

Balance Sheet as of December 31, 2013

Assets			Liabilities		
	EUR	as of 31.12.2012 EUR		EUR	as of 31.12.2012 EUR
<b>A. Capital Assets</b>			<b>A. Shareholders' Equity</b>		
<b>I. Intangible Assets</b>			<b>I. Subscribed Capital Stock</b>	6.872.800,00	5.154.600,00
Purchased Concessions, Industrial Property and similar Rights and Assets, and Licenses in such Rights and Assets	15.268,00	14.759,00	- Conditional Capital:	3.436.400,00 EUR	
			(Prior Year:	1.521.250,00 EUR )	
	15.268,00	14.759,00	<b>II. Capital Reserve</b>	14.170.325,37	9.015.725,37
<b>II. Tangible Assets</b>			<b>III. Accumulated Profits</b>	13.210.975,90	17.897.499,61
Other Equipment, Factory and Office Equipment	30.111,00	31.140,00		34.254.101,27	32.067.824,98
	30.111,00	31.140,00			
<b>III. Financial Assets</b>			<b>B. Accrued Liabilities</b>		
1. Shares in Affiliated Companies	23.886.870,11	29.001.102,75	Other Accruals	334.878,49	51.450,02
2. Loans to Affiliated Companies	8.910.788,89	4.514.668,00		334.878,49	51.450,02
3. Participating Interests	2.806.486,08	2.416.541,75			
4. Loans to Companies in which the Company has a Participating Interest	5.053,33	347.061,72	<b>C. Liabilities</b>		
5. Securities	14.980,68	14.980,68	1. Bonds	3.780.040,00	0,00
6. Other Loans	50.000,00	50.000,00	- of which convertible: 3.780.040,00 EUR (prior year: 0,00 EUR)		
	35.674.179,09	36.344.354,90	2. Trade payables	80.079,40	59.454,27
	35.719.558,09	36.390.253,90	3. Payables to Affiliated Companies	112.579,71	578.071,01
<b>B. Current Assets</b>			4. Payables to Companies in which the Company has a Participating Interest	0,00	241.071,00
<b>I. Receivables and Other Assets</b>			5. Other Liabilities	1.072.567,95	4.713.657,73
1. Trade Receivables	27.433,01	25.682,77		5.045.267,06	5.592.254,01
2. Receivables from Affiliated Companies	3.111.672,12	175.490,00			
3. Receivables from Companies in which the Company has a Participating Interest	0,00	0,00			
4. Other Assets	97.887,44	40.283,84			
	3.242.286,53	252.919,99			
<b>II. Checks, Cash on Hand and Bank Balances</b>	289.366,19	1.046.488,40			
	3.531.652,72	1.299.408,39			
<b>C. Prepaid Expenses and Deferred Charges</b>	383.036,01	21.866,72			
	39.634.246,82	37.711.529,01		39.634.246,82	37.711.529,01

**Income Statement for the Period from January 1, 2013, to December 31, 2013**

	<u>EUR</u>	<u>EUR</u>	2012 <u>EUR</u>
1. Sales Revenues		3.652.036,51	6.302.346,70
2. Other Operating Income		29.492,90	66.088,86
- of which Income from Currency Conversion	0,00		
( Prior Year:	22,06 )		
3. Material Costs			
Book value of financial assets at time of disposal		40.000,00	525.504,26
4. Personnel Costs			
a) Wages and Salaries		1.188.696,50	930.084,53
b) Social security, pension and other benefit costs		137.046,28	121.359,35
5. Amortization and Depreciation of Tangible Assets		30.833,76	15.256,54
6. Other Operating Expenses		1.346.355,33	958.217,07
- of which Expenses from Currency Conversion	0,00		
( Prior Year:	6,97 )		
7. Income from other securities and loan receivables		491.309,63	288.623,51
- of which from affiliated companies	484.093,69		
(Prior Year:	265.314,51 )		
8. Interest receivables and other income		420,89	182,33
9. Depreciation of financial assets and marketable securities		5.100.000,00	2.987,39
10. Interest payable and similar expenses		240.378,09	240.989,20
- of which to affiliated companies	14.288,29		
(Prior Year:	27.401,43 )		
11. Result of ordinary activities		<u>-3.910.050,03</u>	<u>3.862.843,06</u>
12. Extraordinary Income		0,00	52.496,10
13. Extraordinary Expenses		<u>-775.657,49</u>	0,00
14. Extraordinary Net Loss/Income		-775.657,49	52.496,10
15. Taxes on Income		47,89	0,00
16. Other taxes		768,30	1.445,00
17. Annual Net Profit		<u>-4.686.523,71</u>	<u>3.913.894,16</u>
18. Accumulated Income from Previous Year		17.897.499,61	13.983.605,45
19. Accumulated Profits		<u>13.210.975,90</u>	<u>17.897.499,61</u>

## mic AG, Munich

### Explanatory Notes for 2013

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#### General Comments

These annual financial statements were prepared in accordance with sections 242 et seq. and 264 et seq. HGB (*Handelsgesetzbuch* - German Commercial Code) and in accordance with the relevant provisions of the AktG (*Aktiengesetz* - Public Companies Act) and the Constitution. The applicable provisions are those for companies limited by shares. As the company is listed on the open market and the open market is not an organised market within the meaning of § 2 para. 5 WpHG (*Wertpapierhandelsgesetz* - German Securities Trading Act), mic AG is to be classified as a small company limited by shares. In the preparation of the explanatory notes, use was made in part of the relief provided under §§ 274a, 288 HGB for small companies limited by shares. The profit and loss statement is structured in accordance with the aggregate cost method.

#### Recording and Evaluation Methodologies

Taking into consideration the present corporate planning sufficient funds are available in future times for perpetuating the company's business operations. Hence, the going concern principle was applied during balancing accounting.

The following recording and evaluation methodologies were once again employed in the preparation of the annual financial statements.

Acquired **intangible assets** that form part of the capital assets are recorded at their acquisition cost or cost of production and are depreciated, to the extent subject to deterioration, in accordance with their useful life by systematic write-downs.

**Tangible fixed assets** are recorded at their acquisition cost or cost of production, and are depreciated, to the extent depreciable, by systematic write-downs.

The tangible fixed assets are written down in accordance with their foreseeable useful life. Low-value assets up to a net individual value of EUR 410.00 have been fully written off in the year of entry or captured as an expense. For assets acquired in the 2008 and 2009 business years with a net individual value of more than EUR 150.00 up to EUR 1,000.00, the pooling of assets used for tax purposes is also used in the balance sheet. The pooled assets are depreciated at a blanket rate of 20 per cent p.a. in the year of

entry and the four following years. The write-downs for additions to tangible fixed assets are otherwise made pro rata temporis.

For the **financial assets** the shares and securities are recorded at their acquisition cost or lower fair value and loans in principle at their face value.

On the shares of Aifotec AG, Jena, an unscheduled write-down in the amount of TEUR 5,100 was made to the lower fair value as at December 31, 2013.

**Receivables and other assets** are recorded at face value.

The **prepaid expenses** were prepared in accordance with § 253 para 3 HGB. It covers the difference between the convertible bond's settlement amount and its issue price.

The **other liabilities** take all unknown liabilities into account. They are recorded, in accordance with reasonable commercial judgement, at the level of the necessary settlement amount (i.e. including future costs and price increases). Liabilities with a remaining term of more than a year were discounted.

**Liabilities** are recorded at the settlement amount.

**Assets and liabilities in foreign currencies**, to the extent present, are essentially converted at the spot foreign exchange rate as at the balance date.

## Notes Regarding the Balance Sheet

### Capital Assets

The development of the individual asset entries is represented specifying the write-downs for the business year in the assets analysis.

## Information regarding the Shareholdings

	Currency	Shareholding % in '000 local cur-	Equity - in '000 local cur- - currency	Result in '000 local cur- - currency
<b><u>Domestic (direct)</u></b>				
µ-GPS Optics GmbH, Meiningen	EUR	72,54	-1.426	-650
Aifotec AG, Jena	EUR	56,34	1.850	-327
ficonTEC GmbH i. L., Bremen*	EUR	38,84	k.A.	k.A.
Lifespot AG, München	EUR	50,00	45	-5
mic IT AG, München	EUR	100,00	5.293	-414
mic sense AG, München **	EUR	87,82	5.983	-5
neuroConn GmbH, Ilmenau	EUR	51,06	1.554	213
ProximusDA GmbH, München **	EUR	41,81	-845	-729
Smarteag AG, München	EUR	100,00	4.521	-218
SmartM GmbH, Meiningen	EUR	100,00	-87	-112
Wearable Technologies AG, Herrsching **	EUR	66,67	5.826	-175
* Company in liquidation, thus no comment				
** Statements based on the financial statements as at 31.12.2012				
<b><u>Domestic (indirect)</u></b>				
3-EDGE GmbH, Aschheim	EUR	80,00	247	-100
4DForce GmbH, Meiningen	EUR	87,50	-1.063	-113
dimensio informatics GmbH, Chemnitz	EUR	56,93	511	-378
Exergy GmbH, München	EUR	95,00	-162	-84
FIBOTEC FIBEROP- TICS GmbH, Meinin- gen	EUR	80,00	-517	-92
FiSec GmbH, Meiningen **	EUR	58,16	-2.192	-864
Flores Solar Water GmbH, München **	EUR	49,00	-653	-235
PiMON GmbH, München	EUR	93,00	-763	-430
SHS Technologies GmbH, Chemnitz	EUR	51,00	88	40
SportsCurve GmbH, Herrsching **	EUR	80,00	-52	-34

\* Gesellschaft in Liquidation, daher keine Angabe

\*\* Angaben basieren auf dem Abschluss zum 31.12.2012

## Receivables and Other Assets

The other assets include receivables of TEUR 25 (previous year: TEUR 1) with a remaining term of more than a year.

## Equity

The subscribed capital is comprised as follows:

The holders of ordinary shares

6,872,800 shares á EUR 1.00 = EUR 6,872,800.00

On the basis of the authority granted by the Annual Shareholders' Meeting on July 18, 2011, the increase in the share capital of EUR 1,718,200.00 to EUR 6,872,800.00 has been implemented. The new shares were issued at a price of EUR 4.00, with a total issue price of EUR 6,872,800.00. This increase occurred by partially exhausting the approved capital 2011/I of EUR 1,874,400.00. By resolution of the Supervisory Board of April 19, 2013, § 3 of the Constitution was amended (share capital, approved capital).

The general meeting on July 31, 2013, has resolved the repeal of the approved capital 2011/I, the creation of a new approved capital 2013/I, the creation of a new contingent capital 2013/I as well as the amendment of the Constitution.

The approved capital 2011/I has been repealed in the amount of EUR 156,200.00.

The Executive Board is authorized by decision of the Annual Shareholders' Meeting of July 31, 2013, to increase the subscribed capital stock once or more times with cash and/or investment in kind for a total of up to EUR 3,436,400.00 with the consent of the Supervisory Board until September 04, 2018. The purchase right of shareholders can be excluded (approved capital 2013/I).

The approved capital, recorded in the Company Registry, amounts EUR 3,436,400.00 at the balance sheet date.

In addition, the Annual Shareholders' Meeting of July 31, 2013, resolved to create new contingent capital (contingent capital 2013/I in the amount of EUR 240,000.00 and contingent capital 2013/II in the amount of EUR 1,675,150.00) and to amend the Constitution.

The Contingent Capital 2013/I serves to secure subscription rights arising from stock options that are issued by the mic AG on the basis of the authorization granted by the Annual Shareholders' Meeting on July 31, 2013, under the stock option plan 2013.

The Conditional Capital 2013/II used to service the option and conversion rights that are issued due to the general meeting dated July 31, 2013. This option and conversion rights are to be issued from July 31, 2013, to July 30, 2018.

The contingent capital, recorded in the Company Registry, amounts EUR 3,436,400.00 at the balance sheet date.

The capital reserve has developed as follows:

	EUR
Capital reserve as at 01.01.2013:	9,015,725.37
Share premium due to increase in share capital	5,154,600.00
Capital reserve as at 31.12.2013:	<u>14,170,325.37</u>

Mr. Carsten Maschmeyer, Hanover, has notified us pursuant to § 20 para 1 AktG that he directly holds more than one quarter of the shares of mic AG.

## Bonds

In spring 2013 the mic AG issued a convertible bond, divided into 859,100 par-value bearer bonds at EUR 4.40 each (convertible bond 2013/2016). The issue price was EUR 4.00 per partial bond each. Overall, the gross issue revenue totalled to EUR 3,436,400.00. The convertible bond bears interest of 1.25% per year. The partial bonds are repaid on April 18, 2016, at their principal amount, unless it is repaid, converted or have been repurchased by the mic AG before.

The conversion is only possible if and when the market price per share of mic AG reached in XETRA trading on the Frankfurt Stock Exchange once at least EUR 4.40 (inclusive). This price was exceeded in July 2013.

The conversion was initiated, but has not yet been entered in the Company Registry.

## Liabilities

The remaining term of the liabilities is detailed in the liabilities analysis.

in '000 EUR	31.12.2013			31.12.2012	
	Remaining term		total	Remaining term	
Type of liability	up to 1 Year	over 5 Years		up to 1 Year	total
1. Bonds	3,780	0	3,780	0	0
2. Liabilities from goods and services	80	0	80	59	59
3. Liabilities to associated companies	113	0	113	578	578
4. Liabilities to companies, in which shares are held	0	0	0	241	241
5. Other liabilities	1,073	0	1,073	4,714	4,714
- of them from taxes			0		13

## Other Statements

The management of mic AG was undertaken by both Boards in the business year:

Mr Claus-Georg Müller, Munich, Chair of the Board,  
responsible for the areas:

- Sales & Marketing,
- Business Development,
- Strategy,
- Investor Relations.

Mr Manuel Reitmeier, Munich,  
responsible for the areas:

- Finance/Accounting,
- Taxes,
- Administration,
- Staff,
- Legal and patent matters,
- Public relations.

### Supervisory Board

Mr Reiner Fischer, Munich	Chair, Manager of a business consultancy.
Ms Sabine Westerfeld, Freiburg	Vice-Chair, self-employed psychologist and graduate business economist (IHK/EMA) (until July 31, 2013)
Mr Martin Weigert, Etterzhausen	Manager with a manufacturer of analogue interface components for communications, industrial and consumer applications
Mr. Jens Dieter, Obermaiselstein	commercial staff (since July 31, 2013)

All Supervisory Board members are elected for the period until the end of the Annual Shareholders' Meeting that resolves on the discharge for the fourth financial year after the commencement of the term (July 31, 2013). The fiscal year in which the election takes place is not counted.

### Appropriation of Earnings/Suggested Appropriation of Earnings

The balance sheet profit has developed as follows:

	EUR
Annual loss:	-4,686,523.71
Balance sheet profit on 1.1.2013 (profit carried forward):	17,897,499.61
Balance sheet profit on 31.12.2013:	<u>13,210,975.90</u>



The management suggests that the balance sheet profit of EUR 13,210,975.90 be carried forward.

Further, reference is made to the fact that mic Holding GmbH granted mic AG debt relief with debtor warrant of EUR 775,657.49 in 2007. This amount was returned to the mic Holding GmbH in the fiscal year 2013.

Munich, June 20, 2014

mic AG

- Board -

(Claus-Georg Müller)

(Manuel Reitmeier)

Fixed Schedule 2013

	Acquisiton & Manufacturing Costs					Accumulated Depreciation				Book Value	
	01.01.2013 EUR	Increase EUR	Adjustments EUR	Decrease EUR	31.12.2013 EUR	01.01.2013 EUR	Increase EUR	Decrease EUR	31.12.2013 EUR	31.12.2013 EUR	31.12.2012 EUR
<b>I. Intangible Assets</b>											
Purchased Concessions, Industrial Property and Similar Rights and Assets, and Älicenses in such Rights and Assets	16.048,50	8.109,57	0,00	0,00	24.158,07	1.289,50	7.600,57	0,00	8.890,07	15.268,00	14.759,00
	16.048,50	8.109,57	0,00	0,00	24.158,07	1.289,50	7.600,57	0,00	8.890,07	15.268,00	14.759,00
<b>II. Tangible Assets</b>											
Other Equipment, Factory and Office Equipment	75.547,20	22.204,19	0,00	0,00	97.751,39	44.407,20	23.233,19	0,00	67.640,39	30.111,00	31.140,00
	75.547,20	22.204,19	0,00	0,00	97.751,39	44.407,20	23.233,19	0,00	67.640,39	30.111,00	31.140,00
<b>III. Financial Assets</b>											
1. Shares in Affiliated Companies	#####	25.767,36	0,00	40.000,00	#####	2.987,39	#####	0,00	5.102.987,39	#####	#####
2. Loans to Affiliated Companies	4.514.668,00	5.306.792,58	0,00	910.671,69	8.910.788,89	0,00	0,00	0,00	0,00	8.910.788,89	4.514.668,00
3. Participating Interests	2.457.240,75	35.710,00	354.234,33	0,00	2.847.185,08	40.699,00	0,00	0,00	40.699,00	2.806.486,08	2.416.541,75
4. Loans to Companies in which the Company has a Participating Interests	638.161,87	12.225,94	-354.234,33	0,00	296.153,48	291.100,15	0,00	0,00	291.100,15	5.053,33	347.061,72
5. Securities	14.980,68	0,00	0,00	0,00	14.980,68	0,00	0,00	0,00	0,00	14.980,68	14.980,68
6. Other Loans	50.000,00	0,00	0,00	0,00	50.000,00	0,00	0,00	0,00	0,00	50.000,00	50.000,00
	#####	5.380.495,88	0,00	950.671,69	#####	334.786,54	#####	0,00	5.434.786,54	#####	#####
	#####	5.410.809,64	0,00	950.671,69	#####	380.483,24	#####	0,00	5.511.317,00	#####	#####

## **Auditor's Report**

To mic AG

We have audited the annual financial statement, comprising the balance sheet, the income statement and the notes to the annual financial statement, together with the bookkeeping system of mic AG for the business year from January 1, 2012, to December 31, 2012. The maintenance of the books and records as well as the preparation of the annual financial statement in accordance with German commercial law, are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statement, together with the bookkeeping system based on our audit.

We conducted our audit of the annual financial statement in accordance with the article 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statement in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statement are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statement. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statement complies with the legal requirements and supplementary provisions of the articles of incorporation and gives a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting.

Without limiting this estimation we refer to the company's statement embodied in the attachment, article "Notes to the Accounting Policy". It explains that due to the present corporate planning sufficient funds are available in future times for perpetuating the company's business operations. Hence, the going concern principle was applied during balancing accounting."

Dusseldorf, June 20, 2014

Verhülsdonk & Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Grote  
German CPA

Weyers  
German CPA