

CONSOLIDATED FINANCIAL

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Auditor's Report

Following the final results of our audit, we have issued the following unqualified auditor's report dated March 26, 2018:

Independent auditor's report

Audit opinions

We have audited the consolidated financial statements of euromicron AG, Frankfurt/Main, and its subsidiaries (the Group), consisting of the consolidated balance sheet as of December 31, 2017, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2017, as well as the notes on the consolidated financial statements, including a summary of significant accounting methods. We have also audited the group management report of euromicron AG for the fiscal year from January 1 to December 31, 2017. In accordance with German statutory requirements, we did not audit the contents of the components of the group management report specified in the section "Other information" of our auditor's report.

In our opinion pursuant to the findings gained during the audit,

- the enclosed consolidated financial statements comply, in all material respects, with the IFRS, as are to be applied in the EU, and in addition to the German statutory regulations to be applied pursuant to Section 315e (1) of the HGB (German Commercial Code) and give a true and fair view of the net assets and financial position of the Group as of December 31, 2017, and of its results of operations for the fiscal year from January 1 to December 31, 2017, taking into account these regulations, and
- the enclosed group management report conveys overall an accurate picture of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German statutory requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the contents of the components of

the group management report specified in the section "Other information".

In accordance with Section 322 (3) Sentence 1 HGB, we declare that our audit did not result in any objections to the legal compliance of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In our opinion, the following matters were of most significance in our audit:

1. Recoverability of goodwill (impairment test)
2. Accounting of customer-specific construction contracts

We have structured our presentation of these particularly key audit matters as follows:

1. Matter and statement of the problem
2. Audit approach and findings
3. Reference to further information

We present the particularly key audit matters in the following:

1. Recoverability of goodwill (impairment test)

1.1 Goodwill totaling €110.6 million (43.9% of total assets or 140.9% of equity) is carried under the balance sheet item "Goodwill" in the consolidated financial statements of euromicron AG. Goodwill is tested for impairment every year and as warranted (in an event-driven test) by the company to determine any need for it to be written down. The impairment test is conducted at the level of the group of cash-generating units to which the goodwill is assigned. In the impairment test, the carrying amount of each cash generating unit, including the goodwill, is compared with the recoverable amount. The recoverable amount is determined in principle on the basis of the fair value minus costs of sale. The basis of measurement here is usually the present value of the future cash flows of the respective group of cash-generating units. The present values are determined by means of discounted cash flow models. In this, the medium-term planning adopted by the Group forms the starting point and is updated by assumptions relating to long-term growth rates. Expectations of future market development and assumptions on the development of macroeconomic factors are also taken into account. The plausi-

bility of the budgeting on which the impairment test is based – including the in-depth estimates and assumptions of the legal representatives – was examined by an external expert engaged by the company. Discounting is carried out using the weighted average cost of capital for the respective group of cash-generating units. The result of the impairment test revealed that there was no need to recognize a impairment on the goodwill.

The result of this assessment depends to a great extent on the estimate by the legal representatives as regards future cash inflows for the respective group of cash-generating units, the discount rate used, the rate of growth, and other assumptions and so is subject to considerable uncertainty. In view of that and the complexity of such an assessment and the issue's significance for the company's net assets and results of operations, this matter was of particular importance in our audit.

1.2 As part of our audit, we gained an understanding of the methodological approach applied in the impairment test, among other things. After comparing the future cash inflows used for calculation with the medium-term planning adopted by the Group, we assessed the reasonableness of the calculation. Accompanying that, we also assessed the usability of the report created by the external expert. That also included an evaluation of the professional qualifications of the external expert. In particular, we also gained an understanding of the original data used, and the assumptions made or applied, in the report and assessed their reasonableness. We also examined whether the costs of Group functions were taken into account properly. Knowing that just relatively small changes in the applied discount rate and growth rate may have significant impacts on the company's value determined in this way, we looked intensively at the parameters used to determine the applied discount rate and the growth rate and gained an understanding of the calculation scheme. In order to reflect the existing uncertainties in forecasting, we gained an understanding of the sensitivity analyses created by the company. As part of that, we found that the carrying amounts of the cash-generating units, including the assigned goodwill, are sufficiently covered by the discounted future cash surpluses, taking into account the information available.

The measurement parameters and assumptions applied by the legal representatives match our expectations as a whole and are also within fluctuation margins that we believe to be acceptable.

1.3 The company's disclosures on goodwill can be found in section 1 (a) of the notes on the consolidated financial statements.

2. Accounting of customer-specific construction contracts

2.1 The sales reported in the consolidated financial statements of euromicron AG are attributable to customer-specific construction contracts to an amount of €180.4 million (54.2% of sales). The sales are recognized – provided the criteria defined in IAS 11 are met – in accordance with the percentage of completion method, with the percentage of completion being estimated using the ratio of actually incurred costs for the contract to the planned total costs (cost to cost method). In particular, the planned total costs and appropriate allocation of the incurred costs to the contracts are based on estimates and assumptions by legal representatives. In view of that and the resultant uncertainty in making estimates and the complexity of accounting for these contracts, this matter was of particular importance in our audit.

2.2 As part of our audit, we assessed among other things the processes and controls established by the Group to record sales from customer-specific construction contracts, taking into account their percentage of completion. In addition, we examined randomly selected projects to determine whether the requirements for realizing profits in accordance with the percentage of completion method pursuant to IAS 11 were met. Moreover, we assessed how the percentage of completion of customer-specific construction contracts was determined on the basis of the cost to cost method, as well as the resultant pro-rata sales and profits that were realized, taking into account the possible requirements for an immediate recognition of any loss. In this connection, we gained an understanding of how the planned total costs and the actually incurred costs are determined. That also included assessing the progress of the respective projects through talks with project managers and by inspecting project documents. We also assessed the continuity and consistency of the methods applied to calculate the incurred costs. We also ensured by means of Group-wide instructions that the audit risk inherent in this area is countered by consistent audit procedures. In this regard, we satisfied ourselves that the established systems and processes and the controls in place are appropriate all in all and that the estimates and assumptions made by the legal representatives as regards recognition and measurement of sales using the percentage of completion method are adequately documented.

2.3 The company's disclosures on sales from customer-specific construction contracts can be found in section 12 of the notes on the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information comprises the following components of the group management report whose contents were not audited:

- The corporate governance declaration in accordance with Section 289f and Section 315d HGB (German Commercial Code) contained in section 5 of the group management report
- The Corporate Governance Report in accordance with Section 3.10 of the German Corporate Governance Code
- The separate non-financial report in accordance with Section 289b (3) HGB and Section 315b (3) HGB

The other information also comprises the other parts of the Annual Report – excluding further cross-references to external information –, with the exception of the audited consolidated financial statements and the audited group management report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of consolidated financial statements that comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the Group's net assets, financial position and results of operations. In addition, the legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures
 - Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations in compliance with the IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
 - Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
 - Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides.
 - Perform audit procedures on the prospective information presented by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.
- From the matters discussed with those charged with governance, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the group auditor by the General Meeting on June 13, 2017. We were engaged by the Supervisory Board on December 7, 2017. We have been the group auditor of euromicron AG, Frankfurt/Main, without interruption since fiscal year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Dr. Ulrich Störk.

Frankfurt/Main, 26 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk
Wirtschaftsprüfer

ppa. Diana Plaum
Wirtschaftsprüfer

Balance sheet

of the euromicron Group as of December 31, 2017 (IFRS)

Assets	011			
	Note	Dec. 31, 2017	Dec. 31, 2016	Change
		€ thou.	€ thou.	€ thou.
Noncurrent assets				
Goodwill	(1)	110,629	108,291	2,338
Other intangible assets	(1)	16,557	16,371	186
Property, plant and equipment	(1)	19,139	15,612	3,527
Other financial assets	(1)	232	499	-267
Other assets	(1)	4	32	-28
Deferred tax assets	(2)	255	413	-158
Total noncurrent assets		146,816	141,218	5,598
Current assets				
Inventories	(4)	31,486	28,381	3,105
Trade accounts receivable	(5)	8,994	18,150	-9,156
Gross amount due from customers for contract work	(5)	52,518	40,708	11,810
Claims for income tax refunds	(5)	928	765	163
Other financial assets	(5)	3,898	5,520	-1,622
Other assets	(5)	2,566	2,287	279
Cash and cash equivalents	(6)	4,954	6,844	-1,890
Subtotal for current assets		105,344	102,655	2,689
Assets held for sale	(3)	0	691	-691
Total current assets		105,344	103,346	1,998
Total assets		252,160	244,564	7,596

Equity and liabilities

012

	Note	Dec. 31, 2017	Dec. 31, 2016	Change
		€ thou.	€ thou.	€ thou.
Equity				
Subscribed capital	(7)	18,348	18,348	0
Capital reserves	(7)	94,298	94,298	0
Currency translation difference	(7)	4	-5	9
Consolidated retained earnings	(7)	-34,708	-30,743	-3,965
Stockholders' equity		77,942	81,898	-3,956
Non-controlling interests	(7)	599	461	138
Total equity		78,541	82,359	-3,818
Noncurrent liabilities				
Provisions for pensions	(8)	1,424	1,381	43
Other provisions	(8)	1,751	1,683	68
Liabilities to banks	(9)	19,993	38,458	-18,465
Liabilities from finance leases	(9)	1,143	843	300
Other financial liabilities	(9)	610	0	610
Other liabilities	(9)	170	147	23
Deferred tax liabilities	(10)	5,598	5,670	-72
Total noncurrent liabilities		30,689	48,182	-17,493
Current liabilities				
Other provisions	(8)	1,955	1,574	381
Trade accounts payable	(9)	46,996	44,512	2,484
Gross amount due to customers for contract work	(9)	2,014	1,384	630
Liabilities from current income taxes	(9)	1,385	3,520	-2,135
Liabilities to banks	(9)	70,556	38,043	32,513
Liabilities from finance leases	(9)	521	466	55
Other tax liabilities	(9)	4,777	8,078	-3,301
Personnel obligations	(9)	9,795	9,176	619
Other financial liabilities	(9)	1,562	1,774	-212
Other liabilities	(9)	3,369	5,178	-1,809
Subtotal for current liabilities		142,930	113,705	29,225
Liabilities in connection with assets held for sale	(3)	0	318	-318
Total current liabilities		142,930	114,023	28,907
Total equity and liabilities		252,160	244,564	7,596

Income statement

of the euromicron Group for the period January 1 to December 31, 2017 (IFRS)

Income statement

013

	Note	2017	2016
		€ thou.	€ thou.
Sales	(12)	332,908	325,313
Inventory changes		-612	-863
Own work capitalized	(13)	3,389	2,808
Other operating income	(14)	2,190	4,499
Cost of materials	(15)	-172,432	-171,506
Personnel costs	(16)	-112,551	-109,057
Other operating expenses	(17)	-43,389	-43,809
Earnings before interest, taxes, depreciation and amortization (EBITDA)		9,503	7,385
Amortization and depreciation	(18)	-8,405	-9,649
Earnings before interest and taxes (EBIT)		1,098	-2,264
Interest income	(19)	313	152
Interest expenses	(19)	-4,943	-5,439
Other financial income	(19)	200	0
Other financial expenses	(19)	-219	-73
Income before income taxes		-3,551	-7,624
Income taxes	(20)	45	-4,845
Consolidated net loss for the year		-3,506	-12,469
Thereof attributable to euromicron AG shareholders		-3,769	-12,655
Thereof attributable to non-controlling interests	(21)	263	186
(Un)diluted earnings per share in €	(22)	-0.53	-1.76

Statement of comprehensive income

of the euromicron Group for the period January 1 to December 31, 2017 (IFRS)

Statement of comprehensive income

014

	Note	2017	2016
		€ thou.	€ thou.
Consolidated net loss for the year		-3,506	-12,469
Items to be subsequently recognized in profit or loss			
Gain/loss on the valuation of securities	(7)	0	0
Currency translation differences	(7)	9	-3
Items not to be subsequently recognized in profit or loss			
Revaluation effects from pensions	(8)	-201	-1,911
Other comprehensive income (net)		-192	-1,914
Total comprehensive income		-3,698	-14,383
Thereof attributable to euromicron AG shareholders		-3,961	-14,569
Thereof attributable to non-controlling interests		263	186

Statement of changes in equity

of the euromicron Group as of December 31, 2017 (IFRS)

Statement of changes in equity

	Note	Subscribed capital	Capital reserves
		€ thou.	€ thou.
December 31, 2015		18,348	94,298
Consolidated net loss for 2016		0	0
Other comprehensive income			
Currency translation differences	(7)	0	0
Revaluation effects from pensions	(8)	0	0
		0	0
Total comprehensive income		0	0
Transactions with owners			
Transfer of profit shares for minority interests to liabilities	(7)	0	0
Distributions to / drawings by minority interests	(7)	0	0
		0	0
December 31, 2016		18,348	94,298
Consolidated net loss for 2017		0	0
Other comprehensive income			
Currency translation differences	(7)	0	0
Revaluation effects from pensions	(8)	0	0
		0	0
Total comprehensive income		0	0
Transactions with owners			
Transfer of the pro-rata claim for compensation of losses on the part of minority interests to "Other assets"	(7)	0	0
Distributions to / drawings by minority interests	(7)	0	0
		0	0
December 31, 2017		18,348	94,298

015

	Consolidated retained earnings	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	-16,010	-2	96,634	404	97,038
	-12,655	0	-12,655	186	-12,469
	0	-3	-3	0	-3
	-1,911	0	-1,911	0	-1,911
	-1,911	-3	-1,914	0	-1,914
	-14,566	-3	-14,569	186	-14,383
	0	0	0	-4	-4
	-167	0	-167	-125	-292
	-167	0	-167	-129	-296
	-30,743	-5	81,898	461	82,359
	-3,769	0	-3,769	263	-3,506
	0	9	9	0	9
	-201	0	-201	0	-201
	-201	9	-192	0	-192
	-3,970	9	-3,961	263	-3,698
	5	0	5	0	5
	0	0	0	-125	-125
	5	0	5	-125	-120
	-34,708	4	77,942	599	78,541

Statement of cash flows

of the euromicron Group for the period January 1 to December 31, 2017 (IFRS)

Statement of cash flows	016	
	2017	2016
	€ thou.	€ thou.
Note (23)		
Income before income taxes	-3,551	-7,624
Net interest income/loss and other financial expenses	4,649	5,360
Depreciation and amortization of fixed assets	8,405	9,649
Reversal of write-downs of fixed assets	0	-54
Disposal of assets, net	-51	-24
Non-cash deconsolidation effects	70	0
Depreciation/amortization of other noncurrent and current assets	238	894
Allowances for inventories and doubtful accounts	770	1,500
Change in provisions	540	-860
Changes in current and noncurrent assets and liabilities:		
– Inventories	-3,764	254
– Trade accounts receivable and gross amount due from customers for contract work	-2,408	17,413
– Trade accounts payable and gross amount due to customers for contract work	3,299	-2,696
– Other operating assets	1,493	-2,724
– Other operating liabilities	-4,377	-20,119
– Income tax paid	-2,870	-4,306
– Income tax received	832	1,070
– Interest paid	-4,960	-4,898
– Interest received	125	25
Net cash used in operating activities*	-1,560	-7,140
Proceeds from		
– Retirement/disposal of intangible assets	0	12
– Retirement/disposal of property, plant and equipment	68	67
Payments for		
– the purchase of intangible fixed assets	-4,410	-3,464
– the purchase of tangible fixed assets	-6,380	-3,776
– the acquisition of subsidiaries and other business units, less assumed cash and cash equivalents	-2,048	-609
– the disposal of subsidiaries and other business units, including transferred cash and cash equivalents	-701	0
Net cash used in investing activities	-13,471	-7,770
Proceeds from raising of financial loans	18,720	21,835
Cash repayments of financial loans	-4,775	-10,125
Cash repayments of liabilities from finance leases	-525	-526
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	-279	-152
Net cash provided by financing activities	13,141	11,032
Net change in cash funds	-1,890	-3,878
Cash funds at start of period	6,844	10,722
Cash funds at end of period	4,954	6,844
* Adjusted for factoring effects:		
Net cash provided by operating activities:	386	1,295

General disclosures

1. Description of business activities

euromicron AG (hereinafter referred to as the “company”) is a registered stock corporation under German law whose shares are traded on the stock market and has its registered offices in Frankfurt/Main, Germany. The euromicron Group unites medium-sized high-tech companies that operate in particular in the target markets of “Digital Buildings”, “Smart Industry” and “Critical Infrastructures”. As German specialists for digital infrastructures, the companies in the euromicron Group enable their customers to network business and production processes and so successfully move to a digital future. From design and implementation, operation, to intelligent services – euromicron provides its customers with tailor-made 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.

2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315e (1) of the German Commercial Code (HGB), in the valid version at December 31, 2017. All the mandatory standards at the balance sheet date were applied.

Effects of new standards and interpretations or changes to them on the consolidated financial statements

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal year 2017: [TABLE 017](#)

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

017

	Standard / interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 7	Statement of Cash Flows – Disclosure Initiative (amendment)	January 1, 2017	Yes
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (amendment)	January 1, 2017	Yes
AIP	Annual improvements to the IFRSs, cycle 2014–2016	January 1, 2017 / January 1, 2018	Yes

First-time application of the amendments to IAS 12 “Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses” did not have any effects on the consolidated financial statements. First-time application of the amendments to IAS 7 “Statement of Cash Flows – Disclosure Initiative” resulted in new and extended disclosures in the notes on the statement of cash flows, in which the changes to certain financial liabilities have to be presented.

The collection “Annual improvements to the IFRSs, 2014-2016 cycle” contains amendments to the following IFRSs:

- IAS 28 “Investments in Associates and Joint Ventures”
- IFRS 12 “Disclosure of Interests in Other Entities”
- IFRS 1 “First-time Adoption of International Financial Reporting Standards”

Only the amendments to IFRS 12 “Disclosure of Interests in Other Entities” from the collection “Annual improvements to the IFRSs, 2014-2016 cycle” were mandatory for the first time for the past fiscal year 2017; first-time application did not have any significant effects on the consolidated financial statements.

The following new or changed accounting regulations of the IASB have recently been adopted. However, since their application is not yet mandatory or they have not yet been adopted by the European Union, they were not used in the consolidated financial statements as of December 31, 2017.

TABLE 018

First-time application of the amendments to IAS 19 “Employee Benefits: Plan Amendment, Curtailment or Settlement”, IAS 28 “Long-term Interests in Associates and Joint Ventures”, IAS 40 “Investment Property: Transfers of Investment Property”, IFRS 2 “Share-based Payment: Classification and Measurement of Share-based Payment Transactions” and IFRS 4 “Insurance Contracts” and from first-time application of the new standards and interpretations IFRS 17 “Insurance Contracts”, IFRIC 22 “Foreign Currency Transactions and Advance Consideration” and IFRIC 23 “Uncertainty over Income Tax Treatments” will probably not have any significant effects on the consolidated financial statements.

IFRS standards to be applied in future fiscal years

018

	Standard / interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement amendment)	January 1, 2019	No
IAS 28	Long-term Interests in Associates and Joint Ventures (amendment)	January 1, 2019	No
IAS 40	Investment Property: Transfers of Investment Property (amendment)	January 1, 2018	Yes
IFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions (amendment)	January 1, 2018	Yes
IFRS 4	Insurance Contracts (amendment)	January 1, 2018	Yes
IFRS 9	Financial instruments	January 1, 2018	Yes
IFRS 9	Financial Instruments: Prepayment Features with Negative Compensation (amendment)	January 1, 2019	No
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Yes
IFRS 15	Revenue from Contracts with Customers (clarifications)	January 1, 2018	Yes
IFRS 16	Leases	January 1, 2019	Yes
IFRS 17	Insurance Contracts	January 1, 2021	No
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	No
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	No
AIP	Annual improvements to the IFRSs, cycle 2014–2016	January 1, 2017 / January 1, 2018	No
AIP	Annual improvements to the IFRSs, cycle 2015–2017	January 1, 2019	No

Of the above amendments to the IFRSs contained in the collection “Annual improvements to the IFRSs, 2014-2016 cycle”, the amendments to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 1 “First-time Adoption of International Financial Reporting Standards” have to be applied for the first time in fiscal year 2018. First-time application of these amendments will probably not have any significant effects on the consolidated financial statements.

The collection “Annual improvements to the IFRSs, 2015–2017 cycle” contains amendments to the following IFRSs:

- IFRS 3 “Business Combinations” and IFRS 11 – “Joint Arrangements”
- IAS 23 – “Borrowing Costs”
- IAS 12 – “Income Taxes”

Any effects on the consolidated financial statements are still being examined at present.

Voluntary premature application of individual standards or interpretations to be applied in future, where permissible for the standard or interpretation in question – subject to any still outstanding endorsement –, is not envisaged by the euromicron Group.

The following presents the standards or interpretations which are to be applied in future and whose first-time application will have significant effects on the consolidated financial statements.

IFRS 9 – “Financial Instruments”

The IASB adopted the final version of IFRS 9 “Financial Instruments” on July 24, 2014. Adoption of the IFRS 9 means that its previous versions (Classification and Measurement: Financial Assets and Liabilities; Hedge Accounting) and its predecessor standard IAS 39 “Financial Instruments: Recognition and Measurement” are superseded.

When first carried, financial assets are in future to be categorized as measured at “fair value through profit or loss” or at “amortized cost” This classification is dependent on the company’s business model and the contractual terms of the financial asset. The new measurement category FVOCI in-

roduced with the final standard can be used for specific financial assets if the assets are controlled with the objective of collecting the contractually agreed cash flows and to sell the assets (holding and selling business model) and the contractual cash flows from the assets are solely repayments of principal and interest payments (cash flow criterion). If both conditions are met, a debt instrument must always be classified as FVOCI, unless the fair value option is used at the time of the asset’s addition.

In the case of financial assets that are assigned to the measurement category FVOCI (with recycling), measurement gains must be recognized in the “Other profit/loss”; however, impairment losses, income from reversals of impairment losses, gains and losses from foreign currency translation and interest income must be presented in the income statement. The measurement gains carried in “Other profit/loss” must be transferred to the income statement when derecognized (recycling).

There is the irrevocable possibility of applying an FVOCI option for equity instruments provided the instruments in question are not held for trading. The amounts carried in “Other profit/loss” are not transferred to the income statement for these instruments (no recycling).

The classification of financial liabilities has not changed compared with IAS 39. Only the regulations in the event of a change to the own credit risk have changed for financial liabilities measured at fair value using the fair value option. They have to be carried in the “Other profit/loss”.

The new regulations in IFRS 9 on recognition of impairments are based on the premise of providing for anticipated losses (expected loss model), a deviation from the previous model of losses that had already occurred (incurred loss model). Unlike the incurred loss model, the expected loss model takes into account anticipated losses if there are no concrete loss indicators. Consequently, a risk provision for expected payment losses must now be formed in principle in accordance with IFRS 9.

In order to determine the extent of provisions for risks, there is a three-tier model under which in principle expected losses for 12 months are to be carried as of first-time recognition and, in the event of a significant deterioration in the credit risk, the anticipated total losses are to be recognized.

An exception to the general impairment model is the simplified impairment model for trade receivables, lease receivables and contract assets in accordance with IFRS 15. Under the simplified impairment model, a risk provision must be carried for all instruments (regardless of the quality of the credit) to the amount of the anticipated losses over their remaining term, i.e. at the time of addition of these instruments are assigned generally to level 2 and transferred to level 3, if there are objective indications of impairment. Assignment to level 1 is prohibited if the simplified impairment model is used.

IFRS 9 contains regulations on hedge accounting that create a stronger connection between hedge accounting on the balance sheet and the risk management practiced as part of operational activities. We do not expect any effects from the changes to hedge accounting, since the euromicron Group does not use hedge accounting.

The regulation on adoption of IFRS 9 "Financial Instruments" by the EU ("endorsement") was published in the Official Journal of the EU on November 29, 2016. The new standard must be applied to fiscal years beginning on or after January 1, 2018. In principle, first-time adoption of IFRS 9 must be retrospective; however, various simplification options are granted. No adjustment is made to the comparative figures for the previous year.

euromicron examined the effects of IFRS 9 in a project launched for that purpose. In the assessment of management, the euromicron Group is affected by introduction of IFRS 9 as regards the following matters:

Since the euromicron Group sells receivables to a significant extent, the receivables which are to be sold revolvingly do not meet the requirements for the business model "Hold for collection of contractual cash flows", meaning that these receivables are measured at fair value. Receivables not covered by the terms and conditions of the factoring agreement are still carried at amortized cost, since they fall under the business model "Hold for collection of contractual cash flows". The trade accounts receivable sold at the balance sheet date result in a partial disposal with booking of a low continuing involvement. Consequently, there are no significant effects from measurement at fair value at the balance sheet date.

In addition, the new impairment model (expected loss model) was analyzed. Use of the simplified impairment model on trade accounts receivable and contract assets in accordance with IFRS 15 will only insignificantly increase the impairments at the time of first-time application of IFRS 9.

In addition to the presented effects on recognition and measurement, there are new and extensive disclosure obligations, in particular in relation to credit risks and expected credit losses.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the standard IFRS 15 "Revenue from Contracts with Customers" in May 2014. It has to be applied for reporting periods commencing as from January 1, 2018. The standard provides a single, principles-based five-step model for determining and recognizing revenue that is to be applied to all contracts with customers and contains the core principle that revenue must be recognized at the time control over goods and services passes to the customer. In particular, it supersedes the standards IAS 11 and IAS 18 and the regulations in various interpretations. euromicron will apply it for the first time using the modified retrospective method, i.e. any conversion effects will be recognized cumulatively in the consolidated retained earnings at the start of the comparative period on January 1, 2018. euromicron makes use of possible exemptions here. In particular, contracts that began or were fulfilled before January 1, 2018, will not be remeasured, in particular at January 1, 2018.

Determination of the effects entails considerable exercise of judgment and estimates. That applies, for example, to the assessment of customers' likely willingness to accept changes and consent to supplements, or to estimating the percentage of completion. Implementation of the standard has not yet been completed, meaning all the disclosures are current estimates which may change by the time of its final implementation.

The above-described effects of first-time application of IFRS 15 depend to a significant extent on the business models of euromicron's companies.

In construction-related project business/system integration business, the Group assumes that the requirements for realization of revenues over time will still apply to just about all construction contracts with just one performance obligation. However, IFRS 15 also contains new regulations, such as on reporting and accounting of supplements and changes to contracts in the form of contract modifications. A higher probability threshold than under the standards to date is applied as regards revenue recognition.

In the remaining project business, euromicron assumes that the revenue for most of the construction contracts carried up to now using the percentage of completion method in accordance with IAS 11 will in future have to be recognized at a later point in time, since the requirements for realization of revenues over time in accordance with IFRS 15 are no longer fulfilled.

Revenues from service agreements mainly come from service and maintenance services and other services. euromicron expects that, in relation to service agreements, there will be no significant changes to revenue realization as at present as a result of IFRS 15.

In the case of the supply of goods, we likewise do not expect there to be any significant changes to revenue realization compared to at present as a result of IFRS 15.

euromicron currently assumes that the consolidated retained earnings at January 1, 2018, will be reduced by an amount in the lower single-digit million range, before deferred taxes are allowed for.

In addition, euromicron expects changes in the balance sheet (for example as a result of separate items for contract assets and liabilities) and additional quantitative and qualitative disclosures in the notes.

Clarifications on IFRS 15 "Revenue from Contracts with Customers"

The IASB published clarifications on IFRS 15 "Revenue from Contracts with Customers" on April 12, 2016. The clarifications contain additions and information on the following issues in IFRS 15:

- Identifying performance obligations (delimitation in the context of a contract)
- Principal versus agent consideration (principles for differentiating between a principal and agent)
- Licensing (determination of the type of license and sales-based and use-based license fees) and
- Transition regulations (exemption for retrospective application of IFRS 15).

The clarifications relate in particular to the question of whether a company acts as the principal (i.e. controls the asset or service before it is transferred to the customer) or as an agent. The clarifications on IFRS 15 therefore contain amended as well as new practical examples relating to the mediation of air tickets, meal vouchers and maintenance services. The mandatory date of first-time adoption is January 1, 2018. Please refer to the comments on IFRS 15 "Revenue from Contracts with Customers" for details of the anticipated effect of IFRS 15 on the consolidated financial statements.

IFRS 16 "Leases"

On January 13, 2016, the IASB published its standard on future lease accounting: IFRS 16 "Leases". IFRS 16 thus replaces the previous regulations of IAS 17 "Leases" and related interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases: Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

Under the new regulations, the lessee must recognize all leases in future in the balance sheet in the form of a right of use and corresponding lease liability. They are always presented in the income statement as a financing transaction, i.e. the right of use must usually be amortized using the straight-line method and the lease liability amortized using the effective interest method. Only leases with a total maximum term of twelve months and leases for low-value assets (IT equipment and operating and office equipment with a value when new of up to USD 5,000, if they are not closely linked to other assets) are exempted from being carried in the balance sheet. In these cases, the lessee can elect to

recognize the assets in a similar way as for the previous operating lease under IAS 17 "Leases".

The new standard does not contain any major changes for lessors. The IASB has adopted the regulations of IAS 17 for lessors in the new standard almost without any changes. As a result, the lessor still classifies every lease from the aspect of risk and reward, both for the purpose of presenting it on the balance sheet and in earnings. As a result, there is no longer a mirror-image reflection between the lessor and lessee. In addition, the IASB has established the control principle familiar from IFRS 10 "Consolidated Financial Statements" and IFRS 15 "Revenue from Contracts with Customers" in IFRS 16 "Leases". Accordingly, a lease will exist in future if fulfillment of the contract depends on use of an identified asset and the contract also gives the customer the right to control use of that asset.

Further changes from previous regulations include in relation to sale and leaseback transactions, in which in a first step it is necessary to assess where there is a sale in accordance with IFRS 15 "Revenue from Contracts with Customers", which did not have to be taken into account under IAS 17 "Leases". In addition, IFRS 16 contains amended regulations on the separation of lease and service components, accounting in the event of modification to existing contracts, and a significant expansion in disclosure obligations on the part of both the lessor and lessee.

IFRS 16 must be applied to fiscal years beginning on or after January 1, 2019. In fiscal year 2016, the euromicron Group initiated a group-wide project to introduce IFRS 16 and continued it in 2017. As part of the project, a survey of the existing tenancy agreements and leases was initially conducted throughout the Group. The effects of the new standard on accounting, processes and systems were also analyzed. In addition, various software solutions on the market were examined to determine whether they might be used at the euromicron Group.

The euromicron Group will apply IFRS 16 for the first time effective January 1, 2019, using the modified retrospective method and recognize the cumulative effect from first-time application of IFRS 16 as an adjustment to the opening balance sheet values for the revenue reserves at January 1, 2019, without adjusting the comparative information.

As regards the options and exemptions available under IFRS 16, the euromicron Group chooses the following approach:

- Rights of use and lease obligations are carried separately in the balance sheet.
- It does not use the exemption whereby the recognition, measurement and carrying requirements of IFRS 16 do not have to be applied to short-term leases (total maximum term of twelve months) and to leases for which the underlying asset is of low-value.
- No separation is carried out in contracts that contain non-lease components in addition to lease components. Each lease component is presented as one lease along with the other related non-lease components.

We anticipate that first-time application of IFRS 16 effective January 1, 2019, will result in a significant increase in total assets due to the fact that rights of use and lease obligations have to be carried in the balance sheet. The increase in lease obligations will entail a corresponding increase in net financial debt. Due to said increase in total assets, we also anticipate a corresponding reduction in the euromicron Group's equity ratio.

As regards the effects on items in the consolidated income statement, we expect a significant improvement in EBITDA due to lower rent and lease expenses carried under "Other operating expenses" as of fiscal year 2019. We also expect a positive impact on EBIT, although this will be far lower than the positive impact on EBITDA due to additional amortization of the recognized rights of use. We also expect higher interest expense and so a fall in the net financial result, as well as corresponding expenses and income from deferred taxes. All in all, we expect the above effects to have a positive impact on euromicron AG's consolidated income in fiscal year 2019.

In the consolidated statement of cash flows, the repayment portion of the lease payments from operating leases to date will reduce the net cash from financing activities in future. The cash flows for the lease payments made under operating leases were previously carried in the net cash from operating activities.

In addition to the effects on the balance sheet and income statement, there will also be additional, extensive quantitative and qualitative disclosures in the notes.

General principles

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

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

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

Offsetting of assets and liabilities

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

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

Currency translation

The consolidated financial statements of euromicron AG are prepared in euro, the functional currency of euromicron AG.

Foreign currency transactions are translated into the functional currency at the exchange rates at the time of the transaction. Gains and losses resulting from fulfillment of such transactions and translation of monetary assets and liabilities held in foreign currency at the balance sheet date are recognized in the income statement.

Receivables and liabilities in foreign currency amounts are translated at the spot rate on the balance sheet date.

The results and balance sheet items of Group companies that have a different functional currency to the euro are translated into euros as follows:

- Assets and liabilities are translated at the rate on each respective balance sheet date.
- Income and expenses are translated for each income statement at the average rates during the year (unless use of the average rate does not result in a reasonable approximation of the cumulative effects that would have resulted from translation at the rates applicable at the times of the transactions, in which case income and expenses are to be translated at their rates on the transaction date).

All resultant translation differences are recognized in equity in the separate item "Currency translation difference".

Consolidation principles

Subsidiaries are all companies that are controlled by the Group. The Group controls an associated company if it has power of disposal over the company, there is a risk exposure as a result of or rights to variable returns from its engagement in the associated company and the Group has the ability to use its power of disposal over the company so as to influence the level of the variable returns from the associated company. This is usually accompanied by a share of the voting rights of more than 50%. In assessing whether a company is controlled, the existence and impact of potential voting rights that can be exercised or are convertible at present are taken into account. Subsidiaries are included in the consolidated financial statements by way of full consolidation.

They are included from the date on which control has passed to the Group and no longer included where the Group does not have control over them.

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

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

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

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

Company acquisitions

Acquired subsidiaries are carried using the purchase method of accounting in accordance with IFRS 3. The transferred consideration for the acquisition correspond to the fair value of the assets of the issued equity instruments and the debts that were assumed at the time of the transaction. They also include the fair values of any recognized assets or liabilities resulting from a conditional consideration agreement. Identifiable assets, liabilities and contingent liabilities as part of a business combination are measured at their fair value at the time of acquisition in first-time consolidation. Any positive difference remaining after allowance for deferred taxes is carried as goodwill under the intangible assets.

If the transferred consideration is less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the income statement.

Incidental costs as part of company acquisitions are recognized as an expense in the current period and carried under "Other operating expenses" (mainly as consulting costs).

Non-controlling interests are measured at their share proportionate to the identifiable and re-measured net assets of the subsidiary.

If put or call options for non-controlling interests are concluded in a company acquisition, the "anticipated acquisition method" is used; complete acquisition is assumed in this method, with the result that non-controlling interests are not carried.

Any conditional considerations are measured at fair value at the time of acquisition. Subsequent changes to the fair value of a conditional quid pro quo classified as an asset or liability are measured in accordance with IAS 39 and any resultant profit or loss is recognized in the income statement. A conditional consideration classified as equity is not re-measured; its later settlement is recognized in equity.

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

Intangible assets – Goodwill

Goodwill from business combinations is not written off using the regular method of depreciation, but examined for impairment at least once a year in accordance with the regulations of IAS 36 (impairment test). euromicron tests goodwill for impairment every year at December 31 of the respective reporting period. An impairment test is also conducted if there are indications or circumstances (triggering events) that suggest the value might be reduced.

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

In order to determine the fair value, minus retirement costs, for the groups of cash-generating units, payment flows for the next five years were forecast on the basis of past experience, current operating results and the best-possible assessment of future developments by management, as well as on market assumptions. The near-term sales planning is geared to the sales pipeline and the analyzed potentials for new and existing customers. In its multi-year approach, management is essentially oriented toward the potentials and anticipated individual developments of the addressed markets. The anticipated effects of measures by government and public authorities in the field of infrastructure are also taken into account if they can be adequately foreseen. The variable costs mainly change in line with the anticipated development of sale volumes and purchase prices. The planning figures are updated for subsequent years using a long-term growth rate of 1.0% (previous year: 0.81%). The fair value determined for the groups of cash-generating units was assigned to level 3 in the hierarchy of fair values.

Other intangible assets

The other intangible assets comprise concessions, industrial and similar rights, brand name rights, capitalized development costs and self-developed software. The other intangible assets are carried at cost and amortized using the straight-line method, on the basis of the following useful lives: [TABLE 019](#)

Useful lives of other intangible assets 019

	Useful life in years
Concessions, industrial and similar rights	3–10
Brand name rights	10–25
Capitalized development costs	3–8
Self-developed software	5

There are no intangible assets with an indefinite period of use either at the balance sheet date or at the balance sheet date of the previous year.

In the case of self-developed intangible assets, development costs are carried at acquisition and manufacturing cost in accordance with IAS 38, provided the expenses can be clearly assigned, technical feasibility is ensured, there is the intent and ability to create and sell the intangible assets, and marketing of products based on development work is likely to result in future inflows of funds.

Capitalized development costs and own work for self-developed software and IT solutions include directly attributable unit costs, which are recorded in cost accounting, and pro-rata overhead costs.

Research expenditure – where incurred – is posted as an expense, but is not a material factor at the euromicron Group.

Property, plant and equipment

Property, plant and equipment is measured at its acquisition or manufacturing cost less cumulated depreciation.

Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives: **TABLE 020**

<u>Useful lives of property, plant and equipment</u>	<u>020</u>
	Useful life in years
Buildings/leasehold improvements	5–40
Technical equipment and machinery	3–14
Other equipment, operating and office equipment	3–16

Financing costs are capitalized as acquisition or manufacturing costs in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets for which borrowing costs can be directly attributed to the acquisition or production of a qualifying asset and for which a considerable period of usually more than twelve months is required to put them into a usable state. In the past fiscal year or in the previous fiscal year before that, there were no borrowing costs that must be capitalized within the meaning of IAS 23.

Impairment of long-lived assets

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

Value in use is the present value of the estimated future cash flow expected to be derived from continued use of an asset and its retirement at the end of its useful life. If the reasons for the value impairments in earlier reporting periods no longer exist, the assets – with the exception of goodwill – are written up again.

Leasing

If, in accordance with IAS 17, the lessee bears the main risks and opportunities in relation to leased assets, economic ownership is ascribed to the lessee (“finance lease”). In the case of the assets leased by the euromicron Group, the leased object under a finance lease is carried at the time of addition in other intangible assets or the fixed assets at the lower of its fair value or the present value of the minimum lease payments. Capitalized leased objects are written down using the straight line method over their scheduled useful lives or over the agreement’s term. The corresponding liability to the lessor is carried at the same amount under “Liabilities from finance leases” at the time of the addition and amortized by means of the effective interest method.

If the main risks and opportunities from a lease remain with the lessor, this constitutes an operating lease. Payments in connection with an operating lease are carried in the income statement linearly over the term of the lease.

When the euromicron Group leases assets in a finance lease, the present value of the minimum lease payments is carried as the leasing receivable. The difference between the gross receivable (minimum lease payments before discounting) and the present value of the receivable is carried as unrealized financial income. Lease contracts are recognized over the term of the lease in income in such a way that there is a constant rate of interest for the leasing receivable.

Assets that are leased by the euromicron Group as part of an operating lease are allocated on the balance sheet on the basis of their nature. Income from operating leases is carried linearly over the term of the lease.

Inventories

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

Construction contracts

The euromicron Group's portfolio includes project companies that report project and installation services running beyond the key date in their balance sheet. Sales and earnings for projects that run beyond the key date and whose costs and pro-rata profit can be clearly identified are recognized using the percentage of completion (PoC) method in accordance with IAS 11. The input-oriented cost-to-cost method is used to determine the percentage of completion, with the order costs incurred up to the balance sheet date being expressed as a ratio of the total estimated order costs or those specified in order costing. In general, only order costs that reflect the progress of the service are included in these costs. Using cost and contribution margin budgeting for each project, the project progress achieved on the key date is reflected in terms of value or the revenues from the order are recorded. Management of the project companies regularly examines the estimates of the project orders, including as regards potential risks and the costs still to be incurred in the project, that are required so that the overall success of a project can be assessed with sufficient reliability. The PoC sales revenues determined using the cost-to-cost method are derived from the costs of contracts incurred up to the balance sheet date plus a pro-rata profit or less any losses.

The balances of projects running beyond the key date are reported in the separate balance sheet items "Gross amount due from customers for contract work" and "Gross amount due to customers for contract work". They are carried after being netted off against the partial settlements covered by the services provided up to the key date and against the reported losses.

Financial assets

In principle, financial assets are split into the following categories:

- a) At fair value through profit or loss
- b) Loans and receivables
- c) Held to maturity investments and
- d) Available for sale.

The classification depends on the purpose for which the financial asset in question was acquired. Management defines the classification of financial assets when they are recognized for the first time.

The euromicron Group has financial assets in the categories "Loans and receivables", "Available for sale" and "At fair value through profit or loss" at the balance sheet date.

Financial assets in the "Available for sale" category are initially carried at their fair value. Related transaction costs are recognized in profit or loss in the case of equity instruments. After first-time recognition, financial assets in the category "Available for sale" are measured at fair value. Changes in the fair value of financial assets in the "Available for sale" category are in principle recognized under "other comprehensive income" (OCI), unless a lasting impairment to them is ascertained.

If securities classified as "Available for sale" are sold, the accumulated changes in fair value previously carried under "Other profit/loss" are recognized in the income statement.

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are classed as current assets if their due date is not more than twelve months after the balance sheet date. If the due date is more than twelve months, they are carried as noncurrent assets. "Loans and receivables" are carried in the balance sheet under "Trade accounts receivable", "Gross amount due from customers for contract work", "Other financial assets" and "Cash and cash equivalents". Financial assets in the category "Loans and receivables" are initially recognized at their fair value plus transaction costs. After first-time recognition, they are carried at amortized acquisition cost using the effective interest method.

Financial assets assigned to the category "at fair value through profit or loss" are financial instruments which are held for trading or have been defined as being measured at "fair value through profit or loss" at the time they are first recognized. They are carried in the balance sheet under "Other financial assets". Financial assets in the "at fair value through profit or loss" category are initially carried at their fair value. Financial assets in this category are also measured subsequently at their fair values. Changes in fair value are in principle recognized in "Other financial income" or "Other financial expenses".

Regular purchases or sales of financial assets are recognized on the day of trading. Financial assets are derecognized if the rights to payments from the financial assets have expired or been transferred and the Group has essentially transferred all risks and opportunities attached to ownership of them.

Impairment to the value of financial assets

At each balance sheet, an examination is carried out to ascertain whether there are objective indications that the value of a financial asset or group of financial assets has been impaired.

In the case of financial assets in the "Available for sale" category, a significant or lasting decline in fair value below the acquisition costs is regarded as an indicator of impairment.

If there is such an impairment for available-for-sale assets, the accumulated loss is derecognized from equity and carried in the income statement. If the fair value of a financial asset in the category "Available for sale" increases again in a subsequent period due to circumstances that have occurred after first-time recognition of the impairment, the recovery in value is taken directly to equity in the case of equity instruments.

In the event of impairment to the value of an asset in the category "Loans and receivables", its carrying amount is reduced and the loss recognized as an expense. If the amount of the impairment falls in a subsequent period, the recovery in value is recognized as income.

Cash and cash equivalents

Cash and cash equivalents are measured at nominal value.

Assets held for sale and liabilities in connection with assets held for sale

Assets held for sale and their related liabilities are measured in accordance with IFRS 5 and carried as current assets. Assets are classified as "held for sale" if they can be sold immediately in their current condition and it is highly probable that they will be sold. They may relate to individual non-current assets or groups of assets for sale (disposal groups). Liabilities that are transferred together with assets in a transaction are part of a disposal group and are carried separately as current liabilities as "liabilities in connection with assets held for sale". Noncurrent assets held for sale are not written off using the regular method of depreciation/amortization and must be recognized at the lower of their carrying amount or their fair value less costs to sell. Gains or losses from measurement of individual assets held for sale or disposal groups are carried in the result from continuing operations until they are finally sold, unless discontinued operations are involved.

Any impairment loss that needs to be recognized for a disposal group is initially allocated to the noncurrent assets of the disposal group in accordance with the order specified in IAS 36. Any impairment loss that needs to be recognized above and beyond that is allocated to the current assets in euromicron's consolidated financial statements.

Current and deferred taxes

The tax expense for the period is composed of current and deferred taxes. Taxes are carried in the income statement, unless they relate to items that are recognized directly in equity or the other profit/loss. In that case, the taxes are likewise carried in equity or the other profit/loss. The current tax expense is calculated using the tax regulations that apply on the balance sheet date for the countries in which the company and its subsidiaries earn taxable income.

Deferred taxes are formed on temporary differences in carrying values between the consolidated balance sheet and tax balance sheet and on loss carryforwards using the liabilities method in accordance with IAS 12. In this, deferred taxes at the level of the individual companies and from consolidation effects are taken into account.

Deferred tax claims (deferred tax assets) are recognized to the extent that it is probable that there will be a taxable result in future. The tax rates that are enacted or can be expected to be enacted on the balance sheet at the time of realization are used to calculate deferred taxes. In general, deferred taxes are carried in the noncurrent balance sheet items.

Deferred taxes resulting from temporary differences in connection with shares in subsidiaries are not recognized if the time at which the temporary differences are reversed can be determined by the Group and it is likely that the temporary differences will not be reversed in the foreseeable future due to this influence.

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

Equity

Equity comprises the shares in euromicron AG. There are no preferential shares or shares whose nominal amounts must be repaid.

In accordance with IAS 32.37, the equity transaction costs incurred as part of capital increases and the issue of new shares or options, minus deferred taxes, are directly offset with the premium and not recognized in the income statement.

If a company in the euromicron Group acquires equity interests in euromicron AG (treasury shares), the value of the paid consideration, including directly attributable additional costs (net after income taxes), is deducted from euromicron AG's equity until all the shares have been redeemed and issued again. If such treasury shares are subsequently issued again, the received consideration (net after deduction of directly attributable additional transaction costs and related income tax) is carried in euromicron AG's equity.

Liabilities

Liabilities are classified as current if the payment obligation is due within one year. Otherwise, they are classified as noncurrent liabilities.

When recognized for the first time, liabilities are measured at fair value. Current liabilities are measured at their repayment amount or settlement amount. Noncurrent liabilities are measured at their amortized acquisition cost. The amortized acquisition costs are determined using the effective interest method.

Financial liabilities

Financial liabilities can basically be split into two categories:

- a) Financial liabilities at fair value through profit or loss;
- b) Other financial liabilities measured at amortized cost using the effective interest method.

When recognized for the first time, financial liabilities at fair value through profit or loss are measured at fair value, minus directly attributable transaction costs. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Changes to fair value are carried in the period they occur in the income statement. All other financial liabilities are measured in subsequent periods at amortized acquisition cost using the effective interest method. Financial liabilities are derecognized on the balance sheet only if they have been repaid, i.e. if the underlying obligation has been fulfilled or canceled or has elapsed.

Provisions for pensions and similar obligations

There are defined benefit and defined contribution pension schemes at the euromicron Group. A defined contribution scheme is a pension scheme where the Group pays fixed contributions to a company (fund) that is not part of the Group. The Group has no legal or factual obligation to pay additional contributions if the fund does not contain sufficient assets to settle the pension entitlements of all employees from the current and previous fiscal years. A defined benefit scheme is a scheme that is not a defined contribution scheme. Typically, defined benefit schemes prescribe an amount for the pension benefits which the employees will receive when they retire and which is usually dependent on one or more factors (age, length of service and salary).

The provision for defined benefit schemes in the balance sheet corresponds to the present value of the defined benefit obligation (DBO) on the balance sheet date minus the fair value of the plan assets. The DBO is calculated annually by an independent actuarial expert using the projected unit credit method. The present value of the DBO is calculated by discounting the anticipated future cash payments at the interest rate of high-quality corporate bonds. The corporate bonds are denominated in the currency of the amounts to be paid out and have maturities matching the pension obligations.

The current service cost reflects the increase in the benefit obligation earned by employees in the period under review. It is carried in the income statement under "Personnel costs". Past service costs are also recognized immediately in the income.

The net interest is calculated by multiplying the net debt (asset) from the defined benefit schemes by the discount rate. Both are calculated at the beginning of the period under review, taking into account any changes that have occurred to the net debt due to payments of contributions and benefits in the course of the period under review. The net interest is carried under "Net interest income/loss" in the income statement.

New valuations due to experience adjustments and changes to actuarial assumptions are recognized in equity under "Other profit/loss" in the period in which they occur.

In the case of defined contribution schemes, the Group pays contributions to public or private pension institutions voluntarily or subject to a statutory or contractual obligation. The Group has no further payment obligations above and beyond making the contributions. The contributions are carried under "Personnel costs" when they are due. Prepaid contributions are recognized as assets to the extent that there is a right to repayment or a reduction in future payments.

Other provisions

Provisions are recognized in the case of a current legal or constructive obligation to third parties from a past event where utilization is probable and the expected amount of the necessary provision can be measured reliably. The provisions are measured in compliance with IAS 37 at the best estimate of the expenditure required to settle the obligation. Provisions are reversed against the expense item where the original allocation to a provision was carried. If the discounting effect for long-term provisions is material, the provisions are recognized at the present value of the anticipated future cash flows.

Sales

euromicron has various classes of revenue:

Revenue from the sale of goods are recognized if the significant risks and opportunities associated with ownership of the sold goods and products has been transferred to the customer and the amount of revenue realized can be measured reliably. That is usually when the goods are handed over.

The company recognizes revenue from the provision of services as soon as the service has been provided or, in the case of long-term service agreements, linearly over the term of the agreement.

Revenues from construction contracts are recognized using the percentage of completion method of the result if a construction contract can be estimated reliably. Please refer to the comments on construction contracts in this regard.

Apart from that, revenues are recognized after deduction of cash discounts, customer bonuses and rebates.

Statement of cash flows

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

Net cash provided by operating activities is derived indirectly by the income before income taxes being adjusted for the effects of non-cash transactions and allowing for changes in current assets and liabilities and paid and received interest and income taxes.

Cash outflows from the exercise of options or preemptive tender rights in relation to minority interests that are not recognized as such due to use of the "anticipated acquisition method" are shown in the "Net cash provided by/used in investing activities" in the consolidated statement of cash flows.

3. Discretionary decisions and uncertainties in estimates

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

Predictive estimates and assumptions are essentially made for the following:

- Measurement of goodwill: €110,629 thousand (previous year: €108,291 thousand)

Goodwill is tested for impairment every year and as warranted (event-driven test). As part of this impairment test, specific measurement parameters, such as future sales growth and future EBITDA margin, are estimated, with management making assessments as regards the development of markets, market share and prices. We refer in this regard to the notes on the consolidated balance sheet, section 1 (a).

- Measurement of capitalized development costs: €9,078 thousand (previous year: €8,421 thousand)

We refer in this regard to the notes on the consolidated balance sheet, section 1 (a).

- Measurement of assets held for sale (€0 thousand; previous year: €691 thousand) and liabilities in connection with assets held for sale: €0 thousand (previous year: €318 thousand).

Noncurrent assets held for sale are not written off using the regular method of depreciation/amortization, but must be recognized at the lower of their carrying amount or their fair value less costs to sell. As regards the estimated parameters for measuring fair value, we refer to the notes on the consolidated balance sheet (section 3).

- Payment of income taxes (claims for refunds (+) and income tax liabilities (–) netted off): € –456 thousand (previous year: € –2,755 thousand)

Claims for refunds and income tax liabilities are based on calculations that include estimates and assumptions. The final amount is not fixed until the tax assessment notices have been issued or the tax audits completed.

- Gross amount due from customers for contract work: €52,518 thousand (previous year: €40,708 thousand)
- Gross amount due to customers for contract work: €2,014 thousand (previous year: €1,384 thousand)

Use of the percentage of completion methods demands in particular estimates of the anticipated total costs and revenues for construction contracts. We refer in this regard to the notes on the consolidated balance sheet (sections 5 and 9) and the notes on the consolidated income statement (section 12).

- Measurement of the other provisions (short- and long-term): €3,706 thousand (previous year: €3,257 thousand)

Measurement of the other provisions is based in particular on their amount, the likelihood of their being utilized and the time they are utilized. We refer in this regard to the notes on the consolidated balance sheet (section 8 a).

- Measurement of provisions for pensions: €1,424 thousand (previous year: €1,381 thousand)

The present value of the pension obligations depends on a large number of factors that are based on actuarial assumptions. We refer in this regard to the notes on the consolidated balance sheet (section 8 b).

- Measurement of deferred taxes; surplus of deferred tax liabilities over deferred tax assets: €5,343 thousand (previous year: €5,257 thousand).

We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 10).

Consolidated companies

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 23 companies to be consolidated (previous year: 23).

euromicron AG directly or indirectly holds the majority of voting rights in all the associated companies and so controls them. euromicron AG holds the majority of voting rights in all the companies included in the consolidated financial statements, so that no significant discretionary decisions and assumptions were necessary to include them in the consolidated group. All companies are included in the consolidated financial statements by way of full consolidation.

Of these companies, 16 (previous year: 15) are based in Germany, 5 (previous year: 7) in other European countries, and 2 (previous year: 1) in non-European countries.

There were the following changes to the consolidated companies apart from euromicron AG: [TABLE 021](#)

Number of consolidated companies	021	
	2017	2016
January 1	23	22
First-time consolidation/ newly established companies	2	2
Deconsolidation	-2	-1
December 31	23	23

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

2. Acquisition of companies and divisions

In fiscal year 2017 there were the following changes in the consolidated companies due to significant acquisitions of subsidiaries and other business units in accordance with IFRS 3. Apart from that, just one new company was established and increased the number of consolidated companies. In addition, a division was acquired as part of an asset deal and a division was sold; neither transaction had any effects on the consolidated group. One company was sold in the course of 2017 and so deconsolidated. One company was liquidated in the course of 2017 and so likewise deconsolidated.

Acquisition of 75% of the shares in KORAMIS GmbH by telent GmbH

Under the notarized purchase agreement dated December 21, 2016, telent GmbH acquired 75% of the shares in KORAMIS GmbH, Saarbrücken, an IT security company that specializes in industrial security.

As part of the acquisition of 75% of the shares, the minority shareholder also obtained a preemptive right to tender the remaining 25% of the shares and euromicron AG an option to purchase them. The minority shareholder can exercise the preemptive right in the period from October 1, 2019, to December 31, 2019; if the preemptive right is exercised, the purchase price is €650 thousand. telent GmbH can exercise the purchase option in the period from October 1, 2017, to December 31, 2019; if the option is exercised, the purchase price is €850 thousand. If neither the purchase option nor the preemptive right is exercised, the minority shareholder has a further preemptive tender right which it can exercise in the period from January 1, 2020, to March 31, 2020; if this preemptive right is exercised, the purchase price is €650 thousand plus a contractually agreed premium. The minority shareholder's respective share of the company's debt at the time of acquisition is deducted from the exercise prices of the individual put/call options. As a result of these put/call options, KORAMIS GmbH was fully consolidated in euromicron's consolidated financial statements.

As a result of this acquisition, telent GmbH is expanding its value chain to include cybersecurity for critical infrastructures and industrial infrastructures. The date of acquisition was January 1, 2017. The purchase price was €1,833 thousand. This comprises the purchase price paid for acquiring 75% of the shares in KORAMIS GmbH (€1,120 thousand) and the payment obligation from the above-mentioned put/call options at January 1, 2017 (€713 thousand). Loan obligations totaling €529 thousand were also assumed as part of the acquisition. The assets of KORAMIS GmbH were composed of property, plant and equipment (€262 thousand), inventories (€71 thousand), trade accounts receivable (€657 thousand) and other assets (€75 thousand) at the time of acquisition. The liabilities comprised provisions (€72 thousand), liabilities to banks (€32 thousand), trade accounts payable (€205 thousand) and other liabilities (€980 thousand). There are no significant discrepancies between the gross amount and carrying amount of the acquired trade accounts receivable. The acquired receivables are expected to be recoverable in full.

The goodwill of €2,057 thousand resulting from the difference between the total purchase price (€1,833 thousand) and the measured net assets (€ -224 thousand) is mainly attributable to the well-trained workforce in the field of IT security. There was no tax-deductible goodwill. There were incidental costs of €15 thousand in connection with the acquisition. These are recognized as legal and consulting costs in the "Other operating expenses". 36 employees were taken over. The number of consolidated companies increased by one as a result of the acquisition.

The external sales of the acquired company for the period in which it was part of the Group (January 1 to December 31, 2017) totaled €3,658 thousand; its EBIT was €160 thousand.

Establishment of the new company ProCom Communication Systems Trading (Beijing) Co. Ltd.

Establishment of the company ProCom Communication Systems Trading (Beijing) Co. Ltd., Beijing, China, was completed on February 23, 2017. It is a wholly-owned subsidiary of ProCom Professional Communication & Service GmbH, Essen. The registered capital is €150 thousand; €105 thousand of that amount had been paid in at December 31, 2017. The number of consolidated companies increased by one as a result of its establishment.

Disposal of the "Telecommunications" division of euromicron Deutschland GmbH

Effective April 30, 2017, euromicron Deutschland GmbH transferred all customer, supplier and other agreements connected with the "Telecommunications" division as part of an asset deal. The division's employees were also transferred to the purchaser. In particular since the impairment test conducted at December 31, 2016, was based on the assumption that the closing date would be March 31, 2017, but that date was postponed to April 30, 2017, there was an additional impairment loss of €238 thousand resulting from this in fiscal year 2017; the amount is carried under "Other operating expenses". Please refer to section 3 "Assets held for sale and liabilities in connection with assets held for sale" for details of the assets and liabilities of the "Telecommunications" division at the time of disposal.

Acquisition of the business operations of Elektroanlagen GmbH Dollenchen & Co. KG by euromicron Deutschland GmbH by way of an asset deal

Under the purchase agreement dated September 1, 2017, euromicron Deutschland GmbH acquired the business

operations of Elektroanlagen GmbH Dollenchen & Co. KG, Sallgast-Dollenchen, by way of an asset deal. The date the agreement was concluded is also the date of acquisition. The agreed basic purchase price was €250 thousand. The amount of the liability from the conditional purchase price payment due to earn-out clauses, which was assessed on the basis of likelihood of the condition being met at the time of acquisition, was €155 thousand. Under the agreed earn-out clauses, there may be performance-related payments if the EBIT of the acquired division exceeds certain thresholds in fiscal years 2018 and 2019. The resultant payments may be between €0 thousand and €200 thousand.

The goodwill of €306 thousand resulting from the difference between the total purchase price and the measured net assets of €99 thousand is mainly attributable to the well-trained workforce in the field of electrical installation/high-voltage current. There was tax-deductible goodwill to the same amount. No incidental costs were incurred in connection with the acquisition. 16 employees were taken over. The acquisition had no effect on the consolidated companies. It enables the euromicron Group to build its electrical-related expertise in the field of high-voltage current.

The division's sales for the period in which it was part of the Group (September 1 to December 31, 2017) totaled €597 thousand; its EBIT was €72 thousand.

Disposal of euromicron NBG Fiber Optics GmbH

Under the notarized assignment agreement dated October 30, 2017, the sole shareholder euromicron holding gmbh sold its shares in euromicron NBG Fiber Optics GmbH, Seekirchen, Austria. The selling price was €1 and so matched the shares' carrying amount. The assets and liabilities of euromicron NBG Fiber Optics GmbH at the time of disposal comprised other assets (€21 thousand), cash and cash equivalents (€85 thousand), other provisions (€32 thousand) and other financial liabilities (€3 thousand). euromicron holding gmbh did not incur any incidental costs in connection with the disposal. Deconsolidation of NBG Fiber Optics GmbH resulted in a deconsolidation loss of €70 thousand, which was carried in the "Other operating expenses" in the consolidated financial statements. The business operations of euromicron NBG Fiber Optics GmbH had already been discontinued effective the end of fiscal year 2015. The number of consolidated companies fell by one as a result of the disposal.

Liquidation of euromicron benelux S.A.

Liquidation of euromicron benelux S.A., Ellange, Luxembourg, was completed on December 22, 2017. The company has been liquidated. The number of consolidated companies fell by one as a result of the liquidation.

3. Disclosures on company acquisitions from previous years**ATECS AG, Zug/Switzerland and Secure Information Management GmbH, Neustadt a. d. W.**

On December 27, 2017, an agreement was reached to exercise the existing preemptive rights relating to remaining 5.0% of the shares in ATECS AG, Zug, Switzerland, (hereinafter referred to as ATECS AG) and the remaining 5.0% of the shares in Secure Information Management GmbH, Neustadt a. d. W., (hereinafter referred to as SIM GmbH). As a result, euromicron AG holds all of the shares in ATECS AG and all of the shares in SIM GmbH at December 31, 2017.

The amount of the liabilities from preemptive rights discounted to the present value was €500 thousand at December 31, 2017 (previous year: €493 thousand), of which €400 thousand (previous year: €394 thousand) is for ATECS AG and €100 thousand (previous year: €99) for SIM GmbH. These liabilities from preemptive rights are carried under "Other current financial liabilities". The above acquisitions were each subject to the suspensive condition that the purchase price had to be paid in full, which was done on January 10, 2018.

MICROSENS GmbH & Co. KG, Hamm, and Microsens Beteiligungs GmbH, Hamm

On January 12, 2017, an agreement was reached to exercise the existing preemptive right relating to 2.5% of the shares in MICROSENS GmbH & Co. KG and in Microsens Beteiligungs GmbH, subject to the suspensive condition that the purchase price had to be paid in full. The purchase price was €225 thousand for the shares in Microsens GmbH & Co. KG and €1 thousand for the shares in Microsens Beteiligungs GmbH. The purchase price was paid on January 25, 2017. In rem transfer of the shares in MICROSENS GmbH & Co. KG was also subject to the suspensive condition of the necessary entry in the commercial register being made, which was done on January 30, 2017. The acquisition meant the stake held by euromicron AG in MICROSENS GmbH & Co. KG and Microsens Beteiligungs GmbH was 97.5% in each case.

Due to the fact that the purchase options/preemptive tender rights are designed as opposite put/call options, both companies were already fully included in the consolidated financial statements. The purchase price obligations resulting from the preemptive rights exercised on January 12, 2017, were already carried to an amount of €251 thousand under "Other current financial liabilities" in the consolidated financial statements at December 31, 2016. The pro-rata purchase price obligation for the exercised part of the put/call option was €226 thousand and that for a conditional purchase price component was an amount of €25 thousand. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 (2004 version), the €25 thousand from the conditional purchase price component, which did not have to be paid due to the fact that the targets were not achieved, was treated in fiscal year 2017 as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition was reduced by that amount.

On December 13, 2017, the period for exercising the preemptive right and the purchase option relating to the remaining 2.5% of the shares in MICROSENS GmbH & Co. KG and Microsens Beteiligungs GmbH was extended. The options can now be exercised on January 1, 2018, at the earliest and on December 31, 2020, at the latest. The present value of the resultant liability from preemptive rights (fixed purchase price plus the conditional purchase price component) at December 31, 2017, is €251 thousand (previous year: €244 thousand) and is carried under "Current financial liabilities". As a result of interest accrued on this liability, there were interest expenses of €7 thousand (€20 thousand) in fiscal year 2017. [TABLE 022](#)

List of companies included in the consolidated financial statements

022

	Share in capital in %
Parent company:	
euromicron AG, Frankfurt/Main, Germany	
Consolidated subsidiaries	
telent GmbH – ein Unternehmen der euromicron Gruppe, Backnang, Germany	100.00
RSR Datacom GmbH & Co. KG, Essen, Germany	100.00
RSR Datacom Verwaltungs GmbH, Essen, Germany	100.00
ProCom Professional Communication & Service GmbH Essen, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
ATECS AG, Zug, Switzerland	100.00
Secure Information Management GmbH, Neustadt a. d. W., Germany	100.00
euromicron Deutschland GmbH, Neu-Isenburg, Germany	100.00
ssm euromicron GmbH ¹⁾ , Hamburg, Germany	100.00
MICROSENS GmbH & Co. KG 2), Hamm, Germany	97.50
MICROSENS sp.z.o.o. ²⁾ , Wroclaw, Poland	97.50
Microsens Beteiligungs GmbH ²⁾ , Hamm, Germany	97.50
EUROMICRON Werkzeuge GmbH, Sinn-Fleisbach, Germany	100.00
LWL-Sachsenkabel GmbH – Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
ELABO GmbH – ein Unternehmen der euromicron Gruppe, Crailsheim, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe, Spiesen-Elversberg, Germany	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00
Netzikon GmbH, Backnang, Germany	100.00
SIM Asia PTE.LTD, Singapore, Singapore	100.00
KORAMIS GmbH ³⁾ , Saarbrücken, Germany	75.00
ProCom Communication Systems Trading (Beijing) Co. Ltd., Beijing, China	100.00

¹⁾ Still operated under the name "Stark- und Schwachstrommontage GmbH" in the previous year.

²⁾ Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 2.5% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

³⁾ Due to existing opposite put/call options on the preemptive right or acquisition of the remaining 25% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

Notes on the consolidated balance sheet

1. Fixed assets

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

a) Intangible assets

The intangible assets comprise goodwill, concessions, industrial property and similar rights, brand name rights, capitalized development costs and self-developed software.

Goodwill

Goodwill developed as follows in the fiscal year: [TABLE 023](#)

	023	
	2017	2016
	€ thou.	€ thou.
Goodwill at January 1	108,291	108,217
Additions	2,363	74
Disposals	-25	0
Goodwill at December 31	110,629	108,291

The addition of goodwill resulted from the acquisition of the company KORAMIS GmbH by telent GmbH and the acquisition of the business operations of Elektroanlagen GmbH Dollenchen & Co. KG by way of an asset deal by euromicron Deutschland GmbH (see section 2 "Acquisition of companies and divisions"). The disposal of goodwill resulted from the fact that the targets for a conditional purchase price component were not achieved from an acquisition that falls under the scope of IFRS 3 (2004 version) (see section 3 "Disclosures on company acquisitions from previous years").

The goodwill at the euromicron Group is distributed over these CGUs as follows: [TABLE 024](#)

	024	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Smart Buildings	68,212	67,931
Critical Infrastructures	37,186	35,129
Distribution	5,231	5,231
	110,629	108,291

Goodwill impairment test

Regardless of any event-driven impairment tests, euromicron conducts the obligatory annual goodwill impairment test at December 31 of the reporting period. This annual impairment test was conducted at the end of fiscal year 2017 on the basis of the cash-generating units identified at the end of the year.

The impairment test is based on the following main planning and measurement assumptions:

Planning for the CGU "Smart Buildings" envisages sales growth of 2.3% in 2018. Sales growth of 4.3% is planned in 2019 and 2020. Sales increases of 5.9% and 4.0% respectively are planned in 2021 and 2022. The EBIT margin is budgeted to be 5.2% for 2018 and will increase by around one percentage point each year in subsequent years up to 2022 to up to 9.5%.

In the previous year, the planning envisaged sales growth in the medium single-digit percentage range in the years 2017 to 2021. In the previous year, the EBIT margin was budgeted to be 5.5% for 2017 and it was assumed it would increase moderately each year in subsequent years up to 2021 to up to 10.5%.

Sales for the CGU "Critical Infrastructures" are expected to increase by 4.3% in 2018, while an increase of 3.5% is planned for 2019. The anticipated sales growth in the years 2020 and 2022 will be between 2.7% and 3.3%. The EBIT margin is budgeted to be 6.0% for 2018 and will increase moderately each year in subsequent years up to 7.7%.

In the previous year, a 9.6% increase in sales was expected for the CGU "Critical Infrastructures" in 2017. Sales increases of 9.1%, 2.0%, 9.6% and 8.0% respectively were planned for the subsequent years 2018 to 2021. The planning in the previous year also envisaged an EBITDA margin of 6% for 2017 and a moderate increase to up to 9.9% in subsequent years.

The planning for the CGU "Distribution" envisages sales growth of 5.3% for the year 2018 and of between 2.9% and 4.5% for each of the years 2019 to 2022. An EBITDA margin of 11.5% is planned for 2018 and will remain stable up to 2022.

In the previous year, the planning envisaged sales growth of 7.6% for the year 2017 and of around 4% for each of the subsequent years 2018 to 2021. An EBITDA margin of 9% was also planned for 2017 and will rise slightly to 9.6% by 2021.

In particular, estimates by management of how the markets, market shares and prices will develop are subject to some uncertainty.

Since individual business risks have already been taken into account in preparing the budgeting for the respective CGUs and will reduce the derived free cash flow, the following parameters were applied uniformly to all CGUs for calculating the WACC for the impairment test at December 31, 2017:

TABLE 025

Interest assumed in the 2017 impairment test		025
	2017	2016
Borrowing rate after taxes	1.49%	1.39%
Risk-free interest rate	1.07%	0.81%
Markup for return on equity	6.50%	6.50%
Beta factor	0.79	0.75
Debt / equity ratio	6.25%	14.84%
Weighted average cost of capital (WACC)	5.94%	5.12%
Growth rate	1.00%	0.81%
WACC perpetuity	4.94%	4.31%

The goodwill impairment test at December 31, 2017, did not reveal any need to reduce the value of the goodwill of individual CGUs (previous year: €0 thousand).

Sensitivity analysis

As part of a sensitivity analysis, changes to the parameters that were considered possible were simulated stepwise in a model calculation for each of the cash-generating units and examined as to whether there was a need to reduce the value for the CGU.

Given the described assumptions and sustained sales growth of 1.0% at the end of the planning period, the recoverable amount of the CGUs will sharply exceed the carrying amount. Even in the event of a sharp, unanticipated reduction in the assumptions for sustained sales growth (0.5% reduction in the estimated sales growth rate of 1.0%), or an increase in WACC by 1 percentage points or a 0.5% lower EBITDA margin over the whole planning period (including perpetuity), there would be a recoverable amount above the carrying amount and therefore no need for a write-down.

The fair value calculated as part of the goodwill impairment test and for assets held for sale was measured on the basis of level 3. The fair value is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC). As part of that, assumptions are made about future sales or the anticipated EBITDA margin, for example.

Other intangible assets

Development costs for self-developed intangible assets of € 2,775 thousand (previous year: €2,342 thousand) were recognized in the reporting period. In addition, own work for self-developed software and IT solutions was capitalized to an amount of €155 thousand (previous year: €191 thousand) in the reporting period.

Intangible assets were written down by an amount of €150 thousand in the reporting period (previous year: €80 thousand). They are allocated to capitalized development costs in the fixed-asset movement schedule and are fully attributable (previous year: to an amount of €69 thousand) to smaller development projects where a decision was taken not to continue pursuing them. In segment reporting, the write-downs on intangible assets have been fully assigned to the "Smart Buildings" segment, as in the previous year.

(b) Property, plant and equipment

The manufacturing cost of capitalized, self-developed property, plant and equipment contains the cost of direct materials and manufacturing costs, as well as attributable overhead costs, and resulted in own work capitalized of €554 thousand in fiscal year 2017 (previous year: €275 thousand).

There were no impairments of property, plant and equipment in fiscal year 2017 (previous year: €1,288 thousand). In the previous year's segment reporting, impairments of property, plant and equipment (impairment of telecommunications systems) were allocated to the "Smart Buildings" segment to an amount of €799 thousand and, to an amount of €489 thousand (impairment of demo stock), to the "Critical Infrastructures" segment.

In accordance with IAS 16.74, at the balance sheet date there are no restrictions on title to, nor any contractual commitments to acquire property, plant and equipment. In addition, no property, plant or equipment has been attached as collateral and there were no compensation payments to third parties due to value impairments in or loss of property, plant or equipment.

Changes in the Group's assets in 2017

of euromicron AG, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2017

	Acquisition cost				
	Jan. 1, 2017	Additions	Disposals	Additions from company acquisitions	Reclassification and other
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,195	0	- 400	2,338	0
Intangible assets					
Concessions, industrial and similar rights	29,343	1,477	- 121	160	0
Brand name rights	12,530	0	0	0	0
Capitalized development costs	22,602	2,775	- 5,739	0	0
Self-developed software	2,022	155	- 601	0	0
	66,497	4,407	- 6,461	160	0
Property, plant and equipment					
Land and buildings	9,169	209	- 38	12	1,065
Technical equipment and machinery	10,190	587	- 712	0	5
Other equipment, operating and office equipment	28,337	6,563	- 773	245	- 1,070
	47,696	7,359	- 1,523	257	0
	235,388	11,766	8,384	2,755	0

026

Amortization and depreciation					Carrying amounts		
Dec. 31, 2017	Jan. 1, 2017	Additions	Disposals	Reclassification and other	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2016
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
123,133	-12,904	0	400	0	-12,504	110,629	108,291
30,859	-25,696	-1,816	120	21	-27,371	3,488	3,647
12,530	-8,957	-222	0	0	-9,179	3,351	3,573
19,638	-14,181	-2,097	5,739	-21	-10,560	9,078	8,421
1,576	-1,292	-245	601	0	-936	640	730
64,603	-50,126	-4,380	6,460	0	-48,046	16,557	16,371
10,417	-4,250	-391	38	0	-4,603	5,814	4,919
10,070	-7,354	-754	712	0	-7,396	2,674	2,836
33,302	-20,480	-2,880	709	0	-22,651	10,651	7,857
53,789	-32,084	-4,025	1,459	0	-34,650	19,139	15,612
241,525	-95,114	-8,405	8,319	0	-95,200	146,325	140,274

Changes in the Group's assets in 2016

of euromicron AG, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2016

	Acquisition cost				
	Jan. 1, 2016	Additions	Disposals	Additions from company acquisitions	Reclassification and other
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,121	0	0	74	0
Intangible assets					
Concessions, industrial and similar rights	29,951	1,096	-1,726	15	7
Brand name rights	12,530	0	0	0	0
Capitalized development costs	21,501	2,342	-1,241	0	0
Self-developed software	1,831	191	0	0	0
	65,813	3,629	-2,967	15	7
Property, plant and equipment					
Land and buildings	8,885	14	-17	0	287
Technical equipment and machinery	10,378	219	-407	0	0
Other equipment, operating and office equipment	25,377	4,978	-1,775	6	-249
	44,640	5,211	-2,199	6	38
	231,574	8,840	-5,166	95	45

027

Amortization and depreciation					Carrying amounts		
Dec. 31, 2016	Jan. 1, 2016	Additions	Disposals	Reclassification and other	Dec. 31, 2016	Dec. 31, 2016	Dec. 31, 2015
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
121,195	-12,904	0	0	0	-12,904	108,291	108,217
29,343	-25,760	-1,779	1,724	119	-25,696	3,647	4,191
12,530	-8,647	-224	0	-86	-8,957	3,573	3,883
22,602	-12,907	-2,475	1,241	-40	-14,181	8,421	8,594
2,022	-979	-313	0	0	-1,292	730	852
66,497	-48,293	-4,791	2,965	-7	-50,126	16,371	17,520
9,169	-3,851	-378	17	-38	-4,250	4,919	5,034
10,190	-6,246	-1,515	407	0	-7,354	2,836	4,132
28,337	-19,237	-2,965	1,722	0	-20,480	7,857	6,140
47,696	-29,334	-4,858	2,146	-38	-32,084	15,612	15,306
235,388	-90,531	-9,649	5,111	-45	-95,114	140,274	141,043

Leased equipment (€1,809 thousand; previous year: €1,842 thousand), operating and office equipment (€675 thousand; previous year: €263 thousand) and IT equipment reported under "Software" (€115 thousand; previous year: €116 thousand) were recognized as finance leases with a net carrying amount of €2,599 thousand at December 31, 2017 (previous year: €2,221 thousand). Finance leases are used to fund assets with a useful life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group. Some of the existing finance lease agreements have purchase options at the end of their term. There was no subleasing from finance leases at the euromicron Group. See section 9 "Liabilities" for an explanation of the liabilities from financial leases.

All other lease agreements in which companies of the euromicron Group are the lessee are recognized as operating leases. The leasing payments are charged to expenditure (see section 24 "Contingencies and other financial obligations"). There are no restrictions ("covenants") pursuant to leasing agreements.

(c) Other noncurrent financial assets

The table below presents the components of the other noncurrent financial assets: [TABLE 028](#)

Other noncurrent financial assets	028	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Shares in Track Group Inc.	55	267
Long-term receivables from finance leases	122	163
Rent deposits / deposits provided to third parties	51	62
Other noncurrent financial assets	4	7
	232	499

The shares in the listed company Track Group Inc., Utah, U.S., carried under "Other noncurrent financial assets" were acquired by euromicron AG in 2009. The stake held in its capital stock on the balance sheet date was 0.60% (previous year: 0.60%). The shares in Track Group Inc. are classified as a financial asset under the category "Available for sale" and are measured at fair value. They were first measured at fair value on the day of trading (€934 thousand) and their carrying amount at December 31, 2016, was €267 thousand. The shares' fair value at the end of the fiscal year

was €55 thousand. The value impairment of €212 thousand was recognized in the net financial result.

The receivables from finance leases are calculated as follows: [TABLE 029 / 030](#)

Noncurrent receivables from finance leases	029	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Noncurrent receivables		
Gross receivables from finance leases	126	170
Financial income not yet realized	-4	-7
	122	163

Current receivables from finance leases	030	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Current receivables		
Gross receivables from finance leases	44	44
Financial income not yet realized	-3	-5
	41	39

The table below shows the reconciliation of gross investments in leases to the present value of the future minimum lease payments: [TABLE 031](#)

Gross investments in finance leases	031	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Gross receivables from finance leases		
Up to 1 year	44	44
1 to 5 years	126	155
More than 5 years	0	15
	170	214
Financial income not yet realized	-7	-12
Net investment in finance leases	163	202

The carrying amounts of the other noncurrent financial assets in the category "Loans and receivables" are approximately the fair value.

There were no allowances for receivables from finance leases in fiscal year 2017 (previous year: €123 thousand).

(d) Other noncurrent assets

The table below presents the components of the other non-current assets: **TABLE 032**

Other noncurrent assets	032	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Other noncurrent assets	4	32

There is no longer any corporation income tax credit balance in accordance with Section 37 (4) KStG (German Corporation Tax Act) in the other noncurrent assets as of December 31, 2017 (previous year: €22 thousand).

2. Deferred tax assets

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

TABLE 033

Deferred tax assets	033	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Intangible assets	17	20
Inventories	24.885	17.527
Property, plant and equipment	0	146
Other receivables and other assets	91	152
Provisions	2.827	2.792
Liabilities from finance leases	469	340
Other liabilities	666	892
Loss carryforwards for corporation income tax / trade tax and income taxes abroad	3.919	3.478
Total deferred tax assets before netting off	32.874	25.347
Netting off	-32.619	-24.934
Total deferred tax assets after netting off	255	413

There are long-term deferred tax assets (after netting off) totaling €251 thousand (previous year: €409 thousand); they result from deferred tax assets on measurement differences for intangible assets and from deferred tax assets on tax loss carryforwards.

Of the deferred tax assets remaining after netting off and totaling €255 thousand (previous year: €413 thousand), €128 thousand (previous year: €275 thousand) is attributable to four Group companies that made a tax loss in fiscal year 2017 or the year before (previous year: two Group companies). The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company. The Executive Board is of the view that it is highly probable that the deferred tax assets can be realized. In accordance with IAS 1.122, this discretionary decision by the Executive Board as regards the accounting method has a significant impact on the financial statements and may be subject to change, depending on future developments.

As of December 31, 2017, the Group had corporation income tax loss carryforwards totaling €48,546 thousand (previous year: €46,470 thousand), trade tax loss carryforwards totaling €44,921 thousand (previous year: €44,264 thousand) and loss carryforwards for income taxes abroad totaling €16,024 thousand (previous year: €24,877 thousand). The loss carryforwards relate to ten (previous year: eight) domestic holdings and euromicron AG and four (previous year: six) foreign holdings. These losses may be carried forward without restriction in accordance with the current legal position.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €84,400 thousand (previous year: €93,132 thousand). Of this, €54,650 thousand (previous year: €54,650 thousand) was attributable to loss carryforwards prior to the integrated inter-company relationship that cannot be used before the end of the integrated inter-company relationship, and €29,750 thousand (previous year: €38,482 thousand) was attributable to tax loss carryforwards that can probably not be offset against taxable profits on the basis of the budgeting in the foreseeable future, of which €16,513 thousand (previous year: €26,338 thousand) was due to discontinued operations of the respective companies.

Of the existing tax loss carryforwards for which deferred tax assets were not formed, €71,796 thousand (previous year: €70,550 thousand) was in Germany and €12,604 thousand (previous year: €22,582 thousand) abroad.

3. Assets held for sale and liabilities in connection with assets held for sale

No assets classified as “held for sale” and no liabilities classified as “liabilities in connection with assets held for sale” are carried at December 31, 2017.

At December 31, 2016, the assets and liabilities connected with the sale of the “Telecommunications” division of euromicron Deutschland GmbH were carried as “held for sale”. The values for the disposal group on the date of disposal (April 30, 2017) and at December 31, 2016, are shown in the table below: [TABLE 034](#)

Assets held for sale and liabilities in connection with assets held for sale

	April 30, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Inventories	122	86
Gross amount due from customers for contract work	404	518
Other assets	62	87
Assets held for sale	588	691
Provisions for pensions	10	36
Gross amount due to customers for contract work	328	11
Personnel obligations	299	272
Other liabilities	567	0
Liabilities in connection with assets held for sale	1.204	318
Net assets	-616	373

An agreement to sell the “Telecommunications” division of euromicron Deutschland GmbH was concluded on March 15, 2017. Under it, euromicron Deutschland GmbH transferred all customer, supplier and other agreements connected with this business to the purchaser as part of an asset deal. The “Telecommunications” division’s employees were also transferred to the purchaser. The transaction was completed on April 30, 2017, after the conditions precedent specified in the purchase agreement had been fulfilled. In particular since the impairment test conducted at December 31, 2016, was based on the assumption that the closing date would be March 31, 2017, but that date was postponed to April 30, 2017, there was an additional impairment loss of €238 thousand; the amount is carried under “Other operating expenses”.

4. Inventories

The euromicron Group’s inventories on the balance sheet data are broken down as follows: [TABLE 035](#)

Inventories	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Raw materials and supplies	11,878	11,001
Work in progress	3,346	3,842
Finished goods and merchandise	15,397	13,079
Prepayments	865	459
	31,486	28,381

In accordance with IAS 2.34, there were write-downs on inventories totaling €632 thousand (previous year: €921 thousand); the reversals totaled €0 thousand (previous year: €125 thousand). Of the write-downs, an amount of €0 thousand (previous year: €109 thousand) results from measurement of the assets held for sale (see section 3).

5. Receivables and other current assets

The receivables and other assets comprise trade accounts receivable, the gross amount due from customers for contract work, claims for income tax refunds, other financial assets and other assets. [TABLE 036](#)

Receivables and other current assets	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Trade accounts receivable (gross)	11,381	21,346
Allowances for doubtful accounts	-2,387	-3,196
Trade accounts receivable (net)	8,994	18,150
Gross amount due from customers for contract work	52,518	40,708
Claims for income tax refunds	928	765
Other current financial assets	3,898	5,520
Other current assets	2,566	2,287
	68,904	67,430

The carrying amounts for trade accounts receivable, the gross amount due from customers for contract work and the other current financial assets are approximately their fair value.

Trade accounts receivable

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and receivables". As in the previous year, all trade accounts receivable at December 31, 2017, were short-term.

If there are indications that receivables cannot be recovered, an appropriate allowance is recognized. The allowances for doubtful accounts result from individual adjustments for receivables; expenses from transfer to the allowances are carried under the item "Other operating expenses" in the income statement.

There were the following changes in the allowances for trade accounts receivable: [TABLE 037](#)

	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Balance at the beginning of the period	-3.196	-3.552
Allocation	-612	-926
Utilization	947	1.060
Reversals	474	222
Balance at the end of the period	-2.387	-3.196

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €100 thousand in 2017 (previous year: €237 thousand) due to events that had an impact on their value. As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not

meet their payment obligations.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date, along with the net carrying amount of the trade accounts receivable for which an allowance has been made on the balance sheet date: [TABLE 038](#)

The trade accounts receivable include receivables in foreign currency (US\$) totaling €5,193 thousand (previous year: €6,953 thousand). If the exchange rate of the euro to the US dollar at December 31, 2017, had been 5% higher, the consolidated net income for the year would have been €-247 thousand lower (previous year: €-331 thousand lower). However, if the exchange rate of the euro to the US dollar had been 5% lower, the consolidated net income for the year would have been €273 thousand higher (previous year: €366 thousand higher). There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivable include receivables from supplier rebates totaling €539 thousand (previous year: €675 thousand), which may be offset with corresponding trade accounts payable.

Individual companies in the euromicron Group sell some of their receivables from customers to forfaiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €40,000 thousand (previous year: €40,000 thousand). At December 31, 2017, receivables with a volume of €32,481 thousand (previous year: €34,715 thousand) were sold by the entire Group. In accordance with IAS 39, sold receivables from customers are only derecognized if essentially all opportunities and risks of the sold receivables have been transferred to the buyer of the receivables. The risk of the customer becoming insolvent (risk of nonpayment) is transferred to the buyer of the receivables under the contractual arrangements.

Trade accounts receivable by times due

038

		Accounts for which no allowance has been made and that are not overdue at the reporting date	Accounts for which no allowance has been made and are overdue in the following periods of time Days					For which an allowance has been made
			<60	60-120	121-180	181-360	>360	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Dec. 31, 2017							
Trade accounts receivable	8,994	673	4,840	103	264	422	0	2,692
	Dec. 31, 2016							
Trade accounts receivable	18,150	6,922	5,390	1,691	563	154	575	2,855

euromicron still bears the interest risk from delayed payments by customers. Since virtually no opportunities and risks remain with euromicron, but not all of them without exception pass to the buyer of the receivables, euromicron carries the receivables at the amount of the continuing involvement of €301 thousand (previous year: €293 thousand); it is carried under "Other current financial assets". The continuing involvement comprises the maximum amount that euromicron would have had to pay to the buyer of the receivables up to receipt of payment relative to the carrying amount of the receivables sold on the key date. The continuing involvement is offset by an associated liability totaling €312 thousand (previous year: €304 thousand); it is carried under "Other current financial liabilities". The difference between the asset and liability items reflects the remaining claims from or obligations to the factoring company from the interest rate guarantee and the administration fees euromicron still has. In accordance with the requirements of IAS 39, the sold receivables are partly derecognized at the balance sheet date; the share remaining as continuing involvement is low compared with the total amount of sold receivables. Interest expenses and charges resulting from the sale of receivables are carried in the net financial result.

Gross amount due from customers for contract work

The gross amount due from customers for contract work was €52,518 thousand (previous year: €40,708 thousand).

The total of accrued costs and reported profits (minus any losses) was €97,777 thousand (previous year: €106,364 thousand).

Payments on account received in connection with construction contracts totaled €880 thousand (previous year: €2,229 thousand); they are carried under "Other liabilities".

As part of measurement of assets held for sale (see section 3), there were allowances for gross amounts due from customers for contract work totaling €660 thousand in the previous year.

Claims for income tax refunds

In particular claims for refunds due to the subsequent effects of the completed tax audit of euromicron AG (€710 thousand; previous year: €0 thousand) and of telent GmbH (€41 thousand; previous year: €0 thousand) are carried under "Claims for income tax refunds". In addition, receivables

from creditable capital gains tax due to euromicron AG (€77 thousand; previous year: €64 thousand) and claims for income tax refunds of other Group companies (€100 thousand; previous year: €701 thousand) are carried.

Other current financial assets

The other current financial assets are broken down as follows: [TABLE 039](#)

Other current financial assets	039	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Receivables from factoring monies not yet paid out	2,877	3,180
Receivable from reimbursement of litigation and legal costs	0	1.350
Claims against former board members of euromicron AG	516	516
Continuing involvement (factoring)	301	293
Rent deposits / deposits	106	130
Receivables from finance leases	41	39
Other	57	12
	3,898	5,520

The receivables from factoring monies not yet paid out comprise amounts from sold receivables not paid out by the factoring company by the balance sheet date (such as blocked amounts or receivables still being examined).

Other current assets

The other current assets changed as follows: [TABLE 040](#)

Other current assets	040	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Prepaid expenses	1,306	1,196
Claims for refunds from other taxes	468	629
Claims for refunds from interest on tax refunds	200	49
Claims against employees	43	94
Other	549	318
	2,566	2,287

As part of measurement of assets held for sale (see section 3), there were allowances for prepayments and accrued income totaling €111 thousand in the previous year.

6. Cash and cash equivalents

Cash includes cash on hand, demand deposits at banks and cash equivalents with a term of no more than three months and are classified in the category "Loans and receivables". [TABLE 041](#)

Cash and cash equivalents	041	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Cash in banking accounts	4,922	6,819
Cash on hand	32	25
	4,954	6,844

7. Equity

(a) Subscribed capital and authorized capital

The number of shares of euromicron AG in circulation is 7,176,398. The capital stock of euromicron AG is €18,347,554.88. The nominal amount per share is around €2.56. The shares are fully paid up. [TABLE 042](#)

Shares in circulation	042	
	Dec. 31, 2017	Dec. 31, 2016
Sales in circulation	7,176,398	7,176,398

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.

Treasury shares

At December 31, 2017, there is no authorization from the General Meeting for euromicron AG to acquire its own shares. As in the previous year, the company did not therefore hold any treasury shares that could be offset with equity in accordance with IAS 32.33 at December 31, 2017.

(b) Capital reserves

The capital reserves at December 31, 2017, were unchanged year on year at €94,297,543.35.

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

(c) Currency translation difference

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

The difference resulting from translation of the financial statements of MICROSENS sp. z o.o. at December 31, 2017, is €3,574.94 (previous year: € -5,318.12).

(d) Distributions in the fiscal year

There were no dividend payouts in fiscal year 2017.

(e) Non-controlling interests

The non-controlling interests reported at December 31, 2017 (€599 thousand; previous year: €461 thousand) relate exclusively to Qubix S.p.A., Padua (10%). The non-controlling interests should be regarded as not being material in relation to the consolidated financial statements.

The following table presents summarized financial information on the significant companies in which no controlling interest are held or in which the euromicron Group does not hold all the shares: [TABLE 043](#)

Summarized financial information on subsidiaries with significant non-controlling interests

043

	Qubix S.p.A.		KORAMIS GmbH	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.	€ thou.	€ thou.
Noncurrent assets	173	229	465	N/A
Current assets	10,819	8,843	1,224	N/A
Assets	10,992	9,072	1,689	N/A
Noncurrent liabilities	630	548	13	N/A
Current liabilities	4,836	4,336	1,843	N/A
Net assets	5,526	4,188	-167	N/A
Sales	14,800	13,136	3,693	N/A
Income before income taxes	3,613	2,753	114	N/A
Income tax expense	-1,025	-934	-41	N/A
Total profit/loss	2,588	1,820	73	N/A
Share of total profit/loss ascribable to minority interests	263	186	N/A	N/A
Dividends paid to minority interests	125	125	0	N/A
Cash funds at end of period	3,625	4,077	38	N/A
Minority interests:*	10.0%	10.0%	25.0%	N/A

* Only Qubix S.p.A. is carried in the non-controlling interests of the euromicron Group.

(f) Disclosures on capital management in accordance with IAS 1

The equity ratio and net financial debt are used as performance indicators. So as to ensure unrestricted access to the capital and credit markets at as favorable terms as possible and to increase the company's value, the objective of capital management is to increase the equity ratio to above 35% and reduce current net financial debt in the medium term. Measures to help achieve that include reducing working capital by means of an optimization program implemented throughout the Group and increasing consolidated earnings by safeguarding bread-and-butter business and tapping new strategic target markets in the field of digitization. In addition, there is ongoing examination of the possibility of reducing net debt by disposing of non-strategic Group companies. Net financial debt and the equity ratio are constantly monitored by management.

The financing agreement currently concluded with the financing partners expires on March 31, 2018. The agreement specified that the company had to fulfill specific key ratios (covenants), which must be tested quarterly. They included the equity ratio and key indicators relating to earnings and liquidity. Follow-up financing up to March 31, 2021, was agreed with the financing partners in March 2018. We

refer in this regard to the comments in the relevant report in the notes on the consolidated financial statements (section 31 "Significant events after the balance sheet date").

The equity ratio is 31.1% (previous year: 33.7%) and is calculated as follows: [TABLE 044](#)

	Equity ratio	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Equity acc. to consolidated balance sheet	78,541	82,359
Total assets	252,160	244,564
Equity ratio	31.1%	33.7%

The net financial debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term), less cash and cash equivalents. It is €87,259 thousand at December 31, 2017 (previous year: €70,966 thousand). [TABLE 045](#)

Net financial debt 045

	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Liabilities to banks	90,549	76,501
Liabilities from finance leases	1,664	1,309
Cash and cash equivalents	4,954	6,844
Net financial debt	87,259	70,966

The increase in net financial debt of €16,293 thousand is attributable in particular to the fact that while there was a sharp increase in net cash used in investing activities (€13,471 thousand) – also for acquisition-related reasons – in fiscal year 2017, the net cash provided by operating activities totaled just €386 thousand after adjustment for factoring effects. We refer in this regard to section 23 “Notes on the statement of cash flows” and to the explanations on the financial position in the group management report. In addition, effects from the euromicron Group’s factoring program contributed €1,946 thousand to the increase in net financial debt; in particular, the lower volume of sold receivables had an impact here.

8. Provisions**(a) Other provisions**

euromicron expects provisions of €1,955 thousand (previous year: €1,574 thousand) will be used within one year, €1,267 thousand (previous year: €1,218 thousand) in the next two to five years and €484 thousand (previous year: €466 thousand) in the period after five years. The provisions developed as follows in the fiscal year: [TABLE 046](#)

The other changes relate exclusively to additions and disposals in connection with changes to the consolidated companies.

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

The other long-term provisions include in particular a provision for severance payments to freelance commercial agents of a Group company based abroad.

Provisions

046

	Jan. 1, 2017	Utilization	Reversal	Accrued interest/ discounting	Allocation	Other changes	Dec. 31, 2017
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Provision for anniversaries and death benefits	521	-68	0	15	29	0	497
Provision for severance payments	412	-6	0	0	65	0	471
Provision for restoration obligations	272	0	0	0	18	0	290
Provision for warranties and follow-up costs	198	-10	0	0	1	0	189
Provision for archiving	123	-9	0	0	1	6	121
Other provisions	158	0	0	0	25	0	183
Total for other long-term provisions	1,684	-93	0	15	139	6	1,751
Provision for warranties and follow-up costs	804	-333	-14	0	598	18	1,073
Provision for impending losses	11	-11	0	0	0	0	0
Provision for legal disputes	102	-70	0	0	505	-32	505
Other provisions	657	-360	-87	0	120	47	377
Total for other short-term provisions	1,574	-774	-101	0	1,223	33	1,955
Total for other provisions	3,258	-867	-101	15	1,362	39	3,706

The provisions for litigation disputes comprise legal costs for the current court instances in connection with legal action against former board members of the company and as part of the securities lending transactions.

The other short-term provisions are made up of various individual matters, such as provisions for interest and value-added tax in connection with tax audits or provisions for customs-related matters.

(b) Provisions for pensions and similar obligations

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

The designated payments as part of pension schemes may be based either on the wage or salary received in the last year of employment or on the average of the last five years or the compensation of an employee and are usually dependent on the length of service. The benefits must be granted as a one-off payment or an annual pension payment. In the case of pension payments, the euromicron Group bears the full risk of recipients living for a long time and inflation due to pension adjustments. In the case that the employee is still alive, he or she acquires an entitlement to an existing benefit balance as an old-age benefit or invalidity benefit; the benefits paid to surviving dependants are a widow's pension and orphan's pension.

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

The development in the pension commitment and plan assets are evidenced by actuarial reports. The changes in the present value of the defined benefit obligation (DBO) in the fiscal year are as follows: [TABLE 047](#)

Changes in the present value of the defined benefit obligation (DBO) 047

	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Present value of benefit obligation at the beginning of the period under report	21,419	18,777
Current service cost	373	337
Effects from plan settlements	-5	0
Interest cost	358	459
Pension payments	-558	-527
Revaluation effects	-7	2,337
Of which change in financial assumptions	0	2,473
Of which experience adjustments	-7	-136
Contributions by plan participants	68	72
Other effects	25	-36
Present value of benefit obligation at the end of the period under report	21,673	21,419

The plan assets measured at fair value changed as follows:

TABLE 048

Changes in the plan assets 048

	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Plan assets at the beginning of the period under report	20,038	17,522
Interest income from plan assets	341	438
Revaluation effects	-295	-393
Employer contributions / withdrawals	165	2,471
Plan assets at the end of the period under report	20,249	20,038

The plan assets consist to 100% (previous year: 100%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA. These assets are not traded on an active market.

Due to the reduction of € -7 thousand in the revaluation effects from pensions taken directly to equity (previous year: increase of €2,337 thousand), the deferred tax assets recognized via the other profit/loss directly in equity fell in the reporting period by € -2 thousand; they had risen in the previous year by €701 thousand. In addition, deferred tax expenses of €88 thousand (previous year: €118 thousand) from application of the net interest method were carried against the other profit/loss.

The provision on the balance sheet changed as follows:

TABLE 049

Provision on the balance sheet	049	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Provision at the beginning of the period under report	1,381	1,255
Current service cost	373	337
Effects from plan settlement	-5	0
Net interest cost/income	17	21
Pension payments	-558	-527
Employer contributions/withdrawals	-165	-2,471
Contributions by plan participants	68	72
Revaluation effects	288	2,730
Other effects	25	-36
Provision at the end of the period under report	1,424	1,381

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

Variation in the assumptions by +/- 1% or +/- 1 year

051

	2017		2016	
	+ 1% or + 1 year	-1% or -1 year	+ 1% or + 1 year	-1% or -1 year
Discount rate	-13.78%	17.46%	-14.09%	17.94%
Life expectancy	1.83%	-1.84%	1.77%	-1.78%
Age at expiry of financing	-2.16%	1.53%	-2.19%	1.67%

A range of +/- 0.25% was used for the future pension trend.

TABLE 052

Variation in assumptions by +/- 0.25%

052

	2017		2016	
	+0.25%	-0.25%	+0.25%	-0.25%
Future pension indexation	2.50%	-2.38%	2.48%	-2.36%

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

The pension payments anticipated in the subsequent year are €934 thousand (previous year: €816 thousand), while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The revaluation effects are carried via the "Other profit/loss" and are contained in equity in the item "Consolidated retained earnings".

The following parameters, which are based on assumptions, were used to measure the future level of benefits: TABLE 050

Measurement factors

050

	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Discount rate	1.70%	1.70%
Age at expiry of financing	63 years	63 years
Future pension indexation	1.75%	1.75%

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

If the assumptions vary by +/- 1 percentage point or +/- 1 year, the effects on the DBO are as follows: TABLE 051

The weighted average duration of the commitment at the balance sheet date is 16.62 years (previous year: 17.06 years).

Contributions of €7,743 thousand (previous year: €7,594 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

9. Liabilities

The euromicron Group's liabilities on the balance sheet data are broken down as follows: **TABLE 053**

Liabilities	053	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Liabilities to banks	90,549	76,501
Liabilities from finance leases	1,664	1,309
Liabilities in connection with assets held for sale	0	318
Trade accounts payable	46,996	44,512
Gross amount due to customers for contract work	2,014	1,384
Liabilities from current income taxes	1,385	3,520
Other tax liabilities	4,777	8,078
Personnel obligations	9,795	9,176
Other financial liabilities	2,172	1,774
Other liabilities	3,539	5,325
	162,891	151,897

The euromicron Group's liabilities have the following terms:

TABLE 054

The fair value of the fixed-interest noncurrent liabilities is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

Liabilities to banks

The interest rates for liabilities to banks and overdrafts are fixed or variable and range from 1.10% to 8.25% (previous year: 1.10% to 8.25%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used or are terminable at short notice (with a view to optimizing financing).

euromicron AG concluded a borrower's note loan with a volume of €20,000 thousand in October 2014. The borrower's note loan consists of two tranches of €10,000 thousand each, one of which has a variable interest rate and the other has a fixed interest rate. Both tranches have a term of five years. The banks retained €80 thousand (0.4%) as the arrangement fee; this affected net cash in 2014 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €80 thousand at the time it was disbursed. When the borrower's note loan was concluded, euromicron AG also paid an incentive fee of €30 thousand, which was likewise recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is deferred and distributed over the term of the agreement using the effective interest method. In fiscal year 2017, these two circumstances resulted in a pro-rata amount totaling €22 thousand (previous year: €22 thousand), which was recognized in the income statement as an interest expense.

Term of the liabilities

	054				Fair value with DVA
	Total	Due in			
		Up to 1 year	1 to 5 years	More than 5 years	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	90,549	70,556	19,993	0	90,600
Liabilities from finance leases	1,664	521	1,139	4	– ¹⁾
Trade accounts payable	46,996	46,996	0	0	– ¹⁾
Gross amount due to customers for contract work	2,014	2,014	0	0	– ¹⁾
Liabilities from current income taxes	1,385	1,385	0	0	– ¹⁾
Other tax liabilities	4,777	4,777	0	0	– ¹⁾
Personnel obligations	9,795	9,795	0	0	– ¹⁾
Other financial liabilities	2,172	1,562	610	0	2,171
Other liabilities	3,539	3,369	170	0	– ¹⁾
	162,891	140,975	21,912	4	92,771
(Previous year)	151,897	112,448	39,384	65	78,360

¹⁾ The carrying amount corresponds approximately to the fair value.

In the previous year, there was a further borrower's note loan, which was repaid on time. This likewise resulted in fiscal year 2016 in interest expense of €15 thousand resulting from the effective interest method.

So as to ensure its solvency at all times, the euromicron Group maintains a liquidity reserve in the form of short-term credit lines and cash funds. The total unused credit line and cash funds ("free liquidity") at the end of the year was €27,495 thousand (previous year: €43,112 thousand). We refer you to the comments on net financial debt in section 7 f.) "Disclosures on capital management in accordance with IAS 1" for an explanation of the decline in free liquidity.

In principle, the companies in the euromicron Group are financed centrally through euromicron AG.

Liabilities from finance leases

The present value of the liabilities from finance leases and the future interest expense from finance leases are as follows:

TABLE 055/056

Liabilities from finance leases in 2017 055

	Total	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance leases	1,664	521	1,139	4
Interest	151	61	90	0
Minimum lease payments	1,815	582	1,229	4

Liabilities from finance leases in 2016 056

	Total	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance leases	1.309	466	778	65
Interest	107	45	61	1
Minimum lease payments	1.416	511	839	66

Liabilities in connection with assets held for sale

We refer you to section 3 "Assets held for sale and liabilities in connection with assets held for sale" for an explanation.

Trade accounts payable

Trade accounts payable in foreign currency (mainly USD and CHF) amount to €3,531 thousand (previous year: €5,812 thousand). The fall in trade accounts payable in foreign currency is mainly due to a lower purchasing volume in USD at individual Group companies due to reporting date-related effects.

Gross amount due to customers for contract work

The gross amount due to customers for contract work in fiscal year 2017 totaled €2,014 thousand (previous year: €1,384 thousand). It results from ongoing contracts in which the partial settlements exceed the incurred costs plus the reported profits (minus any losses).

Liabilities from current income taxes

There were liabilities from current income taxes of €1,385 thousand in fiscal year 2017 (previous year: €3,520 thousand), of which €1,152 thousand (previous year: €3,123 thousand) resulted from liabilities for anticipated tax arrears payable as a result of tax audits. Of this, an amount of €1,147 thousand (previous year: €2,063 thousand) is attributable to a liability for tax arrears payable by euromicron AG in connection with the tax audit for the years 2010 to 2012, resulting in particular from the securities lending transactions conducted in those years. We refer in this regard to the explanations in section 20 "Income taxes" and section 24 c) "Contingent claims / contingent liabilities".

Personnel obligations

The personnel obligations (€9,795; previous year: €9,176 thousand) are made up of financial obligations totaling €5,676 thousand (previous year: €5,334 thousand) and non-financial obligations totaling €4,119 thousand (previous year: €3,842 thousand). The financial personnel obligations mainly comprise obligations from wages and salaries, severance payments and bonuses. The non-financial personnel obligations mainly comprise obligations from vacation and flexitime credit balances that have been not been used by employees.

Other financial liabilities

The other financial liabilities are composed as follows:

TABLE 057

Other financial liabilities	057	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Obligations from preemptive rights	523	0
Purchase price liabilities	80	0
Miscellaneous	7	0
Other noncurrent financial liabilities	610	0
Customers' monies to be passed on	126	141
Dividend/profit shares for minority interests	182	334
Obligations from preemptive tender rights	251	987
Purchase price liabilities	575	0
Liability from the continuing involvement	312	304
Miscellaneous	116	8
Other current financial liabilities	1,562	1,774
Total of other financial liabilities	2,172	1,774

In the euromicron Group, financial liabilities from the earn-out clauses as part of acquisition of the business operations of Elektroanlagen GmbH Dollenchen & Co. KG and liabilities from the put option for the remaining shares in KORAMIS GmbH not held by telent GmbH, which are carried under "Obligations from preemptive tender rights" and "Purchase price liabilities", are measured at fair value. Changes to fair value are carried in the period they occur in the income statement. All other financial liabilities are assigned to the category "Other financial liabilities measured at amortized cost" at the balance sheet date and measured at amortized costs using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €314 thousand (previous year: €748 thousand) and was recognized in the income statement.

Other liabilities

The other liabilities are composed as follows: TABLE 058

Other liabilities	058	
	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Liabilities from rent smoothing	160	146
Liabilities from retained security	10	1
Other liabilities (noncurrent)	170	147
Payments on account	1,009	2,854
Liabilities from social security (incl. mutual indemnity association)	1,007	1,079
Deferred income	767	841
Liabilities from compensation for members of the Supervisory Board	135	56
Liabilities from rent smoothing	31	31
Miscellaneous	420	316
Other current liabilities	3,369	5,178
Total for other liabilities	3,539	5,325

The payments on account include payments that cannot be set off. They also include payments on account from construction contracts in accordance with the percentage of completion method (€561 thousand; previous year: €1,737 thousand).

The contractually agreed (undiscounted) interest payments and repayments for the financial obligations of the euromicron Group are shown below. TABLE 059/060

All financial instruments held on the balance sheet date at December 31, 2017, and for which payments have already been contractually agreed were included. The variable interest payments from the financial instruments were calculated on the basis of the interest rates applicable on December 31, 2017 (previous year: December 31, 2016). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment.

euromicron uses derivative financial instruments exclusively to hedge interest rate risks resulting from financial transactions. A decision on this is taken on a case-by-case basis. They are not held for the purposes of short-term speculation. Derivative financial instruments were not held either at December 31, 2017, nor at December 31, 2016.

Cash flow from liabilities in 2017

059

	Carrying amount at Dec. 31, 2017	Cash flow in 2018 Up to 1 year			Cash flow 2019–2022 More than 1 year to 5 years			Cash flow 2023 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	90,549	1,275	200	70,556	206	165	19,993	0	0	0
Liabilities from finance leases	1,664	60	0	521	91	0	1,139	0	0	4
Other financial liabilities	2,172	0	0	1,562	0	0	610	0	0	0
	94,385	1,335	200	72,639	297	165	21,742	0	0	4
(Previous year)	79,584	1,286	201	40,283	729	367	39,236	1	0	65

Cash flow from liabilities in 2016

060

	Carrying amount at Dec. 31, 2016	Cash flow in 2017 Up to 1 year			Cash flow 2018–2021 More than 1 year to 5 years			Cash flow 2022 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	76,501	1,227	201	38,043	668	367	38,458	0	0	0
Liabilities from finance leases	1,309	45	0	466	61	0	778	1	0	65
Other financial liabilities	1,774	14	0	1,774	0	0	0	0	0	0
	79,584	1,286	201	40,283	729	367	39,236	1	0	65
(Previous year)	91,812	741	257	69,661	813	570	22,017	4	0	134

10. Deferred tax liabilities

In accordance with IAS 12.39, no deferred tax liabilities were recognized on taxable temporary differences between the shares in subsidiaries compared with the tax carried of €823 thousand (previous year: €631 thousand), since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary differences will not be reversed in the foreseeable future ("outside basis differences").

The deferred tax liabilities result from measurement differences in the following balance sheet items: [TABLE 061](#)

Deferred tax liabilities

061

	Dec. 31, 2017	Dec. 31, 2016
	€ thou.	€ thou.
Intangible assets	8,743	7,989
Property, plant and equipment	948	786
Inventories	15	18
Other receivables and other assets	27,916	20,938
Provisions	586	849
Other liabilities	9	24
Total deferred tax liabilities before netting off	38,217	30,604
Netting off	-32,619	-24,934
Total deferred tax liabilities after netting off	5,598	5,670

There are long-term deferred tax liabilities (after netting off) totaling €3,198 thousand (previous year: €2,553 thousand); as in the previous year, they result from deferred tax liabilities on measurement differences for intangible assets and property, plant and equipment.

11. Additional disclosures on the financial instruments – Carrying amounts and fair values by measurement categories

Financial instruments by measurement category

	Measurement category acc. to IAS 39	Value carried in the balance sheet acc. to IAS 39				Fair value recognized directly in equity
		Carrying amount at Dec. 31, 2017	Amortized acquisition cost	Acquisition cost	Fair value recognized in profit or loss	
		€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Assets						
Cash and cash equivalents	LaR ¹⁾	4,954		4,954		
Trade accounts receivable	LaR ¹⁾	8,994	8,994			
Gross amount due from customers for contract work	LaR ¹⁾	52,518	52,518			
Other financial assets	AfS ³⁾ LaR ¹⁾ FVtPoL ⁴⁾ IAS 17	4,130	3,910		3	55
			162			
Equity and liabilities						
Trade accounts payable	FLAC ²⁾	46,996	46,996			
Liabilities to banks	FLAC ²⁾	90,549	90,549			
Gross amount due to customers for contract work	FLAC ²⁾	2,014	2,014			
Other financial liabilities	FLAC ²⁾ FVtPoL ⁴⁾	2,172	1,494		678	
Financial personnel obligations	FLAC ²⁾	5,676	5,676			
Liabilities from finance leases	IAS 17	1,664	1,664			

¹⁾ LaR = Loans and Receivables

²⁾ FLAC = Financial Liabilities Measured at Amortized Cost

³⁾ AfS = Available-for-Sale Financial Assets

⁴⁾ FVtPoL = At Fair Value through Profit or Loss

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

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

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

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

The level model was applied for measuring the financial instruments reported at fair value at the euromicron Group. The fair values of the shares in Track Group Inc. (balance

sheet item: "Other financial assets") were measured on the basis of the 1st level, since the share price can be observed on an active market.

The fair values for the fixed-interest long-term debt presented in section 9 "Liabilities" were measured on the basis of level 2. The fair value is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

The liabilities from the opposite put/call options for the remaining shares in MICROSENS GmbH & Co. KG, Microsens Beteiligungs GmbH, SIM GmbH and ATECS AG not held by euromicron were measured on the basis of level 3. They are carried as "Obligations from preemptive tender rights" or as "Purchase price liabilities" under the other current financial liabilities. The carrying amount of the liabilities is approximately their fair value.

Value carried in the balance sheet acc. to IAS 39

Carrying amount at Dec. 31, 2016	Amortized acquisition cost	Acquisition cost	Fair value recognized in profit or loss	Fair value recognized directly in equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
6,844		6,844		
18,150	18,150			
40,708	40,708			
				267
6,019	5,550		0	
	202			
44,512	44,512			
76,501	76,501			
1,384	1,384			
1,774	1,774			
			0	
5,334	5,334			
1,309	1,309			

The liabilities from the put/call option for the remaining shares in KORAMIS GmbH not held by telent GmbH were measured on the basis of level 3. The Black-Scholes formula was used to determine the fair value of the put/call options. The main model parameters applied in that are the value of the underlying instrument, the exercise price, the anticipated volatility of the underlying instrument, any dividend payments, the risk-free interest rate, and the anticipated remaining term. The liability from the put option (€523 thousand) is carried as "Obligations from preemptive tender rights" under the other noncurrent financial liabilities. The call option (€3 million) is carried under the other current financial assets.

The liabilities from the earn-out clauses under the agreement to purchase the business operations of Elektroanlagen GmbH

Dollenchen & Co. KG were measured on the basis of level 3. The long-term portion of the liability is carried as "Obligations from preemptive tender rights" under the other noncurrent financial liabilities (€80 thousand). The short-term portion of the liability is carried as "Obligations from preemptive tender rights" under the other current financial liabilities (€75 thousand).

There were no transfers between the levels during the fiscal year. There is no collateral received for financial instruments at the euromicron Group.

The changes in fair value for the liabilities assigned to level 3 are shown in the table below: [TABLE 063](#)

Changes in fair value for the 3rd level financial liabilities

063

	Earn-out liabilities (asset deal Elektroanlagen GmbH Dollenchen & Co. KG)	Liabilities from the put option KORAMIS GmbH	"Obligations from preemptive tender rights" under the other financial liabilities	Total
	€ thou.	€ thou.		€ thou.
Balance at January 1, 2017	0	0		0
Addition of conditional consideration from company acquisitions	155	0		155
Disposal of liabilities from exercise of preemptive right	0	0		0
Addition of the liability from the preemptive right from company acquisition	0	723		723
Reclassification of liability from preemptive right	0			0
Interest accrued on liability from preemptive right	0			0
Change in fair value of the liability from preemptive right	0	-200		-200
Balance at December 31, 2017	155	523		678

Notes on the consolidated income statement

12. Sales

The Group's sales include sales from construction contracts totaling €180,417 thousand (previous year: €175,609 thousand).

The Group's sales are further divided into revenue from the sale of goods (€100,144 thousand; previous year: €99,810 thousand) and from the provision of services (€52,347 thousand; previous year: €49,894 thousand).

There were changes in sales as a result of changes in the consolidated companies in fiscal year 2017 to an amount of €4,255 thousand (previous year: €0 thousand).

13. Own work capitalized

Own work capitalized totals €3,389 thousand (previous year: €2,808 thousand) and results to an amount of €2,705 thousand (previous year: €2,342 thousand) from capitalization of development costs, to an amount of €130 thousand (previous year: €191 thousand) from own work capitalized for software and IT solutions and to an amount of €554 thousand (previous year: €275 thousand) from own work capitalized for property, plant and equipment.

14. Other operating income

The other operating income is composed as follows:

TABLE 064

Other operating income	2017	2016
	€ thou.	€ thou.
Currency gains	673	547
Reduction in allowances for doubtful accounts	474	222
Income from property and rent	248	247
Compensation paid from insurance	179	45
Refunds for health insurance/ reintegration/ passed-on charges	113	83
Income from retirement of noncurrent assets	60	36
Income from cash received from written-down receivables	24	15
Income from damages	14	19
Income from claims for damages against former board members	0	260
Income from claims for reimbursement of litigation and legal costs	0	1,350
Income from claims from rights of recourse against former shareholders of ATECS AG	0	1,151
Other	405	524
	2,190	4,499

15. Cost of materials

TABLE 065

Cost of materials	065	
	2017	2016
	€ thou.	€ thou.
Cost of raw materials and supplies and goods purchased	118,949	120,550
Cost of purchased services	53,483	50,956
	172,432	171,506

16. Personnel costs

TABLE 066

Personnel costs	066	
	2017	2016
	€ thou.	€ thou.
Wages and salaries	95,257	92,019
Social security	17,294	17,038
	112,551	109,057

Average number of employees per year at the Group:

TABLE 067

Employees	067	
	2017	2016
Hourly-paid employees	905	919
Salaried employees	863	823
Trainees	65	62
	1,833	1,804

17. Other operating expenses

TABLE 068

Other operating expenses	068	
	2017	2016
	€ thou.	€ thou.
Vehicle and travel expenses	12,458	12,369
Rent/room costs	6,071	5,814
Legal and consulting costs	5,708	5,632
IT costs	2,497	2,180
Cost of goods consignment	2,454	2,093
Trade fair/advertising costs	1,717	1,884
Communication expenses	1,665	1,944
Commission	1,053	1,221
Further training costs	1,003	928
Currency losses	936	605
Personnel leasing	859	1,054
Running costs	837	792
Allocation of allowances for receivables	612	926
Maintenance and repair	589	636
Administrative expenses	390	454
Expenses incidental to monetary transactions	114	112
Losses of receivables	100	237
Loss from deconsolidation of euromicron NBG Fiber Optics GmbH	70	0
Write down of current assets/ telecommunications business	238	894
Miscellaneous	4,018	4,034
	43,389	43,809

18. Depreciation/amortization

TABLE 069

Depreciation/amortization	069	
	2017	2016
	€ thou.	€ thou.
Amortization of intangible assets	4,380	4,791
of which impairments	150	80
Depreciation of tangible assets	4,025	4,858
of which impairments	0	1,288
	8,405	9,649

Intangible assets (before deferred taxes) totaling €144 thousand were identified and carried as part of purchase price allocation in the company acquisitions/acquisitions of business operations in fiscal year 2017. The amortization and depreciation for this in fiscal year 2017 was €65 thousand.

19. Net interest income / loss / other financial income and expenses

TABLE 070

Net interest income/loss	070	
	2017	2016
	€ thou.	€ thou.
Interest income	313	152
Interest expenses	-4,943	-5,439
Net interest income/loss	-4,630	-5,287

The total interest income and total interest expense for financial instruments not carried at fair value in accordance with IAS 39 are shown in the table below: TABLE 071

Total interest income and expense	071	
	2017	2016
	€ thou.	€ thou.
Total interest expense	-4,483	-4,784
Total interest income	213	18

The other financial expenses (€219 thousand; previous year: €73 thousand) comprise the cost from the impairment to the value of available-for-sale assets (shares in Track Group Inc.: €212 thousand; previous year: €73 thousand) and the decline in value of the call option on the minority interests in KORAMIS GmbH (€7 thousand; previous year: €0 thousand). The other financial income (€200 thousand; previous year: €0 thousand) comprises the effect from adjustment of the liability from the preemptive tender right (put option) of the minority shareholder of KORAMIS GmbH (please refer to section 2 "Acquisition of companies and divisions" for details of the put/call option for KORAMIS GmbH).

Net gains and losses from financial instruments for the measurement categories at the euromicron Group are presented in the following: TABLE 072

Net gains and losses from financial instruments	072	
	2017	2016
	€ thou.	€ thou.
Loans and receivables	129	-770
Financial assets measured at fair value through profit or loss	-7	0
Available-for-sale financial assets	-212	-73
of which carried in the other profit/loss	0	0
of which carried in the income statement	-212	-73
Financial liabilities measured at fair value through profit or loss	200	0
Financial liabilities measured at amortized cost	-4,771	-4,847

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

20. Income taxes

Income taxes	073	
	2017	2016
	€ thou.	€ thou.
Current taxes in Germany	1,309	3,137
Deferred taxes in Germany	-2,648	696
Current taxes abroad	-1,047	1,119
Deferred taxes abroad	2,431	-107
	45	4,845

In fiscal year 2017, a reduction in deferred tax assets totaling €2 thousand (previous year: an increase of €701 thousand) was recognized directly in equity. As in the previous year, it results in 2017 solely from deferred tax assets that had to be recognized in the other profit/loss as part of the application of IAS 19 R. In addition, there were (net) deferred tax assets of €43 thousand that were recognized directly in equity as part of the company acquisitions in 2017. In the previous year, there were no deferred taxes from company acquisitions that were taken directly to equity. Application of the net interest method resulted in deferred tax expenses of €88 thousand (previous year: €118 thousand) in the current reporting period which did not result in recognition of deferred tax liabilities in the balance sheet, since there was a balancing entry in the other profit/loss.

The items "Current taxes in Germany" and "Current taxes abroad" (totaling €262 thousand; previous year: €4,256 thousand) include income tax expenses for previous years of €356 thousand (previous year: €3,203 thousand) and tax income for previous years of €1,878 thousand (previous year: €119 thousand). Of the tax income for previous years, €917 thousand result from partial reversal of the liability for tax arrears payable by euromicron AG, which was set up in the previous year to an amount of €2,063 thousand due to the change in jurisdiction on the issue of economic ownership in the case of securities lending transactions. This tax liability was able to be adjusted accordingly in fiscal year 2017 after conclusion of the tax audit for the years 2010–2012. In addition, this tax audit of euromicron AG resulted in a claim for a tax refund totaling €711 thousand, which is likewise contained as tax income for previous years in the item "Current taxes in Germany".

In the previous year, €1,057 thousand also related to formation of a liability for tax arrears of ATECS AG payable as a result of a tax audit for assessment periods before the company was acquired by euromicron AG. In the previous year, there

was income from claims from rights of recourse against the former shareholders to the same amount; it has been recognized under the other operating income.

The item "Deferred taxes in Germany" (€2,648 thousand; previous year: €696 thousand) includes deferred tax expenses of €1,721 thousand (previous year: €1,391 thousand) resulting from the utilization of corporation income tax and trade tax loss carryforwards on which deferred tax assets have been recognized; it likewise resulted from the tax audit at euromicron AG for the years 2010 to 2012. In the previous year, it also contained deferred tax expenses of €2,006 thousand resulting from derecognition of deferred tax assets on loss carryforwards of euromicron Deutschland GmbH prior to the integrated inter-company relationship.

The table below presents a reconciliation of the tax expense expected in the fiscal year to the tax expense actually disclosed. As in the previous year, the expected tax expense is calculated from a total tax rate of 30.00% and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 15.825% and the effective average trade tax rate of 14.175%. **TABLE 074**

Tax reconciliation	074	
	2017	2016
	€ thou.	€ thou.
Income before income taxes	-3,551	-7,624
Expected tax expense	-1,065	-2,287
Non-deductible expenses	270	331
Tax expenses/income not related to the period	-1,503	3,084
Effect from derecognition of deferred tax assets on loss carryforwards/losses prior to the integrated inter-company relationship that can no longer be used due its establishment	0	2,006
Effect from adjustment of deferred taxes formed in previous years on loss carryforwards/temporary differences	1,635	1,483
Non-recognition of deferred taxes on losses of the current year	607	326
Effect from write-downs with no impact on taxes	68	22
Effects of different national tax rates	-26	-138
Recognition of deferred taxes on loss carryforwards (not recognized in previous periods)	-6	-20
Other	-25	38
Actual tax expense	-45	4,845
Effective tax expenses (-)/ tax income (+)	1.3%	-63.5%

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

The consolidated net income for the period for non-controlling interests relates solely to Qubix S.p.A., Padua, Italy (10%). The non-controlling interests should be regarded as not being material in relation to the consolidated financial statements.

22. Earnings per share

Undiluted earnings per share are calculated as follows:

TABLE 075

Undiluted earnings per share	075	
	2017	2016
Earnings for euromicron AG shareholders in € thousand	-3,769	-12,655
Weighted average number of shares issued	7,176,398	7,176,398
Undiluted earnings per share in €	-0.53	-1.76

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

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

Appropriation of net income

The annual financial statements of euromicron AG at December 31, 2017, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € -43,251,861.92 (previous year: loss of € -40,916,954.67).

Other disclosures

23. Notes on the statement of cash flows

The cash used in operating activities in fiscal year 2017 was € -1,560 thousand (previous year: € -7,140 thousand). However, comparison of these figures is not meaningful due to effects from factoring (change in the volume of factoring used at the balance sheet date, the receivables from retained factoring monies and the liabilities from customers' monies to be passed on). A detailed presentation of these effects can be found in section 2.3 "Net assets, financial position and results of operations", subsection "Financial position", in the 2017 group management report. Aggregated reconciliation with a cash flow from operating activities adjusted for factoring effects supplies the following comparative figures: TABLE 076

Adjusted cash flow	076		
	Cash flow from operating activities acc. to statement of cash flows	Effects from factoring and customers' monies to be passed on included in that	Adjusted cash flow from operating activities
	€ thou.	€ thou.	€ thou.
2016	-7,140	8,435	1,295
2017	-1,560	1,946	386

After adjustment for factoring effects, there is net cash provided by operating activities in fiscal year 2017 totaling €386 thousand (previous year: €1,295 thousand). The cash flow from operating activities in fiscal year 2017 thus fell slightly by € -909 thousand over the previous year. Coupled with an increase in EBITDA of €2,118 thousand and a

€1,236 lower cash outflow from the balance of paid and received income taxes and interest, this is attributable to an amount of € -4,226 thousand to cash effects from the change in working capital: Whereas the reduction in working capital resulted in positive cash flow effects of €1,741 thousand in 2016, the cash flow for 2017 was negatively

influenced to an amount of € –2,485 thousand by the slight increase in working capital, due especially to the Group's growth. There were also minor negative effects of € –37 thousand from the change in other items.

Under the contractual trust agreement, trade accounts receivable of €165 thousand were allocated to the plan assets in fiscal year 2017. Receivables of €2,471 thousand were allocated to the plan assets in the previous year.

Net cash used in investing activities is derived from the net cash from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as company acquisitions. The net cash used in the fiscal year was € –13,471 or € –5,701 higher than in the previous year (€ –7,770 thousand). This is mainly the result of higher net cash used in purchasing property, plant and equipment (€ –6,380 thousand; previous year: € –3,776 thousand) and in purchasing intangible assets (€ –4,410 thousand; previous year: € –3,464 thousand). The net cash used in investing activities was also impacted by an increase

of € –1,439 thousand in net cash used in company acquisitions and, to an amount of € –701 thousand, by effects from the disposal of subsidiaries and other business units. €452 thousand of the loan obligations totaling €529 thousand that were assumed as part of company acquisitions was repaid in the fiscal year.

The net cash provided by financing activities in fiscal year 2017 was €13,141 thousand (previous year: €11,032 thousand). The net cash inflow in fiscal year 2017 was mainly due to the raising of new loans, which exceeded the net cash used to repay loans by €13,945 thousand (previous year: net cash inflow of €11,710 thousand). On the other hand, there were cash repayments of liabilities from finance leases totaling € –525 thousand (previous year: € –526 thousand) and distributions to non-controlling shareholders and from profit shares of minority interests totaling € –279 thousand (previous year: € –152 thousand).

The table below presents the reconciliation of the changes in debt with the cash flows from financing activities: [TABLE 077](#)

Reconciliation of the changes in debt with the cash flows from financing activities

077

	Note	Liabilities to banks	Liabilities from finance leases	Other financial liabilities	Total
		€ thou.	€ thou.	€ thou.	€ thou.
Balance sheet as of January 1, 2017		76,501	1,309	1,774	79,584
Changes in the cash flow from financing activities					
Proceeds from raising of financial loans	(23)	18,720			18,720
Cash repayments of financial loans	(23)	–4,775			–4,775
Cash repayments of liabilities from finance leases	(23)		–525		–525
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	(23)			–279	–279
Total change in the cash flow from financing activities		13,945	–525	–279	13,141
Changes from the acquisition of subsidiaries and other business operations	(3)	59	0	0	59
Other changes					
Addition of liabilities from new finance lease agreements	(9)		880		880
Addition of liabilities from preemptive tender rights and purchase price payments	(3; 9)			878	878
Fair value changes in liabilities from preemptive tender rights	(3; 9)			–200	–200
Disposal of liabilities from preemptive tender rights and purchase price payments due to exercise of rights/options	(3; 9)			–251	–251
Addition from adopted distributions to non-controlling shareholders				125	125
Effects from accrued interest on options	(3)			14	14
Other effects (accumulated)	(9)	44		111	155
Total for other changes		44	880	677	1,601
Balance sheet as of January 31, 2017		90,549	1,664	2,172	94,385

24. Contingencies and other financial obligations

(a) Contingencies

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

(b) Other financial obligations

There are the following other financial obligations on the balance sheet date: [TABLE 078](#)

Other financial obligations in 2017

078

	Total	Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Bill commitments	3,707	3,707	0	0
Operating lease	24,883	8,044	14,406	2,433
Purchase obligation	19,546	19,410	136	0
	48,136	31,161	14,542	2,433
Previous year	43,979	28,750	14,814	415

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

Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminable agreements and mainly relate to rental and leasing agreements for operating and office equipment, such as cars, office machines or PC workstations, and communications technology; these obligations total €24,883 thousand (previous year: €23,742 thousand). In fiscal year 2017, payments from these leasing relationships totaling €9,411 thousand (previous year: €9,475 thousand) were recognized in the income statement. Conditional lease payments of €25 thousand (previous year: €25 thousand) were carried.

(c) Contingent claims/contingent liabilities

In fiscal year 2017, the company took legal action to claim damages totaling €4.2 million from a former Executive Board member due to breaches of duty. Due to uncertainty as to when they might arise and their amount, these contingent claims were not recognized at December 31, 2017.

The Executive Board member in question disputes the claims and has brought a cross-action claiming compensation of €1.6 million for unfair dismissal. Based on the assessment

of external lawyers, who consider the dismissal to be effective and the claims of the former Executive Board member to be unjustified, this contingent liability has not been carried in the balance sheet to date. The possible risk of the claims being payable is assessed as low.

In fiscal year 2017, there was a contingent liability in connection with securities lending transactions. There is also a risk that amounts of tax withheld as part of dividend payments (capital gains tax and solidarity surcharge) might no longer be able to be offset by euromicron AG due to the change in jurisdiction on the issue of securities lending transactions. This would result in payment of tax arrears of €5.8 million plus interest. An appeal has been lodged and suspension of execution applied for. The fiscal authorities granted the suspension of execution. In addition, this issue means that euromicron AG has contingent claims to the same amount due to claims from rights of recourse against the securities lender and former board members of euromicron AG. These claims have been underpinned by a legal opinion from a specialist external attorney. All in all, the Executive Board does not therefore expect a negative impact on the Group's liquidity as a result of this matter.

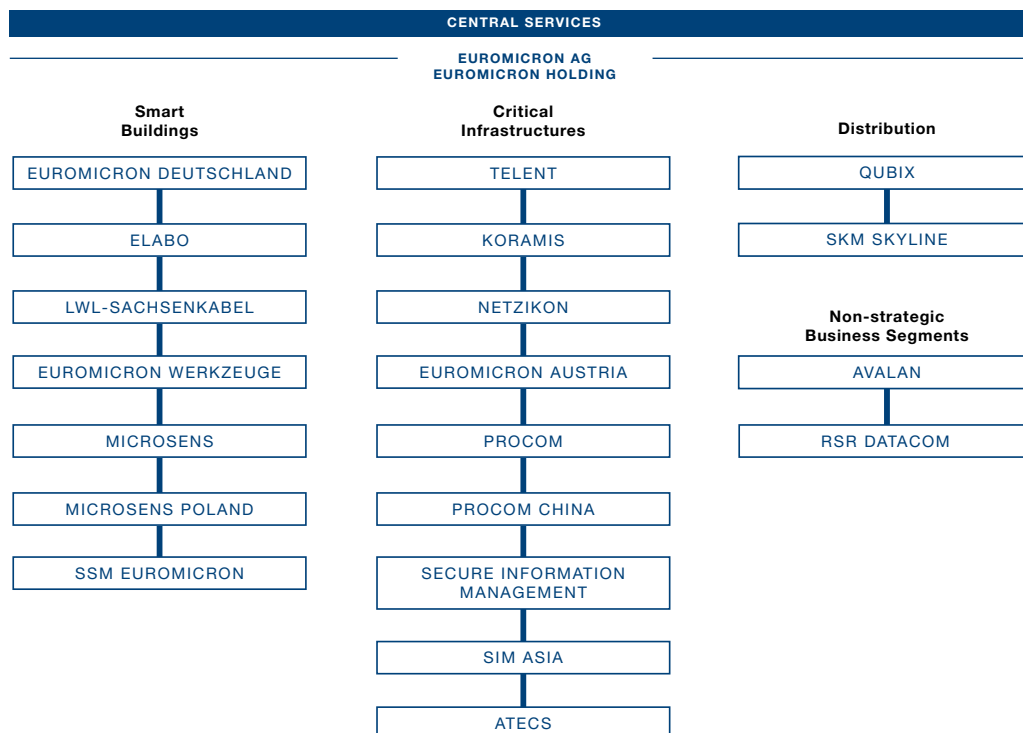
25. Segment reporting

The Executive Board is the main decision-maker in the Group. The business segments were identified on the basis of the internal reporting the Executive Board uses to allocate resources and assess earnings strength.

Under its strategic alignment, the euromicron Group focuses on the three main business areas of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. Controlling and the reporting structure are in line with the orientation toward the target markets and the underlying value chain within the Group.

In line with the internal reporting structure, RSR Datacom GmbH & Co. KG is no longer assigned to the “Critical Infrastructures” segment as of fiscal year 2017, but instead to the “Non-strategic Business Areas”. The previous year’s figures have been accordingly adjusted in segment reporting.

Segment structure



Description of the segments:

All the activities of the euromicron Group in the target markets of “Digital Buildings” and “Smart Industry” are pooled in the “Smart Buildings” segment. In the target market of “Digital Buildings”, euromicron provides infrastructure-related intelligent solutions, 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. The focus in the target market of “Smart Industry” is on digitizing and networking development, production and service processes in industry. 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. This segment also includes services relating to the equipment of data centers with innovative connector systems.

The “Critical Infrastructures” segment deals with vital business infrastructures whose failure is highly problematic. Such infrastructures may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example. System integration comprises the planning, production and operation of digitized critical infrastructures. In addition, the technology manufacturing companies in this segment round out the product portfolio in this target market with their professional video, audio and special technology solutions for sensitive security restricted areas.

The “Distribution” segment advises and supplies customers in a vendor-independent manner in all matters relating to active and passive network components in the fiber-optic and copper arena.

“All other segments” consists of the “Non-strategic Business Areas” and “Central Services”. The “Non-strategic Business Areas” include the business units that have been identified by the Executive Board as no longer being of relevance at Avalan GmbH (in liquidation), euromicron NBG Fiber Optics

GmbH (sold effective October 30, 2017), euromicron benelux S.A. (liquidated effective December 22, 2017), RSR Datacom Verwaltungs GmbH, and RSR Datacom GmbH & Co. KG, whose business operations were discontinued. The “Central Services” area mainly includes euromicron AG as the strategic management holding company. euromicron AG also pools the corporate departments of financing, group controlling and accounting, taxes, legal affairs, human resources, purchasing, IT, corporate marketing, investor relations and innovation management, which act as service providers within the Group.

The reconciliation contains the consolidation of the cross-segment network of services and various other items that cannot be assigned to the individual areas, since the Executive Board believes they do not reflect the services provided by the areas.

Control factors

The Executive Board assesses the earnings strength of the business segments on the basis of operating EBITDA and the operating EBITDA margin (operating EBITDA relative to sales). Operating EBITDA excludes effects from one-off expenses in the business segments, such as reorganization costs due to personnel measures. Apart from these key figures, sales and the working capital ratio (working capital used relative to sales) are the most important control factors.

The sales and earnings, as well as the current assets and liabilities included in the working capital, that are reported to the main decision-maker are measured in accordance with the same principles and standards as in euromicron’s consolidated financial statements. Transactions within and between the segments are reflected at market prices (at arm’s length principle).

The working capital is calculated from 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 received prepayments.

Segment reporting

of the euromicron Group for the period January 1 to December 31, 2017 (IFRS)

Segment reporting

	Smart Buildings		Critical Infrastructures		Distribution	
	2017	2016	2017	2016	2017	2016
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	190,021	191,243	119,706	110,051	22,448	20,678
Sales within the Group	1,902	2,471	1,280	1,119	1,105	1,925
Total sales	191,923	193,714	120,986	111,170	23,553	22,603
EBITDA	5,981	4,174	6,829	7,085	3,988	3,145
EBIT margin	3.1%	2.2%	5.6%	6.4%	16.9%	13.9%
of which reorganization costs	915	1,774	0	481	0	0
Operating EBITDA	6,896	5,948	6,829	7,566	3,988	3,145
Operating EBITDA margin	3.6%	3.1%	5.6%	6.8%	16.9%	13.9%
Amortization and depreciation	-5,162	-5,588	-2,491	-1,977	-313	-369
Write-downs of property, plant and equipment, intangible assets and goodwill	-150	-879	0	-489	0	0
EBIT	669	-2,293	4,338	4,620	3,675	2,776
of which reorganization costs	915	2,264	0	970	0	0
Operating EBIT	1,584	-29	4,338	5,589	3,675	2,776
Order books	75,764	65,664	49,077	54,251	1,863	2,006
Working capital	54,054	53,552	6,560	1,868	3,654	3,852
Working capital ratio	28.2%	27.6%	5.4%	1.7%	15.5%	17.0%

Total for all reportable operating segments		All other segments						Reconciliation		Group	
		Non-strategic Business Areas		Central Services		Total for the segments					
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
332,175	321,972	733	3,341	0	0	332,908	325,313	0	0	332,908	325,313
4,287	5,515	85	384	0	0	4,372	5,899	-4,372	-5,899	0	0
336,462	327,487	818	3,725	0	0	337,280	331,212	-4,372	-5,899	332,908	325,313
16,798	14,404	-443	-983	-6,852	-6,036	9,503	7,385	0	0	9,503	7,385
5.0%	4.4%					2.8%	2.2%			2.9%	2.3%
915	2,255	341	570	2,727	2,937	3,983	5,762	0	0	3,983	5,762
17,713	16,659	-102	-413	-4,125	-3,099	13,486	13,147	0	0	13,486	13,147
5.3%	5.1%	-12.5%	-11.1%			4.0%	4.0%			4.1%	4.0%
-7,966	-7,934	-1	-26	-288	-321	-8,255	-8,281	0	0	-8,255	-8,281
-150	-1,368	0	0	0	0	-150	-1,368	0	0	-150	-1,368
8,682	5,103	-444	-1,009	-7,140	-6,357	1,098	-2,264	0	0	1,098	-2,264
915	3,234	341	570	2,727	2,937	3,983	6,741	0	0	3,983	6,741
9,597	8,337	-103	-439	-4,413	-3,420	5,081	4,477	0	0	5,081	4,477
126,704	121,921	601	1,571	0	0	127,305	123,492	-210	-238	127,095	123,254
64,268	59,272	-300	-38	-1,385	-1,304	62,583	57,930	-19,604	-19,442	42,979	38,488
19.1%	18.1%					18.6%	17.5%			12.9%	11.8%

Explanation of selected items

The reconciliation with the working capital item includes off-setting and netting off of the plan assets, consisting of trade accounts receivable, with the relevant provisions for pensions. For an explanation of the composition of the reorganization costs, we refer you to our comments in the management report (section 2.2 "Course of business", subsection "Development of the segments", and section 2.3 "Net assets, financial position and results of operations", subsection "Results of operations").

Sales by region

Sales in Germany were €277.8 million (previous year: €274.3 million), in the Euro zone €37.3 million (previous year: €35.7 million) and in the Rest of the World €17.8 million (previous year: €15.3 million). The sales relate to the geographical location of the customers.

Sales by category

Breakdown of sales for all products and services: Consolidated sales are divided into those from construction contracts totaling €180,417 thousand (previous year: €175,609 thousand), from the sale of goods totaling €100,144 thousand (previous year: €99,810 thousand) and from the provision of services totaling €52,347 thousand (previous year: €49,894 thousand).

Sales by customer

There are sales exceeding the thresholds defined by IFRS 8.34 with one customer (previous year: one customer). These sales total €33,857 thousand (previous year: €33,656 thousand) and were generated in the segments "Smart Buildings", "Critical Infrastructures" and "Non-strategic Business Areas".

Noncurrent assets

In accordance with IFRS 8.33b, noncurrent assets are €121,186 thousand in Germany (previous year: €116,023 thousand), €24,727 thousand (previous year: €24,741 thousand) in other European countries, and €648 thousand (previous year: €41 thousand) in non-European countries. They are composed of:

- Goodwill
- Intangible assets
- Property, plant and equipment
- Other financial assets
- Other assets

26. Risk management**Principles of risk management**

As a result of its business activity, the euromicron Group is exposed to various risks. They are countered by a risk management system that has been implemented throughout the Group and is closely geared to its business strategy. The internal control system and compliance policies are inseparable from the risk management system. They ensure that financial reporting is performed correctly and the rules of conduct are observed by employees. The existing system of controls and policies enables the euromicron Group to comply with the stipulations of the corporate governance guidelines. The focus is in particular on finance and accounting, controlling and taxes, legal and compliance and the main operating processes.

Risk control

The concrete risks to which the euromicron Group is exposed in terms of assets, liabilities and strategic alignment are mainly in changes in the market situation, financing situation and interest rates. To minimize them, the basic elements of the business and financial policy are defined by the Executive Board and monitored by the Supervisory Board. In turn, Finance and Accounting, Controlling and Taxes are responsible for operationally implementing the financial policy and constant risk management.

Market risks

In principle, euromicron is dependent on economic trends in the Euro zone; the German market accounts for 83.4% (previous year: 84.3%) of sales and so is crucial to the Group's success. Germany is also the area of activity of most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers and special solutions in niche markets so as to be able to offer top-quality products and services at competitive prices.

Risks of default

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned. Only one customer accounted for more than 10% of consolidated sales in fiscal year 2017 (previous year: one customer). In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, credit sale insurance policies were concluded for specific companies. The maximum risk of default is to the carrying amounts of the financial assets carried on the balance sheet which are not secured by credit sale insurance policies.

Financing and liquidity risks

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

A further financial risk for the euromicron Group is the provision of sufficient liquidity for the subsidiaries' business operations. euromicron AG must ensure that the receivables resulting from financing of the operating units through the cash pool retain value. This is achieved by permanent and standardized finance management and reporting that constantly monitors and assesses the subsidiaries' activities and assigns measures to them.

With regard to the measures to secure future liquidity, please refer to the comments in section 31 "Significant events after the balance sheet date" and section 3.2 "Risk report and salient features of the risk management system" in the group management report for 2017.

Interest rate risks

Interest rate risks are restricted exclusively to the Euro zone. To protect against these risks, the euromicron Group relies on a balanced mix of a variable and fixed financing structure.

The financing that was contractually agreed and utilized at December 31, 2017, will result in interest expenses of around €2.0 million by the end of their term (previous year: €2.6 million). A sensitivity analysis is used to assess the interest rate risks. This shows the effects of different market interest rates on interest payments, interest income and interest expenses.

The euromicron Group complies with these stipulations and applies further assumptions:

- Changes in market interest rates for original financial instruments with a fixed rate have an impact on the result only if these instruments are measured at their fair value. All financial instruments with a fixed rate that are measured at their amortized acquisition cost are not therefore exposed to the risk of any change in interest rates.
- Changes in market interest rates for original financial instruments that have a variable rate and whose interest payments are not designed as a hedged item as part of cash flow hedges against risks of interest rate changes have an effect on the net interest income/loss and are included in calculation as part of the earnings-oriented sensitivity analysis.

If the average market level for interest rates in 2017 had been 50 base points higher, income before taxes at the euromicron Group would have been €274 thousand lower. There would have been no effects if the average market level for interest rates had been lower. The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest and factoring.

Internal control system

In order to comply with statutory requirements, the euromicron Group continued to focus in fiscal year 2017 on monitoring its main corporate processes. In particular, the internal controls are aimed at minimizing operational risks and avoiding mistakes in sensitive areas of the company. For example, the company ensures that key functions are kept strictly separate from each other and that the four eyes principle is applied comprehensively. Moreover, Finance and Accounting, Controlling and Taxes very closely observe changes in accounting and employees are given extensive training by external consultants if and when required.

The controls are carried out throughout the Group and their suitability and comprehensiveness are reviewed regularly on a test basis.

Appropriate measures to minimize risks from project business were implemented in previous years. For further details on risks, please refer to the comments in section 3.2 "Risk report and salient features of the risk management system" in the group management report for 2017.

In fiscal year 2017, euromicron AG's risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) AktG (German Stock Corporation Law). The risk identification system is suitable for promptly detecting developments that might jeopardize the company's continued existence.

Compliance

For the Executive Board of euromicron AG, corporate governance based on integrity means morally and legally responsible conduct, in particular toward executives, employees and all business partners. These maxims are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company's Code of Conduct. This serves as the basis for creating a consistent understanding of ethical conduct in the Group. The Code of Conduct can be viewed on the company's homepage at www.euromicron.de/en/company/code-of-conduct.

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

27. Related parties

Persons and companies are regarded as related parties if they control the euromicron Group or exert a significant influence on its financial and business policy or the euromicron Group has a significant influence over them.

There are no transactions with related parties that require disclosure.

Further relations with members of the Executive Board and Supervisory Board are explained in section 33.

28. Declaration on the Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Law)

In fiscal year 2017, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated February 7, 2017, which was published in the Federal Official Gazette on April 24, 2017. The exceptions are listed in the declaration on conformance by the Executive Board and Supervisory Board dated December 8, 2017, which can be read on the company's homepage at: <https://www.euromicron.de/en/investor-relations/declaration-on-conformance-2017>

29. Stock option program/ securities transactions requiring disclosure

There is currently no new stock option program or comparable incentive system based on securities. The members of the Executive Board and Supervisory Board do not hold more than 1% of the shares issued by euromicron AG directly or indirectly.

30. Auditors' fees

Auditors' fees	2017		2016	
	Total	Of which not related to the period	Total	Of which not related to the period
	€ thou.	€ thou.	€ thou.	€ thou.
Auditing services	486	12	536	19
Tax consulting services	41	7	262	26
Other services	159	0	13	0
Total	686	19	811	45

The independent auditor of euromicron AG is PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The auditing services comprise the fees for auditing the financial statements of the companies and the Group. The fees for tax consulting services include in particular fees for preparing tax returns. The fees for other services comprise in particular an analysis of the target markets relating to the euromicron Group's strategic orientation.

31. Significant events after the balance sheet date

Follow-up financing up to March 31, 2021, was agreed with the financing partners in March 2018. The agreement specifies that the company must fulfill specific key ratios (covenants), which must be tested quarterly, for the first time as of June 30, 2018. They include the gearing ratio and key indicators relating to earnings and liquidity. In addition, the agreement specifies contractually stipulated repayments of €2.5 million effective March 31, 2019, and €25.0 million effective January 31, 2020. The lenders also have an extraordinary right to terminate the agreement if 30% or more of the shares and/or voting rights are taken over.

32. Publication of the consolidated financial statements

On March 27, 2018, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 28, 2018, by the Supervisory Board following their submission by the Executive Board and deposited with the operator of the electronic Federal Official Gazette.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code (HGB) that exempts subsidiaries of euromicron AG from the obligation to prepare notes and/or a management report and to audit and disclose annual financial statements and management reports, and fulfills all the necessary conditions. This goes for all subsidiaries (see "List of companies included in the consolidated financial statements" in the section "Consolidated companies") with the exception of the following. Exceptions are ATECS AG, Zug, Switzerland, Avalan GmbH (in liquidation), Spiesen-Elversberg, euromicron austria GmbH, Seekirchen, Austria, euromicron benelux S.A., Ellange, Luxembourg (liquidated effective December 22, 2017), euromicron holding GmbH, Seekirchen, Austria, euromicron NBG Fiber Optics GmbH, Seekirchen, Austria (sold effective October 30, 2017), Microsens Beteiligungs GmbH, Hamm, MICROS-ENS Sp.z o.o., Wroclaw, Poland, Netzikon GmbH, Backnang, RSR Datacom Verwaltungs GmbH, Essen, Qubix S.p.A., Padua, Italy, Secure Information Management (Asia Pacific) Pte. Ltd., Singapore, KORAMIS GmbH, Saarbrücken, and ProCom Communication Systems Trading (Beijing) Co. Ltd., Beijing, China, which disclose their annual financial statements in accordance with their respective national regulations.

33. Supervisory Board and Executive Board

(a) Executive Board

Bettina Meyer

Finance, Legal Affairs, Human Resources,
Accounting/Controlling and Investor Relations
Spokeswoman of the Executive Board

Jürgen Hansjosten

Operations, Strategy, IT and Purchasing
Chairman of the Supervisory Board of
AMS Technologies AG, Planegg

(b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Evelyne Freitag, Chairwoman

Graduate in business management, Chief Financial Officer
Germany/Switzerland/Austria of Sanofi-Aventis Deutschland
GmbH, Frankfurt/Main
Chairwoman of the Supervisory Board of the Pensionskasse
der Mitarbeiter der Hoechst-Gruppe VVAG, Frankfurt/Main

Rolf Unterberger, Deputy Chairman

Graduate in industrial engineering, business consultant
and Managing Director of RMU Capital GmbH, Munich
Managing Director of Executive Interim Partners GmbH,
Munich
Member of the Advisory Board of Melboss Music,
Palo Alto (CA), U.S.

Dr. Alexander Kirsch,

Businessman, Managing Partner of
Renusol Europe GmbH, Cologne
Deputy Chairman of the Supervisory Board of
SKW Stahl-Metallurgie Holding AG, Munich

The term of office of the members of the Supervisory Board expires at the end of the General Meeting that decides on discharge of them for fiscal year 2020.

(c) Remuneration of the board members

In total, the members of the Supervisory Board received compensation of €135 thousand (previous year: €135 thousand) in accordance with the Articles of Association; it consisted solely of fixed compensation. The fixed compensation for members of the Supervisory Board is €30 thousand, with the Chairman of the Supervisory Board receiving twice and his/her deputy one-and-a-half times the fixed compensation.

The compensation for 2015 and the pro-rata compensation for 2016 for the Supervisory Board members who served until July 28, 2016, have not yet been paid out.

In fiscal year 2017, the Executive Board received a total remuneration of €604 thousand (previous year: €739 thousand); the variable payments made up €45 thousand of this (previous year: €180 thousand).

As in the previous year, the total compensation for the Executive Board consists solely of short-term benefits.

In the years 2016 and 2017, the Executive Board members were granted interest-free advances on the LTI component in the form of payments on account totaling €116 thousand. The advances must be repaid if the agreed targets for the LTI component are not achieved.

As in 2016, no expenses from the pension commitments to Executive Board members were recognized in fiscal year 2017.

The disclosures required for listed stock corporations pursuant to Section 314 (1) No. 6 a Sentences 5 to 8 of the German Commercial Code (HGB) are contained in the Compensation Report, which is part of the management report. Additional presentation of the information included in that report in the notes is therefore dispensed with.

34. Declaration by the legal representatives

“We affirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with the applicable accounting principles and that the group management report gives a true and fair presentation of the course of business, including the business results, and the position of the Group and accurately describes the main opportunities and risks of the Group’s anticipated development.”

Frankfurt/Main, March 26, 2018

Bettina Meyer
Spokeswoman of the
Executive Board

Jürgen Hansjosten
Member of the
Executive Board