

A large, light gray graphic of the letters 'Q1' is centered on the page. The 'Q' is a thick, rounded letter with a small tail at the bottom right. The '1' is a simple vertical line with a horizontal bar at the top and a horizontal bar at the bottom, resembling a bracket.

INTERIM REPORT

2018

## Key Figures

of the euromicron Group at March 31, 2018

### Key figures for the Group

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | € THOU.     | € THOU.     |
| Sales   | 75,085      | 75,525      |
| EBITDA (operating)*   | 242         | 111         |
| EBITDA margin (operating)*, in %<br>(relative to sales at the reporting date)                                     | 0.3%        | 0.1%        |
| EBITDA  | -1,033      | -802        |
| EBITDA margin, in %<br>(relative to sales at the reporting date)  | -1.4%       | -1.1%       |
| EBIT (operating)*   | -2,078      | -2,006      |
| EBIT  | -3,353      | -2,919      |
| Net loss for the period<br>(attributable to euromicron AG shareholders)   | -3,597      | -2,763      |
| Earnings per share in € (undiluted)   | -0.50       | -0.39       |
| Equity ratio, in %  | 30.2%       | 31.9%       |
| Working capital after factoring   | 50,580      | 50,525      |
| Working capital ratio after factoring, in %<br>(relative to sales of the past 12 months)                          | 15.2%       | 15.1%       |
| Working capital before factoring  | 72,442      | 68,005      |
| Working capital ratio before factoring, in %<br>(relative to sales of the past 12 months)                         | 21.8%       | 20.3%       |
| Cash flow from operating activities, adjusted for effects<br>from factoring and customers' monies to be passed on | -1,646      | -1,349      |

\* Adjusted for special costs (previous year: special effects of the reorganization)  
(unaudited acc. to IFRS)

## DEAR SHAREHOLDERS, DEAR READERS,

Digitization is proceeding apace in all areas of life and poses more and more new challenges for companies and people. That benefits euromicron and its subsidiaries, thanks to the Group's good positioning in Germany as an integrated solution provider for digitized network infrastructures in the target markets Digital Buildings, Smart Industry and Critical Infrastructures.

With our committed management team, which will be given a fresh boost by the change on the Executive Board, and the Managing Directors of our subsidiaries, we are actively tackling the challenges in order to successfully complete the Group's transformation in fiscal year 2018.

We were able to grow sales from continuing core business operations by 3.8% in the traditionally restrained first quarter, while operating EBITDA has remained stable at €0.2 million. The consolidated net loss for the period is €-0.8 million higher than in the first quarter of the previous year, in particular due to higher special costs incurred above all in the "Central Services" area and mainly in connection with the follow-up financing for the Group that was successfully agreed in March 2018.

New orders and order books from continuing operations are, respectively 1.9% and 8.5% higher than at March 31, 2017. That is a good springboard for the euromicron Group's further course of business.

However, euromicron's greatest asset is its highly qualified employees. In this regard, we have made considerable investments in training and education in the past years, in order to give the Group a sound footing for the future in all areas. Thanks to open communication and networking of employees in the Group, the transformation in our corporate culture is creating new development opportunities and fields of work in which commitment and innovative spirit are rewarded.

Apart from our continued goal of improving profitability and implementing the IoT strategy in our target markets, the commitment of our employees will be one of the most important pillars in helping the Group evolve into a technology specialist for digitized infrastructures.

We will stick unswervingly to the measures we have initiated and would be delighted if you, dear shareholders, continue to put your trust in us.

Frankfurt/Main, May 2018

**Bettina Meyer**

Spokeswoman of the Executive Board

**Jörn Trierweiler**

Member of the Executive Board

# Interim Management Report

of the euromicron Group from January 1 to March 31, 2018

## Fundamentals of the Group

### Profile

The euromicron Group unites medium-sized technology companies that operate in the markets of “Digital Buildings”, “Smart Industry” and “Critical Infrastructures”. As German specialists for digital infrastructures, the companies in the euromicron Group enable their customers to network business and production processes and so successfully move to a digital future. Underpinned by its extensive experience and forward-looking technologies, euromicron’s solutions dovetail seamlessly into the innovative concepts for the “Internet of Things”.

From design and implementation, operation, to intelligent services – euromicron provides its customers with a one-stop shop for tailored IoT solutions, ranging from infrastructure to service.

Backed by a combination of technology, system integration and smart services, euromicron enables existing infrastructures to be migrated gradually to the digital age. Thanks to this expertise, the euromicron Group helps its customers increase their own company’s agility and efficiency, as well as develop new business models that lay the foundation for commercial success moving ahead.

Under its strategic alignment, the euromicron Group focuses on the three main segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”.

All the activities of the euromicron Group in the markets of “Digital Buildings” and “Smart Industry” are pooled in the **“Smart Buildings”** segment.

Smart, digital buildings are an integral part of the Internet of Things. A digital building describes the automation and central operation of the technical equipment of office, commercial and industrial properties, such as train stations, airports or shopping malls. This interplay between all the disciplines creates an intelligent whole that enhances efficiency, security and convenience.

Services relating to building or process automation, access control, video surveillance, fire prevention or support services as part of efficient energy and building management are integrated in unified, highly available overall systems. Examples of that are intelligent access control or optimizing energy efficiency in running buildings so as to slash operating costs.

For “Digital Buildings”, euromicron delivers cross-industry, all-round solutions in the fields of innovative building, network and security technology, as well as complementary services. Application examples of that are the intelligent, energy-efficient room and lighting systems from MICROSENS (“Smart Office” and “Smart Lighting”).

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

The focus in “Smart Industry” is on digitizing and networking development, production and service processes in the SME sector. The euromicron Group develops holistic Smart Industry approaches for and with its customers and implements them in a forward-looking way that protects investments. Apart from intelligent data management, a highly available, fault-tolerant network infrastructure is a crucial success factor here.

In networking and automating digital business processes, the euromicron Group also sets store by comprehensive risk analysis. It offers integrated cybersecurity solutions that are compatible with “Smart Industry” so that production can be networked securely and with a high level of performance.

With its Smart Industry concept, ELABO GmbH offers a gradual introduction to digitized production. ELABO’s Information Management System (EIM) is suitable as a big data solution, in particular to optimize small-series production where there is a large variety of variants.

The “**Critical Infrastructures**” segment caters for operators of such infrastructures with highly available and secure solutions. Critical infrastructures (KRITIS) are vital business infrastructures whose failure is highly problematic for a company and also for large sections of the public. That may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example. Operators of critical infrastructures are also leveraging the technological possibilities now offered by automation and networking, as well as the opportunities the Internet of Things opens up, to optimize their processes, increase productivity and enhance customer loyalty.

Special availability, integrity and confidentiality requirements are demanded of these networks. They relate to security standards and the ability to repel attacks, as well as system solutions that are sufficiently fault-tolerant. The euromicron Group has intimate knowledge of the requirements, guidelines and standards to meet those demands and offers a legally secure overall package for operators of critical infrastructures.

telent GmbH is the nationally oriented system integrator within the euromicron Group here, boasting a broad customer base in the segments telecommunications, energy and transportation. telent has extensive practical experience as a specialist for planning, creating and operating secure networks and systems in the Critical Infrastructure arena. KORAMIS GmbH additionally contributes specialized expertise for holistic solutions relating to cybersecurity, automation, process control systems and power system control technology.

In addition, the technology manufacturing companies in this segment round out the product portfolio in this target market with their professional video, audio and special technology solutions for sensitive security restricted areas.

The “**Distribution**” segment groups consulting and supply of vendor-independent products relating to active and passive network components in the fiber-optic and copper arena.

## Net assets, financial position and results of operations

### General statement on the performance of the euromicron Group in the first three months of fiscal year 2018

The key figures for the euromicron Group developed as follows at March 31, 2018, compared to the previous year:

- Reported sales in the first quarter of 2018 were €75.1 million, a slight fall of €–0.4 million over the figure for the comparative period of the previous year (€75.5 million). After adjustment for sales from divisions that have been discontinued or sold in the meantime (€3.3 million), sales from continuing core business operations increased by €2.9 million or around 3.8% in the first quarter of 2018.
- Operating EBITDA at March 31, 2018, was €0.2 million and so was stable compared to the figure at March 31, 2017 (€0.1 million).
- The consolidated net loss for the period at March 31, 2018, was €–3.5 million compared to €–2.7 million at March 31, 2017, or an increase of €–0.8 million. This effect is mainly due to an amount of €–0.4 million to higher special costs with an impact on EBITDA and, to an amount of €–0.2 million, to special costs recognized in the net financial result.
- New orders from the euromicron Group's continuing operations were €90.2 million in the first three months of fiscal year 2018, €1.7 million or 1.9% above the comparative figure for the previous year (€88.5 million). Order books from continuing core business operations were €145.1 million, an increase of €11.4 million or 8.5% over the previous year's figure of €133.7 million.
- The Group's working capital (before factoring) increased from €68.0 million at March 31, 2017, to €72.4 million, i.e. by €4.4 million; as a result, the Group's working capital ratio rose by 1.5 percentage points from 20.3% to 21.8%. Since there was also a higher factoring volume, working capital (after factoring) at March 31, 2018, was €50.6 million and so virtually at the level of the previous year (€50.5 million). The working capital ratio (after factoring) was likewise stable at 15.2% (previous year: 15.1%).



- The Group's cash flow from operating activities after adjustment for the effects of factoring was €–1.6 million at March 31, 2018 (previous year: €–1.3 million).
- 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 March 31, 2018, was €–101.9 million, a rise of €–9.2 million compared to the figure at March 31, 2017 (€–92.7 million). Free liquidity (free credit lines plus cash) developed correspondingly and at March 31, 2018, was €13.1 million, €–8.2 million below the comparative at March 31, 2017 (€21.3 million). This is mainly attributable to net cash used for investments (€–12.0 million), which was funded utilizing existing credit lines. On the other hand, there were positive effects of €3.5 million, in particular from the Group's factoring program.

## Sales and income

### Key sales and income figures at March 31, 2018

|   | 2018    | 2017    |
|---|---------|---------|
|   | € THOU. | € THOU. |
| Sales   | 75,085  | 75,525  |
| EBITDA (operating)*   | 242     | 111     |
| EBITDA margin (operating)*, in %<br>(relative to sales at the reporting date) | 0.3%    | 0.1%    |
| EBITDA  | –1,033  | –802    |
| EBITDA margin, in %<br>(relative to sales at the reporting date)              | –1.4%   | –1.1%   |
| EBIT (operating)*   | –2,078  | –2,006  |
| EBIT  | –3,353  | –2,919  |
| Income before taxes   | –4,807  | –3,898  |
| Net loss for the period (attributable to euromicron AG shareholders)          | –3,597  | –2,763  |
| Earnings per share in € (undiluted)   | –0.50   | –0.39   |

\* Adjusted for special costs (previous year: special effects of the reorganization)  
(unaudited acc. to IFRS)

The euromicron Group's sales in the first three months of fiscal year 2018 were €75.1 million, a slight fall of €-0.4 million over the level of the previous year (€75.5 million). However, it should be noted here that the figures for the first quarter of 2018 no longer include sales (which totaled around €3.1 million in the first quarter of the previous year) from the "Telecommunications" division of euromicron Deutschland GmbH, which was disposed of effective April 30, 2017. In addition, the figure for the first quarter of the previous year contained external sales from discontinued operations totaling €0.2 million. After adjustment for these sales effects, which totaled around €3.3 million, sales from continuing core business operations increased by €2.9 million or around 3.8% in the first quarter of 2018.

Sales of €63.9 million (previous year: €60.8 million) – or around 85.1% (previous year: 80.6%) of total sales – were generated in the German market. Foreign sales were €11.2 million (previous year: €14.7 million) and accounted for 14.9% of total sales (previous year: 19.4%).

Earnings were also stable in the first quarter, which traditionally tends to be weak: Operating EBITDA at March 31, 2018, was €0.2 million and so around the level at March 31, 2017 (€0.1 million).

Special costs in the first three months of the fiscal year totaled €-1.3 million and so increased by €-0.4 million over the previous year (€-0.9 million). They were largely incurred – to an amount of €-1.0 million (previous year: €-0.5 million) – in the "Central Services" segment and mainly comprise costs of financial advice, other consulting costs, legal consulting costs and costs for interim managers.

In addition, special costs of €-0.2 million (previous year: €-0.3 million) were incurred in the "Smart Buildings" segment in connection with further measures aimed at optimizing the personnel structure. The special costs of €-0.1 million (previous year: €-0.1 million) in the "Non-strategic Business Areas" are the result of follow-up costs from the closures.

After allowing for the special costs, the reported EBITDA is €-1.0 million (previous year: €-0.8 million).

The performance of the Group's individual segments in the first three months of fiscal year 2018 was as follows:

External sales in the "Smart Buildings" segment fell by €-4.4 million to €40.2 million. €-3.1 million of that is attributable to the previously described effect on sales of the disposal of the "Telecommunications" division of euromicron Deutschland GmbH effective April 30, 2017. There were also declines in sales of €-1.3 million in the area of plug connections and assembled connectors, whose sales are subject to cyclical fluctuations. The segment reported an operating EBITDA of €-0.7 million, after it broke even in terms of operating EBITDA in the first quarter of the previous year. The main reason for that was lower contribution margins due to the fact that sales were down year on year, especially in the high-margin business area of plug connections and assembled connectors.

External sales in the "Critical Infrastructures" segment increased by €4.4 million to €28.6 million, in particular due to the positive performance of system integration business in this segment. Operating EBITDA increased to €0.4 million, after this segment broke even in terms of operating EBITDA in the first quarter of the previous year. The only moderate improvement in earnings compared with the increase in sales is due mainly to the planned hiring of staff with higher qualifications so that new business areas in the field of digitization can be tapped.

External sales in the "Distribution" segment were €6.2 million, a slight fall of €-0.3 million over the comparative figure for the first quarter of 2017 (€6.5 million). However, the operating EBITDA increased by €0.3 million to €1.4 million, which was attributable to the improvement in the gross profit margin for the sold product mix.

As planned there were no significant external sales at the "Non-strategic Business Areas" in the first quarter of 2018 (previous year: €0.2 million); as in the previous year this segment broke even in terms of operating EBITDA.

The negative operating EBITDA of the "Central Services" area (holding costs) was €-0.8 million and improved as a result of cost savings by €0.2 million compared to the first quarter of 2017 (€-0.1 million).

# Income statement (operational)

of the euromicron Group for the period January 1 to 31 March, 2018 (IFRS)

## Income statement (operational)

|  | 3-month report  |                  |  |  |  |  |
|--|---|------------------|--|--|--|--|
|  | Jan. 1, 2018 –<br>March 31,<br>2018<br>incl. special<br>costs | Special<br>costs | Jan. 1, 2018 –<br>March 31,<br>2018<br>operational | Jan. 1, 2017 –<br>March 31,<br>2017                | Special<br>effects<br>of reor-<br>ganization | Jan. 1, 2017 –<br>March 31,<br>2017<br>operational |
|  |   |                  |  | incl. special<br>effects<br>of reor-<br>ganization |  |  |
| € THOU.  | € THOU.   | € THOU.          | € THOU.  | € THOU.  | € THOU.                                      |  |
| <b>Sales</b>   | <b>75,085</b>   | <b>-19</b>       | <b>75,066</b>                                      | <b>75,525</b>                                      | <b>0</b>                                     | <b>75,525</b>                                      |
| Inventory changes  | -194  | 0                | -194   | -53  | 0  | -53  |
| Own work capitalized   | 734   | 0                | 734  | 670  | 0  | 670  |
| Other operating income   | 430   | 0                | 430  | 435  | -1   | 434  |
| Cost of materials  | -39,367   | 16               | -39,351  | -39,530  | 25   | -39,505  |
| Personnel costs  | -27,418   | 242              | -27,176  | -27,558  | 101  | -27,457  |
| Other operating expenses   | -10,303   | 1,036            | -9,267   | -10,291  | 788  | -9,503   |
| <b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b> | <b>-1,033</b>   | <b>1,275</b>     | <b>242</b>   | <b>-802</b>  | <b>913</b>                                   | <b>111</b>   |
| Depreciation/ amortization   | -2,320  | 0                | -2,320   | -2,117   | 0  | -2,117   |
| <b>Earnings before interest and taxes (EBIT)</b>                               | <b>-3,353</b>   | <b>1,275</b>     | <b>-2,078</b>                                      | <b>-2,919</b>                                      | <b>913</b>                                   | <b>-2,006</b>                                      |
| Interest income  | 9   | 0                | 9  | 37   | 0  | 37   |
| Interest expenses  | -1,463  | 200              | -1,263   | -1,016   | 0  | -1,016   |
| <b>Income before income taxes</b>  | <b>-4,807</b>   | <b>1,475</b>     | <b>-3,332</b>                                      | <b>-3,898</b>                                      | <b>913</b>                                   | <b>-2,985</b>                                      |
| Income taxes   | 1,314   | 0                | 1,314  | 1,181  | 0  | 1,181  |
| <b>Consolidated net loss for the period</b>                                    | <b>-3,493</b>   | <b>1,475</b>     | <b>-2,018</b>                                      | <b>-2,717</b>                                      | <b>913</b>                                   | <b>-1,804</b>                                      |
| Thereof attributable to euromicron AG shareholders                             | -3,597  | 1,475            | -2,122   | -2,763   | 913  | -1,850   |
| Thereof attributable to non-controlling interests                              | 104   | 0                | 104  | 46   | 0  | 46   |
| <b>(Un)diluted earnings per share in €</b>                                     | <b>-0.50</b>  | <b>0.20</b>      | <b>-0.30</b>                                       | <b>-0.39</b>                                       | <b>0.13</b>                                  | <b>-0.26</b>                                       |

(unaudited acc. to IFRS)

Gross profit, defined as total operating performance (sales and inventory changes) minus cost of materials, fell slightly by €-0.5 million in the first quarter of 2018. This is due to an amount of €-0.3 million to the volume-related effect from total operating performance, which was down year on year. In addition, the effect from the 0.2 percentage point increase in the material usage ratio to 52.5% (previous year: 52.3%) had an impact of €-0.2 million.

Personnel costs (adjusted for special costs) were €-27.2 million and so €0.3 million below the level of the previous year (€-27.5 million). The decline in personnel costs despite the slight increase in the headcount to 1,875 employees (previous year: 1,828 employees) is attributable in particular to lower costs for variable remuneration.

The other operating expenses (adjusted for special costs) totaled €-9.3 million and so likewise fell slightly by €0.2 million compared with the previous year (€-9.5 million).

Amortization and depreciation were €-2.3 million, a slight increase of €-0.2 million over the previous year (€-2.1 million) as a result of capital investments.

Interest expenses in the first quarter of 2018 contain special costs of €-0.2 million incurred in connection with follow-up financing for the Group. Interest expenses after adjustment for special costs were €-1.3 million, a fall of €-0.3 million over the level of the previous year (€-1.0 million), which is mainly due to higher-than-average utilization of the credit lines in the first quarter of 2018.

The tax ratio in the first three months of fiscal year 2018 was 27.3% and so only slightly below the anticipated tax ratio for the Group of 30.0%.

The consolidated net loss for the period (adjusted for special costs) at March 31, 2018, was €-2.0 million compared with €-1.8 million in the previous year. Undiluted earnings per share (adjusted for special costs) for the first three months of fiscal year 2018 were €-0.30 compared to €-0.26 in the same period of the previous year.

## New orders and order books

of the euromicron Group at March 31, 2018

### New orders/order books

|                          | 2018 <sup>1)</sup> | 2018 <sup>2)</sup> | 2017 <sup>1)</sup> | 2017 <sup>2)</sup> |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                          | € THOU.            | € THOU.            | € THOU.            | € THOU.            |
| Consolidated new orders  | 90,179             | 90,173             | 88,519             | 94,643             |
| Consolidated order books | 145,060            | 145,637            | 133,672            | 143,140            |

<sup>1)</sup> Continuing core business operations (excluding divisions that have since been closed or sold in the meantime)

<sup>2)</sup> Total (including divisions that have since been closed or sold in the meantime)  
(unaudited acc. to IFRS)

New orders at the euromicron Group in the first quarter of 2018 were €90.2 million (previous year: €94.6 million), a decline of €–4.4 million or –4.7%. Order books at March 31, 2018, were €145.6 million, €2.5 million or 1.7% above the previous year's figure of €143.1 million.

It should be noted in this regard that the above figures at March 31, 2018, and the comparative figures still contain new orders and order books from the divisions that have been discontinued or sold in the meantime.

New orders from continuing core business operations totaled €90.2 million (previous year: €88.5 million), an increase of €1.7 million or 1.9%.

Order books from continuing core business operations totaled €145.1 million (previous year: €133.7 million), an increase of €11.4 million or 8.5% and a good springboard for the further course of business.

### Net assets

Total assets at the euromicron Group at March 31, 2018, were €246.2 million, a fall of €–6.0 million or –2.4% compared to December 31, 2017.

Noncurrent assets were €146.7 million, virtually at the level of December 31, 2017 (€146.8 million). Noncurrent assets accounted for 59.6% of total assets and so were slightly above the level at December 31, 2017 (58.2%). The ratio of equity and long-term liabilities to noncurrent assets at March 31, 2018, was 82.9%.

Current assets declined by €–5.9 million to €99.5 million. They accounted for 40.4% of total assets, compared with 41.8% at December 31, 2017.

Introduction of the new standard IFRS 15 (see also the comments in the Section “IFRS 15 – Revenue from Contracts with Customers”) in the notes, means that the previous balance sheet item “Gross amount due from customers for contract work” has been replaced by the new balance sheet item “Contract assets”. Since introduction of the new standard IFRS 15 has also resulted in changes in recognition, the balance sheet items “Trade accounts receivables” and “Contract assets” (or “Gross amount due from customers for contract work”) are treated as a total for purposes of comparison with the previous year. They fell in total by €–3.1 million to €58.4 million, due in particular to customer payments and the associated reduction in up-front financing for projects.

In addition, inventories fell slightly by €–0.4 million to €31.1 million.

Apart from that, claims for income tax refunds fell by €–0.6 million and other financial assets by €–0.7 million. The latter decline was due in particular to the fact that receivables from factoring monies not yet paid out were lower by €–0.4 million.

Cash and cash equivalents decreased by €–1.1 million from the figure at December 31, 2017, to €3.9 million. We refer in this regard to the explanations on the financial position and cash flow.

Equity at March 31, 2018, was €74.2 million, €–4.3 million below the level of December 31, 2017. This decline is due to an amount of €–3.5 million to the consolidated net loss for the first three months of fiscal year 2018. In addition, there were conversion effects totaling €–0.7 million that had to be charged directly to equity as a result of introduction of the new standards IFRS 9 and IFRS 15. In addition, dividends from subsidiaries that were adopted in the first quarter of 2018 and to which non-controlling shareholders were entitled on a pro-rata basis had to be transferred from equity to liabilities (effect: €–0.1 million). The equity ratio was 30.2% following 31.2% at December 31, 2017.

Noncurrent liabilities in particular contain the long-term components of the Group's outside financing and deferred tax liabilities. The increase of €16.6 million from €30.7 million to €47.3 million is due to higher long-term liabilities to banks (€18.5 million). These are the result of reclassification of loan obligations from short-term liabilities to banks in connection with the follow-up financing that was agreed in March 2018 and has a maturity until March 31, 2021. On the other hand, there was in particular a reduction in deferred tax liabilities of €-1.8 million. Noncurrent liabilities were 19.2% of total assets compared with 12.2% at December 31, 2017.

Current liabilities at March 31, 2018, fell by €-18.2 million from €142.9 million to €124.7 million and were 50.6% (at December 31, 2017: 56.7%) of total assets.

€-11.2 million of this decline is due to the sharp reduction in trade accounts payable. In addition, short-term liabilities to banks fell by €-4.8 million. This reduction is due to an amount of €-18.5 million to the previously described reclassification of loan obligations as long-term liabilities to banks. On the other hand, there was higher utilization of short-term overdraft lines in particular.

There were also reductions in other tax liabilities (€-0.7 million; mainly lower value-added tax liabilities), liabilities from current income taxes (€-0.6 million) and other financial liabilities (€-0.4 million; in particular due to the payment of purchase price liabilities in connection with the exercise of options).

## 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 March 31, 2018, was €-101.9 million, a rise of €-9.2 million compared to the figure at March 31, 2017 (€-92.7 million). This is mainly attributable to net cash used for investments (€-12.0 million), which – given a balanced cash flow from operating activities – was funded utilizing existing credit lines. On the other hand, there were positive effects of €3.5 million, in particular from the Group's factoring program.



At March 31, 2018, the euromicron Group has free liquidity (free credit lines plus cash) of €13.1 million for up-front financing of project business and to further finance the company's planned development. Free liquidity fell by €–8.2 million over the figure at March 31, 2017 (€21.3 million), in line with net debt.

euromicron AG will continue to fund its Group companies directly or through its cash pool model.

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

At March 31, 2018, the euromicron Group has liabilities to banks totaling €104.3 million, of which €38.5 million is long-term and €65.8 million is short-term loan liabilities. Liabilities to banks at March 31, 2017, totaled €97.0 million, of which €20.0 million was long-term and €77.0 million short-term loan liabilities.

### Notes on the cash flow

The reported net cash used in operating activities at March 31, 2018, was €–12.0 million (March 31, 2017: €–17.2 million). However, the reported cash flow figures from operating activities are substantially 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 volume of factoring used 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 2017 Annual Report of the euromicron Group for a detailed explanation of the effects stated here.

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

#### Calculation of the adjusted cash flow from operating activities

|  | <b>Jan. 1, 2018 –<br/>March 31,<br/>2018</b> | <b>Jan. 1, 2017 –<br/>March 31,<br/>2017</b> |
|--|--|--|
|  | € THOU.                                      | € THOU.                                      |
| Cash flow from operating activities acc. to statement of cash flows                | -11,995                                      | -17,178                                      |
| Effects from factoring and customers' monies to be passed on included in the above | 10,349                                       | 15,829                                       |
| Adjusted cash flow from operating activities                                       | -1,646                                       | -1,349                                       |

(unaudited acc. to IFRS)

Consequently, the net cash used in operating activities (after adjustment for factoring effects) for the first three months of fiscal year 2018 was €-1.6 million, a slight increase of €-0.3 million over the figure for the comparative period in 2017 (€-1.3 million).

That is due in particular to the fall of €-0.2 million in the reported EBITDA and the €-0.5 increase in interest and tax payments. On the other hand, changes in the other balance sheet items had a positive impact of €0.4 million on cash flow from operating activities.

Net cash used in investing activities in the first three months of fiscal year 2018 was €-2.5 million, €1.4 million lower than the figure for the same period of the previous year (€-3.9 million). In particular, €1.3 million of this change is due to lower purchase price payments for company acquisitions. In addition, there was a slight decrease in investments in intangible assets and property, plant and equipment of €0.1 million compared to the level of the previous year.

The net cash provided by financing activities was €13.4 million compared with €20.0 million in the first three 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 March 31, 2018, were thus €3.9 million compared with €5.8 million at March 31, 2017.

## Risk Report

The reports from the risk management system at December 31, 2017, have been continuously examined and updated as part of the Group's interim report at March 31, 2018. At March 31, 2018, there were no significant material changes in the risks at the euromicron Group compared with as stated and described in detail in the management report in the 2017 Annual Report.

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.

# Income statement

of the euromicron Group for the period January 1 to March 31, 2018 (IFRS)

## Income statement

|  | 3-month report                      |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Jan. 1, 2018 –<br>March 31,<br>2018 | Jan. 1, 2017 –<br>March 31,<br>2017 |
|  | € THOU.                             | € THOU.                             |
| <b>Sales</b>   | <b>75,085</b>                       | <b>75,525</b>                       |
| Inventory changes  | -194                                | -53                                 |
| Own work capitalized   | 734                                 | 670                                 |
| Other operating income   | 430                                 | 435                                 |
| Cost of materials  | -39,367                             | -39,530                             |
| Personnel costs  | -27,418                             | -27,558                             |
| Other operating expenses   | -10,303                             | -10,291                             |
| <b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b> | <b>-1,033</b>                       | <b>-802</b>                         |
| Depreciation/amortization  | -2,320                              | -2,117                              |
| <b>Earnings before interest and taxes (EBIT)</b>                               | <b>-3,353</b>                       | <b>-2,919</b>                       |
| Interest income  | 9                                   | 37                                  |
| Interest expenses  | -1,463                              | -1,016                              |
| <b>Income before income taxes</b>  | <b>-4,807</b>                       | <b>-3,898</b>                       |
| Income taxes   | 1,314                               | 1,181                               |
| <b>Consolidated net loss for the period</b>                                    | <b>-3,493</b>                       | <b>-2,717</b>                       |
| Thereof attributable to euromicron AG shareholders                             | -3,597                              | -2,763                              |
| Thereof attributable to non-controlling interests                              | 104                                 | 46                                  |
| <b>(Un)diluted earnings per share in €</b>                                     | <b>-0.50</b>                        | <b>-0.39</b>                        |

(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 March 31, 2018 (IFRS)

## Statement of comprehensive income

|   | Jan. 1, 2018 –<br>March 31,<br>2018 | Jan. 1, 2017 –<br>March 31,<br>2017 |
|---|-------------------------------------|-------------------------------------|
|   | € THOU.                             | € THOU.                             |
| <b>Consolidated net loss for the period,<br/>before minority interests</b>                          | <b>-3,493</b>                       | <b>-2,717</b>                       |
| Currency translation differences<br>(may have to be reclassified to the income statement in future) | -2                                  | 5                                   |
| <b>Other comprehensive income</b>   | <b>-2</b>                           | <b>5</b>                            |
| <b>Total comprehensive income</b>   | <b>-3,495</b>                       | <b>-2,712</b>                       |
| Thereof attributable to euromicron AG shareholders  | -3,599                              | -2,758                              |
| Thereof attributable to non-controlling interests   | 104                                 | 46                                  |

(unaudited acc. to IFRS)

# Consolidated balance sheet

## Assets

of the euromicron Group as of March 31, 2018 (IFRS)

### Assets

|   | <u>March 31, 2018</u> | <u>Dec. 31, 2017</u> |
|---|-----------------------|----------------------|
|   | € THOU.               | € THOU.              |
| <b>Noncurrent assets</b>                          |                       |                      |
| Goodwill  | 110,629               | 110,629              |
| Intangible assets                                 | 16,312                | 16,557               |
| Property, plant and equipment                     | 19,044                | 19,139               |
| Other financial assets                            | 219                   | 232                  |
| Other assets                                      | 4                     | 4                    |
| Deferred tax assets                               | 449                   | 255                  |
| <b>Total noncurrent assets</b>                    | <b>146,657</b>        | <b>146,816</b>       |
| <b>Current assets</b>                             |                       |                      |
| Inventories                                       | 31,144                | 31,486               |
| Trade accounts receivable                         | 13,314                | 8,994                |
| Gross amount due from customers for contract work | N/A                   | 52,518               |
| Contract assets                                   | 45,126                | N/A                  |
| Claims for income tax refunds                     | 269                   | 928                  |
| Other financial assets                            | 3,187                 | 3,898                |
| Other assets                                      | 2,642                 | 2,566                |
| Cash and cash equivalents                         | 3,861                 | 4,954                |
| <b>Total current assets</b>                       | <b>99,543</b>         | <b>105,344</b>       |
| <b>Total assets</b>                               | <b>246,200</b>        | <b>252,160</b>       |

(unaudited acc. to IFRS)

# Consolidated balance sheet

## Equity and liabilities

of the euromicron Group as of March 31, 2018 (IFRS)

### Equity and liabilities

|   | <u>March 31, 2018</u> | <u>Dec. 31, 2017</u> |
|---|-----------------------|----------------------|
|   | € THOU.               | € THOU.              |
| <b>Equity</b>                                   |                       |                      |
| Subscribed capital                              | 18,348                | 18,348               |
| Capital reserves                                | 94,298                | 94,298               |
| Currency translation difference                 | 2                     | 4                    |
| Consolidated retained earnings                  | -38,996               | -34,708              |
| Stockholders' equity                            | 73,652                | 77,942               |
| Non-controlling interests                       | 578                   | 599                  |
| <b>Total equity</b>                             | <b>74,230</b>         | <b>78,541</b>        |
| <b>Noncurrent liabilities</b>                   |                       |                      |
| Provisions for pensions                         | 1,424                 | 1,424                |
| Other provisions                                | 1,757                 | 1,751                |
| Liabilities to banks                            | 38,512                | 19,993               |
| Liabilities from finance leases                 | 1,042                 | 1,143                |
| Other financial liabilities                     | 603                   | 610                  |
| Other liabilities                               | 152                   | 170                  |
| Deferred tax liabilities                        | 3,817                 | 5,598                |
| <b>Total noncurrent assets</b>                  | <b>47,307</b>         | <b>30,689</b>        |
| <b>Current liabilities</b>                      |                       |                      |
| Other provisions                                | 1,785                 | 1,955                |
| Trade accounts payable                          | 35,798                | 46,996               |
| Gross amount due to customers for contract work | N/A                   | 2,014                |
| Contract liabilities                            | 3,206                 | N/A                  |
| Liabilities from current income taxes           | 800                   | 1,385                |
| Liabilities to banks                            | 65,771                | 70,556               |
| Liabilities from finance leases                 | 482                   | 521                  |
| Other tax liabilities                           | 4,050                 | 4,777                |
| Personnel obligations                           | 9,767                 | 9,795                |
| Other financial liabilities                     | 1,120                 | 1,562                |
| Other liabilities                               | 1,884                 | 3,369                |
| <b>Total current liabilities</b>                | <b>124,663</b>        | <b>142,930</b>       |
| <b>Total equity and liabilities</b>             | <b>246,200</b>        | <b>252,160</b>       |

(unaudited acc. to IFRS)

## Statement of changes in equity

of the euromicron Group for the period January 1 to March 31, 2018 (IFRS)

### Statement of changes in equity

|  | Subscribed capital | Capital reserves | Consolidated retained earnings |
|--|--------------------|------------------|--------------------------------|
|  | € THOU.            | € THOU.          | € THOU.                        |
| <b>December 31, 2016</b>   | <b>18,348</b>      | <b>94,298</b>    | <b>-30,743</b>                 |
| <b>Net loss for Q1 2017</b>  | <b>0</b>           | <b>0</b>         | <b>-2,763</b>                  |
| <b>Other comprehensive income</b>  |                    |                  |                                |
| Currency translation differences   | 0                  | 0                | 0                              |
|  | <b>0</b>           | <b>0</b>         | <b>0</b>                       |
| <b>Total comprehensive income</b>  | <b>0</b>           | <b>0</b>         | <b>-2,763</b>                  |
| <b>Transactions with owners</b>  |                    |                  |                                |
| Changes in shares as a result of first-time consolidation                        | 0                  | 0                | 0                              |
| Distributions to/drawings by minority interests                                  | 0                  | 0                | 0                              |
|  | <b>0</b>           | <b>0</b>         | <b>0</b>                       |
| <b>March 31, 2017</b>  | <b>18,348</b>      | <b>94,298</b>    | <b>-33,505</b>                 |
| <b>December 31, 2017</b>   | <b>18,348</b>      | <b>94,298</b>    | <b>-34,708</b>                 |
| Adjustments from first-time application of IFRS 9 and IFRS 15 in acc. with IAS 8 | 0                  | 0                | -691                           |
| <b>January 1, 2018 (adjusted)</b>  | <b>18,348</b>      | <b>94,298</b>    | <b>-35,399</b>                 |
| <b>Net loss for Q1 2018</b>  | <b>0</b>           | <b>0</b>         | <b>-3,597</b>                  |
| <b>Other comprehensive income</b>  |                    |                  |                                |
| Currency translation differences   | 0                  | 0                | 0                              |
|  | <b>0</b>           | <b>0</b>         | <b>0</b>                       |
| <b>Total comprehensive income</b>  | <b>0</b>           | <b>0</b>         | <b>-3,597</b>                  |
| <b>Transactions with owners</b>  |                    |                  |                                |
| Distributions to/drawings by minority interests                                  | 0                  | 0                | 0                              |
|  | <b>0</b>           | <b>0</b>         | <b>0</b>                       |
| <b>March 31, 2018</b>  | <b>18,348</b>      | <b>94,298</b>    | <b>-38,996</b>                 |

(unaudited acc. to IFRS)



|  | Currency translation difference | Equity attributable to the shareholders of euromicron AG | Non-controlling interests | Total equity |
|--|---------------------------------|--|---------------------------|--------------|
|  | € THOU.                         | € THOU.  | € THOU.                   | € THOU.      |
|  | -5                              | 81,898   | 461                       | 82,359       |
|  | 0                               | -2,763   | 46                        | -2,717       |
|  | 5                               | 5  | 0                         | 5            |
|  | 5                               | 5  | 0                         | 5            |
|  | 5                               | -2,758   | 46                        | -2,712       |
|  | 0                               | 0  | -26                       | -26          |
|  | 0                               | 0  | -125                      | -125         |
|  | 0                               | 0  | -151                      | -151         |
|  | 0                               | 79,141   | 356                       | 79,497       |
|  | 4                               | 77,942   | 599                       | 78,541       |
|  | 0                               | -691   | 0                         | -691         |
|  | 4                               | 77,251   | 599                       | 77,850       |
|  | 0                               | -3,597   | 104                       | -3,493       |
|  | -2                              | -2   | 0                         | -2           |
|  | -2                              | -2   | 0                         | -2           |
|  | -2                              | -3,599   | 104                       | -3,495       |
|  | 0                               | 0  | -125                      | -125         |
|  | 0                               | 0  | -125                      | -125         |
|  | 2                               | 73,652   | 578                       | 74,230       |

# Statement of cash flows

for the period January 1 to March 31, 2018 (IFRS)

## Statement of cash flows

|   | <b>Jan. 1, 2018 –<br/>March 31, 2018</b> | <b>Jan. 1, 2017 –<br/>March 31, 2017</b> |
|---|--|--|
|   | € THOU.                                  | € THOU.                                  |
| Income before income taxes  | -4,807                                   | -3,899                                   |
| Net interest income/loss  | 1,454                                    | 979                                      |
| Depreciation and amortization of fixed assets   | 2,320                                    | 2,117                                    |
| Disposal of assets, net   | -3                                       | 0  |
| Depreciation/amortization of other noncurrent and current assets                                  | 0  | 150                                      |
| Allowances for inventories, doubtful accounts and contract assets                                 | 132                                      | 126                                      |
| Change in provisions  | -478                                     | -205                                     |
| Changes in current and noncurrent assets and liabilities:   |  |  |
| – Inventories   | 371                                      | -2,476                                   |
| – Trade accounts receivable and contract assets*  | 2,179                                    | -1,447                                   |
| – Trade accounts payable and contract liabilities*  | -11,161                                  | -6,368                                   |
| – Other operating assets  | 461                                      | -289                                     |
| – Other operating liabilities   | -1,084                                   | -4,981                                   |
| – Income tax paid   | -978                                     | -630                                     |
| – Income tax received   | 684                                      | 607                                      |
| – Interest paid   | -1,282                                   | -948                                     |
| – Interest received   | 197                                      | 86                                       |
| <b>Net cash used in operating activities</b>  | <b>-11,995</b>                           | <b>-17,178</b>                           |
| Proceeds from   |  |  |
| – Retirement/disposal of intangible assets  | 0  | 0  |
| – Retirement/disposal of property, plant and equipment  | 20                                       | 3  |
| Payments due to acquisition of  |  |  |
| – Intangible assets   | -874                                     | -1,211                                   |
| – Property, plant and equipment   | -1,108                                   | -906                                     |
| – Subsidiaries  | -500                                     | -1,798                                   |
| <b>Net cash used in investing activities</b>  | <b>-2,462</b>                            | <b>-3,912</b>                            |
| Proceeds from raising of financial loans  | 19,916                                   | 22,620                                   |
| Cash repayments of financial loans  | -6,412                                   | -2,287                                   |
| Cash repayments of liabilities from finance leases  | -140                                     | -145                                     |
| Distributions to/withdrawals by non-controlling interests and profit shares of minority interests | 0  | -140                                     |
| <b>Net cash provided by financing activities</b>  | <b>13,364</b>                            | <b>20,048</b>                            |
| Net change in cash funds  | -1,093                                   | -1,042                                   |
| Cash funds at start of period   | 4,954                                    | 6,844                                    |
| <b>Cash funds at end of period</b>  | <b>3,861</b>                             | <b>5,802</b>                             |

\* Gross amounts due from and to customers for contract work were carried here in the previous year. (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 March 31, 2018, 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 IFRS Interpretations Committee. The interim report as of March 31, 2018, 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 March 31, 2018, do not necessarily permit forecasts for the further course of business.

### Accounting and measurement policies

The same reporting and measurement policies were used in the abridged presentation of the consolidated financial statements as of March 31, 2018, as for preparing the consolidated financial statements at December 31, 2017, unless changes are explicitly specified.

A detailed description of these policies is published in the 2017 Annual Report and is available on the company's homepage. The consolidated financial statements of euromicron AG as of December 31, 2017, were prepared on the basis of Section 315e of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards, as are applicable in the European Union.

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.

There are changes to the reporting and measurement policies as a result of the changes presented below to the following standards, interpretations and amendments by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS-IC). These changes are mandatory for the first time in fiscal year 2018:

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

|          | <b>Standard/interpretation</b>  | <b>Mandatory application in the EU</b> | <b>Adoption by the EU Commission</b> |
|----------|---|--|--------------------------------------|
| IAS 40   | Investment Property: Transfers of Investment Property (amendment)                                   | Jan. 1, 2018                           | Yes                                  |
| IFRS 2   | Share-based Payment: Classification and Measurement of Share-based Payment Transactions (amendment) | Jan. 1, 2018                           | Yes                                  |
| IFRS 4   | Insurance Contracts (amendment)   | Jan. 1, 2018                           | Yes                                  |
| IFRS 9   | Financial instruments   | Jan. 1, 2018                           | Yes                                  |
| IFRS 15  | Revenue from Contracts with Customers   | Jan. 1, 2018                           | Yes                                  |
| IFRS 15  | Revenue from Contracts with Customers (clarifications)  | Jan. 1, 2018                           | Yes                                  |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration   | Jan. 1, 2018                           | Yes                                  |
| AIP      | Annual improvements to the IFRSs, cycle 2014–2016   | Jan. 1, 2017/<br>Jan. 1, 2018          | Yes                                  |

There are no effects on the consolidated financial statements from first-time application of the amendments to IAS 40 “Investment Property: Transfers of Investment Property”, IFRS 2 “Share-based Payment: Classification and Measurement of Share-based Payment Transactions” and IFRS 4 “Insurance Contracts”, from first-time application of the new interpretation IFRIC 22 “Foreign Currency Transactions and Advance Consideration”, and from first-time application of the regulations in the collection “Annual improvements to the IFRSs, 2014-2016 cycle”, which have to be applied for the first time as of 2018.

The following describes the new standards to be applied and whose first-time application will have significant effects on the consolidated financial statements.

### **IFRS 9 “Financial Instruments”**

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

When first carried, financial assets are in future to be categorized as measured at “fair value through profit or loss” or, respectively, at “fair value through other comprehensive income” or, at “amortized cost”.

There is the irrevocable possibility of applying a “fair value through other comprehensive income” option for equity instruments provided the respective instruments are not held for trading. Otherwise they are measured at “fair value through profit or loss”. The shares in the listed company Track Group Inc., Utah, U.S., carried by the euromicron Group under “Other financial assets” were assigned to the category “available for sale” under IAS 39 and measured at fair value (carrying amount at December 31, 2017: €55 thousand; no measurement effects contained in OCI). According to IFRS 9, these are equity instruments and are assigned to the category “fair value through profit or loss” when the standard is applied for the first time; the “fair value through other comprehensive income” option is not applied.

The classification of debt instruments is dependent on the company's business model and the contractual terms of the financial asset. For example, financial assets whose business model is based on the collection of contractual cash flows ("Hold" business model) and whose cash flows relate solely to repayments and interest on the unpaid principal must be assigned to the category "amortized cost". That is true of most of the euromicron Group's financial assets.

The regulations of IFRS 9 have an appreciable impact on trade accounts receivable, which the euromicron Group sells to a significant extent under a factoring agreement. As part of that, receivables from certain trade debtors are sold to a factoring company within defined factoring volumes. These receivables thus meet the requirements for the business model "collection of cash flows from sale" ("Sell" business model). The trade accounts receivable sold at the balance sheet date result in a partial disposal with booking of a low continuing involvement. If receivables tendered under the factoring agreement remain on the balance sheet at the reporting date (for example because the factoring volume of the respective Group company or the trade debtor is already used up), they must likewise be assigned to the "Sell" business model and so to the measurement category "fair value through profit or loss". Trade accounts receivable not sold or tendered under the factoring agreement are assigned to the measurement category "amortized cost".

The classification of financial liabilities has not changed compared with IAS 39. Only the regulations in the event of a change to the own credit risk have changed for financial liabilities measured to date at "fair value through profit or loss". This change in value now has to be carried in the "Other profit/loss". The changes to IFRS 9 do not have any impact on financial liabilities at the euromicron Group.

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

In order to determine the extent of provisions for risks, there is a three-tier model under which in principle expected losses for twelve months are to be carried as of first-time recognition and, in the event of a significant deterioration in the credit risk, the anticipated total losses are to be recognized. An exception to the general impairment model is the simplified impairment model for trade receivables, lease receivables and contract assets in accordance with IFRS 15. Under the simplified impairment model, a risk provision must be carried for all instruments (regardless of the quality of the credit) to the amount of the anticipated losses over their remaining term.

Application of the expected loss model on trade accounts receivable and contract assets in accordance with IFRS 15 resulted upon first-time application of IFRS 9 in an increase in impairments of €84 thousand, which was recognized directly in equity and allocated to the consolidated retained earnings.

IFRS 9 contains regulations on hedge accounting that create a stronger connection between hedge accounting on the balance sheet and the risk management practiced as part of operational activities. There are no effects from the changes to hedge accounting, since the euromicron Group does not apply hedge accounting.

In principle, first-time adoption of IFRS 9 must be retrospective; however, various simplification options are granted. No adjustment is made to the comparative figures for the previous year.

The table below presents a reconciliation of the financial assets and liabilities from the measurement categories of IAS 39 with the measurement categories in accordance with IFRS 9 at December 31, 2017 / January 1, 2018 (before adjustments to recognition and measurement):

### Reconciliation of financial instrument by measurement categories (IAS 39/IFRS 9)

|                                 | Measurement category acc. to IAS 39 | Carrying amount | Measurement category acc. to IFRS 9    | Carrying amount |
|---------------------------------|-------------------------------------|-----------------|--|-----------------|
|                                 |                                     | € THOU.         |  | € THOU.         |
| <b>Assets</b>                   |                                     |                 |  |                 |
| Cash and cash equivalents       | LaR <sup>1)</sup>                   | 4,954           | AC <sup>5)</sup>                       | 4,954           |
| Trade accounts receivable       | LaR <sup>1)</sup>                   | 8,994           | AC <sup>5)</sup><br>FVPL <sup>6)</sup> | 7,797<br>1,197  |
|                                 | AFS <sup>3)</sup>                   | 55              | FVPL <sup>6)</sup>                     | 55              |
|                                 | LaR <sup>1)</sup>                   | 3,609           | AC <sup>5)</sup>                       | 3,609           |
|                                 | FVtPoL <sup>4)</sup>                | 3               | FVPL <sup>6)</sup>                     | 3               |
|                                 | IAS 17                              | 162             | IAS 17                                 | 162             |
| Other financial assets          | N/A *                               | 301             | N/A *                                  | 301             |
| <b>Equity and liabilities</b>   |                                     |                 |  |                 |
| Trade accounts payable          | FLAC <sup>2)</sup>                  | 46,996          | AC <sup>5)</sup>                       | 46,996          |
| Liabilities to banks            | FLAC <sup>2)</sup>                  | 90,549          | AC <sup>5)</sup>                       | 90,549          |
|                                 | FLAC <sup>2)</sup>                  | 1,494           | AC <sup>5)</sup>                       | 1,494           |
| Other financial liabilities     | FVtPoL <sup>4)</sup>                | 678             | FVPL <sup>6)</sup>                     | 678             |
| Financial personnel obligations | FLAC <sup>2)</sup>                  | 5,676           | AC <sup>5)</sup>                       | 5,676           |
| Liabilities from finance leases | IAS 17                              | 1,664           | IAS 17                                 | 1,664           |

<sup>1)</sup> LaR = Loans and Receivables

<sup>2)</sup> FLAC = Financial Liabilities Measured at Amortised Cost

<sup>3)</sup> AFS = Available for Sale

<sup>4)</sup> FVtPoL = At Fair Value through Profit or Loss

<sup>5)</sup> AC = Amortised Cost

<sup>6)</sup> FVPL = At Fair Value through Profit or Loss

\* The continuing involvement carried in the other financial assets is not assigned to any of the listed categories in accordance with IAS 39 and IFRS 9, since separate measurement rules apply as part of the stipulations on retirement of financial assets



The table below presents a reconciliation of the financial assets by measurement categories at January 1, 2018:

### Reconciliation by measurement categories

|  | Financial assets      |                     |                            | Total         |
|--|-----------------------|---------------------|----------------------------|---------------|
|  | FVPL<br>(FVtPoL 2017) | FVOCI<br>(AfS 2017) | AC<br>(LaR 2017)           |               |
|  | € THOU.               | € THOU.             | € THOU.                    | € THOU.       |
| <b>Closing balance sheet value at Dec. 31, 2017 (IAS 39)</b>   | <b>3</b>              | <b>55</b>           | <b>17,557<sup>1)</sup></b> | <b>17,615</b> |
| Reclassification of receivables tendered as part of factoring from the measurement category "Loans and Receivables" to the measurement category "Fair Value through Profit or Loss"        | 1,197                 | 0                   | -1,197                     | 0             |
| Reclassification of other financial assets (shares in Track Group Inc.) from the measurement category "Available for Sale" to the measurement category "Fair Value through Profit or Loss" | 55                    | -55                 | 0                          | 0             |
| <b>Opening balance sheet value at Jan. 1, 2018 (IFRS 9) before remeasurement effects</b>   | <b>1,255</b>          | <b>0</b>            | <b>16,360</b>              | <b>17,615</b> |
| Remeasurement effects <sup>2)</sup>  | 0                     | 0                   | -33                        | -33           |
| <b>Opening balance sheet value at Jan. 1, 2018 (IFRS 9)</b>  | <b>1,255</b>          | <b>0</b>            | <b>16,327</b>              | <b>17,582</b> |

<sup>1)</sup> In deviation from the assets stated as LaR in the Annual Report at December 31, 2017, the reconciliation presented here does not include the gross amount due from customers for contract work (€52,518 thousand) and the continuing involvement carried in the other financial assets (€301 thousand), since these are not to be assigned to the category LaR. As regards the liabilities stated as FLAC in the Annual Report at December 31, 2017, the gross amount due to customers for contract work (€2,014 thousand) are not to be assigned to the category FLAC, since different measurement rules apply to them. These assets and liabilities likewise do not fall under the scope of IFRS 9 and so are not included in the disclosures in the notes on first-time application of IFRS 9.

<sup>2)</sup> The adjustment from retrospective application of the expected loss model is carried under the remeasurement effects.

There were no reconciliation items regarding financial liabilities.

The table below presents a reconciliation between the value adjustments at January 1, 2018, and their changes at March 31, 2018:

#### Reconciliation of value adjustments

|                           | Value<br>adjustment<br>acc. to<br>IAS 39<br>Dec. 31, 2017 | Remeasure-<br>ment | Value<br>adjustment<br>acc. to<br>IAS 9<br>Jan. 1, 2018 | Change<br>in value<br>adjustment<br>Q1 2018 | Value<br>adjustment<br>acc. to<br>IAS 9<br>March 31,<br>2018 |
|---------------------------|---|--------------------|---|---|--|
|                           | € THOU.   | € THOU.            | € THOU.   | € THOU.                                     | € THOU.  |
| Trade accounts receivable | 2,387   | 33                 | 2,420   | -242  | 2,178  |
| Contract assets           | 0   | 51                 | 51  | -4  | 47   |
| <b>Total</b>              | <b>2,387</b>  | <b>84</b>          | <b>2,471</b>  | <b>-246</b>                                 | <b>2,225</b>   |

The assets assigned to the category “Loans and Receivables” under IAS 39 or to the category “Amortized Cost” under IFRS 9 comprise trade accounts receivable, cash and cash equivalents and other financial assets. No value adjustments were carried for cash and cash equivalents and other financial assets for reasons of materiality. The contract assets are not assigned to any measurement category in accordance with IFRS 9.

#### Disclosures on financial instruments

Impairment losses (including reversals of impairment losses) carried in the first quarter of 2018 in accordance with IFRS 9 Section 5.5 are €-1 thousand. For reasons of materiality these were not carried in a separate item in the consolidated income statement, but in the item “Other operating expenses”.

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

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

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

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

The level model was applied for measuring the financial instruments reported at fair value at the euromicron Group. The fair values of the shares in Track Group Inc. (balance sheet item: "Other financial assets") were measured on the basis of level 1, since the share price can be observed on an active market.

Receivables to be assigned to the business model "Sell" and so assigned to the measurement category "Fair Value through Profit or Loss" were measured on the basis of level 2. The carrying amount of these receivables is approximately their fair value.

The liabilities from the opposite put/call options for the remaining shares in MICROSENS GmbH & Co. KG and Microsens Beteiligungs GmbH not held by euromicron were measured on the basis of level 3. They are carried under the other current financial liabilities. The carrying amount of the liabilities is approximately their fair value.

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

The liabilities from the earn-out clauses under the agreement to purchase the business operations of Elektroanlagen GmbH Dollenchen & Co. KG were measured on the basis of level 3. The liabilities are carried under the other noncurrent or other current financial liabilities.

In the first three months of fiscal year 2018, there were no changes to the fair value of assets or liabilities assigned to level 3 of the fair value hierarchy.

### Comparison of carrying amounts and fair values

|   | Dec. 31, 2017   |                     | March 31, 2018  |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | Carrying amount | Fair value with DVA | Carrying amount | Fair value with DVA |
|   | € THOU.         | € THOU.             | € THOU.         | € THOU.             |
| <b>Assets</b>                                     |                 |                     |                 |                     |
| Trade accounts receivable                         | 8,994           | – <sup>1)</sup>     | 6,589           | – <sup>1)</sup>     |
| Gross amount due from customers for contract work | 52,518          | – <sup>1)</sup>     | N/A             | N/A                 |
| Contract assets                                   | N/A             | N/A                 | 52,495          | – <sup>1)</sup>     |
| Other financial assets                            | 4,130           | – <sup>1)</sup>     | 3,405           | – <sup>1)</sup>     |
| Cash and cash equivalents                         | 4,954           | – <sup>1)</sup>     | 3,861           | – <sup>1)</sup>     |

|   | Dec. 31, 2017   |                     | March 31, 2018  |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | Carrying amount | Fair value with DVA | Carrying amount | Fair value with DVA |
|   | € THOU.         | € THOU.             | € THOU.         | € THOU.             |
| <b>Equity and liabilities</b>                   |                 |                     |                 |                     |
| Liabilities to banks                            | 90,549          | 90,600              | 104,283         | 104,235             |
| Liabilities from finance leases                 | 1,664           | – <sup>1)</sup>     | 1,524           | – <sup>1)</sup>     |
| Trade accounts payable                          | 46,996          | – <sup>1)</sup>     | 35,798          | – <sup>1)</sup>     |
| Gross amount due to customers for contract work | 2,014           | – <sup>1)</sup>     | N/A             | N/A                 |
| Contract liabilities                            | N/A             | N/A                 | 1,938           | – <sup>1)</sup>     |
| Personnel obligations                           | 9,795           | – <sup>1)</sup>     | 9,768           | – <sup>1)</sup>     |
| Other financial liabilities                     | 2,172           | 2,171               | 1,120           | 1,119               |

<sup>1)</sup> The carrying amount corresponds approximately to the fair value.

The changes in fair value for the financial liabilities assigned to level 3 are shown in the table below:

#### Changes in fair value for the 3rd level financial liabilities

|                                   | Earn-out liabilities<br>(asset deal Elektro-<br>anlagen GmbH<br>Dollenchen & Co. KG) | Liabilities from the<br>put option for<br>KORAMIS GmbH | Total      |
|-----------------------------------|--|--|------------|
|                                   | € THOU.  | € THOU.  | € THOU.    |
| <b>Balance at January 1, 2018</b> | <b>155</b>   | <b>523</b>   | <b>678</b> |
| Additions/disposals               | 0  | 0  | 0          |
| Change in fair value              | 0  | 0  | 0          |
| <b>Balance at March 31, 2018</b>  | <b>155</b>   | <b>523</b>   | <b>678</b> |

There were no transfers between the levels during the fiscal year.

There is no collateral received for financial instruments at the euromicron Group.

#### IFRS 15 “Revenue from Contracts with Customers”

The IASB published the standard IFRS 15 “Revenue from Contracts with Customers” in May 2014. The standard provides a single, principles-based five-step model for determining and recognizing revenue that is to be applied to all contracts with customers and contains the core principle that revenue must be recognized at the time control over goods and services passes to the customer. In particular, it supersedes the standards IAS 11 and IAS 18 and the regulations in various interpretations.

As part of first-time application of IFRS 15, euromicron has used the modified retrospective method, i.e. any conversion effects were recognized cumulatively in the consolidated retained earnings at the start of the comparative period on January 1, 2018. euromicron made use of possible exemptions here. In this connection, contracts that began or were fulfilled before January 1, 2018, were not remeasured, in particular at January 1, 2018.

First-time application of IFRS 15 has the following significant impacts on the presentation of the consolidated financial statements:

- If one of the parties has fulfilled its contractual obligation, IFRS 15 stipulates that the company must carry the contract as a contract asset or contract liability in the balance sheet. A contract asset is the right to receive a consideration in exchange for goods or services transferred to a customer. A contract liability is the obligation to transfer goods or services to a customer for which the company has received (or is to receive) a consideration from the customer. The new items “Contract assets” and “Contract liabilities” have been included in the balance sheet for that purpose. As a result, the previous items “Gross amount due from customers for contract work” and “Gross amount due to customers for contract work” have been dropped from the balance sheet.
- If euromicron fulfills its obligations under contracts with customers before the other party pays a consideration or the consideration becomes due, euromicron presents this contractual right (excluding all amounts carried as trade accounts receivable) as a contract asset.
- As of fiscal year 2018, due payments on account not carried in the balance sheet in previous periods until they have been paid are recognized under “Trade accounts receivable” as of the time they become due. The value carried under “Contract liabilities” is reduced to a corresponding amount.
- If a customer pays a consideration or if euromicron has an unconditional right to a specific consideration (i.e. a receivable) before goods are transferred to or a service is performed for the customer, euromicron must recognize the contract as a contract liability when the payment is made or becomes due (whichever is earlier). As a result, euromicron will no longer carry prepayments in future under the balance sheet item “Other liabilities”, but instead under “Contract liabilities”.
- As of fiscal year 2018, due invoices for prepayments not carried in the balance sheet in previous periods until they have been paid are recognized under “Trade accounts receivable” as of the time they become due. The corresponding performance obligation is presented under the “Contract liabilities”.

- Under the regulations in IAS 11.22 in conjunction with 11.34 and 11.36, an anticipated loss from construction contracts had to be recognized as an expense immediately. In accordance with IAS 37.69, an impairment loss on an asset first had to be recognized before a separate provision for an onerous contract was established. In accordance with IFRS 15.107, the impairment of a “contract asset” is assessed in accordance with the regulations of IFRS 9 as of fiscal year 2018. That means there is no impairment of a “contract asset” from onerous contracts for as long as no default on contractually agreed payments is anticipated. Provisions for anticipated losses from onerous contracts which are not attributable to default on contractually agreed payments must be set up to the amount of the anticipated unavoidable costs in accordance with IAS 37.68. As a result, the contract assets and other provisions increase by €167 thousand at January 1, 2018.

There are also the following significant adjustments to measurements:

- In construction-related project business/system integration business, there were impacts on the recognition of effects from contract modifications (e.g. from supplements or claims) on the balance sheet. These relate in particular to their measurement, i.e. the amount at which they are to be included in the order total in order to determine the revenue recognized over time. IFRS 15 demands here a higher degree of certainty than was the case under the previous regulations of IAS 11. In accordance with IFRS 15.56, such a consideration may be included fully or partly in the transaction price if it is highly likely that there is no significant cancellation as regards the recognized cumulated revenues as soon as the uncertainty in connection with the consideration no longer exists. The necessary adjustments resulted at January 1, 2018, in a reduction of €–759 thousand in “contract assets”, which was recognized directly in equity and allocated to the consolidated retained earnings.
- In the remaining project business, revenue is recognized at a later point in time in individual areas – for construction contracts carried up to now using the percentage of completion method in accordance with IAS 11 –, since the requirements for revenue recognition over time in accordance with IFRS 15 are not fulfilled. This adjustment resulted at January 1, 2018, in a reduction in contract assets (€–297 thousand) and a corresponding increase in work in progress (€157 thousand). The effect of that adjustment (€–140 thousand) was presented as a reduction in the consolidated retained earnings.

The following overview presents the effects of IFRS 15 on the relevant balance sheet items at January 1, 2018:

### Adjustments from first-time application of IFRS 15

|  | Dec. 31, 2017<br>(before adjustment) | Change in<br>presentation<br>construction<br>contracts / contract<br>assets | Change in<br>recognition<br>of due payments<br>on account |
|--|--------------------------------------|---|---|
|  | € THOU.                              | € THOU.   | € THOU.   |
| <b>Assets</b>  |                                      |   |   |
| Inventories  | 31,486                               |   |   |
| Trade accounts receivable                            | 8,994                                |   | 1,424   |
| Gross amount due from customers<br>for contract work | 52,518                               | -52,518   |   |
| Contract assets                                      | N/A                                  | 52,518  | -1,424  |
|  |                                      |   |   |
|  | Dec. 31, 2017<br>(before adjustment) | Change in<br>presentation<br>construction<br>contracts / contract<br>assets | Change in<br>recognition<br>of due payments<br>on account |
|  | € THOU.                              | € THOU.   | € THOU.   |
| <b>Equity and liabilities</b>                        |                                      |   |   |
| Consolidated retained earnings                       | -34,708                              |   |   |
|  |                                      |   |   |
| Other provisions                                     | 3,706                                |   |   |
| Gross amount due to customers<br>for contract work   | 2,014                                | -2,014  |   |
| Contract liabilities                                 | N/A                                  | 2,014   |   |
| Other liabilities                                    | 3,369                                |   |   |



| Change in recognition of prepayments | Change in recognition of onerous contracts | Switch from PoC method to revenue recognition at a point in time | Other measurement adjustments | Jan. 1, 2018 (after adjustment) |
|--------------------------------------|--|--|-------------------------------|---------------------------------|
| € THOU.                              | € THOU.                                    | € THOU.  | € THOU.                       | € THOU.                         |
|                                      |  | 157  |                               | 31,643                          |
| 24                                   |  |  |                               | 10,442                          |
|                                      |  |  |                               | N/A                             |
|                                      | 167  | -297   | -759                          | 50,205                          |
|                                      |  |  |                               | N/A                             |
|                                      |  | -140   | -759                          | -35,607                         |
|                                      | 167  |  |                               | 3,873                           |
|                                      |  |  |                               | N/A                             |
| 1,033                                |  |  |                               | 3,047                           |
| -1,009                               |  |  |                               | 2,360                           |

The table below presents a summary of the effects from first-time application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” on assets, liabilities and equity at January 1, 2018:

#### Adjustments from first-time application of IFRS 9 and IFRS 15 in acc. with IAS 8

|  | Adjustments from<br>first-time application of |  |   | Effects on<br>deferred<br>taxes | Jan. 1, 2018<br>(after<br>adjustment) |
|--|---|--|---|---------------------------------|---------------------------------------|
|  | Dec. 31, 2017<br>(before<br>adjustment)       | IFRS 15<br>(excl. deferred<br>tax effects) | IFRS 9<br>(excl. deferred<br>tax effects) |                                 |                                       |
|  | € THOU.                                       | € THOU.                                    | € THOU.                                   | € THOU.                         | € THOU.                               |
| <b>Assets</b>  |   |  |   |                                 |                                       |
| <b>Noncurrent and current<br/>assets</b>             |   |  |   |                                 |                                       |
| Inventories  | 31,486  | 157  | 0   | 0                               | 31,643                                |
| Trade accounts receivable                            | 8,994   | 1,448                                      | -33                                       | 0                               | 10,409                                |
| Gross amount due from<br>customers for contract work | 52,518  | -52,518                                    | 0   | 0                               | N/A                                   |
| Contract assets                                      | N/A   | 50,205                                     | -51                                       | 0                               | 50,154                                |
| Deferred tax assets                                  | 255   | 0  | 0   | 2                               | 257                                   |
| Other noncurrent and<br>current assets               | 158,907                                       | 0  | 0   | 0                               | 158,907                               |
| <b>Total noncurrent and<br/>current assets</b>       | <b>252,160</b>                                | <b>-708</b>                                | <b>-84</b>                                | <b>2</b>                        | <b>251,370</b>                        |

### Adjustments from first-time application of IFRS 9 and IFRS 15 in acc. with IAS 8

|  | Adjustments from<br>first-time application of |  |   | Effects on<br>deferred<br>taxes | Jan. 1, 2018<br>(after<br>adjustment) |
|--|---|--|---|---------------------------------|---------------------------------------|
|  | Dec. 31, 2017<br>(before<br>adjustment)       | IFRS 15<br>(excl. deferred<br>tax effects) | IFRS 9<br>(excl. deferred<br>tax effects) |                                 |                                       |
|  | € THOU.                                       | € THOU.                                    | € THOU.                                   | € THOU.                         | € THOU.                               |
| <b>Equity and liabilities</b>                      |   |  |   |                                 |                                       |
| <b>Equity</b>                                      |   |  |   |                                 |                                       |
| Consolidated retained earnings                     | -34,708                                       | -899                                       | -84                                       | 292                             | -35,399                               |
| Other equity (including non-controlling interests) | 113,249                                       | 0  | 0   | 0                               | 113,249                               |
| <b>Total equity</b>                                | <b>78,541</b>                                 | <b>-899</b>                                | <b>-84</b>                                | <b>292</b>                      | <b>77,850</b>                         |
| <b>Noncurrent and current liabilities</b>          |   |  |   |                                 |                                       |
| Other provisions                                   | 3,706   | 167  | 0   | 0                               | 3,873                                 |
| Gross amount due to customers for contract work    | 2,014   | -2,014                                     | 0   | 0                               | N/A                                   |
| Contract liabilities                               | N/A   | 3,047                                      | 0   | 0                               | 3,047                                 |
| Deferred tax liabilities                           | 5,598   | 0  | 0   | -290                            | 5,308                                 |
| Other liabilities                                  | 3,539   | -1,009                                     | 0   | 0                               | 2,530                                 |
| Other noncurrent and current liabilities           | 158,762                                       | 0  | 0   | 0                               | 158,762                               |
| <b>Total noncurrent and current liabilities</b>    | <b>173,619</b>                                | <b>191</b>                                 | <b>0</b>                                  | <b>-290</b>                     | <b>173,520</b>                        |
| <b>Total equity and liabilities</b>                | <b>252,160</b>                                | <b>-708</b>                                | <b>-84</b>                                | <b>2</b>                        | <b>251,370</b>                        |

The tables below present a summary of the differences in recognition and measurement on the balance sheet and income statement at March 31, 2018, that would have resulted if the IFRS standards applicable at December 31, 2017 (in particular IAS 11 “Construction Contracts”, IAS 18 “Revenue” and IAS 39 “Financial Instruments: Recognition and Measurement”) would have had to still be applied:

#### Reconciliation of the adjustment effects from IFRS 9 and IFRS 15 at March 31, 2018

|  | Adjustments from<br>first-time application of |  |   | Effects on<br>deferred<br>taxes | March 31,<br>2018<br>(after<br>adjustment) |
|--|---|--|---|---------------------------------|--|
|  | Dec. 31, 2018<br>(before<br>adjustment)*      | IFRS 15<br>(excl. deferred<br>tax effects) | IFRS 9<br>(excl. deferred<br>tax effects) |                                 |  |
|  | € THOU.                                       | € THOU.                                    | € THOU.                                   | € THOU.                         | € THOU.                                    |
| <b>Assets</b>  |   |  |   |                                 |  |
| <b>Noncurrent and<br/>current assets</b>             |   |  |   |                                 |  |
| Inventories  | 30,833  | 311  | 0   | 0                               | 31,144                                     |
| Trade accounts receivable                            | 11,329  | 2,023                                      | -38                                       | 0                               | 13,314                                     |
| Gross amount due from<br>customers for contract work | 48,312  | -48,312                                    | 0   | 0                               | 0  |
| Contract assets                                      | N/A   | 45,173                                     | -47                                       | 0                               | 45,126                                     |
| Deferred tax assets                                  | 444   | 0  | 0   | 5                               | 449  |
| Other noncurrent and<br>current assets               | 156,167                                       | 0  | 0   | 0                               | 156,167                                    |
| <b>Total noncurrent and<br/>current assets</b>       | <b>247,085</b>                                | <b>-805</b>                                | <b>-85</b>                                | <b>5</b>                        | <b>246,200</b>                             |

\* Recognition and measurement in accordance with the IFRS standards applicable at December 31, 2017 (in particular IAS 11 “Construction Contracts”, IAS 18 “Revenue” and IAS 39 “Financial Instruments: Recognition and Measurement”).

### Reconciliation of the adjustment effects from IFRS 9 and IFRS 15 at March 31, 2018

|  | Adjustments from<br>first-time application of |  |   | Effects on<br>deferred<br>taxes | March 31,<br>2018 (after<br>adjustment) |
|--|---|--|---|---------------------------------|---|
|  | Dec. 31, 2018<br>(before<br>adjustment)*      | IFRS 15<br>(excl. deferred<br>tax effects) | IFRS 9<br>(excl. deferred<br>tax effects) |                                 |   |
|  | € THOU.                                       | € THOU.                                    | € THOU.                                   | € THOU.                         | € THOU.                                 |
| <b>Equity and liabilities</b>                      |   |  |   |                                 |   |
| <b>Equity</b>                                      |   |  |   |                                 |   |
| Consolidated retained earnings                     | -38,212                                       | -1,027                                     | -85                                       | 328                             | -38,996                                 |
| Other equity (including non-controlling interests) | 113,226                                       | 0  | 0   | 0                               | 113,226                                 |
| <b>Total equity</b>                                | <b>75,014</b>                                 | <b>-1,027</b>                              | <b>-85</b>                                | <b>328</b>                      | <b>74,230</b>                           |
| <b>Noncurrent and current liabilities</b>          |   |  |   |                                 |   |
| Other provisions                                   | 3,443   | 99   | 0   | 0                               | 3,542                                   |
| Gross amount due to customers for contract work    | 1,815   | -1,815                                     | 0   | 0                               | 0                                       |
| Contract liabilities                               | N/A   | 3,206                                      | 0   | 0                               | 3,206                                   |
| Deferred tax liabilities                           | 4,140   | 0  | 0   | -323                            | 3,817                                   |
| Other liabilities                                  | 3,304   | -1,268                                     | 0   | 0                               | 2,036                                   |
| Other noncurrent and current liabilities           | 159,369                                       | 0  | 0   | 0                               | 159,369                                 |
| <b>Total noncurrent and current liabilities</b>    | <b>172,071</b>                                | <b>222</b>                                 | <b>0</b>                                  | <b>-323</b>                     | <b>171,970</b>                          |
| <b>Total equity and liabilities</b>                | <b>247,085</b>                                | <b>-805</b>                                | <b>-85</b>                                | <b>5</b>                        | <b>246,200</b>                          |

\* Recognition and measurement in accordance with the IFRS standards applicable at December 31, 2017 (in particular IAS 11 "Construction Contracts", IAS 18 "Revenue" and IAS 39 "Financial Instruments: Recognition and Measurement").

**Reconciliation of the adjustment effects from IFRS 9 and IFRS 15 at March 31, 2018**

|   | Adjustments from<br>first-time application of |  |   |                                 | March 31,<br>2018 (after<br>adjustment) |
|---|---|--|---|---------------------------------|---|
|   | Dec. 31, 2018<br>(before<br>adjustment)*      | IFRS 15<br>(excl. deferred<br>tax effects) | IFRS 9<br>(excl. deferred<br>tax effects) | Effects on<br>deferred<br>taxes |   |
|   | € THOU.                                       | € THOU.                                    | € THOU.                                   | € THOU.                         | € THOU.                                 |
| Sales   | 75,354  | -269                                       | 0   | 0                               | 75,085                                  |
| Inventory changes   | -348  | 154  | 0   | 0                               | -194                                    |
| Cost of materials   | -39,354                                       | -13  | 0   | 0                               | -39,367                                 |
| Other operating expenses  | -10,302                                       | 0  | -1  | 0                               | -10,303                                 |
| Other expense and income<br>items (incl. amortization/<br>depreciation and the net<br>financial result) | -30,028                                       | 0  | 0   | 0                               | -30,028                                 |
| Income taxes  | 1,278   | 0  | 0   | 36                              | 1,314                                   |
| <b>Consolidated net loss<br/>for the period</b>   | <b>-3,400</b>                                 | <b>-128</b>                                | <b>-1</b>                                 | <b>36</b>                       | <b>-3,493</b>                           |
| Thereof attributable<br>to euromicron AG<br>shareholders  | -3,504  | -128                                       | -1  | 36                              | -3,597                                  |
| Thereof attributable to<br>non-controlling interests  | 104   | 0  | 0   | 0                               | 104                                     |
| <b>(Un)diluted earnings<br/>per share in €</b>  | <b>-0.49</b>                                  | <b>-0.02</b>                               | <b>0.00</b>                               | <b>0.01</b>                     | <b>-0.50</b>                            |

\* Recognition and measurement in accordance with the IFRS standards applicable at December 31, 2017 (in particular IAS 11 "Construction Contracts", IAS 18 "Revenue" and IAS 39 "Financial Instruments: Recognition and Measurement").

**Consolidated companies**

Apart from euromicron AG, the interim consolidated financial statements at March 31, 2018, include 23 (December 31, 2017: 23) companies, in which euromicron AG has the majority of voting rights directly or indirectly and so controls these companies.

**Significant business events**

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

## Significant events after the balance sheet date

Mr. Jürgen Hansjosten left as a member of the Executive Board of euromicron AG effective the end of April 30, 2018.

The Supervisory Board of euromicron AG appointed Mr. Jörn Trierweiler as a member of the Executive Board of euromicron AG as of April 30, 2018. Mr. Trierweiler will be responsible for Operations, Strategy and IT.

## Treasury shares

At March 31, 2018, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

## Non-controlling 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 March 31, 2018 (€578 thousand) relate exclusively to Qubix S.p.A., Padua, Italy (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 business areas of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. Controlling and the reporting structure are in line with the orientation toward the target markets and the underlying value chain within the Group.

## Segment information

of the euromicron Group for the period January 1 to March 31, 2018 (IFRS)

### Segment information

|   | Smart Buildings |                | Critical Infrastructures |                | Distribution   |                | Total for all operating segments that must be reported |                |
|---|-----------------|----------------|--------------------------|----------------|----------------|----------------|--|----------------|
|   | March 31, 2018  | March 31, 2017 | March 31, 2018           | March 31, 2017 | March 31, 2018 | March 31, 2017 | March 31, 2018   | March 31, 2017 |
|   | € THOU.         | € THOU.        | € THOU.                  | € THOU.        | € THOU.        | € THOU.        | € THOU.  | € THOU.        |
| External sales  | 40,216          | 44,565         | 28,622                   | 24,234         | 6,230          | 6,490          | 75,068   | 75,289         |
| Sales within the Group                                      | 332             | 393            | 472                      | 368            | 311            | 338            | 1,115  | 1,099          |
| <b>Total sales</b>  | <b>40,548</b>   | <b>44,958</b>  | <b>29,094</b>            | <b>24,602</b>  | <b>6,541</b>   | <b>6,828</b>   | <b>76,183</b>  | <b>76,388</b>  |
| EBITDA  | -957            | -255           | 416                      | 47             | 1,371          | 1,131          | 830  | 923            |
| EBITDA margin   | -2.4%           | -0.6%          | 1.4%                     | 0.2%           | 21.0%          | 16.6%          | 1.1%   | 1.2%           |
| Thereof special costs (previous year: reorganization costs) | 243             | 260            | 0                        | 0              | 0              | 0              | 243  | 260            |
| <b>Operating EBITDA</b>                                     | <b>-714</b>     | <b>5</b>       | <b>416</b>               | <b>47</b>      | <b>1,371</b>   | <b>1,131</b>   | <b>1,073</b>   | <b>1,183</b>   |
| <b>Operating EBITDA margin</b>                              | <b>-1.8%</b>    | <b>0.0%</b>    | <b>1.4%</b>              | <b>0.2%</b>    | <b>21.0%</b>   | <b>16.6%</b>   | <b>1.4%</b>  | <b>1.5%</b>    |
| Amortization and depreciation                               | -1,476          | -1,370         | -725                     | -604           | -42            | -74            | -2,243   | -2,048         |
| EBIT  | -2,433          | -1,625         | -309                     | -557           | 1,329          | 1,057          | -1,413   | -1,125         |
| Thereof special costs (previous year: reorganization costs) | 243             | 260            | 0                        | 0              | 0              | 0              | 243  | 260            |
| Operating EBIT  | -2,190          | -1,365         | -309                     | -557           | 1,329          | 1,057          | -1,170   | -865           |
| Order books   | 82,976          | 84,288         | 59,451                   | 55,961         | 2,807          | 2,022          | 145,234  | 142,271        |
| Working capital   | 54,942          | 56,671         | 11,550                   | 9,295          | 5,833          | 5,319          | 72,325   | 71,285         |
| <b>Working capital ratio</b>                                | <b>29.3%</b>    | <b>28.8%</b>   | <b>9.2%</b>              | <b>8.2%</b>    | <b>25.1%</b>   | <b>24.3%</b>   | <b>21.5%</b>   | <b>21.4%</b>   |



| All other segments           |                | Central Services |                | Total for the segments |                | Reconciliation |                | Group          |                |
|------------------------------|----------------|------------------|----------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| Non-strategic Business Areas |                |                  |                |                        |                |                |                |                |                |
| March 31, 2018               | March 31, 2017 | March 31, 2018   | March 31, 2017 | March 31, 2018         | March 31, 2017 | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| € THOU.                      | € THOU.        | € THOU.          | € THOU.        | € THOU.                | € THOU.        | € THOU.        | € THOU.        | € THOU.        | € THOU.        |
| 17                           | 236            | 0                | 0              | 75,085                 | 75,525         | 0              | 0              | 75,085         | 75,525         |
| 1                            | 69             | 0                | 0              | 1,116                  | 1,168          | -1,116         | -1,168         | 0              | 0              |
| <b>18</b>                    | <b>305</b>     | <b>0</b>         | <b>0</b>       | <b>76,201</b>          | <b>76,693</b>  | <b>-1,116</b>  | <b>-1,168</b>  | <b>75,085</b>  | <b>75,525</b>  |
| -43                          | -142           | -1,820           | -1,583         | -1,033                 | -802           | 0              | 0              | -1,033         | -802           |
|                              |                |                  |                | -1.4%                  | -1.0%          |                |                | -1.4%          | -1.1%          |
| 43                           | 119            | 989              | 534            | 1,275                  | 913            | 0              | 0              | 1,275          | 913            |
| <b>0</b>                     | <b>-23</b>     | <b>-831</b>      | <b>-1,049</b>  | <b>242</b>             | <b>111</b>     | <b>0</b>       | <b>0</b>       | <b>242</b>     | <b>111</b>     |
| <b>0.0%</b>                  | <b>-7.5%</b>   |                  |                | <b>0.3%</b>            | <b>0.1%</b>    |                |                | <b>0.3%</b>    | <b>0.1%</b>    |
| 0                            | 0              | -77              | -69            | -2,320                 | -2,117         | 0              | 0              | -2,320         | -2,117         |
| -43                          | -142           | -1,897           | -1,652         | -3,353                 | -2,919         | 0              | 0              | -3,353         | -2,919         |
| 43                           | 119            | 989              | 534            | 1,275                  | 913            | 0              | 0              | 1,275          | 913            |
| <b>0</b>                     | <b>-23</b>     | <b>-908</b>      | <b>-1,118</b>  | <b>-2,078</b>          | <b>-2,006</b>  | <b>0</b>       | <b>0</b>       | <b>-2,078</b>  | <b>-2,006</b>  |
| 578                          | 1,093          | 0                | 0              | 145,812                | 143,364        | -175           | -224           | 145,637        | 143,140        |
| <b>-209</b>                  | <b>-294</b>    | <b>-1,993</b>    | <b>-934</b>    | <b>70,123</b>          | <b>70,057</b>  | <b>-19,543</b> | <b>-19,532</b> | <b>50,580</b>  | <b>50,525</b>  |
|                              |                |                  |                | <b>20.8%</b>           | <b>20.9%</b>   |                |                | <b>15.2%</b>   | <b>15.1%</b>   |

The table below presents a breakdown of the revenue from contracts with customers in accordance with IFRS 15 “Revenue from Contracts with Customers”:

#### Breakdown of revenue with customers

|  | Operating segments<br>that must be reported |                                  |              | Total for all<br>operating<br>segments<br>that must be<br>reported | All other<br>business<br>areas and<br>reconcilia-<br>tion | Group         |
|--|---|----------------------------------|--------------|--|---|---------------|
|  | Smart<br>Buildings                          | Critical<br>Infra-<br>structures | Distribution |  |   |               |
|  | € THOU.                                     | € THOU.                          | € THOU.      |  |   |               |
| <b>Sales of the segment</b>  | <b>40,548</b>                               | <b>29,094</b>                    | <b>6,541</b> | <b>76,183</b>  | <b>-1,098</b>   | <b>75,085</b> |
| Type of business   |   |                                  |              |  |   |               |
| Revenue from<br>project business   | 22,098                                      | 14,885                           | 0            | <b>36,983</b>  | -575  | <b>36,408</b> |
| Revenue from the<br>sale of goods  | 13,510                                      | 6,413                            | 6,541        | <b>26,464</b>  | -483  | <b>25,981</b> |
| Revenue from the<br>provision of services                                      | 4,940                                       | 7,796                            | 0            | <b>12,736</b>  | -40   | <b>12,696</b> |
| Fulfillment of the perfor-<br>mance obligation and<br>recognition of the sales |   |                                  |              |  |   |               |
| Recognition at a<br>specific point in time                                     | 13,357                                      | 6,413                            | 6,541        | <b>26,311</b>  | -483  | <b>25,828</b> |
| Recognition over time  | 27,191                                      | 22,681                           | 0            | <b>49,872</b>  | -615  | <b>49,257</b> |

### **Business transactions with related parties**

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

There are no transactions with related parties that require disclosure.

### **Contingencies**

There were no significant changes in contingencies, contingent liabilities and other financial obligations compared with the consolidated financial statements at December 31, 2017.

## 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, May 9, 2018

The Executive Board

**Bettina Meyer**

Spokeswoman of the Executive Board

**Jörn Trierweiler**

Member of the Executive Board

## Financial Calendar 2018

|                  |   |
|------------------|---|
| March 28, 2018   | Publication of the 2017 Annual Report                           |
| May 9, 2018      | Publication of the business figures for the 1st quarter of 2018 |
| June 13, 2018    | General Meeting, Frankfurt/Main                                 |
| August 9, 2018   | Publication of the business figures for the 2nd quarter of 2018 |
| November 8, 2018 | Publication of the business figures for the 3rd quarter of 2018 |

This quarterly report is available in German and English.

Both versions can also be downloaded from the Internet at

**[www.euromicron.de](http://www.euromicron.de)**

In cases of doubt, the German version is authoritative.

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### DISCLAIMER ON PREDICTIVE STATEMENTS

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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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