CONSOLIDATED FINANCIAL STATEMENTS FRS

AUDITOR'S REPORT

Following the final results of our audit, we have issued the following unqualified audit dated March 23, 2016:

Audit opinion

"We have audited the consolidated financial statements – consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes – prepared by euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, and the group management report for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and group management report in accordance with IFRS, as are to be applied in the EU, and in addition the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (Handelsgesetzbuch – German Commercial Code) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit in such a way that misstatements and violations materially affecting the presentation of the picture of the net assets, financial position and results of operations conveyed by the consolidated financial statements, taking into account the principles of orderly accounting, and by the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the companies consolidated, the accounting and consolidation principles used, and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion pursuant to the findings gained during the audit, the consolidated financial statements comply with the IFRS, as are to be applied in the EU, and in addition to the commercial law regulations to be applied pursuant to Section 315a (1) of the HGB (German Commercial Code) and give a true and fair view of the net assets, financial position and results of operations of the Group, taking into account these regulations. The group management report accords with the consolidated financial statements, conveys overall an accurate picture of the Group's position and accurately presents the opportunities and risks of future development."

Frankfurt/Main, March 23, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk
Wirtschaftsprüfer

ppa. Diana Plaum
Wirtschaftsprüfer

BALANCE SHEET

of the euromicron Group as of December 31, 2015 (IFRS)

Assets 015

	Note	Dec. 31, 2015	Dec. 31, 2014	Change
		€ thou.	€ thou.	€ thou.
Noncurrent assets				
Goodwill	(1)	108,217	113,479	–5,262
Other intangible assets	(1)	17,520	20,795	–3,275
Property, plant and equipment	(1)	15,306	14,121	1,185
Other financial assets	(1)	733	888	–155
Other assets	(1)	61	85	–24
Deferred tax assets	(2)	120	1,370	–1,250
		141,957	**150,738**	**–8,781**
Current assets				
Inventories	(3)	30,763	29,024	1,739
Trade accounts receivable	(4)	33,248	33,731	–483
Gross amount due from customers for contract work	(4)	47,480	52,070	–4,590
Claims for income tax refunds	(4)	1,496	1,202	294
Other financial assets	(4)	2,879	2,971	–92
Other assets	(4)	2,304	2,078	226
Cash and cash equivalents	(5)	10,722	15,622	–4,900
		128,892	136,698	–7,806
		270,849	**287,436**	**–16,587**

Equity and liabilities

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	Note	Dec. 31, 2015	Dec. 31, 2014	Change
		€ thou.	€ thou.	€ thou.
Equity				
Subscribed capital	(6)	18,348	18,348	0
Capital reserves	(6)	94,298	94,298	0
Gain/loss on the valuation of securities	(6)	0	98	–98
Currency translation difference	(6)	–2	–1	–1
Consolidated retained earnings	(6)	–16,010	–2,747	–13,263
Stockholders' equity		96,634	109,996	–13,362
Non-controlling interests	(6)	404	405	–1
Total equity		**97,038**	**110,401**	**–13,363**
Noncurrent liabilities				
Provisions for pensions	(7)	1,255	1,194	61
Other provisions	(7)	1,802	1,912	–110
Liabilities to banks	(8)	20,484	43,231	–22,747
Liabilities from finance lease	(8)	1,193	1,206	–13
Other financial liabilities	(8)	474	2,457	–1,983
Other liabilities	(8)	189	234	–45
Deferred tax liabilities	(9)	5,606	7,362	–1,756
		31,003	**57,596**	**–26,593**
Current liabilities				
Other provisions	(7)	2,081	1,748	333
Trade accounts payable	(8)	47,593	44,238	3,355
Gross amount due to customers for contract work	(8)	851	0	851
Liabilities from current income taxes	(8)	3,232	3,009	223
Liabilities to banks	(8)	44,307	19,888	24,419
Liabilities from finance lease	(8)	516	457	59
Other tax liabilities	(8)	7,141	6,039	1,102
Personnel obligations	(8)	8,876	9,127	–251
Other financial liabilities	(8)	24,838	29,086	–4,248
Other liabilities	(8)	3,373	5,847	–2,474
		142,808	**119,439**	**23,369**
		270,849	**287,436**	**–16,587**

INCOME STATEMENT

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Income statement 017

	Note	2015	2014
		€ thou.	€ thou.
Sales	(11)	**344,887**	**346,338**
Inventory changes		833	573
Own work capitalized	(12)	2,942	2,617
Other operating income	(13)	3,073	2,144
Cost of materials	(14)	−189,833	−182,468
Personnel costs	(15)	−107,875	−103,176
Other operating expenses	(17)	−47,104	−44,879
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**6,923**	**21,149**
Amortization and depreciation	(16)	−10,238	−9,702
Impairment of goodwill	(16)	−5,333	0
Earnings before interest and taxes (EBIT)		**−8,648**	**11,447**
Interest income	(18)	66	333
Interest expenses	(18)	−3,791	−4,012
Other financial expenses	(18)	−332	0
Income before income taxes		**−12,705**	**7,768**
Income taxes	(19)	−424	−4,924
Consolidated net loss/net income for the year		**−13,129**	**2,844**
Thereof attributable to euromicron AG shareholders		−13,253	2,576
Thereof attributable to non-controlling interests	(20)	124	268
(Un)diluted earnings per share in €	(21)	**−1.85**	**0.36**

STATEMENT OF COMPREHENSIVE INCOME

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Statement of comprehensive income 018

	Note	2015	2014
		€ thou.	€ thou.
Consolidated net loss/net income for the year		**–13,129**	**2,844**
Items to be subsequently recognized in profit or loss			
Gain/loss on the valuation of securities	(6)	–98	–79
Currency translation differences	(6)	–1	–1
Items not to be subsequently recognized in profit or loss			
Revaluation effects from pensions	(7)	830	–3,272
Other comprehensive income		**731**	**–3,352**
Total comprehensive income		**–12,398**	**–508**
Thereof attributable to euromicron AG shareholders		–12,522	–776
Thereof attributable to non-controlling interests		124	268

STATEMENT OF CHANGES IN EQUITY

of the euromicron Group as of December 31, 2015 (IFRS)

Statement of changes in equity

	Subscribed capital	Capital reserves	Contribution made to carry out the adopted capital increase
	€ thou.	€ thou.	€ thou.
December 31, 2013	**17,037**	**88,771**	**6,838**
Consolidated net income for 2014	**0**	**0**	**0**
Other comprehensive income			
Gain/loss on the valuation of securities	0	0	0
Currency translation differences	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**0**
Transactions with owners			
Transfer of the contribution made to carry out the adopted capital increase to the subscribed capital or capital reserves	1,311	5,527	–6,838
Transfer of profit shares for minority interests to liabiliites	0	0	0
Distributions to/drawings by minority interests	0	0	0
	1,311	**5,527**	**–6,838**
December 31, 2014	**18,348**	**94,298**	**0**
Consolidated net loss for 2015	**0**	**0**	**0**
Other comprehensive income			
Gain/loss on the valuation of securities	0	0	0
Currency translation differences	0	0	0
Revaluation effects from pensions	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**0**
Transactions with owners			
Distributions to/drawings by minority interests	0	0	0
	0	**0**	**0**
December 31, 2015	**18,348**	**94,298**	**0**

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Consolidated retained earnings	Gain/loss on the valuation of securities	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
−2,052	**177**	**0**	**110,771**	**392**	**111,163**
2,577	**0**	**0**	**2,577**	**267**	**2,844**
0	−79	0	−79	0	−79
0	0	−1	−1	0	−1
−3,272	0	0	−3,272	0	−3,272
−3,272	**−79**	**−1**	**−3,352**	**0**	**−3,352**
−695	**−79**	**−1**	**−775**	**267**	**−508**
0	0	0	0	0	0
0	0	0	0	−129	−129
0	0	0	0	−125	−125
0	**0**	**0**	**0**	**−254**	**−254**
−2,747	**98**	**−1**	**109,996**	**405**	**110,401**
−13,253	**0**	**0**	**−13,253**	**124**	**−13,129**
0	−98	0	−98	0	−98
0	0	−1	−1	0	−1
830	0	0	830	0	830
830	**−98**	**−1**	**731**	**0**	**731**
−12,423	**−98**	**−1**	**−12,522**	**124**	**−12,398**
−840	0	0	−840	−125	−965
−840	**0**	**0**	**−840**	**−125**	**−965**
−16,010	**0**	**−2**	**96,634**	**404**	**97,038**

STATEMENT OF CASH FLOWS

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Statement of cash flows 020

	2015	2014
Note (22)	€ thou.	€ thou.
Income before income taxes	–12,705	7,768
Net interest income/loss	4,057	3,679
Depreciation and amortization of noncurrent assets	15,572	9,702
Disposal of assets, net	10	2
Allowances for inventories and doubtful accounts	1,771	1,882
Change in provisions	433	–537
Changes in short- and long-term assets and liabilities:		
– Inventories	–2,784	–1,432
– Trade accounts receivable and gross amount due from customers for contract work	4,598	–3,239
– Trade accounts payable and gross amount due to customers for contract work	4,148	–11,436
– Other operating assets	–368	–591
– Other operating liabilities	–5,122	–3,940
– Income tax paid	–2,147	–5,062
– Income tax received	791	4,596
– Interest paid	–3,727	–3,615
– Interest received	31	293
Net cash provided by/used in operating activities[1]	**4,558**	**–1,930**
Proceeds from		
– Retirement of property, plant and equipment	65	52
Payments due to acquisition of		
– Intangible assets	–3,302	–3,374
– Property, plant and equipment	–3,959	–2,956
– Subsidiaries Purchase price payments of €2,672 thousand (previous year: €8,028 thousand) There are no (contingent) purchase price payments that have not yet been made (previous year: €2,510 thousand)	–2,672	–8,028
Net cash used in investing activities	**–9,868**	**–14,306**
Proceeds from raising of financial loans	18,338	31,390
Cash repayments of financial loans	–16,661	–38,202
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–1,267	–160
Net cash provided by/used in financing activities	**410**	**–6,972**
Net change in cash and cash equivalents	–4,900	–23,208
Cash and cash equivalents at the beginning of the period	15,622	38,830
Cash and cash equivalents at the end of the period	**10,722**	**15,622**
[1] Adjusted for factoring effects:		
Net cash provided by operating activities:	**6,102**	**2,990***

*) The previous year's figure has been adjusted.

GENERAL DISCLOSURES

1. Description of business activities

euromicron AG (hereinafter referred to as the "company") is a registered stock corporation under German law whose shares are traded on the stock market and has its registered offices at Zum Laurenburger Hof 76, 60594 Frankfurt/Main, Germany. The euromicron Group unites medium-sized high-tech companies that operate in particular in the target markets of "Digital Buildings", "Smart Industry" and "Critical Infrastructures". As a German specialist for digital infrastructures, euromicron enables its customers to network business and production processes and so successfully move to a digital future. From design and implementation, operation, to intelligent services – euromicron supplies its customers with customized solutions for technologies, system integration and smart services and creates the IT, network and security infrastructures required for them. As a result, euromicron lets its customers migrate existing infrastructures gradually to the digital age. Thanks to this expertise, the euromicron Group helps its customers increase their own company's agility and efficiency, as well as develop new business models that lay the foundation for commercial success down the road.

2. Accounting principles

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as are applicable in the European Union, and the supplementary regulations pursuant to Section 315a (1) of the German Commercial Code (HGB), in the valid version at December 31, 2015. All the mandatory standards at the balance sheet date were applied.

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

The International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS-IC) have newly adopted the following standards, interpretations and amendments that were mandatory for the first time in fiscal 2015: TABLE 021

IFRS standards as of 2015 021

	Standard/interpretation	Mandatory application in the EU	Adoption by the EU Commission
IFRIC 21	Levies	June 17, 2014	Yes
AIP	Annual improvements to IFRSs, cycle 2011–2013	January 1, 2015	Yes

IFRIC 21 “Levies”
IFRIC 21 contains regulations on recognition of obligations to pay public charges that are not levies within the meaning of IAS 12 “Income Taxes” and of amounts that are paid only on behalf of governments (in particular value-added tax). The interpretation clarifies in particular when obligations to pay such charges must be recognized as liabilities or provisions in the financial statements. The regulation on adoption of the interpretation by the EU (“endorsement”) was published in the Official Journal of the EU on June 14, 2014. The mandatory date of adoption – contrary to the original regulation, which envisages adoption for reporting periods beginning on or after January 1, 2014 – for companies within the EU was modified, with the result that the interpretation must be applied to fiscal years that begin on or after June 17, 2014. First-time application of this interpretation did not have any effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to IFRSs, 2011–2013 cycle (“Improvements to IFRS”)
The collection “Annual improvements to IFRSs, 2011 – 2013 cycle” contains amendments to the following IFRSs:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards”
- IFRS 3 “Business Combinations”
- IFRS 13 “Fair Value Measurement”
- IAS 40 “Investment Property”

The amendments to the individual IFRSs as part of the “Annual improvements to IFRSs, 2011 – 2013 cycle” are as follows:

IFRS 1 “First-time Adoption of International Financial Reporting Standards”
A change to the basis for conclusions clarifies the importance of the effective date in connection with IFRS 1. If there are two published versions of a standard at the time of transition to IFRS – namely a version that currently applies and one that is mandatory in future, but can already be applied voluntarily – first-time adopters of IFRSs will be free to choose which of the two versions to use. However, the chosen standard version – subject to differing regulations in IFRS 1 – must always be applied to all periods presented in the financial statements.

IFRS 3 “Business Combinations”
The amendment reformulates the existing exemption of joint ventures from the scope of application of IFRS 3. It clarifies that the exemption applies to all joint arrangements within the meaning of IFRS 11, as well as the fact that the exemption applies only to financial statements of the joint venture or joint arrangement itself and not to financing reporting at the parties involved in the joint arrangement. The change must be applied prospectively.

IFRS 13 “Fair Value Measurement”
IFRS 13.48 allows companies that control a group of financial assets and financial liabilities on the basis of their net market risk or counterparty credit risk to measure the fair value of that group in accordance with how market participants would measure the net risk exposure at the measurement date (portfolio exception). The proposed amendment clarifies that this exemption on measuring fair value applies to all contracts covered by the scope of IAS 39 “Financial Instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments”, even if they do not meet the definition of a financial asset or financial liability in IAS 32 “Financial Instruments: Presentation” (such as certain contracts to purchase or sell non-financial items that can be fulfilled by settlement in cash or other financial instruments). The change is applied prospectively from the beginning of the fiscal year in which IFRS 13 has been adopted for the first time.

IAS 40 “Investment Property”
The amendment clarifies that the scope of application of IAS 40 “Investment Property” and IFRS 3 “Business Combinations” are independent of each other, i.e. do not mutually exclude each other. In this regard, any acquisition of investment property must be examined on the basis of the criteria in IFRS 3 as to whether it relates to acquisition of a single asset, a group of assets or a business within the scope of application of IFRS 3. In addition, the criteria of IAS 40.7 et seq. must be applied in order to establish whether it is investment property or owner-occupied property. In principle, the change applies prospectively to all acquisitions of investment property made as of the beginning of the first period in which the change is applied for the first time, which means that it is not necessary for the previous years’ figures to be adjusted. The change can be applied voluntarily to individual previous acquisitions if the information required is available.

Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The regulation on adoption of the “Annual improvements to IFRSs” by the EU (“endorsement”) was published in the Official Journal of the EU on December 19, 2014. The changes must be applied to fiscal years beginning on or after January 1, 2015. They can be applied before then. First-time application of these amendments did not have any effects on the consolidated financial statements.

The following new or changed accounting regulations of the IASB have recently been adopted. However, since their application is not yet mandatory or they have not yet been adopted by the European Union, they were not used in the consolidated financial statements as of December 31, 2015: TABLE 022

IFRS standards to be applied in future (2015) 022

	Standard/interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 1	Disclosure Initiative (amendment)	January 1, 2016	Yes
IAS 7	Disclosure Initiative (amendment)	January 1, 2017	No
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses (amendment)	January 1, 2017	No
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization (amendment)	January 1, 2016	Yes
IAS 16 and IAS 41	Bearer Plants (amendment)	January 1, 2016	Yes
IAS 19	Defined Benefit Plans: Employee Contributions (amendment)	February 1, 2015	Yes
IAS 27	Equity Method in Separate Financial Statements of an Investor (amendment)	January 1, 2016	Yes
IFRS 9	Financial instruments	January 1, 2018	No
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	n/a	No
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (amendment)	January 1, 2016	No
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (amendment)	January 1, 2016	Yes
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	No
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	No
IFRS 16	Leases	January 1, 2019	No
AIP	Annual improvements to IFRSs, cycle 2010 – 2012	February 1, 2015	Yes
AIP	Annual improvements to IFRSs, cycle 2012 – 2014	January 1, 2016	Yes

Amendment to IAS 1 “Presentation of Financial Statements”: Disclosure Initiative

The amendment to IAS 1 “Presentation of Financial Statements” adopted as part of the Disclosure Initiative on December 18, 2014, comprises in particular clarifications on assessing the materiality of disclosures in financial statements, the presentation of additional items in the balance sheet and statement of comprehensive income, presentation of other comprehensive income for associated companies and joint ventures recognized using the equity method, the structure of disclosures in the notes and presentation of the applicable accounting methods. The regulation on adoption of the amendments to “IAS 1 – Presentation of Financial Statements” by the EU (“endorsement”) was published in the Official Journal of the EU on December 19, 2015. The changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

Amendment to IAS 7 “Statement of Cash Flows”: Disclosure Initiative

As part of its Disclosure Initiative, the IASB published an amendment to IAS 7 “Statement of Cash Flows” on January 29. Under this amendment, the financial statements are to include a reconciliation showing the development of those outside capital items in the balance sheet during the period under review whose cash changes have to be recognized in the net cash used in/provided by financing activities in the statement of cash flows. The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2017. Voluntary early adoption – subject to a still outstanding endorsement – is permitted. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IAS 12 "Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses"
On January 19, 2016, the IASB published an amendment to IAS 12 "Income Taxes" that clarifies the recognition of deferred tax assets for unrealized losses from available-for-sale financial assets.

The amendment to IAS 12 clarifies that deferred tax assets must be recognized for deductible temporary differences resulting from unrealized losses from available-for-sale financial assets in the form of debt instruments if the company has the ability and the intention to hold the securities until they recover their value (if applicable to their maturity). It also clarifies that there must be positive taxable income before reversal of the the deductible temporary differences before the deferred tax assets can be used, unless there are sufficient deferred tax liabilities. Accordingly, realization of a value above the IFRS carrying amount is conceivable for estimating the future taxable income, if there is adequate proof that that is probable.

The changes must be applied retrospectively to fiscal years beginning on or after January 1, 2017. Voluntary early adoption – subject to a still outstanding endorsement – is permitted. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets": Clarification of Acceptable Methods of Depreciation and Amortization
The amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" adopted on May 12, 2014, contain guidelines on the methods to be applied for depreciation of property, plant and equipment and for amortization of intangible assets. According to them, the revenue-based method is not an acceptable method of depreciation and amortization under IAS 16. This also applies refutably and analogously for IAS 38. The regulation on adoption of the amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" by the EU ("endorsement") was published in the Official Journal of the EU on December 3, 2015. These changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture": Bearer Plants
Under the amendments to the IAS 16 and IAS 41 standards published on June 30, 2014, bearer plants, such as grape vines, banana trees and oil palms, will be covered by IAS 16 in future. The regulation on adoption of the amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" by the EU ("endorsement") was published in the Official Journal of the EU on November 24, 2015. These changes must be applied to fiscal years beginning on or after January 1, 2016. Voluntary early adoption is permitted. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IAS 19 "Employee Benefits": Defined Benefit Plans: Employee Contributions
The IASB published an amendment to IAS 19R in November 2013. The amendment adds an option relating to accounting of defined benefit plans to which employees (or third parties) make obligatory contributions to the standard. Taking into account the now published amendment to IAS 19R, it is acceptable to continue to recognize employee contributions that are related to service and not to the number of years of service in the period in which the corresponding service is performed, without following the described method of calculation and distribution using the projected unit credit method. The regulation on adoption of the amendments to IAS 19R (2011) by the EU ("endorsement") was published in the Official Journal of the EU on January 9, 2015. The changes must be applied to fiscal years beginning on or after February 1, 2015. Voluntary early adoption is permitted. Their first-time application will probably have no effects on the consolidated financial statements.

Amendment to IFRS 27 "Separate Financial Statements": Equity Method in Separate Financial Statements of an Investor
The amendments to IAS 27 "Separate Financial Statements" published on 12, 2014, readmits the application of the equity method as an option for carrying interests in subsidiaries, associated companies and joint ventures in the separate financial statements of an investor. There is still (as before) the option of recognizing them at amortized acquisition cost or in accordance with IAS 39 or IFRS 9. The regulation on adoption of the amendments to "IAS 1 – Presentation of Financial Statements" by the EU ("endorsement") was published in the Official Journal of the EU on December 23, 2015. The changes come into effect for fiscal years beginning on

or after January 1, 2016. Voluntary early adoption is permitted. Their first-time application will have no 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. The revised IFRS 9 now also contains regulations on a new measurement category for fair value through other comprehensive income (FVOCI) and impairment of financial instruments. The adoption of IFRS 9 also superseeds its previous versions (Classification and Measurement: Financial Assets and Liabilities; Hedge Accounting) and its predecessor standard IAS 39.

Upon initial recognition, financial assets are to be categorized as measured at "fair value through profit or loss" or at "amortized cost" This classification is dependent on the company's business model and the contractual terms of the financial asset. The new measurement category FVOCI introduced with the final standard can be used for specific financial assets if the assets are held with the objective of collecting the contractually agreed cash flows and to sell the assets (holding and selling business model) and the contractual cash flows from the assets are solely repayments of principal and interest payments (cash flow criterion). If both conditions are met, a debt instrument must always be measured at FVOCI, unless the fair value option is applied at the time of the asset's initial recognition.

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

There is the irrevocable possibility of applying an FVOCI option for equity instruments provided the respective instruments are not held for trading. The amounts recognized in other comprehensive income are not transferred to the income statement for these instruments (no recycling).

The classification of financial liabilities has not changed compared with IAS 39. Only the regulations relating to a change to the own credit risk for financial liabilities measured at fair value using the fair value option have changed. They have to be recognized in the other comprehensive income.

The new regulations in IFRS 9 on recognition of impairment losses are based on providing for anticipated losses (expected loss model), a deviation from the previous model of losses that had already occurred (incurred loss model). Both models differ in that the expected loss model includes anticipated losses where there are no concrete loss indicators, whereas losses may only be included in the incurred loss model if there are already concrete loss indicators.

Consequently, a risk provision for expected payment losses must now generally be formed in accordance with IFRS 9. In order to determine the extent of provisions for risks, there is a three-steps model under which following the initial recognition generally the expected losses for the following 12 month period have to be recognized, and, in the event of a significant deterioration in the credit risk, the anticipated total losses are to be recognized.

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. IFRS 9 provides a more flexible possibility for designating hedged items, under which individual components, net positions and aggregated positions (including derivatives) can be hedged. Furthermore Individual components of non-financial items can also be designated provided they are separately identifiable and reliably measurable.

With the exception of equity instruments for which the FVOCI option has been exercised, IFRS 9 basically permits any type of non-derivative financial instrument to be designated as a hedging instrument if those financial instruments are measured at fair value.

Effectiveness is assessed solely on a prospective basis in accordance with IFRS 9. The economic relationship between the hedged item and the hedging instrument is the main criterion for measuring effectiveness. The credit risk and hedge ratio are also analyzed.

The new standard must be applied to fiscal years beginning on or after January 1, 2018. Generally IFRS 9 must be applied retrospectively; however, various simplification options are granted. They can be applied before then voluntarily. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendment issued on September 11, 2014, eliminates an existing inconsistency between IFRS 10 and IAS 28 in relation to the question of complete (IFRS 10) or proportionate (IAS 28) recognition of gains if an investor sells assets in one of its associated companies or joint ventures (or contributes assets to such entities).

The changes should be applied prospectively as of January 1, 2016. However, the IASB specified in December 2015 that the mandatory first-time-adoption date can be postponed for an indefinite period, as proposed in an exposure draft published in August 2015. However, voluntary early adoption of the regulations is still acceptable. The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" have not been endorsed by the EU, accordingly they are not yet applicable to entities that report in accordance with IFRS as adopted by the EU.

Amendment to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures": Investment Entities – Applying the Consolidation Exception

The change to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures" adopted on December 18, 2014, comprises minor changes to these standards. In particular, it deals with various questions relating to exemption from the consolidation obligation under IFRS 10 if the parent company meets the definition of an "investment entity".

These changes must be applied to fiscal years beginning on or after January 1, 2016. Voluntary early adoption is permitted. Any effects on the consolidated financial statements are still being examined at present.

Amendment to IFRS 11 "Joint Arrangements": Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 "Joint Arrangements" adopted on May 6, 2014, contain additional guidelines on the question of how an acquisition of interests in joint operations is to be recognized. The amendments clarify that an acquisition of interests in a joint operation that constitutes a business within the meaning of IFRS 3 "Business Combinations" must be recognized in accordance with the provisions of IFRS 3 (purchase method of accounting) and other relevant standards, such as IAS 12, IAS 38 and IAS 36.

The regulation on adoption of the amendments to "IFRS 11 – Joint Arrangements" by the EU ("endorsement") was published in the Official Journal of the EU on November 24, 2015. The changes must be applied prospectively to the acquisition of interests in fiscal years beginning on or after January 1, 2016. Voluntary early adoption is permitted. Their first-time application will probably have no effects on the consolidated financial statements.

IFRS 14 "Regulatory Deferral Accounts"

The standard introduces an optional exemption for first-time adopters in accordance with IFRS 1 with which, subject to restrictive conditions, these companies can continue the recognition of regulatory deferral accounts from price regulation on the basis of their existing accounting principles. The new standard is intended as an interim solution until there are final extensive provisions on accounting of rate-regulated activities. As part of the extensive project, a discussion paper was published in September 2014 as part of the ongoing IASB research project. The EU's endorsement process was not carried out by the EU commission for the interim standard IFRS 14, since a decision was taken to wait for the final standard. Voluntary early adoption of the regulations is permitted. It is still open as to when the regulations can be expected to be endorsed by the EU. First-time adoption of the regulations will not have any effects on the consolidated financial statements, since their application is only envisaged for first-time adopters of IFRSs and companies that already report using IFRSs are exempted from applying it.

IFRS 15 "Revenue from Contracts with Customers"

On May 28, 2014, the IASB published the long-awaited standard on revenue recognition. IFRS 15 "Revenue from Contracts with Customers" establishes a consistent set of rules for all questions of recognizing revenue from contracts with customers. The regulations in IFRS 15 must be applied consistently to different transactions and across all industries. The only exception is contracts that are covered by the scope of IAS 17 “Leases”, IAS 27 “Separate Financial Statements”, IAS 28 “Investments in Associates and Joint Ventures”, IFRS 4 “Insurance Contracts”, IFRS 9 “Financial Instruments”, IFRS 10 “Consolidated Financial Statements” and IFRS 11 “Joint Arrangements”. This standard supersedes the existing standards and interpretations on revenue recognition (IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programs”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets from Customers” and SIC-31 “Revenue – Barter Transactions Involving Advertising Services”).

IFRS 15 contains particularly extensive regulations on recognition of revenue from contracts with different service components (multi-component contracts). Under these regulations, revenue must be recognized if the customer has obtained control of the agreed goods and services and can obtain benefits from them. The revenue must be measured at the amount of consideration which an entity expects to receive. The new model envisages a five-step framework to determine revenue recognition, under which the customer contract and the separate performance obligations in it must first be identified. The transaction price for the customer contract must then be determined and allocated to the individual performance obligations. Finally, under the new model, revenue to the amount of the allocated pro-rata transaction price must be recognized for each performance obligation, as soon as the agreed obligation has been satisfied or the customer has obtained control of it. A distinction must be made here – on the basis of defined criteria – between whether the performance obligation is satisfied at a point in time or over time. The new standard does not differentiate between different types of contract and performance, but defines uniform criteria on when performance has to be recognized as being at a point in time or over time. In addition, IFRS 15 expands existing disclosure requirements and introduces extensive qualitative and quantitative disclosures on contracts with customers, the main discretionary decisions and subsequent changes to them, and assets resulting from capitalized costs for obtaining or fulfilling contracts with customers so as to provide more useful information for decision-making for the target audience of the financial statements.

In July 2015, the IASB published the exposure draft ED/2015/6, which envisages clarification of the following issues in IFRS 15:

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

In September 2015, the IASB also published an amendment to the standard, under which the mandatory date of first-time adoption of the standard is postponed to fiscal years beginning on or after July 1, 2018. Voluntary early adoption of the regulations is permitted. The effects of the new standard on the consolidated financial statements are still being examined at present.

IFRS 16 “Leases”

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

Under the new regulations, the lessee must prospectivly recognize all leases in the balance sheet in the form of a right of use and corresponding lease liability. They are presented in the income statement as a financing transaction, i.e. the right of use is regularly amortized using the straight-line method and the lease liability amortized using the effective interest method. Only leases with a total maximum term of twelve months and leases for low-value assets (IT equipment and operating and office equipment with a value when new of up to USD 5,000, if they are not closely linked to other assets) are exempted from being recognized in the balance sheet. In these cases, the lessee can elect to recognize the assets in a similar way as for the previous operating lease under IAS 17 “Leases”.

The new standard does not contain any major changes for lessors. The IASB has adopted the regulations of IAS 17 for lessors in the new standard almost without any changes. As a result, the lessor still classifies every lease from the aspect of risk and reward, for the purpose of both financial statement presentation and recognition in the income statement. As a result, there is no longer a corresponding accounting treatment between the lessor and lessee.

In addition, the IASB has established the control principle established in IFRS 10 “Consolidated Financial Statements” and IFRS 15 “Revenue from Contracts with Customers” in IFRS 16 “Leases”. Accordingly, a contract will prosprectivly constitute a lease, if fulfillment of the contract depends on use of an identified asset and the contract also gives the customer the right to control the use of that asset.

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

Subject to its EU endorsement, IFRS 16 must be applied for the first time to fiscal years beginning on or after January 1, 2019. It can be implemented earlier, but that requires simultaneous application of the revenue recognition regulations in IFRS 15. The effects of the new standard on the consolidated financial statements are still being examined at present.

Annual Improvement Project (AIP) – Annual improvements to IFRSs, 2010-2012 cycle (“Improvements to IFRS”)
Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after February 1, 2015. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

Annual Improvement Project (AIP) – Annual improvements to IFRSs, 2012–2014 cycle (“Improvements to IFRS”)
Most of the changes relate to clarifications or corrections to existing International Financial Reporting Standards (IFRSs) or amendments due to changes previously made to the IFRSs. The changes must be applied to fiscal years beginning on or after January 1, 2016. They can be applied before then. Their first-time application will probably have no significant effects on the consolidated financial statements.

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

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

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

Offsetting of assets and liabilities

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

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

Currency translation

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

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

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

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

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

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

Consolidation principles

Subsidiaries are all companies that are controlled by the Group. The Group controls an associated company if it has power of disposition over the company, there is a risk exposure as a result of or rights to variable returns from its engagement in the associated company and the Group has the ability to use its power of disposal over the company so as to influence the level of the variable returns from the associated company. This is usually accompanied by a share of the voting rights of more than 50%. In assessing whether a company is controlled, the existence and impact of potential voting rights that can be exercised or are convertible at present are taken into account. Subsidiaries are included in the consolidated financial statements by way of full consolidation. They are included from the date on which control has passed to the Group and are no longer included where the Group does not have control over them.

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

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

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

The Group renounces the elimination of intercompany profits in inventories and noncurrent assets since the amounts that would result are of minor importance.

Company acquisitions

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

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

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

Non-controlling interests are measured at their share proportionate to the identifiable and revalued net assets of the subsidiary. Any contingent considerations are measured at fair value at the time of acquisition. Subsequent changes to the fair value of a contingent consideration classified as an asset or liability are measured in accordance with IAS 39 and any resultant profit or loss is recognized either in profit or loss or in the other comprehensive income. A contingent consideration classified as equity is not re-measured and its later settlement is recognized in equity.

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

Intangible assets – Goodwill

Goodwill from business combinations is not amortized, but is tested for impairment at least once a year in accordance with the regulations of IAS 36 (impairment test). euromicron tests goodwill for impairment every year at December 31 of the respective year. An impairment test is also conducted if there are indications or circumstances (triggering events) indicating that there may be an impairment.

In the impairment test, the carrying amount of each cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. The carrying amount of a CGU is determined by addition of the assets minus the associated liabilities. The recoverable amount is the higher of its fair value less costs of retirement and value in use of a CGU. Since 2015, the fair value less costs of retirement has been used for the purposes of the impairment test at the euromicron Group. The fair value is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC). The value in use was applied in impairment tests conducted before fiscal 2015.

In order to determine the fair value less costs of retirement, for the groups of cash-generating units, cashflows for the next five years were forecast on the basis of past experience, current operating results and management’s best-possible assessment of future developments, as well as on market assumptions. The sales planning is geared to the sales pipeline and the analyzed potentials for new and existing customers. In its multi-year approach, management is essentially oriented toward the potentials and anticipated individual developments of the addressed markets. The anticipated effects of measures by government and public authorities in the field of infrastructure are also taken into account if they can be adequately foreseen. The variable costs mainly change in line with the anticipated development of sale volumes and purchase prices. The planning figures are updated for subsequent years using a long-term growth rate of 1%. The fair value determined for the groups of cash-generating units was assigned to level 3 in the hierarchy of fair values.

Other intangible assets

The other intangible assets comprise concessions, industrial and similar rights, brand names, capitalized development costs and self-developed software. Other intangible assets are recognized at cost and amortized using the straight-line method, on the basis of the following useful lives: TABLE 023

Useful lives of other intangible assets **023**

	Useful life in years
Concessions, industrial and similar rights	3–10
Brand names	10–25
Capitalized development costs	3–6
Self-developed software	4–8

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

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

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

Research expenditure – where incurred – is recorded as an expense, but is not material in the euromicron Group.

Property, plant and equipment

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

Property, plant and equipment is depreciated using the straight-line method, on the basis of the following useful lives: TABLE 024

Useful lives of property, plant and equipment **024**

	Useful life in years
Land and buildings	10–40
Technical equipment and machinery	3–15
Other equipment, operating and office equipment	3–16

Financing costs are capitalized as in accordance with IAS 23 if they are directly attributable to a qualifying asset. This relates to assets for which borrowing costs can be directly attributed to the acquisition or production of a qualifying asset and for which a considerable period of usually more than twelve months is required to get ready for its intended use or sale. There were no capitalized borrowing costs in accordance with IAS 23 in the current or the previous fiscal year.

Impairment of noncurrent assets

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

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

Leasing

If, in accordance with IAS 17, the lessee bears the main risks and reward in relation to leased assets, economic ownership is assingned to the lessee ("finance lease"). In the case of the assets leased by the euromicron Group, the leased asset under a finance lease is recorded upon its initial recognition at the lower of its fair value or the present value of the minimum lease payments. Capitalized leased assets are depreciated using the straight line method over their scheduled useful lives or over the lease agreement's term. The corresponding liability to the lessor is recognized at the same amount under "Liabilities from finance lease" upon initial recognition and amortized by means of the effective interest method.

If the main risks and rewards from a lease remain with the lessor, this constitutes an operating lease. Payments in connection with an operating lease are recognized in the income statement on a straight-line basis over the term of the lease.

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

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

Inventories

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

Construction contracts

The euromicron Group's portfolio includes project companies that report project and installation services running beyond the key date in their balance sheet. Sales and earnings for projects that run beyond the key date and whose costs and pro-rata profit can be clearly identified are recognized using the percentage of completion (PoC) method in accordance with IAS 11. The input-oriented cost-to-cost method is used to determine the percentage of completion, which is calculated by comparing the contract cost incurred at the respective balance sheet date to the total contract cost. In general, only contract cost that reflect the progress of the service are included in these costs. The project progress at the respective balance sheet date and the recognition of revenues is determined based on the cost and contribution margin budgeting for each project. Management of the project companies regularly examines the estimates of the project contracts, including potential default risks and the costs still to be incurred in the project, which are required to be estimated properly in order to determine the overall success of a project with sufficient reliability. The PoC sales revenues determined using the cost-to-cost method are derived from the contract costs incurred up to the balance sheet date plus a pro-rata profit.

The balances of projects running beyond the key date are reported in the separate balance sheet items “Gross amount due from customers for contract work” and “Gross amount due to customers for contract work”. They are presented net of the partial settlements covered by the services provided up to the key date.

Financial assets

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

a) At fair value through profit or loss,

b) Loans and receivables,

c) Held to maturity investments and

d) Available for sale.

The classification depends on the purpose for which the respective financial asset was acquired. Management defines the classification of financial assets upon initial recognition.

The euromicron Group has financial assets in the categories “Loans and receivables” and “Available for sale” at the balance sheet date.

Financial assets in the “Available for sale” category are initially recognized at their fair value. Related transaction costs are recognized in profit or loss in the case of equity instruments. After initial recognition, financial assets in the category “Available for sale” are measured at fair value. Changes in the fair value of financial assets in the “Available for sale” category are generally recognized under “other comprehensive income” (OCI), unless a sustainable impairment is determined.

If securities classified as “Available for sale” are sold, the accumulated changes in fair value previously recognized under other comprehensive income are recognized in the income statement.

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

Financial assets are derecognized if the rights to payments from the financial assets have expired or been transferred and the Group has essentially transferred all risks and rewards attached to ownership of them.

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents are measured at nominal value.

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

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

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

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

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

Equity
Equity comprises the shares in euromicron AG. There are no preference shares or shares with a mandatory repayment of the nominal amounts.

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

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

Liabilities

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

When recognized for the first time, liabilities are measured at fair value. Current liabilities are measured at their repayment amount or settlement amount. Long-term debt is measured at its amortized cost. The amortized costs are determined using the effective interest method.

Financial liabilities

Financial liabilities can basically be split into two categories:

a) Financial liabilities at fair value through profit or loss;

b) Other financial liabilities measured at amortized cost using the effective interest method.

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

Provisions for pensions and similar obligations

There are defined benefit and defined contribution pension schemes at the euromicron Group. A defined contribution scheme is a pension scheme where the Group pays fixed contributions to a company (fund) that is not part of the Group. The Group has no legal or factual obligation to pay additional contributions if the fund does not contain sufficient assets to settle the pension entitlements of all employees from the current and previous fiscal years. A defined benefit scheme is a scheme that is not a defined contribution scheme.

Typically, defined benefit schemes prescribe an amount for the pension benefits which the employees will receive when they retire and which is usually dependent on one or more factors (age, length of service and salary).

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

The current service costs reflects the increase in the benefit obligation earned by employees in the period under review. If it is not capitalized, it is presented under "Personnel costs" in the income statement.

Past service costs are recognized immediately in the income statement.

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

New valuations due to experience adjustments and changes to actuarial assumptions are recognized in equity under other comprehensive income in the period in which they occur.

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

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

Sales
In accordance with IAS 18, sales revenues are recognized on transfer of risk or performance of the service, and are stated net of discounts, customer bonuses and rebates and excluding value-added tax.

3. Discretionary decisions and uncertainties in estimates

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

Predictive estimates and assumptions are essentially made for the following:

- Measurement of goodwill: €108,217 thousand (previous year: €113,479 thousand)

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

- Measurement of capitalized development costs: €8,594 thousand (previous year: €9,572 thousand)

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

- Payment of income taxes (claims for refunds (+) and income tax liabilities (–) netted off): € –1,736 thousand (previous year: € –1,807 thousand)

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

- Gross amount due from customers for contract work €47,480 thousand (previous year: €52,070 thousand)

- Gross amount due to customers for contract work €851 thousand (previous year: €0 thousand)

- Use of the percentage of completion methods demands in particular estimates of the anticipated total costs and revenues for production contracts. We refer in this regard to the notes on the consolidated balance sheet (sections 4 and 8) and the notes on the consolidated income statement (section 11).

- Measurement of the other provisions (short- and long-term): €3,883 thousand (previous year: €3,660 thousand)

  Measurement of the other provisions is based in particular on their amount, the likelihood of their being utilized and the time they are utilized. We refer in this regard to the notes on the consolidated balance sheet (section 7.a).

- Measurement of provisions for pensions: €1,255 thousand (previous year: €1,194 thousand)

  The present value of the pension obligations depends on a large number of factors that are based on actuarial assumptions. We refer in this regard to the notes on the consolidated balance sheet (section 7.b).

- Measurement of deferred taxes (surplus of deferred tax liabilities over deferred tax assets): €5,486 thousand (previous year: €5,992 thousand). We refer in this regard to the notes on the consolidated balance sheet (sections 2 and 9).

CONSOLIDATED COMPANIES

1. Companies included in the consolidated financial statements

The euromicron Group is made up of euromicron AG and 22 companies to be consolidated (previous year: 26). euromicron AG directly or indirectly holds the majority of voting rights in all the associated companies and so controls them. euromicron AG holds the majority of voting rights in all the companies included in the consolidated financial statements, so that no significant discretionary decisions and assumptions were necessary to include them in the consolidated group. All companies are included in the consolidated financial statements by way of full consolidation.

With the notarized agreement dated August 3, 2015, euromicron systems GmbH and euromicron networks GmbH were merged with euromicron solutions GmbH effective January 1, 2015. The merger was entered in the commercial register on September 4, 2015. At the same time, euromicron solutions GmbH was renamed euromicron Deutschland GmbH.

With the notarized agreement dated August 3, 2015, euromicron international services GmbH was also merged with euromicron AG effective January 1, 2015. The merger was entered in the commercial register on August 14, 2015.

In addition, with the notarized agreement dated August 19, 2015, Qubix distribution GmbH was merged with euromicron austria GmbH effective January 1, 2015. The merger was entered in the commercial register on September 19, 2015.

These mergers within the Group reduced the number of companies included in the consolidated financial statements from 26 to 22. Of these companies, 14 (previous year: 17) are based in Germany and 8 (previous year: 9) in other European countries.

There were the following changes to the consolidated companies apart from euromicron AG as of December 31, 2015: TABLE 025

Number of consolidated companies 025

	2015	2014
January 1	26	27
First-time consolidation	0	0
Mergers within the Group	–4	–1
December 31	22	26

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

2. Acquisition of companies and divisions

In fiscal 2015 there were no changes to the consolidated companies due to newly established companies or significant acquisitions of subsidiaries and other business units in accordance with IFRS 3. Only one business establishment was acquired by way of an asset deal.

Acquisition of the business operations of Auvida GmbH by euromicron solutions GmbH (asset deal)
Under the notarized purchase agreement dated March 4, 2015, euromicron solutions GmbH acquired the business operations of Auvida GmbH (which was in insolvency proceedings) by way of an asset deal. The date of acquisition was March 1, 2015. euromicron solutions GmbH acquired the business operations at a total purchase price of €190 thousand. The goodwill of €71 thousand resulting from the difference between the total purchase price and the provisionally measured net assets of €119 thousand is mainly attributable to the well-trained workforce in the field of communications technology. We expect tax-deductible goodwill to the same amount. No incidental costs were incurred in connection with the acquisition. Ten employees were taken over. The earnings and sales of the business operation cannot be identified reliably for the period in which it was part of the Group (from March 1 to December 31, 2015), since the sales attributable to the acquired assets cannot be ascertained separately from the sales of euromicron solutions GmbH or euromicron Deutschland GmbH. The acquisition had no effect on the consolidated companies. It enables the euromicron Group to build its expertise in the field of video technology.

3. Disclosures on company acquisitions from previous years

ATECS AG, Zug/Switzerland and Secure Information Management GmbH, Neustadt an der Weinstraße
The cash price for the 80% stake in ATECS AG, Zug/Switzerland (referred to as ATECS AG in the following) and the 80% stake in Secure Information Management GmbH, Neustadt an der Weinstraße (referred to as SIM GmbH in the following), which were both acquired effective December 20, 2013, was paid in fiscal 2014. The cash price totaled €8,000 thousand, of which €6,400 thousand was for the 80% stake in ATECS AG and €1,600 thousand for the 80% stake in SIM GmbH.

As part of these share acquisitions, agreements on additional purchase price payments if contractually defined targets are reached were also concluded. Under the agreement, a further purchase price of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH was payable if the cumulated EBIT of ATECS AG and SIM GmbH exceed a firmly agreed amount in fiscal 2014. This threshold was surpassed for fiscal 2014, resulting in a corresponding payment obligation in fiscal 2015, which was settled in May 2015. A further purchase price payment of €800 thousand for the acquired shares in ATECS AG and of €200 thousand for the acquired shares in SIM GmbH is due if the cumulative EBIT of these two companies also surpasses the agreed amount in 2015. This threshold was not reached in fiscal 2015, with the result that at the end of the year the corresponding liabilities from the (conditional) purchase price payment, which had a present value totaling €999 thousand (SIM: €200 thousand; ATECS: €799 thousand) at December 31, 2015, were dissolved, giving other operating income to the same amount.

The minority shareholders also obtained a preemptive right to tender the remaining 20% of the shares and euromicron AG an identical option to purchase them; this can be exercised for a minority interest of 10% in the period from October 1 to December 31, 2014 (in each case effective January 1, 2015) and for a further minority interest of 10% in the period from October 1 to December 31, 2015 (in each case effective January 1, 2016). The option involves a firmly agreed purchase price of in each case €800 thousand (ATECS AG) and €200 thousand (SIM GmbH) for a 10% minority interest. Due to this put/call option, ATECS AG and SIM GmbH were fully consolidated in the consolidated financial statements of euromicron AG in 2013, the year in which 80% of the shares were acquired in each case.

On January 13, 2015, it was agreed that the existing purchase options for a minority stake of 10% of the shares in ATECS AG and for 10% of the shares in SIM GmbH would be exercised effective January 1, 2015. The purchase price for exercising the options was €800 for the shares in ATECS AG and €200 for the shares in SIM GmbH. The acquisition meant the stake held by euromicron AG in ATECS AG and SIM GmbH was 90% in each case. Due to the fact that the existing purchase options are designated as opposite put/call options that resulted in full consolidation of both companies in December 2013 following acquisition of 80% of the shares in them, the purchase price obligation of €1,000 thousand resulting from exercise of the options was already recognized under “Other current financial liabilities” in the financial statements at December 31, 2014.

The amount of the liabilities from preemptive rights discounted to the present value was €1,000 thousand at December 31, 2015 (previous year: €1,998 thousand), of which €800 thousand (previous year: €1,598 thousand) is for ATECS AG and €200 thousand (previous year: €400) for SIM GmbH. These liabilities from preemptive rights are recognized with an amount of €0 thousand (previous year: €998 thousand) under “Noncurrent financial liabilities” and to an amount of €1,000 thousand (previous year: €1,000 thousand) under “Current financial liabilities”. As regards the preemptive right of the minority shareholders and the identical purchase option of euromicron AG, which could be exercised between October 1 and December 31, 2015, the parties agreed an extension under which the options and preemptive rights can be exercised between February 15 and February 29, 2016, effective March 31, 2016. There were no significant discounting effects from this extension.

MICROSENS GmbH & Co. KG, Hamm

As part of the acquisition of 80% of the shares in MICROSENS GmbH & Co. KG, Hamm, in 2006, the minority shareholders obtained a preemptive right to tender the remaining 20% and euromicron AG an option to purchase them. As a result of the mutual put/call options, this company was fully consolidated. The option comprised a fixed purchase price and a conditional purchase price component.

euromicron AG exercised its option to acquire 10% of the shares in fiscal 2012. Following an extension in fiscal 2012, the option on the remaining 10% of the shares was able to be exercised no earlier than January 1 and no later than December 31, 2014.

Under the agreement dated December 19, 2014, euromicron AG exercised its option to acquire half the remaining shares (5%). The liability from preemptive rights recognized in previous years from the combined put/call option was allocated to a pro-rata amount of €50 thousand to a conditional purchase price component. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 (in its 2004 version), the €50 thousand from the conditional purchase price component, which did not have to be paid due to the fact that the targets were not achieved, were treated as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition in fiscal 2014 was reduced by that amount. The purchase price obligation from exercise of half the option in 2014 was €451 thousand at December 31, 2014, and was recognized under “Current financial liabilities”. These obligations were settled in the first quarter of 2015.

At the same time as exercise of half the option in 2014, the period for exercising the preemptive right and the purchase option relating to the remaining 5% stake held by the minority shareholders was extended until December 31, 2017. The option can now be exercised on January 1, 2017, at the earliest and on December 31, 2017, at the latest. According to the contractual arrangements, the purchase price must be increased by up to €50 thousand if a defined EBIT is exceeded in the fiscal years 2016 to 2017. The present value of this liability from preemptive rights (fixed purchase price plus the conditional purchase price component) at December 31, 2015, is €474 thousand (previous year: €462 thousand) and is recognized under “Noncurrent financial liabilities”. As a result of interest accrued on this liability, there were interest expenses of €12 thousand in fiscal 2015 (previous year: €20 thousand)

List of companies included in the consolidated financial statements 026

	Share in capital in %
Parent company	
euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main, Germany	
Consolidated subsidiaries	
telent GmbH – ein Unternehmen der euromicron Gruppe, Backnang, Germany	100.00
RSR Datacom GmbH & Co. KG, Essen, Germany	100.00
RSR Datacom Verwaltungs GmbH, Essen, Germany	100.00
ProCom Professional Communication & Service GmbH, Essen, Germany	100.00
euromicron austria GmbH, Seekirchen, Austria	100.00
ATECS AG [2], Zug, Switzerland	90.00
Secure Information Management GmbH [2], Neustadt an der Weinstraße, Germany	90.00
euromicron Deutschland GmbH, Neu-Isenburg, Germany	100.00
Stark- und Schwachstrommontage GmbH, Hamburg, Germany	100.00
MICROSENS GmbH & Co. KG [1], Hamm, Germany	95.00
MICROSENS Sp.z.o.o. [1], Wroclaw, Poland	95.00
Microsens Beteiligungs GmbH [1], Hamm, Germany	95.00
EUROMICRON Werkzeuge GmbH – ein Unternehmen der euromicron Gruppe –, Sinn-Fleisbach, Germany	100.00
LWL-Sachsenkabel GmbH-Spezialkabel und Vernetzungstechnik, Gornsdorf, Germany	100.00
ELABO GmbH – ein Unternehmen der euromicron Gruppe, Crailsheim, Germany	100.00
Qubix S.p.A., Padua, Italy	90.00
SKM Skyline GmbH, Munich, Germany	100.00
Avalan GmbH – ein Unternehmen der euromicron Gruppe, Spiesen-Elversberg, Germany	100.00
euromicron NBG Fiber Optics GmbH, Gmünd, Austria	100.00
WCS Fiber Optic B.V., Amersfoort, Niederlande	100.00
euromicron benelux S.A., Ellange, Luxembourg	100.00
euromicron holding gmbh, Seekirchen, Austria	100.00

[1] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 5% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes.

[2] Due to an existing opposite put/call option on the preemptive right or acquisition of the remaining 10% stake, 100% of the shares must be economically ascribed to euromicron AG for consolidation purposes (see also section 30 “Significant events after the balance sheet date”).

NOTES ON THE CONSOLIDATED BALANCE SHEET

The decision taken at the end of September 2015 to discontinue the business operations of the subsidiaries Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of the fiscal year meant there was a triggering event for the groups of CGUs within the meaning of IAS 36.12(f). At the time of the impairment test that was conducted, the business activities were still pooled in the North and South Segments and, for supra-regional activities, in the WAN services Segment. The groups of cash-generating units System Houses and Production Companies have developed within the North and South segments; the group of CGUs Distributors also exists in the South segment alongside the groups of cash-generating units System Houses and Production Companies, whereas the WAN services segment constitutes its own CGU group. Since both Avalan GmbH and euromicron NBG Fiber Optics GmbH were assigned to CGU 3 “System Houses South”, the goodwill for the affected CGU was tested for impairment. In the impairment test, the carrying amount of the affected cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount. We refer you to section 1 (a) for further disclosures.

Appropriate impairment tests were previously carried out for the individual companies, i.e. Avalan GmbH and euromicron NBG Fiber Optics GmbH. These revealed write-downs on intangible assets totaling €317 thousand, on property, plant and equipment totaling €80 thousand, and on inventories to the net realizable value of €651 thousand.

Property, plant and equipment was written down to an amount of €55 thousand and inventories were written down only to an amount of €168 thousand in the interim financial statements at September 30, 2015, due to a simplified approach.

1. Fixed assets

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

a) Intangible assets

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

Goodwill

Goodwill developed as follows in the fiscal year:

TABLE 027

Goodwill 027

	2015	2014
	€ thou.	€ thou.
Goodwill at January 1	113,479	113,529
Additions	71	0
Disposals	−5,333	−50
Goodwill at December 31	108,217	113,479

The addition in goodwill was due to the acquisition of the business operations of Auvida GmbH by way of an asset deal (see section 2 “Acquisition of companies and divisions”). The disposals of goodwill result from the goodwill write-downs in the CGU 3 “System Houses South” in fiscal 2015.

Goodwill impairment test

The decision taken at the end of September 2015 to discontinue the business operations of the subsidiaries Avalan GmbH and euromicron NBG Fiber Optics GmbH effective the end of the fiscal year meant there was a triggering event for CGU 3 “System Houses South” within the meaning of IAS 36.12(f).

A impairment test on the goodwill of CGU 3 “System Houses South” was therefore conducted at September 30, 2015. In the impairment test, the carrying amount of the affected cash generating unit (CGU) to which goodwill is allocated is compared with its recoverable amount.

The goodwill was allocated to the CGUs as follows at the time the impairment test was conducted: TABLE 028

Allocation of goodwill to CGUs at September 30, 2015 028

	2015
	€ thou.
CGU 1 System Houses North	18,616
CGU 2 Production Companies North	19,086
CGU 3 System Houses South	35,401
CGU 4 2 Production Companies South	12,653
CGU 5 Distributors South	5,688
CGU 6 WAN services	22,106
	113,550

The impairment test for CGU 3 “System Houses South” is based on the following main planning and measurement assumptions:

The planning for fiscal 2016 envisages a decline in sales of around 2.5%, mainly attributable to the loss of sales from the strategically irrelevant divisions that were closed in 2015. The medium-term planning for the years 2017 to 2020 is based on annual sales growth between 6.5% and 11.5%. The EBIT margin is still budgeted to be negative for 2016 at –1.7% and will increase moderately each year in subsequent years up to 2020 to 6.2%.

Since individual business risks have already been taken into account in preparing the budgeting for the respective CGUs and will reduce the derived free cash flow, the following parameters were applied uniformly to all CGUs for calculating the WACC for the impairment test at September 30, 2015: TABLE 029

Interest assumptions in the impairment test at September 30, 2015 029

	2015	2014
Borrowing rate after taxes	1.70%	1.52%
Risk-free interest	1.15%	1.17%
Markup for return on equity	7.68%	6.26%
Beta factor	1.09	1.04
Ratio of outside capital to equity	14.56%	15.06%
Weighted average cost of capital (WACC)	**6.92%**	**6.65%**
Growth rate	**1.00%**	**1.00%**
WACC perpetuity	**5.92%**	**5.65%**

As a result of the impairment test conducted at September 30, 2015, goodwill in CGU 3 “System Houses South” was written down to an amount of €5,332 thousand. This is presented in the statement of comprehensive income for the euromicron Group under the item “Impairment of goodwill”.

An additional €4,703 thousand would have to be written down for the CGU 3 “System Houses South” if the weighted average cost of capital (WACC) were to rise by 0.5 percentage points to 7.42%. A 0.5% reduction in the sustained sales growth rate in perpetuity of 1% would mean an additional €2,544 thousand would need to be written down. In addition, a decline in the planned EBITDA margin of 0.5 percentage points over the whole planning period (including perpetuity) would mean an additional €5,855 thousand would need to be written down.

Impairment of just €1,818 thousand was recognized in the interim financial statements at September 30, 2015, due to a simplified method of calculation.

The euromicron Group realigned its organizational and reporting structures effective October 1, 2015. As part of that, the euromicron Group's segment reporting was adjusted in accordance with IFRS 8. In accordance with the reporting, which is based on the new management reporting, the adjustments in the value of the goodwill were assigned to the area "Non-strategic Business Segments" in segment reporting.

The goodwill was – on the basis of relative values (fair value minus retirement costs) – reallocated in accordance with the reorganized reporting structure. The cash-generating units at euromicron are in principle represented by one segment each. That means there will be three groups of cash-generating units in future:

- Smart Buildings
- Critical Infrastructures
- Distribution

The goodwill at the euromicron Group is distributed over these CGUs as follows: **TABLE 030**

Allocation of goodwill to CGUs at December 31, 2015 030

	2015
	€ thou.
Smart Buildings	67,857
Critical Infrastructures	35,129
Distribution	5,231
	108,217

The redistribution did not entail any need to write down the goodwill. As part of a sensitivity analysis, changes to the parameters that were considered possible were simulated stepwise in a model calculation for each of the groups of cash-generating units and examined as to whether there was a need to reduce the value for the group of cash-generating units. This did not reveal any need to do so.

Regardless of any event-driven impairment tests, euromicron conducts the obligatory annual goodwill impairment test at December 31 of the reporting period. This annual impairment test was conducted at the end of fiscal 2015 on the basis of the cash-generating units identified at the end of the year.

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

Planning for the CGU "Smart Buildings" envisages sales growth in the high single-digit percentage range in 2016. Sales are expected to remain flat in 2017; annual sales growth of between around 5% and 8% is assumed for the years 2018 to 2020. The EBIT margin is budgeted to be 5% for 2016 and will increase moderately each year in subsequent years up to 2020 to up to 11%.

Sales for the CGU "Critical Infrastructures" are expected to increase by 6% in the next fiscal year. The anticipated sales growth in the years 2017 and 2020 will be in a range between 4% and 6%. The EBIT margin is budgeted to be 6% for 2016 and will increase moderately each year in subsequent years to 10%.

The planning for the CGU “Distribution” envisages sales growth of 2% to 5% for the years 2016 to 2020. An EBITDA margin of 9% is planned for 2016. It will grow slightly up to 11% in subsequent years.

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

Since individual business risks have already been taken into account in preparing the budgeting for the respective CGUs and will reduce the derived free cash flow, the following parameters were applied uniformly to all CGUs for calculating the WACC for the impairment test at December 31, 2015: TABLE 031

Interest assumptions in the impairment test at December 31, 2015 031

	2015	2014
Borrowing rate after taxes	2.28%	1.52%
Risk-free interest	1.29%	1.17%
Markup for return on equity	6.50%	6.26%
Beta factor	1.08	1.04
Ratio of outside capital to equity	14.42%	15.06%
Weighted average cost of capital (WACC)	**7.01%**	**6.65%**
Growth rate	**1.00%**	**1.00%**
WACC perpetuity	**6.01%**	**5.65%**

The goodwill impairment test at December 31, 2015, did not reveal any need to reduce the value of the goodwill of individual CGUs (previous year: €0 thousand).

Sensitivity analysis

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

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

Other intangible assets

Development costs for self-developed intangible assets of €2,412 thousand (previous year: €2,225 thousand) were recognized in the year under review.

In addition, own work for self-developed software and IT solutions was capitalized to an amount of €215 thousand (previous year: €345 thousand) in the year under review.

Intangible assets were written down to an amount of €859 thousand in the year under review (previous year: €0 thousand). Of these write-downs, €388 thousand (previous year: €0 thousand) were attributable to euromicron AG and mainly related to licenses. In the segment reporting, these write-downs were allocated to the "Central Services" area. Further write-downs totaling €317 thousand (previous year: €0 thousand) were identified as part of the event-driven impairment test and are attributable to the companies Avalan GmbH and euromicron NBG Fiber Optics GmbH. In the segment reporting, these write-downs were allocated to the "Non-strategic Business Segments" area. In addition, write-downs totaling €154 thousand were recognized at companies in the "Smart Buildings" segment in fiscal 2015 (previous year: €0 thousand). This was mainly due to write-downs of capitalized development costs, since certain self-created product groups will no longer be sold in future.

b) Property, plant and equipment

The manufacturing cost of capitalized, self-created property, plant and equipment contains the cost of direct materials and prime costs, as well as attributable overhead costs, and resulted in own work capitalized of €314 thousand in fiscal 2015 (previous year: €47 thousand).

There were write-downs in the current fiscal year to an amount of €116 thousand (previous year: €0 thousand). Of this figure, €80 thousand (previous year: €0 thousand) were identified as part of the event-driven impairment test and are attributable to the companies Avalan GmbH and euromicron NBG Fiber Optics GmbH. In the segment reporting, these write-downs were allocated to the "Non-strategic Business Segments" area. In addition, write-downs of property, plant and equipment totaling €36 thousand were recognized at companies in the "Smart Buildings" segment (previous year: €0 thousand).

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

CHANGES IN THE GROUP'S ASSETS IN 2015

of euromicron Aktiengesellschaft communication & control technology, Frankfurt/Main

Changes in intangible assets and property, plant and equipment in 2015

	Costs				
	Jan. 1, 2015	**Additions**	**Disposals**	**Additions from company acquisitions**	**Reclassi-fication and other**
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,050	0	0	71	0
Intangible assets					
Concessions, industrial and similar rights	29,473	675	–273	77	–1
Brand names	12,530	0	0	0	0
Capitalized development costs	20,110	2,412	–1,021	0	0
Self-developed software	1,616	215	0	0	0
	63,729	3,302	–1,294	77	–1
Property, plant and equipment					
Land and buildings	8,675	190	–6	0	26
Technical equipment and machinery	8,723	1,954	–70	0	–229
Other equipment, operating and office equipment	23,430	2,648	–944	39	204
	40,828	4,792	–1,020	39	1
	225,607	**8,094**	**–2,314**	**187**	**0**

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		Amortization and depreciation					Carrying amounts	
	Dec. 31, 2015	**Jan. 1, 2015**	**Additions**	**Disposals**	**Reclassification and other**	**Dec. 31, 2015**	**Dec. 31, 2015**	**Dec. 31, 2014**
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	121,121	−7,571	−5,333	0	0	−12,904	108,217	113,479
	29,951	−23,444	−2,669	273	80	−25,760	4,191	6,029
	12,530	−8,418	−229	0	0	−8,647	3,883	4,112
	21,501	−10,538	−3,310	1,020	−79	−12,907	8,594	9,572
	1,831	−534	−445	0	0	−979	852	1,082
	65,813	−42,934	−6,653	1,293	1	−48,293	17,520	20,795
	8,885	−3,475	−357	6	−25	−3,851	5,034	5,200
	10,378	−5,735	−799	70	218	−6,246	4,132	2,988
	25,377	−17,497	−2,429	882	−193	−19,237	6,140	5,933
	44,640	−26,707	−3,585	958	−1	−29,334	15,306	14,121
	231,574	**−77,212**	**−15,571**	**2,251**	**0**	**−90,531**	**141,043**	**148,395**

Changes in intangible assets and property, plant and equipment in 2014

	Costs				
	Jan. 1, 2014	Additions	Disposals	Additions from company acquisitions	Reclassi-fication and other
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Goodwill	121,100	0	–50	0	0
Intangible assets					
Concessions, industrial and similar rights	29,284	805	–592	80	–104
Brand names	12,426	0	0	0	104
Capitalized development costs	17,885	2,225	0	0	0
Self-developed software	1,271	345	0	0	0
	60,866	3,375	–592	80	0
Property, plant and equipment					
Land and buildings	7,357	2	–5	0	1,321
Technical equipment and machinery	8,586	182	–45	0	0
Other equipment, operating and office equipment	22,975	2,853	–1,077	0	–1,321
	38,918	3,037	–1,127	0	0
	220,884	**6,412**	**–1,769**	**80**	**0**

033

	Amortization and depreciation					Carrying amounts	
Dec. 31, 2014	Jan. 1, 2014	Additions	Disposals	Reclassification and other	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2013
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
121,050	−7,571	0	0	0	−7,571	113,479	113,529
29,473	−20,994	−3,042	590	2	−23,444	6,029	8,290
12,530	−8,187	−229	0	−2	−8,418	4,112	4,239
20,110	−7,701	−2,837	0	0	−10,538	9,572	10,184
1,616	−275	−259	0	0	−534	1,082	996
63,729	−37,157	−6,367	590	0	−42,934	20,795	23,709
8,675	−3,250	−230	5	0	−3,475	5,200	4,107
8,723	−5,050	−721	36	0	−5,735	2,988	3,536
23,430	−16,147	−2,384	1,034	0	−17,497	5,933	6,828
40,828	−24,447	−3,335	1,075	0	−26,707	14,121	14,471
225,607	**−69,175**	**−9,702**	**1,665**	**0**	**−77,212**	**148,395**	**151,709**

Leased equipment (€2,191 thousand; previous year: €1,692 thousand) and operating and office equipment (€418 thousand; previous year: €577 thousand) were recognized as finance leases with a net carrying amount of €2,609 thousand at December 31, 2015 (previous year: €2,269 thousand). Finance leases are used to fund assets with a useful life of at least three years, such as machinery and production machines to warehouse systems, at the manufacturing companies in the euromicron Group. There was no subleasing at the euromicron Group. See section 8 "Liabilities" for an explanation of the liabilities from financial leases.

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

c) Other noncurrent assets

The table below presents the components of the other noncurrent financial assets: **TABLE 034**

Other noncurrent financial assets 034

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Shares in Track Group Inc. [1]	340	770
Long-term receivables from finance leases	326	0
Rent deposit/deposits by third parties	55	102
Other noncurrent financial assets	12	16
	733	**888**

[1] Operating under the name "SecureAlert Inc." at December 31, 2014

The shares in the listed company Track Group Inc., Utah, U.S., (which operated under the name "SecureAlert Inc." until May 28, 2015) that are presented under "Other noncurrent financial assets" were acquired by euromicron AG in 2009. The stake held in its capital stock on the balance sheet date was 0.61% (previous year: 0.62%). The shares in Track Group Inc. are classified as a financial asset under the category "Available for sale" and are measured at fair value. They were first measured at fair value on the day of trading (€934 thousand). Their carrying amount at December 31, 2014, was €770 thousand and their fair value at December 31, 2015, was €340 thousand. In order to recognize this impairment, a recovery in value (€98 thousand) recognized in the OCI is previous periods was initially reduced in full. The surplus amount (€332 thousand) was recognized as income in the net financial result.

We also refer in this regard to section 6d.) "Gain/loss on the valuation of securities".

The receivables from finance leases are calculated as follows: **TABLE 035 / 36**

Long-term receivables from finance leases 035

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Long-term receivables		
Gross receivables from finance leases	405	0
Financial income not yet realized	–79	0
	326	**0**

Short-term receivables from finance leases 036

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Short-term receivables		
Gross receivables from finance leases	85	0
Financial income not yet realized	–32	0
	53	**0**

The table below shows the reconciliation of gross investments in leases to the present value of the future minimum lease payments: **TABLE 037**

Reconciliation of gross investments in finance leases 037

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Gross receivables from finance leases		
Up to 1 year	85	0
1 to 5 years	338	0
More than 5 years	67	0
	490	**0**
Financial income not yet realized	–111	0
Net investment in finance leases	**379**	**0**

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

d) Other noncurrent assets

The table below presents the components of the other noncurrent assets: TABLE 038

Other noncurrent assets 038

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Other noncurrent assets	61	85

The other noncurrent assets include in particular the corporation income tax credit balance in accordance with Section 37 (4) KStG (German Corporation Tax Act), which is €43 thousand at the balance sheet date (previous year: €60 thousand).

2. Deferred tax assets

Deferred tax assets are calculated on the basis of measurement differences in the following balance sheet items: TABLE 039

Deferred tax assets 039

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Intangible assets	19	129
Inventories	19,833	21,769
Other receivables and other assets	141	128
Provisions	2,531	2,633
Liabilities from finance lease	459	413
Other liabilities	1,130	1,206
Loss carryforwards for corporation income tax/trade tax and income taxes abroad	4,147	2,593
Total deferred tax assets before netting off	**28,260**	**28,872**
Netting off	–28,140	–27,502
Total deferred tax assets after netting off	**120**	**1,370**

There are long-term deferred tax assets (after netting off) totaling €116 thousand (previous year: €841 thousand); they result from deferred tax assets on measurement differences for intangible assets and from deferred tax assets on tax loss carryforwards.

Of the deferred tax assets remaining after netting off and totaling €120 thousand (previous year: €1,370 thousand), no amounts (previous year: €1,340 thousand) are attributable to the Group companies that made a tax loss in fiscal 2015 or the year before (previous year: five Group companies).

The deferred tax assets were recognized on the basis of positive tax budgeting for the respective company. The Executive Board is of the view that it is highly probable that the deferred tax assets can be realized. In accordance with IAS 1.122, this discretionary decision by the Executive Board as regards the accounting method has a significant impact on the financial statements and may be subject to change, depending on future developments.

As of December 31, 2015, the Group had corporation income tax loss carryforwards totaling €45,689 thousand (previous year: €35,082 thousand), trade tax loss carryforwards totaling €34,948 (previous year: €24,600 thousand) and loss carryforwards for income taxes abroad totaling €23,207 thousand (previous year: €21,001 thousand). The loss carryforwards relate to six (previous year: six) domestic holdings and euromicron AG and five (previous year: seven) foreign holdings. These losses may be carried forward without restriction in accordance with the current legal position. The deferred tax rates are 15.825% if only corporation income tax (including solidarity surcharge) is incurred and around 30.0% if trade tax and corporation income tax are incurred. The local rate of income tax applies to foreign companies; it is 25.0% in Austria and 25.5% in the Netherlands.

No deferred tax assets have been formed on existing tax loss carryforwards totaling €78,303 thousand (previous year: €65,275 thousand). Of this, €56,422 thousand (previous year: €45,981 thousand) were for Germany and €21,881 thousand (previous year: €19,294 thousand) for abroad.

3. Inventories

The euromicron Group's inventories on the balance sheet data are broken down as follows: TABLE 040

Inventories 040

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Raw materials and supplies	11,517	12,003
Work in progress	3,946	2,181
Finished goods and merchandise	14,718	13,966
Prepayments	582	874
	30,763	**29,024**

In accordance with IAS 2.34, there were write-downs on inventories totaling €979 thousand (previous year: €379 thousand); the reversals totaled €10 thousand (previous year: €0 thousand).

4. Receivables and other current assets

The receivables and other assets comprise trade accounts receivable, the gross amount due from customers for contract work, claims for income tax refunds, other financial assets and other assets.

The receivables and other assets on the balance sheet date are composed as follows: TABLE 041

Receivables and other current assets 041

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Trade accounts receivable (gross)	36,800	38,394
Allowances for doubtful accounts	−3,552	−4,663
Trade accounts receivable (net)	33,248	33,731
Gross amount due from customers for contract work	47,480	52,070
Claims for income tax refunds	1,496	1,202
Other current financial assets	2,879	2,971
Other current assets	2,304	2,078
	87,407	**92,052**

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

Trade accounts receivable

Trade accounts receivable that have defined terms of payment and are not traded on an active market are classified in the category "Loans and receivables". As in the previous year, all trade accounts receivable at December 31, 2015, were short-term.

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

There were the following changes in the allowances for trade accounts receivable: TABLE 042

Allowances for trade accounts receivable 042

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Balance at the beginning of the period	−4,663	−3,295
Allocation	−726	−1,741
Utilization	1,814	228
Reversals	23	145
Balance at the end of the period	**−3,552**	**−4,663**

Unrecoverable receivables for which no allowances had previously been formed were derecognized to an amount of €53 thousand in 2015 (previous year: €150 thousand) due to events that had an impact on their value. As regards the accounts receivable for which no allowance has been made and that are not overdue at the reporting date, there were no signs at the reporting date that the debtors would not be able to meet their payment obligations.

The table below shows the age structure of the trade accounts receivable for which no allowance has been made on the balance sheet date, along with the net carrying amount of the trade accounts receivable for which an allowance has been made on the balance sheet date: TABLE 043

Trade accounts receivable by times due 043

		Accounts for which no allowance has been made and that are not overdue at the reporting date	Accounts for which no allowance has been made and are overdue in the following periods of time Days					For which an allowance has been made
			< 60	60–120	121–180	181–360	>360	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	Dec. 31, 2015							
Trade accounts receivable	33,248	13,927	9,965	2,898	798	1,120	1,615	2,925
	Dec. 31, 2014							
Trade accounts receivable	33,731	9,464	12,180	3,145	1,990	2,962	711	3,279

The trade accounts receivable include receivables in foreign currency (US$) totaling €5,065 thousand (previous year: €1,155 thousand). If the exchange rate of the euro to the US dollar at December 31, 2015, had been 5% higher, the consolidated net income for the year would have been €218 thousand lower (previous year: €56 thousand lower). However, if the exchange rate of the euro to the US dollar had been 5% lower, the consolidated net income for the year would have been €248 thousand higher (previous year: €57 thousand higher). There is no credit risk at the Group as a result of receivables being concentrated on one or a small number of trade debtors.

The trade accounts receivable include receivables from supplier rebates totaling €402 thousand (previous year: €460 thousand), which may be offset with corresponding trade accounts payable.

Individual companies in the euromicron Group sell some of their receivables from customers to forfaiting companies (buyers of the receivables). The overall program for the Group has a maximum volume of €40,000 thousand (previous year: €40,000 thousand). At December 31, 2015, receivables with a volume of €39,999 thousand (previous year: €39,999 thousand) were sold by the entire Group. In accordance with IAS 39, sold receivables from customers are only derecognized if essentially all opportunities and risks of the sold receivables have been transferred to the buyer of the receivables. The risk of the customer becoming insolvent (risk of nonpayment) is transferred to the buyer of the receivables under the contractual arrangements. euromicron still bears the interest risk from delayed payments by customers. Since virtually all the opportunities and risks do not remain with euromicron and do not pass to the buyer of the receivables, euromicron recognizes the receivables at the amount of the continuing involvement of €187 thousand (previous year: €199 thousand); it is presented under "Other current financial assets". The continuing involvement comprises the maximum amount that euromicron would have had to pay to the buyer of the receivables up to receipt of payment relative to the carrying amount of the receivables sold on the key date. The continuing involvement is offset by an associated liability totaling €199 thousand (previous year: €245 thousand); it is recognized under "Other current financial liabilities". The difference between the asset and liability items reflects the remaining claims from or obligations to the factor from the interest rate guarantee and the administration fees euromicron still has. In accordance with the requirements of IAS 39, the sold receivables are partly derecognized at the balance sheet date; the share remaining as continuing involvement is low compared with the total amount of sold receivables. Interest expenses and charges resulting from the sale of receivables are recognized in the net financial result.

Gross amount due from customers for contract work

The gross amount due from customers for contract work was €47,480 thousand (previous year: €52,070 thousand). The total of accrued costs and reported profits (minus any losses) was €260,326 thousand (previous year: €235,782 thousand).

Sales from production contracts in the year under review were €128,319 thousand (previous year: €137,832 thousand). Payments on account received in connection with production contracts totaled €66 thousand (previous year: €73 thousand); they are recognized under "Other liabilities".

Claims for income tax refunds

Receivables of €872 thousand from creditable capital gains tax due to euromicron AG are presented under "Claims for income tax refunds" in fiscal 2015 (previous year: €0 thousand). These tax claims are offset to the amount of €806 thousand (previous year: €0 thousand) by tax liabilities of the subsidiaries, which are presented under the balance sheet item "Liabilities from current income taxes".

Other current financial assets

The other current financial assets are broken down as follows: TABLE 044

Other current financial assets 044

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Claim from withheld factoring monies	2,137	2,186
Claim for recovery of bonus	273	417
Continuing involvement (factoring)	187	199
Deposits	116	92
Receivables from finance leases	53	0
Recovery claims from excess payment of interest	51	0
Other	60	77
	2,879	2,971

Other current assets

The other current assets changed as follows: TABLE 045

Other current assets 045

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Prepayments and accrued income	1,077	1,031
Claims for refunds from other taxes	857	601
Claims against employees	132	293
Other	238	153
	2,304	2,078

5. Cash and cash equivalents

Cash includes checks, cash on hand, demand deposits at banks and cash equivalents with a term of no more than three months and are classified in the category "Loans and receivables".

The cash and cash equivalents are as follows: TABLE 046

Cash and cash equivalents 046

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Cash in banking accounts	10,686	15,575
Cash on hand	36	48
	10,722	15,622

6. Equity

a) Subscribed capital and authorized capital

Upon entry of the capital increase adopted in December 2013 in the commercial register on January 8, 2014, the number of shares in euromicron AG in circulation increased by 512,599 from 6,663,799 to 7,176,398 and the capital stock of euromicron AG by €1,310,537.44 from €17,037,017.44 to €18,347,554.88. The nominal amount per share is around €2.56. The shares are fully paid up. TABLE 047

Shares in circulation 047

	2015	2014
Sales in circulation at December 31	7,176,398	7,176,398

The General Meeting on May 14, 2014, adopted a resolution to create new authorized capital totaling €9,173,770.00. Under it, the Executive Board was authorized to increase the capital stock of euromicron AG by May 13, 2019, by up to a total of €9,173,770.00 on one or more occasions with the approval of the Supervisory Board by issuing new registered shares in exchange for cash or non-cash contributions. In accordance with the Articles of Association, there is the possibility, under specific preconditions, to exclude the statutory shareholders' subscription right. The previously existing authorized capital, which was still €1,310,541.28 following its partial use for the capital increase, was rescinded.

Treasury shares

The General Meeting on June 9, 2011, authorized euromicron AG as of June 10, 2011, to acquire its own shares up to June 9, 2016, at a maximum proportional amount of the capital stock of €1,310,539.74 for these shares. The acquired shares – together with other shares that the company has already acquired or still holds or can be ascribed to it pursuant to Sections 71a et seq. AktG (German Stock Corporation Law) – must at no time exceed 10% of the company's capital stock.

The authorization may not be used for the purpose of trading in the company's own shares. The authorization can be exercised in full or in partial amounts, once or more times, in the pursuit of one or more purposes by the company or by third parties for the company's account.

The shares are to be acquired on the stock market or by means of a public offering addressed to all shareholders of the company, at the discretion of the Executive Board. The details defined in the resolutions proposed to the General Meeting on June 9, 2011, must be taken into account. The provisions of the Wertpapiererwerbs- und Übernahmegesetz (German Security Purchase and Takeover Law) must also be observed insofar as and if they are applicable.

The Executive Board is authorized, with the consent of the Supervisory Board, to use the shares that are or have been acquired in the company pursuant to this authorization in accordance with Section 71 (1) No. 8 AktG (German Stock Corporation Law) for all legally permitted purposes, in particular to sell acquired shares in the company on the stock market or through a public offering to all shareholders.

The shares can also be sold in the two following cases in another way, and thus excluding shareholders' subscription right:

- Reselling of shares to an arithmetic amount of up to 5% of the capital stock in exchange for a cash sum, if the cash sum is not significantly below the applicable stock market price. Exclusion of the subscription right pursuant to other authorizations in accordance with Section 186 (3) Sentence 4 AktG (German Stock Corporation Law) (cf. in particular Section 5 (4) of the Articles of Association) must also be taken into account in relation to the question of utilizing the 5% limit. The applicable stock market price shall be the mean value for the closing prices in the XETRA trading system (or a comparable successor system) on the three days of trading before the shares are sold.

- Assignment of the shares as a consideration for the purpose of acquiring companies or holdings in companies.

The Executive Board is further authorized, with the consent of the Supervisory Board, to redeem own shares in the company without the need for a further resolution to be adopted by the General Meeting. As part of the redemption using the simplified process, it is also authorized to redeem no-par value shares without a capital reduction by adjusting the arithmetic pro-rata amount of the other no-par value shares relative to the capital stock. This redemption can be limited to part of the acquired shares. The authorization to redeem shares can be exercised more than once. If no-par value shares are redeemed without a capital reduction using the simplified method, the Executive Board shall also be authorized to adjust the number of shares in the Company in the Articles of Association (Section 237 (3) No. 3 AktG (German Stock Corporation Law)).

The above authorizations can be exercised once or more times, individually or together, in full or in part.

The Executive Board did not make use of the authorization to acquire treasury shares up to December 31, 2015. At December 31, 2015, the company did not hold any treasury shares that could be offset with equity in accordance with IAS 32.33.

b) Capital reserves

The capital reserves at December 31, 2015, were €94,297,543.35 (previous year: €94,297,543.35).

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

c) Consolidated retained earnings

Distributions to the shareholders were resolved at the General Meeting of SIM GmbH and at the Ordinary General Meeting of ATECS AG on March 3, 2015. The distribution to minority shareholders totaling €840 thousand was transferred from the consolidated equity to the item "Dividend/profit shares for minority interests", which is presented under the balance sheet item "Other financial liabilities", effective March 3, 2015.

d) Gain/loss on the valuation of securities

The valuation reserve includes changes to the market valuation of securities that qualify as available-for-sale financial assets in accordance with IAS 39. Due to the impairment in the value of the shares of Track Group Inc. (which operated under the name "SecureAlert Inc." until May 28, 2015) in fiscal 2015, the recovery in value in the OCI at December 31, 2015 was completely reversed (previous year: €98 thousand).

The amounts in the reserve are broken down as follows: TABLE 048

Valuation reserve 048

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Shares in Track Group Inc. [1]	0	98
	0	**98**

[1] Operating under the name "SecureAlert Inc." at December 31, 2014

e) Currency translation difference

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

The difference resulting from translation of the financial statements of MICROSENS Sp.z o.o. at December 31, 2015, is € –2,204.86 (previous year: €–1,314.09).

f) Distributions in the fiscal year

There were no dividend payouts in fiscal 2015.

g) Non-controlling interests

The non-controlling interests reported at December 31, 2015 (€404 thousand; previous year: €405 thousand) relate exclusively to Qubix S.p.A., Padua/Italy (10%). The non-controlling interest should be regarded as not being material in relation to the consolidated financial statements.

h) Disclosures on capital management in accordance with IAS 1

The objective of capital management is to increase the equity ratio in order to give the Group unrestricted access to the capital market, ensure its ability to repay debt at the most favorable terms possible, and to retain its financial substance. To ensure that, reduction of the working capital and net financial debt is constantly tracked by management. Balance sheet equity and net financial debt are used as performance indicators. The equity ratio is 35.8% (previous year: 38.4%) and is calculated as follows: TABLE 049

Equity ratio 049

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Equity acc. to consolidated balance sheet	97,038	110,401
Total assets	270,849	287,436
Equity ratio	**35.8%**	**38.4%**

The net debt is calculated from liabilities to banks (long- and short-term), liabilities from finance leases (long- and short-term), less cash and cash equivalents. It is €55,778 thousand at December 31, 2015 (previous year: €49,160 thousand) and is calculated as follows: TABLE 050

Net debt 050

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liabilities to banks	64,791	63,119
Liabilities from finance lease	1,709	1,663
Cash and cash equivalents	10,722	15,622
Net debt	**55,778**	**49,160**

It was agreed with the long-term financing partners that a review of compliance with the key financial indicators at December 31, 2015, would not be conducted due to the reorganization of the euromicron Group.

7. Provisions

a) Other provisions

euromicron expects provisions of €2,081 thousand (previous year: €1,748 thousand) will be used within one year, €1,300 thousand (previous year: €1,395 thousand) in the next two to five years and €502 thousand (previous year: €517 thousand) in the period after five years.

The provisions developed as follows in the fiscal year: TABLE 051

Provisions 051

	Jan. 1, 2015	Reclassi-fication from liabilities	Utilization	Reversal	Accrued interest	Allocation	Dec. 31, 2015
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Provision for anniversaries and death benefits	602	0	–61	0	11	94	646
Provision for severance payments	432	0	–120	–26	3	68	357
Provision for restoration obligations	294	0	–28	0	0	0	266
Provision for warranties and follow-up costs	300	0	0	–49	0	0	251
Provision for archiving	113	4	0	0	0	18	135
Provision for impending losses	48	0	–48	0	0	9	9
Other provisions	123	0	–6	0	0	21	138
Total for other long-term provisions	**1,912**	**4**	**–263**	**–75**	**14**	**210**	**1,802**
Provision for warranties and follow-up costs	1,373	0	–733	–73	0	388	955
Provision for impending losses	62	0	–19	0	2	510	555
Provision for legal disputes	27	0	0	0	0	88	115
Other provisions	286	50	–21	–53	0	194	456
Total for other short-term provisions	**1,748**	**50**	**–773**	**–126**	**2**	**1,180**	**2,081**
Total for other provisions	**3,660**	**54**	**–1,036**	**–201**	**16**	**1,390**	**3,883**

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

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

The other short-term provisions are made up of various individual matters, such as provisions for ancillary costs of tenancy or for customer cash discounts or provision for interest in connection with tax audits.

b) Provisions for pensions and similar obligations

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

The designated payments made towards pensions may be based either on the wage or salary received in the last year of employment or on the average of the last five years or the compensation of an employee and are usually dependent on the length of service. The benefits must be granted as a one-off payment or an annual pension payment. In the case of pension payments, the euromicron Group bears the full risks of recipients living for a long time and inflation due to pension adjustments.

In the case that the employee is still alive, he or she acquires an entitlement to an existing benefit balance as an old-age benefit or invalidity benefit; the benefits paid to surviving dependants are a widow's pension and orphan's pension.

In order to cover a large part of the obligation, the euromicron Group has established a CTA (euromicron Pension Trust e. V.); the funds allocated to it are based on the level of the obligation. There reinsurance policy that existed last year to cover individual commitments no longer exists; the expected payment is 2016 is €0 thousand (previous year: €26 thousand).

The development in the pension commitment and plan assets are evidenced by actuarial reports.

The changes in the present value of the defined benefit obligation (DBO) in the fiscal year are as follows: TABLE 052

Changes in the present value of the defined benefit obligation (DBO) 052

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Present value of benefit obligation at the beginning of the period under report	20,305	15,389
Transfer	–526	0
Current service cost	390	321
Interest cost	390	530
Pension payments	–411	–328
Revaluation effects	–1,446	4,299
Of which		
Change in financial assumptions	–1,531	4,216
Change in demographic assumptions	0	0
Experience adjustments	85	83
Contributions by plan participants	75	94
Present value of benefit obligation at the end of the period under report	**18,777**	**20,305**

The plan assets measured at fair value changed as follows: TABLE 053

Changes in the plan assets 053

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Plan assets at the beginning of the period under report	19,111	14,442
Retransfer of plan assets due to excess funds allocated to it	–526	0
Interest income from plan assets	372	506
Revaluation effects	–261	–374
Employer's contributions/ withdrawals	–1,174	4,537
Plan assets at the end of the period under report	**17,522**	**19,111**

The plan assets consist to 100% (previous year: 97.2%) of trade accounts receivable of the euromicron Group, which are held in trust by the CTA. These assets are not traded on an active market. The reinsurance policies from the previous year no longer exist (0.0%; previous year: 2.8%).

Due to the reduction in the revaluation effects from pensions taken directly to equity, the deferred tax assets recognized via the other comprehensive income directly in equity fell in the year under review by € –434 million; they had increased in the previous year by €1,288 thousand. In addition, deferred tax expenses of €78 thousand (previous year: €113 thousand) from application of the net interest method were recognized in other comprehensive income.

The provision on the balance sheet changed as follows: TABLE 054

Provision on the balance sheet 054

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Provision at the beginning of the period under report	1,194	947
Current service cost	390	321
Net interest cost/income	18	24
Pension payments	–411	–328
Employer's contributions/ withdrawals	1,174	–4,537
Contributions by plan participants	75	94
Revaluation effects	–1,185	4,673
Provision at the end of the period under report	**1,255**	**1,194**

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

The revaluation effects are recognized in other comprehensive income and are included in equity in the item "Consolidated retained earnings".

The following parameters, which are based on assumptions, were used to measure the future level of benefits: TABLE 055

Measurement factors 055

	2015	2014
	In %	In %
Discount rate	2.50	2.00
Rates of increase in compensation levels	3.25	3.25
Future pension indexation	1.75	1.75

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

If the assumptions vary by +/– 1 percentage points or +/– 1 year, the effects on the DBO are as follows: TABLE 056

Variation in the assumptions by +/–1% or +/–1 year 056

	2015		2014	
	+1% or +1 year	–1% or –1 year	+1% or +1 year	–1% or –1 year
Discount rate	–13.82%	17.35%	–14.78%	18.59%
Life expectancy	1.49%	–1.59%	1.60%	–1.63%
Age at expiry of financing	–3.37%	2.02%	–2.84%	1.71%

A range of +/– 0.25% was used for the future pension trend. **TABLE 057**

Variation in the assumptions by +/– 0.25% 057

	2015		2014	
	+0,25%	–0,25%	+0,25%	–0,25%
Future pension indexation	2.27%	–2.24%	2.40%	–2.33%

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

The pension payments anticipated in the subsequent year are €810 thousand (previous year: €573 thousand), while the anticipated contributions to the plan cannot be estimated reliably at the balance sheet date.

The weighted average duration of the commitment at the balance sheet date is 16.71 years (previous year: 17.74 years).

Contributions of €7,759 thousand (previous year: €7,603 thousand) were paid to the statutory pension insurance fund as part of defined contribution pension schemes.

8. Liabilities

The euromicron Group's liabilities on the balance sheet data are broken down as follows: **TABLE 058**

Liabilities 058

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liabilities to banks	64,791	63,119
Liabilities from finance lease	1,709	1,663
Trade accounts payable	47,593	44,238
Liabilities from current income taxes	3,232	3,009
Gross amount due to customers for contract work	851	0
Other tax liabilities	7,141	6,039
Personnel obligations	8,876	9,127
Other financial liabilities	25,312	31,543
Other liabilities	3,562	6,081
	163,067	**164,819**

The euromicron Group's liabilities have the following terms: **TABLE 059**

Term of the liabilities 059

	Total	Due in			Fair value with DVA
		Up to 1 year	1 to 5 years	More than 5 years	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	64,791	44,307	20,484	0	64,813
Liabilities from finance lease	1,709	516	1,059	134	– [1]
Trade accounts payable	47,593	47,593	0	0	– [1]
Liabilities from current income taxes	3,232	3,232	0	0	– [1]
Gross amount due to customers for contract work	851	851	0	0	– [1]
Other tax liabilities	7,141	7,141	0	0	– [1]
Personnel obligations	8,876	8,876	0	0	– [1]
Other financial liabilities	25,312	24,838	474	0	25,301
Other liabilities	3,562	3,373	189	0	– [1]
	163,067	**140,727**	**22,206**	**134**	**90,114**
(Previous year)	**164,819**	**117,691**	**47,078**	**50**	**94,757**

[1] The book value corresponds approximately to the fair value.

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

Liabilities to banks

The interest rates for liabilities to banks and overdrafts are fixed or variable and range from 1.08% to 8.25% (previous year: 1.08% to 8.25%). The high interest rates relate to terms for overdraft lines under individual agreements between subsidiaries and their banks, but are not used or are terminable at short notice (with a view to optimizing financing).

euromicron AG concluded a borrower's note loan with a volume of €24,500 thousand in fiscal 2011. The loan consists of various tranches with different maturities. An amount of €5,000 thousand was repaid prematurely in fiscal 2013 and a further amount of €5,000 thousand was rapid prematurely in fiscal 2014. The remaining liabilities from this borrower's note loan at December 31, 2015, totaling €14,500 thousand have a term until July 15, 2016. The bank retained €122.5 thousand (0.5%) as the arrangement fee; this affected net cash in 2011 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €122.5 thousand at the time it was disbursed. In fiscal 2015, this resulted in a pro-rata amount of €14 thousand (previous year: €31 thousand), which was recognized in the income statement as an interest expense.

euromicron AG concluded a further borrower's note loan with a volume of €20,000 thousand in October 2014. The borrower's note loan consists of two tranches of €10,000 each, one of which has a variable interest rate and the other has a fixed interest rate. Both tranches have a term of five years. The banks retained €80 thousand (0.4%) as the arrangement fee; this affected net cash in 2014 and was recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is distributed over the term of the agreement using the effective interest method. The loan liability was reduced by €80 thousand at the time it was disbursed. When the borrower's note loan was concluded, euromicron AG also paid an incentive fee of €30 thousand, which was likewise recognized in the income statement in accordance with the German Commercial Code (HGB). In accordance with regulations in the IFRSs, the expense is deferred and distributed over the term of the agreement using the effective interest method. In fiscal 2015, these two circumstances resulted in a pro-rata amount totaling €21 thousand (previous year: €3 thousand), which was recognized in the income statement as an interest expense.

So as to ensure its solvency at all times, the euromicron Group maintains a liquidity reserve in the form of credit lines and cash funds. The main credit lines have been concluded without any restrictions to their term. Short-term credit lines of €48,220 thousand (previous year: €75,815 thousand) were unused at the year-end.

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

Liabilities from finance lease

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

TABLE 060 / 061

Liabilities from finance lease in 2015 060

	Total	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	1,709	516	1,059	134
Interest	159	62	92	4
Minimum lease payments	1,868	578	1,151	138

Liabilities from finance lease in 2014 061

	Total	Due in		
		Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities from finance lease	1,663	457	1,206	0
Interest	125	19	106	0
Minimum lease payments	1,788	476	1,312	0

Trade accounts payable

Trade accounts payable in foreign currency (mainly US$ and CHF) amount to €2,425 thousand (previous year: €3,466 thousand).

Gross amount due to customers for contract work

The gross amount due to customers for contract work in fiscal 2015 totaled €851 thousand (previous year: €0 thousand). This results from ongoing contracts in which the partial settlements exceed the incurred costs plus the reported profits (minus any losses).

Liabilities from current income taxes

Capital gains tax to be paid by subsidiaries of euromicron AG are recognized under "Liabilities from current income taxes" to a total of €806 thousand (previous year: €0 thousand). These tax liabilities recognized were offset in the same amount by receivables from creditable capital gains tax totaling €872 thousand (previous year: 0 thousand) due to euromicron AG which were recognized under the balance sheet item "Claims for income tax refunds".

Personnel obligations

The personnel obligations (€8,876; previous year: €9,127 thousand) are made up of financial obligations totaling €5,363 thousand (previous year: €4,884 thousand) and non-financial obligations totaling €3,513 thousand (previous year: €4,243 thousand). The financial personnel obligations mainly comprise obligations from wages and salaries, severance payments and bonuses. The non-financial personnel obligations mainly comprise obligations from vacation and flexitime credit balances that have been not been used by employees, as well as obligations from semi-retirement.

Other financial liabilities

The other financial liabilities are composed as follows:

TABLE 062

Other financial liabilities 062

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liabilities from preemptive rights	474	1,460
Purchase price liabilities	0	997
Other noncurrent financial liabilities	**474**	**2,457**
Customers' monies to be passed on	21,927	23,520
Dividend/profit shares for minority interests	1,712	2,791
Purchase price liabilities	0	1,513
Obligations from preemptive rights	1,000	1,000
Miscellaneous	199	262
Other current financial liabilities	**24,838**	**29,086**
Total of other financial liabilities	**25,312**	**31,543**

At the euromicron Group, financial liabilities are all assigned to the category "Other financial liabilities measured at amortized cost" at the balance sheet date and measured at amortized costs using the effective interest method. Loan commission, which is not included as a transaction cost as part of the effective interest method, totaled €227 thousand (previous year: €68 thousand) and was recognized in the income statement.

Other liabilities

The other liabilities are composed as follows: TABLE 063

Other liabilities 063

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Liability from rent smoothing	170	189
Liability from retained security	9	45
Miscellaneous	10	0
Other noncurrent liabilities	**189**	**234**
Payments on account	1,690	3,996
Liabilities from social security (incl. mutual indemnity association)	911	1,100
Deferred income	421	364
Liability from compensation for members of the Supervisory Board	135	135
Liability from rent smoothing	31	31
Miscellaneous	185	221
Other current liabilities	**3,373**	**5,847**
Total for other liabilities	**3,562**	**6,081**

The payments on account include payments that cannot be set off. They also include payments on account from production contracts in accordance with the percentage of completion method (€66 thousand; previous year: €73 thousand).

The contractually agreed (undiscounted) interest payments and repayments for the financial obligations of the euromicron Group are shown below: TABLE 064 / 065

Cash flow from liabilities in 2015 064

		Cash flow in 2016 Up to 1 year			Cash flow 2017–2020 More than 1 year to 5 years			Cash flow 2021 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
	Carrying amount at Dec. 31, 2015	Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	64,791	652	257	44,307	707	570	20,484	0	0	0
Liabilities from finance lease	1,709	62	0	516	92	0	1,059	4	0	134
Trade accounts payable	47,593	0	0	47,593	0	0	0	0	0	0
Other financial liabilities	25,312	27	0	24,838	14	0	474	0	0	0
	139,405	**741**	**257**	**117,254**	**813**	**570**	**22,017**	**4**	**0**	**134**
(Previous year)	**140,563**	**1,058**	**336**	**93,669**	**1,425**	**897**	**46,894**	**0**	**0**	**0**

Cash flow from liabilities in 2014 065

	Carrying amount at Dec. 31, 2014	Cash flow in 2015 Up to 1 year			Cash flow 2016–2019 More than 1 year to 5 years			Cash flow 2020 et seq. More than 5 years		
		Interest		Repaym.	Interest		Repaym.	Interest		Repaym.
		Fixed	Variable		Fixed	Variable		Fixed	Variable	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Liabilities to banks	63,119	1,002	336	19,888	1,296	897	43,231	0	0	0
Liabilities from finance lease	1,663	19	0	457	106	0	1,206	0	0	0
Trade accounts payable	44,238	0	0	44,238	0	0	0	0	0	0
Other financial liabilities	31,543	37	0	29,086	23	0	2,457	0	0	0
	140,563	**1,058**	**336**	**93,669**	**1,425**	**897**	**46,894**	**0**	**0**	**0**
(Previous year)	**163,773**	**1,254**	**265**	**121,975**	**1,313**	**560**	**41,725**	**2**	**0**	**73**

All financial instruments held on the balance sheet date December 31, 2015, and for which payments have already been contractually agreed were included. The variable interest payments from the financial instruments were calculated on the basis of the interest rates applicable on December 31, 2015 (previous year: December 31, 2014). Financial liabilities that can be repaid at any time have been assigned to the earliest possible time segment.

euromicron uses derivative financial instruments exclusively to hedge interest rate risks resulting from financial transactions. A decision on this is taken on a case-by-case basis. They are not held for the purposes of short-term speculation. No derivative financial instruments were held either at December 31, 2015, or at December 31, 2014.

9. Deferred tax liabilities

In accordance with IAS 12.39, no deferred tax liabilities were recognized on taxable temporary differences between the shares in subsidiaries compared with their tax base of €635 thousand (previous year: €1,077 thousand), since euromicron AG is able to control the time at which the differences are reversed and it is likely that the temporary difference will not be reversed in the foreseeable future ("outside basis differences").

The deferred tax liabilities result from measurement differences in the following balance sheet items: TABLE 066

Deferred tax assets 066

	Dec. 31, 2015	Dec. 31, 2014
	€ thou.	€ thou.
Intangible assets	7,504	7,440
Property, plant and equipment	883	786
Inventories	22	30
Other receivables and other assets	24,075	25,576
Provisions	1,239	942
Other liabilities	23	91
Total deferred tax liabilities before netting off	**33,746**	**34,864**
Netting off	–28,140	–27,502
Total deferred tax liabilities after netting off	**5,606**	**7,362**

There are long-term deferred tax assets (after netting off) totaling €3,436 thousand (previous year: €5,258 thousand); they result from deferred tax assets on measurement differences for intangible assets. In the previous year, these measurement differences related to intangible assets.

10. Additional details on the financial instruments – Carrying amounts and fair values by measurement categories

Financial instruments by measurement category

	Measurement category acc. to IAS 39	Carrying amount at Dec. 31, 2015	Value acc. to IAS 39 Amortized acquisition cost	Acquisition cost	Fair value recognized directly in equity
		€ thou.	€ thou.	€ thou.	€ thou.
Assets					
Cash and cash equivalents	LaR [1]	10,722		10,722	
Trade accounts receivable	LaR [1]	33,248	33,248		
Gross amount due from customers for contract work	LaR [1]	47,480	47,480		
Other financial assets	AfS [3] LaR [1] IAS 17	3,612	2,893 379		340
Equity and liabilities					
Trade accounts payable	FLAC [2]	47,593	47,593		
Liabilities to banks	FLAC [2]	64,791	64,791		
Other financial liabilities	FLAC [2]	25,313	25,313		
Financial personnel obligations	FLAC [2]	5,363	5,363		
Liabilities from finance lease	IAS 17	1,709	1,709		

[1] LaR = Loans and Receivables
[2] FLAC = Financial Liabilities Measured at Amortised Cost
[3] AfS = Available for Sale Financial Assets

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			Value recognized in the balance sheet acc. to IAS 39		
	Measurement category acc. to IAS 39	Carrying amount at Dec. 31, 2014	Amortized acquisition cost	Acquisition cost	Fair value recognized directly in equity
		€ thou.	€ thou.	€ thou.	€ thou.
	LaR [1]	15,622		15,622	
	LaR [1]	33,731	33,731		
	LaR [1]	52,070	52,070		
	AfS [3] LaR [1] IAS 17	3,858	3,089 0		770
	FLAC [2]	44,238	44,238		
	FLAC [2]	63,119	63,119		
	FLAC [2]	31,543	31,543		
	FLAC [2]	4,884	4,884		
	IAS 17	1,663	1,663		

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 under level 1 which can be observed either directly or indirectly for the asset or liability.

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

The level model was applied for measuring the financial instruments reported at fair value at the euromicron Group.

The fair values of the shares in Track Group Inc. (balance sheet item: "Other financial assets") were measured on the basis of the 1st level, since the share price can be observed on an active market.

The fair values for the fixed-interest long-term debt presented in section 8. "Liabilities" were measured on the basis of level 2. The fair value is derived from the present values of the future interest payments and repayments, discounted at the current market interest rates, taking into account the credit risk of euromicron AG.

The opposite put/call option for the remaining shares in ATECS AG, SIM GmbH and MICROSENS GmbH & Co. KG not held by euromicron were measured on the basis of the 2nd level. It is presented as "Obligations from preemptive rights" under the other financial liabilities. The fair value of the long-term components was calculated as the present value of the contractually agreed selling or purchase prices using a market rate of interest.

The fair value calculated as part of the goodwill impairment test was measured on the basis of level 3. The fair value is calculated as the present value of the future free cash flow using the discounted cash flow (DCF) method with a risk-adjusted discount rate (WACC). Assumptions as to the future sales growth or anticipated EBITDA margin are made here.

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

NOTES ON THE CONSOLIDATED INCOME STATEMENT

11. Sales

The Group's sales include sales from production contracts totaling €128,319 thousand (previous year: €137,832 thousand). The related production costs were €116,115 thousand (previous year: €120,734 thousand).

There were no changes in sales as a result of changes in the consolidated companies in fiscal year 2015 (previous year: €0 thousand).

Consolidated sales are divided into those from the sale of goods totaling €214,436 thousand (previous year: €212,647 thousand) and from the provision of services totaling €130,451 thousand (previous year: €133,691 thousand).

12. Own work capitalized

Own work capitalized totals €2,942 thousand (previous year: €2,617 thousand) and results to an amount of €2,413 thousand (previous year: €2,225 thousand) from capitalization of development costs, to an amount of €215 thousand (previous year: €345 thousand) from own work capitalized for self-developed software and IT solutions and to an amount of €314 thousand (previous year: €47 thousand) from own work capitalized for property, plant and equipment.

13. Other operating income

The other operating income is composed as follows: TABLE 068

Other operating income 068

	2015	2014
	€ thou.	€ thou.
Currency gains	740	612
Income from property and rent	287	270
Refunds for health insurance/reintegration/passed-on charges	275	160
Compensation paid from insurance	103	126
Income from retirement of noncurrent assets	37	18
Income from cash received from written-down receivables	36	105
Income from damages	32	4
Reduction in allowances for doubtful accounts	23	145
Income from derecognition of liabilities	0	291
Revenue from the reversal of the earn-out liability for SIM/ATECS	999	0
Other	541	413
	3,073	**2,144**

In relation to the revenue from the reversal of the earn-out liability for SIM/ATECS, we refer you to section 3 “Disclosures on company acquisitions from previous years”. The “Other” item contains a large number of individual items; a presentation of them is dispensed with.

14. Cost of materials

The cost of materials is composed of: TABLE 069

Cost of materials 069

	2015	2014
	€ thou.	€ thou.
Cost of raw materials and supplies and goods purchased	124,096	124,276
Cost of purchased services	65,787	58,192
	189,883	**182,468**

15. Personnel costs

The personnel costs are composed as follows: TABLE 070

Personnel costs 070

	2015	2014
	€ thou.	€ thou.
Wages and salaries	91,344	87,020
Social security	16,531	16,156
	107,875	**103,176**

Average number of employees per year: TABLE 071

Employees 071

	2015	2014
Hourly-paid employees	920	878
Salaried employees	828	826
Trainees	77	80
	1,825	**1,784**

16. Depreciation/amortization and impairment of goodwill

The depreciation/amortization and impairments of goodwill in the fiscal year were as follows: TABLE 072

Depreciation/amortization and impairments 072

	2015	2014
	€ thou.	€ thou.
Impairment of goodwill	5,333	0
	5,333	**0**
Amortization of intangible assets	6,653	6,367
Depreciation of tangible assets	3,585	3,335
	10,238	**9,702**

Hidden reserves totaling €77 thousand (previous year: €0 thousand) before deferred taxes were identified and recognized as part of purchase price allocation in the acquisition of a business by way of an asset deal in 2015. The amortization and depreciation for this in fiscal 2015 was €15 thousand (previous year: €0 thousand).

17. Other operating expenses

Other operating expenses are composed as follows:
TABLE 073

Other operating expenses 073

	2015	2014
	€ thou.	€ thou.
Vehicle and travel expenses	13,621	13,893
Rent/room costs	6,996	6,589
Legal and consulting costs	6,214	4,897
IT costs	2,471	1,878
Commission	2,106	1,092
Cost of goods consignment	1,956	1,857
Communication expenses	1,956	1,831
Trade fair and advertising costs	1,741	1,566
Personnel leasing	1,346	2,153
Further training costs	994	952
Maintenance and repair	831	718
Exchange rate losses	780	407
Running costs	750	633
Allocation of allowances for receivables	726	1,741
Administrative expenses	390	542
Expenses incidental to monetary transactions	160	156
Losses of receivables	53	150
Miscellaneous	4,013	3,824
	47,104	**44,879**

18. Net interest income/loss

Net interest/income loss is composed as follows: **TABLE 074**

Net interest income/loss 074

	2015	2014
	€ thou.	€ thou.
Interest income	66	333
Interest expenses	–3,791	–4,012
Net interest income/loss	**–3,725**	**–3,679**

The total interest income and total interest expense for financial instruments not carried at fair value in accordance with IAS 39 are shown in the table below: **TABLE 075**

Total interest income and expense 075

	2015	2014
	€ thou.	€ thou.
Total interest expense	–3,536	–3,698
Total interest income	31	333

The other financial expenses (€332 thousand; previous year: €0 thousand) comprise the cost from the impairment to the value of available-for-sale assets (shares in Track Group Inc.).

Net gains and losses from financial instruments for the measurement categories at the euromicron Group are presented in the following: **TABLE 076**

Net gains and losses from financial instruments 076

	2015	2014
	€ thou.	€ thou.
Loans and receivables	–650	–1,316
Available-for-sale financial assets	–430	–79
of which recognized in other comprehensive income	–98	–79
of which recognized in the income statement	–332	0
Financial liabilities measured at amortized cost	–3,544	–3,493

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

19. Income taxes

Income taxes 077

	2015	2014
	€ thou.	€ thou.
Current taxes in Germany	347	2,438
Deferred taxes in Germany	–804	1,588
Current taxes abroad	937	918
Deferred taxes abroad	–56	–20
	424	**4,924**

In fiscal 2015, a reduction in deferred tax assets totaling € –434 thousand (previous year: an increase of €1,288 thousand) was recognized directly in equity. As in 2014, it results in 2015 solely from deferred tax assets that had to be recognized in other comprehensive income as part of the application of IAS 19 R. In 2015, as in the previous year, there were no deferred tax liabilities from company acquisitions that were taken directly to equity. Application of the net interest method resulted in the year under review in deferred tax expenses of €78 thousand (previous year: €113 thousand) which did not result in recognition of deferred tax liabilities in the balance sheet, since there was a balancing entry in other comprehensive income.

The item "Income taxes" includes income taxes for previous years totaling €55 thousand (previous year: €190 thousand) and tax refunds of €73 thousand (previous year: €308 thousand).

The table below presents a reconciliation of the tax expense expected in each fiscal year to the tax expense actually disclosed. As in the previous year, the expected tax expense is calculated from a total tax rate of 30.00% and the income before taxes. The total tax rate is calculated from a corporation income tax rate, including solidarity surcharge, of 15.825% and the effective average trade tax rate of 14.175%. TABLE 078

Tax reconciliation 078

	2015	2014
	€ thou.	€ thou.
Income before income taxes	–12,705	7,768
Expected tax expense	–3,811	2,330
Non-deductible expenses	318	213
Non-recognition of deferred taxes on loss carryforwards	2,698	2,856
Effect from write-downs with no impact on taxes (goodwill, etc.)	1,499	0
Effects of different national tax rates	36	–181
Effect from reversal of the earn-out liability (no impact on taxes)	–294	0
Tax arrears/refunds	–18	–118
Use of loss carryforwards not included to date/change in allowance	–3	–191
Other	–1	15
Actual tax expense	424	4,924
Effective tax rate	**–3.3 %**	**63.4 %**

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

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

21. Earnings per share

Undiluted earnings per share are calculated as follows: TABLE 079

Undiluted earnings per share 079

	2015	2014
Earnings for euromicron AG shareholders in € thousand	–13,253	2,576
Weighted average number of shares issued	7,176,398	7,176,398
Undiluted earnings per share in €	**–1.85**	**0.36**

The earnings for euromicron AG shareholders correspond to the consolidated net loss (previous year: consolidated net income) for the year minus the earnings for non-controlling interests.

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

APPROPRIATION OF NET INCOME

The annual financial statements of euromicron AG at December 31, 2015, in accordance with the German Commercial Code (HGB) disclose net accumulated losses of € –28,184,220.00 (previous year: € –12,995,969.42).

OTHER DETAILS

22. Notes on the statement of cash flows

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

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

The cash provided by operating activities in fiscal 2015 was €4,558 thousand, whereas in the previous year there was net cash used in operating activities totaling € –1,930 thousand. However, comparison of these figures is not meaningful due to effects from factoring (change in the volume of factoring used at the balance sheet date, the claim from retained factoring monies and the liability from customers' monies to be passed on). A detailed presentation of these effects can be found in section 2.3 "Net assets, financial position and results of operations", subsection "Financial position", of the group management report for 2015. Aggregated reconciliation to a cash flow from operating activities adjusted for factoring effects supplies the following comparative figures: TABLE 080

Adjusted cash flow 080

	Cash flow from operating activities acc. to statement of cash flows	Effects from factoring and customers' monies to be passed on included in the above	Adjusted cash flow from operating activities
	€ thou.	€ thou.	€ thou.
2014	–1,930	4,920	2,990*
2015	**4,558**	**1,544**	**6,102**

* The previous year's figure has been adjusted.

After adjustment for factoring effects, there is net cash provided by operating activities totaling €6,102 thousand in fiscal 2015 compared with net cash provided by operating activities totaling €2,990 thousand in the previous year. As a result, the cash flow from operating activities in fiscal 2015 improved sharply by €3,112 thousand, which was mainly due to positive effects from the measures to reduce working capital that were initiated in 2015.

Under the contractual trust agreement, trade accounts receivable of €1,173 thousand were withdrawn from the plan assets in fiscal 2015. Receivables of €4,513 thousand were contributed to the plan assets in the previous year.

Net cash used in investing activities is calculated from the net cash from the disposal of assets and the net cash used for investments in property, plant and equipment and intangible assets, as well as company acquisitions. The net cash used in the fiscal year was € –9,868 thousand, €4,438 lower than in the previous year (€ –14,306 thousand). This is mainly attributable to lower purchase price payments from company acquisitions (2015: € –2,672 thousand; 2014: € –8,028 thousand). On the other hand, there was an increase in payments for the acquisition of property, plant and equipment (2015: € –3,959 thousand; 2014: € –2,956 thousand).

The net cash provided by financing activities in fiscal 2015 was €410 thousand (previous year: net cash used of € –6,972 thousand). The net cash provided was mainly due to the raising of new loans, which exceeded the net cash used to repay loans by €1,677 thousand. On the other hand, there was an increase in payments due to distributions to non-controlling shareholders and from profit shares of minority interests (2015: € –1,267 thousand; previous year: € –160 thousand).

23. Contingencies and other financial obligations

a) Contingencies

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

b) Other financial obligations

There are the following other financial obligations on the balance sheet date: TABLE 081

Other financial obligations 081

	Total	Up to 1 year	1 to 5 years	More than 5 years
	€ thou.	€ thou.	€ thou.	€ thou.
Bill commitments	3,131	3,131	0	0
Operating lease	19,919	7,952	10,748	1,219
Purchase obligation	8,511	8,511	0	0
	31,561	**19,594**	**10,748**	**1,219**
Previous year	**37,025**	**24,987**	**10,432**	**1,606**

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

As in the previous year, there were no contingent liabilities in the euromicron Group in fiscal 2015.

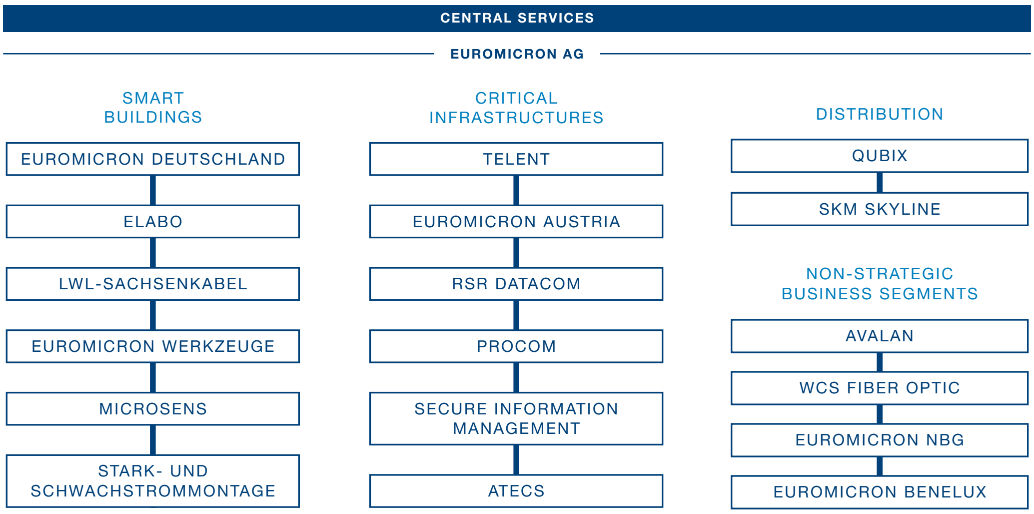
Obligations as part of operating lease agreements comprise the future minimum lease payments from unterminable agreements and mainly relate to rental and leasing agreements for operating and office equipment, such as cars, office machines or PC workstations, and communications technology and total €19,919 thousand (previous year: €21,455 thousand). In fiscal 2015, payments from these leasing relationships totaling €13,396 thousand (previous year: €11,218 thousand) were recognized in income. Conditional lease payments of €50 thousand (previous year: €19 thousand) were recognized. Future proceeds of €72 thousand (previous year: €163 thousand) are expected from subleasing as part of operating lease agreements up to when they can be terminated for the first time.

24. Segment reporting

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

Under its new strategic alignment, the euromicron Group focuses on three three main business segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. Controlling is in line with the orientation toward target markets and the underlying value chain within the Group. In this connection, the organizational and reporting structures have also been changed, with the result that these three business segments will be reported on in future.

SEGMENT STRUCTURE



Description of the segments: Smart Buildings
All the activities of the euromicron Group in the target markets of “Digital Buildings” and “Smart Industry” are pooled in the Smart Building segment. In the target market of “Digital Buildings”, euromicron provides infrastructure-related intelligent solutions, such as “Smart Office”, “Smart Energy” or “Smart Lighting”. Services relating to building or process automation, light control, access control, video surveillance, fire prevention or support services as part of efficient energy and building management are planned, implemented and operated as part of that. The focus in the target market of “Smart Industry” is on digitizing and networking development, production and service processes in industry. The euromicron Group develops holistic approaches and the related processes for and with its customers and implements them in a forward-looking way that protects investments. This segment also includes services relating to the equipment of data centers with innovative connector systems.

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

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

All other segments
“All other segments” consists of the Non-strategic Business Segments and Central Services areas. The Non-strategic Business Segments area includes the business units that have been identified by the Executive Board as no longer being of relevance at Avalan GmbH (in liquidation), euromicron NBG Fiber Optics GmbH, euromicron benelux S.A. and WCS Fiber Optics B.V., whose business operations were discontinued effective December 31, 2015. The Central Services area mainly includes euromicron AG as the strategic management holding company. euromicron AG also pools the corporate departments of financing, group controlling and accounting, taxes, legal affairs, human resources, purchasing, IT, corporate marketing, investor relations and innovation management, which act as service providers within the Group.

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

The change in reporting means that the previous year’s figures have been adjusted accordingly.

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

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

The working capital is calculated from the total of inventories, trade accounts receivable and the gross amount due from customers for contract work minus trade accounts payable, the gross amount due to customers for contract work and prepayments.

SEGMENT REPORTING

of the euromicron Group for the period January 1 to December 31, 2015 (IFRS)

Segment reporting

	Smart Buildings		Critical Infrastructures		Distribution	
	2015	2014	2015	2014	2015	2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	193,479	187,656	120,807	128,310	20,017	19,767
Sales within the Group	4,391	5,103	638	705	2,437	4,801
Total sales	**197,870**	**192,759**	**121,445**	**129,015**	**22,454**	**24,568**
EBITDA	7,502	12,808	7,886	14,357	2,538	2,848
EBIT margin	3.8%	6.6%	6.5%	11.1%	11.3%	11.6%
of which reorganization costs	2,574	0	217	0	0	0
Operating EBITDA	**10,076**	**12,808**	**8,103**	**14,357**	**2,538**	**2,848**
Operating EBITDA margin	**5.1%**	**6.6%**	**6.7%**	**11.1%**	**11.3%**	**11.6%**
Amortization and depreciation	–5,672	–5,500	–2,089	–2,861	–562	–564
Write-downs of property, plant and equipment, intangible assets and goodwill	–190	0	0	0	0	0
EBIT	1,640	7,308	5,797	11,496	1,976	2,284
of which reorganization costs	2,610	0	217	0	0	0
Operating EBIT	4,250	7,308	6,014	11,496	1,976	2,284
Order books	53,264	60,836	50,494	52,921	1,433	1,445
Working capital	59,877	59,912	15,129	21,179	4,258	3,060
Working capital ratio	**30.3%**	**31.1%**	**12.5%**	**16.4%**	**19.0%**	**12.5%**

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	Total for all operating segments that must be reported		All other segments: Non-strategic Business Segments		Central Services		Total for the segments		Reconciliation		Group	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
	334,303	335,733	10,584	10,605	0	0	344,887	346,338	0	0	344,887	346,338
	7,466	10,609	283	330	0	0	7,749	10,939	−7,749	−10,939	0	0
	341,769	**346,342**	**10,867**	**10,935**	**0**	**0**	**352,636**	**357,277**	**−7,749**	**−10,939**	**344,887**	**346,338**
	17,926	30,013	−4,994	−1,607	−7,007	−7,260	5,925	21,146	999	2	6,924	21,148
	5.2%	8.7%	−46.0%	−14.7%			1.7%	5.9%			2.0%	6.1%
	2,791	0	1,764	0	2,279	0	6,834	0	0	0	6,834	0
	20,717	**30,013**	**−3,230**	**−1,607**	**−4,728**	**−7,260**	**12,759**	**21,146**	**999**	**2**	**13,758**	**21,148**
	6.1%	**8.7%**	**−29.7%**	**−14.7%**			**3.6%**	**5.9%**			**4.0%**	**6.1%**
	−8,323	−8,925	−304	−356	−637	−420	−9,264	−9,701	0	0	−9,264	−9,701
	−190	0	−5,730	0	−388	0	−6,308	0	0	0	−6,308	0
	9,413	21,088	−11,028	−1,963	−8,032	−7,680	−9,647	11,445	999	2	−8,648	11,447
	2,827	0	7,494	0	2,850		13,171	0	0	0	13,171	0
	12,240	21,088	−3,534	−1,963	−5,182	−7,680	3,524	11,445	999	2	4,523	**11,447**
	105,191	115,202	0	7,537	0	0	105,191	122,739	−1,834	−1,247	103,357	121,492
	79,264	84,151	48	1,623	−981	−1,036	78,331	84,738	−16,974	−18,147	61,357	66,591
	23.2%	**24.3%**					**22.2%**	**23.7%**			**17.8%**	**19.2%**

Explanation of selected items

A detailed explanation on the goodwill impairment of €5,333 thousand at CGU 3 "System Houses South" in the fiscal year is contained in section 1. Fixed assets, subsection (a) "Intangible assets". The event-driven impairment test described there was conducted pursuant to the decision to shed business units that were unprofitable or not strategically relevant and related to the segment "South" in the segment structure existing at the time. In the new means of presentation for segment reporting, this impairment is recognized – in line with internal management reporting – under "All other segments" in the area "Non-strategic Business Segments".

The reconciliation with the working capital item includes offsetting and netting off of the plan assets, consisting of trade accounts receivable, with the relevant provisions for pensions. The reversal of the conditional purchase price obligation that was carried out in the year under review is shown in the reconciliation for earnings. For an explanation of the composition of the reorganization costs, we refer you to our comments in the management report (section 2.3 "Net assets, financial position and results of operations", subsection "Development of the segments" and subsection "Results of operations").

Sales by region

Sales in Germany were €291.3 million (previous year: €293.9 million), in the Euro zone €35.2 million (previous year: €31.3 million) and in the Rest of the World €18.4 million (previous year: €21.1 million). The sales relate to the geographical location of the customers.

Sales by category

Breakdown of sales for all products and services: Consolidated sales are divided into those from the sale of goods totaling €214,436 thousand (previous year: €212,647 thousand) and from the provision of services totaling €130,451 thousand (previous year: €133,691 thousand).

Sales by customer

There are sales exceeding the thresholds defined by IFRS 8.34 with one customer. These sales total €38,026 thousand and were generated in the segments "Smart Buildings" and "Critical Infrastructures".

Noncurrent assets

In accordance with IFRS 8.33b, noncurrent assets are €116,669 thousand in Germany (previous year: €119,255 thousand) and €25,168 thousand in the Euro zone (previous year: €30,113 thousand). They are composed of:

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

25. Risk management

Principles of risk management

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

Risk control

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

Market risks

In principle, euromicron is dependent on economic trends in the Euro zone; the German market accounts for 84.5% (previous year: 84.9%) of sales and so is crucial to the Group's success. Germany is also the area of activity of most of the euromicron Group's operating units, which are benefiting from investments in communications, security and data networks. Apart from economic risks, euromicron is subject to the fundamental risks relating to other market players and pressure on prices. euromicron tackles these challenges by nurturing intensive contacts with customers and special solutions in niche markets so as to be able to offer top-quality products and services at competitive prices.

Risks of default

Due to its broad customer base and financing activity, the euromicron Group is subject to the risk of defaults, which it reflects by means of individual allowances for doubtful accounts. However, an unusually high risk exposure cannot be discerned. Only one customer accounted for more than 10% of consolidated sales in fiscal 2105 (previous year: one customer). In addition, the risk of default is minimized by Group-wide monitoring of accounts receivable. Moreover, credit sale insurance policies were concluded for specific companies.

The maximum risk of default is to the carrying amounts of the financial assets recognized on the balance sheet which are not secured by credit sale insurance policies.

Financing and liquidity risks

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

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

As regards measures to safeguard future liquidity, refinance loans that will expire in fiscal 2016 and restructure financing, we refer you to the comments in section 4.2 "Risk report and salient features of the risk management system" in the group management report for 2015.

Interest rate risks

Interest rate risks are restricted exclusively to the Euro zone. To protect against these risks, the euromicron Group relies on a balanced mix of a variable and fixed financing structure. Interest rate derivatives can also be used to optimize the net interest income/loss on a case-by-case basis. As in the previous year, however, there were no interest rate derivatives at December 31, 2015.

The financing that was contractually agreed and utilized at December 31, 2015, resulted in interest expenses of around €2.3 million (previous year: €3.7 million) by the end of its term. A sensitivity analysis is used to assess the interest rate risks. This shows the effects of different market interest rates on interest payments, interest income and interest expenses.

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

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

If the average market level for interest rates in 2015 had been 100 base points higher (lower), income before taxes at the euromicron Group would have been €335 thousand lower (€335 thousand higher). The hypothetical impact on income is mainly the result of the original financial instruments with a variable rate of interest.

Internal control system
In order to comply with statutory requirements, the euromicron Group continued to focus in fiscal 2015 on monitoring its main corporate processes. In particular, the internal controls are aimed at minimizing operational risks and avoiding mistakes in sensitive areas of the company. For example, the company ensures that key functions are kept strictly separate from each other and that the four eyes principle is applied comprehensively. Moreover, Finance and Accounting, and Controlling very closely observe changes in accounting and employees are given extensive training by external consultants if and when required.

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

Appropriate measures to minimize risks from project business were implemented in previous years. Further enhancement of these structures was also a focus of the euromicron Group's risk management activities in 2015. For further details, please refer to the comments in section 4.2 "Risk report and salient features of the risk management system" in the group management report for 2015.

In fiscal 2015, euromicron AG's risk identification system complied with the measures to set up a suitable risk identification system specified by Section 91 (2) AktG (German Stock Corporation Law). The risk identification system is suitable for promptly detecting developments that might jeopardize the company's continued existence.

Compliance
For the Executive Board of euromicron AG, corporate governance based on integrity means morally and legally responsible conduct toward executives, employees and all business partners. These maxims are actively practiced by the Executive Board, Supervisory Board and employees and have been incorporated in the company's Code of Conduct, which is intended to ensure that everyone in the Group acts and behaves consistently and ethically. The Code of Conduct can be viewed on the company's homepage at www.euromicron.de/en/company/code-of-conduct. In addition to the general guidelines for compliance in practice, the Executive Board – in coordination with the compliance officer of euromicron AG – selects each year a special area of focus so as to ensure adequately at all times that our individual divisions are able to cope with the changes that they are subject to. The aim of this is to address the changes in requirements from operational business and in the market environment. Our divisions are to be developed further on the basis of the created compliance structure with reference to the separately defined areas of focus.

Compliance in Human Resources was one of the focuses in fiscal 2015. In particular, various in-person training courses were held on the subject.

26. Related parties

Companies and persons 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.

With one exception, the members of the Supervisory Board did not receive any further payments for services provided in the year under review. The auditing firm LKC Kemper Czarske v. Gronau Berz, for which the Supervisory Board member Dr. Franz-Stephan von Gronau works, was commissioned to prepare expert opinions in connection with legal and accounting matters. A fee totaling €42 thousand (previous year: €75 thousand) was paid for the services; there is still a liability of €20 thousand (previous year: €63 thousand) due on this at December 31, 2015. Business transactions with related parties are conducted at the same prices as with outside third parties (at arm's length). Further relations with members of the Executive Board and Supervisory Board are explained in section 32.

Apart from that, there were no transactions with other related parties or companies. There are no further receivables due from or liabilities toward related parties.

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

In 2015, euromicron AG largely complied with the recommendations of the German Corporate Governance Code in its version dated September 30, 2014, which was published on June 24, 2014, and in its amended version dated May 13, 2012, as of June 12, 2015. The exceptions, which are due to the company's size and business model and to preparations for future adaptations, are listed in the declaration on conformance by the Executive Board and Supervisory Board dated December 8, 2015, which can be read on the company's homepage at:
http://www.euromicron.de/en/investor-relations/declaration-on-conformance-2015-III.

28. Stock option program / securities transactions requiring disclosure

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

29. Auditors' fees

The item "Other operating expenses" contains fees for the group auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of €835 thousand (previous year: €914 thousand). €560 thousand (previous year: €623 thousand) relate to auditing of the financial statements of the companies and the Group. This figure includes expenses of €73 thousand (previous year: €50 thousand) not related to the period. It also includes costs for other confirmation or valuation services (€4 thousand; previous year: €16 thousand), tax consulting services (€263 thousand; previous year: €247 thousand) and other services (€8 thousand; previous year: €28 thousand) for euromicron AG or its subsidiaries.

30. Significant events after the balance sheet date

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

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

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

31. Publication of the consolidated financial statements

On March 23, 2016, the audited consolidated financial statements and group management report of euromicron AG are to be released for publication as of March 24, 2016, by the Supervisory Board following their submission by the Executive Board and deposited with the operator of the electronic Federal Official Gazette.

euromicron AG makes use of the provision under Section 264 (3) German Commercial Code that exempts subsidiaries of euromicron AG from the obligation to prepare notes and/or a management report and to audit and disclose annual financial statements and management reports and fulfills all the necessary conditions. This goes for all subsidiaries (see "List of companies included in the consolidated financial statements" in the section "Consolidated companies") with the exception of the following. Exceptions are Avalan GmbH, Spiesen-Elversberg, ATECS AG, Zug, Switzerland, MICROSENS Sp.z o.o., Wroclaw, Poland, Microsens Beteiligungs GmbH, Hamm, RSR Datacom Verwaltungs GmbH, Essen, euromicron austria GmbH, Seekirchen, Austria, euromicron holding GmbH, Seekirchen, Austria, NBG Fiber Optics GmbH, Gmünd, Austria, WCS Fiber Optic B.V., SV Amersfoort, Netherlands, euromicron benelux S.A., Ellange, Luxembourg, and Qubix S.p.A., Padua, Italy, which disclose their annual financial statements in accordance with their respective national regulations.

32. Supervisory Board and Executive Board

a) Executive Board

Dr. Willibald Späth, Chairman of the Executive Board
Responsible for strategy, acquisitions, finance, public relations and investor relations (until March 23, 2015)

Thomas Hoffmann
Responsible for strategic sales and marketing, business development and internationalization, IT and process optimization, as well as areas of communication with the capital markets (until March 23, 2015)
Sole Executive Board member (March 24 to 30, 2015)
Responsible for strategy, corporate marketing, IT, M&As and capital market communication (from March 31 to May 8, 2015)

Bettina Meyer
Responsible for finance, legal affairs, human resources, accounting/controlling; Spokeswoman of the Executive Board (since March 31, 2015)
Also responsible for corporate marketing/IR, M&As and capital market communication (since May 8, 2015)

Jürgen Hansjosten
Responsible for operations (since March 31, 2015)
Also responsible for strategy, IT and purchasing (since May 8, 2015)
Chairman of the Supervisory Board of AMS Technologies AG, Planegg

b) Supervisory Board

The members of the Supervisory Board of euromicron AG are:

Dr. Franz-Stephan von Gronau, Chairman
Certified public accountant, lawyer, tax consultant
Partner of the firm LKC Kemper Czarske v. Gronau Berz GbR, Munich

Josef Martin Ortolf, Deputy Chairman
Senior Vice President Power Tools and Head of the Business Unit Professional Power Tools, Industrialized Markets of Robert Bosch GmbH, Leinfelden-Echterdingen

Dr. Andreas de Forestier
Managing Director of DBE Liegenschaften GmbH, Munich
Managing Director of KEA Vermögensverwaltungsgesellschaft mbH, Hamm
Managing Director of KEA Zweitmarktgesellschaft mbH, Hamm
Chairman of the Supervisory Board of CP Consultingpartner AG, Cologne
Chairman of the Board of the Noris Stiftung, a civil-law foundation for promoting the ecological and social market economy, Nuremberg

c) Remuneration of the board members

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

In fiscal 2015, the Executive Board received a total remuneration of €1,038 thousand (previous year: €1,788 thousand); the variable payments made up €317 thousand of this (previous year: €912 thousand). No expenses from the pension commitments to Executive Board members were recognized in fiscal 2015 (previous year: €25 thousand).

The total compensation for the Executive Board included short-term benefits totaling €1,012 thousand (previous year: €1,644 thousand) and long-term benefits totaling €26 thousand (previous year: €144 thousand).

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

33. Declaration by the legal representatives

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

Frankfurt/Main, March 22, 2016

Bettina Meyer
Spokeswoman of the
Executive Board

Jürgen Hansjosten
Member of the
Executive Board