Q3 INTERIM REPORT

2017

euromicron

Key figures

of the euromicron Group at September 30, 2017

Key figures for the Group

	2017	2016
	€ THOU,	€ THOU,
Sales	244,041	226,567
EBITDA (operating)*	7,192	1,428
EBITDA margin (operating) *, in % (relative to sales at the reporting date)	2.9%	0.6%
EBITDA	4,761	–1,392
EBITDA margin, in % (relative to sales at the reporting date)	2.0%	–0.6%
EBIT (operating) *	936	–4,787
EBIT	–1,495	–7,607
Net loss for the period (for euromicron AG shareholders)	–3,949	–9,930
Earnings per share, in € (undiluted)	–0.55	–1.38
Equity ratio, in %	30.6%	33.6%
Working capital after factoring	56,952	66,096
Working capital ratio after factoring, in % (relative to sales of the past 12 months)	16.6%	20.1%
Working capital before factoring	84,442	87,535
Working capital ratio before factoring, in % (relative to sales of the past 12 months)	24.6%	26.6%
Cash flow from operating activities, adjusted for effects from factoring and customers' monies to be passed on **	–15,629	–17,727

* Adjusted for special effects of the reorganization.
** The previous year's figure has been adjusted.
(Unaudited acc. to IFRS)

DEAR SHAREHOLDERS, DEAR READERS,

The transformation strategy of euromicron AG also reaped positive results in the third quarter of 2017. We were again able to improve just about all key figures compared to the first nine months of fiscal year 2016.

Sales were €244.0 million, around 7.7% up year on year. There was also a positive performance in terms of operating EBITDA, which increased by €5.8 million from €1.4 million in the previous year to €7.2 million. The consolidated net loss for the period at September 30, 2017, was € –3.8 million and so was reduced by €6.0 million compared to the previous year (€ –9.8 million).

Companies in all industries are increasingly driving digitization of their business models – and implementation of that offers far-reaching development opportunities for the euromicron Group. We are well-positioned in the SME sector and a preferred partner for enterprises when it comes to digitization. Apart from our bread-and-butter business, we are therefore focusing on innovative orders with a large share of services. That is reflected in the Group’s new projects, which include predictive maintenance models, smart security and building technology, and cybersecurity solutions. That means we can leverage potential in the IoT market to the full and develop scalable solutions. New orders from continuing operations were thus €265.3 million in the period under review or around €18.9 million higher, while order books at September 30, 2017, were €139.5 million, likewise a sharp increase by 14.0% over the figure for the same period of the previous year.

Working capital after factoring was €57.0 million, a reduction of € –9.1 million over the figure at September 30, 2016. The Group’s working capital ratio was therefore 16.6% following 20.1% in the same period of the previous year.

The Group's adjusted cash flow from operating activities at September 30, 2017, was € –15.6 million (previous year: € –17.7 million[1)]), an improvement of €2.1 million.

New business models require investment and advance work and outlays, which result in an improvement in competitiveness in the medium term. We feel sure that, with the measures we are implementing, we are creating a forward-looking setup in the market for the euromicron Group with its strategic core fields. We aim to complete the Group's transformation in 2018.

We believe the advantages of digitization lie not only in connected automation and smart working and business models for our customers, but also in an enhancement to the quality of life through protection of the environment and relaxed mobility, as well as the economical use of resources, and safety and security in all areas of life. That is what the new euromicron Group and its employees stand for – and they are making a major contribution to ensuring that the transformation is a success.

Frankfurt/Main, November 2017

Bettina Meyer
Member of the Executive Board
(Spokeswoman)

Jürgen Hansjosten
Member of the Executive Board

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

Interim Management Report

of the euromicron Group from January 1 to September 30, 2017

Fundamentals of the Group

Profile

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

All the activities of the euromicron Group in the target markets of “Digital Buildings” and “Smart Industry” are pooled in the **“Smart Buildings”** segment. In the target market of “Digital Buildings”, euromicron focuses on providing infrastructure-related intelligent solutions, such as “Smart Office”, “Smart Energy” or “Smart Lighting”. Services relating to building or process automation, light control, access control, video surveillance, fire prevention or support services as part of efficient energy and building management are planned, implemented and operated as part of that. The focus in the “Smart Industry” area is on digitizing and networking development, production and service processes in industry. This segment also includes services relating to the equipment of data centers with innovative connector systems.

The **“Critical Infrastructures”** segment caters for operators of such infrastructures with highly available and secure solutions. They may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example. Critical infrastructures are organizational and physical structures and facilities of great importance to a nation’s society and economy. Availability and protection of them therefore have top priority. 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.

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.

Changes in the Group's structure

In order to round out its competences, telent GmbH, Backnang, acquired 75% of the shares in KORAMIS GmbH, Saarbrücken, a service provider specializing in IT security, effective January 1, 2017. As a result, telent's value chain is being expanded to include cybersecurity for critical infrastructures and industrial infrastructures. As a subsidiary of telent GmbH, KORAMIS GmbH was assigned to the "Critical Infrastructures" segment.

Establishment of ProCom Communication Systems Trading (Beijing) Co. Ltd., Beijing, China, was completed on February 23, 2017. It is a wholly-owned subsidiary of ProCom Professional Communication & Service GmbH, Essen, in which ProCom's activities in China to date are pooled. As a subsidiary of ProCom Professional Communication & Service GmbH, it is assigned to the "Critical Infrastructures" segment.

An agreement to sell the "Telecommunications" division of euromicron Deutschland GmbH was concluded on March 15, 2017. Under it, euromicron Deutschland GmbH transferred all customer, supplier and other agreements connected with this business to the purchaser as part of an asset deal. The "Telecommunications" division's employees were also transferred to the purchaser. The transaction was completed on April 30, 2017, after the suspensive conditions specified in the purchase agreement had been fulfilled.

euromicron Deutschland GmbH acquired the business operations of Elektroanlagen GmbH Dollenchen & Co. KG, Sallgast-Dollenchen, by way of an asset deal under the purchase agreement dated September 1, 2017. This acquisition increases the Group's electrical-related expertise in the field of high-voltage current.

The division of RSR Datacom GmbH & Co. KG was discontinued at the end of fiscal year 2016. In line with the internal reporting structure, RSR Datacom GmbH & Co. KG is no longer assigned to the "Critical Infrastructures" segment as of fiscal year 2017, but instead to the "Non-strategic Business Areas". So as to enable better comparison, the previous year's figures have been accordingly adjusted in segment reporting.

Net assets, financial position and results of operations

General statement on the performance of the euromicron Group in the first three quarters of fiscal year 2017

Virtually all the key figures for the euromicron Group developed positively at September 30, 2017, compared to the previous year:

- Sales in the first nine months of fiscal year 2017 were €244.0 million, an increase of €17.4 million or around 7.7% over the first nine months of fiscal year 2016.

- A positive operating EBITDA of €7.2 million was achieved in the first nine months of fiscal year 2017, an improvement of €5.8 million over the first nine months of fiscal year 2016 (€1.4 million).

- The consolidated net loss for the period at September 30, 2017, was € –3.8 million and so was reduced by €6.0 million compared to the figure at September 30, 2016 (€ –9.8 million).

- New orders from the euromicron Group's continuing operations were €265.3 million in the first nine months of fiscal year 2017 or €18.9 million above the comparative figure for the previous year (€246.4 million). Order books were €139.5 million, likewise a sharp increase – of €17.1 million or 14.0% – on the previous year's €122.4 million.

- The Group's working capital (after factoring) was reduced from €66.1 million at September 30, 2016, to €57.0 million, i.e. by € –9.1 million; as a result, the Group's working capital ratio fell by –3.5 percentage points from 20.1% to 16.6%. After adjustment for the effects of factoring, working capital at September 30, 2017, was €84.4 million and so € –3.1 million below the figure at September 30, 2016 (€87.5 million) despite the sharp increase in sales volume. The working capital ratio (before factoring) was likewise reduced by –2.0 percentage points from 26.6% to 24.6%.

- The Group's cash flow from operating activities at September 30, 2017, after adjustment for the effects of factoring was € –15.6 million, an improvement of €2.1 million over the figure at September 30, 2016 (€ –17.7 million)[1].

- The euromicron Group's net debt (the total of long- and short-term liabilities to banks and liabilities from finance leases less cash and cash equivalents) at September 30, 2017, was € –103.7 million, a slight increase of € –2.8 million compared to the figure at September 30, 2016 (€ –100.9 million). Free liquidity (free credit lines plus cash) developed correspondingly and at September 30, 2017, was €10.9 million, €3.0 million below the comparative figure at September 30, 2016 (€13.9 million). That is attributable in particular to the increased volume of investment, which was partly funded from the improvement in cash flow from operating activities, but also through utilization of existing credit lines.

Sales and income

Key sales and income figures at September 30, 2017

	2017	2016
	€ THOU,	€ THOU,
Sales	244,041	226,567
EBITDA (operating)*	7,192	1,428
EBITDA margin (operating)*, in % (relative to sales at the reporting date)	2.9%	0.6%
EBITDA	4,761	–1,392
EBITDA margin, in % (relative to sales at the reporting date)	2.0%	–0.6%
EBIT (operating)*	936	–4,787
EBIT	–1,495	–7,607
Income before taxes	–5,148	–11,053
Net loss for the period (for euromicron AG shareholders)	–3,949	–9,930
Earnings per share, in € (undiluted)	–0.55	–1.38

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

[1] The previous year's figure has been adjusted.

The euromicron Group's sales in the first nine months of fiscal year 2017 were €244.0 million, €17.4 million above the level in the same period of the previous year (€226.6 million). Sales in the first half of 2017 were €13.8 million higher year on year and they were also up by €3.6 million over the previous year in the third quarter of 2017. As a result, the improvement in sales over the previous year has been increased further.

Sales of €201.6 million (previous year: €191.8 million) – or around 82.6% of total sales (previous year: 84.7%) – were generated in the German market. Foreign sales were €42.4 million, above the previous year's figure of €34.8 million, and so accounted for 17.4% (previous year: 15.3%) of total sales.

There was once again a positive earnings performance in the third quarter of 2017: Operating EBITDA at September 30, 2017, was €7.2 million and so €5.8 million higher than at September 30, 2016 (€1.4 million). The improvement in earnings over the previous year has thus been increased by a further €3.5 million compared to the first half of 2017 (€2.3 million).

Reorganization costs in the first nine months of the fiscal year totaled € –2.4 million and so fell by €0.4 million over the previous year (€ –2.8 million). They were incurred to an amount of € –1.5 million (previous year: € –2.2 million) at the "Central Services" segment, to an amount of € –0.7 million (previous year: € –0.4 million) at the "Smart Buildings" segment and to an amount of € –0.2 million (previous year: € –0.2 million) at the "Non-strategic Business Areas". The reorganization costs at the "Central Services" segment relate to euromicron AG and mainly comprise the costs of legal and financial advice, other consulting costs and costs for interim managers. The reorganization costs incurred in the "Smart Buildings" segment relate to euromicron Deutschland GmbH and are due to an amount of € –0.2 million to subsequent measurement effects in connection with disposal of the "Telecommunications" division. We refer in this regard to the presentation in the section "Significant business events" in the notes. Apart from that, they include in particular costs for measures relating to further optimization of the personnel structure. The reorganization costs at the "Non-strategic Business Areas" result from follow-up costs from the closures.

After allowing for reorganization costs of € –2.4 million (previous year: € –2.8 million), the reported EBITDA is €4.8 million (previous year: € –1.4 million) and so €6.2 million higher than at the end of the third quarter of 2016.

The performance of the Group's individual segments in the first nine months of fiscal year 2017 was as follows:

Sales in the "Smart Buildings" segment increased by €6.0 million to €139.0 million. The segment thus generated an operating EBITDA of €3.0 million, an improvement of €3.3 million. As in the first half of 2017, that was mainly attributable to the better operating performance by euromicron Deutschland GmbH and ELABO GmbH. Business at euromicron Deutschland GmbH is stabilizing more and more as a consequence of the reorganization measures. ELABO GmbH benefited in particular from positive trends in the target market "Smart Industry".

Sales at the "Critical Infrastructures" segment rose by €12.8 million to €89.7 million. Operating EBITDA increased to €4.8 million and so was €1.9 million up year on year. That is mainly attributable to telent GmbH's positive performance in the first nine months of fiscal year 2017.

The "Distribution" segment continued to perform positively: Sales rose by €0.2 million to €17.6 million and operating EBITDA improved by €0.4 million to €2.8 million compared to the previous year.

At the "Non-strategic Business Areas", there was as planned a decline in sales of € –2.7 million to €0.8 million due to discontinuation of the "Fiber-optic Infrastructure" division of RSR Datacom GmbH & Co. Operating EBITDA was € –0.1 million, following € –0.3 million in the previous year.

Operating EBITDA for "Central Services" (holding costs) was € –3.4 million and therefore virtually at the same level as for the previous year (€ –3.3 million).

Income statement (operational)

of the euromicron Group for the period January 1 to September 30, 2017 (IFRS)

Income statement (operational)

	9-month report					
	Jan, 1, 2017 – Sept, 30, 2017 incl, special effects of reorganization	Special effects of reorganization	Jan, 1, 2017 – Sept, 30, 2017 operating	Jan, 1, 2016 – Sept, 30, 2016 incl, special effects of reorganization	Special effects of reorganization	Jan, 1, 2016 – Sept, 30, 2016 operating
	€ THOU,	€ THOU,	€ THOU,	€ THOU,	€ THOU,	€ THOU,
Sales	**244,041**	**0**	**244,041**	**226,567**	**–109**	**226,458**
Inventory changes	–473	0	–473	–1,058	0	–1,058
Own work capitalized	2,113	0	2,113	1,775	0	1,775
Other operating income	1,303	–4	1,299	1,134	–28	1,106
Cost of materials	–128,490	25	–128,465	–118,759	123	–118,636
Personnel costs	–82,370	552	–81,818	–79,760	180	–79,580
Other operating expenses	–31,363	1,858	–29,505	–31,291	2,654	–28,637
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**4,761**	**2,431**	**7,192**	**–1,392**	**2,820**	**1,428**
Amortization and depreciation	–6,256	0	–6,256	–6,215	0	–6,215
Earnings before interest and taxes (EBIT)	**–1,495**	**2,431**	**936**	**–7,607**	**2,820**	**–4,787**
Interest income	77	0	77	44	0	44
Interest expenses	–3,730	0	–3,730	–3,490	0	–3,490
Income before income taxes	**–5,148**	**2,431**	**–2,717**	**–11,053**	**2,820**	**–8,233**
Income taxes	1,353	0	1,353	1,282	0	1,282
Consolidated net loss for the period	**–3,795**	**2,431**	**–1,364**	**–9,771**	**2,820**	**–6,951**
Thereof attributable to euromicron AG shareholders	–3,949	2,431	–1,518	–9,930	2,820	–7,110
Thereof attributable to non-controlling interests	154	0	154	159	0	159
(Un)diluted Earnings per share, in €	**–0.55**	**0.34**	**–0.21**	**–1.38**	**0.39**	**–0.99**

(Unaudited acc. to IFRS)

Income statement (operational)

of the euromicron Group for the period July 1 to September 30, 2017 (IFRS)

Income statement (operational)

	3-month report					
	July 1, 2017 – Sept, 30, 2017 incl, special effects of reorga-nization	Special effects of reorga-nization	July 1, 2017 – Sept, 30, 2017 operating	July 1, 2016 – Sept, 30, 2016 incl, special effects of reorga-nization	Special effects of reorga-nization	July 1, 2016 – Sept, 30, 2017 operating
	€ THOU,	€ THOU,	€ THOU,	€ THOU,	€ THOU,	€ THOU,
Sales	**90,398**	**0**	**90,398**	**86,725**	**–69**	**86,656**
Inventory changes	–895	0	–895	–1,454	0	–1,454
Own work capitalized	797	0	797	588	0	588
Other operating income	272	–4	268	342	–1	341
Cost of materials	–46,876	0	–46,876	–47,476	102	–47,373
Personnel costs	–27,302	238	–27,064	–25,953	49	–25,904
Other operating expenses	–10,755	665	–10,090	–10,700	966	–9,734
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**5,639**	**899**	**6,538**	**2,072**	**1,047**	**3,119**
Amortization and depreciation	–2,057	0	–2,057	–2,045	0	–2,045
Earnings before interest and taxes (EBIT)	**3,582**	**899**	**4,481**	**27**	**1,047**	**1,074**
Interest income	3	0	3	8	0	8
Interest expenses	–1,346	0	–1,346	–1,136	0	–1,136
Income before income taxes	**2,239**	**899**	**3,138**	**–1,101**	**1,047**	**–54**
Income taxes	–649	0	–649	335	0	8,515
Consolidated net income/loss for the period	**1,590**	**899**	**2,489**	**–766**	**1,047**	**281**
Thereof attributable to euromicron AG shareholders	1,527	899	2,426	–811	1,048	237
Thereof attributable to non-controlling interests	63	0	63	45	0	45
(Un)diluted Earnings per share, in €	**0.21**	**0.13**	**0.34**	**–0.11**	**0.14**	**0.03**

(Unaudited acc. to IFRS)

The improvement in operating EBITDA by €5.8 million to €7.2 million is attributable to an amount of €8.3 million to the higher gross profit, defined as total operating performance (sales and inventory changes) minus cost of materials. This is due virtually exclusively to the volume-related effect from total operating performance, which was higher year on year. That had a positive impact of €8.6 million on gross profit. That was offset slightly to an amount of € –0.3 million by the negative effect of a higher material usage ratio of 52.7% or 0.1 percentage points up on the previous year (52.6%).

Personnel costs (adjusted for the costs of reorganization) totaled € –81.8 million (previous year: € –79.6 million) and so increased by € –2.2 million year on year. The increase in personnel costs by 2.8% is attributable – apart from the slight increase in the headcount to 1,830 employees (previous year: 1,813) and pay adjustments under the collective bargaining agreement – in particular to the fact that there is greater investment in highly qualified staff as part of the strategic realignment.

The other operating expenses (adjusted for the costs of reorganization) totaled € –29.5 million and so have increased slightly by € – 0.9 million compared with the previous year (€ –28.6 million). Vehicle and travel expenses, rent/room costs and legal and consulting costs are still the largest items within the other operating expenses.

Amortization and depreciation were € –6.3 million and so at a similar level to the previous year (€ –6.2 million).

Interest expenses were € –3.7 million, almost at the level of the previous year (€ –3.5 million).

The tax ratio in the first nine months of fiscal year 2017 was 26.3% and so only slightly below the anticipated tax ratio for the Group of 30.0%. The tax ratio in the first nine months of fiscal year 2016 was 11.6%, below the anticipated tax ratio for the Group of 30%. This is due in particular to the derecognition of deferred tax assets on loss carryforwards at euromicron Deutschland GmbH incurred before creation of the integrated inter-company relationship. The establishment of an integrated inter-company relationship under German income tax law with euromicron AG in 2016 means that the loss carryforwards at euromicron Deutschland GmbH incurred before creation of the integrated inter-company relationship were frozen and so cannot be used since that time. This resulted in a non-cash tax expense of €2.0 million, which is reflected in the tax ratio at September 30, 2017.

The consolidated net loss for the period (adjusted for the costs of reorganization) at September 30, 2017, was € –1.4 million compared with € –7.0 million in the previous year. It was thus reduced sharply by €5.6 million. Undiluted earnings per share (adjusted for the costs of reorganization) for the first nine months of fiscal year 2017 were € –0.21 compared to € –0.99 in the same period of the previous year.

Consolidated new orders/order books

of the euromicron Group at September 30, 2017

Consolidated new orders/order books

	2017[1]	2017[2]	2016[1]	2016[2]
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Consolidated new orders	265,331	265,332	246,446	248,032
Consolidated order books	139,459	140,084	122,347	124,082

[1] Continuing core business operations (excluding divisions that have since been closed).
[2] Total (including divisions that have since been closed).
(Unaudited acc. to IFRS)

At September 30, 2017, the euromicron Group recorded new orders from continuing core business operations of €265.3 million (previous year: €246.4 million), €18.9 million or 7.7% above the level of the previous year. Order books from continuing core business operations were €139.5 million (previous year: €122.3 million), an increase of €17.2 million or 14.0%.

At September 30, 2017, there were higher new orders and order books compared to September 30, 2016, in the two major operating segments (“Smart Buildings” and “Critical Infrastructures”). The positive order trend is thus a good springboard for the further course of business in fiscal year 2017.

Net assets

Total assets at the euromicron Group at September 30, 2017, were €256.1 million, an increase of €11.5 million or 4.7% compared to December 31, 2016.

Noncurrent assets rose by €2.6 million to €143.8 million in the first nine months of fiscal year 2017. In particular, this increase is due to an amount of €1.2 million to the addition of goodwill from the provisional purchase price allocation for KORAMIS GmbH, which was acquired effective January 1, 2017, and to an amount of €0.3 million to the addition of goodwill from the provisional purchase price allocation for the business operations of Elektroanlagen GmbH Dollenchen & Co. KG, which were acquired by way of an asset deal effective September 1, 2017. In addition, property, plant and equipment also increased by around €1.5 million. Noncurrent assets accounted for 56.2% of total assets and so were only slightly below the level at December 31, 2016 (57.7%). The ratio of equity and long-term liabilities to noncurrent assets at September 30, 2017, was 73.6%.

Current assets rose by €8.9 million to €112.3 million. They accounted for 43.8% of total assets, compared with 42.3% at December 31, 2016. As in previous years, inventories and the gross amount due from customers for contract work rose in total by around €22.9 million for seasonal reasons, which is due to the larger volume of projects in progress in system house business and stocking of products by the production companies for end-of-year business. On the other hand, trade accounts receivable were able to be reduced by € –9.2 million from the traditionally high figure at the end of the year. In addition, the other financial assets fell by € –1.8 million, due in particular to an amount of € –1.4 million to payment of the receivable from reimbursement of legal costs carried in the annual financial statements at December 31, 2016.

Cash and cash equivalents decreased by € –1.7 million from the figure at December 31, 2016, to €5.1 million. We refer in this regard to the explanations on the financial position and cash flow.

Equity at September 30, 2017, was €78.4 million, € –4.0 million below the level of December 31, 2016. The decline is due to an amount of € –3.8 million to the consolidated net loss for the first nine months of fiscal year 2017. In addition, dividends from subsidiaries that were adopted in the first quarter of 2017 and to which non-controlling shareholders were entitled on a pro-rata basis had to be transferred from equity to liabilities. The equity ratio was 30.6% following 33.7% at December 31, 2016.

Noncurrent liabilities in particular contain the long-term components of the Group's outside financing and deferred tax liabilities. The drop of € –20.7 million from €48.2 million to €27.5 million is in particular attributable to an amount of € –18.5 million to lower long-term liabilities to banks that, because they are due on March 31, 2018, were already reclassified as noncurrent liabilities at March 31, 2017. In addition, there was a reduction in deferred tax liabilities of € –2.3 million. Noncurrent liabilities were 10.7% of total assets compared with 19.7% at December 31, 2016.

Current liabilities at September 30, 2017, increased by €36.2 million from €114.0 million to €150.2 million and were 58.7% (at December 31, 2016: 46.6%) of total assets. €49.4 million of this rise is due to higher short-term liabilities to banks; of this, an amount of €18.5 million is the result of the above-mentioned reclassification from noncurrent liabilities. On the other hand, there was in particular a decline of € –4.8 million in other tax liabilities (especially value-added tax liabilities), of € –2.9 million in trade accounts payable, of € –2.1 in other liabilities and of € –1.7 million in personnel obligations.

Working capital

Working capital (after factoring) corresponds to the working capital reported in the balance sheet and is defined as 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 received prepayments; the latter are included in the balance sheet item “Other current liabilities”.
In order to calculate the working capital (before factoring), the receivables sold as part of the factoring program at the respective balance sheet date are added to the working capital (after factoring). The working capital ratio is the ratio of working capital and rolling sales over the past twelve months.

The relevant key figures for working capital at the euromicron Group are presented in the following at the reporting dates September 30, 2017, and September 30, 2016:

Working capital - Comparison as of balance sheet date

	Sept. 30, 2017	Sept. 30, 2016	Change
	€ THOU./IN %	€ THOU./IN %	€ THOU./IN %PP
Working capital (after factoring)	56,952	66,096	–9,144
Receivables sold as part of factoring	27,490	21,439	6,051
Working capital (before factoring)	84,442	87,535	–3,092
Working capital ratio (after factoring)	16.6%	20.1%	–3.5 PP
Working capital ratio (before factoring)	24.6%	26.6%	–2.0 PP

Unaudited acc. to IFRS)

Working capital after factoring and working capital before factoring were able to be reduced by, respectively, € –9.1 million and € –3.1 million compared with September 30, 2016, despite the fact that the euromicron Group’s sales volume in the first nine months of fiscal year 2017 increased sharply by €17.4 million. The relevant working capital ratios were also reduced significantly by –3.5 and –2.0 percentage points respectively.

Financial position

The euromicron Group's net debt (the total of long- and short-term liabilities to banks and liabilities from finance leases less cash and cash equivalents) at September 30, 2017, was € –103.7 million, a reduction of € –2.8 million compared to the figure at September 30, 2016 (€ –100.9 million). That is attributable in particular to the increased volume of investment, which was partly funded from the improvement in cash flow from operating activities, but also through utilization of existing credit lines.

At September 30, 2017, the euromicron Group has free liquidity (free credit lines plus cash) of €10.9 million for up-front financing of project business and to further finance the company's planned development. Free liquidity fell by €3.0 million over the figure at September 30, 2016 (€13.9 million), in line with net debt.

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

At September 30, 2017, the euromicron Group consequently has liabilities to banks totaling €107.4 million, of which €20.0 million is long-term and €87.4 million is short-term loan liabilities. Liabilities to banks at September 30, 2016, totaled €104.4 million, of which €38.4 million was long-term and €66.0 million short-term loan liabilities.

Notes on the cash flow

At September 30, 2017, the reported net cash used in operating activities was € –22.5 million, compared with € –39.1 million at September 30, 2016.[1] However, the reported cash flow figures from operating activities are mainly impacted by effects resulting from the Group’s factoring program. In order to calculate comparative cash flow figures, adjustment is carried out for the following effects:

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

We refer you to the 2016 Annual Report of the euromicron Group for a detailed explanation of the effects stated here.

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

Calculation of the adjusted cash flow from operating activities

	Jan. 1, 2017 – Sept. 30, 2017	Jan. 1, 2016 – Sept. 30, 2016
	€ THOU.	€ THOU.
Cash flow from operating activities acc. to statement of cash flows *	–22,481	–39,050
Effects from factoring and customers’ monies to be passed on included in the above	6,852	21,323
Adjusted cash flow from operating activities*	–15,629	–17,727

* The previous year’s figure has been adjusted.
(Unaudited acc. to IFRS)

[1] The previous year’s figure has been adjusted.

Consequently, the net cash used in operating activities (after adjustment for factoring effects) for the first nine months of fiscal year 2017 is € –15.6 million, an improvement of €2.1 million over the figure of € –17.7 million for the same period in 2016.

That is due in particular to the increase of €6.2 million in the reported EBITDA and the €0.4 reduction in interest and tax payments. Changes in the other balance sheet items (apart from working capital) also had a positive impact of €0.2 million on cash flow from operating activities. On the other hand, the greater increase in working capital during the year had a negative impact of € –4.7 million on cash flow from operating activities. This is attributable in particular to the increase in capital tied up in project business as a result of the increased volume of sales. In absolute terms, however, working capital (before factoring) at September 30, 2017, is € –3.1 million below the level at September 20, 2016, despite the fact that sales were €17.4 million higher.

Net cash used in investing activities in the first nine months of fiscal year 2017 was € –9.3 million, € –3.6 million higher than the figure for the same period of the previous year (€ –5.7 million1)). € –1.8 million of this change is due to higher purchase price payments for company acquisitions and payments relating to the disposal of sold divisions. In addition, investments in intangible assets and property, plant and equipment were € –1.8 million above the level of the previous year.

The net cash provided by financing activities was €30.0 million compared with €39.1 million[1)] in the first nine months of the previous year. The net proceeds are mainly due to raised loans which exceed the net cash used to repay loans.

Cash funds of the euromicron Group at September 30, 2017, were thus €5.1 million compared with €5.0 million at September 30, 2016.

[1)] The previous year's figure has been adjusted.

Risk Report

The reports from the risk management system at December 31, 2016, have been continuously examined and updated as part of the Group's interim report at September 30, 2017. At September 30, 2017, there were no significant material changes in the risks at the euromicron Group compared with as stated and described in detail in the management report in the 2016 Annual Report.

Taking into account all known facts and circumstances, euromicron does not anticipate any significant effects on its operational business from macroeconomic changes and does not see any risks that might jeopardize the existence of the euromicron Group in a foreseeable period of time or, as far as can be assessed at present, might have a significant influence on the Group's net assets, financial position and results of operations.

Outlook

After the first three quarters of fiscal year 2017 have gone according to plan, euromicron AG assumes that its business will continue to develop stably for the year as a whole and confirms its guidance for fiscal year 2017.

Taking into consideration the opportunities and risks, a sales volume from €330 million to €350 million can therefore still be expected for 2017. The anticipated operating EBITDA margin for fiscal year 2017 remains between 4.0% and 5.0%.

Completion of the reorganization measures and costs in connection with restructuring of the Group's financing will probably reduce the reported consolidated EBITDA in fiscal year 2017 by around €2.0 million to €3.0 million; a figure at the upper end of the range can be assumed.

This forecast is based on the assumption that the overall economy in the Federal Republic of Germany and the general conditions in the IT/ICT industry will develop positively in 2017. Nevertheless, the actual results may deviate significantly from the expectations and forecasts if uncertainties arise or the assumptions on which the statements were based should prove to be inaccurate.

Income statement

of the euromicron Group for the period January 1 to September 30, 2017 (IFRS)

Income statement

	3-month report		9-month report	
	July 1, 2017 – Sept. 30, 2017	July 1, 2016 – Sept. 30, 2016	Jan. 1, 2017 – Sept. 30, 2017	Jan. 1, 2016 – Sept. 30, 2016
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Sales	**90,398**	**86,725**	**244,041**	**226,567**
Inventory changes	–895	–1,454	–473	–1,058
Own work capitalized	797	588	2,113	1,775
Other operating income	272	342	1,303	1,134
Cost of materials	–46,876	–47,476	–128,490	–118,759
Personnel costs	–27,302	–25,953	–82,370	–79,760
Other operating expenses	–10,755	–10,700	–31,363	–31,291
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**5,639**	**2,072**	**4,761**	**–1,392**
Amortization and depreciation	–2,057	–2,045	–6,256	–6,215
Earnings before interest and taxes (EBIT)	**3,582**	**27**	**–1,495**	**–7,607**
Interest income	3	8	77	44
Interest expenses	–1,346	–1,136	–3,730	–3,490
Income before income taxes	**2,239**	**–1,101**	**–5,148**	**–11,053**
Income taxes	–649	335	1,353	1,282
Consolidated net income/ net loss for the period	**1,590**	**–766**	**–3,795**	**–9,771**
Thereof attributable to euromicron AG shareholders	1,527	–811	–3,949	–9,930
Thereof attributable to non-controlling interests	63	45	154	159
(Un)diluted Earnings per share, in €	**0.21**	**–0.11**	**–0.55**	**–1.38**

(Unaudited acc. to IFRS)

Reconciliation of the quarterly results with the statement of comprehensive income

of the euromicron Group for the period January 1 to September 30, 2017 (IFRS)

Statement of comprehensive income

	Jan. 1, 2017 – Sept. 30, 2017	Jan. 1, 2016 – Sept. 30, 2016
	€ THOU.	€ THOU.
Consolidated net loss for the period, before minority interests	**−3,795**	**−9,771**
Gain/loss on the valuation of securities (may have to be reclassified to the income statement in future)	0	0
Currency translation differences (may have to be reclassified to the income statement in future)	3	−2
Revaluation effects from pensions (will not be reclassified to the income statement in future)	0	0
Other comprehensive income	**3**	**−2**
Total comprehensive income	**−3,792**	**−9,773**
Thereof attributable to euromicron AG shareholders	−3,946	−9,932
Thereof attributable to non-controlling interests	154	159

(Unaudited acc. to IFRS)

Consolidated balance sheet
Assets

of the euromicron Group as of September 30, 2017 (IFRS)

Assets

	Sept. 30, 2017	Dec. 31, 2016
	€ THOU.	€ THOU.
Noncurrent assets		
Goodwill	109,769	108,291
Intangible assets	16,371	16,371
Property, plant and equipment	17,074	15,612
Other financial assets	463	499
Other assets	18	32
Deferred tax assets	150	413
	143,845	**141,218**
Current assets		
Assets held for sale	0	691
Inventories	30,861	28,381
Trade accounts receivable	8,903	18,150
Gross amount due from customers for contract work	61,137	40,708
Claims for income tax refunds	347	765
Other financial assets	3,683	5,520
Other assets	2,263	2,287
Cash and cash equivalents	5,065	6,844
	112,259	**103,346**
Total assets	**256,104**	**244,564**

(Unaudited acc. to IFRS)

Consolidated balance sheet
Equity and liabilities

of the euromicron Group as of September 30, 2017 (IFRS)

Equity and liabilities

	Sept. 30, 2017	Dec. 31, 2016
	€ THOU.	€ THOU.
Equity		
Subscribed capital	18,348	18,348
Capital reserves	94,298	94,298
Currency translation difference	−2	−5
Consolidated retained earnings	−34,692	−30,743
Stockholders' equity	77,952	81,898
Non-controlling interests	464	461
	78,416	**82,359**
Noncurrent liabilities		
Provisions for pensions	1,407	1,381
Other provisions	1,711	1,683
Liabilities to banks	19,977	38,458
Liabilities from finance leases	823	843
Other financial liabilities	87	0
Other liabilities	180	147
Deferred tax liabilities	3,322	5,670
	27,507	**48,182**
Current liabilities		
Liabilities in connection with assets held for sale	0	318
Other provisions	1,675	1,574
Trade accounts payable	41,577	44,512
Gross amount due to customers for contract work	1,067	1,384
Liabilities from current income taxes	2,450	3,520
Liabilities to banks	87,464	38,043
Liabilities from finance leases	452	466
Other tax liabilities	3,314	8,078
Personnel obligations	7,514	9,176
Other financial liabilities	1,573	1,774
Other liabilities	3,095	5,178
	150,181	**114,023**
Total equity and liabilities	**256,104**	**244,564**

(Unaudited acc. to IFRS)

Statement of changes in equity

of the euromicron Group for the period January 1 to September 30, 2017 (IFRS)

Statement of changes in equity

	Subscribed capital	Capital reserves	Consolidated retained earnings
	€ THOU.	€ THOU.	€ THOU.
December 31, 2015	**18,348**	**94,298**	**–16,010**
Net loss for Q3 2016	**0**	**0**	**–9,930**
Other comprehensive income			
Currency translation differences	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**–9,930**
Transactions with owners			
Distributions to/drawings by minority interests	0	0	–166
	0	**0**	**–166**
September 30, 2016	**18,348**	**94,298**	**–26,106**
December 31, 2016	**18,348**	**94,298**	**–30,743**
Net loss for Q3 2017	**0**	**0**	**–3,949**
Other comprehensive income			
Currency translation differences	0	0	0
	0	**0**	**0**
Total comprehensive income	**0**	**0**	**–3,949**
Transactions with owners			
Changes in shares as a result of first-time consolidation	0	0	0
Distributions to/drawings by minority interests	0	0	0
	0	**0**	**0**
September 30, 2017	**18,348**	**94,298**	**–34,692**

(Unaudited acc. to IFRS)

Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
€ THOU.	€ THOU.	€ THOU.	€ THOU.
–2	**96,634**	**404**	**97,038**
0	**–9,930**	**159**	**–9,771**
–2	–2	0	–2
–2	**–2**	**0**	**–2**
–2	**–9,932**	**159**	**–9,773**
0	–166	–125	–291
0	**–166**	**–125**	**–291**
–4	86,536	438	86,974
–5	**81,898**	**461**	**82,359**
0	**–3,949**	**154**	**–3,795**
3	3	0	3
3	**3**	**0**	**3**
3	**–3,946**	**154**	**–3,792**
0	0	–26	–26
0	0	–125	–125
0	**0**	**–151**	**–151**
–2	77,952	464	78,416

Statement of cash flows

of the euromicron Group for the period January 1 to September 30, 2017 (IFRS)

Statement of cash flows

	Jan. 1, 2017 – Sept. 30,2017	Jan. 1, 2016 – Sept. 30,2016
	€ THOU.	€ THOU.
Income before income taxes	–5,148	–11,053
Net interest income/loss and other financial expenses	3,653	3,446
Depreciation and amortization of fixed assets	6,256	6,215
Disposal of assets, net	–55	–54
Depreciation/amortization of other current assets	238	–5
Allowances for inventories and doubtful accounts	315	169
Change in provisions	–173	–727
Changes in current and noncurrent assets and liabilities:		
– Inventories	–2,914	–2,527
– Trade accounts receivable and gross amount due from customers for contract work	–10,553	8,210
– Trade accounts payable and gross amount due to customers for contract work	–2,978	–10,328*
– Other operating assets	1,895	–1,121
– Other operating liabilities	–8,319	–26,181
– Income tax paid	–2,131	–2,958
– Income tax received	746	982
– Interest paid	–3,425	–3,135*
– Interest received	112	17
Net cash used in operating activities	**–22,481**	**–39,050**
Proceeds from		
– Retirement/disposal of intangible assets	0	0
– Retirement/disposal of property, plant and equipment	59	35
Payments for		
– the purchase of intangible assets	–3,062	–2,336*
– the purchase of property, plant and equipment	–3,891	–2,828
– the acquisition of subsidiaries	–1,798	–609
– the disposal of sold divisions	–616	0
Net cash used in investing activities	**–9,308**	**–5,738**
Proceeds from raising of financial loans	31,936	44,579
Cash repayments of financial loans	–1,263	–5,040
Cash repayments of liabilities from finance leases	–399	–378*
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–264	–90
Net cash provided by financing activities	**30,010**	**39,071**
Net change in cash funds	–1,779	–5,717
Cash funds at start of period	6,844	10,722
Cash funds at end of period	**5,065**	**5,005**

* The previous year's figure has been adjusted.
(Unaudited acc. to IFRS)

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

The condensed set of financial statements and the interim management report at September 30, 2017, have not been audited or inspected by an auditor in accordance with Section 317 of the German Commercial Code (HGB).

Notes

Preamble

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

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date and with their interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The interim report as of September 30, 2017, was prepared in compliance with the regulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and with the requirements of standard no. 16 "Interim Financial Reporting" of the DRSC (Deutsches Rechnungslegungs Standards Committee e.V.). The previous year's figures were determined using the same principles.

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

The results in the interim financial statements as of September 30, 2017, do not necessarily permit forecasts for the further course of business.

Accounting and measurement policies

The same reporting and measurement methods were used in the abridged presentation of the consolidated financial statements as of September 30, 2017, as for preparing the consolidated financial statements at December 31, 2016, unless changes are explicitly specified.

A detailed description of these methods is published in the 2016 Annual Report and is available on the company's homepage. The consolidated financial statements of euromicron AG as of December 31, 2016, were prepared on the basis of Section 315a of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards, as are applicable in the European Union.

The purchase price allocation of the companies/divisions acquired in the current fiscal year is still provisional at September 30, 2017, since definitive examinations in relation to assets, liabilities and legal matters must still be made. The calculated difference is carried as provisional goodwill.

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

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

As regards the content of the new standards and interpretations and amendments to existing standards, we refer to our comments on pages 95 to 108 of the 2016 Annual Report.

The following interpretations and amendments have been in force since the beginning of fiscal year 2017:

- IAS 7 – “Statement of Cash Flows”: Disclosure Initiative (amendment)
- IAS 12 – “Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses” (amendment)
- Annual Improvement Project (AIP) – Annual improvements to the IFRSs, 2014 – 2016 cycle (“Improvements to IFRS”)

The collection “Annual improvements to the IFRSs, 2014 – 2016 cycle” contains amendments to the following IFRSs:

- IAS 28 – “Investments in Associates and Joint Ventures”
- IFRS 12 – “Disclosure of Interests in Other Entities”
- IFRS 1 – “First-time Adoption of International Financial Reporting Standards”

From the “Improvements to IFRS”, only the changes to IFRS 12 have had to be applied to fiscal years beginning on or after January 1, 2017, since the start of fiscal year 2017.

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

Consolidated companies

Apart from euromicron AG, the interim consolidated financial statements at September 30, 2017, include 25 (December 31, 2016: 23) companies, in which euromicron AG has the majority of voting rights directly or indirectly and so controls these companies.

Significant business events

Acquisition of 75% of the shares in KORAMIS GmbH by telent GmbH

Under the notarized purchase agreement dated December 21, 2016, telent GmbH acquired 75% of the shares in KORAMIS GmbH, Saarbrücken, an IT security company that specializes in industrial security. As a result of this acquisition, telent GmbH is expanding its value chain to include cybersecurity for critical infrastructures and industrial infrastructures. The date of acquisition was January 1, 2017. The purchase price was €1,648 thousand. The provisionally measured assets of KORAMIS GmbH were composed of property, plant and equipment (€270 thousand), inventories (€71 thousand), trade accounts receivable (€652 thousand) and other assets (€19 thousand) at the time of acquisition. The provisionally measured liabilities comprised provisions (€25 thousand), liabilities to banks (€32 thousand), trade accounts payable (€205 thousand) and other liabilities (€324 thousand). The purchase price allocation as part of the acquisition of KORAMIS GmbH is still provisional at the time of publication of the euromicron Group's interim report at September 30, 2017. The provisional goodwill of €1,196 thousand resulting from the difference between the total purchase price (€1,648 thousand) and the provisionally measured net assets (€426 thousand), including minority interests (€ –26 thousand), is mainly attributable to the well-trained workforce in the field of IT security. 36 employees were taken over. The number of consolidated companies increased by one as a result of the acquisition.

Establishment of the new company ProCom Communication Systems Trading (Beijing) Co. Ltd.

Establishment of the company ProCom Communication Systems Trading (Beijing) Co. Ltd., Beijing, China, was completed on February 23, 2017. It is a wholly-owned subsidiary of ProCom Professional Communication & Service GmbH, Essen. The registered capital is €150 thousand; €55 thousand of that amount had been paid in at September 30, 2017. The number of consolidated companies increased by one as a result of its establishment.

Exercise of the preemptive right relating to 2.5% of the shares in MICROSENS GmbH & Co. KG and in MICROSENS Beteiligungs GmbH

On January 12, 2017, an agreement was reached to exercise the existing preemptive right relating to 2.5% of the minority interests in MICROSENS GmbH & Co. KG and 2.5% of the minority interests in MICROSENS Beteiligungs GmbH effective January 31, 2017. The purchase price is €225 thousand for the shares in MICROSENS GmbH & Co. KG and €1 thousand for the shares in MICROSENS Beteiligungs GmbH. The purchase price was paid on January 25, 2017. The acquisition meant the stake held by euromicron AG in MICROSENS GmbH & Co. KG and MICROSENS Beteiligungs GmbH was 97.5% in each case. Due to the fact that the existing purchase options are designed as opposite put/call options, both companies were already fully included in the consolidated financial statements. The purchase price obligations resulting from the opposite put/call options were likewise already carried under “Other current financial liabilities” in the consolidated financial statements at December 31, 2016. The pro-rata purchase price obligation for the exercised part of the put/call option was €226 thousand and that for a conditional purchase price component was an amount of €25 thousand. Since the original acquisition of MICROSENS GmbH & Co. KG falls under the scope of IFRS 3 (2004 version), the €25 thousand from the conditional purchase price component, which did not have to be paid due to the fact that the targets were not achieved, was treated as an adjustment to the purchase price in accordance with IFRS 3.33 (2004 version) and the goodwill from the acquisition was reduced by that amount.

Disposal of the “Telecommunications” division of euromicron Deutschland GmbH

Effective April 30, 2017, euromicron Deutschland GmbH transferred all customer, supplier and other agreements connected with the “Telecommunications” division as part of an asset deal. The division’s employees were also transferred to the purchaser. In particular since the impairment test conducted at December 31, 2016, was based on the assumption that the closing date would be March 31, 2017, but that date was postponed to April 30, 2017, there was an additional loss on the disposal of €238 thousand; the amount is carried under “Other operating expenses”.

Acquisition of the business operations of Elektroanlagen GmbH Dollenchen & Co. KG by euromicron Deutschland GmbH by way of an asset deal

Under the purchase agreement dated September 1, 2017, euromicron Deutschland GmbH acquired the business operations of Elektroanlagen GmbH Dollenchen & Co. KG, Sallgast-Dollenchen, by way of an asset deal. The date the agreement was concluded is also the date of acquisition. The agreed basic purchase price was €250 thousand. The amount of the liability from the conditional purchase price payment due to earn-out clauses, which was assessed on the basis of likelihood of the condition being met at the time of acquisition, was €155 thousand. The goodwill of €306 thousand resulting from the difference between the total purchase price and the provisionally measured net assets of €99 thousand is mainly attributable to the well-trained workforce in the field of electrical installation/high-voltage current. There was tax-deductible goodwill to the same amount. No incidental costs were incurred in connection with the acquisition. 16 employees were taken over. The acquisition had no effect on the consolidated companies. It enables the euromicron Group to build its electrical-related expertise in the field of high-voltage current.

Treasury shares

At September 30, 2017, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

Non-controlling interests (minority interests)

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

The minority interests in equity reported at September 30, 2017 (€464 thousand) relate to Qubix S.p.A., Padua, Italy (10%) and KORAMIS GmbH, Saarbrücken (25%).

Segment information

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

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

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

In line with the internal reporting structure, RSR Datacom GmbH & Co. KG is no longer assigned to the “Critical Infrastructures” segment in segment reporting as of fiscal year 2017, but instead to the “Non-strategic Business Areas”, after a decision was also taken toward the end of 2016 to discontinue the “Fiber-optic Infrastructure” division of RSR Datacom GmbH & Co. KG. So as to enable better comparison, the previous year’s figures have been accordingly adjusted in segment reporting.

Segment information

of the euromicron Group from January 1 to September 30, 2017 (IFRS)

Segment information

	Smart Buildings		Critical Infra-structures		Distribution		Total for all operating segments that must be reported	
	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016*	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016*
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
External sales	137,930	131,592	88,675	75,906	16,737	15,895	243,342	223,393
Sales within the Group	1,039	1,406	980	941	857	1,490	2,876	3,837
Total sales	**138,969**	**132,998**	**89,655**	**76,847**	**17,594**	**17,385**	**246,218**	**227,230**
EBITDA	2,318	−691	4,762	2,880	2,825	2,441	9,905	4,630
EBITDA margin	1.7%	−0.5%	5.3%	3.7%	16.1%	14.0%	4.0%	2.0%
of which reorganization costs	704	380	0	0	0	0	704	380
Operating EBITDA	**3,022**	**−311**	**4,762**	**2,880**	**2,825**	**2,441**	**10,609**	**5,010**
Operating EBITDA margin	**2.2%**	**−0.2%**	**5.3%**	**3.7%**	**16.1%**	**14.0%**	**4.3%**	**2.2%**
Amortization and depreciation	−4,054	−4,195	−1,766	−1,467	−227	−277	−6,047	−5,939
Impairments of property, plant and equipment, intangible assets and goodwill	0	0	0	0	0	0	0	0
EBIT	−1,736	−4,886	2,996	1,413	2,598	2,164	3,858	−1,309
of which reorganization costs	704	380	0	0	0	0	704	380
Operating EBIT	−1,032	−4,506	2,996	1,413	2,598	2,164	4,562	−929
Order books	83,323	69,063	54,341	52,476	2,286	1,657	139,950	123,196
Working capital	56,812	61,391	16,986	17,919	4,039	4,151	77,837	83,461
Working capital ratio	**28.5%**	**32.2%**	**13.7%**	**15.5%**	**17.7%**	**18.8%**	**22.5%**	**25.4%**

* The previous year's figure has been adjusted.
(Unaudited acc. to IFRS)

	All other segments									
	Non-strategic Business Areas		Central Services		Total for the segments		Reconciliation		Group	
	Sept. 30, 2017	Sept. 30, 2016*	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016*	Sept. 30, 2017	Sept. 30, 2016*	Sept. 30, 2017	Sept. 30, 2016
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
	699	3,174	0	0	244,041	226,567	0	0	244,041	226,567
	85	303	0	0	2,961	4,140	−2,961	−4,140	0	0
	784	**3,477**	**0**	**0**	**247,002**	**230,707**	**−2,961**	**−4,140**	**244,041**	**226,567**
	−239	−473	−4,905	−5,549	4,761	−1,392	0	0	4,761	−1,392
	−30.5%	−13.6%			1.9%	−0.6%			2.0%	−0.6%
	177	209	1,550	2,231	2,431	2,820	0	0	2,431	2,820
	−62	**−264**	**−3,355**	**−3,318**	**7,192**	**1,428**	**0**	**0**	**7,192**	**1,428**
	−7.9%	**−7.6%**			**2.9%**	**0.6%**			**2.9%**	**0.6%**
	−1	−20	−208	−256	−6,256	−6,215	0	0	−6,256	−6,215
	0	0	0	0	0	0	0	0	0	0
	−240	−493	−5,113	−5,805	−1,495	−7,607	0		−1,495	−7,607
	177	209	1,550	2,231	2,431	2,820	0	0	2,431	2,820
	−63	−284	−3,563	−3,574	936	−4,787	0	0	936	−4,787
	625	1,735	0	0	140,575	124,931	−491	−849	140,084	124,082
	−242	605	−1,137	−877	76,458	83,189	−19,506	−17,093	56,952	66,096
					22.0%	**24.9%**			**16.6%**	**20.1%**

Business transactions with related parties

Apart from the compensation for the Executive Board and Supervisory Board, there are the following significant relations with related persons:

In exchange for the supply of goods, Keymile GmbH, Hanover, received €5,693 thousand from January 1 to September 30, 2017, of which there were still unpaid liabilities of €475 thousand at September 30, 2017.

Apart from that, there are no other significant relationships with related parties. There are also no business transactions between consolidated companies of the euromicron Group and non-consolidated or associated companies of the euromicron Group.

Contingencies

There were no significant changes in contingencies, contingent liabilities and other financial obligations compared with the consolidated financial statements at December 31, 2016.

Declaration by the legal representatives

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

Frankfurt/Main, November 9, 2017

The Executive Board

Bettina Meyer
Spokeswoman of the
Executive Board

Jürgen Hansjosten
Member of the
Executive Board

Financial Calendar 2018

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

This quarterly report is available in German and English.

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

DISCLAIMER ON PREDICTIVE STATEMENTS

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

euromicron AG
Zum Laurenburger Hof 76
60594 Frankfurt am Main
Germany
Phone: +49 69 63 15 83-0
Fax: +49 69 63 15 83-17
info@euromicron.de
Internet: www.euromicron.de

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