

# Group Management Report

For the fiscal year  
from January 1 to December 31, 2009

- Sales increase by 14% to €187.3 million
- Consolidated EBIT rises 13% to €18.0 million
- Consolidated EBITDA increases 12% to €21.1 million
- Earnings per share (undiluted) grow by 34% to €2.39.

## 1. Business and general conditions

### Profile

The euromicron Group is a leading solution provider of communications systems and security networks and boasts production expertise in the field of fiber optics technology. Its range of services covers the planning, implementation and maintenance of communications and security networks and the development, production and distribution of network components based on copper, optical fiber and wireless technology. The product portfolio includes smaller active network components, connectors and connection technology for optical fiber networks, pre-assembled fiber optic cables and assembly and measuring equipment. These are integrated components of WANs and LANs used for data communication at data centers, and in the field of medical and security technology.

### Structure and organization

A local presence and customer orientation are key components of euromicron's business model. In the period under review, the euromicron Group consisted of the parent company euromicron AG and a further 19 companies, which are included in the consolidated financial statements. The focus of its regional lineup is the German market; in addition, internationalization was driven since 2007 with company acquisitions in Austria and Italy. The Group is represented with branch offices in France and Poland and also supplies large parts of Europe from Germany.

The euromicron Group is divided into the two report segments euromicron North and euromicron South, which represent the controlling units within the euromicron Group. Within these units are the three functional areas with various customer-specific solutions. "Projects & Systems" (information, communications and security networks), "Components & Assembly" (fiber-optic and hybrid networks) and "Distribution & Services" can, together with the integrated approach of a system house with production expertise, provide customers with ideal, solution-oriented advice and support. We ensure proximity to customers and a balanced portfolio of products and services through independent companies in the respective fields.

The euromicron Group's management is headed by two Executive Board members. Operational business is run by the subsidiaries, whose General Managers report directly to the Executive Board.

The Group's strategic alignment is defined by the Executive Board and implementation of it is ensured by continuous reporting and communication between the holding and operating companies.

euromicron AG, the strategic management holding for the Group, assumes responsibility for further central tasks, relating to finance, human resources, purchasing, IT and such as public and investor relations. It has a controlling influence in operating business of the individual associated companies.

### Internal control system

Management of the euromicron Group has set itself the objective of securing and expanding the Group's success sustainably as part of a value-oriented growth strategy. Following completion of the buy and build phase at the end of 2009 and commencement of the build and integration phase, the Group is striving to attain its next strategic growth target: a sales volume of €300 million. This objective is supported proactively by the internal control system.

All the euromicron Group's activities are controlled and monitored as part of this target system. Among other things, management uses monthly reporting to constantly analyze and control the Group companies, the business segments and the Group. The details from the Group companies explained in the notes are consolidated and analyzed as part of this. Moreover, there are quarterly calculations on expectations at the end of the fiscal year, which are likewise analyzed and consolidated. Budget variances are examined to determine their impact on the financial targets and measures to fulfill the budget are initiated. Risk reporting complements quarterly reporting and the annual forecast by contributing potential changes. Proposals on measures to ensure that targets are achieved are constantly analyzed in terms of their efficiency and discussed.

Important key figures that are monitored regularly are shown by way of example in the table below:

#### KEY FIGURES AND CONTROL FACTORS

	2009 € Mio.	2008 € Mio.
Sales revenue	187.3	164.6
Earnings before interest and taxes (EBIT)	18.0	16.0
EBIT margin	9.6%	9.7%
Order books	69.8	70.6

## 2. General economic conditions

### Development of the market and sector

In the wake of the global financial crisis, which began in 2007 to 2008 in the markets of the advanced economies, the global economy was plunged in 2009 into its deepest recession since the Second World War. During fiscal year 2009, the crisis had a faster and more extensive impact than expected – despite intensive efforts by policymakers in major economies. Newly industrializing and low-income countries, which were not very exposed to mortgage-based assets in the USA and so were relatively sheltered from the financial troubles, were eventually sucked in when the international credit, trade finance and many foreign exchange markets also came under strong pressure.

This greater financial stress resulted in fiscal 2009 in an unprecedented global contraction in production and trade, propagated through various channels. The effects of the credit squeeze and slump in asset prices were very soon passed on via the banking system to a large number of sectors and countries in the world economy and further exacerbated by a collapse in trust on the part of consumers and companies. Far-reaching and sometimes unusual political measures helped some progress be made in stabilizing markets in 2009, even though they were not able to halt the negative reciprocal cycle between growing financial strain and weakening economic activity.

Economic activity and commodity trading slumped in all markets since the last quarter of 2008 and continued heading south rapidly at the start of 2009. Global GDP contracted in the fourth quarter of 2008 and the first quarter of 2009 by more than 6 percent (annualized figure). The advanced economies were impacted substantially by the financial strains and deterioration in markets. The newly industrializing countries of Europe and the Commonwealth of Independent States, which had essentially stoked their growth through inflows of capital, soon suffered considerable damage through financial channels. Countries with a heavy dependence on exports from the manufacturing sector, such as the countries of East Asia, Japan, Germany and Brazil, were hard hit by a decline in demand on export markets. Countries in Africa, Latin America and the Middle East faced the problem of plunging commodity prices, dwindling demand for exports and lower cash from remittances and influxes of foreign capital.

A sharp correction in the third quarter of 2008 then also put a stop to the boom in commodity prices. The IMF's Commodity Price Index fell by almost 55 percent in the second half of the year – a plunge that mainly reflected the negative impact of the global decrease in demand for commodities. Above all, the unexpectedly strong turndown in mid-2008 in emerging and less developed economies – which had been primarily responsible for the rise in demand during the boom – proved to be a key factor in the decline of commodity prices. Prices generally stabilized at the end of 2008. Commodities closely linked to the production of capital goods were hardest hit, whereas commodities with a lower income elasticity of demand, such as food, recorded a milder decline in prices.

Inflationary pressure quickly receded in most regions of the world, and the growing economic slackness curbed the upward pressure on prices. Overall inflation fell below 1 percent in the advanced economies at the beginning of 2009.

Inflation decreased perceptibly in the newly industrializing countries, although falling exchange rates abated the downward trend in some cases.

In this situation, national and international political steps were taken to initiate a coordinated political response to stabilize the financial system.

In their "Gemeinschaftsdiagnose" forecast of fall 2009, the participating economic research institutes assume that the German economy has stabilized since the summer of 2009, albeit it at a far lower level of output. The progressing crisis of trust led to a slump in foreign orders and caused industrial production to plummet to an unprecedented extent. The ensuing stabilization is mainly attributable to massive economic intervention since the fall of 2008. Central banks worldwide cut their interest rates and supplied banks with virtually unlimited liquidity as a substitute for the inter-bank markets that had dried up. At the same time, governments helped troubled banks by giving guarantees and injecting capital and also increased the guarantee for private savings. In this way, an impending collapse of the banking system was also able to be averted in Germany. The German government also passed various measures to stabilize the economy. As a consequence, confidence among financial market players increased again and non-financial companies also looked less and less pessimistically to the future.

Gross domestic product grew again slightly in the second quarter of 2009, mainly on the back of private consumer demand. Falling energy prices, the high pay deals of last year, tax cuts, higher transfers and presumably the “Cash for Clunkers” program meant that households increased their expenditure noticeably. This was definitely underpinned by the fact that the situation on the labor market remained relatively stable, also thanks to the statutory arrangements in place for short-time work. The early indicators point to a pretty strong pickup in the economy in the third quarter. However, expectations are that the recovery that has been going on since this time might not be sustained: There are considerable forces that could put a brake on a quick upturn.

Although there are increasing signs since the fourth quarter of a pickup in German exports, which were particularly hit by the global recession, the prospects for the industrialized countries remain muted and so strong export-driven growth cannot be expected for the time being. In addition, the situation on the labor market remains difficult, albeit pretty favorable in view of the recession. Job cuts in line with the decline in output have been able to be prevented up to now through the intensive use of short-time work and by reducing time accounts. However, this has resulted in a surge in labor costs, which is having a huge negative impact on companies' profitability. A gradual reduction in short-time work would possibly mean an increase in unemployment. The fall in employment is likely to bottom out at the start of the next year and will last until the end of the year, with lessening intensity.

In addition, the terms of finance in Germany have tightened since the beginning of the financial crisis. Lending to non-financial companies has risen only slowly since the end of 2008 and was last in sharp decline. Although this is predominantly a reflection of economic factors, the exacerbated conditions also led to a huge credit squeeze. Financing conditions may well worsen further in the period covered by the forecast. This view is backed by the fact that banks must still write off large amounts of risky securities and corporate loans, which means that further equity losses are foreseeable. Since the likelihood of defaults on business loans is also growing, banks will probably tighten their lending conditions further, if the German government does not strengthen its demands for the banks to lend more.

There were upward trends again in the ITC market towards the end of 2009. The Industry Index of BITKOM, the German Association for Information Technology, Telecommunications and New Media, rose by 18 points in the third quarter of 2009 – the strongest increase for five years. Further industry surveys by BITKOM revealed that, unlike other branches of the economy, IT and telecommunications have pulled through the crisis in very good shape.

The companies surveyed by BITKOM see further positive economic signs in the high-tech industry in 2010, and just about all of them consequently expect a perceptible pickup in demand.

Boosts to growth in 2010 are mainly anticipated from Germany.

Despite the tough economic conditions on national and international markets, the euromicron Group was able to continue establishing itself successfully on the market and follow up its pleasing performance of the past years.

A significant advantage here is that we are an integrated system house that is perceived throughout Germany as a competent partner in all areas of network technology, including for complex solutions.

With our focus as a “system house with production expertise”, we have succeeded in fully satisfying the market’s demand for solution-oriented, intelligent network infrastructures.

Apart from the pleasing trends in the German market, however, we had to cope with falls, in particular in the markets of Austria, Italy, France and Poland, whose markets in our segment are recovering more slowly from the global financial and economic crisis.

#### **Course of fiscal year 2009 for the euromicron Group**

We were once again able to increase the earnings strength of our group in the past fiscal year by means of consolidation. As part of this, we remain true to the maxim of increasing expansion of technology, market access and market volume, as well as entering new, forward-looking markets and business segments, for example by addressing the growing requirements in the field of health and care.

The buy and build strategy in the orientation it has had since 2001 was completed in fiscal 2009. With its last company acquisitions in fiscal 2009, euromicron has achieved its objective of obtaining a comprehensive footprint in Germany, mastering all technologies in its core business and, through the acquisition of foreign companies, implementing internationalization in its key European countries.

By focusing on value-oriented growth in the subsequent build and integration phase, we have laid the foundation for establishing our company as a reliable partner with perspectives, even in choppy times and against the market trend.

To round out its integrated portfolio, euromicron AG acquired all the shares in SSM Service GmbH in Hamburg under the purchase and assignment agreement dated October 15, 2009. SSM Service GmbH is a system house which focuses on voice transmission.

Its great competence in NEC Philips telecommunications systems is a sensible and important complement to euromicron’s expertise in medium-sized and large voice transmission systems.

Under the purchase and assignment agreement dated November 27, 2009, euromicron AG acquired all the shares in FED Gesellschaft für Fernmeldetechnik, Elektrotechnik und Datentechnik mbH in Darmstadt. Purchase of this company means that euromicron has rounded out its offering in the Rhine/main region as a competent and vendor-independent provider of telecommunications systems and data networks.

Under the purchase and assignment agreement dated November 30, 2009, euromicron AG acquired all the shares in Engel Vermietungs- und Servicegesellschaft mbH in Haan. The company has accompanied the growth in telecommunication technology and its development. Its experts now offer complex IT and communications concepts and implementation of them. With its workforce, the company is one of the most powerful medium-sized vendors in Germany in the business segments of communication, information, security and energy.

By pooling various competences, the company is able to develop and deliver future-proof all-round solutions built from a large number of individual systems available on the market.

The acquisition also rounded out euromicron's portfolio in the Rhine/Ruhr region and the whole of North Rhine-Westphalia.

Under the purchase and assignment agreement dated December 22, 2009, euromicron AG acquired all the shares in Skyline Communication Systems GmbH in Hamburg / Kaarst. This distribution company represents a logical rounding out of euromicron's profile in the field of small and medium-sized telecommunications systems, with the focus on NEC Philips.

Renaming of Cteam Consulting & Anlagenbau GmbH in Seekirchen, Austria, as euromicron austria GmbH marked a key step in strengthening and integrating international business in Austria.

In addition, Cteam Kommunikationstechnik GmbH, Errichtung von Mobilfunkanlagen, was renamed ckt GmbH and is headquartered in Munich.

EUROMICRON Werkzeuge GmbH, Mittenaar, has relocated its registered offices to Sinn-Fleisbach, since it was able to move into modern, yet cheaper premises there.

The company pressed ahead with the internal project launched in 2007 to harmonize and standardize the various IT platforms and provided it with additional resources. The preparatory work on standardizing process flows and definitions throughout the Group was largely completed in the year under review.

The results of operations of the vast majority of euromicron's group companies remained pleasingly stable in the past fiscal year, contrary to the general market trend, and some of them were even able to post sharp increases in sales and earnings. The companies are profiting from the still great need for large carriers to invest in expanding high-speed networks and for industry to modernize its data transmission systems. Despite the fact that competition remained fierce, the system houses were able to record a successful 2009 and grow their earnings year-on-year. Although, as in previous years, delays in projects also reduced the planned volume of sales, we were nevertheless able to improve the quality and absolute level of earnings. Our prudent and foresighted cost awareness, permanent process adjustments and constant optimization in the past enabled this success in economically tough times. A proactive cost-cutting program was launched at the start of the past fiscal year to secure our forecast results and had a positive impact on our results of operations.

euromicron's internationally based companies and units, especially in Austria, Italy, Poland and France, were not able to achieve their sales and earnings targets.

In particular, this reflects the local economic development of the individual countries.

After our deliberate withdrawal from ruinous mobile communications projects, we realigned our business in Austria and succeeded in establishing euromicron austria GmbH as a competent partner in the field of network technology and successfully placing initial orders in euromicron's traditional business.

In fiscal 2009, Dr. Edgar Bernardi retired as a member of the Executive Board of euromicron AG for health reasons effective June 30, 2009, and left the company at the same time at his own request.

Dr. Bernardi is succeeded by Thomas Hoffmann, a graduate in industrial engineering, who joined the Executive Board of euromicron AG on July 15, 2009. He will be responsible for the functional areas of strategic sales and marketing, business development and internationalization, IT, process optimization and areas of communication with the capital markets.

Regardless of the current success of the euromicron Group's companies, we will also ensure lean cost structures in future and try to counter competitive pressure and economic developments in good time through rationalization and cost flexibilization.

#### **Share price and investor relations**

euromicron AG's share got off to a very restrained start in 2009 at a price of €9.98.

Following the turmoil on the international financial markets, there was growing interest in less speculative securities that are fundamentally strong in the course of fiscal 2009.

According to the assessment of the analysts from Close Brothers Seydler for euromicron's half-yearly financial statements, our company has been "solid as a rock", even in turbulent times.

euromicron AG was not able to withstand a brief general downward trend on stock markets at the end of the second quarter, but then soon continued its successful performance.

Overall, euromicron AG's share was able to outperform the general upward trend of the DAX and TecDAX to close the year at €15.60.

The keen interest shown in talks with investors, roadshows and one-on-ones confirms our conservative strategy of focusing on long-term, sustainable earnings.

As part of the share buyback program that was launched for the first time in 2006, euromicron AG did not acquire any further shares of its own in the fiscal year. As a result, the number of treasury shares held by euromicron AG remains constant at 157,234, or 3.37% of the capital stock.

### **3. Net assets, financial position and results of operations**

Due to the change in consolidated companies, the following data is comparable to a limited extent only. The main effects from the changes in consolidated companies are additionally stated in the following. Reference is made to the explanations in the notes to the consolidated financial statements.



### Assets and equity

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

ASSET AND EQUITY STRUCTURE	Dec. 31, 2009		Dec. 31, 2008	
	€ thou.	%	€ thou.	%
Noncurrent assets	107.2	57.7	96.3	56.0
Current assets	68.9	37.1	64.6	37.5
Securities and cash	9.8	5.3	11.2	6.5
<b>Assets</b>	<b>185.9</b>	<b>100</b>	<b>172.1</b>	<b>100</b>
Stockholders' equity	80.3	43.2	73.8	42.9
Long-term debt	25.0	13.4	28.3	16.4
of which: financial debt	18.2		23.4	
Current liabilities	80.6	43.4	70.0	40.7
of which: financial debt	49.8		45.1	
<b>Equity and debts</b>	<b>185.9</b>	<b>100</b>	<b>172.1</b>	<b>100</b>

The euromicron Group's total assets at December 31, 2009, were €185.9 million, up 8.0% year-on-year. This increase is mainly the result of additions to the consolidated companies.

The increase in noncurrent assets is mainly the result of the growth in acquisition-related goodwill. This was €84.0 million at December 31, 2009, compared with €78.8 million in the previous year. The remainder of the increase in noncurrent assets is largely due to capitalization of development costs and the acquisition of licenses for lucrative markets of the future. The ratio of equity and long-term outside capital to assets is 98.2% (previous year: 106.0%).

As part of the current assets, inventories fell year-on-year by €1.1 million (after adjustment for first-time consolidations), despite the sharp rise in volumes. This is mainly due to an improvement in working capital management. The main increase among current assets is for trade accounts receivable, which rose €6.1 million (of which €2.9 million is from changes in the consolidated companies). This is attributable to the greater business volume of the euromicron Group, especially at the project and system companies. Since the business model of these companies means that they record the largest volume of sales and invoicing in the final quarter of a fiscal year, trade accounts receivable inevitably increase at December 31 of every fiscal year. In the first two to three months of the new fiscal year, the companies accordingly expect a large inflow of liquidity.

Working capital (current assets excluding securities and cash, minus current non-interest-bearing liabilities) was €38.1 million (previous year: €39.7 million) at the reporting date.

Stockholders' equity at December 31, 2009, was €80.3 million (previous year: €73.8 million), a year-on-year increase of 8.8%. The treasury shares (157,234) acquired since 2006 as part of the share buyback program have been deducted from this figure to an amount of €2.9 million. Treasury shares are offset against stockholders' equity at their acquisition cost without any impact on profit.

Despite the growth in total assets, the equity ratio at December 31, 2009, rose to 43.2%, in particular due to the increase in earnings.

The seasonal course of business at our project and system companies means that the equity ratio on the reporting date is not an objective measure. Since the lion's share of the work that our project and system companies invoice at the end of the year is financed by interim outside capital, total assets always rise sharply at the end of the year, resulting in a reduction in the equity ratio. In the subsequent months, total assets usually fall sharply and so increase the equity ratio.

Long-term debt is below the level of the previous year due to the repayment of loans as planned. Among the current liabilities, trade accounts payable and short-term credit lines at banks rose as a result of the increase in business volume. Changes in the consolidated companies contributed €5.3 million to total liabilities and accrued liabilities.

The Group's net debt (financial debt minus securities and cash) at December 31, 2009, is €58.2 million. It should be taken into account that project financing is traditionally heavy at the end of the year. Payments by customers then mean a sharp reduction in net debt in January and February 2010.

### Results of operations

In fiscal 2009, the euromicron Group achieved consolidated sales of €187.3 million, an increase of 14% on the previous year (€164.6 million). The share of sales generated by the companies acquired in 2009 was €5.6 million, giving organic growth of 10.4%. This is all the more pleasing because the growth we hoped to achieve in the Austrian market did not materialize as a result of the very far-reaching and ongoing consolidation of the mobile communications market there.

Sales outside the German market were €25.2 million (previous year: €30.6 million), a share of 13.4% in relation to total sales.

The euromicron Group's total operating performance was €182.1 million.

The largest expense item in the income statement of the euromicron Group was cost of materials at €92.5 million (of which from changes in the consolidated companies: €2.0 million). The ratio of cost of materials on the basis of sales revenues was 49.4% compared with 50.7% in the previous year.

After cost of materials, personnel costs are the second largest expense item. Personnel costs in the past fiscal year 2009 were €48.1 million compared with €43.0 million in the previous year (of which from changes in the consolidated companies: €1.2 million). In relation to sales, they fell to 25.7% (previous year: 26.1%). The increase in personnel costs in absolute terms is primarily attributable to the employees added due to the acquisitions in 2008 and 2009, as well as changes in qualification within the existing portfolio of euromicron companies.

Given a workforce of 1,062 in 2009 (excluding trainees) at the balance sheet date, average sales per employee were €176.4 thousand.

Depreciation and amortization were €3.0 million, almost at the level of the previous year (€2.8 million).

Other operating expenses in 2009 were €22.6 million compared with €20.8 million in the previous year (of which from changes in the consolidated companies: €0.3 million). Vehicle and travel expenses (€5.8 million), rent/room costs (€2.9 million) and legal and consulting costs (€2.6 million) are the largest items within the other operating expenses. The other operating expenses include fees for auditing of the financial statements of €414 thousand.

Earnings before interest and taxes (EBIT) were €18.0 million, an increase of more than 12.5% over the previous year (€16.0 million). The companies acquired in 2009 contributed €1.8 million to this. The EBIT margin, relative to sales, was 9.6%, i.e. at the pleasing level of the previous year (9.7%) and is in the middle of our planned long-term horizon of 8 to 11%. Earnings strength is underpinned by permanent monitoring of cost structures.

Net financing costs were reduced from EUR € -4.0 million in the previous year to € -2.8 million as a result of improvements in cash management and better market interest rates. With the exception of funding of the purchase prices, changes in the consolidated companies did not have any significant impact on net financing costs.

The tax ratio is around 24.7% (previous year: 27.5%). This reduction is mainly attributable to reversals of provisions for taxes in the fiscal year.

Despite higher profit shares for minority interests, the operating performance, improvements in net financing costs and the lower tax ratio meant that consolidated net profit was €10.7 million compared with €8.1 million the previous year. Undiluted earnings per share increased from €1.78 to €2.39. The positive effect from changes in the consolidated companies on the Group's net profit was €1.5 million and €0.33 on earnings per share.

Overview of the results of operations:

RESULTS OF OPERATIONS	2009		2008	
	€ m.	%	€ m.	%
<b>Net sales</b>	<b>187.3</b>	<b>100.0</b>	<b>164.6</b>	<b>100.0</b>
Inventory changes	-6.9	-3.7	-1.4	-0.9
Own work capitalized	1.7	0.9	0.3	0.2
Other operating income	2.1	1.1	2.6	1.6
Cost of materials	-92.5	-49.4	-83.5	-50.7
Personnel costs	-48.1	-25.7	-43.0	-26.1
Depreciation and amortization expense	-3.1	-1.7	-2.8	-1.7
Other operating expenses	-22.5	-12.0	-20.8	-12.6
<b>Income before interest and taxes (EBIT)</b>	<b>18.0</b>	<b>9.6</b>	<b>16.0</b>	<b>9.7</b>
Net financing costs	-2.8	-1.5	-4.0	-2.4
Income taxes	-3.8	-2.0	-3.3	-2.0
Minority interests	-0.7	-0.4	-0.6	-0.4
<b>Consolidated net profit</b>	<b>10.7</b>	<b>5.7</b>	<b>8.1</b>	<b>4.9</b>
<b>Earnings per share (EPS) in € (undiluted)</b>	<b>2.39</b>		<b>1.78</b>	

### Financial position

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

At December 31, 2009, unutilized promised credit lines of €10.8 million were available to the Group. These lines usually increase sharply as a result of the traditionally high cash flow in the first two months of the new fiscal year. After completing the buy and build phase and entering a year of consolidation, the Group thus has sufficient liquidity reserves.

The Group's financial position for fiscal 2009 is as follows:

<b>CASHFLOW ANALYSIS</b>	2009 € thou.	2008 € thou.
<b>Net cash provided by operating activities</b>	<b>14.2</b>	<b>4.5</b>
<b>Net cash used in investing activities</b>	<b>-9.9</b>	<b>-13.3</b>
<b>Net cash used in / provided by financing activities</b>	<b>-5.9</b>	<b>7.8</b>
Change in cash flow	-1.5	-1.0
Cash and cash equivalents at start of period	10.1	11.1
<b>Cash and cash equivalents at end of period</b>	<b>8.6</b>	<b>10.1</b>

Cash and cash equivalents of the euromicron Group at December 31, 2009, decreased from €10.1 million to €8.6 million.

The net cash provided by operating activities is mainly attributable to the income before income taxes for 2009 (€15.2 million) and the high year-on-year changes for accrued liabilities (€1.3 million). The reduction in working capital (in particular trade accounts payable) had an opposite effect. The net cash used in investing activities is due not only to the company acquisitions, but also the Group's investments in property, plant and equipment, with the aim of meeting the greater requirements and volumes expected in future.

Net cash used in financing activities is attributable to the dividend paid for fiscal 2008 and the repayment of medium-term loans as part of the financing arranged in the past to fund acquisitions.

The net cash and cash equivalents at the end of the period of €8.6 million allow the Group, together with unutilized promised credit lines, to tackle the year of consolidation in a sound position. As a result, the operational business of the group companies is financially secure. Diversification in financing ensures that we retain a reasonable independence from the capital markets. We aim to maintain and intensify the trusted and fine cooperation with all banks.

### New orders and order books

New orders in the fiscal year developed in line with our expectations against the backdrop of largely pleasing general economic conditions in 2009. They rose by around 15% to €186.5 million (previous year: €161.9 million).

Order books at December 31, 2009, were €69.8 million, almost at the level of the previous year (€70.6 million). A gratifying aspect is that in particular our large system houses account for a major share of these high order books. In past years, the system houses essentially had to acquire their orders in the current fiscal year; these companies are now starting fiscal 2010 with well-filled order books. However, the basic tendency in the past years to increasingly shorter-term commissions by our customers, as well as the issue of project postponements that straddle the reporting date, something that is an inherent part of our business, still remain.

These orders on hand, which are mainly expected to be accomplished in 2010, mean that there are contractual agreements for a not insignificant portion of the sales planned for 2010.

### Segments

In accordance with the internal management instruments of the euromicron Group and the strategy now being implemented, the Group's business structure is divided by region into the North and South segments.

SEGMENT SALES	2009 € thou.	2008 € thou.
euromicron North	92.5	80.0
euromicron South	102.5	90.6
euromicron AG and consolidations	-7.7	-6.0
<b>Total sales</b>	<b>187.3</b>	<b>164.6</b>

SEGMENT EARNINGS	2009 € thou.	2008 € thou.
euromicron North	15.3	14.6
euromicron South	7.2	4.8
<b>Operating EBIT</b>	<b>22.5</b>	<b>19.4</b>
euromicron AG and consolidations	-4.5	-3.4
<b>Total consolidated EBIT</b>	<b>18.0</b>	<b>16.0</b>

The North segment was able to benefit from the good general economic conditions in the past fiscal year and increase its sales and EEBIT year-on-year. Apart from the general economic situation, special topics – such as continuing expansion by Deutsche Telekom of its high-speed network – contributed to this success. Demand from Deutsche Telekom in 2009 exceeded that in euromicron's top year 2008. Sales at the North segment were grown by 15.6% to €92.5 million. Its EBIT rose by some 4.8%.

The South segment increased its sales by around 13%, despite the continuing weakness of the foreign market. Its EBIT rose above-proportionately in relation to sales by 50%. This is mainly due to the successful reorganization of cost structures in the disastrous mobile communications unit in Austria, which has now been geared to successful implementation of network technology.

With its operating companies, the euromicron Group posted further sharp operational growth in its EBIT. Operating EBIT was €22.5 million, some 16% up year-on-year.

In the remaining segment – euromicron AG and consolidations (central costs) –, the EBIT was € –4.5 million, compared with € –3.4 million in the year before. Apart from holding costs, merger and acquisition costs and cross-segment expenses are allocated to this segment.

### Summary

The net assets, financial position and results of operations show that the euromicron Group was in a good and solid economic position when the management report was prepared. Existing residual risks relating to the term of bank funding are permanently examined.

## 4. Employees

The euromicron Group makes high demands on the quality of its products and services, founded on the high qualifications and motivation of its employees. The Group can offer them interesting challenges, as well as forward-looking opportunities for development and secure jobs.

At the end of fiscal 2009, the Group employed an average of 1,149 people (including 87 trainees), an increase of 15.4% over the previous year (979 employees). This is mainly due to the changes in the consolidated companies, i.e. the acquisitions in 2009, which had a full impact in the past fiscal year.

At the old companies, the total number of employees remained constant, with new hirings being offset by structural adjustments. New employees are being hired in particular for highly qualified activities in project controlling and monitoring. In addition, our sales staff have been strengthened considerably, both in key account management and regional and product sales. The good economic situation in the past fiscal year also allowed our companies to continue to make selective new hirings.

An increasingly important goal of the Group is to secure and expand its base of qualified employees and their potential. Only a sufficient workforce with high qualifications will ensure its future success. Consequently, we have launched qualification programs in a wide range of fields so as to address steadily growing requirements in project controlling and monitoring, in particular in project management and production. Individual development and future-oriented, systematic qualification of our employees in line with requirements is a core element of our business policy.

In this context, the Group gives 87 young people the chance of practical vocational training. Apart from taking social responsibility for training the next generations, euromicron also secures potential employees for future tasks with this policy. In addition, the Group will satisfy growing demand for highly specialized experts not only by buying in services and knowledge, but also through its own internal and external qualification programs.

## 5. Market and Technology

“We fill visions with life”.

The ITC market, in which euromicron operates, continues to exhibit potential for expansion and growth thanks to the catching up done in the past years and increasingly as a result of the Infrastructure Initiative of the German government as part of its economic stimulus programs.

Although Germany still invests less than other countries in information technology and telecommunications, the number of broadband connections has nevertheless trebled in the past three years and demand for them, and the greater data volumes and speeds they offer, remains unbroken.

The number of WLAN hotspots, i.e. points of mobile access to the Internet at hotels, airports, stations, cafés and exhibition centers, is doubling almost every year in Germany. In particular, the major telecommunications network operators and infrastructure providers, such as Deutsche Bahn, still display the same willingness to invest.

The last mile based on today's two-wire copper line is now running up against its physical limits, with the result that carriers, network installers and manufacturers are increasingly working on fiber-to-the-home and related solutions.

However, the global financial crisis and, in some sectors, the subsequent economic crisis resulted in a complete about-turn in investment and consumption: industry froze new purchases at the beginning of the year and invested more in rationalization and optimization, whereas consumers made purchases over the Internet or used communications and entertainment from home to a greater extent. Policymakers identified the communications infrastructure as a necessary production factor for industry and for private users alike, and injected financing for it to stimulate the economy.

In the meantime, this part of the high-tech industry is steering its way out of the crisis without any major losses. The industry association BITKOM estimated the sales volume in Germany's ITC market in 2009 at €142 billion, a year-on-year decline of around 2.5%, which still means that the ITC industry performed better than the overall economy in 2009.

Private consumption in this sector is virtually stable. Every one-in-four mobile communications user plans to buy a new cellphone; in particular, smartphones, such as iPhone and iPad, for mobile applications are particularly popular. According to the German Society for Consumer Research (GfK), sales of these mobile end-user devices more than doubled year-on-year in the first three quarters of 2009, while an increase of around 4% in total mobile phone sales is anticipated in 2010. BITKOM estimates sales of notebooks to end consumers will grow by some 30%. In contrast, however, IT hardware prices will fall.



Business customers are mainly setting store by process optimization and outsourcing: Outsourcing services grew by around 5.1% in the crisis year 2009.

In the telecommunications market, sales from telephone calls declined sharply: by 7.6% in the fixed network and 4.5% in the mobile network arena, according to estimates by BITKOM. This is due to a shift from fixed-network to mobile calls, the fall in prices and the boom in data services. Sales from private Internet access increased by 3.9% and mobile data services even by 8.1% in 2009.

Such technological changes and also a change in user behavior, coupled with the requirement to optimize processes in the crisis, are the breeding ground for future growth, especially in sectors in the infrastructure segment, such as ITC.

Intelligent, Internet-based display, surveillance and security solutions are now used in applications that were not previously feasible due to technological restrictions. Public places, train stations, airports and places where a lot of people congregate, such as stadiums, etc., not only have a more aesthetic appearance, but are also more secure.

In care of the ill and elderly, administrative tasks for health professionals and nursing staff are simplified thanks to the IT&C infrastructure and data storage, allowing them to devote more of their time to their patients; patients' needs for communication and entertainment are also addressed. For this, euromicron supplies tailored solutions created on the basis of the Group's now diverse and wide-ranging expertise and experience.

In line with these market requirements, we have again increased our spending on innovations and development and, in particular, further developed components from euromicron components to create complete solutions.

Examples are the switches for installation in ducts and for use in industry that we market under the brand name MICROSENS®, which contain a microprocessor system with integrated software and firmware and which we have developed further to enable them to be monitored and configured over the connected network.

The requirements by the market of such a "management agent" are growing from year to year, since as networks increase in complexity, the demands placed on services provided by the devices keep on growing.

One key issue is the demand for greater protection of networks against manipulation. This requires the unprotected communications protocols used to date to be replaced by secure alternatives. Our development efforts are thus concentrated on an improved, standardized and secure protocol for MICROSENS® products.

To cater for mobile and short-term outside use in harsh environments, such as are frequently encountered by carriers, in TV broadcasting and in industry, there is now a fiber-optic system for installation in containers, with a special duct to the outside in combination with a mobile fiber-optic cable drum, providing a robust and reliable means of enabling the complete communications performance of a data center to be deployed quickly for mobile assignments. With the newly developed fiber-optic connector EUROLENS®, whose connection principle is no longer based on mechanical contact between the optical fibers, but on optical focusing by means of small lenses, this fiber-optic cable drum can likewise be fitted and even used securely and reliably for military operations.

euromicron is now taking the next logical step forward and, on the basis of this experience and expertise, is designing applications to help people and make society safer.

The need for security, as well as greater awareness among the younger generation, who usually live apart from the older generation and who care for parents and grandparents, or at least want to be assured that they are safe and healthy as part of as regular communication as possible, demand more and more smarter applications to enable this or at least make it easier. As a solution provider in communications and security technology, euromicron has invested to a greater extent in this field to meet these growing requirements and so make a further contribution to society.

euromicron is already active in various ITC infrastructure projects in the healthcare market, with the result that in May 2009 we secured exclusive Europe-wide licensing rights for a mobile care and surveillance system and have now taken the first steps to market it under the name "euromicron mobile care center". With this system, elderly people or those who need help can still move about freely in their customary domestic surroundings thanks to relatively simple mobile communications technology and enjoy their familiar environment, yet have the peace of mind that they are not only provided with medical surveillance via a supervision center thanks to this system, but can communicate with the center if required or be put through to relatives. In an emergency, they can also be located with the system, allowing medical aid to be sent to them quickly and purposefully.

Since the proportion of the population of persons aged over 60 has grown from approximately 15% (1950) to around 23% (2000) and is expected to increase to around 35% in 2025, and approximately 70% wish to live at home or with relatives in their old age, this application has great growth opportunities.

A similar system can be used in humane law enforcement, where there is a growing focus on enabling offenders to serve their sentence on probation with greater freedom and in their familiar environment so as to ensure that the chances of successful rehabilitation are as high as possible. This system likewise uses a mobile device that is worn by offenders and allows them to be monitored by a supervision center so that it always knows where they are, their movements can be restricted and, in the event of transgressions, intervening action can be taken at the behest of the supervision center until the probation officer is called.

This form of monitored freedom thus increases the chances of rehabilitation thanks to the possibility of contacting persons on probation and sharply reduces the recidivism rate, as proven by an MPI study accompanying the pilot project that was conducted over several years in Hesse.

euromicron is thus systematically pursuing its adopted strategy of always successfully participating in the forefront of market trends by means of growth, innovation and specialization – from product development and solutions to leveraging of its own potential, through acquisitions, by obtaining licenses and with partnerships.

"No broadband, no future": that is the pithy slogan of euromicron's "Broadband" network, in which we have pooled our competence in fiber-optic and high-capacity wireless technology. By transferring this competence to the operating subsidiaries, euromicron is well positioned as a one-stop shop that offers enterprises, municipalities, public utilities and carriers customized solutions for broadband networks – from planning and construction to complete project controlling. This has now given rise to a complete FTTH product line eFOS (euromicron Fiber Optics System), which we presented to the entire market at CeBIT 2010.

The positive effects of the synergies from the expertise we have acquired are now unfolding in many individual projects. Our know-how in the various fields of wireless communications technology is increasingly being leveraged in projects of our associated companies, for example in installation of a radio relay system for a district administrative authority in Central Germany, with which two schools are connected with each other, or in a similar project in which two branch officers of a health insurer now communicate by radio relay.

The dense regional coverage we now boast – and which is likewise the result of the buy and build strategy – is now helping us to acquire and execute supraregional projects. Examples are an international DIY chain, where we are taking over responsibility for Europe-wide service at more than 100 of its stores, including in Germany, Austria, Switzerland, the Netherlands and Sweden.

Although it is much more difficult to introduce the entire euromicron portfolio in countries outside Germany, we are nevertheless making faster progress than planned. In Austria, where our focus had been on mobile communications, we have concluded a master agreement with Wien Strom to supply, install and maintain active system components. Further projects we have acquired in the field of active and passive network technology show that the transfer of know-how and renaming of our local company as “euromicron austria” at virtually the same time is the right forward strategy for this changing market.

In the field of transportation, the focus of our largest and most important customer, Deutsche Bahn AG, up to now and also next year is to invest in passenger stations. As a result, construction measures to modernize a total of almost 2,500 stations will be implemented in this and the coming year. To improve the quality of information, euromicron is collaborating in projects such as the construction of new and replacement of existing passenger information systems, the construction of new passenger warning systems and dynamic displays (LED technology) at 1,700 smaller stations.

We are also strengthening fire prevention systems at many stations (OPVA = over-ground passenger transport system) and in tunnels and installing digital video surveillance and fire alarm systems (installation of new and extension of existing ones).

In the past fiscal year 2009, euromicron has again proven with its strategic farsightedness, financial solidity and operating strength that it is an innovative, reliable and serious player in the information and telecommunications market. Whether high-quality products developed among other things on the basis of system integration requirements, customized special solutions or, as now in the next phase, purpose-designed applications – euromicron is one of the most competent solution providers on the ITC market.

## 6. Compensation report of the Executive Board

The General Meeting of euromicron AG decided on June 23, 2006, with a three-quarter majority that the details demanded in Section 285 Sentence 1 No. 9 a) Sentences 5 to 9 and Section 314 (1) Sentence 1 No. 6 a) Sentences 5 to 8 of the German Commercial Code (HGB) and relating to individualized disclosure of the remuneration of the Executive Board do not have to be provided for a period of five years. In the view of the company, individualization and a breakdown of the details does not provide investors with any substantial information due to the existing remuneration structure.

The compensation system for members of the Executive Board is defined by the Supervisory Board. The Executive Board's compensation consists of a non-performance-related component (fixed salary) and a performance-related component (earnings-related bonus). The variable components of the remuneration of Executive Board members are calculated on the basis of the euromicron Group's result from ordinary activities. A cap has been agreed to limit their total compensation.

There are no commitments to provide benefits that have been granted to a member of the Executive Board if he ends his work as a member of the Executive Board prematurely or at the normal time or that have been changed during the fiscal year.

## 7. Corporate Governance

In fiscal 2009, the company again essentially complied with the recommendations of the German Corporate Governance Code, with a number of exceptions. The exceptions are due to the size and business model of the company; in some cases, future adjustments are being prepared.

The exceptions to the recommendations are listed on the company's homepage at <http://www.euromicron.de> and can be viewed at the company.

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

- a.) The company's capital stock is €11,914,000.00. It consists of 4,660,000 no-par bearer shares.
- b.) Capital stakes that exceed 10% of the voting rights and have last been reported to the company:  
Norddeutsche Landesbank Girozentrale, Hanover: 19.99% (since January 21, 2010: 14.91%).
- c.) The Executive Board is appointed and removed by the Supervisory Board in accordance with the Articles of Association in compliance with Section 84 AktG (German Stock Corporation Law). Amendments to the Articles of Association require the consent of the General Meeting.
- d.) Powers of the Executive Board to issue or buy back shares:  
The Executive Board was authorized by the General Meeting on June 23, 2006, to increase the capital stock by up to €5,957,000 on one or several occasions with the approval of the Supervisory Board by issuing new shares against cash or non-cash contributions (authorized capital) by June 20, 2010.

The authorization to acquire own shares adopted by the General Meeting on June 12, 2008, was revoked by a resolution by the General Meeting on June 18, 2009.

In addition, the company was authorized pursuant to Section 71 (1) No. 8 AktG to acquire its own shares up to at a maximum proportional amount of the capital stock of €1,191,400.00 for these shares, up to December 18, 2010. This is 10% of the Company's capital stock at the time of the General Meeting of €11,914,000.00. The company has acquired 157,234 own shares up to now, corresponding to 3.37% of the capital stock.

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

## 9. Environment

The euromicron Group with its associated companies does not own any large production sites that are subject to strict environmental protection guidelines. Nevertheless, the protection of people, the air, soil and water and sparing use of natural resources have high priority at the euromicron Group. Consequently, compliance with all pertinent regulations is observed in all environment-related areas in order to ensure that products and services are produced and delivered in an as ecologically friendly way as possible.

## 10. Postscript report

With the notarized agreement dated January 12, 2010, euromicron AG acquired the remaining shares in NetWays Netzwerk Consulting GmbH, Ettlingen, for a purchase price of €920 thousand. Apart from that, up the March 19, 2020, there were no significant operational or structural changes at the euromicron Group, nor any business events, that might change the statements given in the 2009 annual financial statements.

## 11. Risk report

### **Risk strategy and general risk management**

The euromicron Group and its associated companies have complied with their statutory obligation and since 2000 have maintained an extensive risk management system. This system is geared to ensuring that management can recognize significant risks at an early stage and take prompt measures to counter them.

The risk management system is an integral part of the entire planning, control and reporting process at all associated companies.

The aim is to identify, assess, control and document risks systematically. Taking into account defined risk categories, the main risks are assessed as regards the probability of their occurring and the level of damage. Communication and reporting on relevant risks is controlled by defined thresholds.

In addition, the risks, including in relation to the group accounting process, are reviewed at regular intervals as part of risk monitoring to determine their applicability within the framework of the internal control and risk management system. This is supported by a centrally controlled MIS system that is used throughout the Group. A Group-wide policy is in place to ensure compliance with consistent standards in the group accounting and risk management system.

Risks at euromicron's associates essentially relate – as in previous years – to the general economic data, in particular the continuing structural problems specifically in the German market and in international European markets.

Since euromicron's group companies only maintain insignificant business relationships in economies outside the Euro zone, turmoil in them does not generally have an impact on us.

The good pickup in the banking and insurance sector gives a certain early indication of the economic development that can be expected, with the result that the basic risks in our market appear manageable.

Investment by large carriers was as pleasing as it has been in the past years in the year under review. Since carriers, in particular Deutsche Telekom and NetCologne, are driven to continue allocating large capital spending budgets as a result of rapid technological progress, customer requirements and the deficits in their established network infrastructures, we expect to be able to profit from this trend in the coming year, as well. We also assume that the niche markets for security networks will continue to grow above-proportionately.

euromicron is also countering pressure from the competition by concentrating its business and processes in the current build and integration phase, the focus of which is end-to-end planning, consulting and implementation services for network solutions.

This relates less to individual product sales than to solution sales, which generate far greater value added.

The number of competitors in this market is modest and they mainly comprise a small number of larger market players and general contractors.

As a result of the short information channels and decision lines, as well as due to the fact that we have constant access to the development departments of our production operations within the euromicron Group, we boast the advantage of having the flexibility of a medium-sized enterprise, yet the merits of a group.

The mergers of associated companies already carried out or still planned will give us larger units that can better cope with market risks, yet through their medium size still have the flexibility to seize and exploit all opportunities quickly. In addition, synergy potentials can be leveraged by means of optimized internal communication and the elimination of identical individual functions where they exist more than once.

Exchange rate risks from the price of the dollar against the euro and negative effects from politically unstable regions of the world have little impact on the euromicron Group at present since it predominantly operates in Germany and the euro zone. The possibilities of currency hedges for the other transactions are constantly examined and they are concluded as and when required.

Companies that buy in the procurement market in the far East on the basis of dollars have short-term sales price lists based on foreign currency, with the result that no significant risk can be seen at present from the procurement markets outside the Euro zone, either.

The far-reaching risks for euromicron AG are mainly in the permanent value of its associates, their earnings strength and the intrinsic value of financing of its associates as part of cash pooling. These risks, which are directly connected to the risks of the associated companies, are constantly monitored, assessed and assigned measures by means of our standardized management information system. The Group's flat hierarchies, short information channels and constant communication at all levels of the company ensure early detection of risks and effective steps to counter them.

We do not see any risks from investment in new companies due to the fact that we have ended our acquisition phase.

euromicron AG assesses its associated companies on the basis of their earnings from operational activities and cash flow-based targets, among other things. Business performance is assessed during the year using the submitted sales, earnings and order figures and liquidity, profitability and other key indicators as compared with planning. In the course of a fiscal year, three calculations on expectations with forecasts for the end of the year are conducted. However, far more criteria than pure key indicators are required as a basis for investment and business decisions in fast-moving technology markets and these are obtained through permanent monitoring and reviews. This is underpinned and assisted by the operational independence and responsibility of the Group companies. The company's management also bases its decisions on analyses by the specialists and persons responsible who are involved in the process and have extensive market, product and sector know-how. A wide range of different evaluation criteria are used, tailored to the specific case.

The companies are accompanied permanently by investment controlling by euromicron AG; deviations are identified and countermeasures initiated immediately.

During the financial and banking crisis, euromicron AG again intensified contacts with banks in 2009 and regularly discussed their strategy and corporate policy so as to assess whether the individual bank could be regarded as a reliable partner in funding the company or whether there was a threat of its withdrawing from its commitment to euromicron. We do not see any risk here at present, in particular as regards short-term financing.

All financing partners have confirmed their existing commitment to euromicron, acknowledged the company's good rating and also offered to expand the business relationship. Of particular importance is the statement by all of them that euromicron AG in itself is graded as a risk-free commitment. At present, this means that euromicron AG's financing appears secure and does not represent a risk.

In addition, euromicron AG has strengthened its staff in relation to optimizing and monitoring working capital and its financing structure.

As a result, changes to euromicron AG's and the Group's liquidity situation are permanent reviewed.

We assume that net debt at the balance sheet date will have reached its peak following completion of the buy and build phase in 2009 and euromicron's typical periodical project financing.

Although commissioning of projects by our customers in the final quarter in particular is common business practice, the shifts in the past fiscal year 2009, especially to December, were unusual.

As a result, our customers are mainly billed at the end of the year and so cash from them can be expected in the first quarter.

One objective for fiscal 2010 is to repay euromicron AG's debt appropriately in order to reduce the risks for euromicron AG from outside borrowing. We aim to ensure that the latent risk potential as regards financing is limited.

The associates essentially obtain their funding from the cash pool and have no significant external debt of their own. Liquidity for the associates was provided for the whole of year under review and is also ensured for 2010. There are no liquidity risks to the Group's further development as regards the aspect of integration.

Interest rate risks for the Group are exclusively in the Euro zone. They are minimized by a balanced mix of funding with fixed and variable rates of interest. euromicron AG was able to utilize the volatility of interest rate markets in the past fiscal year, in particular for short-term loans. In 2010, it again plans to convert further short-term loans to medium- and long-term lines and so optimize the balance in the risk structure as part of financing of the Group. The objective is a financing structure consisting of around 50% medium- and long-term financing that can be planned and 50% short-term for operational business.

There are no major risks of dependency on customers and suppliers at euromicron at present. Although individual subsidiaries generate significant sales with individual customers, this risk must be relativized from the perspective of the Group, since at the Group level there is no one customer that accounts for more than 6% of total sales. The risk of nonpayment is reduced by factoring of some receivables from customers.

euromicron is still a vendor-independent system house that has cooperation agreements and nurtures active collaboration with various suppliers. Consequently, there is likewise only a limited risk in relation to procurement.

There are no legal risks from pending legal proceedings above and beyond current business. A tax audit for the years 2001 to 2005 has largely been completed. As far as can be seen at present, this does not entail any financial risks for the Group.

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



## 12. Outlook

Following the most successful fiscal year in the company's history, we expect to share in the market's revival in 2010. We are tackling the still tough general economic conditions by means of appropriate cost-cutting precautions and selective investments in personnel development so as to enable us to strengthen our market presence as a company that boasts of the advantages of a solution-oriented system house with production expertise.

The euromicron Group expects a slight rise in new orders in its markets compared with the past fiscal year, albeit with possible shifts in individual sectors. The Group's broad lineup in terms of customers, sectors and technologies helps compensate for economic fluctuations.

We assume that demand for powerful networks for voice, data and video transmission, as well as for security, surveillance and alarm networks, will continue.

In line with the slogan "We fill visions with life", we are systematically tackling development products in important growth markets for us in the field of health and care so that we can proactively recognize the changes in these segments and participate in these markets when they pick up.

To this end, we acquired relevant licenses in 2009 and are systematically developing appropriate applications.

euromicron does not generally compete with cut-price vendors from the Far East, but sets store by integrated quality, service and reliability and its philosophy of offering an overall concept geared toward solving customers' problems. The performance of past years show that our strategy is the right path and that customers appreciate this and are increasingly critical of the quality of low-cost vendors where security-related, cost-intensive or vital aspects of data networks of all types are concerned. We are confident that this perspective will continue to win through, even in difficult times.

The intensified phase of build and integration in the company's development in the past fiscal year will continue to follow the objective of further optimizing the Group's structures in future. We anticipate positive effects in terms of process efficiency and organic growth. The integration and consolidation measures that have been planned and accomplished to date are basically geared to market needs and so to improving service delivery for our customers.

Apart from strategic further development of the company, we have begun to optimize our cash flow, financing, capital flow and outside debts as part of the integration phase following completion of our small and medium-sized acquisition activities. To this end, the company's financing will be developed toward a balanced structure that ensures our strategic and operational growth and also enables further optimization of our balance sheet ratios.

Among our existing financing partners, individual banks have redefined their commitment to a future partnership and so increased our good rating considerably. All of them regard the greater financing needed for current business as a result of the company's new size and the possibility of assisting euromicron with other financial services and flanking us with professional financial support in our next strategic steps as an interesting challenge.

euromicron is now regarded as an established company among the leading network specialists in the market and as an all-round provider of communications and security solutions, from planning, project planning, execution to turnkey handover, as well as maintenance and service. We have the blanket coverage to offer customers any desired solution tailored to their needs. In addition, we are continuously examining new and lucrative market potentials so as to identify and leverage opportunities in the nursing, care and health market and in surveillance of persons by mobile communications. The focus here is on merging technology and the defined solution. We will also continue to actively review our portfolio, as well as take up innovative ideas and, where of commercial interest, develop them to market maturity.

In particular, our objective for fiscal year 2010 is therefore still to continue to establish the brand name euromicron in the market as a byword for quality, solution-oriented expertise and know-how in all areas relating to network-based information, communications and security needs and to keep up our active PR and investor relations work in order to actively support our share performance and give institutional investors opportunities for interesting replacements that look to the company's future.

We assume that we will exceed the €200 million mark in the coming fiscal year as a result of further organic growth.

The smaller investments made towards the end of 2009 will be able to make a not insignificant contribution to this.

The EBIT target at the Group level remains 8 to 11%. Following completion of the consolidation phase of build and integration, the Group aims to achieve the €300 million mark for the years following 2011. This is to be assisted not only by organic growth, but above all by focused and stronger growth abroad, largish mergers or mutual investments in companies, as well as cooperation deals and partnerships.

In order to achieve its goals, the euromicron Group has a promises of finance of around €76.5 million (previous year: €71 million) from the banks; of this, around €9.3 million was unutilized at the reporting date. As a result, the Group not only has a good and stable cash flow of its own, but an adequate financial framework to be able to achieve its objectives. Following intensive discussions with all banks in 2009, we currently assume that this funding will continue to be available to the company, even if the general economic situation should deteriorate again.

We feel certain that this path also reflects the interests of our shareholders and company as best possible. We will continue to work towards this goal in future.

If investors in euromicron AG indicate that they wish to replace a large number of our shares, our objective will be to find investors who accompany us for the medium to long term and do not seek short-term success. Crucial factors in our eyes will be for the investors to understand our business model, give management support in developing the group commercially and provide the company with the resources required for this.

With our business model, a secure basis for financing and a stable cash flow in conjunction with our still comfortable equity ratio, we are convinced that we are well equipped to secure the company's long-term development and also give our shareholders promising perspectives.

### Summary

The Executive Board's overall statement is that it is optimistic of achieving the objectives set for euromicron AG and the euromicron Group once more in 2010.

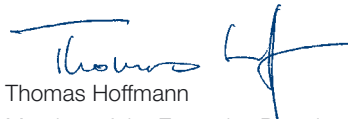
We have used a number of opportunities in the past to gear the group to a secure future and believe we will be able to skillfully master the challenges in the market ahead of us. Future strategic investments will be pinpointed at responsible and continuous growth that supports a sustained increase in the value of euromicron AG and means the company remains attractive to new investors.

Nevertheless, the actual results may deviate significantly from the expectations and forecasts if one of the above, or other, uncertainties arise or the assumptions on which the statements were based should prove to be inaccurate.

Frankfurt/Main, March 19, 2009



Dr. Willibald Späth  
Chairman of the Executive Board



Thomas Hoffmann  
Member of the Executive Board