INTERIM REPORT

Q3 2018

euromicron

Key figures

of the euromicron Group at September 30, 2018

Key figures for the Group

	2018	2017
	€ THOU.	€ THOU.
Sales	233,037	244,041
EBITDA (operating) *	4,765	7,192
EEBITDA margin (operating)*, in % (relative to sales at the reporting date)	2.0%	2.9%
EBITDA	1,633	4,761
EBITDA margin in % (relative to sales at the reporting date)	0.7%	2.0%
EBIT (operating) *	–2,573	936
EBIT	–5,706	–1,495
Net loss for the period (attributable to euromicron AG shareholders)	–8,039	–3,949
Earnings per share in € (undiluted)	–1.12	–0.55
Equity ratio, in %	28.2%	30.6%
Working capital after factoring	43,399	56,952
Working capital ratio after factoring, in % (relative to sales of the past 12 months)	13.5%	16.6%
Working capital before factoring	70,525	84,442
Working capital ratio before factoring, in % (relative to sales of the past 12 months)	21.9%	24.6%
Cash flow from operating activities, adjusted for effects from factoring and customers' monies to be passed on	–3,853	–15,629

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

DEAR SHAREHOLDERS,
DEAR READERS,

We again stepped up our measures to adapt the structures of the euromicron Group in the third quarter of 2018. We will continue them in the final quarter of the current fiscal year and complete them by the end of fiscal 2018.

In this connection, our sales and earnings were reduced by extraordinary factors in the period under review and so remained below our expectations. We generated revenue of € 233.0 million in the first nine months of 2018, 4.5% below the figure for the same period of the previous year (€ 244.0 million). At the same time, operating EBITDA was € 4.8 million compared to € 7.2 million in the previous year. However, we significantly improved our cash flow from operating activities, which rose by € 11.7 million to € –3.9 million.

We have adjusted our previous outlook for fiscal 2018 to reflect the fact that sales and earnings deviated from the originally planned figures for the period under review and in view of the additionally planned structural adjustments in the fourth quarter of 2018. We now anticipate sales of € 310 million to € 330 million for the year as a whole (previously: € 340 million to € 360 million) and an operating EBITDA margin of 2.0% to 4.0% (previously: 4.0% to 5.0%). Special costs are again expected to reduce earnings by up to € 5 million (previously: up to € 2 million).

In particular structural deficits in selected business areas in the “Smart Buildings” segment reduced sales and earnings in the third quarter. We have identified the organization, sales controlling and personnel structures there as not being fit for the future. That is why we immediately launched a comprehensive package of measures that will be fully implemented by the end of the current fiscal year 2018. That will allow us to create the conditions for a sharp improvement in profitability in the “Smart Buildings” segment in the coming year, as a result of which the overall Group’s profitability in 2019 will be increased significantly.

Implementing sustainable structures is one of the key factors in enabling our company to leverage our growth potential fully and profitably. At the same time, we are currently working to focus our corporate strategy again and gear it even more to our sustained strengths. We will publish a sharply detailed medium-term strategy in early 2019. The focus moving ahead will remain on improving our profitability and cash flow sustainably, with all structural and strategic measures being geared to increasing the company's value.

We would be delighted, dear shareholders, if you put your trust in us.

Frankfurt/Main, November 2018

Bettina Meyer
Spokeswoman of the Executive Board

Jörn Trierweiler
Member of the Executive Board

Interim Management Report

of the euromicron Group from January 1 to September 30, 2018

Fundamentals of the Group

Profile

Under its strategic alignment, the euromicron Group is organized into the three segments of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. From design and implementation, operation, to intelligent services – euromicron provides its customers with a one-stop shop for tailored IoT solutions, ranging from infrastructure to service. euromicron thus enables its customers to network business and production processes and so move to the digital future.

The euromicron Group comprises several medium-sized technology specialists that operate in the markets of “Digital Buildings”, “Smart Industry” and “Critical Infrastructures”.

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

Smart, digital buildings are an integral part of the “Internet of Things”. The term “digital building” describes the automation and central operation of the technical equipment of office, commercial and industrial properties, such as train stations, airports or shopping malls. The interplay between all the disciplines creates an intelligent whole that enhances efficiency, security and convenience. Services relating to building or process automation, access control, video surveillance, fire prevention or support services as part of efficient energy and building management are integrated in unified, highly available overall systems. Examples of that are intelligent access control or optimizing energy efficiency in running buildings so as to slash operating costs.

For “Digital Buildings”, euromicron delivers cross-industry, all-round solutions for innovative building, network and security technology, as well as complementary services. 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 that are compatible with “Smart Industry” so that production can be networked securely and with a high level of performance.

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

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

Operators of critical infrastructures are also leveraging the technological possibilities now offered by automation and networking, as well as the opportunities the “Internet of Things” opens up, to optimize their processes, increase productivity and enhance customer loyalty. However, special availability, integrity and confidentiality requirements are above all demanded of these networks. They relate to security standards and the ability to repel attacks, as well as system solutions that are sufficiently fault-tolerant. The euromicron Group has intimate knowledge of the requirements,

guidelines and standards to meet those demands and offers a legally secure overall package for operators of critical infrastructures.

With its broad customer base in the segments telecommunications, energy 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 in this target market with their professional video, audio and special technology solutions for sensitive security restricted areas.

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

Net assets, financial position and results of operations

General statement on the performance of the euromicron Group in the first three quarters of fiscal 2018

Sales and earnings of the euromicron Group in the first nine months of fiscal 2018 were below the levels of the previous year and the planned figures. One particular cause of that were structural deficits at individual divisions of the “Smart Buildings” segment; these will be remedied by the end of the year by extensive packages of measures as part of our transformation program, which we have now intensified further. The rigorous realignment also entails higher special costs at the Group.

In particular, the fall in sales in the business area “technology solutions for sensitive security restricted areas” also meant that earnings in the “Critical Infrastructures” were reduced. This business area relies on being awarded defined individual projects. Postponement in these projects cannot usually be offset soon in terms of sales and earnings.

A detailed explanation of the sales and earnings effects can be found in the section “Sales and income” in connection with presentation of the segments’ performance.

The described effects will also probably reduce earnings in the fourth quarter and, as far as can be seen at present, cannot be compensated for by the positive development of other divisions at the Group. Consequently, the Executive Board has revised its previous forecasts for fiscal 2018. We refer in this regard to the section “Outlook”. A sharp improvement in the Group’s profitability is anticipated in 2019 as a result of the structural adjustments.

Despite the decline in earnings, cash flow from operating activities in the first nine months of 2018 improved significantly year on year. That is due in particular to the sharp reduction in working capital at the Group.

The key figures for the euromicron Group at September 30, 2018, compared to the previous year, are as follows:

- Reported sales in the first nine months of fiscal 2018 were € 233.0 million and so € 11.0 down on the figure for the same period of the previous year (€ 244.0 million). After adjustment for sales effects from divisions that have been discontinued or sold in the meantime (€ 4.5 million), sales from continuing core business operations decreased by € –6.5 million or around –2.7% in the first nine months of fiscal 2018.

- Operating EBITDA in the first nine months of fiscal 2018 was € 4.8 million and so € –2.4 million lower than the figure at September 30, 2017 (€ 7.2 million).

- The consolidated net loss for the period at September 30, 2018, was € –7.8 million compared to € –3.8 million at September 30, 2017, or an increase of € –4.0 million. Apart from the decline in operating EBITDA, this effect is attributable in particular to higher amortization and depreciation as a result of capital investments and to higher special costs with an impact on EBITDA.

- New orders from the euromicron Group's continuing operations were € 243.4 million in the first nine months of fiscal 2018, € –15.6 million or –6.0% below the comparative figure for the previous year (€ 259.0 million). However, order books from continuing core business operations rose to € 140.6 million, an increase of € 1.1 million or 0.8% over the previous year's figure of € 139.5 million.

- The Group's working capital (before factoring) decreased sharply from € 84.4 million at September 30, 2017, to € 70.5 million, i.e. by € –13.9 million; as a result, the Group's working capital ratio rose by –2.7 percentage points from 24.6% to 21.9%. Since the factoring volume remained almost identical, working capital (after factoring) at September 30, 2018, was € 43.4 million and so € 13.6 million below the level of the previous year (€ 57.0 million). The working capital ratio (after factoring) was likewise reduced by –3.1 percentage points from 16.6% to 13.5%.

- The Group's cash flow from operating activities in the first nine months of fiscal 2018 after adjustment for the effects of factoring was € –3.9 million (previous year: € –15.6 million), a significant improvement of € 11.7 million. This is due – to an amount of € 14.2 million – mainly to positive effects from the reduction in working capital. The sharp improvement in cash flow from operating activities is a consequence of cash-oriented corporate governance, a policy that will be adhered to rigorously moving ahead.

- 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, 2018, was € –105.1 million and so, despite higher special costs, only rose slightly by € –1.4 million compared to the figure at September 30, 2017 (€ –103.7 million). Free liquidity (free credit lines plus cash) at September 30, 2018, was € 11.0 million and so at virtually the same level as the comparative figure at September 30, 2017 (€ 10.9 million).

Sales and income

Key sales and income figures at September 30, 2018

	2018	2017
	€ THOU.	€ THOU.
Sales	233,037	244,041
EBITDA (operating) *	4,765	7,192
EBITDA margin (operating)*, in % (relative to sales at the reporting date)	2.0%	2.9%
EBITDA	1,633	4,761
EBITDA margin in % (relative to sales at the reporting date)	0.7%	2.0%
EBIT (operating) *	–2,573	936
EBIT	–5,706	–1,495
Income before taxes	–10,329	–5,148
Net loss for the period (for euromicron AG shareholders)	–8,039	–3,949
Earnings per share in € (undiluted)	–1.12	–0.55

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

The euromicron Group's sales in the first nine months of fiscal 2018 were € 233.0 million or € 11.0 million below the level of the previous year (€ 244.0 million). It should be noted here that the figure no longer includes sales (which totaled around € 4.0) from the "Telecommunications" division, which was disposed of effective April 30, 2017. In addition, the figure for the first nine months of the previous year contained external sales from discontinued operations totaling € 0.7 million, whereas the figure for the current fiscal year 2018 is just € 0.2 million. After adjustment for these negative sales effects totaling € –4.5 million, sales from continuing core business operations decreased by € –6.5 million or around –2.7% in the first nine months of fiscal 2018.

Sales of € 196.6 million (previous year: € 201.6 million) – or around 84.4% (previous year: 82.6%) of total sales – were generated in the domestic market. Foreign sales were € 36.4 million (previous year: € 42.4 million) and accounted for 15.6% of total sales (previous year: 17.4%).

Operating EBITDA at September 30, 2018, was € 4.8 million and so € –2.4 million below the level at September 30, 2017 (€ 7.2 million).

Special costs with an impact on EBITDA in the first nine months of fiscal 2018 totaled € –3.1 million and so increased by € –0.7 million over the previous year (€ –2.4 million).

The main causes for the decline in sales and operating EBITDA, as well as the changes in special costs, are explained in the following presentation of the segments' performance:

External sales in the "Smart Buildings" segment fell by € –9.7 million to € 128.2 million. € –4.0 million of that is attributable to the previously described effect on sales of the disposal of the "Telecommunications" division effective April 30, 2017.

The remaining decline in sales of € –5.7 million is mainly attributable – to an amount of € –6.0 million – to the performance of the "Network Technology" division, caused by deficits in the organizational structure and sales controlling there. That also resulted in new orders at this division falling by € –9.2 million year on year. An extensive package of measures is currently being implemented as part of this division's transformation and not only includes the already accomplished organizational adjustments and reorganization of sales, but also a significant reduction in overhead costs due to the reduction in administrative structures.

This segment's operating EBITDA was € 1.3 million compared to € 3.0 million in the first nine months of the previous year. The fall in earnings is attributable in particular to a loss in contribution margins due to the fact that sales in the "Network Technology" division were lower. It is expected that this factor will also reduce the segment's earnings in the fourth quarter of 2018. After the structural adjustments have been completed, it is anticipated that this division's results will start improving from fiscal 2019 on.

This segment's earnings were also reduced by losses from construction-related project business. As can be seen from the sharp improvement in cash flow from operating activities, these effects weighed on the segment's earnings in the current fiscal year, but did not result in any significant cash outflows. The operational structures have been adjusted to ensure that such costs will no longer weigh on earnings in subsequent years. That entails, in particular, adjustment to the personnel structures and the sales organization. Since greater construction-related project business with less value added was acquired in the previous year that also resulted in a year-on-year fall in new orders. The vast majority of these projects will be completed by the end of fiscal 2018, with the result that a sharp improvement in earnings is expected in 2019 due to the minimized risk profile and adjusted cost structures.

Earnings were also reduced due to completed legal proceedings and settlement of legal disputes relating to old claims from construction-related project business. These settlements were agreed in order to avoid lengthy and costly construction processes and at the same time to strengthen the Group's cash position through proceeds from these settlement payments.

The "Smart Buildings" segment was positively impacted by the performance of the "Industrial Switches" area and trends in the target market "Smart Industry"; earnings here were improved sharply year on year.

Unplanned special costs of € –0.9 million were incurred in the "Smart Buildings" segment in 2018 (previous year: € –0.7 million), mainly as a result of personnel measures that were instigated and implemented in 2018 as part of the above-described realignment of individual divisions and to reduce overhead costs. Further measures are also being implemented as part of that in the fourth quarter of 2018. These structural measures will be completed by the end of fiscal 2018.

External sales at the "Critical Infrastructures" segment fell by € –3.3 million to € 85.4 million. Whereas the segment's system integration business performed positively in 2018, increasing sales by around € 4.3 million, sales by the production operations in this segment fell by around € –7.6 million. The main cause of that – to an amount of € –5.9 million – was the performance of the business area "technology solutions for sensitive security restricted areas". Sales in this business area are heavily dependent on the award of individual large projects abroad. Tendering for these projects is subject to strong cyclical fluctuations. Whereas several of these projects were commissioned and accomplished in the same period of the previous year, contract awards in 2018 have so far been restrained, also due to the overall global political situation. Negotiations are currently being held on several such projects. It is not possible to assess definitively whether and to what extent these projects will be awarded and so impact sales in the further course of fiscal 2018.

Operating EBITDA at the "Critical Infrastructures" segment was € 2.8 million compared to € 4.8 million in the first nine months of the previous year. Earnings from system integration business were largely stable. The contribution margins from the higher sales were invested as planned in building up better qualified personnel so that new business areas in the field of digitization can be tapped. The fall in earnings is almost fully attributable to a loss in contribution margins due to lower sales at this segment's production operations.

There were no special costs in the “Critical Infrastructures” segment, either this fiscal year or in the same period of the previous year.

External sales in the “Distribution” segment were € 19.2 million, a sharp rise of € 2.5 million above the comparative figure for the first nine months of fiscal 2017 (€ 16.7 million), which is due in particular to positive trends in the Italian market. The latter is of special importance for the segment, given the fact that its largest company is based in Italy. Operating EBITDA increased by € 0.9 million to € 3.7 million, which was attributable to the contribution margin effect from the increase in sales, as well as to the improvement in the gross profit margin for the sold product mix. As in the previous year, there were no special costs in the “Distribution” segment.

As planned, there were no significant external sales at the “Non-strategic Business Areas” in the first nine months of fiscal 2018 (€ 0.2 million; previous year: € 0.7 million); this segment broke even in terms of operating EBITDA. The special costs of € – 0.1 million (previous year: € – 0.2 million) are the result of follow-up costs from the closures.

The negative operating EBITDA of the “Central Services” area (holding costs) was € – 3.0 million and improved as a result of cost savings by € 0.4 million compared to the first nine months of 2017 (€ – 3.4 million). The special costs of € – 2.1 million (previous year: € – 1.5 million) mainly relate to consulting costs and costs for personnel measures. Further special costs can also be expected in the fourth quarter of 2018, in particular due to the ongoing transformation process.

Income statement (operational)

of the euromicron Group for the period January 1 to September 30, 2018 (IFRS)

Income statement (operational)

	9-month report					
	Jan. 1, 2018 – Sept. 30, 2018 incl. special costs	Special costs	Jan. 1, 2018 – Sept. 30, 2018 operational	Jan. 1, 2017 – Sept. 30, 2017 incl. special effects of reorganization	Special effects of reorganization	Jan. 1, 2017 – Sept. 30, 2017 operational
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Sales	**233,037**	**–230**	**232,807**	**244,041**	**0**	**244,041**
Inventory changes	–430	0	–430	–473	0	–473
Own work capitalized	2,553	0	2,553	2,113	0	2,113
Other operating income	1,006	–2	1,004	1,303	–4	1,299
Cost of materials	–120,512	229	–120,283	–128,490	25	–128,465
Personnel costs	–83,535	1,169	–82,366	–82,370	552	–81,818
Other operating expenses	–30,486	1,966	–28,520	–31,363	1,858	–29,505
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**1,633**	**3,132**	**4,765**	**4,761**	**2,431**	**7,192**
Depreciation/ Amortization	–7,339	1	–7,338	–6,256	0	–6,256
Earnings before interest and taxes (EBIT)	**–5,706**	**3,133**	**–2,573**	**–1,495**	**2,431**	**936**
Interest income	15	0	15	77	0	77
Interest expenses	–4,638	200	–4,438	–3,730	0	–3,730
Income before income taxes	**–10,329**	**3,333**	**–6,996**	**–5,148**	**2,431**	**–2,717**
Income taxes	2,544	0	2,544	1,353	0	1,353
Consolidated net loss for the period	**–7,785**	**3,333**	**–4,452**	**–3,795**	**2,431**	**–1,364**
Thereof for euromicron AG shareholders	–8,039	3,333	–4,706	–3,949	2,431	–1,518
Thereof for non-controlling interests	254	0	254	154	0	154
(Un)diluted earnings per share in €	**–1.12**	**0.46**	**–0.66**	**–0.55**	**0.34**	**–0.21**

(unaudited acc. to IFRS)

Income statement (operational)

of the euromicron Group for the period July 1 to September 30, 2018 (IFRS)

Income statement (operational)

	3-month report					
	July 1, 2018 – Sept. 30, 2018 incl. special costs	Special costs	July 1, 2017 – Sept. 30, 2018 operational	July 1, 2017 – Sept. 30, 2017 incl. special effects of reorganization	Special effects of reorganization	July 1, 2017 – Sept. 30, 2017 operational
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Sales	**82,388**	**–151**	**82,237**	**90,398**	**0**	**90,398**
Inventory changes	99	0	99	–895	0	–895
Own work capitalized	969	0	969	797	0	797
Other operating income	199	–2	197	272	–4	268
Cost of materials	–43,158	155	–43,003	–46,876	0	–46,876
Personnel costs	–27,240	251	–26,989	–27,302	238	–27,064
Other operating expenses	–9,933	424	–9,509	–10,755	665	–10,090
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**3,324**	**677**	**4,001**	**5,639**	**899**	**6,538**
Depreciation/ Amortization	–2,526	0	–2,526	–2,057	0	–2,057
Earnings before interest and taxes (EBIT)	**798**	**677**	**1,475**	**3,582**	**899**	**4,481**
Interest income	4	0	4	3	0	3
Interest expenses	–1,538	0	–1,538	–1,346	0	–1,346
Income before income taxes	**–736**	**677**	**–59**	**2,239**	**899**	**3,138**
Income taxes	–102	0	–102	–649	0	–649
Consolidated net loss for the period	**–838**	**677**	**–161**	**1,590**	**899**	**2,489**
Thereof for euromicron AG shareholders	–907	677	–230	1,527	899	2,426
Thereof for non-controlling interests	69	0	69	63	0	63
(Un)diluted earnings per share in €	**–0.13**	**0.10**	**–0.03**	**0.21**	**0.13**	**0.34**

(unaudited acc. to IFRS)

Gross profit, defined as total operating performance (sales and inventory changes) minus cost of materials, fell by € – 3.0 million in the first nine months of fiscal 2018. This is due to an amount of € – 5.3 million to the volume-related effect from total operating performance, which was down year on year. On the other hand, the effect from the 1.0 percentage point increase in the material usage ratio to 51.7% (previous year: 52.7%) had an impact of € 2.3 million.

Personnel costs (adjusted for special costs) were € – 82.4 million and so € – 0.6 million or 0.7% above the level of the previous year (€ – 81.8 million). That increase is attributable in particular to the slight rise in the headcount to 1,865 employees (previous year: 1,830 employees).

The other operating expenses (adjusted for special costs) totaled € – 28.5 million and so fell by € 1.0 million compared with the previous year (€ – 29.5 million).

Amortization and depreciation were € – 7.3 million, an increase of € – 1.0 million over the previous year (€ – 6.3 million) as a result of capital investments.

The net interest income/loss in the first nine months of fiscal 2018 contains special costs of € – 0.2 million incurred in connection with follow-up financing for the Group. The net interest income/loss after adjustment for special costs was € – 4.4 million or € – 0.7 million above the level of the previous year (€ – 3.7 million), which is mainly due to higher-than-average utilization of the credit lines in the first nine months of fiscal 2018 and to adjusted interest terms.

The tax ratio in the first nine months of fiscal 2018 was 24.6% and so below the anticipated tax ratio for the Group of 30.0%. One cause of that was the tax expenses for previous years. In addition, in the first nine months of the fiscal year there were tax losses on which deferred tax assets were not recognized in some cases.

The consolidated net loss for the period (adjusted for special costs) at September 30, 2018, was € –4.5 million compared with € – 1.4 million in the previous year. Undiluted earnings per share (adjusted for special costs) for the first nine months of fiscal 2018 were € – 0.66 compared to € –0.21 in the same period of the previous year.

New orders and order books

of the euromicron Group at September 30, 2018

New orders/order books

	2018 [1]	2018 [2]	2017 [1]	2017 [2]
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Consolidated new orders	243,434	243,426	258,975	265,332
Consolidated order books	140,572	140,937	139,459	140,084

[1] Continuing core business operations (excluding divisions that have since been closed or sold in the meantime)
[2] Total (including divisions that have since been closed or sold in the meantime)
(unaudited acc. to IFRS)

New orders at the euromicron Group in the first nine months of fiscal 2018 were € 243.4 million (previous year: € 265.3 million), a decline of € –21.9 million or –8.3%. Order books at September 30, 2018, were € 140.9 million, € 0.8 million or 0.6% above the previous year's figure of € 140.1 million.

It should be noted in this regard that the above figures at September 30, 2018, and the comparative figures still contain new orders and order books from the divisions that have been discontinued or sold in the meantime.

New orders from continuing core business totaled € 243.4 million (previous year: € 259.0 million), a decrease of € –15.6 million or –6.0%.

This decline is due solely to effects from the "Smart Buildings" segment and – to an amount of € –9.2 million – to lower new orders in the "Network Technology" division. In addition, new orders from construction-related project business were acquired on a greater scale in the previous year in this segment, but such business fell sharply in 2018. The result is likewise a year-on-year fall in new orders. The "Critical Infrastructures" and "Distribution" segments both posted higher new orders than in the previous year.

Order books from continuing core business operations were € 140.6 million (previous year: € 139.5 million), an increase of € 1.1 million or 0.8%.

Net assets

Total assets at the euromicron Group at September 30, 2018, were € 248.0 million, a fall of € – 4.2 million or – 1.7% compared to December 31, 2017.

Noncurrent assets were € 146.5 million, a slight fall of € – 0.3 million over the level at December 31, 2017 (€ 146.8 million). This is attributable in particular, to an amount of € – 1.4 million, to the decrease in fixed assets due to amortization and depreciation. On the other hand, there was an increase in deferred tax assets of €1.1 million. Noncurrent assets accounted for 59.1% of total assets and so were slightly above the level at December 31, 2017 (58.2%). The ratio of equity and long-term outside capital to noncurrent assets at September 30, 2018, was 79.5%.

Current assets declined by € – 3.9 million to € 101.5 million. They accounted for 40.9% of total assets, compared with 41.8% at December 31, 2017.

Introduction of the new standard IFRS 15 (see also the comments in the Section IFRS 15 "Revenue from Contracts with Customers" in the notes), means that the previous balance sheet item "Gross amount due from customers for contract work" has been replaced by the new balance sheet item "Contract assets". Since introduction of the new standard IFRS 15 has also resulted in changes in recognition, the balance sheet items "Trade accounts receivables" and "Contract assets" (or "Gross amount due from customers for contract work") are treated as a total for purposes of comparison with the previous year. They fell in total by € – 4.4 million to € 57.2 million, which was the main cause of the decline in current assets. This fall is due in particular to customer payments and the associated reduction in up-front financing for projects. Comparing this with developments in the first nine months of fiscal 2017, in which these items increased by € 11.2 million, it is clear that in particular the reduction in up-front financing for projects is the main cause of the improvement in working capital and so the cash flow from operating activities. We refer in this regard to the presentation in the section "Changes in working capital".

Other effects within the current assets virtually cancel each other out: Whereas the other financial assets increased by € 1.2 million to € 5.1 million, in particular as a result of higher receivables due from the factoring company, the claims for refunds from income tax fell by € –0.6 million due to the fact that tax refunds were made. In addition, other assets fell slightly by € –0.5 million.

Cash and cash equivalents totaled € 5.3 million, a slight increase of € 0.3 million over the figure at December 31, 2017 (€ 5.0 million). We refer in this regard to the explanations on the financial position and cash flow.

Equity at September 30, 2018, was € 69.9 million, € –8.7 million below the level of December 31, 2017. This decline is due to an amount of € –7.8 million to the consolidated net loss for the first nine months of fiscal 2018. In addition, there were conversion effects totaling € –0.7 million that had to be charged directly to equity as a result of introduction of the new standards IFRS 9 and IFRS 15. Moreover, dividends from subsidiaries that were adopted and to which non-controlling shareholders were entitled on a pro-rata basis had to be transferred from equity to outside capital (effect: € –0.1 million). The equity ratio was 28.2% following 31.1% at December 31, 2017.

Noncurrent liabilities in particular contain the long-term components of the Group's outside financing and deferred tax liabilities. The increase of € 16.0 million from € 30.7 million to € 46.7 million is due in particular to higher long-term liabilities to banks (€ 19.0 million). They result to an amount of € 18.5 million from reclassification of loan obligations from short-term liabilities to banks in connection with the follow-up financing that was agreed in March 2018 and has a maturity until March 31, 2021. On the other hand, there was in particular a reduction in deferred tax liabilities of € –2.7 million. Noncurrent liabilities were 18.8% of total assets compared with 12.2% at December 31, 2017.

Current liabilities at September 30, 2018, fell by € –11.5 million from € 142.9 million to € 131.4 million and were 53.0% (at December 31, 2017: 56.7%) of total assets.

€ –4.9 million of this decline is due to the sharp reduction in trade accounts payable.

Personnel obligations likewise fell (€ – 2.2 million), mainly due to payments of variable compensation. There was also a reduction of € – 1.9 million in other tax liabilities as a result of lower wage tax and value-added tax liabilities. In addition, other liabilities also fell by € – 1.5 million. This is in particular attributable – to an amount of € – 1.0 million – to the reclassification of prepayments to the balance sheet item “Contract liabilities” as part of implementation of the new accounting standard IFRS 15.

Changes in 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 contract assets minus trade accounts payable and contract 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, 2018, and September 30, 2017:

Working capital

	Sept. 30, 2018	Sept. 30, 2017	Change
	€ THOU./IN %	€ THOU./IN %	€ THOU./IN PP.
Working capital (after factoring)	43,399	56,952	– 13,553
Receivables sold as part of factoring	27,126	27,490	– 364
Working capital (before factoring)	70,525	84,442	– 13,917
Working capital ratio (after factoring)	13.5%	16.6%	– 3.1%
Working capital ratio (before factoring)	21.9%	24.6%	– 2.7%

(unaudited acc. to IFRS)

In line with our policy of cash-oriented corporate governance, working capital after factoring and working capital before factoring were able to be reduced sharply by, respectively, € – 13.6 million and € – 13.9 million compared with September 30, 2017. The relevant working capital ratios were also reduced significantly by – 3.1 and – 2.7 percentage points respectively. This illustrates that working capital has not only been able to be adjusted to the lower volume of sales, but that there have also been further positive effects from the Group-wide program to reduce working capital.

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, 2018, was € – 105.1 million, a slight rise of € – 1.4 million compared to the figure at September 30, 2017 (€ – 103.7 million). The increase in net debt is attributable – to an amount of € – 2.0 million – in particular to cash flow effects from the factoring program (higher receivables due from the factoring company). In addition, effects from higher interest payable to banks contributed € – 0.6 million and additions from investments financed under finance leases contributed € – 0.5 million to the rise in net debt. In addition, distributions to non-controlling shareholders resulted in a further increase in net debt by € – 0.1 million. On the other hand, a positive effect was the positive free cash flow of € 1.8 million in the period from October 1, 2017, to September 30, 2018, since the cash flow from operating activities (after adjustment for factoring effects) more than covered net cash used in investing activities (€ – 10.4 million) in that period.

At September 30, 2018, the euromicron Group has free liquidity (free credit lines plus cash) of € 11.0 million for up-front financing of project business and to further finance the company's planned development. Free liquidity thus increased slightly by € 0.1 million over the figure at September 30, 2017 (€10.9 million).

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

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

At September 30, 2018, the euromicron Group had liabilities to banks totaling € –109.1 million, of which € –39.0 million was long-term and € –70.1 million was short-term loan liabilities. Liabilities to banks at September 30, 2017, totaled € –107.4 million, of which € –20.0 million was long-term and € –87.4 million short-term loan liabilities.

Notes on the cash flow

The reported net cash used in operating activities at September 30, 2018, was € –10.7 million, a sharp improvement of € 11.8 million over the figure at September 30, 2017 (€ –22.5 million).

However, the reported cash flow figures from operating activities are substantially impacted by effects resulting from the Group's factoring program. In order to calculate comparative cash flow figures, adjustment is carried out for the following effects:

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

We refer you to the 2017 Annual Report of the euromicron Group for a detailed explanation of the effects stated here.

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

Calculation of the adjusted cash flow from operating activities

	Jan. 1, 2018 – Sept. 30, 2018	Jan. 1, 2017 – Sept. 30, 2017
	€ THOU.	€ THOU.
Cash flow from operating activities acc. to statement of cash flows	–10,708	–22,481
Effects from factoring and customers' monies to be passed on included in the above	6,855	6,852
Adjusted cash flow from operating activities	–3,853	–15,629

(unaudited acc. to IFRS)

Consequently, the net cash used in operating activities (after adjustment for factoring effects) for the first nine months of fiscal 2018 was € –3.9 million compared with € –15.6 million in the same period of the previous year. As a result, the adjusted cash flow from operating activities improved significantly by € 11.7 million.

One reason for this improvement – to an amount of € 14.2 million – is in particular the high positive cash flow effect from the change in working capital. There were also positive cash flow effects of € 0.6 million from changes in the other balance sheet items. On the other hand, the lower reported EBITDA had an impact of € –3.1 million.

Net cash used in investing activities in the first nine months of fiscal 2018 was € –6.3 million, € 3.0 million lower than the figure for the same period of the previous year (€ –9.3 million). € 1.9 million of this change is due in particular to lower purchase price payments for company acquisitions and lower payments relating to the disposal of sold operations. In addition, there was a decrease in investments in intangible assets and property, plant and equipment of € 1.1 million compared to the level of the previous year.

The net cash provided by financing activities was € 17.3 million compared with € 30.0 million in the first nine months of the previous year. That figure is mainly attributable to raised loans which exceed the net cash used to repay loans and was reduced sharply compared to the previous year, in particular thanks to the improvement in cash flow from operating activities.

Cash funds of the euromicron Group at September 30, 2018, were thus € 5.3 million compared with € 5.1 million at September 30, 2017.

Risk Report

The reports from the risk management system at December 31, 2017, have been continuously examined and updated as part of the Group's interim report at September 30, 2018. At September 30, 2018, there were the following changes in the risks at the euromicron Group compared with as stated and described in detail in the management report in the 2017 Annual Report.

Structural deficits at individual divisions in the "Smart Buildings" segment were identified and resulted in negative sales and earnings effects in the third quarter of 2018. Impacts from that are expected to reduce earnings in the fourth quarter, as well. Possible effects of that have already been taken into account in the revised outlook for 2018 as a whole. The aim of the measures to optimize structures and processes that have already been carried out and are still planned in the fourth quarter is to enable a sustained increase in the Group's profitability. In principle, however, there is the risk that the effects of the measures will not be achieved until later than planned.

Follow-up financing with a maturity until March 31, 2021, was agreed with the financing partners in March 2018. This agreement specifies, among other things, that the company must fulfill specific key ratios (covenants), which had to be tested quarterly for the first time as of June 30, 2018. They include the gearing ratio and key indicators relating to earnings and liquidity. We refer in this regard to the presentation in the section "Significant business events" in the notes.

In this context, there is in principle the risk that the covenants are not fulfilled. If the Group's earnings and financial position were to development so negatively that compliance with these covenants could not be ensured, that could have disadvantageous financial impacts on the Group. However, the company has contractually specified remedies to maintain the credit lines to the agreed total scope.

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

euromicron AG again stepped up its measures to transform the Group in the third quarter of 2018 and will continue to do so in the final months of the fiscal year. Its sales and earnings are temporarily burdened by special effects, which are explained in detail in the section "Sales and income" in this interim report. At the same time, however, the Group's cash flow from operating activities has improved sharply.

euromicron AG is revising its outlook for 2018 as a whole as a result of the deviation between sales and earnings at September 30, 2018, and the figures from the previous year and those planned by the company, and in view of the intensified transformation program it will continue to implement in the fourth quarter of 2018.

Taking into consideration the opportunities and risks, a sales volume of € 310 million to € 330 million can therefore be expected for fiscal 2018 (previous forecast: € 340 million to € 360 million). An operating EBITDA margin of between 2% and 4% (previous forecast: between 4% and 5%) is anticipated.

Special costs will probably reduce the Group's reported EBITDA – due to further measures as part of the Group's transformation – by up to € 5 million (previous forecast: around € 2 million).

This outlook 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 continue to develop positively in 2018. 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, 2018 (IFRS)

Income statement

	3-month report		9-month report	
	July 1, 2018 – Sept. 30, 2018	July 1, 2017 – Sept. 30, 2017	Jan. 1, 2018 – Sept. 30, 2018	Jan. 1, 2017 – Sept. 30, 2017
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Sales	**82,388**	**90,398**	**233,037**	**244,041**
Inventory changes	99	–895	–430	–473
Own work capitalized	969	797	2,553	2,113
Other operating income	199	272	1,006	1,303
Cost of materials	–43,158	–46,876	–120,512	–128,490
Personnel costs	–27,240	–27,302	–83,535	–82,370
Other operating expenses	–9,933	–10,755	–30,486	–31,363
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**3,324**	**5,639**	**1,633**	**4,761**
Depreciation/amortization	–2,526	–2,057	–7,339	–6,256
Earnings before interest and taxes (EBIT)	**798**	**3,582**	**–5,706**	**–1,495**
Interest income	4	3	15	77
Interest expenses	–1,538	–1,346	–4,638	–3,730
Income before income taxes	**–736**	**2,239**	**–10,329**	**–5,148**
Income taxes	–102	–649	2,544	1,353
Consolidated net loss for the period	**–838**	**1,590**	**–7,785**	**–3,795**
Thereof for euromicron AG shareholders	–907	1,527	–8,039	–3,949
Thereof for non-controlling interests	69	63	254	154
(Un)diluted earnings per share in €	**–0.13**	**0.21**	**–1.12**	**–0.55**

(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, 2018 (IFRS)

Statement of comprehensive income

	3-month report		9-month report	
	July 1, 2018 – Sept. 30, 2018	July 1, 2017 – Sept. 30, 2017	Jan. 1, 2018 – Sept. 30, 2018	Jan. 1, 2017 – Sept. 30, 2017
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Consolidated net loss for the period	**–838**	**1,590**	**–7,785**	**–3,795**
Currency translation differences (may have to be reclassified to the income statement in future)	3	–2	–5	3
Other profit/loss	**3**	**–2**	**–5**	**3**
Total profit/loss	**–835**	**1,588**	**–7,790**	**–3,792**
Thereof for euromicron AG shareholders	–904	1,525	–8,044	–3,946
Thereof for non-controlling interests	69	63	254	154

(unaudited acc. to IFRS)

Consolidated balance sheet
Assets

of the euromicron Group as of September 30, 2018 (IFRS)

Assets

	Sept. 30, 2018	Dec. 31, 2017
	€ THOU.	€ THOU.
Noncurrent assets		
Goodwill	110,629	110,629
Intangible assets	15,974	16,557
Property, plant and equipment	18,329	19,139
Other financial assets	198	232
Other assets	4	4
Deferred tax assets	1,386	255
Total noncurrent assets	**146,520**	**146,816**
Current assets		
Inventories	31,529	31,486
Trade accounts receivable	8,167	8,994
Gross amount due from customers for contract work	N/A	52,518
Contract assets	48,987	N/A
Claims for income tax refunds	327	928
Other financial assets	5,078	3,898
Other assets	2,111	2,566
Cash and cash equivalents	5,259	4,954
Total current assets	**101,458**	**105,344**
Total equity and liabilities	**247,978**	**252,160**

(unaudited acc. to IFRS)

Consolidated balance sheet Equity and liabilities

of the euromicron Group as of September 30, 2018 (IFRS)

Equity and liabilities

	Sept. 30, 2018	Dec. 31, 2017
	€ THOU.	€ THOU.
Equity		
Subscribed capital	18,348	18,348
Capital reserves	94,298	94,298
Currency translation difference	–1	4
Consolidated retained earnings	–43,491	–34,708
Stockholders' equity	69,154	77,942
Non-controlling interests	728	599
Total equity	**69,882**	**78,541**
Noncurrent liabilities		
Provisions for pensions	1,424	1,424
Other provisions	1,721	1,751
Liabilities to banks	38,998	19,993
Liabilities from finance leases	879	1,143
Other financial liabilities	603	610
Other liabilities	134	170
Deferred tax liabilities	2,903	5,598
Total noncurrent assets	**46,662**	**30,689**
Current liabilities		
Other provisions	1,279	1,955
Trade accounts payable	42,137	46,996
Gross amount due to customers for contract work	N/A	2.014
Contract liabilities	3,147	N/A
Liabilities from current income taxes	910	1,385
Liabilities to banks	70,080	70,556
Liabilities from finance leases	373	521
Other tax liabilities	2,901	4,777
Personnel obligations	7,617	9,795
Other financial liabilities	1,133	1,562
Other liabilities	1,857	3,369
Total current liabilities	**131,434**	**142,930**
Total equity and liabilities	**247,978**	**252,160**

(unaudited acc. to IFRS)

Statement of changes in equity

of the euromicron Group for the period January 1 to September 30, 2018 (IFRS)

Statement of changes in equity

	Subscribed capital	Capital reserves	Consolidated retained earnings
	€ THOU.	€ THOU.	€ THOU.
December 31, 2016	**18,348**	**94,298**	**–30,743**
Net loss for Q3 2017	**0**	**0**	**–3,949**
Other profit/loss			
Currency translation differences	0	0	0
	0	**0**	**0**
Total profit/loss	**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**
December 31, 2017	**18,348**	**94,298**	**–34,708**
Adjustments from first-time application of IFRS 9 and IFRS 15 in acc. with IAS 8	0	0	–739
January 1, 2018 (adjusted)	**18,348**	**94,298**	**–35,447**
Net loss for Q3 2018	**0**	**0**	**–8,039**
Other profit/loss			
Currency translation differences	0	0	0
	0	**0**	**0**
Total profit/loss	**0**	**0**	**–8,039**
Transactions with owners			
Correction to the pro-rata claim for compensation of losses on the part of minority interests recognized in the previous year	0	0	–5
Distributions to/drawings by minority interests	0	0	0
	0	**0**	**–5**
September 30, 2018	**18,348**	**94,298**	**–43,491**

(unaudited acc. to IFRS)

Currency translation difference	Equity attributable to the shareholders of euromicron AG	Non-controlling interests	Total equity
€ THOU.	€ THOU.	€ THOU.	€ THOU.
–5	**81,898**	**461**	**82,359**
0	**–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**
4	**77,942**	**599**	**78,541**
0	–739	0	–739
4	**77,203**	**599**	**77,802**
0	**–8,039**	**254**	**–7,785**
–5	–5	0	–5
–5	**–5**	**0**	**–5**
–5	**–8,044**	**254**	**–7,790**
0	–5	0	–5
0	0	–125	–125
0	**–5**	**–125**	**–130**
–1	**69,154**	**728**	**69,882**

Statement of cash flows

for the period January 1 to September 30, 2018 (IFRS)

Statement of cash flows

	Jan. 1, 2018 – Sept. 30, 2018	Jan. 1, 2017 – Sept. 30, 2017
	€ THOU.	€ THOU.
Income before income taxes	–10,329	–5,148
Net interest income/loss	4,623	3,653
Depreciation and amortization of fixed assets	7,339	6,256
Disposal of assets, net	–5	–55
Depreciation/amortization of other noncurrent and current assets	0	238
Allowances for inventories, doubtful accounts and contract assets	429	315
Change in provisions	–793	–173
Changes in current and noncurrent assets and liabilities:		
– Inventories	–258	–2,914
– Trade accounts receivable and contract assets*	3,003	–10,553
– Trade accounts payable and contract liabilities*	–4,705	–2,978
– Other operating assets	–1,063	1,895
– Other operating liabilities	–4,358	–8,319
– Income tax paid	–1,570	–2,131
– Income tax received	726	746
– Interest paid	–3,952	–3,425
– Interest received	205	112
Net cash used in operating activities	**–10,708**	**–22,481**
Proceeds from		
– Retirement/disposal of intangible assets	0	0
– Retirement/disposal of property, plant and equipment	22	59
Net cash used in		
– Purchase of intangible fixed assets	–2,928	–3,062
– Purchase of tangible fixed assets	–2,871	–3,891
– Acquisition of subsidiaries	–500	–1,798
– Disposal of sold divisions	0	–616
Net cash used in investing activities	**–6,277**	**–9,308**
Proceeds from raising of financial loans	24,177	31,936
Cash repayments of financial loans	–6,390	–1,263
Cash repayments of liabilities from finance leases	–412	–399
Distributions to/Withdrawals by non-controlling interests and profit shares of minority interests	–85	–264
Net cash provided by financing activities	**17,290**	**30,010**
Net change in cash funds	305	–1,779
Cash funds at start of period	4,954	6,844
Cash funds at end of period	**5,259**	**5,065**

* Gross amounts due from and to customers for contract work were carried here in the previous year.
(unaudited acc. to IFRS)

Disclosure in accordance with Section 115 (5) Sentence 6 of the German Securities Trading Act (WpHG)

The abridged financial statements and the interim management report at September 30, 2018, have not been audited or inspected by an auditor in accordance with Section 317 of the German Commercial Code (HGB).

Notes

Preamble

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

euromicron AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date and with their interpretations by the IFRS Interpretations Committee. The interim report as of September 30, 2018, 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 as of September 30, 2018, do not necessarily permit forecasts for the further course of business.

Accounting and measurement policies

The same reporting and measurement policies were used in the abridged presentation of the consolidated financial statements as of September 30, 2018, as for preparing the consolidated financial statements at December 31, 2017, unless changes are explicitly specified.

A detailed description of these policies is published in the 2017 Annual Report and is available on the company’s homepage. The consolidated financial statements of euromicron AG as of December 31, 2017, were prepared on the basis of Section 315e

of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards, as are applicable in the European Union.

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

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

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

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 40	Investment Property: Transfers of Investment Property (amendment)	January 1, 2018	Yes
IFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions (amendment)	January 1, 2018	Yes
IFRS 4	Insurance Contracts (amendment)	January 1, 2018	Yes
IFRS 9	Financial instruments	January 1, 2018	Yes
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Yes
IFRS 15	Revenue from Contracts with Customers (clarifications)	January 1, 2018	Yes
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	Yes
AIP	Annual improvements to the IFRSs, cycle 2014-2016	January 1, 2017 / January 1, 2018	Yes

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

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

IFRS 9 “Financial Instruments”

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

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

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

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

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

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

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

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

Application of the expected loss model on trade accounts receivable and contract assets in accordance with IFRS 15 resulted upon first-time application of IFRS 9 in an increase in impairments of € 153 thousand, which was recognized directly in equity and allocated to the consolidated retained earnings.

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

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

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

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

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

[1] LaR = Loans and Receivables
[2] FLAC = Financial Liabilities Measured at Amortised Cost
[3] AfS = Available for Sale
[4] FVtPoL = At Fair Value through Profit or Loss
[5] AC = Amortised Cost
[6] FVPL = At Fair Value through Profit or Loss

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

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

Reconciliation by measurement categories[1]

	Financial assets			Total
	FVPL (FVtPoL 2017)	FVOCI (AfS 2017)	AC (LaR 2017)	
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Closing balance sheet value at Dec. 31, 2017 (IAS 39)	**3**	**55**	**17,557**	**17,615**
Reclassification of receivables tendered as part of factoring from the measurement category “Loans and Receivables” to the measurement category “Fair Value through Profit or Loss”	1,197	0	–1,197	0
Reclassification of other financial assets (shares in Track Group Inc.) from the measurement category “Available for Sale” to the measurement category “Fair Value through Profit or Loss”	55	–55	0	0
Opening balance sheet value at Jan. 1, 2018 (IFRS 9) before remeasurement effects	**1,255**	**0**	**16,360**	**17,615**
Remeasurement effects[2)]	0	0	–99	–99
Opening balance sheet value at Jan. 1, 2018 (IFRS 9)	**1,255**	**0**	**16,261**	**17,516**

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

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

There were no reconciliation items as regards to financial liabilities.

The table below presents a reconciliation between the value adjustments at January 1, 2018, and their changes at September 30, 2018:

Reconciliation of value adjustments

	Value adjustment acc. to IAS 39 Dec. 31, 2017	Remeasurement	Value adjustment acc. to IFRS 9 Jan.1, 2018	Change in value adjustment 2018	Value adjustment acc. to IFRS 9 Sept. 30, 2018
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Trade accounts receivable	2,387	99	2,486	–759	1,727
Contract assets	0	54	54	–2	52
Total	**2,387**	**153**	**2,540**	**–761**	**1,779**

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

Disclosures on financial instruments

The impairment costs (including reversals) carried in the first nine months of fiscal 2018 in accordance with IFRS 9 Section 5.5 are € –12 thousand. For reasons of materiality these were not carried in a separate item in the consolidated income statement, but in the item “Other operating expenses”.

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

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

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

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

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

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

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

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

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

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

Comparison of carrying amounts and fair values

	Dec. 31, 2017		Sept. 30, 2018	
	Carrying amount	Fair value with DVA	Carrying amount	Fair value with DVA
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Assets				
Trade accounts receivable	8,994	– [1]	8,167	– [1]
Gross amount due from customers for contract work	52,518	– [1]	N/A	N/A
Contract assets	N/A	N/A	48,987	– [1]
Other financial assets	4,130	– [1]	5,276	– [1]
Cash and cash equivalents	4,954	– [1]	5,259	– [1]

	Dec. 31, 2017		Sept. 30, 2018	
	Carrying amount	Fair value with DVA	Carrying amount	Fair value with DVA
	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Equity and liabilities				
Liabilities to banks	90,549	90,600	109,078	111,610
Liabilities from finance leases	1,664	– [1]	1,252	– [1]
Trade accounts payable	46,996	– [1]	42,137	– [1]
Gross amount due to customers for contract work	2,014	– [1]	N/A	N/A
Contract liabilities	N/A	N/A	3,147	– [1]
Personnel obligations	9,795	– [1]	7,617	– [1]
Other financial liabilities	2,172	2,171	1,736	– [1]

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

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

Changes in fair value for the 3rd level financial liabilities

	Earn-out liabilities (asset deal Elektro-anlagen GmbH Dollenchen & Co. KG)	Liabilities from the put option for KORAMIS GmbH	Total
	€ THOU.	€ THOU.	€ THOU.
Balance at January 1, 2018	**155**	**523**	**678**
Additions/disposals	0	0	0
Change in fair value	0	0	0
Balance at September 30, 2018	**155**	**523**	**678**

There were no transfers between the levels during the first nine months of the fiscal year.

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

IFRS 15 "Revenue from Contracts with Customers"

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

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

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

- If one of the parties has fulfilled its contractual obligation, IFRS stipulates that the company must carry the contract as a contract asset or contract liability in the balance sheet. A contract asset is the right to receive a consideration in exchange for goods or services transferred to a customer. A contract liability is the obligation to transfer goods or services to a customer for which the company has received (or is to receive) a consideration from the customer. The new items "Contract assets" and "Contract liabilities" have been included in the balance sheet for that purpose. As a result, the previous items "Gross amount due from customers for contract work" and "Gross amount due to customers for contract work" have been dropped from the balance sheet.

- If euromicron fulfills its obligations under contracts with customers before the other party pays a consideration or the consideration becomes due, euromicron presents this contractual right (excluding all amounts carried as trade accounts receivable) as a contract asset.

- As of fiscal 2018, due payments on account not carried in the balance sheet in previous periods until they have been paid are recognized under "Trade accounts receivable" as of the time they become due. The value carried under "Contract liabilities" is reduced to a corresponding amount.

- If a customer pays a consideration or if euromicron has an unconditional right to a specific consideration (i.e. a receivable) before goods are transferred to or a service is performed for the customer, euromicron must recognize the contract as a contract liability when the payment is made or becomes due (whichever is earlier). As a result, euromicron will no longer carry prepayments in future under the balance sheet item "Other liabilities", but instead under "Contract liabilities".

- As of fiscal 2018, due invoices for prepayments not carried in the balance sheet in previous periods until they have been paid are recognized under "Trade accounts receivable" as of the time they become due.

The corresponding performance obligation is presented under the “Contract liabilities”.

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

There are also the following significant adjustments to measurements:

- In construction-related project business / system integration business, there were impacts on the recognition of effects from contract modifications (e.g. from supplements or claims) on the balance sheet. These relate in particular to their measurement, i.e. the amount at which they are to be included in the order total in order to determine the revenue recognized over time. IFRS 15 demands here a higher degree of certainty than was the case under the previous regulations of IAS 11. In accordance with IFRS 15.56, such a consideration may be included fully or partly in the transaction price if it is highly likely that there is no significant cancellation as regards the recognized cumulated revenues as soon as the uncertainty in connection with the consideration no longer exists. The necessary adjustments resulted at January 1, 2018, in a reduction of € –759 thousand in “contract assets”, which was recognized directly in equity and allocated to the consolidated retained earnings.

- In the remaining project business, revenue is recognized at a later point in time in individual areas – for construction contracts carried up to now using the percentage of completion method in accordance with IAS 11 –, since the requirements for revenue recognition over time in accordance with IFRS 15 are not fulfilled. This adjustment resulted at January 1, 2018, in a reduction in contract assets (€ –297 thousand) and a corresponding increase in work in progress (€ 157 thousand). The effect of that adjustment (€ –140 thousand) was presented as a reduction in the consolidated retained earnings.

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

Adjustments from first-time application of IFRS 15

	Dec. 31, 2017 (before adjustment)	Change in presentation of construction contracts / contract assets	Change in recognition of due payments on account
	€ THOU.	€ THOU.	€ THOU.
Assets			
Inventories	31,486		
Trade accounts receivable	8,994		1,424
Gross amount due from customers for contract work	52,518	–52,518	
Contract assets	0	52,518	–1,424

	Dec. 31, 2017 (before adjustment)	Change in presentation of construction contracts / contract assets	Change in recognition of due payments on account
	€ THOU.	€ THOU.	€ THOU.
Equity and liabilities			
Consolidated retained earnings	–34,708		
Other provisions	3,706		
Gross amount due to customers for contract work	2,014	–2,014	
Contract liabilities	0	2,014	
Other liabilities	3,369		

Change in recognition of prepayments	Change in recognition of onerous contracts	Switch from PoC method to revenue recognition at a point in time	Other measurement adjustments	Jan. 1, 2018 (after adjustment)
€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
		157		31,643
24				10,442
				N/A
	167	–297	–759	50,205

Change in recognition of prepayments	Change in recognition of onerous contracts	Switch from PoC method to revenue recognition at a point in time	Other measurement adjustments	Jan. 1, 2018 (after adjustment)
€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
		–140	–759	–35,607
	167			3,873
				N/A
1,033				3,047
–1,009				2,360

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

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

		Adjustments from first-time application of			
	Dec. 31, 2017 (before adjustment)	IFRS 15 (excl. deferred tax effects)	IFRS 9 (excl. deferred tax effects)	Effects on deferred taxes	Jan. 1, 2018 (after adjustment)
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Assets					
Noncurrent and current assets					
Inventories	31,486	157	0	0	31,643
Trade accounts receivable	8,994	1,448	–99	0	10,343
Gross amount due from customers for contract work	52,518	–52,518	0	0	N/A
Contract assets	N/A	50,205	–54	0	50,151
Deferred tax liabilities	255	0	0	2	257
Other noncurrent and current assets	158,907	0	0	0	158,907
Total noncurrent and current assets	**252,160**	**–708**	**–153**	**2**	**251,301**

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

		Adjustments from first-time application of			
	Dec. 31, 2017 (before adjustment)	IFRS 15 (excl. deferred tax effects)	IFRS 9 (excl. deferred tax effects)	Effects on deferred taxes	Jan. 1, 2018 (after adjustment)
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Equity and liabilities					
Equity					
Consolidated retained earnings	–34,708	–899	–153	312	–35,448
Other equity (including non-controlling interests)	113,249	0	0	0	113,249
Total equity	**78,541**	**–899**	**–153**	**312**	**77,801**
Noncurrent and current liabilities					
Other provisions	3,706	167	0	0	3,873
Gross amount due to customers for contract work	2,014	–2,014	0	0	N/A
Contract liabilities	N/A	3,047	0	0	3,047
Deferred tax assets	5,598	0	0	–310	5,288
Other liabilities	3,539	–1,009	0	0	2,530
Other noncurrent and current liabilities	158,762	0	0	0	158,762
Total noncurrent and current liabilities	**173,619**	**191**	**0**	**–310**	**173,500**
Total equity and liabilities	**252,160**	**–708**	**–153**	**2**	**251,301**

The tables below present a summary of the differences in recognition and measurement on the balance sheet and income statement at September 30, 2018, that would have resulted if the IFRS standards applicable at December 31, 2017 (in particular IAS 11 "Construction Contracts", IAS 18 "Revenue" and IAS 39 "Financial Instruments: Recognition and Measurement") would have had to still be applied:

Reconciliation of the adjustment effects from IFRS 9 and IFRS 15 at September 30, 2018

		Adjustments from first-time application of			
	Sept. 30, 2018 (before adjustment)*	IFRS 15 (excl. deferred tax effects)	IFRS 9 (excl. deferred tax effects)	Effects on deferred taxes	Sept. 30, 2018 (after adjustment)
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Assets					
Noncurrent and current assets					
Inventories	31,282	247	0	0	31,529
Trade accounts receivable	6,683	1,596	–112	0	8,167
Gross amount due from customers for contract work	50,986	–50,986	0	0	N/A
Contract assets	N / A	49,039	–52	0	48,987
Deferred tax assets	1,228	0	0	158	1,386
Other noncurrent and current assets	157,909	0	0	0	157,909
Total noncurrent and current assets	**248,088**	**–104**	**–164**	**158**	**247,978**

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

Reconciliation of the adjustment effects from IFRS 9 and IFRS 15 at September 30, 2018

		Adjustments from first-time application of			
	Sept. 30, 2018 (before adjustment)*	IFRS 15 (excl. deferred tax effects)	IFRS 9 (excl. deferred tax effects)	Effects on deferred taxes	Sept. 30, 2018 (after adjustment)
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Equity and liabilities					
Equity					
Consolidated retained earnings	–42,770	–858	–164	301	–43,491
Other equity (including non-controlling interests)	113,373	0	0	0	113,373
Total equity	**70,603**	**–858**	**–164**	**301**	**69,882**
Noncurrent and current liabilities					
Other provisions	2,846	154	0	0	3,000
Gross amount due to customers for contract work	1,306	–1,306	0	0	N / A
Contract liabilities	N / A	3,147	0	0	3,147
Deferred tax liabilities	3,046	0	0	–143	2,903
Other liabilities	3,232	–1,241	0	0	1,991
Other noncurrent and current liabilities	167,055	0	0	0	167,055
Total noncurrent and current liabilities	**177,485**	**754**	**0**	**–143**	**178,096**
Total equity and liabilities	**248,088**	**–104**	**–164**	**158**	**247,978**

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

Reconciliation of the adjustment effects from IFRS 9 and IFRS 15 at September 30, 2018

		Adjustments from first-time application of			
	Sept. 30, 2018 (before adjustment)*	IFRS 15 (excl. deferred tax effects)	IFRS 9 (excl. deferred tax effects)	Effects on deferred taxes	Sept. 30, 2018 (after adjustment)
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Sales	233,228	–191	0	0	233,037
Inventory changes	–677	247	0	0	–430
Cost of materials	–120,497	–15	0	0	–120,512
Other operating expenses	–30,474	0	–12	0	–30,486
Other expense and income items (incl. amortization/depreciation and the net financial result)	–91,938	0	0	0	–91,938
Income taxes	2,555	0	0	–11	2,544
Consolidated net loss for the period	**–7,803**	**41**	**–12**	**–11**	**–7,785**
Thereof for euromicron AG shareholders	–8,057	41	–12	–11	–8,039
Thereof for non-controlling interests	254	0	0	0	254
(Un)diluted earnings per share in €	**–1.11**	**0.01**	**0.00**	**0.00**	**–1.12**

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

Consolidated companies

Apart from euromicron AG, the interim consolidated financial statements at September 30, 2018, include 23 companies (December 31, 2017: 23) which euromicron AG controls directly or indirectly.

Significant business events

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

Treasury shares

At September 30, 2018, euromicron does not hold any treasury shares that might be offset against equity in accordance with IAS 31.33.

Non-controlling interests

Under IFRS 3 (2008), non-controlling interests are disclosed as part of equity in accordance with the entity point of view. The minority interests in equity reported at September 30, 2018 (€ 728 thousand) relate exclusively to Qubix S.p.A., Padua, Italy (10%).

Segment information

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

Under its strategic alignment, the euromicron Group focuses on the three main business areas of “Smart Buildings”, “Critical Infrastructures” and “Distribution”. Controlling and the reporting structure are in line with the orientation toward the target markets and the underlying value chain within the Group.

Segment information

of the euromicron Group for the period January 1 to September 30, 2018 (IFRS)

Segment information

	Smart Buildings		Critical Infrastructures		Distribution		Total for all operating segments that must be reported	
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
External sales	128,246	137,930	85,395	88,675	19,168	16,737	232,809	243,342
Sales within the Group	642	1,039	652	980	735	857	2,029	2,876
Total sales	**128,889**	**138,969**	**86,047**	**89,655**	**19,903**	**17,594**	**234,838**	**246,218**
EBITDA	435	2,318	2,784	4,762	3,671	2,825	6,890	9,905
EBITDA margin	0.30%	1.70%	3.20%	5.30%	18.40%	16.10%	2.90%	4.00%
Thereof special costs (previous year: reorganization costs)	893	704	0	0	0	0	893	704
Operating EBITDA	**1,328**	**3,022**	**2,784**	**4,762**	**3,671**	**2,825**	**7,783**	**10,609**
Operating EBITDA margin	**1.00%**	**2.20%**	**3.20%**	**5.30%**	**18.40%**	**16.10%**	**3.30%**	**4.30%**
Amortization and depreciation as scheduled	−4,508	−4,054	−2,484	−1,766	−121	−227	−7,113	−6,047
EBIT	−4,073	−1,736	300	2,996	3,550	2,598	−223	3,858
Thereof special costs (previous year: reorganization costs)	893	704	0	0	0	0	893	704
Operating EBIT	−3,180	−1,032	300	2,996	3,550	2,598	670	4,562
Order books	80,654	83,323	56,882	54,341	3,239	2,286	140,775	139,950
Working capital	46,235	56,812	13,772	16,986	4,734	4,039	64,741	77,837
Working capital ratio	**25.40%**	**28.50%**	**11.70%**	**13.70%**	**18.30%**	**17.70%**	**19.90%**	**22.50%**

	All other segments									
	Non-strategic Business Areas		Central Services		Total for the segments		Reconciliation		Group	
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
	228	699	0	0	233,037	244,041	0	0	233,037	244,041
	2	85	0	0	2,031	2,961	−2,031	−2,961	0	0
	230	**784**	**0**	**0**	**235,068**	**247,002**	**−2,031**	**−2,961**	**233,037**	**244,041**
	−127	−239	−5,097	−4,905	1,666	4,761	−33	0	1,633	4,761
	−55.20%	−30.50%			0.70%	1.90%			0.70%	2.00%
	127	177	2,112	1,550	3,132	2,431	0	0	3,132	2,431
	0	**−62**	**−2,985**	**−3,355**	**4,798**	**7,192**	**−33**	**0**	**4,765**	**7,192**
	0.00%	**−7.90%**			**2.00%**	**2.90%**			**2.00%**	**2.90%**
	−1	−1	−225	−208	−7,339	−6,256	0	0	−7,339	−6,256
	−128	−240	−5,322	−5,113	−5,673	−1,495	−33	0	−5,706	−1,495
	128	177	2,112	1,550	3,133	2,431	0	0	3,133	2,431
	0	−63	−3,210	−3,563	−2,540	936	−33	0	−2,573	936
	365	625	0	0	141,140	140,575	−203	−491	140,937	140,084
	−166	−242	−1,439	−1,137	63,136	76,458	−19,737	−19,506	43,399	56,952
					19.40%	**22.00%**			**13.50%**	**16.60%**

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

Breakdown of revenue with customers

	Operating segments that must be reported					
	Smart Buildings	Critical Infra-structures	Distribution	Total for all operating segments that must be reported	All other business areas and reconcilia-tion	Group
	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.	€ THOU.
Sales of the segment	**128,888**	**86,047**	**19,903**	**234,838**	**–1,801**	**233,037**
Type of business						
Revenue from project business	73,732	48,656	0	**122,388**	–589	**121,799**
Revenue from the sale of goods	41,095	15,727	19,903	**76,725**	–1,087	**75,638**
Revenue from the provision of services	14,061	21,664	0	**35,725**	–125	**35,600**
Fulfilment of the performance obligation and recognition of the sales						
Recognition at a specific point in time	41,095	15,727	19,903	**76,725**	–1,087	**75,638**
Recognition over time	87,793	70,320	0	**158,113**	–714	**157,399**

Business transactions with related parties

Persons and companies are regarded as related parties if they control the euromicron Group or exert a significant influence on its financial and business policy or the euromicron Group has a significant influence over them. There are no transactions with related parties that require disclosure.

Contingencies, contingent liabilities and other financial obligations

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

Declaration by the legal representatives

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

Frankfurt/Main, November 8, 2018

The Executive Board

Bettina Meyer
Spokeswoman of the Executive Board

Jörn Trierweiler
Member of the Executive Board

Financial Calendar 2018

November 26, 2018 German Equity Capital Forum, Frankfurt/Main

December 11, 2018 Munich Capital Market Conference (MKK), Munich

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.

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

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