INTERIM REPORT
1ST HALF OF 2019

euromicron

Key figures

Key figures

	1st half of 2019	1st half of 2018
	€ thou.	€ thou.
Sales	146,734	150,649
EBITDA (before IFRS 16)	2,066	–1,691
EBITDA margin (before IFRS 16), in % (relative to sales at the reporting date)	1.4%	–1.1%
EBITDA	5,766	–1,691
EBITDA margin, in % (relative to sales at the reporting date)	3.9%	–1.1%
EBIT (before IFRS 16)	–2,699	–6,504
EBIT	–2,430	–6,504
Consolidated net loss for the period (before IFRS 16)	–4,641	–6,947
Consolidated net loss for the period	–4,762	–6,947
Equity ratio (before IFRS 16), in %	25.0%	28.8%
Equity ratio, in %	22.6%	28.8%
Working capital (after factoring)	33,166	41,438
Working capital ratio (after factoring), in % (relative to sales of the past 12 months)	10.6%	12.6%
Working capital (before factoring)	63,258	68,625
Working capital ratio (before factoring), in % (relative to sales of the past 12 months)	20.1%	20.8%
Cash flow from operating activities (before IFRS 16)	–7,277	–8,821

Highlights

- The interim financial statements are significantly impacted by conversion effects resulting from the fact that the standard IFRS 16 – Leases had to be applied effective January 1, 2019. A detailed reconciliation can be found in section 6c.) in the notes on the consolidated financial statements starting on page 20. The comments on the key figures do not include the effects from IFRS 16.

- euromicron generated sales of €146.7 million in the first half of the year (previous year: €150.6 million). That was attributable in particular to a change in the seasonal nature of sales in the "Critical Infrastructures" segment compared to the previous year. The lower sales will be offset as expected in the course of the year.

- Despite the lower sales, euromicron increased its EBITDA (before IFRS 16) sharply in the first half of the year by €3.8 million to €2.1 million (previous year: € –1.7 million). Its EBITDA margin (before IFRS 16) improved by 2.5 percentage points to 1.4% (previous year: –1.1%). That is mainly due to the sharp improvement in earnings in the "Smart Buildings" segment following the structural measures that were implemented in 2018.

- The consolidated net loss for the period (before IFRS 16) was reduced sharply in the first half of 2019 by €2.3 million to € –4.6 million (previous year: € –6.9 million).

- Working capital (after factoring) was reduced by € –8.3 million compared to the figure at June 30, 2018. That had a positive impact on the working capital ratio (after factoring), which was 10.6% at June 30, 2019, and so 2.0 percentage points below the figure for the previous year (12.6%).

CONTENTS

I. INTERIM MANAGEMENT REPORT

II. INTERIM FINANCIAL STATEMENTS

I. Interim Management Report

1. Fundamentals of the Group

Profile

The euromicron Group is organized into the three segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”.

From consulting, design and implementation, operation, to intelligent services – euromicron provides its customers with tailor-made digitalization solutions from a single source. To achieve that, the companies in the euromicron Group combine the technically and economically most expedient components from the fields of terminal devices and sensors, infrastructure, platforms, applications and services. End-to-end cybersecurity concepts round out the portfolio.

As a result, euromicron enables its customers from small and medium-sized enterprises (SMEs) and the public sector, as well as large companies, to network business and production processes and successfully implement digitized processes at their organization.

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

For “Digital Buildings”, euromicron delivers cross-industry, all-round solutions for innovative building, network and security technology, as well as complementary digital and other services. Using suitable software in the smart building means manual processes can be eliminated and improved, resources used more efficiently and so costs cut. Application examples of that are intelligent, energy-efficient room and lighting systems (“Smart Office” and “Smart Lighting”). This area also includes equipping data centers with high-performance cabling systems.

The focus in “Smart Industry” is on digitizing and networking development, production and service processes at medium-sized industrial companies. The euromicron Group develops holistic Smart Industry approaches for and with its customers and implements them in a forward-looking way that protects investments. Intelligent data management and a highly available, fault-tolerant network infrastructure are crucial success factors for customers. In networking and automating digital business processes, the euromicron Group also sets store by comprehensive risk analysis. It offers integrated cybersecurity solutions so that production can be networked securely and with a high level of performance.

The “Critical Infrastructures” segment caters for operators of such infrastructures with highly available and secure communications solutions. Critical infrastructures (KRITIS) are vital business infrastructures whose failure is highly problematic for a company and also for large sections of the public. That may be the digital mobile radio system at an airport or the communications network of Deutsche Bahn or a power utility, for example.

The euromicron Group has intimate knowledge of the requirements, guidelines and standards to meet those demands and offers a legally secure overall package for operators of critical infrastructures. With its broad customer base in the segments telecommunications, energy, healthcare and transportation, euromicron boasts extensive practical experience as a specialist for planning, creating and operating secure networks and systems. Moreover, customers in the “Critical Infrastructures” segment obtain specialized expertise for holistic solutions relating to cybersecurity, automation, process control systems and power system control technology. Last but not least, the technology manufacturing companies in this segment round out the product portfolio with their professional video, audio and special technology solutions for sensitive security restricted areas.

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

Key control indicators and the control system

Our main financial control factors comprise key indicators for our business development, profitability, capital efficiency and liquidity controlling. EBITDA (before IFRS 16), the EBITDA margin (before IFRS 16), sales and the working capital ratio are the main key indicators used to control the Group.

Introduction of the standard IFRS 16 – Leases has a considerable impact on the presentation of the financial statements, in particular on EBITDA, which is reduced by the fact that rights of use are recognized. euromicron has decided to continue using EBITDA (before IFRS 16) as a control factor and to take into account the reduction due to lease expenses, since there has been no change to the system of cash-oriented corporate controlling and so EBITDA adjusted for leasing effects represents a sensible control indicator for the euromicron Group. There will also be no adjustment of EBITDA to reflect special costs as of fiscal 2019.

The other key control indicators will be retained without any changes. Reconciliation of the reported EBITDA with EBITDA (before IFRS 16) is presented in the table below.

2. Results of operations

a) Sales and results of operations

The euromicron Group's sales in the first half of 2019 were €146.7 million (previous year: €150.6 million). Sales of €120.2 million (previous year: €127.6 million) – or around 82.0% of total sales (previous year: 84.7%) – were generated in the domestic market. Foreign sales were €26.5 million (previous year: €23.0 million) and accounted for 18.0% of total sales (previous year: 15.3%).

The cost of materials relative to total operating performance was reduced sharply by 3.1 percentage points to 48.4% (previous year: 51.5%) Despite the € –3.0 million fall in total operating performance, gross operating profit was €3.2 million higher at €76.0 million (previous year: €72.8 million).

EBITDA (before IFRS 16) at June 30, 2019, was €2.1 million, a sharp increase of €3.8 million (previous year: € –1.7 million).

Consolidated Income Statement

	6-month report			
	1st half of 2019	Effects from application of IFRS 16	1st half of 2019 before IFRS 16	1st half of 2018
	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**146,734**	**0**	**146,734**	**150,649**
Inventory changes	364	0	364	–529
Own work capitalized	2,219	0	2,219	1,584
Other operating income	956	3	953	807
Cost of materials	–71,140	0	–71,140	–77,354
Personnel costs	–56,744	0	–56,744	–56,295
Other operating expenses	–16,623	3,697	–20,320	–20,553
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**5,766**	**3,700**	**2,066**	**–1,691**
Depreciation and amortization	–8,196	–3,431	–4,765	–4,813
Earnings before interest and taxes (EBIT)	**–2,430**	**269**	**–2,699**	**–6,504**
Interest income	12	0	12	11
Interest expenses	–3,703	–442	–3,261	–3,100
Income before income taxes	**–6,121**	**–173**	**–5,948**	**–9,593**
Income taxes	1,359	52	1,307	2,646
Consolidated net loss for the period	**–4,762**	**–121**	**–4,641**	**–6,947**
Thereof for euromicron AG shareholders	–4,950	–121	–4,829	–7,132
Thereof for non-controlling interests	188	0	188	185
(Un)diluted earnings per share in €	**–0.69**	**–0.02**	**–0.67**	**–0.99**

External sales by segments

	1st half of 2019	1st half of 2018	Change
	€ thou.	€ thou.	€ thou.
Smart Buildings	80,957	80,947	10
Critical Infrastructures	52,162	56,711	–4,549
Distribution	13,575	12,914	661
Total for all operating segments that must be reported	146,694	150,572	–3,878
Non-strategic Business Areas	40	77	–37
Group	**146,734**	**150,649**	**–3,915**

EBITDA (before IFRS 16) by segments

	1st half of 2019	1st half of 2018	Change
	€ thou.	€ thou.	€ thou.
Smart Buildings	2,292	–1,583	3,875
Critical Infrastructures	496	1,130	–634
Distribution	2,713	2,633	80
Total for all operating segments that must be reported	5,501	2,180	3,321
Non-strategic Business Areas	–54	–98	44
Central Services	–3,381	–3,773	392
Group	**2,066**	**–1,691**	**3,757**

External sales in the “Smart Buildings” segment were at the level of the same period of the previous year. The segment’s EBITDA (before IFRS 16) improved by €3.9 million. The main cause of that was positive effects from the structural measures implemented in the previous year, especially in construction-related project business.

External sales in the “Critical Infrastructures” segment fell by € –4.5 million. That was as planned for the first half of the year and is attributable in particular to a change in the seasonal nature of sales compared to the previous year, but will be offset as expected in the course of the year. This effect is the main reason why EBITDA (before IFRS 16) was € –0.6 million lower year on year.

External sales in the “Distribution” segment were €0.7 million above the figure for the same period of the previous year. However, EBITDA (before IFRS 16) was only slightly up on the level of the same period of the previous year, mainly due to the fact that the gross profit margin for the sold product mix fell slightly by 0.7 percentage points.

Lower consulting costs and reductions in material costs meant that the negative EBITDA (before IFRS 16) of the “Central Services” area (holding costs) improved by €0.4 million over the same period of the previous year.

The Group’s EBITDA margin (before IFRS 16) in the first half of 2019 improved by 2.5 percentage points to 1.4% (previous year: –1.1%).

The consolidated net loss for the period (before IFRS 16) at June 30, 2019, was € –4.6 million (previous year: € –6.9 million), or a reduction of €2.3 million.

b) Order situation

New orders in the first half of 2019 declined by € –4.3 million or –2.7%. That fall was attributable to an amount of € –5.1 million to lower new orders in the “Smart Buildings” segment. € –2.3 million of that figure was due to system integration business, in particular on account of a more selective policy for choosing projects in construction-related project business. New orders at this segment’s technology companies also fell by € –2.8 million. However, order books at June 30, 2019, were €18.2 million or 13.0% above the figure for the previous year.

New orders/order books

	June 30, 2019	June 30, 2018
	€ thou.	€ thou.
Consolidated new orders	**155,475**	**159,781**
Consolidated order books	**157,878**	**139,680**

3. Financial position

The euromicron Group's net debt (before IFRS 16) at June 30, 2019, was € –102.9 million and so increased by €2.0 million over the figure at June 30, 2018 (€ –100.9 million). In the 12-month period, the positive cash effects from the Group's factoring program (€4.1 million) and the positive cash flow from operating activities (€0.8 million) were offset in particular by the net cash used for investments (€ –4.6 million). In addition, distributions to non-controlling shareholders (€ –0.6 million) and non-cash effects from higher interest payable (€ –0.8 million) and additions to liabilities from finance leases (€ –0.9 million) resulted in an increase in net debt.

At June 30, 2019, the euromicron Group had free liquidity of €11.2 million (previous year: €13.9 million) for up-front financing of project business and to further finance the company's planned development.

The current agreement with the financing partners has a term running until March 31, 2021. The agreement specifies that the company must fulfill specific key ratios (covenants), which must be tested quarterly. They include the gearing ratio and key indicators relating to earnings and liquidity. In addition, the agreement envisages a further repayment of €25.0 million effective January 31, 2020.

At June 30, 2019, the euromicron Group has liabilities to banks totaling €108.9 million (previous year: €104.6 million), of which €38.8 million (previous year: €38.5 million) is long-term and €70.1 million (previous year: €66.1 million) is short-term loan liabilities.

At June 30, 2019, the reported cash flow from operating activities was € –4.0 million (previous year € –8.8 million). However, the reported cash flow figures in 2019 are impacted by effects from adoption of the standard IFRS 16 – Leases. An adjustment for the effects of IFRS 16 is carried out to determine cash flow figures that permit comparison with those for the previous year. The main effects that resulted in an improvement of €3.3 in the net reported cash flow from operating activities were as follows:

- Elimination of the positive EBITDA effects due to the fact that leasing installments are no longer recognized in the income statement (€3.7 million)
- Elimination of interest paid from finance leases (€ –0.4 million)

IFRS 16 results in a reduction in the cash flow from financing activities to a same amount (€ –3.3 million) due to higher repayments of liabilities from finance leases.

Calculation of cash flow from operating activities (before IFRS 16)

	1st half of 2019	1st half of 2018
	€ thou.	€ thou.
Cash flow from operating activities acc. to statement of cash flows	–4,004	–8,821
Thereof effects from IFRS 16	3,273	0
Cash flow from operating activities (before IFRS 16)	–7,277	–8,821

There was consequently a cash flow from operating activities (before IFRS 16) of € –7.3 million in the first half of 2019, an improvement of €1.5 million over the previous year (€ –8.8 million). That is due to a €3.2 million increase in cash effects from EBITDA (before IFRS 16), effects from changes in the other balance sheet items (€1.8 million) and a reduction in interest and tax payments (€0.5 million). On the other hand, there were cash flow effects from working capital (€ –4.0 million).

Net cash used in investing activities in the first half of 2019 was € –1.3 million, a sharp drop of €3.2 million over the figure of € –4.5 million for the first half of 2018. €2.6 million of that figure is due to higher net cash from the retirement/disposal of property, plant and equipment (property sale).

The net cash provided by financing activities (before IFRS 16) was €9.8 million compared with €13.5 million in the first six 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 June 30, 2019, were thus €7.8 million compared with €5.1 million at June 30, 2018.

4. Net assets

The table below presents the asset and equity structure of the euromicron Group:

Asset and equity structure

	June 30, 2019	Effects from application of IFRS 16	June 30, 2019 (before IFRS 16)		Dec. 31, 2018	
	€ m.	€ m.	€ m.	%	€ m.	%
Noncurrent assets	172.9	25.5	147.4	60.3%	148.4	60.9%
Current assets	89.0	– 0.1	89.1	36.5%	88.8	36.4%
Cash and cash equivalents	7.8	0.0	7.8	3.2%	6.5	2.7%
Assets	**269.7**	**25.4**	**244.3**	**100.0%**	**243.7**	**100.0%**
Equity	60.9	– 0.1	61.0	25.0%	66.2	27.2%
Noncurrent liabilities	65.1	19.0	46.1	18.9%	45.6	18.7%
of which financial liabilities	59.2	19.1	40.1	16.4%	39.7	16.3%
Current liabilities	143.7	6.5	137.2	56.1%	131.9	54.1%
of which financial liabilities	78.5	6.6	71.9	29.4%	60.3	24.7%
Equity and liabilities	**269.7**	**25.4**	**244.3**	**100.0%**	**243.7**	**100.0%**

Total assets (before IFRS 16) at the euromicron Group at June 30, 2019, were €244.3 million, an increase of €0.6 million compared to December 31, 2018.

Noncurrent assets were €147.4 million, € –1.0 million below the level at December 31, 2018 (€148.4 million). € –3.3 million of that decline is due to lower fixed assets. € –2.2 million of that is due to retirement of the carrying amount for a developed property that was sold effective March 31, 2019. In addition, depreciation/amortization also exceeded capital spending in the first half of 2019. On the other hand, there was an increase in deferred tax assets of €2.3 million. Noncurrent assets therefore accounted for 60.3% of total assets, slightly below the level at December 31, 2018 (60.9%). The ratio of equity and long-term outside capital to noncurrent assets at June 30, 2109, is 72.7% (December 31, 2018: 75.4%).

Noncurrent assets (before IFRS 16) were €89.1 million, a slight €0.3 million above the level of December 31, 2018 (€88.8 million). Inventories and other assets (mainly due to higher prepaid expenses and input tax refund claims) each increased by €1.4 million. On the other hand, other financial assets fell by € –2.3 million to €2.4 million, € –2.2 of which was attributable to receivables from factoring monies not yet paid out. In addition, claims for income tax refunds fell by € –0.2 million.

Cash and cash equivalents increased by €1.3 million over the figure at December 31, 2018, to €7.8 million.

The € –5.2 million fall in equity (before IFRS 16) is due to an amount of € –4.6 million to the consolidated net loss for the first half of 2019 and to an amount of € –0.5 million to dividends from subsidiaries that were adopted in the first half of 2019, to which non-controlling shareholders were entitled on a pro-rata basis.

The remainder of € –0.1 million resulted from the costs of the capital increase (after deferred taxes) being offset with the capital reserves. The equity ratio (before IFRS 16) was 25.0% following 27.2% at December 31, 2018.

Noncurrent liabilities (before IFRS 16) in particular contain the long-term components of the Group's outside financing and deferred tax liabilities and were €46.1 million, just slightly above the level of December 31, 2018 (€45.6 million). Noncurrent liabilities were 18.9% of total assets compared with 18.7% at December 31, 2018.

Current liabilities (before IFRS 16) were €137.2 million, an increase of €5.3 million over December 31, 2018; they accounted for 56.1% of total assets (previous year: 54.1%).

There was an increase of €11.4 million in short-term liabilities to banks, which was attributable to the higher utilization of overdraft lines. Contract liabilities also increased by €0.9 million as a result of higher customer payments. In addition, liabilities from income taxes increased by €0.4 million.

On the other hand, there was a € –3.9 million reduction in trade accounts payable. There was also a reduction in personnel obligations (€ –3.0 million; mainly lower liabilities from wages and salaries due to the payment of variable remuneration) and other provisions (€ –0.5 million).

The Group's working capital (before factoring) was reduced to €63.3 million or by € –5.3 million compared to the figure at June 30, 2018. As a result, the working capital ratio fell by 0.7 percentage points from 20.8% to 20.1%. Since there was a higher factoring volume, working capital (after factoring) at June 30, 2019, fell by € –8.3 million to €33.2 million. The working capital ratio (after factoring) was 10.6% and so 2.0 percentage points lower than in the previous year (12.6%).

5. Opportunity and Risk Report

The reports from the risk management system at December 31, 2018, have been continuously examined and updated as part of this Group interim report at June 30, 2019. At June 30, 2019, 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 2018 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.

II. Interim Financial Statements

1. Consolidated Income Statement

Consolidated Income Statement

	3-month report		6-month report	
	Q2 2019	Q2 2018	1st half of 2019	1st half of 2018
	€ thou.	€ thou.	€ thou.	€ thou.
Sales	**76,466**	**75,564**	**146,734**	**150,649**
Inventory changes	–259	–335	364	–529
Own work capitalized	1,288	850	2,219	1,584
Other operating income	176	377	956	807
Cost of materials	–37,582	–37,987	–71,140	–77,354
Personnel costs	–29,207	–28,877	–56,744	–56,295
Other operating expenses	–8,260	–10,250	–16,623	–20,553
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**2,622**	**–658**	**5,766**	**–1,691**
Depreciation and amortization	–4,139	–2,493	–8,196	–4,813
Earnings before interest and taxes (EBIT)	**–1,517**	**–3,151**	**–2,430**	**–6,504**
Interest income	6	2	12	11
Interest expenses	–1,954	–1,637	–3,703	–3,100
Income before income taxes	**–3,465**	**–4,786**	**–6,121**	**–9,593**
Income taxes	676	1,332	1,359	2,646
Consolidated net loss for the period	**–2,789**	**–3,454**	**–4,762**	**–6,947**
Thereof for euromicron AG shareholders	–2,875	–3,535	–4,950	–7,132
Thereof for non-controlling interests	86	81	188	185
(Un)diluted earnings per share in €	**–0.40**	**–0.49**	**–0.69**	**–0.99**

2. Statement of Comprehensive Income for the Group

Statement of Comprehensive Income for the Group

	3-month report		6-month report	
	Q2 2019	Q2 2018	1st half of 2019	1st half of 2018
	€ thou.	€ thou.	€ thou.	€ thou.
Consolidated net loss for the period, before minority interests	**–2,789**	**–3,454**	**–4,762**	**–6,947**
Currency translation differences (may have to be reclassified to the income statement in future)	3	–6	3	–8
Other comprehensive income	**3**	**–6**	**3**	**–8**
Total profit/loss	**–2,786**	**–3,460**	**–4,759**	**–6,955**
Thereof for euromicron AG shareholders	–2,872	–3,541	–4,947	–7,140
Thereof for non-controlling interests	86	81	188	185

3. Consolidated Balance Sheet – Assets

Assets

	June 30, 2019	Dec. 31, 2018
	€ thou.	€ thou.
Noncurrent assets		
Goodwill	110,629	110,629
Intangible assets	16,121	15,879
Property, plant and equipment	40,862	18,933
Other financial assets	138	159
Other assets	1	1
Deferred tax assets	5,095	2,758
Total noncurrent assets	**172,846**	**148,359**
Current assets		
Inventories	30,254	28,820
Trade accounts receivable	8,935	11,937
Contract assets	43,722	40,755
Claims for income tax refunds	195	430
Other financial assets	2,443	4,738
Other assets	3,469	2,085
Cash and cash equivalents	7,802	6,553
Total current assets	**96,820**	**95,318**
Total assets	**269,666**	**243,677**

3. Consolidated Balance Sheet – Equity and liabilities

Equity and liabilities

	June 30, 2019	Dec. 31, 2018
	€ thou.	€ thou.
Equity		
Subscribed capital	18,348	18,348
Capital reserves	94,175	94,298
Currency translation difference	– 1	– 4
Consolidated retained earnings	– 52,178	– 47,228
Stockholders' equity	60,344	65,414
Non-controlling interests	501	793
Total equity	**60,845**	**66,207**
Noncurrent liabilities		
Provisions for pensions	1,369	1,369
Other provisions	1,689	1,653
Liabilities to banks	38,828	38,958
Liabilities from finance leases	20,348	790
Other liabilities	0	114
Deferred tax liabilities	2,840	2,724
Total noncurrent liabilities	**65,074**	**45,608**

Continuation of the Consolidated Balance Sheet – Equity and liabilities on page 14

Continuation of the Consolidated Balance Sheet – Equity and liabilities

Equity and liabilities

	June 30, 2019 € thou.	Dec. 31, 2018 € thou.
Current liabilities		
Other provisions	1,439	1,941
Trade accounts payable	44,681	48,631
Contract liabilities	5,064	4,209
Liabilities from current income taxes	1,602	1,165
Liabilities to banks	70,084	58,681
Liabilities from finance leases	7,114	363
Other tax liabilities	3,485	3,595
Personnel obligations	6,694	9,727
Other financial liabilities	1,254	1,295
Other liabilities	2,330	2,255
Total current liabilities	**143,747**	**131,862**
Total equity and liabilities	**269,666**	**243,677**

4. Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows

	1st half of 2019	1st half of 2018
	€ thou.	€ thou.
Income before income taxes	–6,121	–9,593
Net interest income/loss	3,691	3,089
Depreciation and amortization of fixed assets	8,196	4,813
Disposal of assets, net	–469	–3
Allowances for inventories, doubtful accounts and contract assets	259	326
Change in provisions	–535	–550
Changes in current and noncurrent assets and liabilities:		
– Inventories	–1,603	–632
– Trade accounts receivable and contract assets	75	5,669
– Trade accounts payable and contract liabilities	–2,233	–4,793
– Other operating assets	817	–229
– Other operating liabilities	–3,046	–3,811
– Income tax paid	–422	–1,006
– Income tax received	285	717
– Interest paid	–2,910	–3,020
– Interest received	12	202
Net cash used in operating activities	**–4,004**	**–8,821**

Continuation of the Consolidated Statement of Cash Flows on page 16.

Continuation of the Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows

	1st half of 2019	1st half of 2018
	€ thou.	€ thou.
Net cash used in operating activities	**–4,004**	**–8,821**
Proceeds from		
– Retirement/disposal of property, plant and equipment	2,651	20
Payments due to acquisition of		
– Intangible assets	–2,354	–1,750
– Property, plant and equipment	–1,553	–2,307
– Subsidiaries	–32	–500
Net cash used in investing activities	**–1,288**	**–4,537**
Cash used for the costs of the capital increase	–50	0
Proceeds from raising of financial loans	12,501	24,540
Cash repayments of financial loans	–1,842	–10,718
Cash repayments of liabilities from finance leases	–3,588	–281
Distributions to/withdrawals by non-controlling interests and profit shares of minority interests	–480	–40
Net cash provided by financing activities	**6,541**	**13,501**
Net change in cash funds	1,249	143
Cash funds at start of period	6,553	4,954
Cash funds at end of period	**7,802**	**5,097**

5. Statement of Changes in Equity for the Group

Statement of Changes in Equity for the Group

	Subscribed capital	Capital reserves	Consolidated retained earnings	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
December 31, 2017	**18,348**	**94,298**	**–34,708**	**4**	**77,942**	**599**	**78,541**
Adjustments from first-time application of IFRS 9 and IFRS 15 in acc. with IAS 8	0	0	–739	0	–739	0	–739
January 1, 2018 (adjusted)	**18,348**	**94,298**	**–35,447**	**4**	**77,203**	**599**	**77,802**
Net loss for the first half of 2018	**0**	**0**	**–7,132**	**0**	**–7,132**	**185**	**–6,947**
Other comprehensive income							
Currency translation differences	0	0	0	–8	–8	0	0
	0	0	0	–8	–8	0	0
Total profit/loss	**0**	**0**	**–7,132**	**–8**	**–7,140**	**185**	**–6,955**
Transactions with owners							
Distributions to/drawings by minority interests	0	0	0	0	0	–125	–125
	0	**0**	**0**	**0**	**0**	**–125**	**–125**
June 30, 2018	**18,348**	**94,298**	**–42,579**	**–4**	**70,063**	**659**	**70,722**

Continuation of the Statement of Changes in Equity for the Group on page 18

Continuation of the Statement of Changes in Equity for the Group

Statement of Changes in Equity for the Group

	Subscribed capital	Capital reserves	Consolidated retained earnings	Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
December 31, 2018	**18,348**	**94,298**	**–47,228**	**–4**	**65,414**	**793**	**66,207**
Net loss for the first half of 2019	**0**	**0**	**–4,950**	**0**	**–4,950**	**188**	**–4,762**
Other comprehensive income							
Currency translation differences	**0**	**0**	**0**	**3**	**3**	**0**	**3**
Total profit/loss	**0**	**0**	**–4,950**	**3**	**–4,947**	**188**	**–4,759**
Transactions with owners							
Costs of the capital increase (after deferred taxes)	0	–123	0	0	–123	0	–123
Distributions to/drawings by minority interests	0	0	0	0	0	–480	–480
	0	**–123**	**0**	**0**	**–123**	**–480**	**–603**
June 30, 2019	**18,348**	**94,175**	**–52,178**	**–1**	**60,344**	**501**	**60,845**

6. Selected explanatory disclosures on the notes on the consolidated financial statements

a) Preliminary remarks

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

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date and with their interpretations by the IFRS IC. The interim report as of June 30, 2019, was prepared in compliance with the stipulations 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 do not necessarily permit forecasts for the further course of business.

b) Accounting and measurement policies

The same accounting and measurement policies were used in the abridged presentation of the consolidated financial statements as of June 30, 2019, as for preparing the consolidated financial statements at December 31, 2018, unless changes are explicitly specified.

A detailed description of these policies is published in the 2018 Annual Report and is available on the company’s homepage. The consolidated financial statements of euromicron AG as of December 31, 2018, were prepared on the basis of Section 315e of the German Commercial Code (HGB) in accordance with the IFRS, as are applicable in the European Union.

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

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

There are changes to the accounting and measurement policies as a result of the following standards that had to be applied for the first time in fiscal 2019. Apart from the effects of IFRS 16 presented in the following, however, there are not expected to be any significant effects on the consolidated financial statements:

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

	Standard / interpretation	Mandatory application in the EU	Adoption by the EU Commission
IAS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement (amendment)	January 1, 2019	Yes
IAS 28	Long-term Interests in Associates and Joint Ventures (amendment)	January 1, 2019	Yes
IFRS 16	Leases	January 1, 2019	Yes
IFRS 9	Financial Instruments: Prepayment Features with Negative Compensation (amendment)	January 1, 2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	Yes
AIP	Annual improvements to the IFRSs, cycle 2015–2017	January 1, 2019	Yes

c) Effects of IFRS 16 – Leases

As part of conversion to IFRS 16, assets for the rights of use to leased objects were recognized to an amount of €27,848 thousand at January 1, 2019. In addition, the other assets (prepaid expenses) fell by € –59 thousand. On the liabilities side, lease obligations totaling €27,943 thousand were carried, while the other liabilities (liabilities from contracts with a rent-free period) fell by € –154 thousand. All in all, total assets therefore increased by €27,789 thousand. The equity ratio fell as a result by 2.8 percentage points from 27.2% to 24.4%.

Conversion to IFRS 16 was based on the modified retrospective method. The comparative figures for the periods of the previous year were not adjusted. As regards the options and exemptions available under IFRS 16, the euromicron Group chooses the following approach:

- Assets from rights of use are carried under the fixed assets and presented separately in the notes
- Lease obligations are recognized as separate items in the balance sheet
- Leases whose term ends within twelve months are carried as expenses from short-term leases
- The exemption whereby the new regulations are not to be applied to leases whose term ends within twelve months of the time of first-time adoption of the standard and they are to be treated as short-term leases was not utilized, with the result that corresponding rights of use and lease obligations were carried for these leases
- Leases with a value of less than €5 thousand are regarded as low-value assets and carried as expenses from leases for low-value assets
- The direct costs initially incurred are not included at the time of adoption
- In the case of significant, short-term agreements relating to the rental of buildings, the terms of the agreements were adjusted to reflect the Group's five-year planning horizon

On the basis of the operating leases and finance leases at December 31, 2018, there was the following reconciliation with the opening balance sheet value for the lease obligations at January 1, 2019:

Reconciliation

	€ thou.
Obligation from operating leases at December 31, 2018	24,662
Finance leases at December 31, 2018	1,153
Leases at December 31, 2018	25,815
Effects from IFRS 16	3,280
Carried lease obligations at January 1, 2019	**29,095**

The effects are mainly due to the fact that the obligations from operating leases at December 31, 2018, were determined on the basis of the terms of the agreements. In the case of significant, short-term agreements relating to the rental of buildings, the terms of the agreements for lease obligations at January 1, 2019, on which measurement is based were adjusted to reflect the Group's five-year planning horizon. There were further effects in particular from discounting to the date of adoption of IFRS 16 (January 1, 2019) at the marginal cost of capital.

In determining the marginal cost of capital, the incremental borrowing rate of interest of euromicron was taken and corrected by separate markdowns for property and movables. That results in a weighted average rate of interest of 3.09% for property and of 3.37% for movables.

With regard to the date of conversion (January 1, 2019) and the reporting date for the first half of the year (June 30, 2019), there were the following effects:

Reconciliation of the opening balance sheet values at December 31, 2018 / January 1, 2019

	Dec. 31, 2018 € thou.	IFRS 16 lease effect € thou.	Jan. 1, 2019 € thou.
Assets			
Property, plant and equipment	18,933	27,848	46,781
Other assets (including effects from IFRS 16)	2,086	– 59	2,027
Other assets	222,658	0	222,658
Total assets	**243,677**	**27,789**	**271,466**
Equity and liabilities			
Equity	66,207	0	66,207
Liabilities from finance leases	1,153	27,943	29,095
Other liabilities (including effects from IFRS 16)	2,369	– 154	2,215
Other liabilities	173,948	0	173,948
Total equity and liabilities	**243,677**	**27,789**	**271,466**

Reconciliation of the IFRS 16 lease effects in the income statement (1st half of 2019)

	1st half of 2019 (before IFRS 16) € thou.	IFRS 16 lease effect € thou.	1st half of 2019 (acc. to IFRS 16) € thou.
Other operating income	953	3	956
Other operating expenses	– 20,320	3,697	– 16,623
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**2,066**	**3,700**	**5,766**
Depreciation and amortization	– 4,765	– 3,431	– 8,196
Earnings before interest and taxes (EBIT)	**– 2,699**	**269**	**– 2,430**
Interest income	12	0	12
Interest expenses	– 3,261	– 442	– 3,703
Income before income taxes	**– 5,948**	**– 173**	**– 6,121**
Income taxes	1,307	52	1,359
Consolidated net loss for the period	**– 4,641**	**– 121**	**– 4,762**

Reconciliation of the IFRS 16 lease effects in the balance sheet at June 30, 2019

	June 30, 2019 (before IFRS 16) € thou.	IFRS 16 lease effect € thou.	June 30, 2019 (acc. to IFRS 16) € thou.
Assets			
Property, plant and equipment	15,439	25,423	40,862
Other assets (including effects from IFRS 16)	3,535	– 66	3,469
Deferred tax assets	5,047	48	5,095
Other assets	220,240	0	220,240
Total assets	**244,261**	**25,405**	**269,666**
Equity and liabilities			
Equity	60,966	– 121	60,845
Deferred tax liabilities	2,844	– 4	2,840
Liabilities from finance leases	1,789	25,673	27,462
Other liabilities (including effects from IFRS 16)	2,473	– 144	2,330
Other liabilities	176,189	0	176,189
Total equity and liabilities	**244,261**	**25,405**	**269,666**

Rights of use and liabilities from finance leases at January 1, 2019, and June 30, 2019

	Jan. 1, 2019 € thou.	June 30, 2019 € thou.
Property, plant and equipment		
Rights of use – land and buildings	23,479	20,644
Rights of use – technical equipment and machinery	1,441	2,087
Rights of use – other equipment, operating and office equipment	4,849	5,236
Total	**29,769**	**27,967**
Liabilities from finance leases	29,095	27,462

Leases in the income statement

	1st half of 2019 € thou.
Other operating income	
Income from sale and leaseback transactions	466
Other operating expenses	**–163**
Expenses from short-term leases	–69
Expenses from leases for low-value assets	–94
Amortization	**–3,666**
Amortization of rights of use – land and buildings	–2,191
Amortization of rights of use – technical equipment and machinery	–201
Amortization of rights of use – other equipment, operating and office equipment	–1,274

A developed property of the subsidiary euromicron Austria in Seekirchen, Austria, was sold effective March 31, 2019, under the agreement dated March 19, 2019. This sale resulted in a retirement within the meaning of IFRS 15. The income of €466 thousand from the sale was carried under "Other operating income". The remaining book value of the developed property at the time of its sale was €2,184 thousand. The proceeds from its sale were €2,650 thousand. The buyer paid the purchase price on April 1, 2019. At the same time, a rental agreement with a minimum term of three years as from April 1, 2019, was concluded and can be terminated with a period of notice of six months, but no earlier than effective March 31, 2022.

Effects from conversion to IFRS 16 in the first half of 2019 resulted in an increase of €3,273 thousand in the reported cash flow from operating activities, whereas the reported cash flow from financing activities fell by the same amount (due to cash repayments of liabilities from finance leases).

d) Consolidated companies

Apart from euromicron AG, 23 (December 31, 2018: 23) companies controlled by euromicron AG are included in the interim consolidated financial statements.

e) Significant business events

The financing agreement specified a repayment of €2.5 million by March 31, 2019; the amount repaid was €2.6 million.

f) Treasury shares

At June 30, 2019, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

g) Non-controlling interests

Under IFRS 3 (2008), non-controlling interests are disclosed as part of equity in accordance with the entity point of view. The minority interests in equity reported at June 30, 2019 (€501 thousand) relate exclusively to Qubix S.p.A., Padua, Italy (10%).

h) Reporting on financial instruments

The following table compares the carrying amounts and fair values of the financial instruments.

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

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

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

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

The level model was applied for measuring the financial instruments reported at fair value at the euromicron Group. The fair values of the shares in Track Group Inc. (balance sheet

Comparison of carrying amounts and fair values

	June 30, 2019		Dec. 31, 2018	
	Carrying amount	Fair value with DVA	Carrying amount	Fair value with DVA
	€ thou.	€ thou.	€ thou.	€ thou.
Assets				
Cash and cash equivalents	7,802	– [1]	6,553	– [1]
Trade accounts receivable	8,935	– [1]	11,937	– [1]
Contract assets	43,722	– [1]	40,755	– [1]
Other financial assets	2,581	– [1]	4,897	– [1]
Equity and liabilities				
Trade accounts payable	44,681	– [1]	48,631	– [1]
Liabilities to banks	108,912	109,088	97,639	97,547
Other financial liabilities	1,254	1,252	1,295	1,292
Financial personnel obligations	2,497	– [1]	5,996	– [1]
Liabilities from finance leases	27,462	– [1]	1,153	– [1]

[1] The carrying amount corresponds approximately to the fair value.

item: “Other financial assets”) were measured on the basis of level 1, since the share price can be observed on an active market.

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

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

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

In the first half of 2019, there were no changes to or movements in the fair value of assets or liabilities assigned to level 3 of the fair value hierarchy. There were also no shifts between the levels of the fair value hierarchy.

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

7. Segment reporting

Segment reporting

	Smart Buildings		Critical Infrastructures		Distribution		Total for all reportable operating segments	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	80,957	80,947	52,162	56,711	13,575	12,914	146,694	150,572
Sales within the Group	426	494	592	585	171	585	1,189	1,664
Total sales	**81,383**	**81,441**	**52,754**	**57,296**	**13,746**	**13,499**	**147,883**	**152,236**
EBITDA	4,214	–1,583	1,859	1,130	2,897	2,633	8,970	2,180
EBITDA margin	5.2%	–1.9%	3.5%	2.0%	21.1%	19.5%	6.1%	1.4%
Thereof effects from IFRS 16	1,922	0	1,363	0	184	0	3,469	0
EBITDA (before IFRS 16)	**2,292**	**–1,583**	**496**	**1,130**	**2,713**	**2,633**	**5,501**	**2,180**
EBITDA margin (before IFRS 16)	**2.8%**	**–1.9%**	**0.9%**	**2.0%**	**19.7%**	**19.5%**	**3.7%**	**1.4%**
Depreciation/amortization	–4,422	–3,033	–3,062	–1,541	–228	–88	–7,712	–4,662
Write-downs	–85	0	0	0	0	0	–85	0
Thereof effects from IFRS 16	–1,760	0	–1,261	0	–172	0	3,193	0
Depreciation/amortization (before IFRS 16)	–2,662	–3,033	–1,801	–1,541	–56	–88	–4,519	–4,662
Write-downs (before IFRS 16)	–85	0	0	0	0	0	–85	0
EBIT	–293	–4,616	–1,203	–411	2,669	2,545	1,173	–2,482
Thereof effects from IFRS 16	162	0	102	0	12	0	276	0
EBIT (before IFRS 16)	–455	–4,616	–1,305	–411	2,657	2,545	897	–2,482
Order books	85,255	83,546	69,657	53,089	2,844	2,737	157,756	139,372
New orders	83,505	88,578	57,728	57,385	14,258	13,789	155,491	159,752
Working capital	43,786	48,514	6,957	9,243	4,591	4,836	55,334	62,593
Working capital ratio	**25.2%**	**26.4%**	**6.0%**	**7.4%**	**17.5%**	**19.2%**	**17.5%**	**18.8%**

→ Continuation of Segment reporting on page 25

Continuation of Segment reporting

Segment reporting

	All other segments									
	Non-strategic Business Areas		Central Services		Total for the segments		Reconciliation		Group	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
External sales	40	77	0	0	146,734	150,649	0	0	146,734	150,649
Sales within the Group	0	2	0	0	1,189	1,666	–1,189	–1,666	0	0
Total sales	**40**	**79**	**0**	**0**	**147,923**	**152,315**	**–1,189**	**–1,666**	**146,734**	**150,649**
EBITDA	–54	–98	–3,150	–3,773	5,766	–1,691	0	0	5,766	–1,691
EBITDA margin					3.9%	–1.1%			3.9%	–1.1%
Thereof effects from IFRS 16	0	0	231	0	3,700	0	0	0	3,700	0
EBITDA (before IFRS 16)	**–54**	**–98**	**–3,381**	**–3,773**	**2,066**	**–1,691**	**0**	**0**	**2,066**	–1,691
EBITDA margin (before IFRS 16)					**1.4%**	**–1.1%**			**1.4%**	**–1.1%**
Depreciation/amortization	–1	–1	–398	–150	–8,111	–4,813	0	0	–8,111	–4,813
Write-downs	0	0	0	0	–85	0	0	0	–85	0
Thereof effects from IFRS 16	0	0	–238	0	3,431	0	0	0	3,431	0
Depreciation/amortization (before IFRS 16)	–1	–1	–160	–150	–4,680	–4,813	0	0	–4,680	–4,813
Write-downs (before IFRS 16)	0	0	0	0	–85	0	0	0	–85	0
EBIT	–55	–99	–3,548	–3,923	–2,430	–6,504	0	0	–2,430	–6,504
Thereof effects from IFRS 16	0	0	–7	0	269	0	0	0	269	0
EBIT (before IFRS 16)	–55	–99	–3,541	–3,923	–2,699	–6,504	0	0	–2,699	–6,504
Order books	221	553	0	0	157,977	139,925	–99	–245	157,878	139,680
New orders	–16	32	0	0	155,475	159,784	0	–3	155,475	159,781
Working capital	–131	–213	–2,066	–1,320	53,137	61,060	–19,971	–19,622	33,166	41,438
Working capital ratio					**16.8%**	**18.3%**			**10.6%**	**12.6%**

8. Breakdown of revenue

Breakdown of revenue by type of business and time/period of fulfillment

	Reportable operating segments											
	Smart Buildings		Critical Infrastructures		Distribution		Total for all operating segments that must be reported		All other business areas and reconciliation		Group	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Sales of the segment	**81,383**	**81,441**	**52,754**	**57,296**	**13,746**	**13,499**	**147,883**	**152,236**	**–1,149**	**–1,587**	**146,734**	**150,649**
Type of business												
Revenue from project business	47,584	44,777	29,422	29,322	0	0	77,006	74,099	–386	–1,587	76,620	72,512
Revenue from the sale of goods	25,021	27,083	10,966	12,026	13,746	13,499	49,733	52,608	–592	0	49,141	52,608
Revenue from the provision of services	8,778	9,581	12,366	15,948	0	0	21,144	25,529	–171	0	20,973	25,529
Fulfillment of the performance obligation and recognition of the sales												
Recognition at a specific point in time	25,021	27,083	10,966	12,026	13,746	13,499	49,733	52,608	–592	0	49,141	52,608
Recognition over time	56,362	54,358	41,788	45,270	0	0	98,150	99,628	–557	–1,587	97,593	98,041

9. Further explanations

a) Significant events after the balance sheet date

The Executive Board and Supervisory Board of euromicron AG adopted a resolution on July 10, 2019, to increase the capital stock of the company by up to €7,339,020 through the issue of a total of up to 2,870,558 new registered shares by fully utilizing the authorized capital. The company acquired Funkwerk AG ("Funkwerk") as the anchor and backstop investor for the capital increase.

The new shares are to be issued in the form of cash capital increases in two tranches. Under the first tranche, 717,639 new shares were issued to Funkwerk as part of a private placement excluding shareholders' subscription rights. That increases the company's share capital to €20,182,308.60, i.e. by around 10%. The new shares are entitled to dividends from January 1, 2019. The placement price was set at €3.40 per share, so that the gross proceeds from the first tranche amount to €2,439,972.60.

The second tranche is to be effected without a prospectus as part of a cash capital increase with subscription rights. Subject to registration of the implementation of the first tranche, the share capital of the company will be increased by a further amount of up to €5,504,266.28 through the issue of up to 2,152,919 new registered shares. The subscription period ran from July 26, 2019, up to and including August 8, 2019. Further details can be found in the subscription offer published in the Federal Official Gazette on July 25, 2019.

Funkwerk has given the company an undertaking that it will take over all shares not subscribed to by existing euromicron shareholders (backstop obligation). Funkwerk's backstop obligation is subject to approval by the antitrust authorities in the Federal Republic of Germany and Austria. The subscription price was set at €3.40 per share, so that the gross proceeds from the second tranche amount to up to €7,319,924.60. The shares from the second tranche will be admitted to the stock exchange and included in stock exchange trading later, probably in July 2020.

The costs incurred by the capital increase up to June 30, 2019, were offset with the capital reserves (after allowing for deferred taxes).

b) Contingencies, contingent liabilities and other financial obligations

There were no significant changes in contingencies, contingent liabilities and contingent claims compared with the consolidated financial statements at December 31, 2018. From fiscal 2019 on, operating lease obligations are recognized in accordance with the requirements of IFRS 16 (see section 6c).

c) Business transactions with related parties

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

In the first half of 2019, services totaling €119 thousand (previous year: €0 thousand) were obtained from companies that are controlled by members of management in key positions. At the balance sheet date, there were liabilities from them totaling €60 thousand (previous year: €0 thousand), which are carried under the trade payables.

10. Miscellaneous

a) Disclosure in accordance with Section 115 (7) of the German Securities Trading Act (WpHG)

The abridged financial statements and the interim management report at June 30, 2019, have not been audited or inspected by an auditor in accordance with Section 317 of the German Commercial Code (HGB).

b) 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.

Bettina Meyer

Bettina Meyer
Spokeswoman of the Executive Board

Frank Schmitt

Dr. Frank Schmitt
Member of the Executive Board

Financial calendar

April 11, 2019	Publication of the 2018 Annual Report
May 9, 2019	Publication of the business figures for the 1st quarter of 2019
August 8, 2019	Publication of the business figures for the 1st half of 2019
August 29, 2019	General Meeting, Frankfurt/Main
November 7, 2019	Publication of the business figures for the first nine months of 2019

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In cases of doubt, the German version is authoritative.

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