash pool of euromicron AG, it is necessary to ensure that there are no risks to financing of them through the cash pool. This is achieved by permanent and standardized finance management and reporting that constantly monitors and assesses the Group companies' activities and assigns measures to them, which is why the likelihood of this risk occurring is assessed as being low.

In fiscal 2015, the euromicron Group had sufficient funds to implement extensive reorganization measures, which will result in a lasting improvement in operating income and cash flow from operating activities from next year on. For example, strategically irrelevant, loss-making business segments that reduced the Group's earnings and liquidity in previous years were closed in 2015. In addition, the Group's structures were realigned in line with the strategy and market requirements. At the core of these reorganization measures was the new euromicron Deutschland GmbH, which was created by mergers within the Group in 2015. It is the largest system house in the euromicron Group and now has a national set-up. The reorganization measures within euromicron Deutschland GmbH comprised in particular a reduction and restructuring of the workforce to reflect the requirements of the individual regions, optimization of the real estate structures and working capital, and creation of standardized controlling and IT structures. In addition, a core project for increasing efficiency is being implemented and will result in improvements in all subprocesses in the value chain of euromicron Deutschland GmbH's project business. The goal of these measures is in particular to optimize structures and processes so as to lastingly boost the earnings and financial strength of euromicron Deutschland GmbH and so of the euromicron Group.

So as to secure liquidity in future, euromicron AG needs to refinance the loans that will expire in fiscal 2016. In fiscal 2016, restructuring of funding will therefore be a key focus of the Executive Board's activities. A particular objective is to reconstruct some of the maturity loans to an amount of €15 million and overall increase the proportion of medium- and long-term funding by means of structured financing. Together with our financing partners, we are currently working on a structure that is tailored to the strategic realignment and related requirements of the euromicron Group. Alternatively, the Executive Board will take further measures to secure liquidity, if required, such as selling business assets. If the refinancing cannot be obtained in the planned period of time and/or to the required extent, the reorganization would be delayed.

As things stand at present, however, the Executive Board of euromicron AG – also based on assessments by external experts who are supporting the company in this financing process – expects that refinancing will be completed in the coming months and so the Group will secure the funding it needs. This assessment is based on the fact that all financing partners have indicated that they intend to continue their current commitment at euromicron and work with euromicron to develop a sustainable financing structure tailored to the Group's requirements. Moreover, all the financing partners agreed that a review of compliance with the key financial indicators at December 31, 2015, would not be conducted.

Procurement

As a producer, service provider and operator of IoT and Smart Industry solutions, there are procurement risks as regards the supply of raw materials and delay in delivery of complete technical components.

We counter them with organizational and contractual measures, as well as measures relating to purchasing strategy. There is close coordination between Purchasing, Controlling and Technology so that these measures are implemented efficiently and so costs can also be cut.

Our procurement management delivers the basis for qualified consulting in all portfolio groups. By pooling this expertise, we ensure that our customers and own companies benefit from the very best procurement channels and optimum terms and conditions.

That enables us to leverage synergies to the full, yet also minimize risks at the euromicron group and internal process costs.

Corporate

The departure of qualified personnel is a key risk at a technology group with a medium-sized character like euromicron, in particular in project business, which is highly reliant on the existing staff. That is why the Group offers its employees regular training and further development measures. By gaining systematic further qualifications to reflect needs, 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. In addition, the extensive Group-wide employee loyalty program formulated by the Executive Board and HR department in 2015 was rolled out by means of pilot projects and will be deployed throughout the euromicron Group in fiscal 2016. Due to our existing and planned extensive measures to ensure employees' loyalty and development, we believe the risk of losing highly qualified staff to be limited.

Personnel loyalty thanks to professional and personal further development.

The employee loyalty program will be deployed throughout the Group in 2016.

There are no legal risks from pending legal proceedings above and beyond current business.

In summary: In the assessment of the Executive Board, the currently known risks will probably have no significant impact on the net assets, financial position and results of operations of euromicron.

4.3 Opportunity report

The strategic focus "Enabling the Internet of Things" enables euromicron to open up a virtually unlimited market that is just starting to grow. euromicron's strategic markets are the business segments "Digital Buildings and "Smart Industry" (Smart Buildings segment) and "Critical Infrastructures" (Critical Infrastructures segment) (see also section 1.2 "Objectives and strategies"), since these are already core markets of euromicron.

IoT

opens up a virtually unlimited market that is just starting to grow.

Synergies between the technology companies and system integrators offer potential to improve earnings.

Systematic leveraging of synergies between technology companies and system integrators represents the greatest potential for improving the euromicron Group's results in the medium term. Whereas these synergies have been exploited mainly at the project level to date, this was done in fiscal 2015 by a centrally controlled innovation process for the entire euromicron Group. This central Business Development function at euromicron, whose staff will be strengthened further in 2016, is tasked with gearing the solution portfolio to the target markets and systematically creating synergies between the associated companies. This will result in further differentiation on the market in the medium term and lastingly increase the margins that can be achieved. Initial cross-company innovation projects were launched in fiscal 2015.

Apart from these market-related opportunities, one of our main goals is still to increase efficiency, especially in project business. The initiated measures described in the risk report mean there are great opportunities in future to increase profitability in project business and so help improve results further.

We will reduce the working capital ratio again in 2016.

Further opportunities for euromicron lie in rigorously continuing and expanding the measures initiated in 2015 to reduce working capital and so the Group's tied-up capital. The Group aims to follow up the successes it achieved in 2015 – reflected in a lower working capital ratio and so better cash flow from operating activities – by reducing the working capital ratio significantly again in fiscal 2016. That will also have a positive impact on the euromicron Group's liquidity situation.

Following the realignment of our strategy and the reorganization measures derived from that, a major focus in 2016 will be on professionalizing and optimizing our sales activities. We will therefore continue to expand key account management at our Group for important customers and target industries.

One strategic objective is to increase the share of services in our solution portfolio. To enable that, we intend to further standardize and professionalize our service structures and processes at the euromicron Group in 2016. Under the euromicron product group "Smart Services", we will launch new innovative service concepts for the IoT market that enable operation of digital infrastructures. Our aim in that is to help customers in the digital transformation of their business processes, strengthen their loyalty to euromicron and so increase our profitability lastingly.

SMART SERVICES

We will offer innovative service concepts under this name.

4.4 Forecast for fiscal 2016

Taking into consideration the opportunities and risks we have presented, sales growth in the medium single-digit percentage range is expected for 2016, despite the fact that non-strategic business segments were discontinued in the previous year. Sales for 2016 are expected to be in a range between €350 and €370 million.

An operating EBITDA margin for 2016 of between 4.5% and 5.5% is planned. That is a significant increase over 2015.

The planned increase in operating earnings in 2016 will result in particular from the increase in the operating EBITDA margin of the Smart Buildings segment on the back of positive effects from the reorganization measures at euromicron Deutschland GmbH in 2015 and the fact that new products from the technology companies in that segment will be ready for the market. In addition, there will no longer be the negative contribution to earnings in 2016 from the business operations of Avalan GmbH and euromicron NBG Fiber Optics GmbH that were shed in 2015.

Some of the reorganization measures initiated in the past year will only be completed in fiscal 2016. These measures will probably reduce the EBITDA reported by the Group in 2016 by around €2–3 million. Overall, however, the reported EBITDA margin will almost double year on year.

After the reduction in the working capital ratio (defined as working capital relative to sales) by 1.4 percentage points to 17.8% in 2015, it is to be cut to below 15% in 2016 by the continuation and further intensification of working capital management up to the end of 2016.

We expect a further significant improvement in our profitability in the coming years. We assume that we will post an EBITDA margin at the lower end of our medium-term target of 8% to 11% in 2018.

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 IT/ICT industry in 2016, 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.

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 recognized, measured and reported accurately in the consolidated financial statements. Optimization of structures and processes in system house business and cross-Group projects were continued in 2015 to harmonize and standardize implementation management and project controlling at the project companies. In addition, a further increase in personnel in project controlling is planned. Moreover, project controlling will be integrated even more strongly in Group reporting in future and accompanied centrally. 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 "four 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 the four 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. The suitability and effectiveness of the internal control system are also examined constantly by the work of the Internal Auditing department.

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. We refer you in this regard to the comments in section 4.2. under "Risk report and salient features of the risk management system".

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 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 any derivative financial instruments in the balance sheet. The data, which is provided by other organizational units, is subjected to a plausibility check in Accounting before being further processed as part of preparation of the consolidated financial statements.

At the euromicron Group, the segments are assessed among other things by their achievement of earnings- or cash flow-based targets. 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. 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 DECLARATION IN ACCORDANCE WITH SECTION 289A HGB (GERMAN COMMERCIAL CODE)



2015 Corporate Governance Report and 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) can be found in the 2015 Corporate Governance Report, which is available at all times on the homepage of euromicron AG at <http://www.euromicron.de/en/investor-relations/corporate-governance-code-15>.

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 – with the exception explained below – the recommendations of the German Corporate Governance Code (DCGK) in the version dated June 24, 2014, which was published on September 30, 2014, or as of June 12, 2015, in its amended version dated May 5, 2015. It 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.

In accordance with the recommendation in Section 4.2.5 (3) and (4) DCGK that was newly introduced in the 2013 version, the compensation for Executive Board members is to be disclosed in individualized form using model tables for fiscal years starting after December 31, 2013. The model tables in the Code's appendix are to be used for disclosing this information. The company currently deviates from Section 4.2.5 (3) and (4) of the Code. The compensation for Executive Board members is disclosed in compliance with statutory provisions. The company has not provided any further disclosures on or breakdowns of the compensation using the model tables due the work involved in this change and the extra administrative overhead in 2015.

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) 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")).

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, who departed in March 2015, was higher than that of the other member of the Executive Board. The new Executive Board members who have held office since April 2015 each receive identical fixed compensation. 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 EBITDA and is calculated taking the Group's business results into account. In addition, the compensation of Executive Board members includes variable components that are measured on the basis of the achievement of qualitative targets. An upper limit (cap) avoids entitlement to an excessively high bonus in the event of highly positive developments.

In addition, the system for compensation for the Executive Board includes variable components with a multi-year basis of assessment (LTI). For the contribution made to increases in the company's value, the Executive Board members can receive a long-term compensation component geared to the individually agreed targets. Payment of it will be due after the consolidated financial statements for the final year of the performance period have been approved; annual payments on account will be set off against this.

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.

For their work in fiscal year 2015, the individual members of the Executive Board received the following payments:

The total compensation for all members of the Executive Board was €1,038 thousand. The performance-unrelated, fixed basic compensation accounted for €721 thousand (plus other non-cash compensation of €25 thousand) and the variable, performance-related compensation for €317 thousand.

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

- Dr. Willibald Späth (until March 23, 2015): €157 thousand (performance-unrelated compensation €157 thousand, including €7 thousand in other remuneration, performance-related compensation €0 thousand and €0 thousand from the variable component with a long-term incentive effect).
- Thomas Hoffmann (until May 8, 2015): €176 thousand (performance-unrelated compensation €143 thousand, including €9 thousand in other remuneration, performance-related compensation €22 thousand and €11 thousand from the variable component with a long-term incentive effect).
- Bettina Meyer (since April 1, 2015): €354 thousand (performance-unrelated compensation €212 thousand, including €6 thousand in other remuneration, performance-related compensation €104 thousand and €38 thousand from the variable component with a long-term incentive effect).
- Jürgen Hansjosten (since April 1, 2015): €351 thousand (performance-unrelated compensation €209 thousand, including €3 thousand in other remuneration, performance-related compensation €104 thousand and €38 thousand from the variable component with a long-term incentive effect).

The fixed compensation for Dr. Willibald Späth was paid until March 31, 2015, after he ended his work on the Executive Board effective March 23, 2015.

In connection with the termination by mutual consent of the work of Mr. Thomas Hoffmann on the Executive Board effective May 8, 2015, it was agreed to end his contract of employment effective July 31, 2015. The contractual payments and benefits were still granted up to that date.

No compensatory or special payments were made in connection with the ending of the work of Dr. Späth and Mr. Hoffmann on the Executive Board.

Due to the fact that the contractually agreed thresholds were not reached, the provisions of €417 thousand for variable components with a long-term incentive effect set up for departed Executive Board members were reversed in fiscal 2015. Of this figure, €405 thousand were set up for entitlements on the part of Dr. Späth and €12 thousand for entitlements on the part of Mr. Hoffmann.

In addition, bonus entitlements of the departed Executive Board members from 2014 totaling €260 thousand (net payment amount) were offset by claims by euromicron AG for recovery of excess bonuses paid in previous periods in fiscal 2015. Of this figure, €177 thousand were set up for bonus entitlements on the part of Dr. Späth and €83 thousand for bonus entitlements on the part of Mr. Hoffmann.

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 2015, 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 2015 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 €42 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 7,176,398 no-par value registered shares.
- 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 General Meeting on May 14, 2014, adopted a resolution to create new authorized capital totaling €9,173,770.00. Under it, the Executive Board is authorized to increase the capital stock of euromicron AG by May 13, 2019, by up to a total of €9,173,770.00 on one or more occasions with the approval of the Supervisory Board by issuing new registered shares 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. The previously existing authorized capital, which was still €1,310,541.28 following its partial use for the capital increase, was rescinded.

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 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 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, 2015.

g.) There are no significant agreements by the company as defined by Section 315 (4) Nos. 8 and 9 of the German Commercial Code (HGB).

Frankfurt/Main, March 22, 2016

Bettina Meyer
Spokeswoman
of the Executive Board

Jürgen Hansjosten
Member
of the Executive Board