OUT OF THINGS FOR THE INTERNET WE MAKE THE INTERNET OF THINGS

INTERIM REPORT
Q3/2016

euromicron

KEY INCOME FIGURES

of the euromicron Group at September 30, 2016

Key figures

	2016	2015
	€ thou.	€ thou.
Sales	226,567	242,708
EBITDA (operating)*	1,428	5,761
EBITDA margin (operating)**, in % (relative to sales at the reporting date)	0.6	2.4
EBITDA	–1,392	2,525
EBITDA margin in % (relative to sales at the reporting date)	–0.6	1.0
EBIT (operating)*	–4,787	–1,187
EBIT	–7,607	–6,296
Net loss for the period (for euromicron AG shareholders)	–9,930	–7,719
Earnings per share in € (undiluted)	–1.38	–1.08
Equity ratio, in %	33.6	34.0
Working capital incl. factoring effects	66,096	87,056
Working capital ratio incl. factoring effects, in % (relative to sales of the past 12 months)	20.1	25.2
Working capital excl. factoring effects	87,535	103,397
Working capital ratio excl. factoring effects, in % (relative to sales of the past 12 months)	26.6	29.9
Cash flow from operating activities, adjusted for factoring effects and customers' monies to be passed on**	–17,980	–25,474

* Adjusted for special effects of the reorganization
** Previous year's figure adjusted
(unaudited acc. to IFRS)

DEAR SHAREHOLDERS, DEAR READERS,

Key areas of business and private life are undergoing change and are being shaped increasingly by “digitization” and the “Internet of Things”. In order to participate successfully in these far-reaching changes in our target markets, we are transforming euromicron into a high-tech group that focuses on “digitized network infrastructures”. Our goal is to explore forward-looking business areas and optimize the euromicron Group’s structures and processes in order to achieve a sustainable increase in our earnings and financial strength.

Our business performance in the first half of 2016 was impacted significantly by the necessary reorganization measures at euromicron Deutschland GmbH. These measures took longer than originally planned and thereby reduced our operating income stronger than anticipated. Our consolidated sales and operating earnings before interest, taxes, depreciation and amortization (operating EBITDA) at June 30, 2016, were thus significantly below the level of the previous year. However, we were able to stop this trend in the third quarter of 2016: Our consolidated sales were €86.7 million and operating EBITDA was €3.1 million, €0.8 million and €1.3 million higher than in the third quarter of the previous year respectively.

The operating EBITDA margin in the “Smart Buildings” segment is still significantly impacted by the effects of the measures at euromicron Deutschland GmbH. Following an operating EBITDA margin at June 30, 2016, that was 8.5 percentage points lower year on year, we were able to reduce this shortfall significantly to 4.7 percentage points at September 30, 2016. In contrast, the “Critical Infrastructures” and “Distribution” segments continued to show significantly higher EBITDA margins than in the previous year at September 30, 2016.

Despite the positive third quarter and the anticipated strong fourth quarter, we assume that the negative effects on sales and income in the first half of 2016 will not be fully compensated by the end of the year. Even though the business performance of the Group’s largest system house stabilized in the third quarter of 2016, the reorganization of euromicron Deutschland GmbH will still reduce the euromicron Group’s overall sales and earnings in 2016.

Whereas new orders from continuing operations were € – 7.3 million below the previous year's figure at June 30, 2016, we closed the gap in new orders in the third quarter of 2016. New orders at September 30, 2016, were €248.0 million and accordingly at the level of the previous year. That is a solid foundation for the fourth quarter, in which we generate most of our income due to the highly seasonal nature of our business.

The successes of our extensive measures to reduce the Group's working capital are also particularly encouraging. Working capital fell by € – 15.9 million, meaning we were able to reduce the Group's working capital ratio (excl. factoring effects) by 3.3 percentage points to 26.6%. Furthermore we significantly improved the Group's cash flow from operating activities (after adjustment for the factoring effects): Whereas it was negative in the third quarter of 2015 (€ – 6.6 million), we achieved a positive adjusted cash flow from operating activities of €3.1 million in the third quarter of 2016. Consequently, the adjusted cash flow from operating activities at September 30, 2016, is € – 18.0 million, €7.5 million better than in the previous year.

Our investments in digitization are also reaping initial successes: Pilot projects in the field of "Smart City" were launched in the target market of "Digital Buildings", while ELABO GmbH captured its first orders for our "Smart Industry" solution in the market segment "Smart Industry". In addition, we founded Netzikon GmbH, an operator of wireless-based sensor networks, in the "Critical Infrastructures" segment in August 2016. The pilot projects in fields of innovation and great interest in the market confirm the course we have adopted with the Group's realignment. We believe euromicron will have a good position in the field of "digital infrastructures" in future and, with the reorganization, are creating a solid foundation on our path into the digital future, which euromicron will take together with its customers.

Frankfurt/Main, November 2016

Bettina Meyer
Member of the Executive Board
(Spokeswoman)

Jürgen Hansjosten
Member of the Executive Board

INTERIM MANAGEMENT REPORT

of the euromicron Group from January 1 to September 30, 2016

Fundamentals of the Group

Profile

Under its strategic alignment, the euromicron Group focuses on the three main segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. euromicron combines technology and system integration to create holistic solution concepts and offers its customers market-oriented, tailored solutions for digital infrastructures. That lays the foundation for digital transformation. Controlling is geared toward the target markets and the underlying value chain within the Group.

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 focuses on providing 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 “Smart Industry” area is on digitizing and networking development, production and service processes in industry. 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 breakdown is highly problematic. Such infrastructures may be the private 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 up 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.

Net assets, financial position and results of operations

Sales and income

Key sales and income figures at September 30, 2016

	2016	2015
	€ thou.	€ thou.
Sales	226,567	242,708
EBITDA (operating)*	1,428	5,761
EBITDA margin (operating)*, in % (relative to sales at the reporting date)	0.6	2.4
EBITDA	–1,392	2,525
EBITDA margin in % (relative to sales at the reporting date)	–0.6	1.0
EBIT (operating)*	–4,787	–1,187
EBIT	–7,607	–6,296
Income before taxes	–11,053	–9,089
Net loss for the period (for euromicron AG shareholders)	–9,930	–7,719
Earnings per share in € (undiluted)	–1.38	–1.08

* Adjusted for special effects of the reorganization
(unaudited acc. to IFRS)

After the euromicron Group’s sales and earnings has been impacted significantly in the first half of 2016 by the performance of euromicron Deutschland GmbH, which is undergoing reorganization, and so were significantly below the previous year’s figures, this trend was stopped in the third quarter of 2016. Whereas consolidated sales at June 30, 2016, were € –16.9 million and the Group’s operating EBITDA € –5.6 million below the comparative figures for the first half of 2015, sales and an operating EBITDA above the comparative figures for the third quarter of 2015 were achieved in the third quarter of 2016.

Consolidated sales in the third quarter of 2016 were €86.7 million, €0.8 million above the previous year's figure of €85.9 million. Notably sales figure of the same quarter of the previous year still included sales of €3.2 million from the business operations that were discontinued at the end of 2015. As a result, sales from the Group's continuing operations in the third quarter of 2016 are €4.0 million above the respective sales in the third quarter of 2015.

The euromicron Group's total sales at September 30, 2016, were €226.6 million (previous year: €242.7 million), € – 16.1 million below the level at September 30, 2015. From this total difference, € – 9.5 million is due to a loss of sales from divisions that have been closed and € – 6.6 million is from the Group's continuing operations. As a result, the lower sales from continuing operations compared to the figure at June 30, 2016 (€ – 10.6 million) were reduced by €4.0 million.

€191.8 million, or 84.7% of consolidated sales, was generated in the German market; the respective figure in the previous year was €208.8 million or 86.0%. Foreign sales were €34.8 million, slightly above the previous year's figure of €33.9 million, and therefore accounted for 15.3% (previous year: 14.0%) of total sales.

There were also positive earnings trends in the third quarter of 2016: Operating EBITDA was €3.1 million, €1.3 million higher than in the third quarter of fiscal year 2015 (€1.8 million).

The cumulative operating EBITDA at September 30, 2016, was €1.4 million compared with €5.7 million at September 30, 2015. That shortfall was reduced to € – 4.3 million, compared to a shortfall of € – 5.6 million at June 30, 2016.

Including the reorganization costs of € -2.8 million (previous year: € – 3.2 million), the reported EBITDA is € – 1.4 million (previous year: €2.5 million).

The Group's individual segments performed as follows in the first nine months of fiscal year 2016:

The shortfall in sales of € –9.9 million in the "Smart Buildings" segment in the first half of 2016 was reduced in the third quarter of 2016 by €2.7 million to € –7.2 million. The shortfall in operating EBITDA of € –7.5 million at June 30, 2016, was also reduced in the third quarter of 2016 by €0.8 million to € –6.7 million.

This shortfall is attributable in particular to the performance of euromicron Deutschland GmbH, which is undergoing reorganization. The realignment of the sales department that was initiated in order to avoid high-risk large-scale projects resulted in a decline in sales and accordingly in a lack of contribution margins in the first half of 2016. Additional sales measures led to a significant increase in new orders at euromicron Deutschland GmbH as of the end of the second quarter of 2016, which already showed a positive impact in the sales of the third quarter of 2016. In addition, work required to complete old projects, without generating is having a stronger negative effect on earnings than anticipated in planning. The employees tied up in these projects cannot be assigned to handle profitable new orders, likewise resulting in a negative impact on sales and earnings. Completion of the main old projects is expected by the end of fiscal year 2016. Despite stabilization of euromicron Deutschland GmbH in the third quarter of 2016, the negative effects on sales and income in the first half of 2016 will not be fully compensated in the further course of the year.

Moreover, there were also declines in sales and income for this segment's technology companies, in particular as a result of order postponements, although we assume at present that they will be made up in the remaining period.

Sales in the "Critical Infrastructures" segment fell slightly by € –1.0 million compared to the previous year, but operating EBITDA was increased by €0.2 million, giving an operating EBITDA margin of 3.3%, an improvement of 0.3 percentage points.

The "Distribution" segment also continues to perform positively: Despite slightly lower sales, operating EBITDA improved by €0.3 million, resulting in an increase in the operating EBITDA margin from 12.0% to 14.0%.

Operating EBITDA for “Central Services” (holding costs) was € – 3.3 million, €0.1 million better than in the previous year.

Apart from sales and operating EBITDA, other key figures for the euromicron Group also developed positively in the third quarter of 2016:

- Whereas new orders from the Group’s continuing operations were €156.0 million or € – 7.3 million below the previous year’s figure at June 30, 2016, we closed the shortfall in new orders in the third quarter of 2016. New orders at September 30, 2016, were €248.0 million and accordingly at the level of the previous year.
- Extensive measures to reduce the Group’s working capital (excl. factoring effects) meant that it was reduced by € – 15.9 million to €87.5 million compared to €103.4 million at September 30, 2015. Notably working capital was not only adjusted to the current volume of sales. Thanks to the measures implemented, the Group’s working capital ratio was also reduced significantly by – 3.3 percentage points from 29.9% to 26.6%.
- The Group’s cash flow from operating activities after adjustment for the effects from factoring was also improved significantly thanks to the reduction in working capital. It was € – 21.1 million at June 30, 2016, and therefore € – 2.2 million lower than at June 30, 2015 (€ – 18.9 million). A positive adjusted cash flow from operating activities of €3.1 million was achieved in the third quarter of 2016, whereas an adjusted cash flow from operating activities of € – 6.6 million was achieved in the third quarter of 2015. The adjusted cash flow from operating activities at September 30, 2016, is € – 18.0 million, €7.5 million better than at September 30, 2015 (€ – 25.5 million).

INCOME STATEMENT OPERATIONAL

of the euromicron Group for the period July 1 to September 30, 2016 (IFRS)

Income statement

	3-month report					
	July 1, 2016 – Sept. 30, 2016 incl. special effects of reorganization	Special effects of reorganization	July 1, 2016 – Sept. 30, 2016 operational	July 1, 2015 – Sept. 30, 2015 incl. special effects of reorganization	Special effects of reorganization	July 1, 2015 – Sept. 30, 2015 operational
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**86,725**	**–69**	**86,656**	**85,948**	**0**	**85,948**
Inventory changes	–1,454	0	–1,454	726	0	726
Own work capitalized	588	0	588	419	0	419
Other operating income	342	–1	341	405	0	405
Cost of materials	–47,476	102	–47,373	–50,009	198	–49,811
Personnel costs	–25,953	49	–25,904	–26,691	834	–25,857
Other operating expenses	–10,700	966	–9,734	–10,920	927	–9,993
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**2,072**	**1,047**	**3,119**	**–122**	**1,959**	**1,837**
Amortization and depreciation	–2,045	0	–2,045	–4,161	1,873	–2,288
Earnings before interest and taxes (EBIT)	**27**	**1,047**	**1,074**	**–4,283**	**3,832**	**–451**
Interest income	8	0	8	14	0	14
Interest expenses	–1,136	0	–1,136	–1,154	0	–1,154
Income before income taxes	**–1,101**	**1,047**	**–54**	**–5,423**	**3,832**	**–1,591**
Income taxes	335	0	335	861	0	861
Consolidated net loss for the period	**–766**	**1,047**	**281**	**–4,562**	**3,832**	**–730**
Attributable to euromicron AG shareholders	–811	1,048	237	–4,643	3,832	–811
Attributable to non-controlling interests	45	0	45	81	0	81
Un)diluted earnings per share in €	**–0.11**	**0.14**	**0.03**	**–0.65**	**0.54**	**–0.11**

(unaudited acc. to IFRS)

INCOME STATEMENT
OPERATIONAL

of the euromicron Group for the period January 1 to September 30, 2016 (IFRS)

Income statement

	9-months report					
	Jan. 1, 2016 – Sept. 30, 2016 incl. special effects of reorganization	Special effects of reorganization	Jan 1, 2016 – Sept. 30, 2016 operational	Jan. 1, 2015 – Sept. 30, 2015 incl. special effects of reorganization	Special effects of reorganization	Jan. 1, 2015 – Sept. 30, 2015 operational
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**226,567**	**–109**	**226,458**	**242,708**	**0**	**242,708**
Inventory changes	–1,058	0	–1,058	992	0	992
Own work capitalized	1,775	0	1,775	1,411	0	1,411
Other operating income	1,134	–28	1,106	1,471	0	1,471
Cost of materials	–118,759	123	–118,636	–132,014	198	–131,816
Personnel costs	–79,760	180	–79,580	–79,511	1,726	–77,785
Other operating expenses	–31,291	2,654	–28,637	–32,532	1,312	–31,220
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**–1,392**	**2,820**	**1,428**	**2,525**	**3,236**	**5,761**
Amortization and depreciation	–6,215	0	–6,215	–8,821	1,873	–6,948
Earnings before interest and taxes (EBIT)	**–7,607**	**2,820**	**–4,787**	**–6,296**	**5,109**	**–1,187**
Interest income	44	0	44	26	0	26
Interest expenses	–3,490	0	–3,490	–2,819	0	–2,819
Income before income taxes	**–11,053**	**2,820**	**–8,233**	**–9,089**	**5,109**	**–3,980**
Income taxes	1,282	0	1,282	1,552	0	1,552
Consolidated net loss for the period	**–9,771**	**2,820**	**–6,951**	**–7,537**	**5,109**	**–2,428**
Attributable to euromicron AG shareholders	–9,930	2,820	–7,110	–7,719	5,109	–2,610
Attributable to non-controlling interests	159	0	159	182	0	182
(Un)diluted earnings per share in €	**–1.38**	**0.39**	**–0.99**	**–1.08**	**0.72**	**–0.36**

(unaudited acc. to IFRS)

Whereas the Group's operating EBITDA at June 30, 2016, was €5.6 million below the comparative figure for the previous year, the shortfall decreased to € –4.4 million at September 30, 2016.

This decline in operating EBITDA is attributable to an amount of € –5.1 million to the lower gross profit, defined as total operating performance (sales and inventory changes) less cost of materials. The volume-related effect from total operating performance, which was in particular lower in the first half of 2016 compared to the previous year, had an impact of € –8.4 million on gross profit. This effect was offset to an amount of €3.3 million by the positive effect of a lower materials ratio of 52.6% or –1.5 percentage points down on the previous year (54.1%).

Personnel costs (adjusted for the costs of reorganization) totaled € –79.6 million (previous year: € –77.8 million) and accordingly increased by €1.8 million compared to the previous year. This can be explained by the fact that the personnel costs for the first nine months of fiscal year 2015 contained income from the reversal of bonus provisions totaling €0.5 million. This was mainly due to the reversal of a bonus provision for the former Executive Board of euromicron AG, which resigned at the end of March 2015. The remaining part of the increase in personnel costs (€1.3 million) – despite a slight reduction in the headcount to 1,813 employees (previous year: 1,822) – is attributable, apart from pay adjustments under the collective agreement, to the fact that there was greater investment in highly qualified staff as part of the strategic realignment. On the other hand, the costs for temporary workers, which are recorded under "Other operating expenses", was reduced by € –0.5 million in the first nine months of fiscal year 2016 compared to the previous period.

The other operating expenses (adjusted for the costs of reorganization) totaled € –28.6 million and accordingly have decreased significantly by €2.6 million compared with the previous year (€ –31.2 million). Vehicle and travel expenses, rental costs and legal and consulting costs are still the largest items within the other operating expenses. Costs were cut in all three areas. In addition, as already stated above, the costs for temporary workers were also reduced.

Amortization and depreciation were € –6.2 million and accordingly have fallen by €0.7 million compared to the first nine months of fiscal year 2015 (€ –6.9 million; adjusted for the costs of reorganization: €1.9 million). This is due in particular to lower amortization of hidden reserves disclosed as part of capital consolidation.

Interest expenses were € –3.5 million (previous year: € –2.8 million) and accordingly € –0.7 higher compared to the previous year. This is due in particular to higher average utilization of funding, which is also attributable to the change in practice: Customer payments are now returned directly to the factoring company. In addition, adjustments to the terms of finance at partner banks caused a slight increase.

The tax ratio was 11.6%, below the anticipated tax ratio for the Group of 30 %. This is due in particular to the derecognition of deferred tax assets on loss carryforwards at euromicron Deutschland GmbH, which had been incurred before euromicron Deutschland GmbH was included in the tax group. As a result of the inclusion of euromicron Deutschlandg GmbH into a tax group with euromicron AG loss carryforwards incurred before the inclusion cannot be utilized as long as the tax group is in place. This resulted in a non-cash tax expense of €2.0 million, which effects in the tax ratio.

The net loss for the period (adjusted for the costs of reorganization) attributable to the shareholders of euromicron AG at September 30, 2016, was € –7.1 million compared with a loss of € –2.6 million in the previous year. Undiluted earnings per share (adjusted for the costs of reorganization) for the first nine months of fiscal year 2016 were € –0.99 compared to € –0.36 in the same period of the previous year.

New orders and order books

euromicron Group at September 30, 2016

Consolidated new orders/order books

	2016	2015*	2015**
	€ thou.	€ thou.	€ thou.
Consolidated new orders	248,032	247,911	253,849
Consolidated order books	124,082	128,265	132,633

* Continuing core business operations (excluding divisions that have since been closed)

** Total (including divisions that have since been closed)

(unaudited acc. to IFRS)

At September 30, 2016, the euromicron Group recorded new orders from continuing core business operations of €248.0 million (previous year: €247.9 million) and order books of €124.1 million (previous year: €128.3 million). Whereas consolidated new orders at June 30, 2016, were € – 7.3 million or € – 4.5% lower than in the previous year, they increased to the level of the previous year at September 30, 2016, thanks to a positive new orders trend. Order books are € – 4.2 million or – 3.3% below the level of the previous year. Accordingly the different of € –6.9 million or –5.4% at June 30, 2016, was reduced by €2.7 million or 2.1 percentage points in the third quarter. The order books for continuing core business operations were € – 4.2 million lower than the previous year. This is attributable in particular to the fact that sales from continuing core business operations in the third quarter of 2016 were around €4.0 million above the comparative figure for the third quarter of 2015.

Net assets

Total assets at the euromicron Group were €258.8 million at September 30, 2016, a sharp decrease of € – 12.1 million over the level at December 31, 2015.

Noncurrent assets were €141.2 million, only slightly below the level at December 31, 2015 (€142.0 million). Due to the fact that total assets were lower, noncurrent assets accounted for around 54.6% of total assets, up on the level at December 31, 2015 (52.4%). The ratio of equity and long-term outside capital to noncurrent assets at September 30, 2016, is 90.1%.

Current assets fell by € – 11.3 million to €117.6 million. They accounted for 45.4% of total assets, compared with 47.6% at December 31, 2015.

Trade accounts receivable were reduced significantly by € – 19.0 million from the traditionally high figure at the end of the year. This effect is significantly higher than at September 30, 2015, when there was only a decline of € – 6.9 million in receivables. Apart from the impact of the lower volume of sales and effects from intensification of receivables management, this also reflects the €5.1 million increase in the volume of receivables sold as part of the factoring program.

In addition, cash and cash equivalents decreased by € – 5.7 million from the figure at December 31, 2015, to €5.0 million. We refer in this regard to the explanations on the financial position and cash flow.

On the other hand, the gross amount due from customers for contract work rose by €10.8 million for seasonal reasons, which is due to the larger volume of projects in progress in system house business during the year. However, this increase is €2.8 million lower than in the same period of the previous year (€13.6 million). Apart from adjustment of the projects in progress to the lower volume of sales, up-front financing for projects was reduced by intensive working capital management and old projects were completed.

In addition, inventories also increased by €2.2 million. This is mainly attributable to stocking of products by the production companies, so as to ensure our ability to supply them at short notice in the fourth quarter, when we have strong sales. Here too, measures to optimize working capital reduced the increase by € – 1.3 million compared with at September 30, 2015 (€3.5 million).

Equity at September 30, 2016, was €87.0 million, € –10.0 million below the level of December 31, 2015 (€97.0 million). The decline is due to an amount of € –9.8 million to the consolidated net loss for the first nine months of 2016. In addition, dividends from subsidiaries that were adopted in the first quarter of 2016 and to which non-controlling shareholders were entitled on a pro-rata basis had to be transferred from equity to outside capital. The equity ratio was 33.6% following 35.8% at December 31, 2015.

Noncurrent liabilities essentially contain the long-term components of the Group's debt capital and deferred tax liabilities. The increase of €16.2 million from €31.0 million to €47.2 million is due in particular to higher noncurrent liabilities to banks (€18.0 million). We refer in this regard to the explanations on the financial position. On the other hand, there was in particular a reduction in deferred tax liabilities of € –1.9 million at the reporting date. Noncurrent liabilities were 18.3% of total assets compared with 11.5% at December 31, 2015.

Current liabilities at September 30, 2016, fell by € –18.2 million from €142.8 million to €124.6 million and were 48.1% (at December 31, 2015: 52.7%) of total assets. This decline is due to the fact that trade accounts payable fell by € –10.8 million and other financial liabilities by € –22.0 million. Within the other financial liabilities, there was in particular a decline of € –21.2 million in liabilities from customers' monies to be passed on, which is due in particular to a change in practice for returning customer payments to the factoring company. In addition, the liabilities from current income taxes and the other tax liabilities fell in total by € –5.3 million and personnel obligations by € –1.8 million. On the other hand, there was an increase of €21.7 million in current liabilities to banks.

Financial position

The euromicron Group’s net debt (the total of long- and short-term liabilities to banks and liabilities from finance leases less cash and cash equivalents) at September 30, 2016, was €100.9 million, an increase of €9.2 million compared to September 30, 2015 (€91.7 million). This increase is mainly attributable to the change in practice for returning customer payments to the factoring company in the first quarter of 2016, which resulted in an increase in the need for external financing of €13.7 million compared to September 30, 2015. Before this change, customer payments from receivables sold were held in trust in local accounts and regularly passed on to the factoring company. On the other hand, there were cash effects to an amount of €3.3 million from an increase in the factoring volume compared to September 30, 2015. These factoring effects resulted in an increase in net debt of €10.4 million. A positive impact was also the fact that cash flow from operating activities (after adjustment for the effects from factoring) for the period from October 1, 2015, to September 30, 2016 (€11.9 million), excluding effects from the change in interest payable and liabilities from finance leases, which are part of net debt (€ –0.2 million), exceeded net cash used in investing activities (€ –10.3 million) and distributions to minority interests (€ –0.2 million) by €1.2 million.

However, net debt was reduced by €3.3 million from €104.2 million at June 30, 2016, to €100.9 million. This is attributable to an amount of €1.8 million to cash effects from an increase in the factoring volume compared to that at June 30, 2016. In addition, the cash flow from operating activities (after adjustment for the effects from factoring) in the third quarter of 2016 (€3.1 million), excluding effects from the change in interest payable and liabilities from finance leases, which are part of net debt (€0.3 million), exceeded net cash used in investing activities (€ –1.8 million) and distributions to minority interests (€ –0.1 million) by €1.5 million.

At September 30, 2016, the euromicron Group has free liquidity (free credit lines plus cash funds) of €13.9 million for up-front financing of project business and to further finance the company’s planned development. euromicron AG will continue to fund its Group companies directly or through its cash pool model.

A financing agreement running until March 31, 2018, was concluded with our partner banks effective July 1, 2016, and not only secured the existing short-term credit lines, but also the refinancing of the two loans due in the third quarter of 2016 by means of new loan agreements. The borrower's note loan totaling €14.5 million was repaid on time by July 15, 2016. A maturity loan totaling €5.0 million was repaid as agreed at the end of August 2016. The loan repayments were financed in accordance with the provisions of the financing agreement.

At September 30, 2016, the euromicron Group consequently has liabilities to banks totaling €104.4 million, of which €38.4 million is long-term and €66.0 million is short-term loan liabilities. As a result, the ratio of long-term loan liabilities has risen from 31.6% at September 30, 2015, to 36.8%.

Notes on the cash flow

At September 30, 2016, the reported net cash used in operating activities was € –39.3 million, compared with € –36.3 million at September 30, 2015. However, the reported cash flow figures from operating activities are mainly impacted by effects resulting from the Group's factoring program. In order to calculate comparative cash flow figures, adjustment is carried out for the following effects:

- Change in the factoring volume at the balance sheet date
- Change in the liability from customers' monies to be passed on
- Change in the blocked amount withheld by the factoring company or factoring amounts that have not yet been paid out (other financial asset)

We refer you to the 2015 Annual Report of the euromicron Group for a detailed explanation of the effects presented here. All in all, reconciliation of these three factors results in cash flows from operating activities after adjustment for factoring effects.

This reconciliation is presented in summarized form in the tables below, once for the third quarter and once for the 9-month period:

Calculation of the adjusted cash flow from operating activities, 3-month period

	July 1, 2016 – Sept. 30, 2016	July 1, 2015 – Sept. 30, 2015
	€ thou.	€ thou.
Cash flow from operating activities acc. to statement of cash flows	4,887	–3,747
Effects from factoring and customers' monies to be passed on included in the above	–1,803	–2,827
Adjusted cash flow from operating activities	3,084	–6,574

(unaudited acc. to IFRS)

Whereas the Group's cash flow from operating activities (after adjustment for the effects from factoring) at June 30, 2016, was € –21.1 million and accordingly € –2.2 million higher than figure at June 30, 2015 (€ –18.9 million),a significant improvement in cash flow from operating activities was achieved in the third quarter of 2016. The cash flow from operating activities in the third quarter was €3.1 million and so €9.7 million better than in the third quarter of 2015, in which a cash flow from operating activities of € –6.6 million was achieved.

Calculation of the adjusted cash flow from operating activities, 9-month period

	Jan. 1, 2016 – Sept. 30, 2016	Jan. 1, 2015 – Sept. 30, 2015
	€ thou.	€ thou.
Cash flow from operating activities acc. to statement of cash flows	–39,303	–36,348
Effects from factoring and customers' monies to be passed on included in the above*	21,323	10,874
Adjusted cash flow from operating activities*	–17,980	–25,474

* Previous year's figure adjusted
(unaudited acc. to IFRS)

Consequently, the net cash used in operating activities (after adjustment for factoring effects) for the first nine months of fiscal year 2016 is € –18.0 million, an improvement of €7.5 million over the figure of € –25.5 million for the same period in 2015. The fact that the adjusted cash flow from operating activities was improved significantly over the previous year, despite the € –3.9 million fall in EBITDA and the € –1.5 million increase in interest and tax payments, is attributable to successes from the Group-wide program to reduce working capital. A far lower increase in working capital during the year resulted in positive effects on the cash flow from operating activities, which improved compared to the previous year by €12.4 million as a result. On the one hand, this effect is due to the adjustment of working capital to reflect the current volume of sales. On the other hand, extensive measures to reduce up-front financing in system house business, earlier collection of receivables and optimize stocking of products by the production companies were implemented. In addition, various old projects were completed at euromicron Deutschland GmbH, which likewise had a positive impact on cash flow from operating activities. This is also reflected in the working capital ratio (excl. factoring effects), defined as working capital relative to sales of the past twelve months. It was reduced by –3.3 percentage points over the figure at September 30, 2015, to 26.9%. Changes in the other balance sheet items apart from working capital also resulted in a further year-on-year improvement of €0.5 million in cash flow from operating activities.

The negative cash flow from operating activities at September 30 is due to the business model and in particular the fact that up-front financing for projects and stocking of products by the production companies increase in the course of the year. This is reflected in an increase in the balance from the gross amount due from customers for contract work and inventories, less the gross amount due to customers for contract work and prepayments. In this first nine months of fiscal year 2016, this effect reduced the cash flow by around € –12.9 million. That effect reduced the cash flow by € –18.5 million at September 30, 2015; the improvement of €5.6 million reflects the successes in optimizing working capital in 2016.

Net cash used in investing activities in the first nine months of fiscal year 2016 was € –5.9 million, almost at the level of the first nine months of the previous year (€ –5.4 million).

The net cash provided by financing activities was €39.4 million compared with €46.7 million in the first nine months of the previous year. The net proceeds are mainly due to raised loans which exceed the net cash used to repay loans.

Cash funds of the euromicron Group at September 30, 2016, were thus €5.0 million compared with €20.6 million at September 30, 2015.

Risk report

The reports from the risk management system at December 31, 2015, have been continuously examined and updated as part of the interim report at September 30, 2016. At September 30, 2016, there were the following changes in the risks at the euromicron Group compared with as stated and described in detail in the management report in the 2015 Annual Report.

On June 30, 2016, euromicron AG and the banks and insurance companies that provide it with finance concluded a long-term agreement running until March 31, 2018, on maintaining all existing bilateral loan agreements and repaying due loans.

Among other things, this agreement obligates us to adhere to specific financial key performance indicators, which will be tested every quarter starting in September 30, 2016. The results of the third quarter mean that one of the financial key performance indicators has not been achieved. Regarding a right of termination resulting from the respective breach, the company is making use of the possibility of remedy included in the agreement regarding respective cases in order to maintain the credit lines in accordance with the total scope defined in the financing agreement.

A further risk is effects from the reorganization measures at euromicron Deutschland GmbH, which are taking longer than originally planned. The reorganization measures at euromicron Deutschland GmbH have been continued in 2016 and comprise in particular a reduction and restructuring of the workforce to reflect the requirements of the individual regions, optimization of working capital, measures to realign the sales department, and creation of standardized controlling and IT structures. The goal of these measures is to optimize structures and processes in order to achieve a sustainable increase in the earnings and financial strength of euromicron Deutschland GmbH and so of the euromicron Group. These reorganization measures will reduce operating income for fiscal year 2016 more strongly than originally assumed. In particular, the realignment of sales in order to avoid high-risk large-scale projects resulted in temporary reductions in sales and accordingly earnings as well in the first half of 2016. In the third quarter of 2016, new orders stabilized again due to additional supporting sales measures, which will have a positive impact on the company's sales and earnings.

Apart from that, there were no significant material changes in the analysis of risks and their structure or evaluation. Taking into account all known facts and circumstances, euromicron does not anticipate any significant effects on its operational business from macroeconomic changes and does not see any risks that might jeopardize the existence of the euromicron Group in a foreseeable period of time or, as far as can be assessed at present, might have a significant influence on the Group's net assets, financial position and results of operations.

Outlook

Now that the first three quarters of 2016 are over, euromicron AG still assumes – despite a positive third quarter and the anticipated strong fourth quarter – that the fall in sales and earnings in the first half of the year compared to the previous year and the company's planning will continue to be reduced for the year as a whole, but these effects will not be compensated for in full.

Both the sales and earnings performance of the euromicron Group in fiscal year 2016 are strongly influenced by the development of euromicron Deutschland GmbH, which is undergoing an extensive reorganization. The large degree of heterogeneity within the subsidiary, which was created from a merger of many smaller companies whose integration was neglected in the past, is delaying the effectiveness of the initiated structural measures more strongly than expected. The realignment of euromicron Deutschland GmbH will thus still reduce the euromicron Group's sales performance and earnings strength in 2016. One of the causes of that is the realignment of sales that was initiated in order to avoid high-risk large-scale projects. The resultant decline in sales in the first half of the year and so a lack of contribution margins will not be offset fully in fiscal year 2016. In addition, work required to complete old projects, without generating margins will have a stronger negative effect on earnings than anticipated in planning. Since the human resources tied up in these projects cannot be assigned to handle profitable new orders, this effect will have a negative impact on sales and earnings expectations for fiscal year 2016. We currently assume that this effect will diminish in the further course of the year and that the lion's share of the old projects will be completed by the end of fiscal year 2016.

In summary: These are temporary effects in fiscal year 2016 resulting from delays in the transformation of euromicron Deutschland GmbH. The goal of these reorganization measures is to optimize structures and processes in order to achieve a sustainable increase in the earnings and financial strength of euromicron Deutschland GmbH and so of the euromicron Group. The Executive Board does not see any reason at present to revise the target figures it has issued for 2018, subject to the budget planing that is to be completed in December 2016.

Taking into consideration the opportunities and risks, a sales volume of €330 to €350 million can therefore be expected for fiscal year 2016, i.e. unchanged from the adjusted forecast in the half-yearly financial statements for 2016. An operating EBITDA margin of between 2% and 4% is still anticipated.

Some of the reorganization measures initiated in the past fiscal year will not be completed until the current fiscal year. These measures have already reduced the Group's EBITDA by around €2.8 million at September 30, 2016. For the year as whole, we anticipate reorganization costs of around €3 – 4 million.

This forecast is based on the assumption that the overall economy in the Federal Republic of Germany and the general conditions in the IT/ICT industry will develop positively in 2016 and the subsequent reorganization measures can be completed in the planned time. 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.

INCOME STATEMENT

of the euromicron Group for the period January 1 to September 30, 2016 (IFRS)

Income statement

	3-months report		9-months report	
	July 1, 2016 – Sept. 30, 2016	July 1, 2015 – Sept. 30, 2015	Jan. 1, 2016 – Sept. 30, 2016	Jan. 1, 2015 – Sept. 30, 2015
	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**86,725**	**85,948**	**226,567**	**242,708**
Inventory changes	–1,454	726	–1,058	992
Own work capitalized	588	419	1,775	1,411
Other operating income	342	405	1,134	1,471
Cost of materials	–47,476	–50,009	–118,759	–132,014
Personnel costs	–25,953	–26,691	–79,760	–79,511
Other operating expenses	–10,700	–10,920	–31,291	–32,532
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**2,072**	**–122**	**–1,392**	**2,525**
Amortization and depreciation	–2,045	–4,161	–6,215	–8,821
Earnings before interest and taxes (EBIT)	**27**	**–4,283**	**–7,607**	**–6,296**
Interest income	8	14	44	26
Interest expenses	–1,136	–1,154	–3,490	–2,819
Income before income taxes	**–1,101**	**–5,423**	**–11,053**	**–9,089**
Income taxes	335	861	1,282	1,552
Consolidated net loss for the period	**–766**	**–4,562**	**–9,771**	**–7,537**
Attributable to euromicron AG shareholders	–811	–4,643	–9,930	–7,719
Attributable to non-controlling interests	45	81	159	182
(Un)diluted earnings per share in €	**–0.11**	**–0.65**	**–1.38**	**–1.08**

(unaudited acc. to IFRS)

RECONCILIATION OF THE QUARTERLY RESULTS WITH THE STATEMENT OF COMPREHENSIVE INCOME

of the euromicron Group for the period January 1 to September 30, 2016 (IFRS)

Statement of comprehensive income

	Jan. 1, 2016–Sept. 30, 2016	Jan. 1, 2015–Sept. 30, 2015
	€ thou.	€ thou.
Consolidated net loss for the period, before minority interests	**–9,771**	**–7,537**
Gain/loss on the valuation of securities may have to be reclassified to the income statement in future)	0	0
Currency translation differences (may have to be reclassified to the income statement in future)	–2	0
Revaluation effects from pensions (will not be reclassified to the income statement in future)	0	0
Other comprehensive income	**–2**	**0**
Total comprehensive income	**–9,773**	**–7,537**
Attributable to euromicron AG shareholders	–9,932	–7,719
Attributable to non-controlling interests	159	182

(unaudited acc. to IFRS)

CONSOLIDATED BALANCE SHEET
ASSETS

of the euromicron Group as of September 30, 2016 (IFRS)

Assets

	Sept. 30, 2016	Dec. 31, 2015
	€ thou.	€ thou.
Noncurrent assets		
Goodwill	108,291	108,217
Intangible assets	16,497	17,520
Property, plant and equipment	15,448	15,306
Other financial assets	723	733
Other assets	50	61
Deferred tax assets	207	120
	141,216	**141,957**
Current assets		
Inventories	32,992	30,763
Trade accounts receivable	14,292	33,248
Gross amount due from customers for contract work	58,262	47,480
Claims for income tax refunds	744	1,496
Other financial assets	4,186	2,879
Other assets	2,072	2,304
Cash and cash equivalents	5,005	10,722
	117,553	**128,892**
Total assets	**258,769**	**270,849**

(unaudited acc. to IFRS)

CONSOLIDATED BALANCE SHEET
EQUITY AND LIABILITIES

of the euromicron Group as of September 30, 2016 (IFRS)

Equity and liabilities

	Sept. 30, 2016	Dec. 31, 2015
	€ thou.	€ thou.
Equity		
Subscribed capital	18,348	18,348
Capital reserves	94,298	94,298
Gain/loss on the valuation of securities	0	0
Currency translation difference	–4	–2
Consolidated retained earnings	–26,106	–16,010
Stockholders' equity	86,536	96,634
Non-controlling interests	438	404
	86,974	**97,038**
Noncurrent liabilities		
Provisions for pensions	1,255	1,255
Other provisions	1,766	1,802
Liabilities to banks	38,444	20,484
Liabilities from finance lease	944	1,193
Other financial liabilities	975	474
Other liabilities	164	189
Deferred tax liabilities	3,696	5,606
	47,244	**31,003**
Current liabilities		
Other provisions	1,462	2,081
Trade accounts payable	36,774	47,593
Gross amount due to customers for contract work	1,350	851
Liabilities from current income taxes	1,219	3,232
Liabilities to banks	65,995	44,307
Liabilities from finance lease	513	516
Other tax liabilities	3,864	7,141
Personnel obligations	7,094	8,876
Other financial liabilities	2,828	24,838
Other liabilities	3,452	3,373
	124,551	**142,808**
Total assets	**258,769**	**270,849**

(unaudited acc. to IFRS)

STATEMENT OF CHANGES IN EQUITY

of the euromicron Group for the period January 1 to September 30, 2016 (IFRS)

Statement of changes in equity

	Subscribed capital	Capital reserves	Consolidated retained earnings
	€ thou.	€ thou.	€ thou.
December 31, 2014	**18,348**	**94,298**	**–2,747**
Net loss for Q3 2015	**0**	**0**	**–7,719**
Other comprehensive income			
Currency translation differences	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**–7,719**
Transactions with owners			
Distributions to/ drawings by minority interests	0	0	–840
	0	**0**	**–840**
September 30, 2015	**18,348**	**94,298**	**–11,306**
December 31, 2015	**18,348**	**94,298**	**–16,010**
Net loss for Q3 2016	**0**	**0**	**–9,930**
Other comprehensive income			
Currency translation differences	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**–9,930**
Transactions with owners			
Distributions to/ drawings by minority interests	0	0	–166
	0	**0**	**–166**
September 30, 2016	**18,348**	**94,298**	**–26,106**

(unaudited acc. to IFRS)

	Gain/loss on the valuation of securities	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total Equity
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	98	–1	109,996	405	110,401
	0	**0**	**–7,719**	**182**	**–7,537**
	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
	0	**0**	**–7,719**	**182**	**–7,537**
	0	0	–840	–125	–965
	0	**0**	**–840**	**–125**	**–965**
	98	–1	101,437	462	101,899
	0	–2	96,634	404	97,038
	0	**0**	**–9,930**	**159**	**–9,771**
	0	–2	–2	0	–2
	0	**–2**	**–2**	**0**	**–2**
	0	**–2**	**–9,932**	**159**	**–9,773**
	0	0	–166	–125	–291
	0	**0**	**–166**	**–125**	**–291**
	0	–4	86,536	438	86,974

STATEMENT OF CASH FLOWS

of the euromicron Group for the period January 1 to September 30, 2016 (IFRS)

Statement of cash flows

	Jan. 1, 2016 – Sept. 30, 2016	Jan. 1, 2015– Sept. 30, 2015
	€ thou.	€ thou.
Income before income taxes	–11,053	–9,089
Net interest income/loss and other financial expenses	3,446	2,793
Depreciation and amortization of noncurrent assets	6,215	8,821
Reversal of write-downs of noncurrent assets	–54	0
Disposal of assets, net	–5	–13
Allowances for inventories and doubtful accounts	169	440
Change in provisions	–727	–284
Changes in short- and long-term assets and liabilities:		
– Inventories	–2,527	–3,676
– Trade accounts receivable and gross amount due from customers for contract work	8,210	–7,164
– Trade accounts payable and gross amount due to customers for contract work	–10,630	–8,916
– Other operating assets	–1,121	–3
– Other operating liabilities	–26,181	–15,696
– Income tax paid	–2,958	–1,917
– Income tax received	982	778
– Interest paid	–3,086	–2,447
– Interest received	17	25
Cash used in operating activities	**–39,303**	**–36,348**
Proceeds from		
– Retirement/disposal of property, plant and equipment	35	24
Payments due to acquisition of		
– Intangible assets	–2,461	–1,783
– Property, plant and equipment	–2,828	–1,963
– Subsidiaries	–609	–1,672
Net cash used in investing activities	**–5,863**	**–5,394**
Proceeds from raising of financial loans	44,579	54,512
Cash repayments of financial loans	–5,040	–6,631
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–90	–1,137
Net cash provided by financing activities	**39,449**	**46,744**
Net change in cash funds	–5,717	5,002
Cash funds at start of period	10,722	15,622
Cash funds at end of period	**5,005**	**20,624**

(unaudited acc. to IFRS)

Disclosure in accordance with Section 37w (5) Sentence 6 of the German Securities Trading Act (WpHG)

The condensed set of financial statements and the interim management report at September 30, 2016, have not been audited or inspected by an auditor in accordance with Section 317 of the German Commercial Code (HGB).

NOTES

Preamble

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

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date and with their interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The interim report as of September 30, 2016, was prepared in compliance with the regulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and with the requirements of standard no. 16 "Interim Financial Reporting" of the DRSC (Deutsches Rechnungslegungs Standards Committee e. V.). The previous year's figures were determined using the same principles.

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

The results in the interim financial statements as of September 30, 2016, do not necessarily permit forecasts for the further course of business.

Reporting and measurement methods

The same reporting and measurement methods were used in the abridged presentation of the consolidated financial statements as of September 30, 2016, as for preparing the consolidated financial statements at December 31, 2015, unless changes are explicitly specified.

A detailed description of these methods is published in the 2015 Annual Report and is available on the company's homepage. The consolidated financial statements of euromicron AG as of December 31, 2015, were prepared on the basis of Section 315a of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards, as are applicable in the European Union.

The purchase price allocation of the companies/divisions acquired in the current fiscal year is still provisional at September 30, 2016, since definitive examinations in relation to assets, liabilities and legal matters must still be made. The calculated difference is carried as provisional goodwill.

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

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

As regards the content of the new standards and interpretations and amendments to existing standards, we refer to our comments on pages 109 to 116 of the 2015 Annual Report.

The following interpretations and amendments have been in force since the beginning of fiscal year 2016:

- IAS 1 – Disclosure Initiative (amendment)
- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization (amendment)
- IAS 16 and IAS 41 – Bearer Plants (amendment)
- IAS 27 – Equity Method in Separate Financial Statements of an Investor (amendment)
- IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (amendments)
- IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (amendment)
- IFRS 14 – Regulatory Deferral Accounts
- Annual Improvement Project (AIP) – Annual improvements to the IFRS, 2012–2014 cycle (“Improvements to IFRS”)

The collection “Annual improvements to the IFRS, 2012–2014 cycle” contains amendments to the following IFRS:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 – Financial Instruments: Disclosures (with the subsequent amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards”)
- IAS 19 – Employee Benefits
- IAS 34 – Interim Financial Reporting

Application of the new and/or amended standards and interpretations has no significant impact on the Group’s financial position, net assets and results of operations or cash flow.

Consolidated companies

Apart from euromicron AG, the consolidated financial statements at September 30, 2016, include 24 companies, in which euromicron AG has the majority of voting rights directly or indirectly and so controls these companies.

The company Netzikon GmbH, Backnang, was founded in August 2016. It is a wholly-owned subsidiary of telent GmbH, Backnang. Its paid-up nominal capital is €25 thousand.

Significant business events

Under the purchase agreement dated May 2, 2016, euromicron Deutschland GmbH acquired the "PSS" division of PMG GmbH & Co.KG by way of an asset deal. The date the agreement was concluded is also the date of acquisition. euromicron Deutschland GmbH acquired the division at a total purchase price of €109 thousand. The goodwill of €74 thousand resulting from the difference between the total purchase price and the provisionally measured net assets of €35 thousand is mainly attributable to the well-trained workforce in the field of security technology. A tax-deductible goodwill was determined in the same amount. No transaction costs were incurred in connection with the acquisition. Three employees were taken over. The earnings and sales of the business operation cannot be identified reliably for the period in which it was part of the Group (from May 2 to September 30, 2016), since the sales attributable to the acquired assets cannot be ascertained separately from the sales of euromicron Deutschland GmbH. The acquisition had no effect on the consolidated companies. It enables the euromicron Group to build its expertise in the field of security technology.

Treasury shares

At September 30, 2016, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

Non-controlling interests (minority interests)

Under IFRS 3 (2008), non-controlling interests are disclosed as part of equity in accordance with the entity point of view.

The minority interests in equity reported at September 30, 2016 (€438 thousand) relate exclusively to Qubix S.p.A., Padua (10%).

Segment information

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 segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. Controlling is in line with the orientation toward the target markets and the underlying value chain within the Group. In line with the organizational and reporting structure, euromicron reports in the segments “Smart Buildings”, “Critical Infrastructures” and “Distribution”. In addition, the “Non-strategic Business Segments” area and the “Central Services” area are reflected in “All other segments”.

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.

Business transactions with related parties

Apart from the compensation for the Executive Board and Supervisory Board, there are no significant relations with related persons. There are also no business transactions between consolidated companies of the euromicron Group and non-consolidated or associated companies of the euromicron Group.

Contingencies

There were no significant changes in contingencies, contingent liabilities and other financial obligations compared with the annual financial statements at December 31, 2015.

SEGMENT INFORMATION

of the euromicron Group for the period January 1 to September 30, 2016 (IFRS)

Segment information

	Smart Buildings		Critical Infrastructures		Distribution		Total for all operating segments that must be reported	
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	131,592	137,309	78,984	80,041	15,895	15,733	226,471	233,083
Sales within the Group	1,406	2,918	511	498	1,490	2,032	3,407	5,448
Total sales	**132,998**	**140,227**	**79,495**	**80,539**	**17,385**	**17,765**	**229,878**	**238,531**
EBITDA	–690	5,271	2,615	2,381	2,441	2,128	4,366	9,780
EBITDA margin	–0.5%	3.8%	3.3%	3.0%	14.0%	12.0%	1.9%	4.1%
of which reorganization costs	380	1,098	0	0	0	0	380	1,098
Operating EBITDA	**–310**	**6,369**	**2,615**	**2,381**	**2,441**	**2,128**	**4,746**	**10,878**
Operating EBITDA margin	**–0.2%**	**4.5%**	**3.3%**	**3.0%**	**14.0%**	**12.0%**	**2.1%**	**4.6%**
Amortization and depreciation	–4,195	–4,248	–1,487	–1,616	–277	–430	–5,959	–6,294
Impairments of property, plant and equipment, intangible assets and goodwill	0	0	0	0	0	0	0	0
EBIT	–4,885	1,023	1,128	765	2,164	1,698	–1,593	3,486
of which reorganization costs	380	1,098	0	0	0	0	380	1,098
Operating EBIT	–4,505	2,121	1,128	765	2,164	1,698	–1,213	4,584
Order books	69,062	61,407	54,212	67,186	1,657	1,779	124,931	130,372
Working capital	61,391	66,551	18,434	29,635	4,151	5,273	83,976	101,459
Working capital ratio	**32.2%**	**34.3%**	**15.3%**	**23.9%**	**18.8%**	**22.0%**	**25.2%**	**29.7%**

	All other segments									
	Non-strategic Business Areas		Central Services		Total for the segments		Reconciliation		Group	
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	96	9,625	0	0	226,567	242,708	0	0	226,567	242,708
	13	223	0	0	3,420	5,671	–3,420	–5,671	0	0
	109	**9,848**	**0**	**0**	**229,987**	**248,379**	**–3,420**	**–5,671**	**226,567**	**242,708**
	–209	–2,309	–5,549	–4,946	–1,392	2,525	0	0	–1,392	2,525
	–191.7%	–23.4%			–0.6%	1.0%			–0.6%	1.0%
	209	571	2,231	1,567	2,820	3,236	0	0	2,820	3,236
	0	**–1,738**	**–3,318**	**–3,379**	**1,428**	**5,761**	**0**	**0**	**1,428**	**5,761**
	0.0%	**–17.6%**			**0.6%**	**2.3%**			**0.6%**	**2.4%**
	0	–233	–256	–421	–6,215	–6,948	0	0	–6,215	–6,948
	0	–1,873	0	0	0	–1,873	0	0	0	–1,873
	–209	–4,415	–5,805	–5,367	–7,607	–6,296	0	0	–7,607	–6,296
	209	2,444	2,231	1,567	2,820	5,109	0	0	2,820	5,109
	0	–1,971	–3,574	–3,800	–4,787	–1,187	0	0	–4,787	–1,187
	0	4,369	0	0	124,931	134,741	–849	–2,108	124,082	132,633
	90	4,521	–877	–552	83,189	105,428	–17,093	–18,372	66,096	87,056
					24.9%	**29.6%**			**20.1%**	**25.2%**

DECLARATION
BY THE LEGAL REPRESENTATIVES

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

Frankfurt/Main, November 8, 2016

The Executive Board

Bettina Meyer	Jürgen Hansjosten
Spokeswoman	Member
of the Executive Board	of the Executive Board

FINANCIAL CALENDAR 2017

March 29, 2017	Publication of the 2016 Annual Report, Analysts' Conference and accounts press conference
May 11, 2017	Publication of the business figures for the 1st quarter of 2017
June 14, 2017	Annual General Meeting, Frankfurt/Main
August 10, 2017	Publication of the business figures for the 2nd quarter of 2017
November 9, 2017	Publication of the business figures for the 3rd quarter of 2017

This Annual Report is available in German and English.

Both versions can also be downloaded from the
Internet at **www.euromicron.de**.
In cases of doubt, the German version is authoritative.

DISCLAIMER ON PREDICTIVE STATEMENTS

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

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ISIN: DE000A1K0300
WKN: A1K030