



EXPANSION
NEXT GENERATION SOLUTIONS

Annual Report 2010
euromicron Aktiengesellschaft



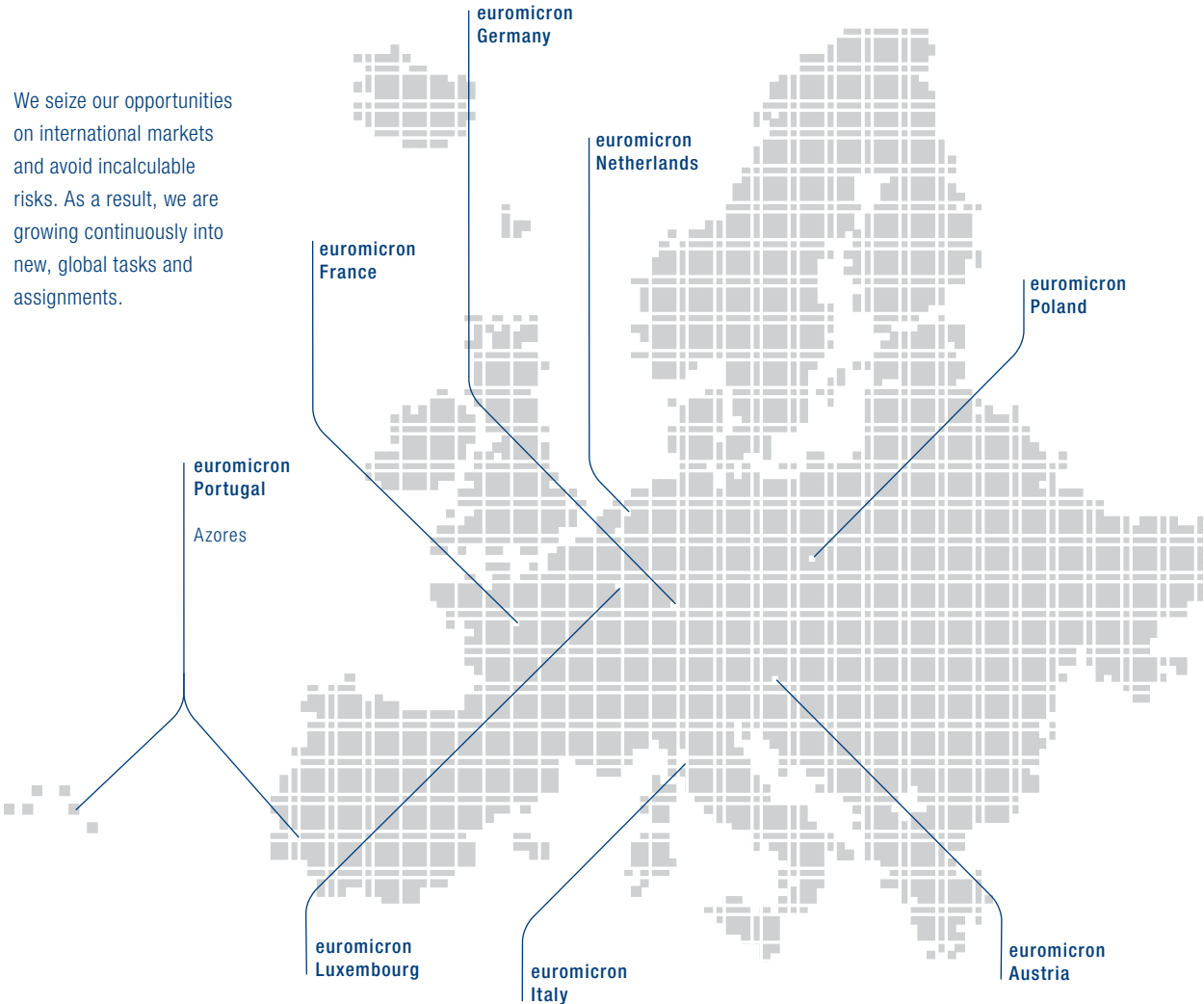
euromicron

euromicron 2010

PRESENCE IN EUROPE

EXPANDED FURTHER

We seize our opportunities on international markets and avoid incalculable risks. As a result, we are growing continuously into new, global tasks and assignments.



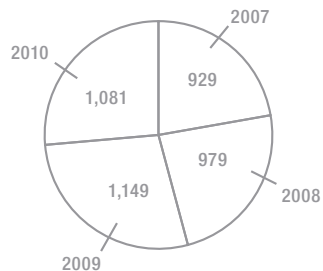
KEY FIGURES FOR 2007 TO 2010 – A COMPARISON

EARNINGS PER SHARE

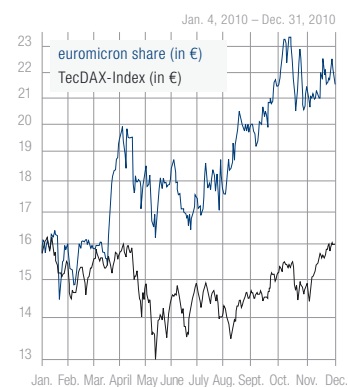


* Figures corrected in acc. with IAS 8

Employees (annual average)



STOCK MARKET CONTEXT



SUCCESSFUL AND SOLID

Intrinsic value increases along with earnings

GROWTH TARGETS ACHIEVED

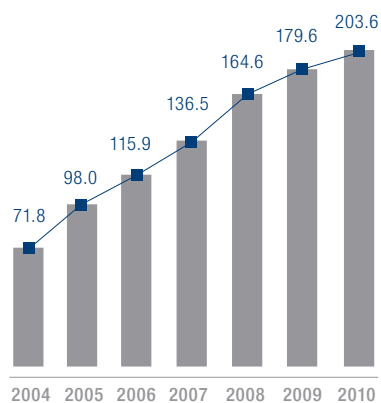
euromicron is the Competence Center for broadband expansion

EBIT

+23 %

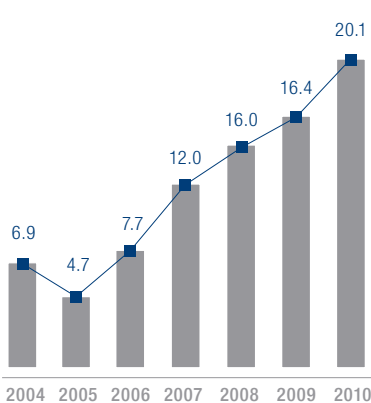
Sales trend

Network technology (in € million)



EBIT trend

Network technology (in € million)



EBITDA

+24 %

EARNINGS PER SHARE

+10 %

KEY FIGURES AND FINANCIAL DATA FOR THE GROUP

KEY FIGURES

	2010 € m.	2009** € m.
Consolidated sales	203.6	179.6
Sales by division		
euromicron North	103.7	88.1
euromicron South	109.0	99.2
Segment-related consolidation	- 9.0	- 7.7
Sales by region		
Germany	174.0	154.5
Euro zone	26.0	22.6
Rest of World	3.6	2.5
EBIT (operating)*	25.9	20.8
Consolidated EBIT	20.1	16.4
EBIT of the divisions		
euromicron North	16.8	14.6
euromicron South	9.1	6.2
euromicron AG and consolidations	- 5.8	- 4.4
EBITDA	24.7	19.9
Consolidated net profit	11.5	9.8
Cash provided by operating activities	8.5	14.2
Number of shares in circulation (thousands)	5,126	4,503
Undiluted earnings per share (in €)	2.38	2.17
Total assets	196.0	181.4
Equity ratio	45.5%	39.4%
Employees (number as an average for the year)	1,081	1,149

* Before holding costs
** Figures corrected in acc. with IAS 8

WE ADVANCE TO A NEW REALITY ON THE BASIS OF FUTURE- PROOF NETWORKS

The euromicron Group unites all the expertise and technologies needed for state-of-the-art, future-oriented data transfer. On the basis of powerful broadband networks, we ensure top-class communication, control and surveillance for our customers in the Gigabit age.

We support our customers in Germany and international markets with high-performance components, integrated modules and a broad range of application know-how: We plan and build the infrastructure they require for their business success and for realizing their visions.

euromicron MAGAZINE

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SMART HOME,
AMBIENT ASSISTED LIVING,
SECURITY

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WORKING: SOLUTIONS FOR ECONOMICAL AND EFFECTIVE WORKING

OFFICE,
RESEARCH,
HEALTHCARE

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SUPPLY: SOLUTIONS FOR RELIABLE AND FLEXIBLE SUPPLY

E-ENERGY,
CONTROL SYSTEMS,
MOBILITY

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ANNUAL REPORT 2010

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FISCAL YEAR 2010

Following integration and development, we are setting store by sustainable expansion



DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD

THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD

FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS, DEAR READERS,

The effects of the financial crisis in 2008 and 2009 could still be clearly felt at the beginning of 2010. After a rather weak start, the economy picked up again on international markets, in particular in Asia and the USA, in the course of 2010. In the Euro zone, growth trends in the first half of the year were low, yet very stable. Trends in the individual countries of Europe varied very sharply. Economic growth, good foreign trade figures and a stable labor market almost dissipated memories of the crisis Germany had pulled out of as of the second quarter. Almost – since the storm clouds of over-indebted European households and rising energy and commodity prices appeared on the horizon from time to time. They dampened the high spirits, but – at least in some sectors – hardly consumption: The industry association BITKOM reported double-digit record growth in sales of computers and mobile phones at the middle of the year and identified topics such as cloud computing, mobile Internet and e-energy as the major trends. And whatever may be behind such news, one thing is for certain: The foundation for all these topics is expansion of a stable network infrastructure with high transmission rates. And that is our business.

Your company – euromicron AG – stands for reliability, stability and solid business development. Right from the generally weak beginning of the year, euromicron was able to buck the market trend. The financial market which, following the crisis, is increasingly turning to solid securities with growth opportunities, rewarded the performance of our company, which has successfully completed the “buy-and-build phase” and since 2009 has embarked on the “build-and-integrate phase”.

Our focus on integration has both a technical and a structural dimension. In technical terms, the objective is to leverage the available technologies on the market and develop them further on a customer-specific basis. In structural terms, the goal is to ensure our Group has a balanced financial and organizational structure. The long-term aim of that is to safeguard our growth and for our shareholders to participate in our Group's success. The merger of the acquired enterprises with our large companies euromicron solutions and euromicron systems corresponds to the degree of integration of competences in our Group. In this respect, too, we were able to achieve our objectives, leverage synergies, cut costs and so chalk up economic success throughout the Group.

We are thus laying the foundation for expansion. The figures for 2010 confirm our forward strategy and growth initiatives. With sales of around €203 million, we achieved our targets and surpassed the previous year's figure by some €24 million. Consolidated EBITDA rose by 24% to approximately €25 million. Given an average tax ratio of 29.5%, euromicron generated a net profit of around €11.5 million.

Right at the beginning of 2010, approximately 6.44% of euromicron AG's shares were sold on the stock market by their holder Nord LB. This transaction was met with a positive response by many euromicron shareholders, since it strengthens our Group's position on the capital market. It is an important concern of ours to continue our balanced shareholder policy and ensure we remain dependable for our investors and stakeholders. As part of this mission – one that is geared to sustainability – we also aim to retain our distribution policy and ensure an unbroken dividend record. The Executive Board and Supervisory

Board will propose payment of a dividend of €1.10 a share to the General Meeting on June 9, 2011.

Our expertise in the field of networks and fiber topics solidifies the deeper and broader our market lineup is. That is reflected among other things in our technological highlights. In February we launched the FTTH central office system eFOS. This central office rack for FTTH cabling has been developed in-house and increases flexibility and ease of use over the last mile. The innovation was presented at the FTTH Council in Lisbon in cooperation with our two sales partners euroclust and SKM Skyline.

A further product from euromicron's subsidiary SKM Skyline, the SKM PicoLINK module system family, was certified last fiscal year by the GHMT AG, a company that specializes in high-frequency measurement technology. The module is distinguished in that it is particularly safe and very quick to install, offers great performance reserves, is halogen-free and is electromagnetically compatible. With his module, euromicron not only demonstrates its well-known expertise for fiber-optic solutions, but also its leading competence in the field of innovative copper solutions.

The many projects we have accomplished in the field of networks keep on bringing us together with interesting partners. For example, last year we expanded the authorized DIALOCK partnership with the Swabian family-owned company Häfele. Häfele has developed an intelligent identification and lock system that we incorporate in our all-round solutions in the area of security technology and so generate significant user benefits. Our customers reward this work "outside our box". Thanks to such technically high-quality detailed solutions, we enhance customer satisfaction in projects and confirm our mission to be a long-term partner.

With Leoni, the leading vendor of cable and cabling systems for the automotive and other industries, we significantly intensified cooperation in the market for fiber optic-based network infrastructures in 2010. In this connection, euromicron

purchased Leoni NBG Fiber Optics, Gmünd, Austria, and Leoni WCS Benelux B.V., Amersfoort, Netherlands, last December. These strategically motivated transactions are aimed at ensuring greater intermeshing of the partners' expertise and access to markets.

By taking over the two Leoni companies, we have continued our strategy of gradual expansion into foreign markets and further strengthened our commitment in Austria. In this regard, we are patiently taking a path that is intended to let us make continuous advancements in this tough market and bolster our market position, as well as help our Group reduce risks.

Unified communications is one of the major buzz phrases in our industry. At the end of any network are people who "just" want to communicate. In order to optimize our portfolio in this regard, we as a vendor-independent system house have now taken over as representative agent of NEC's telephony business in Germany – alongside the brands Siemens, AVAYA and Alcatel – and so extended our range by one VoIP and a unified communication solution over IP. NEC is the world's third-largest vendor of communications systems in the corporate customer segment. euromicron began immediately to build NEC know-how at all branch offices and so ensures maximum proximity to customers.

e-energy is one of the issues that will increasingly accompany us in the coming years. In view of the depressing events in Japan, we can say that now with even greater certainty. We are not newcomers in this field. For some years now, we have been proactively positioning ourselves. In 2010 we established ourselves as a partner to constructors of wind parks and operators of photovoltaic parks. Together with the manufacturers and operators, we develop customized concepts and solutions for operating the entire communications structure of on-shore and offshore wind parks, define surveillance systems for solar fields for their operators and produce measurement systems for inverters.

And to finish with, here is another bit of good news: euromicron AG came 75th in the TOP 100 ranking of German medium-sized enterprises, based on an analysis of more than 1,000 companies over a period of four years conducted by the Munich Strategy Group (MSG) together with the Germany daily newspaper "Die Welt". euromicron AG is thus one of the companies that occupy a top place due to their excellent performance in terms of corporate governance, customer orientation and products.

Such good ratings confirm that we are on the right path. We thank you, dear shareholders, for the trust you have given the Executive Board in the past year. With our strategy and mission of achieving and practicing integration, we will expand profitably and create value. With your support, we will continue on this path unswervingly.



DR. WILLIBALD SPÄTH
CHAIRMAN OF THE EXECUTIVE BOARD



THOMAS HOFFMANN
MEMBER OF THE EXECUTIVE BOARD

euromicron MAGAZINE
CITY OF THE FUTURE

MAGAZINE

CITY OF THE FUTURE

01

LIVING:
SOLUTIONS FOR
SECURE AND
COMFORTABLE
LIVING

SMART HOME,
AMBIENT ASSISTED LIVING,
SECURITY

02

WORKING:
SOLUTIONS FOR
ECONOMICAL AND
EFFECTIVE
WORKING

OFFICE,
RESEARCH,
HEALTHCARE

03

SUPPLY:
SOLUTIONS FOR
RELIABLE AND
FLEXIBLE
SUPPLY

E-ENERGY,
CONTROL SYSTEMS,
MOBILITY

euromicron MAGAZINE
NEXT GENERATION SOLUTIONS

EXPANSION

Operational efficiency,
innovation and customer
orientation are the cornerstones
of our future strategy

NETWORKS FOR MODERN LIFEWORLDS

We implement future-proof IP and Ethernet networks for transferring all data – by combining active and passive technology, as well as all available transmission channels based on optical fiber, high-quality copper cable or wireless systems.

01

LIVING. SMART HOME,
AMBIENT ASSISTED LIVING, SECURITY

1. Video technology
2. Fire alarm technology
3. Security technology
4. Fiber-to-the-home (FTTH)
5. EFOS
6. Smart home applications
7. Voice applications
8. Ambient information systems
9. Ambient assisted living

euromicron
NETWORK INFRASTRUCTURE

MOBILE COMMUNICATIONS

Overlapping radio zones create flexible, reliable connections.

OPTICAL FIBER

Leading-edge broadband technology for state-of-the-art data transport

COPPER

Tried-and-tested standard technology for traditional networks



03

SUPPLY. E-ENERGY,
CONTROL SYSTEMS, MOBILITY

1. Examination and testing equipment
2. Security systems and access control
3. Smart meter/smart grid
4. Escape door concepts
5. Passenger information systems
6. Traffic control systems
7. FTTX



RADIO RELAY

Ideal when there is visual contact between the sender and receiver

SATELLITE CONNECTION

Reaches difficult-to-access locations reliably and is used for redundancy

02

WORKING. OFFICE,
RESEARCH, HEALTHCARE

1. Fiber-to-the-office (FTTO)
2. Networked workplace systems
3. Security and alerting systems
4. Emergency call systems
5. Voice transport
6. Fire prevention
7. Data security
8. Electronic patient files
9. Image analysis systems

01

LIVING. SMART HOME, AMBIENT ASSISTED LIVING, SECURITY

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SOLUTIONS FOR A SECURE AND COMFORTABLE LIFE

We leave our smart home in the morning to journey to work as smoothly as possible with the aid of traffic control and passenger information systems. We communicate from anywhere with people who are important to us. In healthcare, we link all information on patients to enable a holistic view of their health. Whether children or old people – wherever human life has to be protected, we can improve standards of safety by means of security and alerting systems.

euomicron is shaping people's everyday life with intelligent, internet-based and networked communications solutions – and will do so in future.

1 VIDEO TECHNOLOGY

Video technology is used in private and public security concepts, for instance in surveillance of entrances to houses, underground car parks or risk zones in the public sphere.

4 FIBER-TO-THE-HOME (FTTH)

We can offer houses or entire residential areas transmission rates of up to 100 megabit/s for every household with high bandwidth data networks.

7 VOICE APPLICATIONS

Our fiber-optic networks deliver Voice over IP services in optimal quality and with very high transmission rates.

2 FIRE ALARM TECHNOLOGY

We connect fire alarm systems with the fire brigade's control station so that assistance is called for right away in the event of a fire.

5 EFOS

EFOS is the central office rack developed by euomicron for FTTH cabling. EFOS optimizes flexibility and functionality for laying fiber-optic connections over the last mile.

8 AMBIENT INFORMATION SYSTEMS

Ambient information and tracking systems provide important data for people to find their bearings. The help minimize tailbacks and road accidents.

3 SECURITY TECHNOLOGY

We optimize safety and security in the home with the aid of video technology, alerting technology, door intercom systems or emergency call systems.

6 SMART HOME APPLICATIONS

A smart home is no longer a thing of the future: Its functions are based on powerful ITC concepts that also leave leeway for future developments.

9 AMBIENT ASSISTED LIVING

Technical solutions give people who are in critical phases of their life, are in old age or are suffering from an illness a higher quality of life and allow them to live independently within their own four walls.



EDEKA HAMBURG

53° 33' 12" N, 9° 59' 11" O

Project: Development of an intelligent analysis and control system

Task: Support for supply chain management, staff rostering, customer advice and payment processes, as well as security monitoring

Solution: An analysis tool based on video technology

LIVING
SUPERMARKET OF THE FUTURE

“CAN I HELP YOU?”

Standing in a line at the supermarket checkout is a thing of the past. Anyone visiting EDEKA's "Store of the Future" can experience shopping that offers unrivalled convenience and better service. The objective of the project was to create an internal showroom where business administrators and managers at the EDEKA Group's around 12,000 stores can see live what is now possible in retailing and how they can equip a customer-centric supermarket in future.

A total of 17 industry partners were involved in developing the demo store in Hamburg. They are showcasing innovative processes – from the e-label, stock analyses to the self-checkout or tunnel scanner. "EDEKA scrutinized our efficiency and solution competence thoroughly," states Frank Neffe, Head of System Technology at euromicron systems.

euromicron's contribution to the "Store of the Future" is an intelligent analysis and control system based on video technology. Together with our partners Axis and Aimetis, we have developed

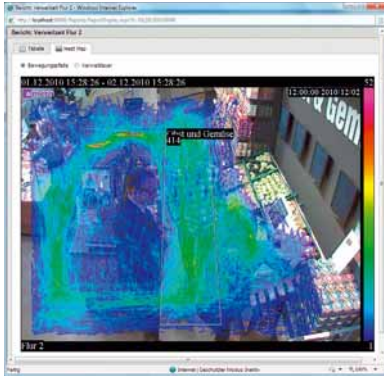
something absolutely new here. As part of this work, euromicron acts as an experienced system integrator with its specialization in the field of IP and video.

HEAT MAPS SHOW MOVEMENTS

The solution is based on capturing images of the salesroom using video technology. Cameras record all movements in the store and transfer the image data to a computer. Analysis software evaluates it on the basis of a wide range of different criteria and makes the results available to store management in the form of a report.

How many customers visit the supermarket at what time of day? Counting people is without doubt the easiest of all applications possible with the analysis tool. But then things soon get more complex: Which aisles are most frequented? And in front of which products do shoppers stay longest?

The analysis system processes such information using what are termed heat maps. That means only movements are recorded – faces or personal data are not stored. Nevertheless, a whole lot of



Heat maps – Complex technology with a simple objective: More space, time and convenience for customers and advisors

information can be obtained from the heat maps and help change how a store is organized, for example to ascertain where articles in a special promotion can best be placed or whether goods on display are even noticed – and finally how long the line at the checkout is. The store manager is then informed and a new checkout is opened right away – after all, no one wants to wait.

However, the analysis software can do even more. Empty shelves are detected and the replenishment service automatically notified. A person standing a particularly long time in front of a shelf could also trigger notification: Perhaps he or she needs assistance? That is certainly one of the greatest advantages of the analysis and control system. It improves processes at the store so that staff has more time to advise and help customers.

COMPLEX TECHNOLOGY – SIMPLE APPLICATION

“This system harbors a great degree of complexity,” explains Frank Neffe. But the people who use it – store managers and their team – do not notice any of that. At the end of the day, they have a easily comprehensible report in their hands and benefit – like customers – from simpler and more cost-effective processes.” That means for the euromicron team: Installation and configuration must be excellently prepared so that implementation at the individual store proceeds quickly.

The feedback from EDEKA's Store of the Future is good. Nevertheless, euromicron is continuing to optimize the solution. “This is the first system of its kind,” says an enthusiastic Frank Neffe. “We are absolute pioneers here. The next thing we need is apps for the iPhone.”

We customers will probably not notice much of such refined technology in future either. Maybe one day it will be quite normal not to have to stand in a line and for all the shelves to be well-stocked at all times. Or we will get used to a relaxed store assistant inquiring in a friendly voice: “Can I help you?”

LIVING PROJECTS



100 MEGABITS A SECOND DICHTERVIERTEL, ERFURT

The Dichterviertel area in Erfurt has been developed with upmarket residential units. And it also boasts a state-of-the-art fiber-optic network that enables the best-possible communication for all inhabitants and users.



SECURE CULTURAL HERITAGE SYNAGOGUE, ERFURT

For the old synagogue in Erfurt, ssm euromicron formulated a security concept that equipped the 11th century building with cutting-edge security technology. The fire prevention, video surveillance and alarm systems protect the building, which is now used as a museum, invisibly yet effectively.



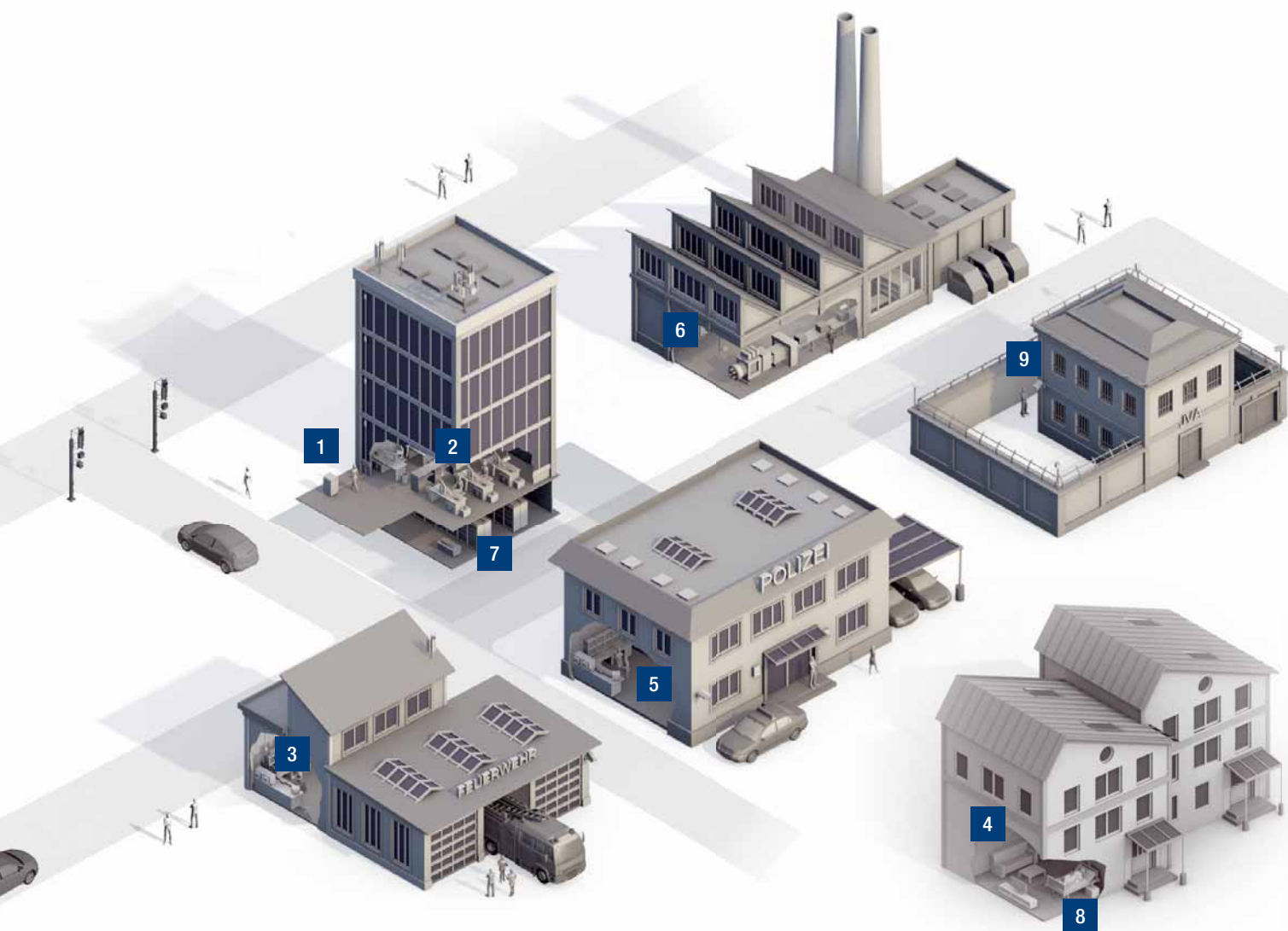
PROTECTION AND COMFORT IN OLD AGE ST. MARTIN OLD PEOPLE'S HOME, BAIERSDORF

euromicron solutions has raised comfort and security to a whole new dimension at the St. Martin Old People's Home, which is run by SeniVita Holding. Apart from a tailored fire prevention system and the nurse call, residents now have every option to choose from when it comes to watching TV and transferring data.

02

WORKING. OFFICE, RESEARCH, HEALTHCARE

1. Fiber-to-the-office (FTTO)
2. Networked workplace systems
3. Security and alerting systems
4. Emergency call systems
5. Voice transport
6. Fire prevention
7. Data security
8. Electronic patient files
9. Image analysis systems



SOLUTIONS FOR COST-EFFECTIVE AND EFFICIENT WORKING

The possibility of transferring gigantic quantities of data quickly and securely has changed our working world. All information is available virtually at the touch of a button. We respond to the high security requirements demanded in banking or air travel with intelligent network concepts and alerting systems. Image recognition systems help us assess reality and optimize work processes.

euromicron technologies ensure quick and secure transport of voice, data and video. As a result we not only improve existing processes: We also enable customers to offer innovative services themselves.

1 FIBER-TO-THE-OFFICE (FTTO)

We connect up office buildings and industrial estates with powerful fiber-optic networks, even in rural areas. At the same time, we support municipalities and public utilities with competitive concepts.

4 EMERGENCY CALL SYSTEMS

In the field of health and care, emergency and nurse call systems ensure the security and well-being of patients and flexible assignment of nursing staff.

7 DATA SECURITY

Correct data is vital to the business for banks, public authorities and enterprises. Our networks enable its integrity and security across multiple locations.

2 NETWORKED WORKPLACE SYSTEMS

Networked workplace systems ensure a secure workflow wherever data has to be collected, documented and passed on in the work process.

5 VOICE TRANSPORT

Solutions for internal telephony at complex enterprises and across locations help our customers improve processes and cut charges.

8 ELECTRONIC PATIENT FILES

We support hospitals and care institutions with end-to-end data concepts. Doctors can use the electronic patient file to call information directly on the display by the bed.

3 SECURITY AND ALERTING SYSTEMS

We equip industrial plants, power generation plants, banks or intensive stations with highly available video technology.

6 FIRE PREVENTION

From the intelligent fire detector to the fire prevention concept: We implement effective solutions at industrial plants, office buildings, hospitals or old people's homes.

9 IMAGE ANALYSIS SYSTEMS

Image analysis systems collect information on movements and security risks by evaluating image data. Such systems process enormous quantities of data.

**REFLECTING TELESCOPE,
LA PALMA**

28° 42' 48" N, 17° 54' 21" W

Project: LWL Sachsenkabel supplied 3,300 meters of optical cable for MAGIC-1, made up of a total of 20 individual cables, each with 72 optical fibers. That gives 1,440 individual fibers, in which the signal time delay must not be greater than a billionth of a second.

Control: The results were controlled at LWL Sachsenkabel and on site under the critical eyes of the scientists from Munich.



WORKING

REFLECTING TELESCOPE, LA PALMA

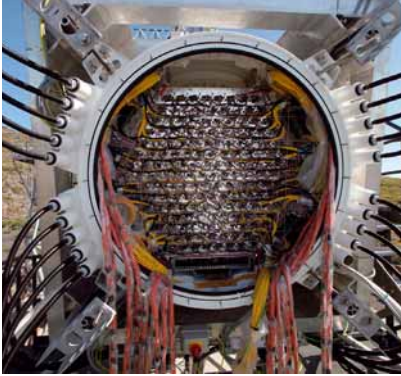
PRECISION IN THE SERVICE OF SCIENCE

Astrophysicists from the Max Planck Institute in Munich are researching the enormous amounts of energy in black holes using gigantic high-precision reflecting telescopes. euromicron's subsidiary LWL Sachsenkabel supplied fiber-optic cable meeting all the accuracy requirements demanded in modern science for such a telescope on the Canary Islands.

MAGIC-1 is located on a plateau on La Palma. The reflecting telescope consists of around 1,000 precisely measured and ground mirrors. All of them together are to receive blue light from space in the deep darkness of night on the Canaries: Cosmic gamma rays that are produced in the vicinity of black holes and from which astrophysicists hope to gain new findings on these points of infinite density.

LEADING TECHNOLOGY

A distinguishing feature of MAGIC-1 is maximum precision – and that also goes for the cabling. Munich's Max Planck Institute for Physics, which is in charge of the project, therefore uses a technological standard that ideally supports or can even maximize the performance of the valuable instrument. In this connection, euromicron's subsidiary LWL Sachsenkabel GmbH was commissioned to supply 20 fiber-optic cables in high-end quality for the signal path from the camera to the analysis unit.



1,440 individual fibers with extremely low time delays

“Above all, that was a metrological challenge,” sums up Steffen Lüdemann from Research and Development at LWL Sachsenkabel. In order to achieve the extraordinarily small fault tolerance specified by the Max Planck Institute, the euromicron company used sophisticated measurement technology. The measurement setup was formulated in close cooperation with the scientists from Munich. The stipulation was that the delay time during transit could not exceed one nanosecond – after all, light is quick and that demands quite a bit of the measurement technology.

VIRTUALLY LOSS-FREE TRANSMISSION

The result is impressive: LWL Sachsenkabel supplied 3,300 meters of optical cable for MAGIC-1, made up of a total of 20 individual cables, each with 72 optical fibers. That gives 1,440 individual fibers, in which the signal time delay must not be greater than a billionth of a second. To use a comparison with a train journey from Munich to Flensburg, that would mean that 1,440 trains that start simultaneously in Munich would arrive in Flensburg with a maximum delay of 30 seconds. The 20 cables therefore deliver virtually loss-free analog transmission of the optical signals.

One further challenge was to comply with various geometrical conditions, such as low-tolerance whiplash lengths and overall length. A special IP class 67 traction and protective element was developed along with a cable gland in order to ensure operability in the extreme weather conditions that prevail at the location. As the customer requested, the cables were assembled on both ends with a connector offering built-in laser protection.

All the results were controlled at LWL Sachsenkabel and on site under the critical eyes of the scientists from Munich. The precision that was achieved is naturally of great value, especially for research institutes.

“However, that will also be of growing interest to telecommunications providers in future,” predicts Lüdemann.

“Precision will become more and more of an issue due to the soaring volume of data, including in traditional networks.”

WORKING PROJECTS



WORKPLACE NETWORKING MEDICAL ENGINEERING WORKSHOP, HEIDELBERG

In 2010, the University Clinic of Heidelberg pooled its medical engineering know-how in a central workshop. euromicron's subsidiary ELABO equipped it with 14 leading-edge workplaces. Cockpits and workbenches networked using fiber-optic technology enable testing and documentation in a barrier-free data flow.



TELEPHONY SPARKASSE MAINZ

In 2010 euromicron installed a new communications system for the Sparkasse savings bank to integrate all its 27 branches in the sales territory. As part of this modernization, extensive application solutions were also integrated, such as unified messaging, GSM integration and call center solutions. The new system enables uniform, free internal telephony across all locations and so has helped slash costs.



FIRE PREVENTION UNIVERSITY CLINIC, FRANKFURT/MAIN

euromicron equipped the clinic of the Johann Wolfgang Goethe University in Frankfurt/Main with 50 fire alarm systems and a total of 6,000 detectors distributed over 40 buildings. Apart from emergency calls to the rescue services, the system also permits central management of the fire detectors. The project was accomplished smoothly and successfully while the clinic continued its operations.

03

SUPPLY. E-ENERGY, CONTROL SYSTEMS, MOBILITY

1. Examination and testing equipment
2. Security systems and access control
3. Smart meter/smart grid
4. Escape door concepts
5. Passenger information systems
6. Traffic control systems
7. FTTX



SOLUTIONS FOR RELIABLE AND FLEXIBLE SUPPLY

Mobility and the supply of energy are two of the great issues of our time. We monitor and control traffic and energy flows by large-scale collection of data. On the basis of this information, we increase efficiency and security on our transport routes. In the energy and supply industry, we optimize electricity flows in grids using the supplied data and so pave the way for forward-looking, clean forms of power generation.

euromicron designs and implements grids that will help our customers in the supply industry fulfill their mission in future securely, reliably and in an climate-friendly way.

1 EXAMINATION AND TESTING EQUIPMENT
euromicron provides examination and testing equipment for the new systems used in producing renewable energy with wind and solar technology. The deliver information on efficiency in the shape of reliable data.

4 ESCAPE DOOR CONCEPTS
Escape route concepts at airports and train stations also comprise the opening and closure of doors. Systems from euromicron ensure that all processes are automated in the event of danger.

7 FTTX
Expansion of fiber-optic networks is vital to transmitting large quantities of data. euromicron supports rural municipalities in getting connected to and expanding broadband networks.

2 SECURITY SYSTEMS AND ACCESS CONTROL
Our technologies help detect risks and avoid disruptions. As a result, security and cost-effectiveness in system operation is increased.

5 PASSENGER INFORMATION SYSTEMS
We equip airports and train stations with passenger information systems. Our innovative and reliable network technology makes sure that alternatives are soon available if unforeseeable events occur.

3 SMART METER/SMART GRID
The energy Internet is growing into a gigantic network of measurement points where data is collected at all times. As a result, supply and demand can be controlled selectively.

6 TRAFFIC CONTROL SYSTEMS
Traffic control systems are fed with data on the situation on the routes. To enable that, data on traffic and the route is collected at networked measurement points and transferred.

**SMART GRID/
SMART METERING, MUNICH**

48° 09' 05" N, 11° 33' 27" O

Project: Fiber-optic lines to create a smart grid

Objective: Coverage for the city by 2013

Technological concept: Laying of empty pipes from the POP distribution point to the customer. Blowing in of a distribution cable with a high fiber count in the exterior ring road. Linking of the customers' home connections with micro-cable.

Additional benefit: Fibers not required for the remotely readable counters are leased to M-net.

SUPPLY

SMART GRID FOR PUBLIC UTILITIES

MUNICH SAVES THE SMART WAY

To save energy, you first have to know how much energy you consume. This simple thought is the basis for the smart grid and smart metering. Intelligent meters at the switching points of power utilities and in the household inform consumers of how much electricity they use when and at what rate it is charged. The objective of all of this is to improve energy efficiency and achieve the common climate protection goals of the supply industry and legislators. The foundation for collecting and transmitting all this information is a data transfer network that transports large quantities of data to every household quickly and reliably.

In this connection, Munich's public utility Stadtwerke München (SWM) sought a technology partner who could supply and implement the concept and material planning for a passive network across the whole of Munich intelligently and reliably. The requirement: The network is to enable data rates in excess of 100 Mbits a second in future. The aim was to improve the infrastructure extensively

and rapidly: By 2013, every home within Munich's central ring road will have a fiber-optic connection.

KNOW-HOW WINS

euromicron NBG – a subsidiary of the euromicron Group from Gmünd, Austria – won the invitation to tender in the face of competition from several well-known rivals thanks to its tried-and-tested, reliable technology. "In the pilot phase, we were able to demonstrate that we not only supply high-quality materials for an FTTX network, but can also assess and shape implementation," is how Project Manager Michael Peter describes the project's crucial initial phase. "With our know-how, we even 'saved' a pilot section of a competitor, which had failed because unsuitable material had been chosen. Thanks to this fine work, we were ultimately able to win over the customer SWM."

euromicron NBG uses an empty pipe concept for creating the network. In this, optical fibers are blown into empty pipes throughout the passive network, from the



Munich is one of the forerunners in broadband coverage with this state-of-the-art FTTX solution.

distribution point to the customer. "In particular in this project phase, we were able to generate economic advantages for our customer and reduce the costs of underground work and shaft material thanks to the length and speed at which we were able to blow in the fibers," says Peter.

FAULT-TOLERANT SOLUTION

euromicron's solution is also distinguished by exactly fitting SWM's requirements – from a special cabinet solution, to training of the installation firms to technical support for the components, including those from other suppliers. One major issue was also fault tolerance – in urban areas, lines are repeatedly damaged as a result of building work and their operation has to be resumed as quickly as possible. Stadtwerke München is well-known for a very high level of fault tolerance and requires feasible concepts, which euromicron NBG ensures thanks to a careful choice of material and strict controls.

euromicron NBG impressed in this complex project with the full service of a system integrator. "We are able to provide product- and project-specific support for the entire passive network concept," is how Michael Bires, Managing Director of euromicron NBG, puts it in a nutshell. "We have proven our extensive expertise in one of the very large broadband projects in Germany. Bavaria's capital is thus one of the forerunners when it comes to broadband coverage."

The foundation for a broadband network has been laid. The new infrastructure has also opened the door a little way to a more climate-friendly future for Munich's citizens. Customers of Stadtwerke München will be provided with very concrete hints on how to save energy thanks to smart grid and smart metering.

SUPPLY PROJECTS



SOLAR INVERTERS SMA SOLAR, NIESTETAL

euomicron's subsidiary ELABO has developed a product for the expanding sector of solar energy in the shape of a test system for solar inverters. The product is being launched with great success on international markets.



BROADBAND EXPANSION STADTWERKE NORDERSTEDT

Together with the public utility Stadtwerke Norderstedt, euomicron Systems has designed a sophisticated telecontrol network in fiber-optic technology. For a number of years now, the solution has delivered maximum availability and impressed with its low proneness to faults.



SECURITY CONCEPT FRANKFURT AIRPORT

Security at Frankfurt Airport constantly raises new challenges for its operator. euomicron supplied the control and technology for the burglar alarm technology, escape door control, access control and alerting for the new A West pier.



euromicron 2010

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EXECUTIVE BOARD AND SUPERVISORY BOARD

THE SEGMENTS

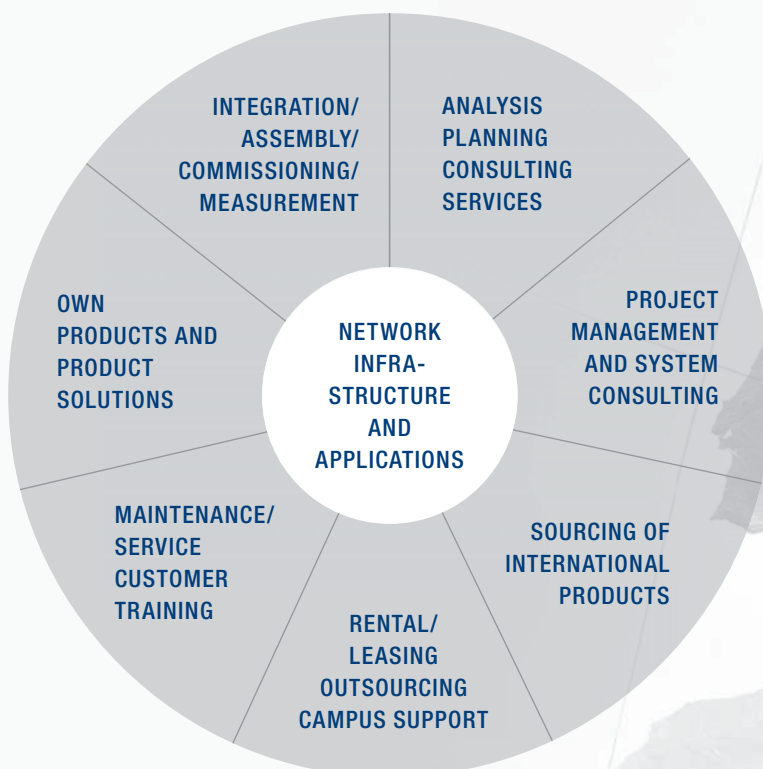
FOCUSED EXPERTISE AND KNOW-HOW IN ALL REGIONS

STRUCTURE AND ORGANIZATION

COMPETENCE AND COMPREHENSIVE PRESENCE

Customer proximity and a balanced portfolio of products and services are key components of our business model. Apart from the parent company euromicron AG, our comprehensive footprint throughout Germany is reflected in the segments euromicron South and euromicron North. A total of 19 companies in these segments jointly cultivated and undertook projects in the German market in the year under review. euromicron North also has representative agencies in Poland and France, while euromicron South also includes our companies in Austria and Italy.

As a system house with production expertise, we offer our customers access to competence throughout our value chain – from the system houses, consulting, distribution and service to our production operations, which create and market their own developments and products for projects. Despite this great innovativeness and production expertise, we are vendor-independent: We are certified in all key common technologies on the market, represent just about all well-known vendors and leverage this foundation to offer our customers ideal, solution-oriented consulting and support to suit their needs.

**THE VALUE CHAIN OF
THE euromicron GROUP**


SEGMENT LEVEL

euromicron NORTH

including Poland and France

AREAS OF EXPERTISE / OPERATIONAL SKILLS / KNOW-HOW

COMPETENCE LEVEL

Development and
production of components and
product categories

Planning, design
and integration of
systems and solutions

Consulting,
distribution, sourcing and
network services

PRODUCTS AND SERVICES

PRODUCT AND
SERVICE LEVEL

- Optical and hybrid connectors, assembly, switches and cable systems
- Networked workplace systems, examination and testing equipment
- Control and monitoring stations
- Customized product solutions

- Voice, data and video communication, convergent systems
- All-round solutions for networked working and living
- Optical, wireline and wireless networks
- Analysis, planning, implementation, maintenance and service

- Active and passive network components from a global range
- Top-performance cabling systems
- Consulting, training, network analysis and services

CONSOLIDATIONS

euromicron AG/GROUP

SEGMENT LEVEL

euromicron SOUTH

including Austria and Italy

AREAS OF EXPERTISE / OPERATIONAL SKILLS / KNOW-HOW

COMPETENCE LEVEL

Development and
production of components and
product categories

Planning, design
and integration of
systems and solutions

Consulting,
distribution, sourcing and
network services

PRODUCT AND SERVICE LEVEL

PRODUCTS AND
SERVICES

- Optical and hybrid connectors, assembly, switches and cable systems
- Networked workplace systems, examination and testing equipment
- Control and monitoring stations
- Customized product solutions

- Voice, data and video communication, convergent systems
- All-round solutions for networked working and living
- Optical, wireline and wireless networks
- Analysis, planning, implementation, maintenance and service

- Active and passive network components from a global range
- Top-performance cabling systems
- Consulting, training, network analysis and services

SUSTAINED INCREASE IN VALUE
CONTINUOUS DIVIDEND POLICY

THE SHARE

In 2010 enterprises worldwide overcame the economic crisis and posted significant profits once more – euromicron impresses with a continuous distribution policy.

Germany proved to be top of the class in Europe. Underpinned by strong demand from newly industrializing countries, Germany's export business profited from the economic upturn in 2010 like that of no other country in the world. The successes in foreign markets also stimulated domestic demand in the course of the year. They were reflected in higher consumption and demand for capital goods. The business climate in Germany reached historical highs in the second half of the year, even though they did not quite attain the levels from the time prior to the crisis.

In this environment, share prices performed positively throughout the year. The outlook for 2011 resulted in a sort of end-of-year rally on the stock markets as of mid-October. The DAX Index passed the 7,000 mark at the end of the year to stand at its highest level since June 2008. Stock markets were bolstered in particular by the high volume of liquidity provided by the US Federal Reserve and the European Central Bank. Some of this liquidity is invested in shares and so causes prices to rise.

Against the background of the crisis that has now been overcome, the financial market is focusing more strongly than ever on solid securities with growth potential.

euromicron was able to build on its reputation in this regard in 2010 and so attract attention and gain trust among investors.

THE euromicron's SHARES

Despite the turbulent crisis-ridden 2009, euromicron's share bucked the market trend sharply right at the start of 2010, well outperforming the SDAX and TecDAX indices.

CAPITAL INCREASE

In order to adjust euromicron's equity structure to the current level of annual sales of around €200 million, the Group's Executive Board utilized its powers to use authorized capital on April 29, 2010. As part of this, the capital stock of €11,914 thousand, divided into 4,660,000 bearer shares, was increased by €1,191 thousand to €13,105 thousand in exchange for cash contributions. 465,999 bearer shares with an entitlement to a share in profits as of fiscal year 2010 were issued. Demand for these shares was very pleasing – issue of them was completed on the next day of trading and did not entail any reduction in the price. This capital increase was an important step to reflect our organic growth and the reduction in net financial debt in conjunction with our strong rating.

PERFORMANCE OF euromicron's SHARE (XETRA)

IN €



PERFORMANCE OVER THE YEAR

At the end of April, euromicron's share stood at €18.29, an increase of 17% over its price at the end of the previous year. euromicron capitalized on the market recovery that began in the second quarter to continue its policy of sustained operational growth. For the first time in the company's history, order books at the end of the first half of the year were above the €100 million mark. At the end of the second quarter, undiluted earnings per share were €0.82, €0.08 up year-on-year. The shares stood at around €17.00, 9% up on their price at the end of 2009. In the third quarter, euromicron's share experienced an amazing surge. At the start of 2010, the

price was still below €16, yet four weeks after the key date for the third quarter, it was above €23. At the end of the quarter, undiluted earnings per share were €1.17, well above the previous year's figure of €0.21. Our very successful business performance over the whole year – backed by a lively economic environment – also characterized the end of the year.

Undiluted earnings per share were €2.38, another increase on the previous year (€2.17). The share stood at €21.60 at the end of the year.

The market capitalization of euromicron AG at the end of the year was around €110.7

SHARE PROFILE

Type of share	No-par bearer shares
Segment	Prime Standard
Sector	Technology
Index	Technology All Share
ISIN:	DE0005660005
Places of trading	Frankfurt/Main / XETRA
Abbreviation	EUC.GY
Designated sponsor	Close Brothers Seydler AG, Frankfurt/Main

PERFORMANCE OF
euromicron's SHARE
(XETRA)

IN €

Jan. 4, 2010 – Dec. 31, 2010

THE SHARES
ON THE MARKET

	2010	2009
Number of shares issued at the balance sheet date	5,125,999	4,660,000
– of which treasury shares	–	157,234
Capital stock (€)	13,105,397	11,914,000
Highest price (XETRA) (€)	23.42	15.62
Lowest price (XETRA) (€)	14.50	8.50
Closing price at the end of the year (XETRA) (€)	21.60	15.60
Market capitalization at the end of the year (in € million)	110.7	72.7
Undiluted earnings per share (€)	2.38	2.17
Volume of shares traded	6.2	1.9

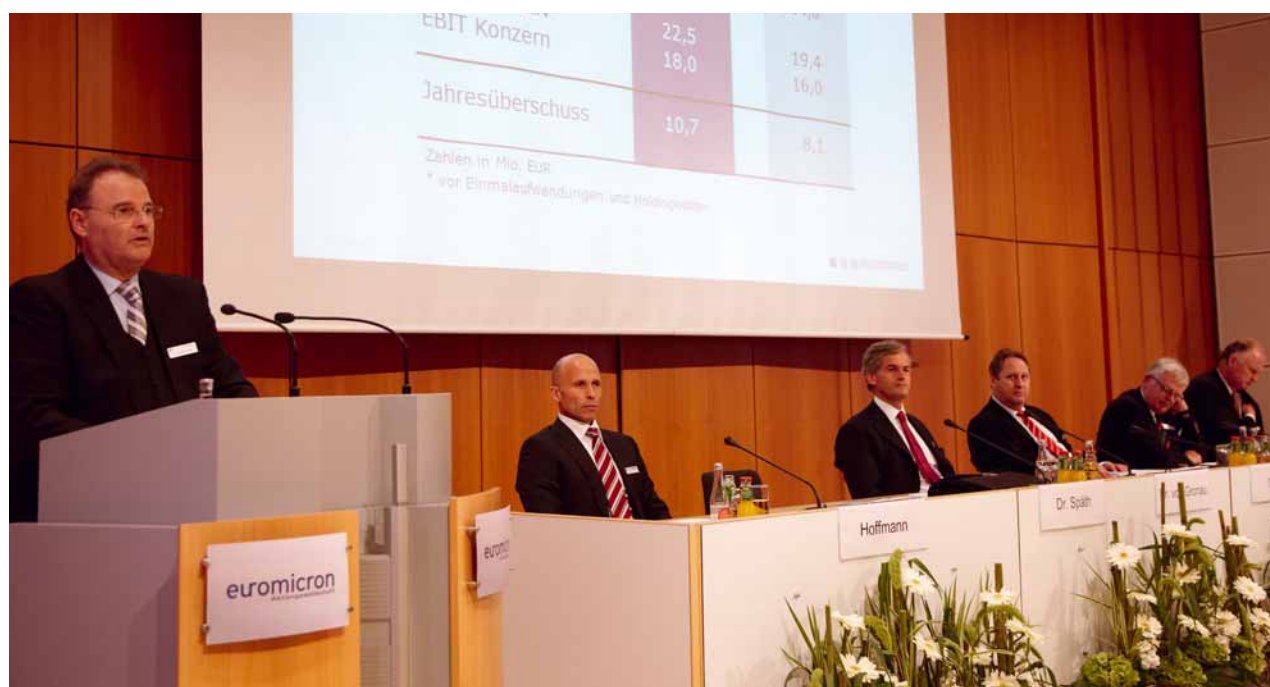
million compared with €72.7 million in the previous year.

After the sale of the treasury shares, all shares in euomicron – around 5.1 million – were free floating at December 31, 2010.

The capital increase in April did not impair the steady increase in our share's earnings. A more important consideration for investors was our sustainable and solid business performance with high order books of around €90 million at the end of 2010, which should also enable euomicron to perform well in fiscal 2011, too.

DIVIDEND

The Executive Board and Supervisory Board want all shareholders to participate in the company's success. Despite the capital increase, the goal in 2010 was to distribute a dividend of €1.10 a share, corresponding to almost 50% of the operating profit. There are slight deviations as a result of special tax effects. With this continuous financial policy, we ensure that shareholders get a return on their money and we also achieve our key objectives in terms of growth, long-term safeguarding of the quality of our earnings, reduction in net financial debt, strengthening of our equity structure and maintaining our good rating.



The Executive Board explained the Group's growth strategy at the General Meeting.

CHANGE IN THE INVESTOR STRUCTURE LONG-TERM PROSPECTS

INVESTOR RELATIONS

Our actions focus on growing the value of euromicron AG sustainably. The basis of that is a relationship of trust with all our shareholders on the basis of a transparent, reputable information policy. The objective of our investor relations work is to provide our private and institutional investors, banks, the press and interested members of the public with prompt and comprehensive information on our activities.

2010 was a crucial year in the build-and-integrate phase for euromicron. In particular in view of the impending decisions on the company's development, we accorded a high priority this year to regular dialog with all stakeholders and created additional channels of information. In this connection, we increasingly sought closer contact with investors and partners in the capital market and were able to convey our strategy of sustainable growth and the company's good economic situation to an interested audience by means of roadshows, one-to-one meetings, talks with groups and presentations at various European financial centers.

CAPITAL INCREASE AND SALE OF SHARES

Successful accomplishment of the build-and-integrate phase as planned demands not only further development of services and technologies, but also a balanced financing structure at the Group. That is intended to secure long-term euromicron's anticipated growth and enable shareholders to participate in the company's success.

Two events demanded special attention in fiscal 2010: First, the small capital increase at the end of April 2010. The Executive Board of euromicron AG decided on April 29, 2010, with the consent of the Supervisory Board, to increase the capital stock of the company

from €11,914,000.00, which is divided into 4,660,000 bearer shares, by €1,191,397.44 to up to €13,105,397.44 in exchange for cash contributions. 465,999 no-par value bearer shares with a full entitlement to a share in profits as of fiscal year 2010 were issued. The subscription right of shareholders was excluded in accordance with the resolution adopted by the General Meeting. The new shares were offered to German and international institutional investors by way of the accelerated bookbuilding method. The proceeds from the capital increase will mainly be used to give euromicron financial flexibility as it moves to the next stage of its corporate strategy.

The other event was the sale of the total of 157,234 treasury shares held by euromicron AG. They were disposed of on the stock market at an average price of €21. The gross proceeds for euromicron from this issue were €3.3 million. euromicron capitalized on its excellent share price in this phase and strong demand for its stock to further optimize its capital structure

THE INVESTOR STRUCTURE

At the very beginning of 2010, the shareholders Nord/LB and Vatas Belgique SA, Brussels, announced their intention to sell their shares in euromicron and so paved the

way for a change in the investor structure. New investors, such as DWS Investment GmbH (5.66%), Allianz Global Investors (5.18%) and Universal Investment (5.04%), took a stake in euromicron in the second quarter as a result of the capital increase. They also open up new, long-term prospects for the share. These shareholders set store by the company's proven strategy and aim to support euromicron actively. The changes were received positively on the financial and capital markets.

At the Analysts' Conference and the press conference on March 29, 2010 in Frankfurt/Main, the Executive Board of euromicron AG explained the company's growth-oriented strategy to financial analysts and the trade press. A hallmark of this strategy is the Group's intensive orientation toward market requirements and ensuring that investors share in the company's success.

THE INFORMATION CHANNELS

Our Internet presence is our most important means of informing our investors and capital market partners promptly of our activities. Our new Website is located at www.euromicron.de and is geared toward the needs for clear, comprehensible communication. In our investor relations work, we keep investors up-to-date with the latest news, articles and historical data on our business performance. In addition, we inform the media with press releases and ad-hoc announcements.

The General Meeting remains for us the highlight of our communication with the financial market and is accorded an important place in our planning and development. Personal sharing of ideas and thoughts and nurturing of the relationships that have evolved with longstanding and new

investors are the two key instruments in our IR mission.

"Only people who understand our company can support our strategy." That is why we also invite shareholders and financial market experts to our exhibition at CeBIT every year. We presented ourselves at the last one in Hanover in March 2011 under the slogan "Next Generation Solutions" and explained our cutting-edge technologies to the many visitors, shareholders and financial market players with reference to our exhibits.

COVERAGE

We attach very great importance to rating of our share by financial analysts. Five research houses currently examine our company's development at regular intervals. With their research, analyses, studies and comments, they offer the financial market an objective and fair basis for assessing euromicron.

In fiscal 2010, Close Brothers Seydler was appointed as designated sponsor of euromicron's shares.

The price expectations for our share were increased in 2010 to up to €29. The verdict of the analysts is once again "buy".

**ATTRACTIVE EMPLOYER
IN A DYNAMIC MARKET**

EMPLOYEES SEIZING OPPORTUNITIES, LIVING GROWTH

Our Group developed and unfolded its abilities further in fiscal 2010. euromicron boasts more companies and more business, but above all committed people. That is a positive development – but it also demands an organization that ensures that a willingness to achieve and expertise can be incorporated optimally in processes. We therefore used 2010 to work systematically on numerous details of our organization.

SUCCESSFUL GROWING TOGETHER AT ALL LEVELS

A number of years back, we began merging the different cultures that have come together under our roof as a result of acquisitions into one euromicron culture. We have taken a big step forward in this regard. Most of our companies are now merged in euromicron systems or euromicron solutions. This growing together is not only a formal legal act, but also an organizational process that involves human beings and will not be completed overnight. We will continue to devote the necessary attention to this issue.

Our headcount essentially continues to evolve – it changes as a result of company acquisitions and specifically due to the fact that we tackle new task areas. euromicron has a total of 1,081 employees, a figure that has increased in line with the course of our business. The philosophy of the company's HR

policy is always geared to market and customer needs and cost-effectiveness.

TRAINING AND FURTHER DEVELOPMENT AS A STRATEGIC MEASURE

We are pleased to be able to say that we invested even more in training and further development in the past fiscal year than the one before. Expenditure on training and further development in fiscal 2010 was €464 thousand (previous year: €424 thousand). As a result, we act with our employees and the future in mind and actively counter the growing shortage of skilled workers. We want and need a competitive workforce.

We have maintained last year's trainee ratio of 8%, which is representative of our sector as an average. We are especially delighted that one of our budding IT specialists at euromicron systems completed his training as best in the state of Lower Saxony. The

young man from Hanover had deliberately decided two years ago that he wanted to take his training at euromicron. Unlike at large groups, our trainees are integrated in practical project work at a very early stage and so are able to gather interesting vocational experience.

SUCCESSFUL TRAINING AND FURTHER DEVELOPMENT FROM THE TRAINEE TO THE EXECUTIVE

Our executive program entered its third round in 2010. Its aim is to enable executives and junior managers to cope with their future tasks successfully and efficiently. Our mission in this respect is to recruit as many managers from our own ranks as possible. Employees who complete this training have a good chance of embarking on a career at our company. In this regard, the program not only safeguards the quality of employees at the company, but also motivates individuals to develop themselves further.

We concluded our first sales trainee program in 2010. We are delighted that we have been able to keep on all those who completed it successfully and that they have quickly become familiarized with their tasks and a part of their teams. Thanks to job rotation in the trainee program, participants have an extremely broad overview of our Group's products and solutions. They thus develop into sales experts who have a broad perspective and so can provide our customers with especially effective support in solving their tasks.

EMPLOYEE SATISFACTION THROUGH SPECIALIZATION

One of our objectives was to perform even more effective and qualified human resources work in 2010. In particular at our large branch offices, we have succeeded in steering HR processes more purposefully. As part of this, we set store by lean and efficient administration. Our activity in niche markets not only reaps commercial success for us – specialization also ensures quality in work and so a high degree of employee satisfaction. In the ranking of the top 100 German small and medium-sized enterprises, euromicron AG is one of those companies that "are outstanding over a lengthy period of time in their field of competition, are distinguished by continuity in corporate development, stable sales growth at a high level, constantly high income and strategic vision". As an employer, we will also continue to follow this path systematically and constructively, take up issues of concern to our employees proactively and seek joint solutions.

We are delighted to work with an ambitious and motivated team that has the will, dedication and creativity to help euromicron grow. We would like to thank all our employees for that. We see our mission as continuing to steer the company in such a way that we can offer every single employee opportunities for an interesting career. In this spirit, we also aim to grow together in future.

**WE ARE FIT
FOR OUR MARKETS**

OUTLOOK FOR 2011 – MASTERING COMPLEXITY

The goal of our activities in fiscal 2011 is to grow our Group's profitably. To achieve that, we will further complement our portfolio and incorporate acquired companies in our overall strategy. We will also cultivate the fields of technology that open up to us with even greater intensity. In this regard, there is a growing focus on IP and active technology.

In 2011 we are planning to make a large acquisition that will bring us closer to achieving the €300 million mark for annual sales. We have done all the necessary spadework and are now involved in fertile negotiations.

The continuous improvement process initiated in 2010 is being continued by our executives systematically and with disciplined cost management. We operate in a highly dynamic, technology-driven market. In order to offer our customers future-proof solutions, we have to identify trends and developments in the "e" markets. We will do that by intensifying forecasting and being one of the technological pioneers in our industry. The greatest challenge

in that will be to master complex processes. E-applications, such as e-living, e-health, e-energy or FTTX, are penetrating our lifeworld more and more. Our mission and path to success will be to comprehensively create feasible and intelligent infrastructures for our customers' applications. Legislators must provide important stimuli in this regard. Experts believe 2011 will be an influential year when it comes to setting the agenda in network policy. That will also impact expansion of infrastructures.

We are fit for our markets – in terms of acquisition, finance and technology. In an intensive process as part of the integration phase, we have begun



Dr. Willibald Späth
Chairman of the Executive Board



Thomas Hoffmann
Member of the Executive Board

establishing stabile management structures and will strengthen them further in the current fiscal year. We are undergoing a change management process in which we are creating a common, customer-centric corporate culture that is oriented to the needs of a medium-sized enterprise and includes the advantageous elements of a group organization. This process has been initiated. We will continue to devote great attention to it so that the instigated changes can grow and have an impact.

We can still achieve synergy effects at our Group in the area of shared services. We will focus more strongly on this issue in the current fiscal year.

We will develop our foreign activities step-by step.

We will retain our current, well thought-out course.

We have strengthened our sales organization in the past years and geared it to growth – and will continuously make it more professional on the basis of this.

Order books are around what was planned for the company. In this regard, we do not expect any surprises, provided the general conditions remain stable.

Apart from general and always existent market and competitive risks, we do not

presently see any particular risks for our company's development.

SUPERVISORY BOARD
REPORT 2010

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

Fiscal 2010 at euromicron AG was shaped by rigorous continuation and implementation of the build-and-integrate phase, further leveraging of synergies in the Group and optimization of its structures. Despite the fierce competition and tough macroeconomic environment in Germany and Europe, euromicron AG posted good results and achieved its planned objectives. The Supervisory Board continuously monitored and assisted the Executive Board in running business in accordance with the statutory advisory and supervisory obligations incumbent on it.

The Supervisory Board was directly involved in all significant business events and decisions of fundamental importance. In addition, current strategic considerations were regularly discussed with the Executive Board.

The Executive Board regularly, promptly and comprehensively informed the Supervisory Board at its meetings, in writing and orally, about the company's situation, development of its business and financial situation, the Group's situation, including risks and risk management, investment and acquisition projects and basic questions of corporate policy and strategy and relating to compliance. It informed the Supervisory Board about the most important key financial indicators on the basis of monthly reports and submitted matters requiring approval in good time so that a resolution on them could be adopted. The Supervisory Board approved all of these after examining the relevant documents, queries to the Executive Board and intensive discussions with the members of the Executive

Board and Supervisory Board. It was also informed comprehensively of special business transactions and budget variances between the meetings. Where necessary, the Supervisory Board was asked to adopt resolutions by circularization so that expedient and prompt measures could be initiated. Apart from the above information, which was regularly queried to determine whether it was plausible, the Chairman of the Executive Board personally informed the Chairman of the Supervisory Board of all important developments and pending decisions in regular one-to-one talks and phone calls. The standard for regular supervision of the Executive Board and the group's managers was in particular proper, expedient and economic management in accordance with the law.

SUBJECTS OF THE SUPERVISORY BOARD MEETINGS IN 2010

The Supervisory Board held five meetings in fiscal 2010 – on February 23, March 25, June 16, September 22/23 and December 7 – at which it examined in detail the company's economic situation and strategic development. All members of the Supervisory Board took part in the meetings.

In addition to the current business development of euromicron AG and the Group, the course of business of the Group companies and their market environment, the topics regularly discussed at the meetings of the Supervisory Board focused on:

- Acquisition plans
- Expansion of the business fields of euromicron austria GmbH
- The Group's financing situation and rating
- Questions of corporate planning and business policy
- Questions of Group integration
- Organizational development and strategy 2010 – 2015 and progress in implementing them
- Public relations work
- Risk management and internal control system of the company
- Status of the German Financial Reporting Enforcement Panel examination

In addition, the Supervisory Board kept itself informed in regular meetings and talks with the Executive Board of euromicron's AG ongoing growth and integration strategy. Points of emphasis in this context were the company acquisitions aimed at rounding out

external growth, organic growth within the Group, consolidation and integration measures as well as the development of liquidity and the key financial indicators.

In addition, the Supervisory Board intensively dealt with the possibilities and effects of a capital increase as part of the company's authorized capital.

At the meeting of the Supervisory Board held in Italy in September 2010, the subsidiary Qubix S.p.A. was presented in detail by its managing Director Filippo Gnocco. The Supervisory Board took the opportunity to tour the company and ascertain that the Italian subsidiary was being operated properly and economically.

A further focus of the Supervisory Board was on reviewing its efficiency. Its work and decision-making processes were evaluated and optimized at regular meetings.



Dr. Franz-Stephan von Gronau
Chairman of the Supervisory Board

CORPORATE GOVERNANCE

The latest version of the German Corporate Governance Code, the amendments to it published on July 2, 2010, and implementation of it at euromicron AG were a subject of the Supervisory Board meeting on December 7, 2010.

The Supervisory Board and Executive Board have analyzed the recommendations and suggestions of the German Corporate Governance Code and issued an updated declaration on conformance in accordance with Section 161 of the German Stock Corporation Law. In compliance with the provisions of the German Reasonableness of Management Remuneration Act (VorstAG) dated July 31, 2009, a deductible satisfying statutory requirements was agreed for the D&O insurance for the Executive Board and Supervisory Board effective July 1, 2010.

Both bodies have thus fulfilled the obligation to ensure transparent and responsible management and control of the company. The declaration on conformance is contained on pages 55 – 57 in the Annual Report 2010 and is available at all times on the company's Internet site.

EXAMINATION OF THE 2010 FINANCIAL STATEMENTS

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, the independent

auditor appointed by the General Meeting for fiscal year 2010, informed the company on November 17, 2010, that it regarded itself as being impeded in auditing the 2010 annual and consolidated financial statements of the company due to a lack of impartiality it feared would exist in connection with the errors discovered and to be disclosed by the German Financial Reporting Enforcement Panel. Under the order by Frankfurt/Main Local Court on November 23, 2010, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, was then appointed as independent auditor for the company and the Group for fiscal year 2010.

In view of the new audit commission, the late appointment of the auditing firm and the extensive audit procedures required for it in auditing the statements for the first time, the auditing firm was not able to complete the audit within the original timetable. For the first time, the Executive Board and Supervisory Board were not able to meet the recommendations of the Corporate Governance Code Section 7.1.2) and publish the annual and consolidated financial statements along with the audit opinion by March 31, 2011. That uniquely necessitated an update to the declaration on conformance dated December 22, 2010. The statutory requirements relating to publication were taken into due account.

The annual financial statements of euromicron AG and the Management Report as of December 31, 2010, as

well as the IFRS consolidated financial statements including the group management report as of December 31, 2010, along with the bookkeeping and the risk identification system, were audited by PWC and each issued with an unqualified audit opinion. The audit reports for euromicron AG and the Group were available to the Supervisory Board in good time before the balance sheet meeting on April 20, 2011. The Supervisory Board examined the financial statements and the management report, as well as the consolidated financial statements and group management report of euromicron AG and the auditor's reports and concurs with the auditor's findings following detailed discussion with the Executive Board. At the balance sheet meeting of the Supervisory Board on April 20, 2011, the auditors reported extensively on the main results of their audit of the single-entity and consolidated financial statements, as well as the company's internal control and risk management system, and answered supplementary questions by the Supervisory Board.

Upon conclusion of its examination, the Supervisory Board raises no objections.

The Supervisory Board therefore approved the financial statements of euromicron AG and the euromicron Group prepared by the Executive Board at its meeting on April 20, 2011. The financial statements of euromicron AG are thus adopted. The Supervisory

Board examined the Executive Board's proposal to pay a dividend of €1.10 a share (i.e. a total of €5,638,598.90) and to carry the remaining net income of €2,308,619.77 forward to a new account, and endorses this proposal of the Executive Board.

COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Executive Board and Supervisory Board did not change in fiscal 2010. The Chairman of the Supervisory Board is Dr. Franz-Stephan von Gronau and his deputy is Josef Martin Ortolf.

THANKS

The Supervisory Board wishes to express its thanks to the Executive Board, management, the General Managers and all employees of the euromicron Group for their personal commitment and achievements in fiscal 2010. All of them contributed to euromicron's positive performance with their great dedication.

Frankfurt/Main, April 20, 2011

The Supervisory Board



Dr. Franz-Stephan von Gronau
Chairman of the Supervisory Board

UPDATED
DECLARATION

CORPORATE GOVERNANCE

Update to the declaration on conformance (Section 161 of the German Stock Corporation Law (AktG) of euromicron AG for 2010

On December 22, 2010, the Executive Board and Supervisory Board of euromicron AG issued a declaration on conformity with the German Corporate Governance Code ("code") in accordance with Section 161 AktG (German Stock Corporation Law). This declaration is hereby updated by the Executive Board and Supervisory Board.

In March 2011, a further deviation arose, namely in relation to Section 7.1.2, Sentence 4 of the code, which is why it is necessary for the declaration of conformity to be updated.

This having been stated, the Executive Board and the Supervisory Board of euromicron AG declare in accordance with Section 161 of the German Stock Corporation Law:

euromicron AG complied and will comply with the recommendations of the government commission on the "German Corporate Governance Code", with the following exceptions:

1. DEDUCTIBLE FOR THE D&O INSURANCE (SECTION 3.8 (3) OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

The members of the Supervisory Board were covered by a D&O

insurance without a deductible up to July 1, 2010. Since July 1, 2010, the D&O insurance for the Executive Board has included a deductible complying with statutory regulations. The D&O insurance for members of the Supervisory Board has included an appropriate deductible since July 1, 2010.

REASON:

In principle, euromicron AG does not believe that the commitment and responsibility with which the members of the Executive Board and the Supervisory Board discharge their duties will be improved by agreeing a deductible for the D&O insurance. With regard to the new statutory stipulations on D&O insurance, however, the existing D&O insurance was modified effective July 1, 2010, to ensure compliance with the statutory stipulations and, where the Supervisory Board is concerned, with

the recommendation in Section 3.8 (3) of the German Corporate Governance Code.

2. FORMATION OF SUPERVISORY BOARD COMMITTEES (SECTION 5.3 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

The Supervisory Board of euromicron AG has not formed any committees in the past and will also not do so in future.

REASON:

Since the General Meeting on June 24, 2004, the Supervisory Board of euromicron AG consists only of three persons in accordance with the Articles of Association. The formation of committees would not make the work of the three-member Supervisory Board easier, since the committees (which adopt decisions) would also have to have at least three members of the Supervisory Board on them.

3. DISCLOSURE OF COMPENSATION FOR MEMBERS OF THE SUPERVISORY BOARD (SECTION 5.4.6 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

euromicron AG refrains from reporting the compensation of the Supervisory Board members individually in the Corporate Governance Report.

REASON:

In accordance with Section 13 of the Articles of Association, the members of the Supervisory Board receive compensation that consists of a fixed and a variable component. The variable part of their compensation is geared to the company's profitability and is calculated on the basis of the dividend adopted at the

General Meeting. In addition, the overall compensation is published in the Annual Report, with the result that the individual compensation of the members of the Supervisory Board can be deduced directly. By dispensing with separate disclosure of information that can be ascertained directly, the company also pursues the goal of reducing the size of the Annual Report, which has increased over the past years, and so of making it clearer.

4. REPORTING (SECTION 7.1.2 SENTENCE 4 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)

Contrary to the recommendation of Section 7.1.2 Sentence 4 of the German Corporate Governance Code, the consolidated financial statements of euromicron AG for the fiscal year 2010 will not be publicly accessible within 90 days of the end of the fiscal year.

REASON:

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, was appointed by the Ordinary General Meeting of euromicron AG on June 17, 2010, to audit the single-entity and consolidated financial statements, but declined to accept this commission in its letter dated November 17, 2010. At the request of euromicron AG's Executive Board, Frankfurt/Main Local Court then appointed PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, as the independent auditor for the company and Group for the fiscal year 2010 in its order dated November 23, 2010. In view of the short time available, the court-appointed independent auditor was not able to

familiarize itself completely with the complex material involved in auditing of the single-entity and consolidated financial statements at euromicron AG. In view of this, the consolidated financial statements of euromicron AG for fiscal 2010 will not be able to be published within a period of 90 days of the end of the fiscal year.

**5. NO LIST OF THIRD PARTY COMPANIES
(SECTION 7.1.4 OF THE GERMAN CORPORATE GOVERNANCE CODE, 2009 AND 2010 VERSIONS)**

euromicron AG does not publish a list of third party companies in which it has a shareholding that is not of minor importance for the enterprise, including the disclosures in accordance with Section 7.1.4 Sentence 3 of the of the German Corporate Governance Code.

REASON:

euromicron AG follows the recommendation of Section 7.1.4 of the German Corporate Governance Code insofar as it presents a list of holdings in the form of clear charts of the company structure. In addition, extensive details of the purpose and role in the Group of the companies that are not of minor importance to the existence and development of euromicron AG and the Group are given. More detailed publication is dispensed with in order to avoid competitive disadvantages as a result of disclosure of details on valuations and the earnings power of individual holdings.

Frankfurt, March 31, 2011

For the Supervisory Board:



Dr. Franz-Stephan von Gronau
(Chairman of the Supervisory Board)

For the Executive Board:



Dr. Willibald Späth
(Chairman of the Executive Board)

EXECUTIVE BOARD AND SUPERVISORY BOARD

BOARD MEMBERS OF THE COMPANY

EXECUTIVE BOARD

Dr. Willibald Späth

Chairman
of the Executive Board

Strategy, Acquisitions, Finance, Public
Relations and Investor Relations

Thomas Hoffmann

Member of the Executive Board

Strategic sales and marketing, business
development and internationalization, IT
and process optimization, as well as
areas of communication with the capital
markets

SUPERVISORY BOARD

Dr. Franz-Stephan von Gronau

Chairman of the Supervisory Board of
euromicron AG

Certified public accountant, tax
consultant, lawyer, partner of the firm of
auditors LKC, Grünwald near Munich

Josef Martin Ortolf

Deputy Chairman of the Supervisory
Board of euromicron AG

Senior Vice President Power Tools and
Head of Product Group Professional
Power Tools Europe, Africa, Near/
Middle East of Robert Bosch GmbH,
Leinfelden-Echterdingen

Dr. Andreas de Forestier

Member of the Supervisory Board of
euromicron AG

Managing Director of EMBE Immo-
biliengesellschaft mbH, Munich

Chairman of the Supervisory Board of
Consultingpartner AG, Cologne