2013
ANNUAL REPORT

Technologies for growth markets!

InTiCa Systems

Key Figures of InTiCa Systems

The Group

	2011 EUR ´000	2012 EUR ´000	2013 EUR ´000	Change in %
Sales	41,492	36,339	37,838	4.1%
Net margin	2%	-1%	1%	-
EBITDA	6,162	4,507	5,705	26.6%
EBIT	1,232	23	1,006	4,273.9%
EBT	638	-461	538	-
Net profit (loss)	831	-389	474	-
Earnings per share (diluted/basic in EUR)	0.20	-0.09	0.11	-
Cash flow total	593	1,483	-578	-
Net cash flow from operating activities	3,511	3,465	3,818	10.2%
Capital expenditure	2,934	2,727	3,709	36.0%

	Dec. 31, 2011 EUR ´000	Dec. 31, 2012 EUR ´000	Dec. 31, 2013 EUR ´000	Change in %
Total assets	37,433	33,431	32,563	-2.6%
Equity	19,489	19,531	18,588	-4.8%
Equity ratio	52%	58%	57%	-
Employees incl. agency staff (number)	420	434	447	3.0%

The Stock

	2011	2012	2013	(Mar 31, 2014) 2014
Closing price (in EUR)	3.54	3.02	4.35	4.20
Period high (in EUR)	5.45	3.75	4.51	6.00
Period low (in EUR)	3.30	2.47	2.80	4.03
Market capitalization at end of period (EUR million)	15.18	12.95	18.65	18.01
Number of shares	4,287,000	4,287,000	4,287,000	4,287,000

The stock prices are closing prices on XETRA

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The InTiCa Systems Group Foreword

GROUP

Dear shareholders, employees and business associates,

Our performance in 2013 shows that InTiCa Systems AG is making good progress in positioning itself as a development partner and solution provider for its customers. In the automotive industry in particular, there is rising demand for our technologies and solutions. Supported by the Automotive Technology segment, which continued the dynamic growth of previous years, InTiCa Systems AG was able to post a further clear increase in sales and earnings. Sales were 4.1% higher than in 2012 at EUR 37.8 million, EBITDA grew 26.6% to EUR 5.7 million (EBITDA margin 15.1%) and EBIT increased to EUR 1 million (margin 2.7%). The bottom line was net income of EUR 0.5 million compared with a slight net loss in 2012. The equity ratio remained high at 57% and the positive operating cash flow enables us to continue to invest, especially in expanding production capacity in the Automotive Technology segment.

This segment's share of total sales increased to 60% and it will be the most important segment for the next time. The automotive industry now uses InTiCa Systems' products in more than 300 models and we are increasingly benefiting from the fact that our solutions are being integrated into leading international car manufacturers' new volume models. By contrast, the Industrial Electronics segment continued to suffer from the difficult situation in the photovoltaic industry last year, while our Communication Technology segment is still facing hefty price pressure as a result of increased global competition.

InTiCa Systems will therefore continue its strategic focus on developing and commercializing innovative products to extend the product portfolio and reduce dependence on specific markets. At the same time, we want to increase our value added to secure our technical knowledge, generate better margins, reduce dependence on suppliers and continue to build and expand our systems competence.

In addition, many product innovations for electric and hybrid cars will become more important in the future and should make a perceptible contribution to sales and earnings in the Automotive Technology segment. In the Communication Technology segment, we see new opportunities for growth thanks to the development of a range of new products for coaxial broadband networks. Broadband splitters and the associated connection technologies, which can be used to raise network efficiency, are address a potential mass market. Moreover, we want to place our Industrial Electronics segment on a broader basis. As well as being used in energy generation, products manufactured by InTiCa Systems are used for energy management. For example, our products to control and regulate the power consumption of both industrial equipment and domestic appliances, and

left: Günther Kneidinger, right: Walter Brückl

developments in the field of welding equipment offer additional potential for volume sales.

The key to successful use of market growth opportunities is a strong customer focus combined with the ability to drive forward such product developments quickly and effectively using new manufacturing technologies. Together with increased vertical integration and systems solution competence, offering customer-specific solutions is a key competitive advantage for InTiCa Systems. Assuming at least moderate overall growth, at present we therefore expect to raise sales and earnings further in 2014. In terms of volume sales, 2014 started at the 2013 level. Orders on hand on March 31, 2014 were considerably higher than a year ago, so we are looking forward optimistically.

This positive development is particularly pleasing because we are well aware of the trust that you have placed in us at all times, and which we continued to enjoy over the past year. We would like to thank you most sincerely for that and hope that you will continue to support InTiCa Systems. In particular, we wish to thank our employees, who have driven forward the development of InTiCa Systems in recent years through their personal efforts.

Passau, April 2014

Yours,

Walter Brückl
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors

Report of the Supervisory Board on Fiscal 2013

GROUP

Dear shareholders,

In fiscal 2013 the Supervisory Board performed the tasks imposed on it by law, the articles of incorporation and the rules of procedure, regularly advised the Board of Directors on the management of the company and monitored and supervised its management activities. The yardsticks for oversight were the lawfulness, correctness, cost-effectiveness and expediency of the management of the company and the Group.

Cooperation with the Board of Directors

The Board of Directors gave the Supervisory Board detailed information and reasons for all business transactions and other matters requiring the approval of the Supervisory Board in compliance with the law, articles of incorporation or rules of procedure, and obtained the necessary consent. The Board of Directors provided continuous, comprehensive and timely information to the Supervisory Board either verbally or in writing.

The Board of Directors' reports to the Supervisory Board centred principally on planning, business development and the business situation of InTiCa Systems AG and its subsidiary, including the risk situation, risk management, compliance and transactions of especial importance for the company. The Board of Directors outlined the discrepancy between the business planning and actual performance, together with explanations, and informed the Supervisory Board of the planned corrective action. The content and scope of the reporting by the Board of Directors met the demands made by the Supervisory Board. Alongside these reports, the Supervisory Board requested supplementary information from the Board of Directors. In particular, the Board of Directors was available at meetings of the Supervisory Board to provide explanations and answer questions asked by the Supervisory Board. The Board of Directors and Supervisory Board used the meetings to agree on the strategic focus of the company and review the implementation of the strategy at regular intervals.

The Chairman of the Supervisory Board also received extensive information between meetings. Thus, the strategy, current business situation and business trends and risk management at InTiCa Systems AG were discussed regularly by the Board of Directors and Chairman of the Supervisory Board.

The Board of Directors notified the Chairman of the Supervisory Board without delay of important events that were of material significance for an assessment of the company's situation and development.

Advisory and supervisory activities

As part of its supervisory activities, the Supervisory Board satisfied itself that the Management Board conducted the management of the company in a correct and lawful manner.

In the reporting period, the Supervisory Board looked particularly carefully at the company's strategic focus. Another focus of its work in 2013 was regular and extensive discussion of the Group's sales and earnings trends. To this end, it received timely and extensive information on the current situation of the Group and its companies, and all business operations of material importance for the Group's profitability and liquidity (see sec. 90 paragraph 1 of the German Companies Act [AktG]). Production and sales planning and the strategic development of the Group were also discussed regularly with the Board of Directors.

Composition of the Supervisory Board

In fiscal 2013 the Supervisory Board members were Mr. Werner Paletschek (Chairman), Christian Fürst (Deputy Chairman), and Udo Zimmer. Since the Supervisory Board only has three members, it has not established any committees. The full Supervisory Board discusses all relevant issues.

Meetings of the Supervisory Board

The Supervisory Board held eight meetings in 2013. Mr. Zimmer was unable to attend the meeting on January 24, 2013 due to a clash of dates, but otherwise all members of the Supervisory Board attended all meetings.

The dates of the meetings and main issues addressed are outlined below:

<u>January 24, 2013:</u> This meeting centred on the current status of the provisional financial statements for 2012, sales and earnings expectations for the first quarter of 2013, and action to cut costs.

<u>March 1, 2013:</u> The company's business performance to date and strategic planning were discussed.

<u>April 18, 2013:</u> The annual financial statements and management report for 2012 were outlined by the Board of Directors and the firm of auditors and discussed in detail with the Supervisory Board. Other items on the agenda were the current business performance, resolutions and the adoption of the declaration on corporate governance and the Corporate Governance Report.

<u>June 13, 2013:</u> The business situation, preparations for the Annual General Meeting and various strategic projects were discussed at this meeting.

<u>July 4, 2013:</u> This meeting focused on preparing for the Annual General Meeting.

<u>September 20, 2013:</u> At this meeting, the Supervisory Board discussed the current business trend, the initial business plan for 2014 and aspects of financing.

<u>November 11, 2013:</u> The current business situation, provisional planning for 2014 and financing issues were discussed in detail at this meeting. A resolution was adopted on rescheduling the bonded loan from Deutsche Bank.

<u>November 25, 2013:</u> The focus of this meeting was detailed business planning for 2014 and strategic issues, which were discussed with the Board of Directors.

Annual financial statements of the company and the Group

The auditors KPWT Kirschner Wirtschaftstreuhand AG, Eggenfelden, Germany, were selected by the General Meeting to audit the annual financial statements and consolidated financial statements for the fiscal year from January 1, 2013 to December 31, 2013 and the Supervisory Board granted the audit contract in accordance with this.

The annual financial statements and management report of InTiCa Systems AG for the fiscal year from January 1 to December 31, 2013, prepared in accordance with the provisions of the German Commerical Code (HGB), were audited by KPWT Kirschner Wirtschaftstreuhand AG, Eggenfelden, Germany, which has awarded an unqualified opinion. An unqualified opinion has also been awarded to the consolidated annual financial statements and management report for the Group as of December 31, 2013, which were drawn up on the basis of the International Financial Reporting Standards (IFRS), as applicable for use in the EU, and supplemented by further explanations.

Orders on hand and inventories were agreed with the auditor as the main focus of the audit.

At a meeting on April 11, 2014, the Supervisory Board discussed the provisional figures for the annual financial statements of the company and the Group for 2013 in the presence of the auditor. At a further meeting on April 23, 2014, the Supervisory Board discussed the annual financial statements for the company, the consolidated annual financial statements and the management reports for InTiCa Systems AG and the Group, all of which have received unqualified audit opinions, together with the report of the Supervisory Board and the corporate governance report. To prepare for this, the members of the Supervisory Board received extensive documentation, in some cases as draft versions, including the annual report with the consolidated financial statements prepared in accordance with the IFRS, the management reports for InTiCa Systems AG and the Group, the corporate governance report, the annual financial statements of InTiCa Systems AG, the audit reports prepared by the auditor on the financial statements for the company and the Group, and the management reports.

The Supervisory Board examined these documents in detail and discussed them intensively in the presence of the auditor, who reported on the findings of the audit and was available for further questions and information. Following the conclusion of its own examination, the Supervisory Board agreed with the audit findings, established that it had no objections to raise, and approved the financial statements and management reports prepared by the Board of Directors. The annual financial statements of InTiCa Systems AG for fiscal 2013 and the consolidated annual financial statements are thus adopted. The Supervisory Board also approved the proposal of the Board of Directors for the distribution of the profit and the latest versions of the report of the Supervisory Board and corporate governance report.

Corporate Governance

The Supervisory Board also examined the application of the German Corporate Governance Code in the company and, where necessary, took action in conjunction with the Board of Directors to meet new provisions.

The current declaration of conformity by the Board of Directors and Supervisory Board pursuant to sec. 161 of the German Companies Act (AktG) was adopted on April 11, 2013 and published on the company's website. There were no conflicts of interest on the Supervisory Board.

Further details of corporate governance can be found in the joint report on corporate governance by the Board of Directors and Supervisory Board.

The Supervisory Board would like to thank the Board of Directors and employees of the Group for their enormous commitment and hard work in 2013. It also thanks InTiCa Systems' customers and partners for their trust and collaboration.

InTiCa Systems AG
Passau, April 23, 2014
The Supervisory Board

Werner Paletschek
Chairman

Company Boards

Board of Directors

Walter Brückl
Chairman
Strategy, Finance, Human Resources, Production, Manufacturing Technology, IT, Investor Relations and Public Relations

Günther Kneidinger
Sales, R&D, Materials Management and Quality Management

Supervisory Board

Werner Paletschek
Chairman
Business administration graduate
Fürstenzell
Managing director of OWP Brillen GmbH, Passau

Christian Fürst
Deputy Chairman
Business administration graduate
Thyrnau
- *Managing partner of ziel management consulting gmbh*
- *Chairman of the Supervisory Board of Electrovac Hacht & Huber GmbH*
- *Member of the Supervisory Board of UAB Baltik Vairas (until September 2013)*

Udo Zimmer
Member of the Supervisory Board
Business administration graduate
Bad Tölz
Management consultant

InTiCa Systems

Company Profile

InTiCa Systems is a European leader in the development, manufacture and commercialization of inductive components, passive analogue switching technology and mechatronic assemblies. It operates in the Communication Technology, Automotive Technology and Industrial Technology segments and has 447 employees (December 31, 2013) at its sites in Passau (Germany), and Prachatice (Czech Republic).

Satisfied customers, long-term business relations and trend setting products that are in line with market requirements are the highest aims of InTiCa Systems. All our employees focus on quality by their thoughts and actions.

Our aims and strategies

- **Developments** with a USP
- **Quality** that meets the highest standards
- **Flexibility** in sales, development, production and logistics
- **Raising value-added** in core competencies
- **Broadening the customer base and product portfolio**
- **Internationalization** of markets and production

Passau, Germany
Head office

- Sales and production development
- Strategic procurement
- HR and Finance
- Employees: 70

Prachatice, Czech Republic
Production facility

- Modern production facilities with high degree of vertical integration, secure processes and technologies
- Employees: 395
  (including 55 agency staff)

April 2014

Automotive Technology

- KEYLESS ENTRY SYSTEMS
- ENERGY AND MOTOR MANAGEMENT CONTROL
- DRIVE SYSTEMS
- POWER AND CONTROL UNITS FOR HYBRID VEHICLES
- TYRE PRESSURE MONITOR SYSTEMS
- FILTER APPLICATIONS

Industrial Electronics

- PERFORMANCE COMPONENTS
- PFC- AND STORAGE CHOKES
- FILTERS AND NOISE SUPPRESSION
- TRANSDUCERS AND TRANSFORMERS
- COMPONENTS FOR RFID (NON-CONTACT TRANSMISSION)
- MECHATRONIC MODULES AND SYSTEMS

Communication Technology

- CPE SPLITTERS (CUSTOMER PREMISES EQUIPMENT)
- CO SPLITTERS (CENTRAL OFFICE)
- MDF SPLITTERS (MAIN DISTRIBUTION FRAME)
- COAXIAL FILTERS

SEGMENTS

Tomorrow's automotive technology

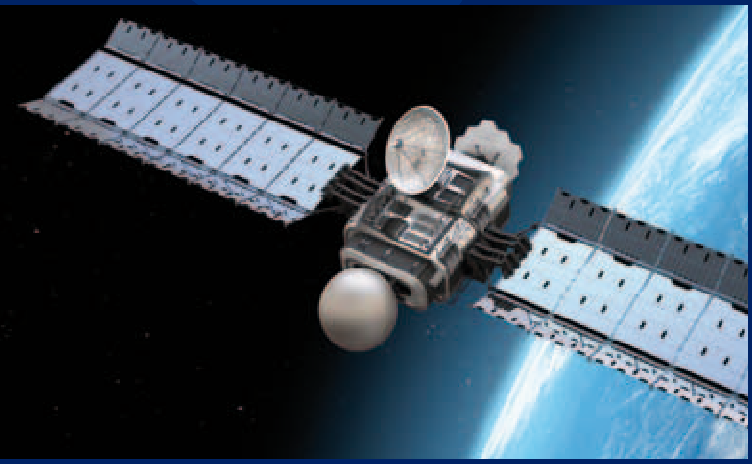
The Automotive Technology segment develops, designs and produces systems and solutions for sensor technology, electronic controls and network topologies.

All manufacturing steps are carried out by the InTiCa Group, from plastics conversion to winding, soldering, welding, casting, assembly and testing. Our products are used in all well-known makes of car (approx. 300 models). Inductive components and mechatronic modules increase the comfort and safety of cars, improve the performance of electric and hybrid vehicles and reduce CO_2 emissions.

Competence in innovative industrial products

InTica Systems' Industrial Electronics segment specializes in developing and manufacturing high-quality, custom-tailored inductive components, mechatronic modules and system solutions for regenerative energy sources (solar power), automation, welding, rail technology and drives.

Extensive know-how in the development of inductive components combined with in-depth expert knowledge ensures that our clients receive a rapid, efficient performance, together with cost-optimised solutions to the highest quality level.



System components for the next generation

Communication and data networks via cable, radio or satellite necessitate ultimate requirements in quality and safety. Our team of experts has in-depth experience in development, construction and production of products and manufacturing technologies for advanced broadband components.

We use our skills to realise innovative projects in a short space of time, working together with our clients in an efficient way. For many years InTiCa Systems has effectively developed and produced applications for ultimate data rates and maximum packing density.


IDEAS
PLANNING
DEVELOPMENT
PRODUCTION
COST-EFFICIENCY
ENVIRONMENTAL COMPATIBILITY
GROWTH

PRODUCTS

Distributor composed of stator coils
for hybrids
(Automotive Technology)

Common mode choke
to suppress interference
(Automotive Technology)

Stator coil
for hybrids
(Automotive Technology)

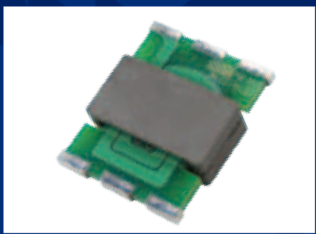
Storage choke
(single component)
for inverters
(Industrial Electronics)

Solenoid coil
for power shutdown
(Industrial Electronics)

Keyless entry antenna
with plug connector
(Automotive Technology)

Actuator coil
for steering wheel locks
(Automotive Technology)

Actuator coil
for oil pressure regulation
(Automotive Technology)



Planar transformer
for hybrids
(Automotive Technology)

Solenoid coil
for power shutdown
(Industrial Electronics)

EMC filter
for special applications
(Automotive Technology)

Components for coaxial broadband technology
(Communication Technology)

xDSL circuit board
(Communication Technology)

Coil
for transducers/
transformers
(Industrial Electronics)

Booster choke
(single component)
for inverters
(Industrial Electronics)

Noise suppression components
(Communication Technology)

GLOBAL GROWTH

Direct contact to customers gives InTiCa Systems an eye for new markets and changing requirements. Core competencies are networked across all segments, so the company is constantly able to create new products for a wide range of applications and market requirements. Satisfied customers, long-term business relationships and future-oriented products tailored to market needs are InTiCa Systems' primary objectives.

Our wide-ranging target groups mean that our markets are constantly changing. InTiCa Systems supplies customers in the automotive technology, industrial electronics and communication technology sectors.

Alongside Europe, which is our most important market, our business – especially in the Automotive Technology segment – extends to NAFTA (USA, Canada and Mexico) and Asia. Despite tough competition in the global marketplace, we have a place in the supply chain management of many important industrial companies.

MARKETS

MANUFACTURING EXPERTISE

THAT MEETS THE HIGHEST STANDARDS

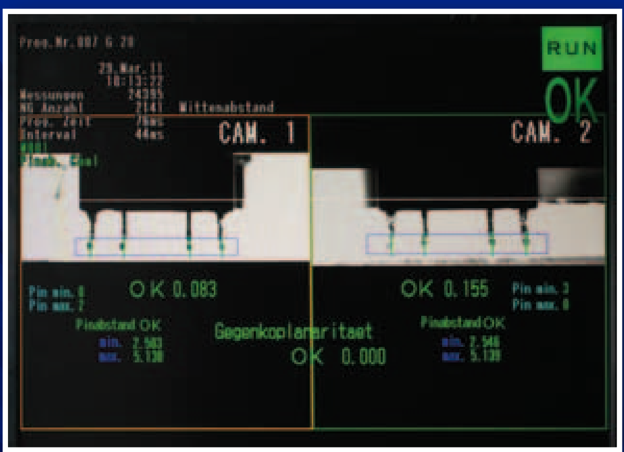
At the beginning the idea…

To develop an "idea" to a product that can be manufactured is doubtless one of the biggest challenges for a production company. A key to this is the manufacturing technology we use to realise the characteristics and attributes of our clients' products.

We appreciate this fact using our team of experts, who deal exclusively with new and innovative manufacturing technologies and manufacturing processes.

Here production processes are planned and custom-made concepts for the clients' product are developed and implemented. We design our production equipment ourselves, so we can ensure that we meet the demands of our clients for small as well as for large numbers.

…in the end a satisfied client!



Core competence of the manufacturing technology

- Moulding technology
  - vertical and horizontal moulding technology, with rotating tables option
  - insert moulding and over moulding technologies
- Winding technology
  - state-of-the-art winding technologies: single and multi-spindle, autocyclic winding, toroid winding technology
- Construction- and combination technology
  - soldering and welding methods
  - ultrasonic welding, hot staking
  - vacuum potting and gluing technology
  - various interconnect technologies crimp, press fit etc.
- PCB Assembly
  - in SMD and THT
- Measuring and test systems
  - automatic tests of critical product characteristics, as
    - Electrical parameters
    - Dimensional conformance
    - Environmental requirement conformance
    - Optical and mechanical tests

TECHNOLOGIES

Production line for coils

Automation maximizes efficiency

- for example production of coils

InTiCa Systems Stock in 2013

STOCK

Performance of shares in InTiCa Systems[1]

Shares in InTiCa Systems started the year at EUR 3.02 and traded in a range of around EUR 2.80 to EUR 3.30 until June. The lower end of this range was the lowest price for the share in 2013. At the start of June, the share price rose sharply to EUR 3.45 and held this higher level until October 2013. In the first half of October, it dipped for a short time to EUR 2.85. However, by year end the share had rallied, hitting a high for the year of EUR 4.51 on December 27, 2013. The share ended the year at EUR 4.35 in XETRA trading, 44% higher than at the end of the previous year.

The market as a whole posted a similarly good performance in 2013, boosted by low interest rate policies around the world and a high level of liquid funds. The German share index DAX, which contains the thirty largest publicly listed German companies, ended the year up almost 25% over the year, while the TecDAX index, which contains far smaller growth-oriented technology stocks, ended the year with a gain of around 41%. The more broadly based DAXsector Technology index, which comprises all technology companies in the Prime Standard, rose by around 26% over the year.

InTiCa Systems' market capitalization was around EUR 18.6 million at year-end 2013 (December 31, 2012: EUR 12.9 million). As in the previous year, the most important trading exchange for shares in InTiCa Systems was the electronic trading platform XETRA, which accounted for nearly 64% of trading in the share, followed by the Frankfurt Stock Exchange, which accounted for around 27%. Average trading volume in the company's shares in 2013 was around 110,529 shares per month (Germany). Market-making to support the liquidity and tradability of shares in InTiCa Systems in the fully electronic Xetra trading system operated by Deutsche Börse AG was provided, as in the past, by BankM.

[1] Price data based on Xetra, source: Bloomberg

Shares in InTiCa Systems	2013	2012
Year high (XETRA® closing price)	4.51	3.75
Year low (XETRA® closing price)	2.80	2.47
Market capitalization at year end in EUR million	18.65	12.95

Closing prices	2013	2012	Change
Shares in InTiCa Systems (XETRA®)	4.35	3.02	44%
DAX	9,552.16	7,612.39	25%
TecDAX	1,166.82	828.11	41%
DAXsector Technology	479.68	382.11	26%
DAXsubsector Communications Technology	80.27	68.92	16%

Investor relations activities

InTiCa Systems' Investor Relations department is the company's interface to the capital market. It is responsible for ensuring open communication with present and potential investors and with other target groups among the general public. The main objectives are underpinning confidence in the company and its stock by providing extensive and transparent information for the investment community and enhancing the expectations held by the various target groups. The Board of Directors therefore personally seeks direct contact with the relevant members of the financial community.

As part of its varied investor relations activities, in 2013 InTiCa Systems provided information about its business model, the development of the market and the company and the company's strategy in its various areas of business. For instance, the Board of Directors once again attended the Capital Markets Conference in Munich, Germany, where it was able to present the company to asset managers, analysts and fund managers. In addition, during the period under review background reports on InTiCa Systems and interviews with members of the Board of Directors were again published in various specialist stock-market and investment journals.

The Board of Directors of InTiCa Systems AG provided shareholders and members of the public with timely information on the business development of the company through regular reporting. In compliance with the statutory requirements for companies listed in the Prime Standard, InTiCa Systems AG provides extensive quarterly reports, which are published in English as well as German. In line with the ad hoc disclosure regulations the markets were notified of the main corporate events in ad hoc or corporate news releases.

Investors and the general public still have regular opportunities to obtain timely information on corporate news and the company's business performance from the viewpoint of experienced capital market analysts and to keep abreast of their assessment of the company's future business development. Research reports are also available to investors and the general public on the Investor Relations pages on InTiCa Systems' website.

In addition to these research reports, the Investor Relations section of the website (www.intica-systems.de) contains all relevant information on the stock, a financial calendar detailing all key dates, an archive of obligatory disclosures and news releases, information on corporate governance and all information on past and upcoming General Meetings of InTiCa Systems AG.

The homepage also contains contact details and a contact form for those wishing to establish direct contact with the Investor Relations department. The Investor Relations department and Board of Directors of InTiCa Systems AG are available for all questions from private and institutional investors, analysts and financial journalists.

Key data on the share

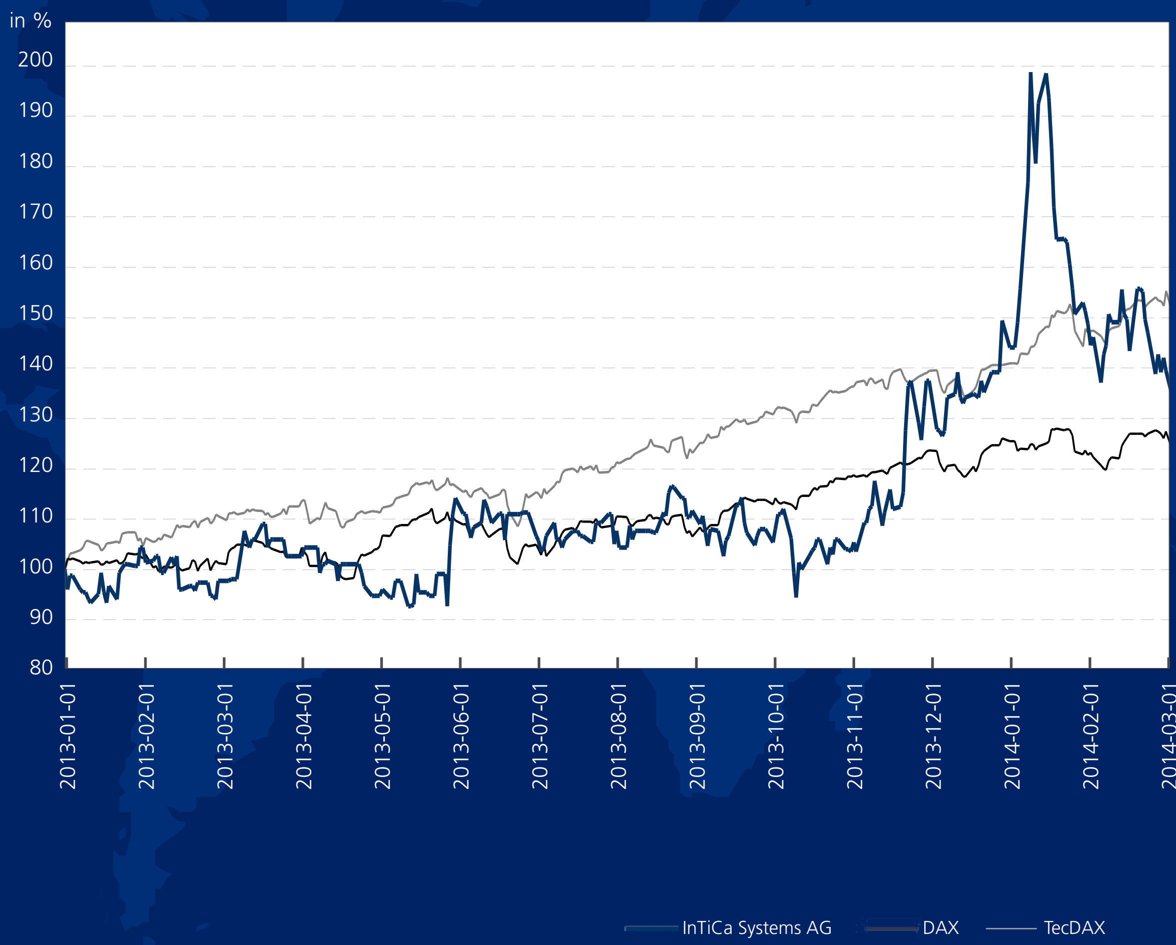
ISIN	DE0005874846
WKN	587 484
Stock market symbol	IS7
Bloomberg ticker symbol	IS7:GR
Reuters ticker symbol	IS7G.DE
No. of shares	4,287,000

Trading segment	Regulated market, Prime Standard
Trading exchanges	XETRA®, Frankfurt, Hamburg, Berlin, Munich, Stuttgart, Düsseldorf
Designated sponsor	BankM
Research coverage	Performaxx Research GmbH

Shareholder structure

The principal shareholders on March 31, 2014 were as follows:

	Shareholding
Thorsten Wagner	over 25 %
Dr. Dr. Axel Diekmann	over 15 %
bcm Invest GmbH	over 5 %
Dr. Paul und Maria Grohs	over 3 %
Karl Kindl	over 3 %
Treasury stock	1.5 %
Management	less than 1 %



Corporate Governance Report

Sec. 3.10 of the German Corporate Governance Code states that the Board of Directors and Supervisory Board should report annually on corporate governance and that this report should be published in conjunction with the declaration on corporate management. This corporate governance report for InTiCa Systems AG also contains the declaration on corporate management pursuant to sec. 289a of the German Commercial Code (HGB). Alongside the declaration of conformity to the recommendations of the German Corporate Governance Code in conformance with sec. 161 of the German Companies Act (AktG), it contains additional information on corporate management practices and describes how the Board of Directors and Supervisory Board work.

Declaration on corporate management pursuant to sec. 289a of the German Commercial Code (HGB)

The declaration on corporate management pursuant to sec. 289a of the German Commercial Code is available on the internet at www.intica-systems.de in the section Investor Relations/ Corporate Governance.

Declaration of Conformity

The Board of Directors and Supervisory Board of public companies issue an annual declaration that they have complied with and will comply with the recommendations of the Government Commission on the German Corporate Governance Code, together with reasons why specific recommendations were not and will not be applied. This declaration must be made available permanently to the public.

The Board of Directors and Supervisory Board of InTiCa Systems AG have issued the following declaration pursuant to sec. 161 of the German Companies Act (AktG):

In previous years the company complied with the recommendations of the valid version of the German Corporate Governance Code, apart from the exceptions stated in the declaration pursuant to sec. 161 of the German Companies Act (AktG) for the relevant year. In fiscal 2013 the company complied with the recommendations of the Corporate Governance Code in the version dated May 15, 2012, as published in the Federal Gazette on June 15, 2012, with the following exceptions:

Convening the General Meeting

The company does not notify financial services providers, shareholders and shareholders' associations of General Meetings or make the associated documents available by electronic means (Corporate Governance Code 2.3.2). The company publishes the invitation to its General Meetings in the electronic Federal Gazette and also provides its shareholders with invitations to General Meetings and annual reports in printed form via their custodian banks. The invitations to General Meetings and the related documents are also available on the company's website as downloads from the date on which the General Meeting is convened. The Board of Directors and Supervisory Board are convinced that in this way they provide financial services providers, shareholders and shareholders' associations with sufficient opportunity to obtain the information and that sending out invitations to General Meetings and the related documents by electronic means is neither necessary nor expedient.

Cap on premature termination benefits

When concluding contracts with members of the Board of Directors, the Supervisory Board will ensure that an appropriate cap is agreed for benefits paid in the event of premature termination of their contract, except with cause. The Supervisory Board does not accept the recommendation that the cap should be set at two years' compensation (Corporate Governance Code 4.2.3) as it believes it is more expedient to limit such payments to the fixed salary for the remaining term of the contract and thus to exclude variable remuneration components.

Appointment of the Board of Directors and Supervisory Board

Decisions on suitable candidates for appointment as members of the Supervisory Board or Board of Directors are taken on a purely objective basis in accordance with the principle of equal treatment. No age limits are set for members of the Board of Directors and Supervisory Board (Corporate Governance Code 5.1.2, 5.4.1). In compliance with the law and articles of incorporation, members of the Board of Directors and Supervisory Board may be appointed for a maximum term of office of five years. The Board of Directors and Supervisory Board believe it makes sense for the bodies responsible for appointments to examine each candidate's age at the time of initial appointment or renewed appointment and that they should be free to appoint older candidates with relevant professional or other experience without being tied to rigid age limits. However, the Supervisory Board will only nominate candidates for election by the General Meeting who have not reached the age of 70 at the start of their term of office.

Terms of reference of the Supervisory Board and committees

The Supervisory Board has not adopted terms of reference (Corporate Governance Code 5.1.3), nor set up any committees (5.3.1, 5.3.2 and 5.3.3). The company's Supervisory Board has three members. Since it is a legal requirement that any committee that takes decisions must also have at least three members, the establishment of committees is neither necessary nor expedient. The Supervisory Board has so far refrained from adopting terms of reference since the rulings contained in legal statutes and the articles of incorporation have proven sufficient.

Publication of interim reports and consolidated financial statements

The consolidated financial statements will probably not be made available publicly within 90 days from the end of the financial year and the interim reports will probably not be available within 45 days from the end of the reporting period (Corporate Governance Code 7.1.2). The company cannot guarantee that it can meet the deadlines recommended by the Corporate Governance Code in view of the need to include its foreign subsidiary in the consolidated financial statements and interim reports. The consolidated financial statements will, however, be available within four months from the end of the financial year, while interim reports will be published within the statutory deadlines, which the Board of Directors and Supervisory Board consider to be adequate.

The Board of Directors and Supervisory Board published their declaration pursuant to sec. 161 AktG on April 11, 2014. The declarations of conformity of InTiCa Systems AG, which form part of the declaration of corporate management required by sec. 289a of the German Commercial Code (HGB), can be viewed on the company's internet site at www.intica-systems.de.

Objectives for the composition of the Supervisory Board

In accordance with the recommendation in sec. 5.4.1 paragraphs 2 and 3 of the German Corporate Governance Code, the Supervisory Board has set the following objectives for its future composition.

The principal objective when selecting members of the Supervisory Board is to ensure the Supervisory Board is best able to perform its supervisory and advisory tasks in the interests of the company. The key factors determining the selection of members of the Supervisory Board are therefore their qualifications, professional suitability and competence. Each member of the Supervisory Board should have the knowledge required to foster this objective and thus serve the company, for example, through specific knowledge and experience of the sectors and areas of technology in which the company operates and of corporate management, strategy, sales, law, finance and taxation. Further, the knowledge and abilities of the members of the Supervisory Board should be complementary to ensure optimal performance of its duties and ensure that broadest possible specialist knowledge.

Taking into account the following criteria set out in the Corporate Governance Code, it is necessary to weigh up the various interests carefully in each case to decide which requirements and qualities are most suitable for the performance of these tasks from the company's viewpoint and should thus be given priority.

» International activities:

The company is based in Germany and has a subsidiary in the Czech Republic. To enable the members of the Supervisory Board to perform their duties, especially the supervision and evaluation of decisions and processes, an in-depth knowledge of the German legal and economic framework is required, together with a basic knowledge of the legal and economic conditions in the Czech Republic.

» Conflicts of interest:

The Supervisory Board shall ensure, especially when nominating candidates for election to the Supervisory Board, that conflicts of interest are ruled out. Further, the company complies with the recommendation in sec. 5.5 of the Corporate Governance Code.

» Age limit:

The Supervisory Board will only nominate candidates for election by the General Meeting who have not reached the age of 70 at the start of their term of office.

» Diversity:

Alongside qualifications and professional suitability, which form the key criteria, in the Supervisory Board's view other characteristics such as gender, nationality, religion, etc., should take second place. The key factors for appointments to the Supervisory Board are ensuring that the personal qualities, qualifications, professional suitability and competence of the Supervisory Board members benefit the company and allow optimal performance of the supervisory and advisory functions of the Supervisory Board.

If and insofar as the Supervisory Board is required to make proposals to the General Meeting on the composition of the Supervisory Board, it will carefully examine whether there are suitable female candidates. In selecting candidates, the Supervisory Board will give precedence to qualifications and suitability.

The above objectives are still applicable. They will be put into practice as soon as the Supervisory Board is required to make new proposals to the General Meeting on the composition of the Supervisory Board.

Significant corporate management practices

InTiCa Systems regards compliance with the corporate governance guidelines as a key basis for responsible, value-driven corporate management, and as the basis for efficient collaboration between the Board of Directors and Supervisory Board. It is of equal importance in ensuring transparent reporting and implementing a functioning risk management system.

Through direct contact with customers, InTiCa Systems always keeps an eye on new markets and changing requirements. By linking its core competencies across all business segments, the company is able to constantly develop new products for a wide variety of business areas and market requirements. Satisfied customers, long-term business relationships and market-driven future-oriented products are the company's priorities. Quality is implemented by all employees through the way in which they think and act in their day-to-day work.

Ensuring a sustained rise in the value of the company is the guiding principle for the members of the Board of Directors and Supervisory Board of InTiCa Systems AG. Securing the confidence of investors and other stakeholders in effective and transparent management is a matter of prime significance. The aim of InTiCa Systems' investor relations activities is to achieve the level of transparency expected by the capital markets and give shareholders a true and fair view of the company. In keeping with the principle of fair disclosure, all shareholders and major target groups are treated equally in terms of the provision of information. The underlying rule is providing the company's owners with timely and reliable information on major events at their company. Transparency also constitutes an opportunity to gain new investors from Germany and other countries. The Board of Directors and Supervisory Board therefore constantly strive to optimize communication to ensure a sustained and appropriate valuation of the company's stock.

Description of how the Board of Directors and Supervisory Board work

The Supervisory Board and Board of Directors work together closely and trustfully for the benefit of the company.

The Board of Directors is responsible for the company's strategic focus, general management of the company, budget planning, and defining and overseeing the operating segments. The Board of Directors also ensures that there is an appropriate risk management and control system. Systematic risk management as part of value-driven corporate management ensures timely identification, analysis and evaluation of risks and optimization of risk positions.

The Board of Directors and Supervisory Board maintain regular contact. The Board of Directors provides the Supervisory Board with full and timely information on the development of the company, its current position, current risks and how they progress. It discusses and agrees the strategy with the Board of Directors. Progress in implementing strategic planning and possible deviations from the plans are reported to the Supervisory Board. Major decisions require the approval of the Supervisory Board. The Board of Directors also informs the Supervisory Board of the management of risks and opportunities in the group.

The Supervisory Board oversees the work of the Board of Directors and is directly integrated into decisions of fundamental importance for the company. The Supervisory Board receives written monthly reports on the company's financial position, assets and results of operations. It also receives a detailed explanation of any discrepancy between the planned and actual business development. Further, the Chairman of the Supervisory Board is informed directly and regularly of the current situation, important business events and significant upcoming decisions.

The company's three-member Supervisory Board has not established any committees as this is not deemed necessary or practical; all relevant issues are handled by the full Supervisory Board. This applies in particular to examination of the quarterly and annual financial statements and topics directly relating to the members of the Board of Directors. The Board of Directors regularly attends meetings of the Supervisory Board, provides written and oral reports on individual items on the agenda and preparatory papers, and answers the Supervisory Board's questions.

In conformance with the German Companies Act (AktG), the Supervisory Board appoints the members of the Board of Directors. In accordance with sec. 5 of the company's articles of incorporation, the Supervisory Board determines the number of members of the Board of Directors (according to the articles of incorporation, the Board of Directors comprises one or more persons) and can appoint one member of the Board of Directors as Chairman of the Board of Directors. The Supervisory Board drafts rules of procedure and a business allocation plan for the Board of Directors. The rules of procedure comprise a list of business activities requiring approval. The Supervisory Board decides whether the members of the Board of Directors should attend meetings of the Supervisory Board. The Chairman of the Supervisory Board outlines the work of the Supervisory Board in its annual report to the shareholders and at the Annual General Meeting.

A D&O insurance policy with a deductible has been taken out for the Board of Directors and Supervisory Board.

Members of the Board of Directors of InTiCa Systems AG in 2013	Appointed from / to	Responsibilities	Further offices
Walter Brückl, date of birth July 16, 1959	April 1, 2008 to March 31, 2016	Chairman of the Board of Directors – responsible for: strategy finance human resources production production technology IT investor relations and public relations	None
Günther Kneidinger, date of birth November 18, 1968	January 1, 2009 to December 31, 2019	Responsible for: sales R&D materials management and quality	None

Members of the Supervisory Board of InTiCa Systems AG in 2013	Appointed from / to	Function on Supervisory Board	Seats on other Supervisory Boards and comparable supervisory bodies
Werner Paletschek, business administration graduate, Managing Director of OWP Brillen GmbH, Passau	Appointed on July 8, 2011 for the period until the Annual General Meeting 2015	Chairman	None
Christian Fürst, business administration graduate, Managing Partner of ziel management consulting GmbH, Passau	Appointed on July 8, 2011 for the period until the Annual General Meeting 2015	Deputy Chairman	Chairman of the Supervisory Board of Electrovac Hacht & Huber GmbH, Member of the Supervisory Board of UAB Baltik Vairas (until Sep. 2013)
Udo Zimmer, business administration graduate, management consultant, Bad Tölz	Appointed on July 8, 2011 for the period until the Annual General Meeting 2015	Member of the Supervisory Board	None

Remuneration

The contracts with the members of the Board of Directors contain variable components that are linked to the company's performance (EBIT adjusted for one-off factors). In accordance with the company's articles of incorporation, the Supervisory Board of InTiCa Systems receives fixed remuneration and a variable payment that is dependent on the company's performance (ratio of Group EBIT to sales).

Further details of the remuneration system for members of the governance bodies can be found in section 2.6 of the management report ("Remuneration system of the Board of Directors and Supervisory Board"). The notes to the consolidated financial statements also contain detailed information on the remuneration of the Board of Directors and Supervisory Board on an individual basis, broken down into fixed and variable components. The structure of the remuneration systems is regularly reviewed.

Shareholdings

Under sec. 15a of the German Securities Trading Act (WpHG), members of the Board of Directors and Supervisory Board of InTiCa Systems AG and senior employees, together with persons closely related to them, are required to disclose the purchase and sale of shares in InTiCa Systems and related financial instruments if the value of such transactions exceeds EUR 5,000.00 in a calendar year. On the basis of the information disclosed to InTiCa Systems AG on securities and other transactions, which are in turn disclosed in compliance with the company's disclosure obligations both on its own website and on the DGAP website (Deutsche Gesellschaft für Ad-hoc Publizität mbH), the following information is hereby provided:

Members of the Board of Directors and Supervisory Board hold a small amount of the company's stock. The combined shareholdings of members of both governance bodies is well below 3%. As of March 31, 2014, Mr. Walter Brückl held 19,000 shares in InTiCa Systems AG (0.4%), Mr. Günther Kneidinger held 3,000 shares (0.07%), Mr. Werner Paletschek held 3,000 shares (0.07%) and Mr. Christian Fürst held 3,800 shares (0.09%). The company itself held 64,430 shares (treasury stock) as of March 31, 2014 (1.5%).

Directors' Dealings

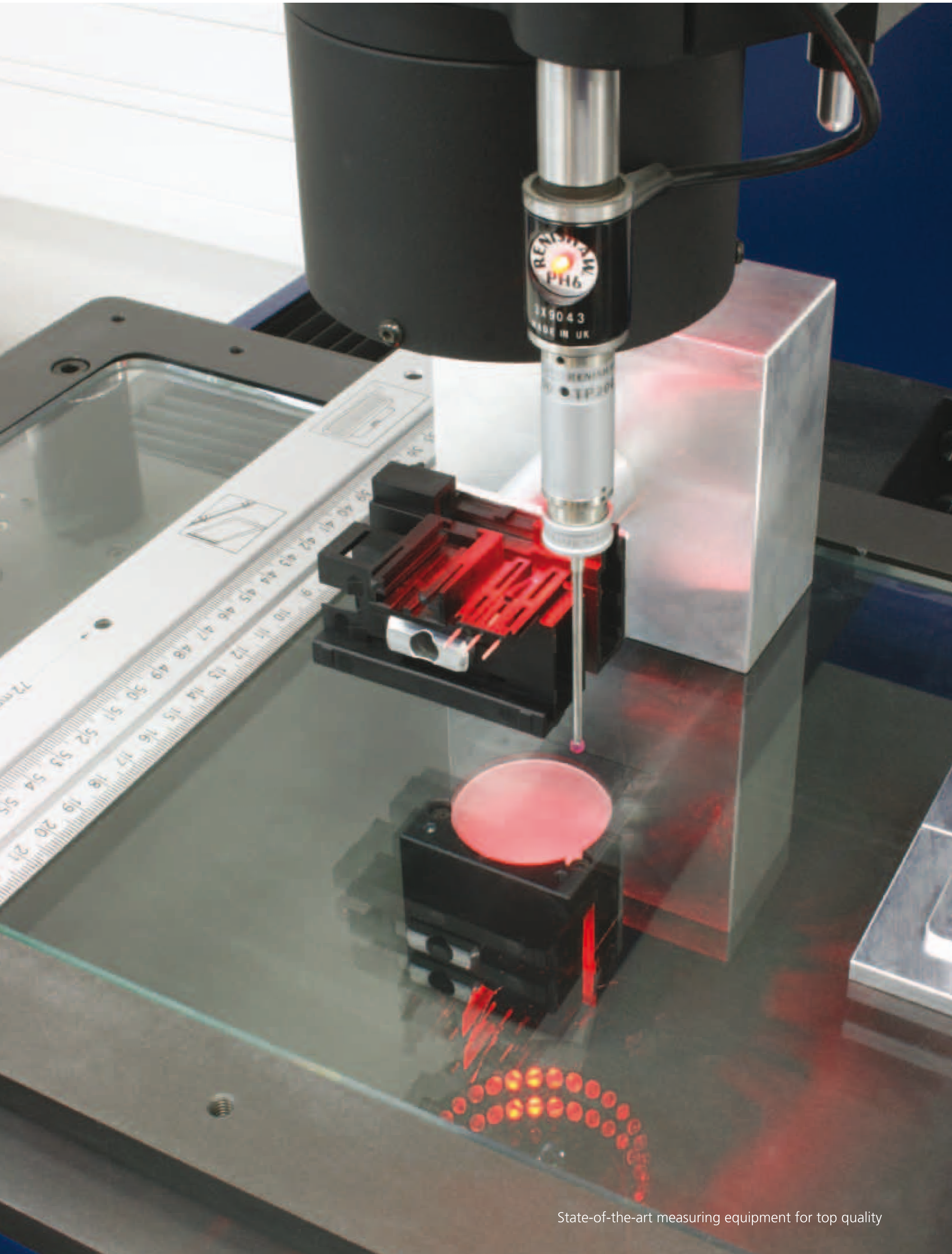
In 2013 the following securities transactions that have to be disclosed pursuant to sec. 15a of the German Securities Trading Act (WpHG) were undertaken by members of the Board of Directors and Supervisory Board of InTiCa Systems AG.

Date	Person	Board	Transaction	No. of shares	Price in EUR	Total value of transaction in EUR	Stock exchange
July 5, 2013	Christian Fürst	Supervisory Board	Purchase	1,800	3.197	5,754.60	Private transaction
July 11, 2013	Werner Paletschek	Supervisory Board	Purchase	1,000	3.21	3,210.00	Munich
June 26, 2013	Günther Kneidinger	Board of Directors	Purchase	2,000	3.387	6,774.00	Frankfurt

Passau, April 23, 2014

The Supervisory Board
Werner Paletschek
Christian Fürst
Udo Zimmer

The Board of Directors
Walter Brückl
Günther Kneidinger



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Group Management Report

for the period from January 1 to December 31, 2013

GROUP MANAGEMENT REPORT

The Group management report should be read in conjunction with the audited financial data for the Group and the Notes to the consolidated financial statements. The following comments are based on a range of information, which is set out in detail in the Notes. In addition, the management report contains forward-looking statements, i.e. statements based on specific assumptions and the current plans, estimates and forecasts derived from those assumptions. Forward-looking statements are only valid at the time at which they are made. The Board of Directors of InTiCa Systems AG has no obligation to revise and/or publish a revision of the forward-looking statements underlying this document in the event of new information. Forward-looking statements are always exposed to risks and uncertainties. The Board of Directors of InTiCa Systems AG hereby points out that a large number of factors could lead to substantial differences in attainment of these objectives. The principal factors are outlined in detail in the section headed "Risk report".

1. Basic information on the Group

1.1 Business activities

InTiCa Systems' business focuses on the development, production and marketing of innovative inductive components, passive analogue switches and mechatronic assemblies. InTiCa Systems ranks among the German and European market and technology leaders in products and solutions based on high-tech inductivity.

The ability of a coil to produce voltage in its own windings by means of a magnetic field or, conversely, to generate a magnetic field in a coil if voltage is applied, is utilized by the company in the following fields of activity:

- non-contact data transmission/RFID
- shielding and interference suppression
- modification of currents (voltage conversion, modulation, filtering)
- power generation by producing a magnetic field (electric motors)
- generation of energy or electric power by movement in a magnetic field.

InTiCa Systems thus has a basic technology that can be used for a wide variety of applications. The chief advantage of these passive inductive components is that they do not require any additional energy source such as mains current or a battery. Moreover, these components are extremely reliable and have little exposure to wear and tear.

This technology is used, for example, in products for high-speed data transmission in broadband networks in the telecommunications sector based on copper wire technology and coaxial cable (ADSL+, VDSL+, referred to jointly as xDSL). InTiCa Systems' Communication Technology segment serves this sector.

The Industrial Electronics segment delivers modules with high-performance coils, chokes and transformers for inverters in solar systems to raise energy and cost efficiency. It also develops actuator coils and modules for a variety of industrial applications such as rail technology and welding equipment and for industrial plants.

InTiCa Systems AG mainly develops custom-tailored products for applications at the request of its customers. In other words, it does not normally develop products without a specific customer enquiry. It actively commercializes its products and developments on the international market through three segments, subdivided on the basis the underlying technologies.

1.1.1 Automotive Technology

The Automotive Technology segment develops and manufactures products for actuators, sensors, power electronics and network topologies in vehicles. Its products are used for keyless go/entry systems, safety systems, engine and energy management systems (for example, for electric and hybrid vehicles) for a wide range of vehicle classes from luxury limousines and high-end sports cars to less expensive compact models. InTiCa Systems' products are used by well-known European, US and Asian manufacturers and their system suppliers.

In view of the development of the markets served by the Communication Technology and Industrial Electronics segments, InTiCa Sytems is stepping up expansion of its Automotive Technology segment in order to establish it as the main sales generator in the long term.

New developments such as stator systems for hybrid/electric vehicles and planar transformers for efficient battery management are opening up additional sales potential for InTiCa Systems with car manufacturers and automotive suppliers that are looking for smart ways of optimizing energy efficiency.

Automotive Technology is now by far the most important segment for the operating business and the future development of InTiCa Systems. In 2013 this segment grew sales 23.9% to EUR 22.5 million (2012: EUR 18.1 million). Its share of Group sales increased to around 59.4% (2012: 49.9%). The EBIT (earnings before interest and taxes) of the business segment amounted to EUR 1.6 million, an increase of 54.6% compared to last year (2012: EUR 1.0 million).

1.1.2 Industrial Electronics

The Industrial Electronics segment's business comprises inverters and converters. In particular, it produces and supplies coils, chokes and transformers to transform solar power into electrictiy for the grid. InTiCa Systems systematically focuses on its expertise and technological edge in power transfer and noise suppression components, coils and filters. For example, the components produced by InTiCa Systems for inverters for regenerative energies convert renewable energy sources into power with high efficiency, i.e. low losses. The improvement in efficiency is accompanied by a reduction in dimensions, which represents an enormous benefit for customers. New developments include actuator coils to reduce the power consumption of industrial equipment and domestic appliances and voltage transformers for rail vehicles and welding equipment. This has extended the product portfolio to target a variety of industrial sectors and thus broadened the customer base.

The continued difficulties of the photovoltaic industry resulted in a further drop in this segment's sales in 2013. Sales fell 18.8% year-on-year to EUR 10.0 million (2012: EUR 12.3 million) and Industrial Electronics' share of total sales declined from around 33.8% in 2012 to 26.3% in 2013. Segment EBIT was EUR 0.3 million in the reporting period (2012: minus EUR 0.1 million).

1.1.3 Communication Technology

InTiCa Systems develops and manufactures optimized solutions for ADSL and VDSL as a basis for broadband internet access via the present and future telephone network. VDSL, which represents an improvement on ADSL, was developed to offer customers "triple-play" services. This term refers to the convergence of conventional telephony services, in other words, analogue, ISDN and IP telephony, broadband internet access and IPTV. VDSL2 is based on the discrete multitone (DMT) transmission protocol, which theoretically offers both upstream and downstream data rates of up to 50 Mbit/s.

In addition to technological upgrading of the provider side, since 2006 InTiCa Systems has been supplying telecommunications companies with the VDSL splitters required by end-users to support downward compatibility for ADSL2+ and VDSL2 data rates (up to 16 Mbit/s and up to 50 Mbit/s respectively).

Products normally have to meet widely differing specifications for both present and potential future customers. These comprise telecommunications companies, which require splitters for subscribers, and system suppliers to the telecommunications companies who order splitters from InTiCa Systems for the provider side. The product range is rounded out by DSLAM splitters and main distribution frame (MDF) splitters, which InTiCa Systems delivers for multifunctional curb-side boxes to bring VDSL closer to end-users' homes.

New developments in this segment are broadband splitters and the associated connection technology for coaxial broadband networks. These can be used to raise the efficiency of the networks and thus potentially address a mass market. These new developments mean that the company now has a variety of products for broadband networks based on copper wire technology and coaxial cable.

In the relevant market for DSL splitters, InTiCa Systems has been faced with rising competitive pressure and price erosion for many years now as a result of competition from low-wage Asian countries.

The decline in business in the Communication Technology segment in 2013 was far more modest than in previous years. Sales slipped 8.7% to EUR 5.4 million (2012: EUR 5.9 million) and the segment's share of Group sales therefore fell to 14.3% (2012: 16.3%). EBIT remained negative at minus EUR 0.9 million (2012: minus EUR 0.9 million).

1.2 Corporate structure

The only company included in the consolidated financial statements apart from the parent company, InTiCa Systems AG, Passau, Germany, is InTiCa Systems s.r.o. of Prachatice, Czech Republic. The parent company has a stake of 100% in this subsidiary. The annual financial statements and interim financial statements of the Group companies are drawn up as of the last day of the Group's fiscal year or the interim reporting period. There has been no change in the scope of consolidation of InTiCa Systems AG compared with fiscal 2012.

1.3 Management system

Despite its technological edge, InTiCa Systems has to align its costs to market conditions. Stringent cost management, continuous optimization of vertical integration and a reduction in fixed overheads remain key factors in this. At the same time, constant innovation, rapid technological progress and the rising performance requirements in all product segments in which InTiCa Systems operates can only be met with the newest and most advanced manufacturing technologies and state-of-the-art production machinery. As in previous years, various financial indicators are used for the internal management of the Group. Their development is reported to the Board of Directors in a monthly report. They include indicators showing the development sales and earnings by segment, EBIT, EBITDA, orders on hand and inventories, gross profit margin, material consumption and production defects, headcount, liquidity and capital expenditures.

1.4 Research and development

The company's innovative capability is vital for its success as it drives the development of new products and access to new markets on the one hand, and the competitiveness of the existing products on the other. For example, inductive components and mechatronic assemblies developed by InTiCa Systems greatly improve efficiency in the solar industry and thus benefit customers. Customers in the automotive industry commission InTiCa Systems to develop and manufacture inductive components, principally because its design meets their high technological and quality requirements.

2. Economic report

2.1 General economic conditions

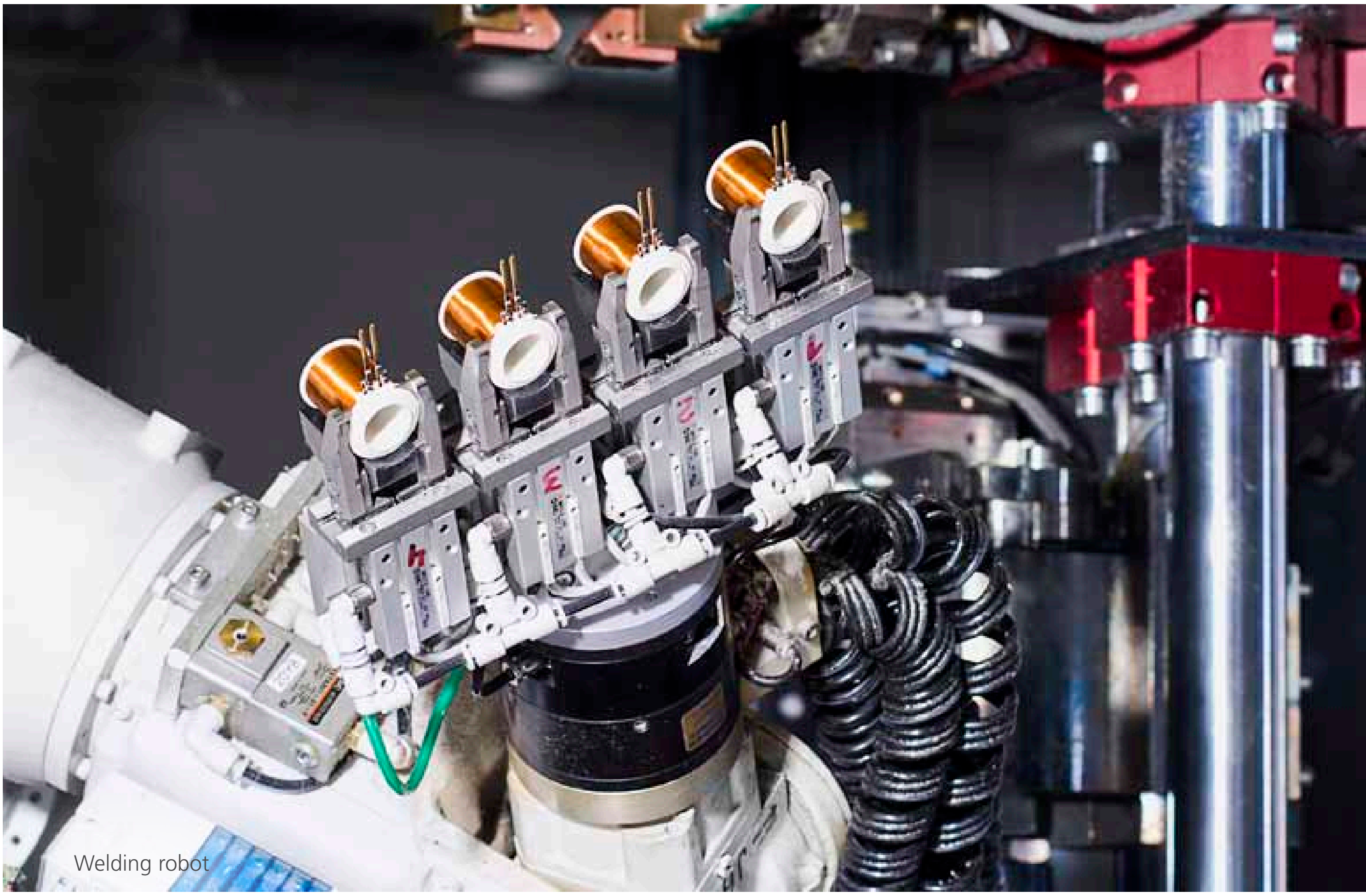
Global growth momentum slowed further in 2013. The International Monetary Fund (IMF) calculates that it dropped to 3.0% (2012: 3.1%)[1]. In particular, the European sovereign debt crisis that started in 2009 remained a source of uncertainty. In addition, growth was far lower in the United States at 1.9% (2012: 2.8%) as uncertainty with regard to fiscal policy and fears of a far tighter fiscal policy adversely affected the economy. Moreover, the Chinese economy posted the lowest growth for 14 years. Alongside a lack of impetus from the industrialized countries, domestic economic problems held back the pace of growth in most emerging markets. Overall, the emerging markets posted growth of just 4.7% in 2013 (2012: 4.9%). The German economy was unable to escape this trend and only grew by 0.5% in 2013 (2012: 0.9%)[2], the lowest growth rate since the recession in 2009. Higher domestic demand as a result of the good employment situation was unable to compensate for lower export demand.

2.2 Market and market conditions

2.2.1 Automotive Technology

The global automotive market grew further in 2013. According to the German Automobile Industry Association (VDA), new car registrations/sales of cars increased by around 2.2%. By contrast, the automobile markets elsewhere in Europe and in Russia, Japan, Brazil and India posted a decline, while the US and, above all, the Chinese market registered strong growth[3]. German automotive manufacturers benefited especially from this trend. According to the VDA, they registered record unit sales on the US market in 2013.

[1] International Monetary Fund: World Economic Outlook (WEO) Update, Jan., 2014
[2] International Monetary Fund: World Economic Outlook (WEO) Update, Jan., 2014
[3] Verband der Automobilindustrie e.V. (VDA): Press release of January 13, 2014 and January 16, 2014



The Board of Directors of InTiCa Systems AG expects to see a further rise in demand from the automotive engineering sector for fittings that are user-friendly, enhance comfort and safety and reduce fuel consumption/CO_2 emissions, including fittings for the mid-class and small vehicle segment.

2.2.2 Industrial Electronics

The main applications of relevance for the Industrial Electronics segment's current business are renewable energies (mainly solar power at present). Other markets should gain in significance as a result of future growth generated through technologically advanced products for the suppression of interference in magnetic fields, energy management, and welding and control technology.

Photovoltaic systems are being installed around the world to utilize solar energy in regions with high levels of sunshine. The efficiency of energy generation from such systems can be increased considerably by InTiCa Systems' inductive components and mechatronic modules for inverters. According to data from the German Solar Energy Association (BSW-Solar), the number of photovoltaic (PV) installations increased by around 9% to about 1,400,000 in 2013 (2012: approx. 1,280,000). Photovoltaic capacity increased to around 35,700 MWp (2012: approx. 32,400 MWp). Installed systems accounted for around 29.7 GWh electric energy in 2013 (2012: 26.4 GWh), equivalent to annual power consumption by around 8 million households[4]. That was around 5% of gross power consumption in 2013 and is expected to rise to at least 10% by 2020.

2.2.3 Communication Technology

According to the Federal Association for Information Technology, Telecommunications and New Media (BITKOM), total sales revenues generated with telecommunications services did not rise in 2013. Sales revenues remained around the same level as in the previous year at around EUR 66.0 billion (2012: EUR 66.0 billion). However, investment in the telecommunications infrastructure, especially investment in expansion of broadband networks, increased to EUR 6.2 billion (EUR 6.0 billion)[5].

Although the number of broadband connections in Germany is still rising, according to BITKOM around 85% of households already have high-speed internet access[6]. The main beneficiaries are cable network providers who are able to offer end-customers transmission rates of up to 128 megabits per second (Mbit/s) and triple-play products (telephony, internet and TV). Telecommunications companies such as Deutsche Telekom, Vodafone and 1&1 are currently only offering fixed-line data rates of up to 50 Mbit/s. The telecommunications companies intend to narrow this gap by investing in the fibre optic network, and introducing vectoring technology and the new mobile communication standard LTE.

[4] Statistics on the German PV market, Bundesverband Solarwirtschaft e. V., January 2014

[5] BITKOM: ITC market data, October 2013

[6] BITKOM: press release on broadband in Germany, January 21, 2014

High data rates are needed to broadcast video or television smoothly in high-definition quality via the internet. Mobile broadband (mobile internet) will increasingly compete with stationary broadband connections in the future, especially LTE, which will replace the UMTS standard, and can theoretically achieve data rates of up to 300 Mbit/s.

In the splitter market, InTiCa Systems does not have any serious competitors in Germany and currently has a market share of around 50%. Internationally, it is exposed to competition from a variety of Asian competitors. The Communication Technology segment is still suffering from strong price pressure, mainly due to Asian competitors which are expanding in the European market of relevance for InTiCa Systems.

2.3 Earnings, asset and financial position

2.3.1 Overall position

In 2013, InTiCa Systems achieved a clear year-on-year increase in sales and earnings. In its guidance for 2013, the Board of Directors forecast Group sales of around EUR 40 million, an EBITDA margin of around 15% and an EBIT margin of around 3%. It was largely able to meet these targets. Sales grew 4.1% year-on-year to EUR 37.8 million, the EBITDA margin was 15.1% and the EBIT margin was 2.7%. Sales growth was slightly lower because it was unable to realize planned sales with customers in the solar sector in the fourth quarter.

The positive development at Group level is attributable to the continued dynamic growth in the Automotive Technology segment, while sales in the Industrial Electronics and Communication Technology segments fell further. Orders on hand rose to EUR 34 million as of December 31, 2013 (December 31, 2012: EUR 29 million). 69% of this was attributable to the Automotive Technology segment (2012: 57%). Overall, the Group achieved net income of EUR 0.5 million (2012: net loss of EUR 0.4 million). The equity ratio remained high at 57% (2012: 58%) and the positive operating cash flow allowed further investment to expand production capacity in the Automotive Technology segment.

2.3.2 Earnings position

» Sales

Group sales advanced 4.1% year-on-year to EUR 37.8 million in 2013 (2012: EUR 36.3 million). The positive overall development was due to the continuation of the very dynamic growth trend in the Automotive Technology segment, where sales increased 23.9% to EUR 22.5 million (2012: EUR 18.1 million). This segment therefore increased its share of total sales to 59.4% (2012: 49.9%). In the Industrial Electronics segment sales fell to EUR 10.0 million (2012: EUR 12.3 million), while in the Communication Technology segment sales slipped to EUR 5.4 million (2012: EUR 5.9 million).

» Expenses

The material cost ratio (based on total output) was reduced further in 2013 to 58.1% (2012: 60.8%), while the personnel expense ratio remained constant at 17.3% in the reporting period (2012: 17.5%). Expenses for raw materials and supplies were therefore 0.7% lower than in the previous year at EUR 22.6 million (2012: EUR 22.7 million). The costs for temporary staff at the Prachatice production site, which are recognized in "Other expenses", amounted to EUR 0.6 million in 2013 (2012: EUR 0.7 million). Overall, other expenses increased slightly year-on-year to EUR 4.4 million (2012: EUR 4.3 million). Depreciation and amortization of property, plant and equipment and intangible assets rose slightly to EUR 4.7 million (2012: EUR 4.5 million).

» Research and development

Research and development expenses totalled EUR 2.1 million in 2013 (2012: EUR 2.2 million). Product developments were conducted on the basis of customer orders. Development work focused principally on the Automotive Technology segment. EUR 0.65 million was expensed directly for development work (2012: EUR 0.8 million) and the remaining EUR 1.45 million (2012: EUR 1.4 million) was capitalized. Depreciation and amortization of own work capitalized was EUR 1.5 million in the reporting period (2012: EUR 1.4 million).

» Earnings

EBITDA (earnings before interest, taxes, depreciation and amortization) increased significantly year-on-year, rising 26.6% to EUR 5.7 million (2012: EUR 4.5 million). The EBITDA margin improved to 15.1% (2012: 12.4%). The gross profit was EUR 15.0 million in the reporting period (2012: EUR 13.4 million) and the gross profit margin improved to 39.7% (2012: 36.9%). There was a further improvement in production efficiency. In addition, cost savings were realized in the procurement of goods and in logistics.

EBIT (earnings before interest and taxes) picked up significantly in 2013 to EUR 1.0 million (2012: EUR 23 thousand), giving an EBIT margin of 2.7% (2012: 0.06%). In the Automotive Technology segment EBIT rose 54.6% to EUR 1.6 million (2012: EUR 1.0 million). EBIT in the Industrial Electronics segment was positive again at EUR 0.3 million (2012: minus EUR 0.1 million) while in the Communication Technology segment it remained negative at minus EUR 0.9 million, unchanged from the previous year (minus EUR 0.9 million).

The financial result was minus EUR 0.5 million in 2013 (2012: minus EUR 0.5 million). Financial expense declined slightly year-on-year from EUR 494 thousand to EUR 472 thousand and financial income dropped from EUR 10 thousand to EUR 4 thousand.

The Group made a profit before taxes of EUR 0.5 million in 2013 (2012: loss of EUR 0.5 million). After tax expense of EUR 64 thousand (2012: tax income of EUR 72 thousand), net income was EUR 0.5 million (2012: net loss of EUR 0.4 million). Earnings per share were therefore EUR 0.11 (2012: minus EUR 0.09).

2.3.3 Asset position

» Capital structure

Total assets declined from EUR 33.4 million to EUR 32.6 million in 2013. On the asset side, non-current assets declined due to depreciation and amortization, whereas current assets increased due to a rise in trade receivables and inventories. Liquid assets remained at the prior-year level. On the liabilities site, equity and non-current liabilities declined while current debt increased. The equity ratio declined slightly from 58% on December 31, 2012 to 57% on December 31, 2013.

» Non-current assets

Since depreciation of property, plant and equipment exceeded capital expenditures, property, plant and equipment declined to EUR 12.9 million (December 31, 2012: EUR 14.7 million). Intangible assets were unchanged from the previous year at EUR 4.8 million (December 31, 2012: EUR 4.8 million). Deferred tax assets declined to EUR 1.1 million (December 31, 2012: EUR 1.3 million). As a result, non-current assets declined to EUR 18.7 million as of December 31, 2013 (December 31, 2012: EUR 20.9 million).

» Current assets

Inventories increased to EUR 7.2 million in the reporting period (December 31, 2012: EUR 6.2 million). At the same time, trade receivables increased to EUR 5.2 million (December 31, 2012: EUR 4.7 million). Both of these effects were due in large measure to the increase in sales. Cash and cash equivalents decreased slightly from EUR 1.4 million in 2012 to EUR 1.3 million in 2013. Overall, current assets rose to EUR 13.8 million as of December 31, 2013 (December 31, 2012: EUR 12.6 million).

» Non-current liabilities

Non-current financial liabilities were reduced further to EUR 7.6 million in 2013 (December 31, 2012: EUR 8.9 million). The liabilities to banks comprise fixed-interest loans with a remaining term of up to seven years. The loan from KfW is repaid in fixed half-yearly instalments. In November 2013, a new annuity loan was concluded for the bonded loan that matures in 2014. Interest rates non-current liabilities are between 3.05% and 5.27%.

Deferred taxes were EUR 1.5 million on the reporting date (December 31, 2012: EUR 1.6 million). Overall, non-current liabilities thus decreased to EUR 9.1 million as of December 31, 2013 (December 31, 2012: EUR 10.6 million).

» Current liabilities

Current liabilities to banks rose from EUR 1.1 million to EUR 2.2 million in the reporting period, and trade payables increased from EUR 1.3 million to EUR 1.6 million. Current liabilities rose to EUR 4.9 million as of December 31, 2013 (December 31, 2012: EUR 3.3 million).

» Equity

Equity totalled EUR 18.6 million as of December 31, 2013, which was below the previous year's level (December 31, 2012: EUR 19.5 million). This was attributable to currency translation differences in connection with the Czech subsidiary, which increased to minus EUR 1.6 million as of December 31, 2013 (December 31, 2012: minus EUR 0.1 million). The capital stock of EUR 4.3 million, treasury stock of EUR 64 thousand and capital reserves of EUR 15.4 million were unchanged from the previous year. Retained earnings increased from EUR 0.1 million to EUR 0.5 million as a result of the net income.

2.3.4 Financial position

» Liquidity and cash flow statement

Thanks to the considerable improvement in net income, the net cash flow from operating activities increased to EUR 3.8 million in 2013 (2012: EUR 3.5 million). The main positive factors were depreciation and amortization of non-current assets totalling EUR 4.7 million (2012: EUR 4.5 million) and the EUR 0.3 million increase in trade accounts payable. At the same time, the cash flow was reduced by the EUR 1.0 million increase in inventories and by trade accounts receivable of EUR 0.4 million.

The net cash outflow for investing activities was EUR 3.7 million in the reporting period (2012: EUR 1.2 million). This comprised EUR 2.2 million (2012: EUR 1.3 million) for property, plant and equipment and EUR 1.5 million (2012: EUR 1.4 million) for intangible assets.

The net cash outflow for financing activities was EUR 0.7 million in the reporting period (2012: outflow of EUR 0.8 million). Cash outflows in the reporting period comprised scheduled loan repayment instalments of EUR 0.6 million and leasing expenses of EUR 0.1 million.

The total cash flow in 2013 comprised an outflow of EUR 578 thousand (2012: inflow of EUR 1.5 million). Cash and cash equivalents totalled EUR 1.3 million on December 31, 2013 (2012: EUR 1.4 million). Cash and cash equivalents less utilized overdraft facilities therefore amounted to EUR 0.4 million as of December 31, 2013 (2012: EUR 1.0. million).

» Capital expenditures

Capital expenditures amounted to EUR 3.7 million in 2013 (2012: EUR 2.7 million). EUR 2.2 million (2012: EUR 1.3 million) was invested in property, plant and equipment and EUR 1.5 million (2012: EUR 1.4 million) in intangible assets. Almost all of the capital expenditures comprised investment in new equipment to raise production capacity in the Automotive Technology segment. Investment in intangible assets was also mainly for projects in the Automotive Technology segment.

Further investment will be undertaken in 2014 to expand production capacity in the Automotive Technology segment. Around EUR 3.0 million is currently earmarked for this.

» Employees

The headcount increased to 385 on December 31, 2013, plus 62 agency staff (December 31, 2012: 360 plus 74 agency staff). Expenses of EUR 566 thousand (2012: EUR 655 thousand) for agency staff are included in other operating expenses. The personnel expense ratio, including expenses for agency staff, was 18.8% in 2013 (2012: 19.3%). On average, the Group had 371 employees and 64 agency staff in the reporting period (2012: 351 and 71).

2.3.5 Financial management

The central objective of financial management at InTiCa Systems is to ensure sufficient liquidity reserves at all times, avoid financial risks and secure financial flexibility. The basis for safeguarding liquidity is integrated financial and liquidity planning. InTiCa Systems includes all consolidated subsidiaries in this planning process. The segments' operating business and the resulting cash inflows are the Group's main source of liquidity. Operational planning is based on a long-term liquidity forecast. The short and medium-term forecasts are updated monthly. Surplus funding within the Group is distributed to those areas that require it via cash pooling in order to reduce external funding requirements and optimize net interest expense. To secure its liquidity position, InTiCa Systems also uses various internal and external financing instruments such as credit agreements, which form the basis for short and medium-term financing, finance leasing and vendor loans. As a result of the company's capital base and financing arrangements, the Board of Directors is of the opinion that the main preconditions for future financing have been met.

2.4 Financial and non-financial performance indicators

The Board of Directors gives high priority to the sustainable development of the Group. The financial performance indicators used to manage the Group and its development in 2013 are outlined in the consolidated management report.

The Board of Directors regularly uses the following non-financial performance indicators in its management of the Group.

» Customer and product portfolio and vertical integration

Building up the production facilities in Prachatice has increased vertical integration in in-house production from 27% (2007) to 83% (2013). Increased vertical integration increases value added and thus the benefits for customers, as well as the ability to market higher-margin products. At the same time, a diversified customer and product portfolio is extremely important. This strategic focus safeguards know-how, reduces production costs, increases flexibility and decreases dependence on individual customers and products.

» Quality management

InTiCa Systems is validated under ISO TS 16949, among other standards. The role of this management system is to achieve an effective improvement in systems and process quality, identify errors and risks in the production process and supply chain, eliminate their causes and check the efficacy of the corrective and preventive measures introduced in order to cut manufacturing costs and raise customer satisfaction. At its heart is avoiding rather than identifying errors.

» Skilled staff

High-quality products and developments and competent advice for customers are key elements in InTiCa Systems' corporate policy. Ensuring qualified personnel is therefore an overriding task for the Board of Directors. Through an established vocational and ongoing training policy, the management ensures that the company's staff are highly trained. All employees receive selective ongoing training to ensure they can meet the demands made on them both now and in the future. This is based on two factors: each employee's individual responsibility to notify us of training requirements and the responsibility of managers to ensure that relevant training is offered to staff to foster personnel development. To secure sufficient qualified staff for the future, InTiCa Systems trains apprentices and generally hires them when they have completed their training.

» Environmental protection

As well as manufacturing products that increase environmental protection, InTiCa Systems places great value on environment-friendly production processes. For instance, an environmental management system that conforms with DIN EN ISO 14001:2009 has been integrated into the production site in Prachatice. The environmental policy enshrines the Board of Directors' commitment to ensuring compliance with all relevant legislation, avoiding environmental impact, and continually improving InTiCa Systems' environmental profile. It thus forms the framework for establishing and evaluating environmental targets. The environmental policy is applicable Group-wide.

2.5 Segment report

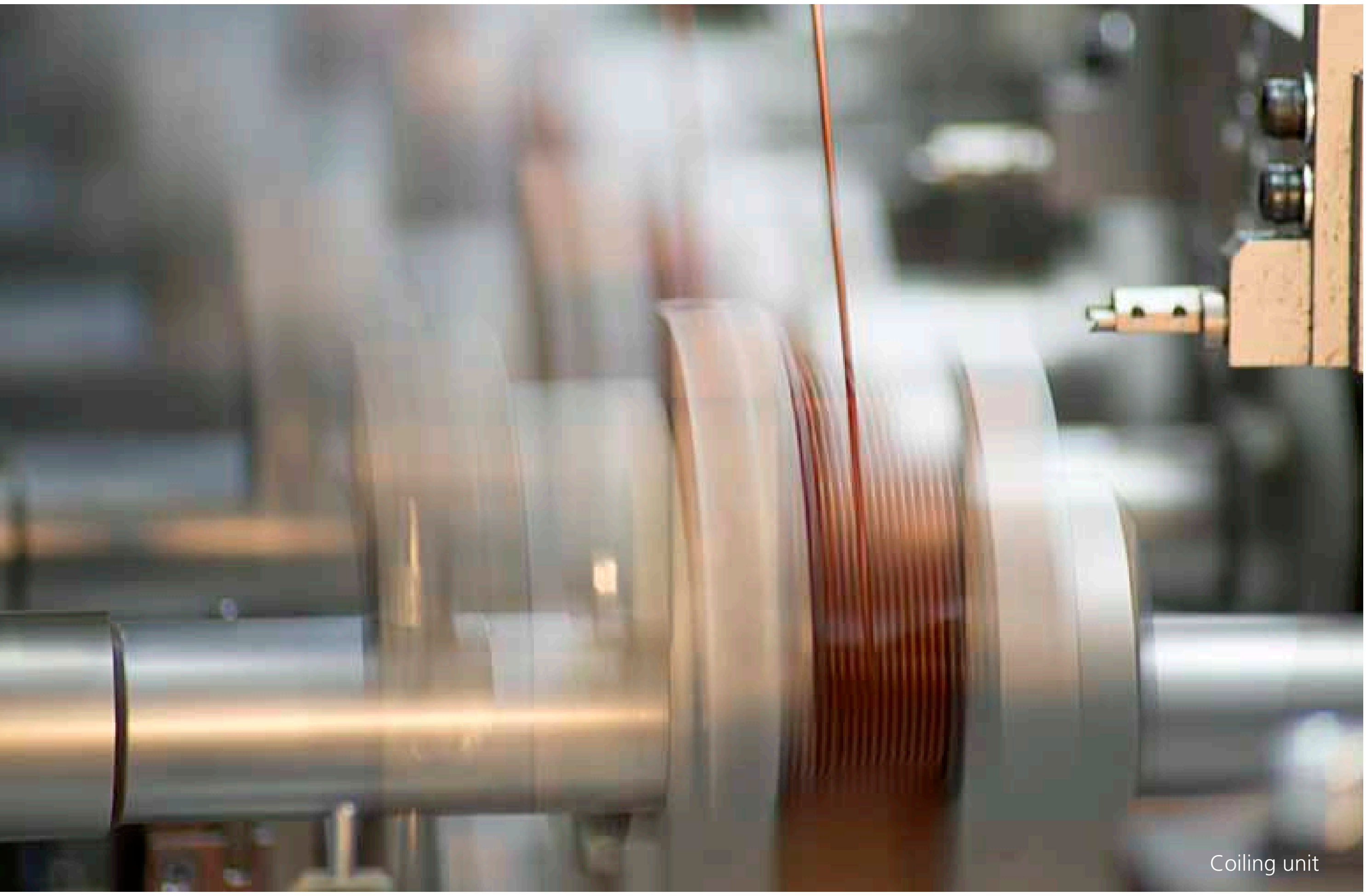
On the product side, the Group is divided into a number of product and volume sales areas (primary segment).

Segment	Automotive Technology		Industrial Electronics		Communication Technology		Total	
in EUR '000	2013	2012	2013	2012	2013	2012	2013	2012
Sales	22,468	18,141	9,969	12,283	5,401	5,915	37,838	36,339
Pre-tax earnings (EBIT)	1,583	1,024	290	-89	-867	-912	1,006	23

The Group draws a geographical distinction between Germany and other countries (secondary segment).

	Germany		Other countries		Total	
in EUR '000	2013	2012	2013	2012	2013	2012
Sales	22,410	20,267	15,428	16,072	37,838	36,339
Segment assets	12,410	11,576	17,524	18,872	29,934	30,448
Average no. of employees	63	64	372	358	435	422
of which agency staff	0	0	64	71	64	71

A full description of the segments and details of segment performance can be found in sections 1.1 and 2.2 of this management report.


Coiling unit

2.6 Remuneration system of the Board of Directors and Supervisory Board

2.6.1 Remuneration of the Board of Directors

The members of the Board of Directors receive a fixed monthly salary and a variable component based on the company's performance, which is payable after the end of the fiscal year. The variable component is based on the EBIT margin achieved. From an EBIT margin of 4%, the members of the Board of Directors receive a bonus of 20% of their annual base salary. The increase in the bonus payment is graduated. The maximum is 100% of their annual base salary for an EBIT margin of 14%. Payment is spread over three years. In addition, contributions are made to retirement pensions and each member of the Board of Directors has the use of a company car. The pension contributions are paid into a benevolent fund. The contracts with the members of the Board of Directors do not include any specific commitments in the event of termination of the contract, nor do they contain any change of control clause. There are no commitments for future pension or annuity payments to members of the Board of Directors. A breakdown of the individual remuneration of members of the Board of Directors can be found in Note 30.3 to the financial statements.

2.6.2 Remuneration of the Supervisory Board

Sec. 11 of the articles of incorporation of InTiCa Systems AG sets out the remuneration of the Supervisory Board. Alongside reimbursement of expenses and their individual value-added tax liability, each member of the Supervisory Board receives remuneration, payable after the end of the fiscal year, comprising a fixed payment of EUR 10,000.00 per fiscal year and an attendance fee of EUR 750.00 for each meeting of the Supervisory Board attended; the annual fixed payment is EUR 15,000.00 for the Chairman of the Supervisory Board and EUR 12,500.00 for the Deputy Chairman. Alongside the above amounts, the members of the Supervisory Board receive the following graduated payments for financial years in which the company reports a consolidated EBIT margin (ratio of EBIT to sales) of over 3%: 20% of their fixed remuneration if the EBIT margin is over 3%, 50% of their fixed remuneration if the EBIT margin is over 5% and 100% of their fixed remuneration if the EBIT margin is over 10%.

The company includes the members of the Supervisory Board in a Directors' and Officers' (D&O) insurance policy with an insured sum of up to EUR 4 million and pays the associated insurance premiums. A breakdown of the individual remuneration of members of the Supervisory Board in the reporting period can be found in Note 30.3 to the financial statements.

Total expenses for both governance bodies amounted to EUR 483 thousand in fiscal 2013 (2012: EUR 471 thousand).

2.7 Declaration of conformity on corporate management pursuant to sec. 289a HGB

The declaration on corporate management pursuant to sec. 289a of the German Commercial Code (HGB) comprises the declaration of conformity pursuant to sec. 161 of the German Companies Act (AktG), relevant information on corporate management practices, and descriptions of how the Board of Directors and Supervisory Board work, and of the composition and method of working of their committees.

It is contained in the corporate governance report on page 24 et seq. of this annual report. In addition, the corporate governance report is available on the company's website at www.intica-systems.de in the section Investor Relations/Corporate Governance.

2.8 Other information

Composition of the capital stock

The capital stock of InTiCa Systems AG is EUR 4,287,000 and is divided into 4,287,000 no-par bearer shares, which constitute a theoretical pro rata share of the capital stock of EUR 1.00 per share. All shares have the same voting rights and dividend claims. The only exceptions are shares held by the company (treasury shares), which do not confer any rights on the company. The rights and obligations of the shareholders are set out in detail in the German Companies Act (AktG), in particular in sec. 12, sec. 53a et seq., sec. 118 et seq. and sec. 186.

Restrictions on voting rights and the transfer of shares

Restrictions on the voting rights of shares could result from statutory provisions (sec. 71b and sec.136 AktG). The Board of Directors is not aware of any other restrictions on the exercise of voting rights or the transfer of shares.

Shareholdings exceeding 10% of the voting rights

Under the provisions of German securities trading legislation, every investor whose proportion of the voting rights in the company reaches, exceeds or falls below certain thresholds as a result of the purchase or sale of shares or in any other way must notify the company and the Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold for such disclosures is 3%. Mr. Thorsten Wagner (Germany) and Dr. Diekmann (Germany) have direct and indirect interests in the company's capital exceeding 10% of the voting rights.

Shares with special rights according rights of control

There are no shares in the company with special rights according rights of control.

Methods of controlling voting rights where employees hold shares in the company and do not directly exercise their right of control

InTiCa Systems AG does not currently have any employee stock programmes.

Authorization of the Board of Directors to issue or buy back shares

Under sec. 3 paragraph 3 of the articles of incorporation, the Board of Directors is authorized, until July 5, 2017, to increase the company's capital stock, with the consent of the Supervisory Board, by up to EUR 2,143,500.00 by issuing new shares for cash or contributions in kind in one or more tranches (authorized capital 2012/I). Further details are given in sec. 3 paragraph 3 of the company's articles of incorporation, which can be downloaded from the company's website at Company/Downloads.

On the basis of the resolution of the Annual General Meeting of May 29, 2008, the company was authorized, until November 28, 2009, to repurchase up to 10% of the capital stock of 428,700 shares at the date of the resolution. This resolution was used to purchase 263,889 shares in the company. As of December 31, 2013, InTiCa Systems still had 64,430 treasury shares (December 31, 2012: 64,430).

On the basis of a resolution adopted by the Annual General Meeting on July 6, 2012, the company is authorized, up to July 5, 2017, to purchase its own shares, in one or more tranches, up to a total of 10% of the capital stock at the time of adoption of this resolution or, if the capital stock is lower when this authorization is utilized, of the capital stock at the time when it is utilized.

Statutory provisions and regulations in the articles of incorporation on the appointment and dismissal of members of the Board of Directors and changes to the articles of incorporation

The appointment and dismissal of members of the Board of Directors is governed by sec. 84 and sec. 85 of the German Companies Act (AktG). Pursuant to the statutory provisions (sec. 179 paragraph 1 AktG) any amendment to the articles of incorporation requires a resolution of the General Meeting. Resolutions of the General Meeting are adopted on the basis of a simple majority vote (sec. 133 paragraph 1 AktG). Under sec. 8 paragraph 4 of the company's articles of incorporation, the Supervisory Board may make amendments to the articles of incorporation, providing these are merely editorial.

In addition, under sec. 3 paragraph 3 of the articles of incorporation, the Supervisory Board may alter the articles of incorporation in the event of a capital increase out of the authorized capital 2012/I to bring them into line with the extent of the capital increase and may make any other amendments associated with this provided that these are merely editorial.

Principal agreements entered into by the company that are governed by provisions on a change of control resulting from a takeover bid

InTiCa Systems has a EUR 5 million bonded loan which gives the lender a right of termination in the event of a change in the borrower's shareholder or ownership structure such that the shareholders or owners relinquish control over the borrower during the term of the loan or a person or group of persons acting jointly acquire more than 50% of the voting rights and/or more than 50% of the capital of the borrower, unless the prior consent of the lender is obtained.

In addition, the creditor of a EUR 2 million overdraft facility has an extraordinary right to terminate this facility. This right takes effect if one other person acquires at least 30 percent of the creditor's voting rights and the parties cannot reach agreement on new terms.

Compensation agreements entered into by the company with members of the Board of Directors or employees in the event of a takeover bid

There are no compensation agreements with either members of the Board of Directors or employees relating to a takeover bid.

3. Events after the reporting period

Since the reporting date on December 31, 2013 there have not been any events or developments that have a material impact on the earnings, assets or financial position of InTiCa Systems AG.

4. Risk management and risk report

4.1 Risk management

InTiCa Systems' business is exposed to a large number of risks that are inseparably linked to entrepreneurial activity. According to the internal definition, risks constitute the possibility of the occurrence of events that could adversely affect the economic situation of InTiCa Systems AG. InTiCa Systems AG uses effective management systems to ensure timely identification, evaluation and management of risks. The company's risk management is not based on a generally accepted basic concept.

The monitoring, analysis and control of risks are essential elements in the management and oversight regulations set out in sec. 91 paragraph 2 of the German Companies Act (AktG). Further, the German Commercial Code (HGB) requires a report on the company's future development and the related risks and opportunities.

Potential risks are entered in a risk management system installed at the company, analysed and classified on the basis of their probability of occurrence and potential damage. The risks are not quantified. Neither categoric exclusion nor fundamental avoidance of specific risks is planned. Business activities are examined for opportunities and risks at planning meetings and, on the basis of the findings, targets are derived. The attainment of these targets is monitored by a controlling and a reporting system. These systems provide a variety of indicators on, for example, the following key aspects: sales and earnings trends, orders on hand and inventories, gross margins, consumption of materials and production defects, personnel, liquidity and investments. The Board of Directors can access each report via the IT system and initiate appropriate counteraction.

Risk potential is updated regularly by senior managers. A monthly overview of risk potential is derived from the wide range of individual data entered. The risks are derived from the present business activities of the segments and sub-segments and corporate targets. The Board of Directors discusses the facts presented at its next meeting.

The efficiency of the risk management system as a whole is regularly monitored and assessed. If potential for improvement is identified, the Board of Directors is notified and modifications are implemented without delay. The systematization and monitoring of risks in this way includes regular documentation of the entire risk management and early warning system and checking that it is effective and fit for purpose.

4.2 Risk management relating to the accounting process

The accounting process is controlled by the parent company through the Group-wide Finance and Accounting, Controlling and Investor Relations departments. Functions and responsibilities in these areas are clearly separated/assigned and there are mutual control processes to ensure a continuous exchange of information. The internal control system for financial accounting is based on defined preventive and supervisory control mechanisms such as systematic and manual checking, and on predefined approval procedures, especially the separation of functions and compliance with guidelines. Appropriate IT precautions are in place to protect the financial systems used from unauthorized access. Financial accounting systems only use standard software. Uniform accounting is ensured by applying corporate accounting guidelines and standardized reporting formats. The guidelines and reporting formats are determined by the Board of Directors of the parent company and compliance is monitored continuously by employees in the Finance department. Alongside technical checks by the system, manual and analytical checks are performed. External consultants such as auditors and lawyers are consulted on changes and complex accounting issues.

The internal control and risk management system relating to the accounting process is fully integrated into the Group's quality assurance process.

4.3 Risks

» Market risks

Through its Automotive Technology, Industrial Electronics and Communication Technology segments, InTiCa Systems operates in areas exposed to general economic fluctuations. In the Communication Technology and Industrial Electronics segments in particular, the Group is dependent on political and/or strategic decisions by a few key customers relating to DSL and other broadband technologies and to the increased use of renewable energies. Even though the customer base has now been expanded and placed on a more international basis, dependence on political and strategic decisions still constitutes a significant risk factor. Further, competition is continuing to increase, especially from Asian companies. This would be exacerbated, in particular, if the US dollar were to depreciate against the euro.

The Automotive Technology segment is exposed to the customary economic risks in this sector, which could hold back expected growth considerably. That would be particularly true if customers of InTiCa Systems were to postpone the start of production of new models containing new components from InTiCa Systems due to a poor general economic situation or a reduction in subsidies (for electric and hybrid vehicles).

» Customer dependence

The sales split between the segments is as follows: Communication Technology 14.3%, Automotive Technology 59.4%, Industrial Electronics 26.3%. Within each segment, the proportion of sales generated with the largest customers is as follows: Communication Technology 28%, Automotive Technology 22% and Industrial Electronics 45%. If one or more of the segments were to lose major customers and be unable to replace them with equivalent new customers, this could adversely affect InTiCa Systems' business.

» Technological risks

Substitution of splitter technology as a result of full digitization of landline technology is possible in the medium to long term. Solutions that could endanger the operational success of InTiCa Systems AG – at least in the Communication Technology segment – are based on the cable television network, satellite and radio transmission, powerline technology and fibre-optic cables. The cost of a technical upgrade of the cable television network is considerably higher than upgrading the existing copper wire telephone network for VDSL. Moreover, powerline technology has not yet achieved a breakthrough. Similarly, in Germany, installation of a nationwide network based on fibre-optic technology, which currently has the highest transmission capacity, would require enormous investment. Moreover, interconnection with the copper-wire networks in homes requires the use of converters and splitters where InTiCa Systems has so far been the market leader. The Board of Directors does not see any significant technological risk for the Industrial Electronics and Automotive Technology segments.

» Personnel risks

In principle, there is a risk that key employees, especially sales and research and development personnel, could leave the company. InTiCa System counters this risk through an attractive remuneration system, social benefits and a wide range of vocational and further training offers. These reduce staff fluctuation and position the Group as an employer offering long-term security and career opportunities.

» Liquidity risk

InTiCa Systems currently has a bonded loan (EUR 5.0 million) from a leading German commercial bank. Security for this is divided 50:50 between a land charge in the Czech Republic and a EUR 1.0 million fixed-term deposit. The company also has a loan from the German Reconstruction and Development Bank (KfW) (EUR 3.8 million). In November 2013, a new annuity loan with a term of 7 years was concluded for the bonded loan that matures in 2014.

Both are used to secure liquidity. In addition, InTiCa Systems has credit lines of EUR 4.2 million. EUR 0.9 million of this amount was drawn as of the reporting date. Further, the company has cash and cash equivalents of EUR 1.3 million. EUR 1.0 million of this amount is pledged as security for a loan.

» Currency risk

The main currency risk for InTiCa Systems comprises the operating costs of its Czech production facilities and some customer contracts in US dollars. Since purchases and sales in US dollars were almost identical in fiscal 2013, as in previous years the Group did not undertake currency hedging.

InTiCa Systems' production facility in the Czech Republic sources goods from the euro zone. All deliveries are made on a euro basis, either to InTiCa Systems AG or to external manufacturers who undertake further processing steps. The currency risk with regard to the Czech koruna is therefore limited to local wages and overheads and the liabilities of the Czech subsidiary to the Group. No currency hedging was undertaken here, either. The risk comprises a further rise in the Czech koruna and the related increase in wage costs for production personnel.

» Interest rate risk

The company's exposure to the risk of short-term changes in interest rates on its loans is limited as the loan from the KfW runs for another three years and the loan from a German commercial bank runs for one year. Moreover, InTiCa Systems AG has agreed fixed customary interest rates for these loans as well as the newly closed annuity loan. However, interest income is dependent on short-term money market trends and there is thus a risk that only low interest income will be earned if rates fall. A capital investment guideline has been issued to document this conservative investment strategy.

» Credit risk (default risk)

A credit risk arises if a customer is unable to meet its contractual commitments. Given the unclear economic situation and the fact that many companies do not have a sound liquidity base at present, the Board of Directors considers the default risk to be not inconsiderable. To counter this risk the company undertakes extensive reviews of its customers' credit standing and engages in intensive receivables management, which is steadily being improved. Nevertheless, it cannot be ruled out that customers of InTiCa Systems could unexpectedly become insolvent. In view of the increasingly diversified customer base, the risk associated with individual customers is becoming less significant.

Moreover, it should be noted that the expected economic downturn and a possible decline in volume sales entail a significant sector risk, especially in the cyclical automotive sector, which is a central market for InTiCa Systems.

The German solar sector is suffering from increasing competitive pressure from Asia and structural problems following a change in the legislative framework. These trends are having a direct impact on the Industrial Electronics segment. Although none of InTiCa Systems' strategic customers has yet got into economic difficulties, this cannot be ruled out in the future. So far the company has not taken out credit insurance.

4.4. Overall statement on the risk situation

Overall, the Board of Directors is of the opinion that the risks are limited and calculable. Based on the information currently available, the Board of Directors' assessment is that there are no major individual risks, either at present or in the foreseeable future, that could be classified as a threat the company's existence.

Since the cash flow was clearly positive, debt had declined and the company has a good equity base, the Board of Directors rates the aggregate position as regards individual risks to the development of the Group as positive.

The introduction of new products and increasing diversification of markets will help bring a sustained stabilization of earnings and increase earnings again in the future.

5. Opportunities and management of opportunities

5.1 Management of opportunities

The markets of relevance to InTiCa Systems are constantly changing so new opportunities are constantly arising. Timely identification, and correct assessment and utilization of such opportunities are key success factors for InTiCa Systems. The potential may be either internal or external. InTiCa Systems AG does not have a system to manage opportunities. Moreover, opportunities are not quantified. Analysing opportunities falls within the remit of the Board of Directors. The strategic focus of the company and the operating measures taken are based on its analysis of opportunities. Besides, opportunities always involve risks. The role of risk management is to evaluate such risks and minimise them insofar as possible. InTiCa Systems strives to achieve a balance between opportunities and risks.

The next section outlines the most significant opportunities for InTiCa Systems. However, these are only an excerpt from the opportunities that arise. Further, the assessment of opportunities is subject to continuous change as the relevant markets and technological conditions are constantly changing. This can also generate new opportunities.

5.2 Opportunities

Continued repositioning as a systems supplier

As it develops and introduces new products, InTiCa Systems aims to increase value added and in this way continue to shift its positioning from a development partner to a solutions supplier to its customers. As a solutions provider, InTiCa Systems takes on a far broader range of tasks and develops complete systems in collaboration with customers for use in their end-products. In this way InTiCa Systems can offer customers far greater added value, retain them over the long term, and gain higher margins when negotiating prices.

Introduction of solutions for volume models/hybrid and electric drives

InTiCa Systems expects to see a steady increase in sales following the introduction of its components for keyless entry/go systems, and efficient engine management to reduce fuel consumption and CO_2 emissions in leading car producers' volume models, which are now going into production. In addition, the Group could benefit particularly from the future market for electric and hybrid vehicles, where it has a promising position with European producers, for instance with high-performance chokes and planar transformers.

In 2013 InTiCa Systems secured an order from a leading systems supplier to develop and manufacture key components for hybrid vehicles. The specific demands made on these components, which will be used for battery management, require a concept based on highly sophisticated technology. Use of the components in further model ranges and for other brands is currently under discussion with manufacturers and their suppliers.

New developments for industrial applications

Further, there are still plenty of new development options in new markets for the Industrial Electronics segment, which could provide further growth potential for this segment in the future. The Industrial Electronics segment develops and manufactures inductive components and modules for converters and inverters to transform solar energy into electric power for the grid, and inductive components to raise the efficiency of industrial equipment and domestic appliances.

Good access to system suppliers to the automotive industry

InTiCa Systems' customers include well-known German, European, American and Asian systems suppliers to the automotive industry (OEMs). Many long-term orders have been secured. Serial production has already started for some while for others it has yet to start. These orders generally run for between five and eight years. Consistently high product quality and a technological edge make it easier for InTiCa Systems to place new developments with customers in the automotive sector.

Development and manufacturing expertise

Thanks to its expertise in developing and producing inductive components (coils, chokes, power transfer, etc.), passive analogue switches (electronic filters) and mechatronic modules (combining various inductive components in an assembly), InTiCa Systems is able to address the requirements of potential customers and find solutions to new problems. Available synergies are also being leveraged, for example, for energy conversion in electric and hybrid vehicles. There is constant knowledge transfer and thus utilization of synergies between organizational units and technologies to ensure that the current products and solutions can trigger new applications.

Expansion of international business

Expanding its international presence offers further potential for InTiCa Systems to raise sales and increase its customer base. In the long term, building up international sales and production alliances and/or setting up branches will help InTiCa Systems become established internationally.

5.3 Overall statement on opportunities

The Board of Directors is of the opinion that there are currently sufficient opportunities in all segments to ensure the future growth of the company. In particular, the opportunities and risks are balanced.

6. Outlook

Growth opportunities for InTiCa Systems comprise developing, manufacturing and marketing innovative products that offer customers clear additional benefits that set them apart from competing products. A strong customer focus combined with the ability to drive forward product developments fast and effectively through new manufacturing technologies is the key prerequisite for using the growth prospects offered by the market.

6.1 Segment trends

» Automotive Technology

In 2014, the Board of Directors expects to see a further rise in demand for price-efficient and user-friendly automotive fittings that enhance comfort and safety, and reduce fuel consumption and CO_2 emissions, even in mid-class and small vehicles. Even if overall sales volumes in the automotive industry are flat, InTiCa Systems expects its sales revenues to increase thanks to the introduction of its components in new models being launched by leading international car producers. The company's products for e.g. keyless go/entry systems and power/engine electronics are now used in more than 300 different models.

In addition, many product innovations for electric and hybrid cars will become more important in the future and should also make a perceptible contribution to this segment's sales and earnings trends.

Sales guidance for 2014 is around EUR 28.5 million and the Board of Directors assumes that the Automotive Technology segment will once again make a substantial contribution to net income.

» Industrial Electronics

Most sales in this segment are generated with inductive components and mechatronic assemblies for inverters for use in the solar industry. Sales volumes declined further in 2013 as a result of the ongoing problems in the European solar industry. The Board of Directors anticipates that the market will stabilize in 2014 and that sales volumes will pick up. The Board of Directors still believes that in the medium term regenerative energy sources remain an area of technology that could provide growth impetus for the Group.

As well as being used in energy generation, products manufactured by InTiCa Systems are used for energy management. For example, further sales potential should come from products developed by the company to reduce the power consumption of industrial equipment and domestic appliances, and from voltage transformers for rail vehicles and welding equipment.

The Board of Directors' sales guidance for the Industrial Electronics segment in 2014 is around EUR 9.5 million and it expects segment earnings to be positive.

» Communication Technology

Tougher competition from other suppliers and transmission technology, accompanied by strong price pressure and reluctance to invest in expansion of the broadband network has resulted in a massive drop in sales in this segment since 2008.

However, by shifting production to suppliers in Asia, InTiCa Systems has achieved a significant improvement in marginal income on splitters. In addition, a variety of innovative products have been developed for other applications. These are used, for example, DSL broadband networks based on copper wire or coaxial cable technology, and to suppress interference in powerline networks.

The Board of Directors expects this segment to report sales of around EUR 5.0 million in 2014 and that operating earnings will break even.

6.2 Earnings, asset and financial position

The overall economic situation in 2014 will continue to be affected by uncertainty. Alongside the debt crisis in Europe, which has not yet been definitively resolved, market sentiment is becoming increasingly unsettled by the situation in developing countries and emerging markets. Automotive Technology will remain the most important segment for InTiCa Systems' business in 2014. Industrial Electronics and Communications Technology are expected to stabilize. In addition, all three segments have new products that should given them opportunities to gain access to further markets. Customer-specific solutions, combined with increased vertical integration and systems solution competence, are a key competitive advantage for InTiCa Systems. The Board of Directors therefore feels that in terms of costs and products InTiCa Systems is well positioned for 2014.

Business performance in the first quarter of 2014 was around the previous year's level with sales of around EUR 9.95 million (2012: EUR 9.85 million). The positive development of the Automotive Technology segment offset the downward trend in the other two segments. EBITDA is expected to be around EUR 1.4 million in the first quarter of 2014, while pre-tax earnings should be over EUR 0.2 million. Orders on hand as of March 31, 2013 were around EUR 37.8 million, considerably higher than a year earlier (March 31, 2013: EUR 34.0 million).

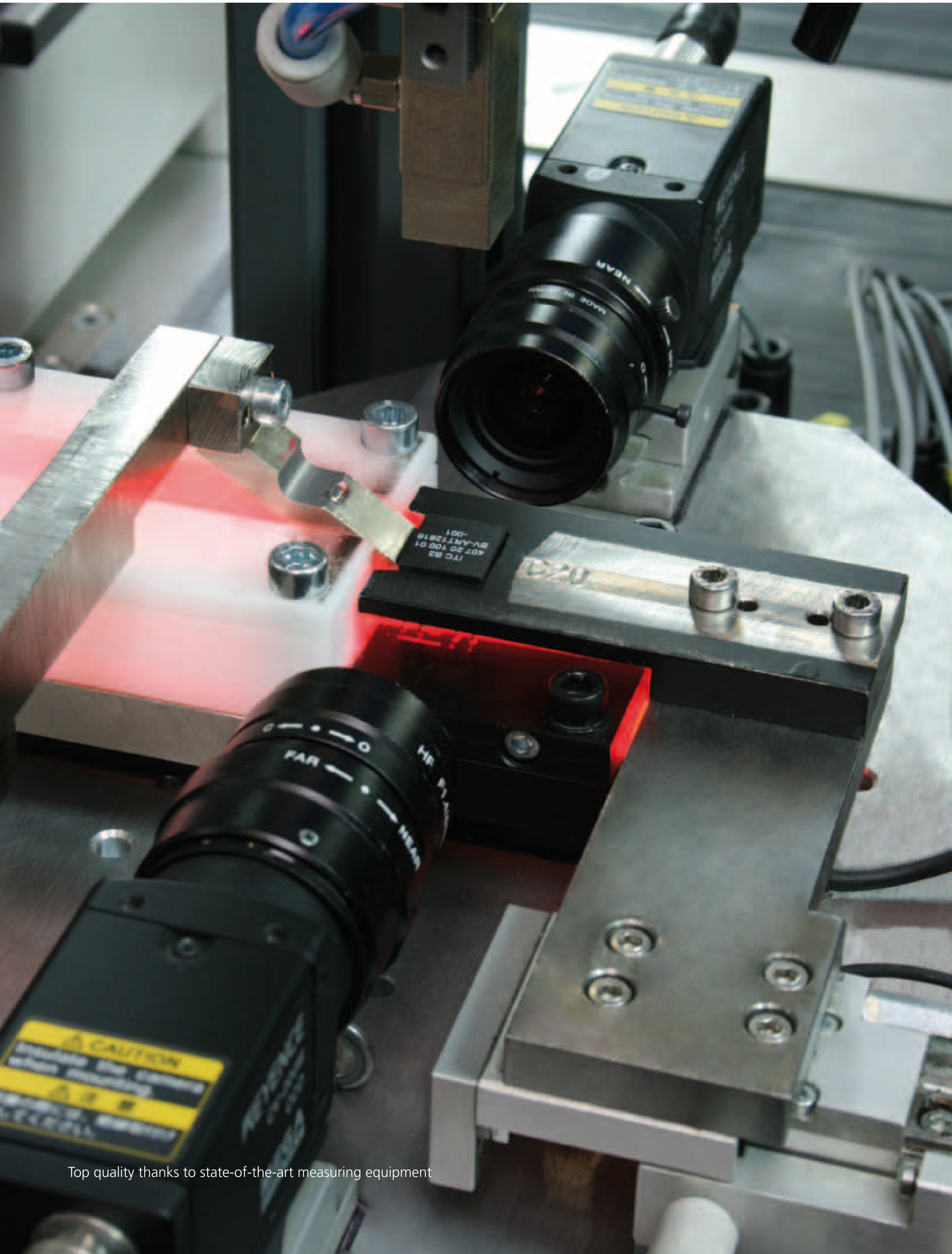
Assuming at least moderate overall growth, from the present viewpoint the Board of Directors therefore expects to raise sales and earnings further in 2014. Overall, the Board of Directors expects Group sales in 2014 to be around EUR 43 million, with an EBIT margin of around 3.5%.

Passau, April 23, 2014

The Board of Directors

Walter Brückl
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors



Top quality thanks to state-of-the-art measuring equipment

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Design department

Designing innovative products

with state-of-the-art technology

Consolidated Balance Sheet

of InTiCa Systems in accordance with IFRS
as at December 31, 2013

Assets

	Note	Dec. 31, 2013 EUR ´000	Dec. 31, 2012 EUR ´000
Non-current assets			
Intangible assets	14	4,760	4,813
Property, plant and equipment	13	12,855	14,741
Deferred taxes	10.3	1,109	1,300
Total non-current assets		**18,724**	**20,854**
Current Assets			
Inventories	17	7,154	6,172
Trade receivables	18	5,165	4,722
Tax assets	10.2	2	23
Other financial assets	16.1	7	5
Other current receivables	16.2	198	299
Cash and cash equivalents	31	1,313	1,356
Total current assets		**13,839**	**12,577**
Total assets		**32,563**	**33,431**

Equity and liabilities

	Note	Dec. 31, 2013 EUR ´000	Dec. 31, 2012 EUR ´000
Equity			
Capital Stock	19	4,287	4,287
Treasury Stock	19	-64	-64
General capital reserve	20	15,389	15,389
Profit reserve	21	534	60
Currency translation reserve	22	-1,558	-141
Total equity		**18,588**	**19,531**
Non-current liabilities			
Financial liabilities	23	7,594	8,931
Deferred taxes		1,518	1,644
Total non-current liabilities		**9,112**	**10,575**
Current liabilities			
Other current liabilities	24	622	549
Financial liabilities	23	2,247	1,072
Trade payables	25; 29.2	1,626	1,347
Other financial liabilities	26	194	201
Other current liabilities	27	174	156
Total current liabilities		**4,863**	**3,325**
Total equity and liabilities		**32,563**	**33,431**
Equity ratio		57%	58%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

of InTiCa Systems in accordance with IFRS for the period from January 1 to December 31, 2013

	Note	Fiscal year EUR ´000	Previous year EUR ´000
Sales	5; 6.2	**37,838**	**36,339**
Other operating Income	7	408	543
Change in finished goods and work in process	17	-255	-189
Other own work capitalized		1,275	1,232
Raw materials and supplies		22,577	22,728
Personnel expense	11.3	6,545	6,363
Depreciation and amortization	11.1; 13; 14	4,699	4,484
Other expenses	7	4,439	4,327
Operating profit (EBIT)		**1,006**	**23**
Cost of financing	9	472	494
Other financial income	8	4	10
Pre-tax loss/profit		**538**	**-461**
Income taxes	10.1	64	-72
Net loss/profit		**474**	**-389**
Other comprehensive income after taxes			
Items that will subsequently be reclassified to profit or loss if specific conditions are met:			
Exchange differences from the translation of foreign operations		-1,417	431
Other comprehensive income, after taxes		**-1,417**	**431**
Total comprehensive income		**-943**	**42**
Earnings per share (diluted/basic in EUR)	12	0,11	-0.09

Consolidated Cash Flow Statement

of InTiCa Systems in accordance with IFRS/IAS
for the period from January 1 to December 31, 2013

	Note	Fiscal year EUR ´000	Previous Year EUR ´000
Cash flow from operating activities			
Net income/loss for the period		474	-389
Income tax payments/receipts	10.1	64	-72
Cash outflow for borrowing costs	9	472	494
Income from financial investments	8	-4	-10
Depreciation and amortization of non-current assets	11.1	4,699	4,484
Non-cash transactions			
Net currency gains/losses		-475	84
Other transactions		2	2
Increase/decrease in assets not attributable to financing or investing activities			
Inventories	17	-982	1,373
Trade receivables	18	-443	-65
Other assets		99	-91
Increase/decrease in liabilities not attributable to financing or investing activities			
Other current provisions	24	73	-301
Trade payables	29.2	279	-1,444
Other liabilities		14	-98
Cash and cash equivalents from operating activities		4,272	3,967
Income tax receipts/payments		20	-5
Cash outflow for interest payments		-474	-497
Net cash flow from operating activities		3,818	3,465
Cash flow from investing activities			
Cash inflows from non-current receivables		0	1,500
Cash inflow from interest payments		4	40
Cash inflow from the disposal of property, plant and equipment		8	4
Cash outflow for intangible assets	14	-1,474	-1,430
Cash outflow for property, plant and equipment	13	-2,235	-1,297
Net cash flow from investing activities		-3,697	-1,183
Cash flow from financing activities			
Cash outflow for loan repayment installments		-617	-721
Cash outflow for liabilities under finance leases		-82	-78
Net cash flow from financing activities		-699	-799
Total cash flow		-578	1,483
Cash and cash equivalents at start of period		984	-500
Impact of changes in exchange rates on cash and cash equivalents held in foreign currencies		-2	1
Cash and cash equivalents at end of period	31	404	984


Plastics processing

Consolidated Statement of Changes in Equity

for InTiCa Systems according with IFRS

for the period from January 1, 2012 to December 31, 2013

	Capital stock EUR ´000	Treasury stock EUR ´000	Capital reserve EUR ´000	Profit reserve EUR ´000	Currency translation reserve EUR ´000	Total equity EUR ´000
Note	19	19	20	21	22	29.1
As at January 1, 2012	4,287	-64	15,389	449	-572	19,489
Net loss 2012	0	0	0	-389	0	-389
Other comprehensive income, after taxes	0	0	0	0	431	431
Total comprehensive income 2012	0	0	0	-389	431	42
As at December 31, 2012	4,287	-64	15,389	60	-141	19,531
As at January 1, 2013	4,287	-64	15,389	60	-141	19,531
Net income 2013	0	0	0	474	0	474
Other comprehensive income, after taxes	0	0	0	0	-1,417	-1,417
Total comprehensive income 2013	0	0	0	474	-1,417	-943
As at December 31, 2013	4,287	-64	15,389	534	-1,558	18,588

Notes to the Consolidated Financial Statements of InTiCa Systems AG for Fiscal 2013

NOTES

1. General information

InTiCa Systems AG was established on August 16, 2000 and is registered in the Commercial Register at the District Court of Passau (HRB 3759). The company has been listed in the Prime Standard on the Frankfurt stock exchange since November 8, 2004 (ISIN DE0005874846, ticker symbol IS7).

The company's registered office is in Passau, Germany. Its address is InTiCa Systems AG, Spitalhofstrasse 94, 94032 Passau, Germany. The company has one subsidiary in the Czech Republic. The principal activities of the company and its subsidiary are described in Note 6 Segment information and Note 15 Subsidiaries.

2. Application of new and amended standards

2.1 Standards, interpretations and amendments to standards and interpretations that had to be applied/were applied for the first time in the fiscal year

In the European Union, standards IFRS 10, IFRS 11 and IFRS 12 are only mandatory for financial years starting on or after January 1, 2014. However, voluntary earlier application is permitted. The company utilized this option. Further, IFRS 13 and the revised version of IAS 19 had to be applied for the first time in fiscal 2013.

None of the standards outlined in this section have any influence on the amounts recognized in the consolidated financial statements.

IFRS 10 (Consolidated Financial Statements) addresses the preparation and presentation of consolidated financial statements. It supersedes the corresponding provisions of IAS 27 (Consolidated and Separate Financial Statements) and SIC – 12 (Consolidation – Special Purpose Entities). IFRS 10 provides a uniform definition of control for all types of enterprise as the basis for full consolidation. Control requires that the parent company has rights to variable returns from its involvement with a company and the ability to affect those returns through its power to control the entity. Initial application of this standard was retrospective and had no impact on the consolidated financial statements.

IFRS 11 (Joint Arrangements) addresses accounting for joint arrangements and replaces the corresponding provisions of IAS 31 (Interests in Joint Ventures) and SIC – 13 (Jointly Controlled Entities – Non-Monetary Contributions by Ventures). A joint arrangement exists if the Group conducts operations with a third party on the basis of a contractual agreement. Joint control only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements can be subdivided into joint operations and joint ventures. Initial application of IFRS 11 (Joint Arrangements) and IAS 28

(Investments in Associations and Joint Ventures) is mandatory in the EU for financial years starting on or before January 1, 2014. Earlier application is permitted. The Group has applied these standards retroactively since January 1, 2013, in conjunction with the transitional provisions. They did not have any impact on the consolidated financial statements.

IFRS 12 (Disclosure of Interests in Other Entities) governs the disclosures in the notes on interests in subsidiaries and associated companies, joint arrangements and structured entities. Initial application in the EU is mandatory for fiscal years beginning on or after January 1, 2014. Earlier application is permitted. The Group has applied this standard since January 1, 2013.

IFRS 13 (Fair Value Measurement) provides a uniform definition and principles for determining fair value. Fair value is now defined as the price that would be achieved by selling an asset or paid to transfer a liability. Further, IFRS 13 specifies disclosures in the notes on assets and liabilities recognized at fair value. IFRS 13 was applied prospectively for the first time.

IAS 19 (Employee Benefits): The revision of IAS 19 alters the treatment of defined-benefit pension plans and termination benefits. The most significant change relates to the recognition in the balance sheet of changes in the defined-benefit obligation and plan assets. Since there are no corresponding agreements with employees, the revision has no impact on the consolidated financial statements.

2.2 Standards, interpretations and amendments to published standards where application was not mandatory in 2013 and which were not applied early by the Group

The Group did not opt for early application of the following new and amended standards and interpretations:

IFRS 9	Financial instruments [2, 3]
Amendments to IFRS 9 and IFRS 7	Date of mandatory application of IFRS 9 and disclosures relating to the transition [2, 3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment companies [1, 3]
Amendments to IAS 32	Offsetting of financial assets and liabilities [1]
IFRIC 21	Disclosures [1, 3]
Amendments to IAS 36	Disclosures on the recoverable amount of non-financial assets [1, 3]
Amendments to IAS 39	Novation of OTC derivatives and continuation of hedge accounting [1,3]

[1] To be applied for financial years starting on or after January 1, 2014

[2] To be applied for financial years starting on or after January 1, 2015

[3] Not yet endorsed by the EU

The published standards are not expected to have a significant impact on the assets, financial and earnings position of the Group. Further, the Group is not currently planning early application of these standards.

3. Principal accounting policies and valuation methods

3.1 Declaration of conformance

The consolidated financial statements have been prepared in conformance with the International Financial Reporting Standards, as applicable for use in the European Union.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been drawn up on the basis of historical acquisition or production costs. Historical acquisition or production costs are generally based on the fair value of the consideration paid for the asset. The fair value is the price that could be achieved in an orderly transaction between market participants for the sale of an asset or that would have to be paid for the transfer of a liability. This applies irrespective whether the price is directly observable or is estimated using a valuation method. The principal accounting policies and valuation methods are outlined below. Where amounts are stated in thousands of euros (EUR '000) individual items or transactions may be subject to rounding differences of +/-1.

3.3 Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company and any business entities under its control. Control exists when the parent company can exercise power over its subsidiaries, obtains variable returns from its shareholding, and can influence such returns through its power to control the entity. The separate financial statements of all consolidated companies are prepared as of the closing date for the consolidated financial statements.

Where necessary, the annual financial statements of subsidiaries are adapted to the accounting policies and valuation methods used at Group level.

All intragroup business transactions, balances, profits and losses are fully eliminated in the consolidation process.

3.4 Business combinations

Businesses acquired are accounted for using the purchase method. Acquisition costs comprise the sum of the fair values of the assets to be transferred as of the date of exchange, liabilities entered into and assumed, and equity instruments issued by the Group in exchange for control of the business entity acquired. Costs relating to the business combination are also treated as acquisition costs if they are directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities are recognized at fair value as of the date of acquisition, providing that the corresponding recognition criteria are met. All of the parent company's present business operations were acquired by establishing new entities through cash-based capital contributions.

3.5 Revenue recognition

Sales revenues are recognized at the fair value of the consideration received or to be received, less any expected returns by customers, discounts and similar deductions.

Revenues from the sale of goods are recognized when the following conditions are met:

- the Group has transferred all material risks and opportunities associated with ownership of the goods to the purchaser
- the Group does not retain either a right of control as is normally associated with ownership or effective control over the goods sold
- the sales revenues can be determined reliably
- it is probable that the economic benefit from the transaction will flow to the Group, and
- the costs incurred or to be incurred as a result of the transaction can be determined reliably.

Accordingly, revenues from the sale of goods are normally recognized when the goods are delivered and transfer of legal ownership has taken place.

Interest income is recognized when it is probable that the economic benefit will flow to the Group and the level of the revenue can be determined reliably. Interest income should be accrued over time on the basis of the outstanding nominal amount using the relevant effective interest rate. The effective interest rate is the interest rate used to discount the expected future inflows over the term of the financial assets to exactly the net carrying amounts of the assets as of the date of initial recognition.

3.6 Leasing

Leasing agreements are classified as finance leases if all material risks and benefits associated with ownership of the asset are transferred to the lessee. All other leasing agreements are classified as operating leases.

Assets held under finance leases are initially recognized by the Group as an asset at their fair value at the start of the lease agreement or, where this is lower, the present value of the minimum lease payments. The corresponding liability to the lessor is shown on the consolidated balance sheet as a financial liability.

The lease payments are divided into interest expense and payment instalments on the lease obligation in such a way that they constitute a constant charge for the remaining liability. Interest expense is recognized directly in the statement of profit or loss.

Lease payments from operating leases are recognized as an expense over the term of the lease using the straight-line line method.

3.7 Foreign currencies

When preparing the financial statements for each individual Group company, business transactions in currencies other than the functional currency of that company (foreign currencies) are translated at the exchange rates applicable on the transaction date. On each reporting date, monetary items in foreign currencies are translated at the applicable exchange rate on the reporting date. Non-monetary foreign currency items that are recognized at fair value are translated at the exchange rates that were valid on the date on which the fair value was calculated. Non-monetary items that are recognized at the cost of acquisition or production are translated at the exchange rate on the date on which they are first included in the financial statements.

Translation differences arising from monetary items, including those relating to independent foreign subsidiaries, are recognized in profit or loss in the period in which they occur. This does not apply to translation differences relating to receivables or payables from/to a foreign business operation where fulfilment is neither planned nor probable (and that are consequently part of a net investment in the foreign business operation). These are initially recognized in other comprehensive income and reclassified from equity to profit or loss in the event of divestment.

When preparing the consolidated financial statements, the assets and liabilities of the Group's foreign business operations are translated into euros (EUR) at the exchange rate applicable on the reporting date. Income and expenses are translated using the weighted average exchange rate for the fiscal year. If a foreign business operation is divested, all accumulated translation differences from this business operation that are attributable to the Group are reclassified to profit or loss.

The following exchange rates were used for the consolidated financial statements:

Country	Closing rates		Average rates	
	2013	2012	2013	2012
Czech Republic	EUR 1 CZK 27.425	EUR 1 CZK 25.140	EUR 1 CZK 25.974	EUR 1 CZK 25.143
USA	USD 1.377	USD 1.319	USD 1.328	USD 1.285

3.8 Taxation

Income tax expense represents the sum of current tax expense and deferred taxes.

» Current taxes

Current taxes are determined on the basis of taxable income for the year. Taxable income differs from the net income shown in the consolidated income statement due to income and expenses that will be taxable or tax-deductible in future periods or will never be taxable or tax-deductible. The Group's current tax liability is calculated on the basis of tax rates applicable on the reporting date or which will become applicable shortly after the reporting date.

» Deferred taxes

Deferred taxes are recognized for the differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding valuation used to calculate taxable income for the fiscal authorities. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized if it is probable that sufficient taxable profit will be available to utilize the tax-deductible temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary differences relating to the initial recognition of assets or liabilities result from events that do not affect taxable income or net income.

The carrying amount of deferred taxes is tested annually as of the reporting date and an impairment write-down is recognized if it is no longer probable that sufficient taxable income will be available to realize the asset either in full or partially.

Deferred tax assets and liabilities are calculated on the basis of anticipated tax rates (and tax legislation) that are expected to be applicable at the date of performance of the liability or realization of the asset. The valuation of deferred tax assets and liabilities reflects the tax implications that would arise if the liability were to be settled or the asset realized in the manner expected by the Group as of the reporting date.

» Current and deferred taxes for the reporting period

Current and deferred taxes are recognized in profit or loss unless they relate to items recognized either in other comprehensive income or directly in equity. In such cases, the current and deferred taxes are also recognized in other comprehensive income or in equity.

3.9 Earnings per share

Basic earnings per share are calculated by dividing proportion of the profit attributable to shareholders by the average number of shares outstanding in the financial year, excluding treasury stock held by the company itself.

3.10 Property, plant and equipment

Property, plant and equipment are recognized at acquisition or production cost – excluding ongoing maintenance expenses – less accumulated depreciation and accumulated impairment write-downs. These costs include the costs of replacing parts of such assets at the time when such costs are incurred, providing that the recognition criteria are met.

The carrying amounts of the property, plant and equipment are tested for impairment as soon as there are indications that they may exceed the recoverable amount.

Property, plant and equipment are derecognized at the date of disposal or when no further economic benefit is expected from the continued use or sale of the asset. Gains or losses resulting from derecognition of the asset are calculated from the difference between the net proceeds from the sale of the asset and its carrying amount and recognized in the statement of profit or loss for the period in which the asset is derecognized.

The residual values of assets, their useful lives and the depreciation method are reviewed at the end of each fiscal year and adjusted where necessary.

Assets are depreciated over the following useful lives using the straight-line method:

▪ Equipment, plant and office buildings	10 – 30 years
▪ Technical facilities and machines	5 – 8 years
▪ Vehicles, other facilities, furniture and office equipment	3 – 14 years

Land is not depreciated. The costs of major overhauls are included in the carrying amount of the asset providing that the recognition criteria are met.

3.11 Intangible assets

» Intangible assets acquired separately

Intangible assets acquired separately are recognized at acquisition costs less accumulated amortization and impairment write-downs. They are amortized over their expected useful life using the straight-line method and amortization is charged to income. The expected useful life of intangible assets and the amortization method are reviewed at the end of each fiscal year and any revised estimates are recognized prospectively. The useful lives of intangible assets vary between 3 and 5 years.

» Self-created intangible assets – research and development expenses

Research costs are expensed in the period in which they are incurred. Borrowing costs are not capitalized.

Self-created intangible assets resulting from development work are expensed if, and only if, it can be demonstrated that all the following criteria are met:

- completion of the intangible asset so that it will be available for use is technically feasible
- the company intends to complete and use the intangible asset
- the company has the ability to use the asset
- the way in which the intangible asset can be used to generate probable future economic benefits can be demonstrated
- adequate technical, financial and other resources are available to complete the development work and use the intangible asset
- the expenditure attributable to the intangible asset during its development can be measured reliably.

The amount initially capitalized for a self-created intangible asset is the expense incurred from the date on which the intangible asset fulfils these conditions. If a self-created intangible asset cannot be capitalized, the development costs are expensed in the period in which they are incurred.

In subsequent periods self-created intangible assets are carried at cost less accumulated amortization and impairment write-downs in the same way as intangible assets acquired separately. The useful life varies between 3 and 6 years and amortization is recognized using the straight-line method.

» Derecognition of intangible assets

Intangible assets are derecognized when they are disposed of, or no further economic benefit is expected to be derived from their use or disposal. The profit or loss resulting from the derecognition of an intangible asset, valued as the difference between the net proceeds and the carrying amount of the asset, is recognized as of the date of derecognition of the asset.

3.12 Impairment of property, plant and equipment and intangible assets

The Group tests the carrying amounts of property, plant and equipment and intangible assets for indications of impairment as of every reporting date. If such indications are identified, the recoverable amount of the asset is estimated to establish the scope of the potential impairment write-down. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is estimated for the cash generating unit to which the asset belongs. If an appropriate and stable basis can be determined for allocation, shared assets are allocated among the cash generating units. If this is not possible, they are allocated to the smallest group of cash generating units for which an appropriate and stable allocation basis can be determined.

Self-created intangible assets, including those that are not yet available for use, are tested for impairment at least once a year or if there are indications of possible impairment.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. To determine the value in use, the estimated future cash inflows are discounted using the pre-tax discount rate. The pre-tax discount rate takes account of the present market assessment of the time value of money and the risks inherent in the asset, insofar as this is not already been taken into account in the estimates of future cash flows.

If the estimated recoverable amount of an asset is below its carrying amount, the carrying amount is written down to the recoverable amount. The impairment write-down is immediately recognized in income. If an impairment write-down is subsequently reversed, the carrying amount of the asset is increased to the new estimate of its recoverable amount. However, the carrying amount may not exceed the carrying amount of the assets if they had not been impaired in previous years. The reversal is recognized directly in income.

3.13 Inventories

Inventories are carried at the lower of the cost of acquisition or production and net realizable value. The cost of acquisition or production of inventories is measured using the FIFO (first-in first-out) method.

The net realizable value is the estimated price that can be obtained in normal business conditions less the estimated production and selling expenses.

Write-downs are made for obsolete and slow-moving inventories.

3.14 Provisions

Provisions are established for all legal and substantive liabilities to third parties as of the balance sheet date, where these relate to past events that will probably lead to an outflow of resources in the future and a reliable estimate can be made of the level of such outflows. They represent uncertain liabilities that are determined on the basis of the best estimate. Provisions with a term of more than one year are discounted using market interest rates that reflect the risk and period until performance.

3.15 Financial assets

Financial assets are assigned to the following categories:

- At fair value through profit or loss
- Held-to-maturity financial assets
- Available-for-sale financial assets
- Loans and receivables

Classification is based on the type and purpose of the financial asset and is made at the time of addition.

With the exception of current receivables, where the discounting effect would be negligible, interest income is computed using the effective interest method.

» At fair value through profit or loss

Financial assets are classified to this category if they are held for trading. This applies if they are purchased principally with the intention of selling them in the near future. They are measured at fair value and any resultant gain or loss is recognized in profit or loss. The net gain or loss includes any dividends and interest payments on the financial asset.

» Held-to-maturity financial assets

This category comprises non-derivative financial assets with a fixed or determinable payment at a fixed maturity which the Group intends to and has the ability to hold until maturity. Following initial measurement, held-to-maturity financial assets are carried at amortized cost using the effective interest method, less impairments.

» Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are available for sale and are not classified as (a) loans and receivables, (b) held-to-maturity financial assets, or (c) financial assets held at fair value through profit or loss.

» Loans and receivables

Loans and receivables are non-derivative financial assets entailing fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, balances with banks and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any impairment write-downs. With the exception of current receivables, where the interest impact would be negligible, interest income is computed using the effective interest method.

» Impairment write-downs of financial assets

Financial assets, with the exception of those recognized in income at fair value, are tested for indications of impairment as of every reporting date. Financial assets are written down if, as a result of one or more factors occurring after the initial recognition of the asset, there are objective signs of a negative change in expected future cash flows from the asset.

Trade receivables for which there is no individual indication of impairment are tested for impairment on a portfolio basis. An objective indication of the impairment of a portfolio of receivables could be the Group's experience of receipts in the past, an increase in the frequency of defaults within the portfolio that exceed the average credit term of 60 days, and observable changes in the national or local economic environment which could be associated with defaults on receivables.

In the case of financial assets recognized at amortized cost, the impairment charge corresponds to the difference between the carrying amount of the asset and the present value of expected future cash flows calculated using the original effective interest rate for the financial asset.

Impairment results in a direct reduction in the carrying amount of all financial assets affected with the exception of trade receivables, where the carrying amount is reduced by means of an impairment account. If a trade receivable is considered to be uncollectable, the impairment write-down is recognized in the impairment account. Subsequent receipts relating to amounts that have already been written down are also booked to the impairment account. Changes in the carrying amount of the impairment account are recognized in the statement of profit or loss.

If the impairment of a financial asset that is not classified as available-for-sale is reduced in a subsequent reporting period and this reduction can be objectively assigned to an event occurring after recognition of the impairment write-down, the original impairment write-down is reversed via the statement of profit or loss. However, the asset may not be written back to a value above what would have been the amortized cost if an impairment had not been recognized.

» Derecognition of financial assets

Financial assets are only derecognized when the contractual rights to receive cash flows from the financial asset expire or the financial asset and all material risks and opportunities associated with ownership thereof are transferred to a third party.

When a financial asset is fully derecognized, the difference between the carrying amount and the total consideration received or to be received is recognized in profit or loss.

In connection with the classification of financial assets and liabilities, the following abbreviations are used:
AfS = available-for-sale
FVTPL = fair value through profit or loss
LaR = loans and receivables
HfT = held for trading
OL = other liabilities

3.16 Financial liabilities

Financial liabilities are classified either as held at fair value through profit or loss or as other financial liabilities.

» Liabilities recognized at fair value through profit or loss

Financial liabilities are classified as financial liabilities recognized at fair value through profit or loss if they are held for trading. This is the case if they are assumed principally with the intention that they will be repurchased in the short term. In this case, all gains and losses resulting from the valuation of the liabilities are recognized in income. The net profit or loss shown in the consolidated statement of profit or loss includes the interest paid on the financial liability and is recognized in other income/other expenses.

» Other financial liabilities

Other financial liabilities (including borrowing) are carried at amortized cost using the effective interest method.

» Derecognition of financial liabilities

The Group derecognizes financial liabilities when the corresponding liability has been settled or eliminated or has expired. The difference between the carrying amount of the derecognized financial liabilities and the consideration received or to be received is recognized in profit or loss.

In connection with the classification of financial liabilities the abbreviations set out in the Note 3.15 are used.

3.17 Security provided

The Group has provided security for liabilities to banks through blanket assignments (see Note 18), land claims and the pledging of security (see Note 13) and attachment of cash and cash equivalents (see Note 31). In the light of the present economic trend, utilization of this security is not deemed to be probable.

Lessors have security rights under finance leases (see Note 13).

3.18 Cash and balances on bank accounts

Cash and balances on bank accounts are recognized at cost. They comprise cash, bank balances that can be withdrawn at any time, and other highly liquid current financial assets with a maturity of maximum three months as of the date of acquisition.

4. Principal sources of estimation uncertainty

In the application of the accounting policies outlined in Note 3, the Board of Directors is required to assess facts, draw up estimates and make assumptions relating to the carrying amount of assets and liabilities where these cannot be obtained from other sources. Such estimates and the underlying assumptions are based on past experience and other factors deemed to be of relevance. The actual values may differ from the estimates.

The assumptions underlying such estimates are reviewed regularly. Where changes to such estimates only affect one period, they may only be adjusted if they relate to the present or future reporting periods, in which case they may be reflected in such periods.

» Principal sources of estimation uncertainty

This section outlines the main future-oriented assumptions and other major sources of estimation uncertainty as of the balance sheet date, insofar as they involve a material risk that a substantial adjustment might have to be made to the valuation of assets and liabilities within the following fiscal year.

» Self-created intangible assets

The Board of Directors decides on the basis of the progress of the project whether the criteria for recognition set out in IAS 38 are fulfilled. The cost of production is determined on the basis of the wage costs of the employees involved, separate lists of materials and general overhead allocations.

During the fiscal year, the Board of Directors once again tested intangible assets produced by the Group's development department for impairment. The self-created intangible assets were carried in the consolidated balance sheet at EUR 4.7 million as of December 31, 2013 (2012: EUR 4.7 million).

Overall, projects proceeded satisfactorily and customer resonance has also confirmed previous estimates made by the management of the expected future revenues. On the basis of a sensitivity analysis, the Board of Directors has come to the conclusion that the carrying amounts of assets will be realized in full, despite the possibility of lower revenues. Adjustments will be made in subsequent fiscal years if the future market situation/demand from customers suggests that such adjustments are necessary. For details of impairment losses in the fiscal year, please see Note 14. No further impairments were recognized in 2013.

5. Sales

The table shows the Group's sales split:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Revenues from trading	6,458	4,747
Revenues from production	31,380	31,592
Total revenues from the sale of goods	**37,838**	**36,339**

Revenues from trading relate to goods where little or no processing was undertaken. In contrast, revenues from production comprise the sale of goods that have undergone a material production process.

6. Segment information

6.1 Products that generate revenues for the reportable segments

Under IFRS 8, business segments are defined on the basis of internal reporting to the company's chief operating decision maker in order to allocate resources between the segments and assess their profitability. The information reported to the Board of Directors as the responsible management body for the purpose of allocating resources among the company's business segments and assessing their profitability normally relates to the type of goods produced. The production site is in Prachatice (Czech Republic). The reportable segments comprise the following:

» Automotive Technology

The Automotive Technology segment develops, designs and produces systems and solutions for sensor technology, electronic controls and network topologies. Most products are manufactured entirely by the Group, with production operations spanning plastics processing, coils, soldering, welding, testing, casting and assembly. This segment's customers are suppliers to all well-known automotive brands.

» Industrial Electronics

InTiCa Systems' Industrial Electronics segment specializes in developing and manufacturing high-quality, custom-tailored inductive components, mechatronic modules and system solutions for regenerative energy sources (solar power), and automation and drive technology.

» Communication Technology

This segment comprises DSL splitters for rapid data transfer. The Group's central business focus is the development, production and commercialization of splitter hardware for telecommunications service providers and private households. Splitters are manufactured in collaboration with cooperation partners and production covers all major components. The customer base comprises many well-known telecommunications providers.

6.2 Segment sales and segment result

	Segment sales		Segment result	
	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Automotive Technology	22,468	18,141	1,583	1,024
Industrial Electronics	9,969	12,283	290	-89
Communication Technology	5,401	5,915	-867	-912
Total	**37,838**	**36,339**	**1,006**	**23**
Income and expenses relating to assets not allocated to any segment			0	0
Financial result			**-468**	**-484**
Pre-tax profit			538	-461

The sales revenues presented above comprise revenues from transactions with external customers. There were no inter-segment transactions (2012: zero).

The accounting and valuation methods used by the reportable segments are identical to those used by the Group as outlined in Note 3. The segment result shows each segment's EBIT. EBIT is reported to the company's chief operating decision maker as a basis for decisions on the allocation of resources to each segment and for assessing its profitability.

6.3 Segment assets and liabilities

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Automotive Technology	20,298	18,847
Industrial Electronics	5,751	6,689
Communication Technology	3,885	4,912
Total	**29,934**	**30,448**
Assets not allocated to any segment	2,629	2,983
Total consolidated assets	**32,563**	**33,431**

For the purpose of monitoring profitability and allocating resources between the segments, the company's chief operating decision maker monitors the tangible, intangible and financial assets allocated to each segment. Assets are allocated to the segments, with the exception of the following items:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Cash and cash equivalents	1,313	1,356
Other current receivables	198	299
Other financial assets	7	5
Tax receivables	2	23
Deferred taxes	1,109	1,300
Total	**2,629**	**2,983**

Liabilities are not allocated among the segments.

6.4 Other segment information

	Depreciation, amortization and impairment write-downs		of which impairment write-downs	Additions to non-current assets	
	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000	Dec. 31, 2013 in EUR '000	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Automotive Technology	3,035	2,648	0	2,610	2,008
Industrial Electronics	947	1,084	0	591	476
Communication Technology	717	752	0	508	243
Total	**4,699**	**4,484**	**0**	**3,709**	**2,727**

The total depreciation, amortization and impairment write-downs include EUR 0 thousand (2012: EUR 52 thousand) for amortization of intangible assets. For information on impairment write-downs on self-created intangible assets see Note 14.

6.5 Sales generated by the principal products

The sales split between the Group's principal products is as follows:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Small signal electronics	5,928	4,902
Power electronics	13,954	12,653
Mechatronic components and systems	13,065	12,344
Other	4,891	6,440
Total	**37,838**	**36,339**

6.6 Geographical information

The Group's principal geographical segmentation comprises Germany and other countries.

	Sales revenues from transactions with external customers		Non-current assets	
	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Germany	22,410	20,267	6,832	6,874
Other countries	15,428	16,072	10,783	12,680
of which Czech Republic (2012: Switzerland)	4,139	5,793		
Total	**37,838**	**36,339**	**17,615**	**19,554**
Assets not allocated to any segment			1,109	1,300
Non-current assets, total			18,724	20,854

The data on sales in the Czech Republic are based on the location of the customer. Non-current segment assets in other countries comprise the company's production facilities in the Czech Republic.

6.7 Information on major customers

The Group's two largest customers accounted for around EUR 4,888 thousand (2012: EUR 5,181 thousand) and EUR 4,506 thousand (2012: EUR 4,339 thousand) of direct sales of products. That was 12.9% (2012: 14.3%) and 11.9% (2012: 11.9%) of total sales. These are customers of the Automotive Technology and Industrial Electronics segments. In both 2013 and 2012 the other customers were broadly diversified and each accounted for an average of less than 10% of sales.

7. Other income and expenses

Other income

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Income from the sale of property, plant and equipment	3	0
Gains from foreign currency translation	191	423
Income from reductions in write-downs on receivables	42	40
Other	172	80
Total	408	543

Other expenses

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Exchange losses	430	314
Cost of premises	546	557
Insurance premiums, contributions, levies	158	170
Vehicle expenses	263	249
Advertising costs, travel expenses	146	168
Delivery costs	806	616
Maintenance and repairs	470	382
Agency staff	566	655
Other operating expenses	1,054	1,216
Total	4,439	4,327

8. Other financial income

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Interest income from balances on bank accounts	4	6
Other financial assets	0	4
Total	4	10

Breakdown of investment income from assets by valuation class:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Cash on hand and bank balances (LaR)	4	6
Financial assets recognized at amortized cost (LaR)	0	4
Total	4	10

9. Financial expenses

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Interest on overdrafts and bank loans	459	476
Interest on obligations relating to finance leases	13	18
Total	472	494

Breakdown of expenses for financial liabilities by valuation class:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Financial liabilities measured at amortized cost (OL)	472	494

10. Income taxes

10.1 Income taxes recognized in the statement of profit or loss

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Current tax expense	0	0
Deferred taxes	64	-72
Total	**64**	**-72**

The following reconciliation shows a breakdown of tax expense among income items in the fiscal year:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Income before taxes	538	-461
Theoretical tax expense (2012: tax income)	161	-137
Impact of tax-exempt income/ non-deductible expenses	25	26
Impact of tax-exempt income from foreign subsidiaries	-122	103
Impact of unused tax loss carryforwards not recognized as deferred tax assets	0	0
Impact of tax audit	0	-64
Total	**64**	**-72**

The tax rate used for the above reconciliation for 2013 and 2012 is the tax rate of around 29.83% payable by companies in Germany on taxable income in accordance with the applicable tax legislation.

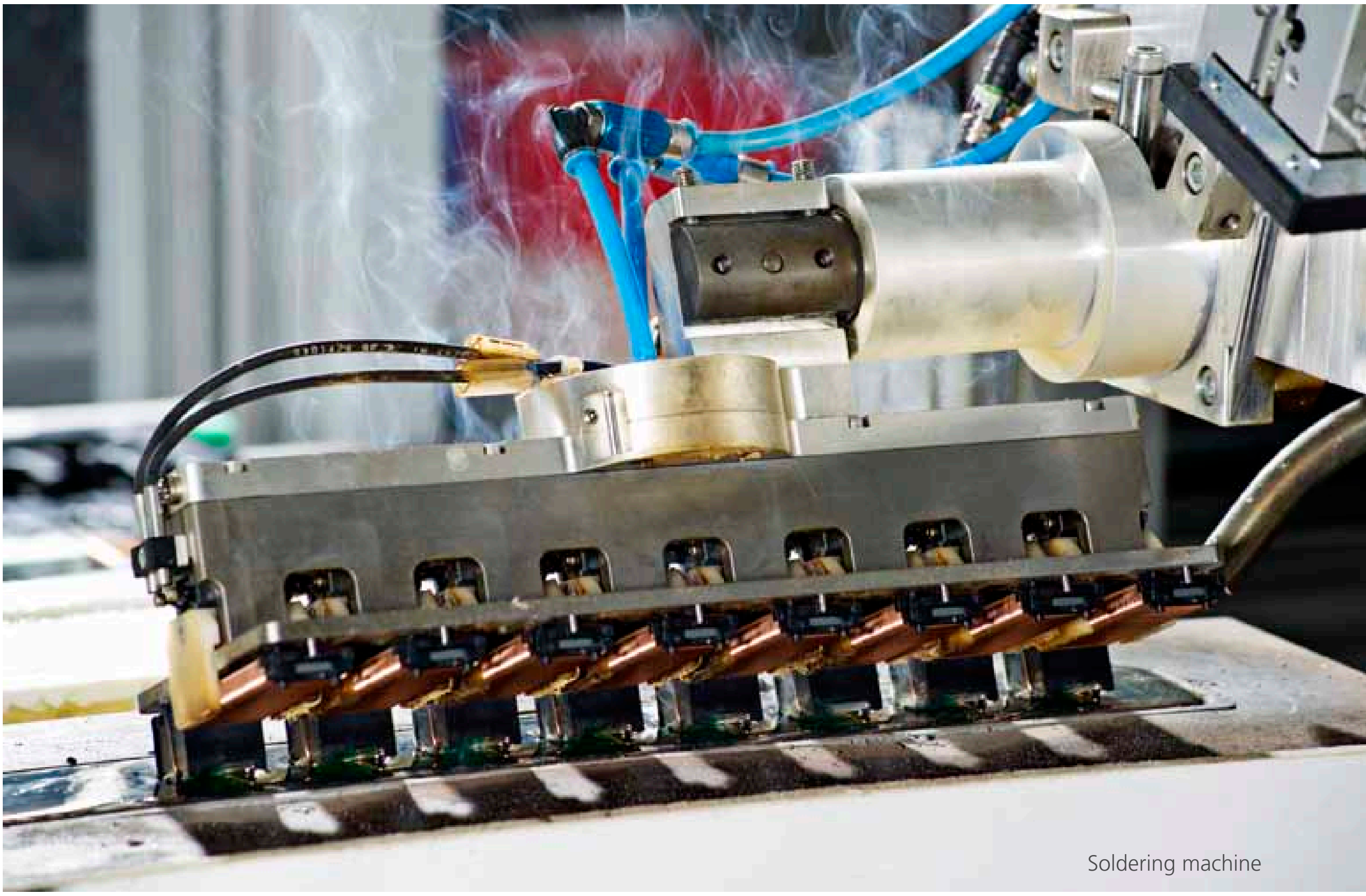
10.2 Current claims for tax refunds

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Current claims for tax refunds	2	23

10.3 Deferred taxes

2013	Initial balance in EUR '000	Recognized in profit or loss in EUR '000	Recognized in other compre-hensive income in EUR '000	Recognized directly in equity in EUR '000	End balance in EUR '000
Temporary differences					
Intangible assets	-1,406	9	0	0	-1,397
Property, plant and equipment	-147	118			-29
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,300	-191	0	0	1,109
Total	**-344**	**-64**	**0**	**0**	**-408**
2012					
Temporary differences					
Intangible assets	-1,384	-22	0	0	-1,406
Property, plant and equipment	-313	166			-147
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,372	-72	0	0	1,300
Total	**-416**	**72**	**0**	**0**	**-344**

The tax loss carryforwards to which deferred tax assets refer relate to tax losses at the parent company in the period 2007-2010.



Soldering machine

10.4 Unrecognized deferred tax assets

Profits from the subsidiary in the Czech Republic are exempt from taxation up to a cumulative amount of approximately EUR 11 million. This tax exemption applies up to and including fiscal 2016. The level of the tax exemption results from investments made at the Czech site.

Further, deferred taxes were not recognized for "outside basis differences" because the company is not planning to divest its shares in associated companies and these transactions would in any case be allocated to the tax-exempt operations.

11. Net income

11.1 Depreciation, amortization and impairment write-downs

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Impairment write-downs on property, plant and equipment	0	0
Depreciation of property, plant and equipment	3,174	3,027
Impairment write-downs on intangible assets	0	52
Amortization of intangible assets	1,525	1,405
Total	4,699	4,484

For information on impairment write-downs on intangible assets in the fiscal year, see Note 14.

Laboratory

11.2 Research and development costs expensed immediately

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Research and development costs expensed in the fiscal year	655	818

11.3 Personnel-related expenses

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Benefits paid under defined-contribution plans after termination of the employment contract (see Note 34)	690	664
Other payments to employees	5,855	5,699
Total	**6,545**	**6,363**

12. Earnings per share

Earnings and the weighted average number of ordinary shares used to calculate basic and diluted earnings per share are shown below:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Net income (2012: net loss)	474	-389
Weighted average ordinary shares (in thousand units)	4,223	4,223
Earnings per share (in EUR)	**0.11**	**-0.09**

The weighted average number of ordinary shares takes account of the purchase/sale of treasury stock (Note 19).

13. Property, plant and equipment

Change in non-current assets in the period January 1, 2012 to December 31, 2013
InTiCa Systems Group

In EUR '000	Land and buildings	Technical equipment and machinery	Other facilities, furniture and office equipment	Advance payments and construction in process	Total
Cost of acquisition or production					
As at January 1, 2012	6,456	20,248	1,749	322	28,775
Additions	51	1,072	161	13	1,297
Transfers	0	113	23	-136	0
Disposals	0	-68	-243	0	-311
Translation differences	155	345	3	0	503
As at December 31, 2012 / January 1, 2013	**6,662**	**21,710**	**1,693**	**199**	**30,264**
Additions	100	1,085	376	674	2,235
Transfers	0	0	22	-22	0
Disposals	0	-124	-190	0	-314
Translation differences	-509	-1,217	-10	0	-1,736
As at December 31, 2013	**6,253**	**21,454**	**1,891**	**851**	**30,449**
Depreciation					
As at January 1, 2012	905	10,594	1,144	0	12,643
Depreciation	258	2,493	276	0	3,027
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-68	-236	0	-304
Translation differences	17	138	2	0	157
As at December 31, 2012 / January 1, 2013	**1,180**	**13,157**	**1,186**	**0**	**15,523**
Depreciation	253	2,583	338	0	3,174
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-124	-185	0	-309
Translation differences	-82	-703	-9	0	-794
As at December 31, 2013	**1,351**	**14,913**	**1,330**	**0**	**17,594**
Balance sheet value as at December 31, 2013	**4,902**	**6,541**	**561**	**851**	**12,855**
Balance sheet value as at December 31, 2012	5,482	8,553	507	199	14,741

Most additions of property, plant and equipment comprise capital expenditures for expansion.

Assets and land charges pledged as collateral

Land charges (EUR 1,500 thousand) have been registered for developed land owned by the Group with a carrying amount of EUR 4,727 thousand (2012: EUR 5,252 thousand) as security for the Group's liabilities to banks.

At the end of fiscal 2013 the Group had liabilities under finance leases totalling EUR 182 thousand (2012: EUR 264 thousand) (see Note 28), which secure the rights of lessors to the leased assets. The carrying amount of leased assets in 2013 was EUR 261 thousand (2012: EUR 311 thousand).

14. Intangible assets
Change in non-current assets in the period January 1, 2012 to December 31, 2013
InTiCa Systems Group

In EUR '000	Self-created intangible assets	Other intangible assets	Total
Cost of acquisition or production			
As at January 1, 2012	7,236	535	7,771
Additions	1,397	32	1,429
Transfers	0	0	0
Disposals	-359	-37	-396
Translation differences	0	1	1
As at December 31, 2012 / January 1, 2013	**8,274**	**531**	**8,805**
Additions	1,455	19	1,474
Transfers	0	0	0
Disposals	-851	-42	-893
Translation differences	0	-3	-3
As at December 31, 2013	**8,878**	**505**	**9,383**
Amortization			
As at January 1, 2012	2,507	423	2,930
Amortization	1,412	45	1,457
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-359	-37	-396
Translation differences	0	1	1
As at December 31, 2012 / January 1, 2013	**3,560**	**432**	**3,992**
Amortization	1,486	39	1,525
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-849	-42	-891
Translation differences	0	-3	-3
December 31, 2013	**4,197**	**426**	**4,623**
Balance sheet value as at December 31, 2013	**4,681**	**79**	**4,760**
Balance sheet value as at December 31, 2012	4,714	99	4,813

Where the underlying projects have not been completed or no sales have been generated, self-created intangible assets (carrying amount EUR 1,468 thousand; 2012: EUR 1,766 thousand) are not yet subject to amortization.

Impairment write-downs in 2013

For development projects, the amortization recognized in the statement of profit and loss includes impairment write-downs of EUR 0 thousand (2012: EUR 52 thousand) in addition to regular amortization. The impairment write-downs in 2012 were due to the fact that, contrary to the original forecasts, the customers will not be placing further orders. The carrying amounts of the development projects were written down entirely because a positive net realizable value was not expected, even in the event of sale of the projects.

15. Subsidiaries

Details of subsidiaries as of December 31, 2013 are presented below:

Name of subsidiary	Head office	Stake in %	Voting rights in %	Main business activity
InTiCa Systems s.r.o.	Prachatice, Czech Republic	100	100	Production
(2012:		100	100	)

16. Other financial assets and other receivables

16.1 Other financial assets

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Receivables recognized at amortized cost		
Bonded loan	0	0
Other financial assets	7	5
Total	**7**	**5**
Non-current	0	0
Current	7	5
Total	**7**	**5**

16.2 Other current receivables

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Deferred charges	53	64
Advance payments made	63	96
Current tax receivables	82	139
Total	**198**	**299**

17. Inventories

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Raw materials and supplies	4,929	3,692
Work in process	1,287	1,417
Unfinished tools with customer involvement	250	0
Finished goods	688	1,063
Total	**7,154**	**6,172**

Total impairment write-downs on inventories recognized in profit and loss amounted to EUR 75 thousand (2012: EUR 26 thousand). They comprised EUR 5 thousand (2012: EUR 18 thousand) in the Communication Technology segment, EUR 34 thousand (2012: EUR 4 thousand) in the Automotive Technology segment and EUR 36 thousand (2012: EUR 4 thousand) in the Industrial Electronics segment. As of the reporting date the carrying amount of these inventories was EUR 87 thousand (2012: EUR 17 thousand).

18. Trade receivables

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Trade receivables	5,180	4,764
Impairment write-downs	-15	-42
Total	**5,165**	**4,722**

Payment terms for products sold are normally 30-90 days. Impairment write-downs on trade receivables are made on a case-by-case basis on receivables that are disputed by the customer.

The Group conducts a creditworthiness test before accepting new customers and sets individual credit limits. The customer's creditworthiness and the credit limit are reviewed once a year. On the reporting date, trade receivables totalling EUR 420 thousand (2012: EUR 371 thousand) were due from the group's two biggest customers. Trade receivables amounting to more than 5% of total trade receivables (2011: 5%) were due from 8 (2011: 8) customers.

Impairment write-downs were not recognized for trade receivables amounting to EUR 661 thousand (2012: EUR 945 thousand) which were overdue on the reporting date because no material change in the creditworthiness of the debtors had been identified and the amounts due are expected to be paid. The Group does not have any security for these open items.

Age structure of overdue but non-impaired receivables:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
1 – 30 days	552	837
between 30 and 60 days	78	32
more than 60 days	31	76
Total	**661**	**945**

Changes in impairment write-downs

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Status at start of year	42	40
Amounts written down as uncollectable during the financial year	-42	-40
Impairment write-downs on receivables	15	42
Total	**15**	**42**

All changes in the creditworthiness of customers between the date on which the payment terms were granted and the reporting date are taken into account when testing trade receivables for impairment. There are no significant credit cluster risks as the customer base is diversified and there is no correlation within the customer base. The Board of Directors is therefore convinced that no risk provisioning is necessary beyond the impairment write-downs already recognized. The average age structure of impaired receivables was 666 days (2012: 368 days).

To secure credit lines totalling EUR 4.0 million, a blanket assignment has been made. This comprises the parent company's trade receivables. As of the reporting date, the carrying amount of the receivables was EUR 5.2 million.

19. Capital stock

Capital stock and ordinary shares

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
4,287,000 fully paid-in ordinary shares	4,287	4,287
64,430 treasury shares (treasury stock)	-64	-64
Total	**4,223**	**4,223**

Treasury stock

	Dec. 31, 2013 in EUR '000	% of capital stock	Dec. 31, 2012 in EUR '000	% of capital stock
Status at start of year	64	1.493	64	1.493
Shares sold (nominal capital)	0	0	0	0
Shares repurchased	0	0	0	0
Total	**64**	**1.493**	**64**	**1.493**

The fully paid-up ordinary shares have a theoretical nominal value of EUR 1. Each share confers one voting right and all shares are eligible for dividend payments.

The Board of Directors is authorized by a resolution of the Annual General Meeting of July 6, 2012 to increase the capital stock with the Supervisory Board's consent, up to July 5, 2017, by a total of up to EUR 2,143,500.00 in return for cash or contributions in kind under exclusion of shareholders' subscription rights **(authorized capital 2012/I)**.

20. General capital reserve

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Status at start of year	15,389	15,389
Sale of treasury stock	0	0
Pro rata net income	0	0
Total	**15,389**	**15,389**

21. Profit reserve

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Status at start of year	60	449
Net income (2012: net loss)	474	-389
Total	**534**	**60**

22. Currency translation reserve

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Status at start of year	-141	-572
Translation of foreign business operations	-1,417	431
Total	**-1,558**	**-141**

Translation differences arising from translation from the functional currency of foreign business operations to the Group's reporting currency (EUR) are recognized directly in the currency translation reserve.

23. Financial liabilities

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Unsecured – recognized at amortized cost		
Overdrafts	10	9
Loans	3,750	4,000
Secured – recognized at amortized cost		
Overdrafts	899	363
Liabilities relating to finance leases (see Note 28)	182	264
Loans	5,000	5,367
Total	**9,841**	**10,003**
Current	2,247	1,072
Non-current	7,594	8,931
Total	**9,841**	**10,003**

Summary of financing agreements:
Overdrafts are subject to variable interest during the year. Interest on loans is 1.56% - 5.5% p.a. (2012: 1.56% - 5.89% p.a.).

Non-current loans incur interest at a fixed rate averaging 4.7% p.a. (2012: 4.7% p.a.).

24. Provisions

	Jan. 1, 2013 in EUR '000	Utilized in EUR '000	Reversed in EUR '000	Additions in EUR '000	Dec. 31, 2013 in EUR '000
Trade-related commitments (i)	282	282	0	337	337
Personnel expense (ii)	237	237	0	255	255
Other (iii)	30	30	0	30	30
Total	**549**	**549**	**0**	**622**	**622**

(i) Provisions for trade-related commitments comprise provisions for expected credit notes and outstanding invoices.

(ii) The provisions for personnel expense cover employees' annual vacation entitlements and a profit-sharing component, and expected contributions to the employers' liability insurance association.

(iii) The other provisions comprise costs for retention obligations.

The provisions presented above are current provisions; cash outflows within the next 12 months are considered probable.

25. Trade payables

Average payment terms of 14-60 days are granted for the purchase of certain goods. No interest is charged for this. The Group has financial risk management arrangements in place to ensure that all payables are settled within the term granted. In addition, wherever possible the payment terms for raw material suppliers have been adjusted to match customers' payment terms.

26. Other financial liabilities

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
At amortized cost		
Other financial liabilities	194	201

27. Other current liabilities

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Accrued expenses	0	0
Advance payments received	10	9
Other liabilities	164	147
Total	174	156

28. Liabilities relating to finance leases

The Group currently has the following finance leases:

	Minimum lease payments		Present value of Minimum lease payments	
	Dec. 31, 2013 in EUR '000	**Dec. 31, 2012 in EUR '000**	**Dec. 31, 2013 in EUR '000**	**Dec. 31, 2012 in EUR '000**
With a residual term of up to 1 year	104	109	96	96
With a residual term of between 1 and 5 years	96	178	86	168
Total	**200**	**287**	**182**	**264**
Less future financing costs	-18	-23		
Present value of minimum lease payments	182	264	182	264
Shown in the consolidated financial statements as:				
- Current liabilities (see Note 23)			88	83
- Non-current liabilities (see Note 23)			94	181
Total			**182**	**264**

These relate to a residual value lease agreement for two injection moulding machines, which were leased for a period of 48 months from April 2011 at a leasing rate of 5.8%. At the end of the leasing period, the Group can purchase the machines at the residual value of EUR 71 thousand (corresponding to 18% of the cost of acquisition).

29. Financial instruments

29.1 Capital risk management

The Group manages its equity and debt with the clear aim of optimizing the income, costs and assets of the individual companies in the Group to ensure sustained profitability and sound balance sheet structures. Financial leveraging capacity, sufficient liquidity at all times, and a clear focus on cash-related ratios and management indicators play an important role in ensuring this, in keeping with the Group's strategic focus and long-term objectives.

This ensures that all Group companies are able to operate on the going concern principle. In addition, authorized capital ensures that the Group has the flexibility to raise further equity capital in order to utilize future market opportunities.

The Group's capital structure comprises interest-bearing financial liabilities, cash and cash equivalents and the equity of the parent company. The equity comprises paid-in shares, the capital reserve and the profit reserve.

The Group's risk management regularly reviews the development of the capital structure. In this context, increasing attention is paid to net financial debt as well as to the equity ratio. The ratio of net financial debt to EBITDA is calculated. Thus, further optimal development requires very strong financing capacity (EBITDA) as a basis for the ability to raise debt.

The equity ratio, net debt ratio and EBITDA are shown in the table:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Equity	18,588	19,531
Total assets	32,563	33,431
Equity ratio	57.1%	58.4%

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Interest-bearing financial liabilities	9,841	10,003
Cash and cash equivalents (-)	1,313	1,356
Net financial debt	**8,528**	**8,647**
EBIT	1,006	23
Depreciation, amortization and impairment write-downs	4,699	4,484
EBITDA	5,705	4,507
Net financial debt/EBITDA	**1.49**	**1.92**

29.2 Categories of financial instruments

	Category	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Financial assets		**6,485**	**6,083**
Cash on hand and bank balances	LaR	1,313	1,356
Trade receivables	LaR	5,165	4,722
Financial assets recognized at amortized cost	LaR	7	5
Financial liabilities		**11,661**	**11,551**
Financial liabilities recognized at amortized cost	OL	10,035	10,204
Trade payables	OL	1,626	1,347

Financial assets are valued at amortized cost. In view of their short-term nature, there are no differences between initial measurement and fair value.

Financial instruments constituting financial liabilities are carried at amortized cost. Their carrying amount on the balance sheet essentially reflects their fair value.

29.3 Financial risk management

Financial risk management comprises monitoring and managing the financial risks associated with the Group's operating units through internal risk reporting, which analyses the level and extent of risk factors. Risk factors comprise market risk (including the risk of changes in exchange rates, prices and interest rates), default risk and liquidity risk.

The Group endeavours to minimize the impact of these risks through its risk management system. A detailed description of the risk management system can be found in the Management Report.

» Exchange-rate risks

Certain business transactions undertaken by the Group are denominated in foreign currencies, namely in USD and CZK. Risks relating to the CZK arise during the year in connection with the settlement of receivables and liabilities relating to transactions cross-charged between InTiCa Systems AG and its Czech subsidiary and the netting of receivables and liabilities in the consolidation of liabilities. Converting liabilities into a non-current loan (see Note 22) and recognizing this loan as a net investment has reduced the risks and the volatility of the Group's net income by reducing the open items as it ensures timely settlement of liabilities.

The following table shows the sensitivity of open items in USD to a rise or fall in the euro on the relevant reporting date and the sensitivity of the CZK based on the net amount calculated as the relevant reporting data as a result of debt consolidation.

The parameters used for the sensitivity analysis (USD: +/- 10%, CZK +/- 3.5%) represent the Board of Directors' assessment of a reasonable potential change in the exchange rate. If the euro had appreciated (depreciated) by these percentages against each of these currencies as of December 31, 2013, the impact of the change in the USD exchange rate on Group net income would have been a decline (increase) of around EUR 50 thousand (2012: EUR 26 thousand), while a change in the CZK exchange rate of this magnitude would have increased (decreased) net income by around EUR 46 thousand (2012: EUR 59 thousand).

	Nominal amount as of		Nominal amount as of	
	Dec. 31, 2013 in EUR '000	2013 in EUR '000	Dec. 31, 2012 in EUR '000	2012 in EUR '000
Change in USD (+/-10%)	497	50	262	26
Change in CZK (+/-3.5%)	1,313	46	1,685	59

» Risk of changes in interest rates

Fixed interest rates have been agreed for the vast majority of the Group's interest-bearing receivables and liabilities. Changes in market interest rates would only have an impact if the financial instruments were recognized at fair value. Since this is not the case, the financial instruments bearing fixed interest rates do not entail a risk of changes in interest rates within the meaning of IFRS 7.

Sensitivity analyses were performed for liabilities with variable interest rates. The results were as follows: If the market interest rate had been 100 basis points higher (lower) as of December 31, 2013, the result would have been EUR 2 thousand lower (higher).

» Price risks

The Group did not have any equity interests or securities classified as held for trading on the reporting date. Consequently, it was not exposed to any share price risk as of this date.

» Risk of default

Default risk is the risk that the Group will incur a loss if a contractual party fails to perform its contractual obligation. This results in a risk of full or partial default on contractually agreed payments. The main credit default risks relate to trade receivables. To minimize the risk of loss resulting from non-performance of obligations, the management stipulates that business relationships may only be entered into with creditworthy contractual parties. Regular customer reviews are conducted to ensure this. Current transactions are monitored continuously and the aggregate exposure arising from such transactions is managed by setting limits for each contractual party. In addition, continuous credit analyses are carried out on the financial status of receivables.

The Group is not exposed to any material default risks from a single contractual party or a group of contractual parties with similar characteristics. The maximum default risk is the carrying amount of trade receivables after recognition of impairment write-downs.

» Liquidity risk

The Group manages its liquidity risk through appropriate reserves, credit lines with banks and other credit facilities and continuous monitoring of forecast and actual cash flows. This is complemented by matching the maturity profile of financial assets and liabilities. The following list shows additional and drawn credit lines available to the Group to reduce future liquidity risk.

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Credit lines		
Amounts drawn	909	372
Undrawn amounts	3,291	3,728
Total	**4,200**	**4,100**

The following overview shows the term to maturity of the Group's non-derivative financial liabilities. The table is based on undiscounted cash flows relating to financial liabilities, based on the earliest date on which the Group is required to make payments. The table shows both interest and repayment instalments.

	1 year in EUR '000	up to 1–5 years in EUR '000	over 5 years in EUR '000	Total in EUR '000
2013				
Variable-interest financial liabilities	924	0	0	924
Fixed-interest financial liabilities	1,880	6,444	1,503	9,827
Total	**2,804**	**6,444**	**1,503**	**10,751**
2012				
Variable-interest financial liabilities	378	0	0	378
Fixed-interest financial liabilities	1,129	9,261	0	10,390
Total	**1,507**	**9,261**	**0**	**10,768**

30. Related party transactions

30.1 Board of Directors

- **Walter Brückl** Chairman
  Strategy, finance, human resources, production, manufacturing technology, IT, investor relations and public relations
- **Günther Kneidinger**
  Sales, R&D, materials management and quality management

30.2 Supervisory Board

- **Werner Paletschek**
  Chairman of the Supervisory Board, Fürstenzell
  Managing Director of OWP Brillen GmbH
- **Christian Fürst**
  Deputy Chairman of the Supervisory Board, Thyrnau,
  Managing Director of ziel management consulting gmbh,
  Chairman of the Supervisory Board of Electrovac
  Hacht & Huber GmbH (Electrovac Hermetic Packages division),
  Member of the Supervisory Board of UAB Baltik Vairas
  (until September 2013)
- **Udo Zimmer**
  Management consultant, Bad Tölz

30.3 Remuneration of the Board of Directors and the Supervisory Board

» Remuneration of the Board of Directors

The total remuneration of the Board of Directors in fiscal 2013 was EUR 428 thousand (2012: EUR 418 thousand).

The basic remuneration, which is not performance-related, comprises fixed salaries, supplementary payments for social security contributions, payments in kind comprising the use of company cars, and pension contributions. The performance-related components comprise bonuses paid upon attainment of personal targets agreed with the members of the Board of Directors. From an EBIT margin of 4%, the members of the Board of Directors receive a bonus of 20% of their annual base salary. The increase in the bonus payment is graduated. The maximum is 100% of their annual base salary for an EBIT margin of 14%. Payment is spread over three years.

Individual breakdown of remuneration:

	Performance-unrelated remuneration in EUR '000	Performance-related remuneration in EUR '000	Total in EUR '000
2013			
Walter Brückl	235	0	235
Günther Kneidinger	193	0	193
Total	**428**	**0**	**428**
2012			
Walter Brückl	225	0	225
Günther Kneidinger	193	0	193
Total	**418**	**0**	**418**

The remuneration does not contain any long-term incentives. There are no loans to members or former members of the Board of Directors.

» Remuneration of the Supervisory Board

Sec. 11 of the articles of incorporation of InTiCa Systems AG, which was amended in this respect in 2011, governs the remuneration of the Supervisory Board. This comprises a fixed payment and an allowance for attending meetings of the Supervisory Board (attendance fee).

Alongside the above amounts, the members of the Supervisory Board receive the following graduated payments for financial years in which the company reports a consolidated EBIT margin (ratio of EBIT to sales) of over 3%: 20% of their fixed remuneration if the EBIT margin is over 3%, 50% of their fixed remuneration if the EBIT margin is over 5% and 100% of their fixed remuneration if the EBIT margin is over 10%. No performance-related remuneration was paid for the fiscal year.

On this basis, the members of the Supervisory Board received the following remuneration:

	Fixed remuneration in EUR '000	Attendance fee in EUR '000	Total in EUR '000
2013			
Werner Paletschek	15.0	6.0	21.0
Christian Fürst	12.5	6.0	18.5
Udo Zimmer	10.0	5.25	15.25
Total	**37.5**	**17.25**	**54.75**
2012			
Werner Paletschek	15.0	4.5	19.5
Christian Fürst	12.5	4.5	17.0
Udo Zimmer	5.0	3.8	8.8
Detlef Hölzel	5.0	2.2	7.2
Total	**37.5**	**15.0**	**52.5**

The above amounts are net amounts excluding statutory value-added tax. There are no loans to members or former members of the Supervisory Board.

30.4 Share ownership

Shareholdings by members of the Board of Directors and Supervisory Board (including related parties):

	Shareholding (units)	
	Dec. 31, 2013	Dec. 31, 2012
Walter Brückl	19,000	19,000
Günther Kneidinger	3,000	1,000
Werner Paletschek	3,000	2,000
Christian Fürst	3,800	2,000

Major shareholders

	Shareholding in %	
	Dec. 31, 2013	Dec. 31, 2012
Thorsten Wagner	more than 25	more than 25
Dr. Dr. Axel Diekmann	more than 15	more than 10
bcm invest gmbh	more than 5	more than 5
Karl Kindl	more than 3	more than 3
Dr. Paul und Maria Grohs	more than 3	more than 3
InTiCa Systems AG	1.5	1.5

31. Cash and cash equivalents

The cash and cash equivalents shown in the cash flow statement comprise cash on hand, balances on bank accounts and investments in money market instruments, less outstanding overdrafts. The reconciliation of cash and cash equivalents shown in the cash flow statement as of year-end to the corresponding balance sheet items is as follows:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Cash and balances on bank accounts	1,313	1,356
Overdrafts	-909	-372
Total	404	984

EUR 1.0 million of the balances on bank accounts comprises security for long-term bank loans and is only available for use if other security is provided. The fair value of cash and cash equivalents corresponds to the carrying amount.

32. Payment obligations

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Commitments to acquire property, plant and equipment	984	612

33. Operating leases

Operating lease agreements relate to furniture and operating equipment and business premises and have terms of between 1 and 4 years. For the business premises there is an extension option for a further 10 years.

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Payments recognized as expenses:		
Lease payments	284	308
Non-cancellable lease agreements:		
up to 1 year	297	285
between 1 and 5 years	428	625
more than 5 years	0	0
Total	725	910

34. Defined-contribution pension plans

The Group's employees belong to a state pension plan which is managed by the state authorities ("statutory pension insurance"). The parent company and subsidiary are required to pay a certain percentage of personnel expense into the pension plan to fund benefits. The only obligation relating to this pension plan is the payment of these defined contributions. In addition, voluntary premiums are paid to insurance companies for some employees and the Board of Directors. The expenses recognized in the consolidated statement of profit or loss (Note 11.3) comprise the Group's contributions to these pension plans on the basis of the agreed contributions.

35. Events after the reporting date

No reportable events have occurred since the reporting date.

36. Disclosures

The Board of Directors approved the consolidated financial statements for publication on April 24, 2014.

In fiscal 2013 InTiCa Systems AG received the following notifications of reportable investments in accordance with sec. 21 paragraph 1 of the German Securities Trading Act (WpHG):

On January 25, 2013 Dr. Axel Diekmann, Germany, notified us pursuant to sec. 21 paragraph 1 WpHG that his share of the voting rights in InTiCa Systems Aktiengesellschaft, Passau, Germany, ISIN: DE0005874846, WKN: 587484 exceeded the 15% threshold on January 22, 2013 and that as of this date he holds 15.02% of the total voting rights (corresponding to 643,944 voting rights). 15.02% of the voting rights (corresponding to 643,944 voting rights) are attributable to Dr. Axel Diekmann pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The voting rights attributable to Dr. Axel Diekmann are held by the following companies under his control, whose share of the voting rights of InTiCa Systems AG is 3% or more:
- PRINTad Verlags-GmbH
- Wochenblatt Verlagsgruppe GmbH & Co. KG
- Wochenblatt Verlagsgruppe Beteiligungs GmbH

On January 25, 2013 PRINTad Verlags-GmbH, Landshut, Germany, notified us pursuant to sec. 21 paragraph 1 WpHG that its share of the voting rights in InTiCa Systems Aktiengesellschaft, Passau, Germany, ISIN: DE0005874846, WKN: 587484 exceeded the 15% threshold on January 22, 2013 and that as of this date it holds 15.02% of the total voting rights (corresponding to 643,944 voting rights).

On January 25, 2013 Wochenblatt Verlagsgruppe Beteiligungs GmbH, Landshut, Germany, notified us pursuant to sec. 21 paragraph 1 WpHG that its share of the voting rights in InTiCa Systems Aktiengesellschaft, Passau, Germany, ISIN: DE0005874846, WKN: 587484 exceeded the 15% threshold on January 22, 2013 and that as of this date it holds 15.02% of the total voting rights (corresponding to 643,944 voting rights). 15.02% of the voting rights (corresponding to 643,944 voting rights) are attributable to Wochenblatt Verlagsgruppe Beteiligungs GmbH pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The voting rights attributable to Wochenblatt Verlagsgruppe Beteiligungs GmbH are held by the following company under its control, whose share of the voting rights of InTiCa Systems AG is 3% or more:
- PRINTad Verlags-GmbH
- Wochenblatt Verlagsgruppe GmbH & Co. KG

On January 25, 2013 Wochenblatt Verlagsgruppe GmbH & Co. KG, Landshut, Germany, notified us pursuant to sec. 21 paragraph 1 WpHG that its share of the voting rights in InTiCa Systems Aktiengesellschaft, Passau, Germany, ISIN: DE0005874846, WKN: 587484 exceeded the 15% threshold on January 22, 2013 and that as of this date it holds 15.02% of the total voting rights (corresponding to 643,944 voting rights). 15.02% of the voting rights (corresponding to 643,944 voting rights) are attributable to Wochenblatt Verlagsgruppe GmbH & Co. KG pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via PRINTad Verlags-GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

37. Staff

The average number of employees in fiscal 2013 was 371 (2012: 351).

	Dec. 31, 2013	Dec. 31, 2012
Salaried employees	81	77
Industrial employees	285	269
Trainees	1	1
Low-wage part-time staff	4	4
Total	371	351

38. Auditor's fees

The following fees for services rendered by the auditor were charged to expenses in the fiscal year:

	Dec. 31, 2013 in EUR '000	Dec. 31, 2012 in EUR '000
Audit services for the fiscal year	65	60
Audit services for the previous year	5	0
Total	70	60

The audit fees principally comprise fees for the audit of the consolidated financial statements and the financial statements of the parent company.

39. German Corporate Governance Code

The Board of Directors and Supervisory Board of InTiCa Systems AG issue a declaration of the extent to which they comply with and have complied with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the electronic Federal Gazette.

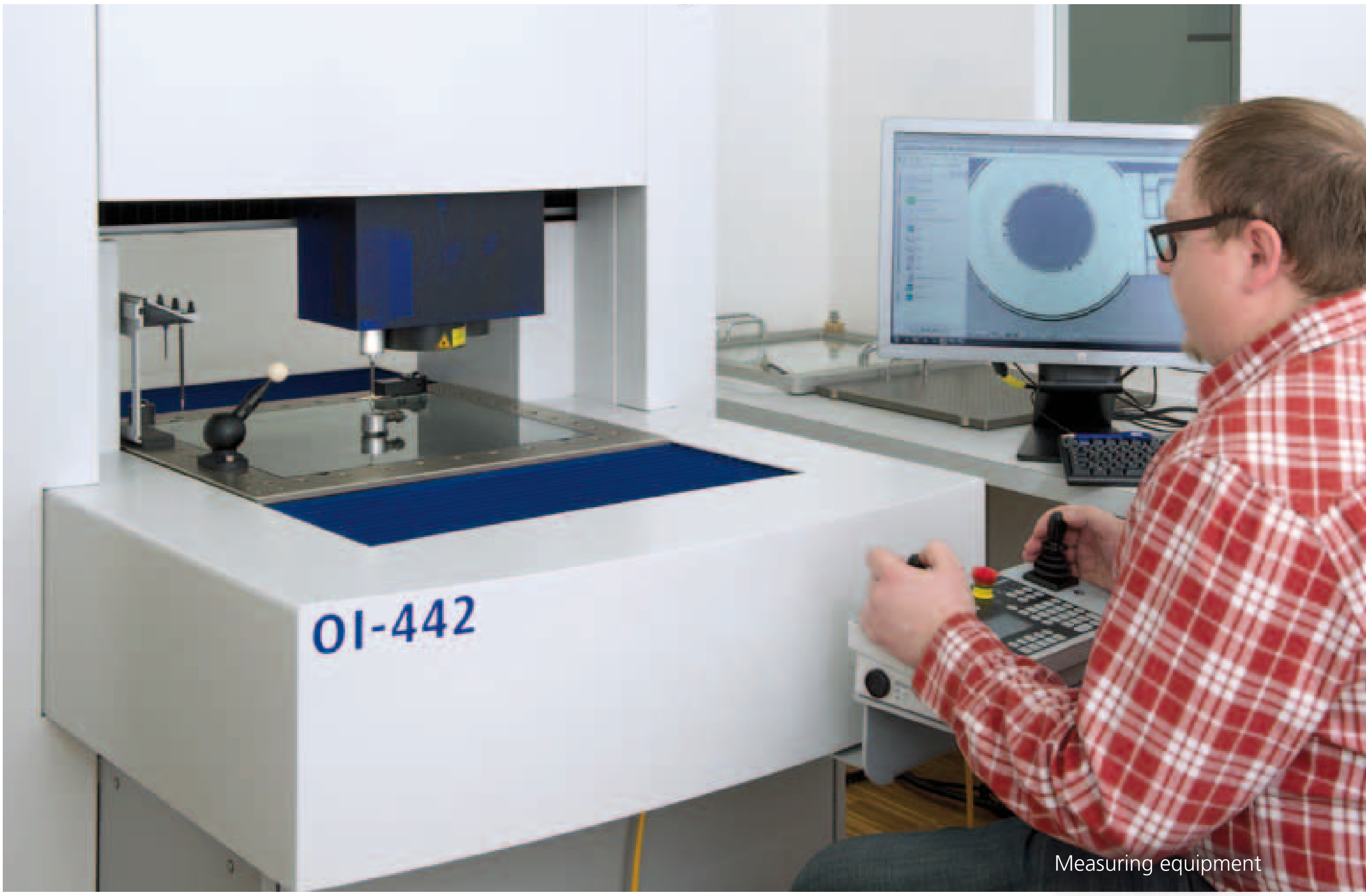
The declaration of conformity is part of the declaration on corporate management and is permanently available to investors in the Investor Relations/Corporate Governance section of the company's website: www.intica-systems.de.

Passau, April 23, 2014

The Board of Directors

Walter Brückl
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors



Measuring equipment

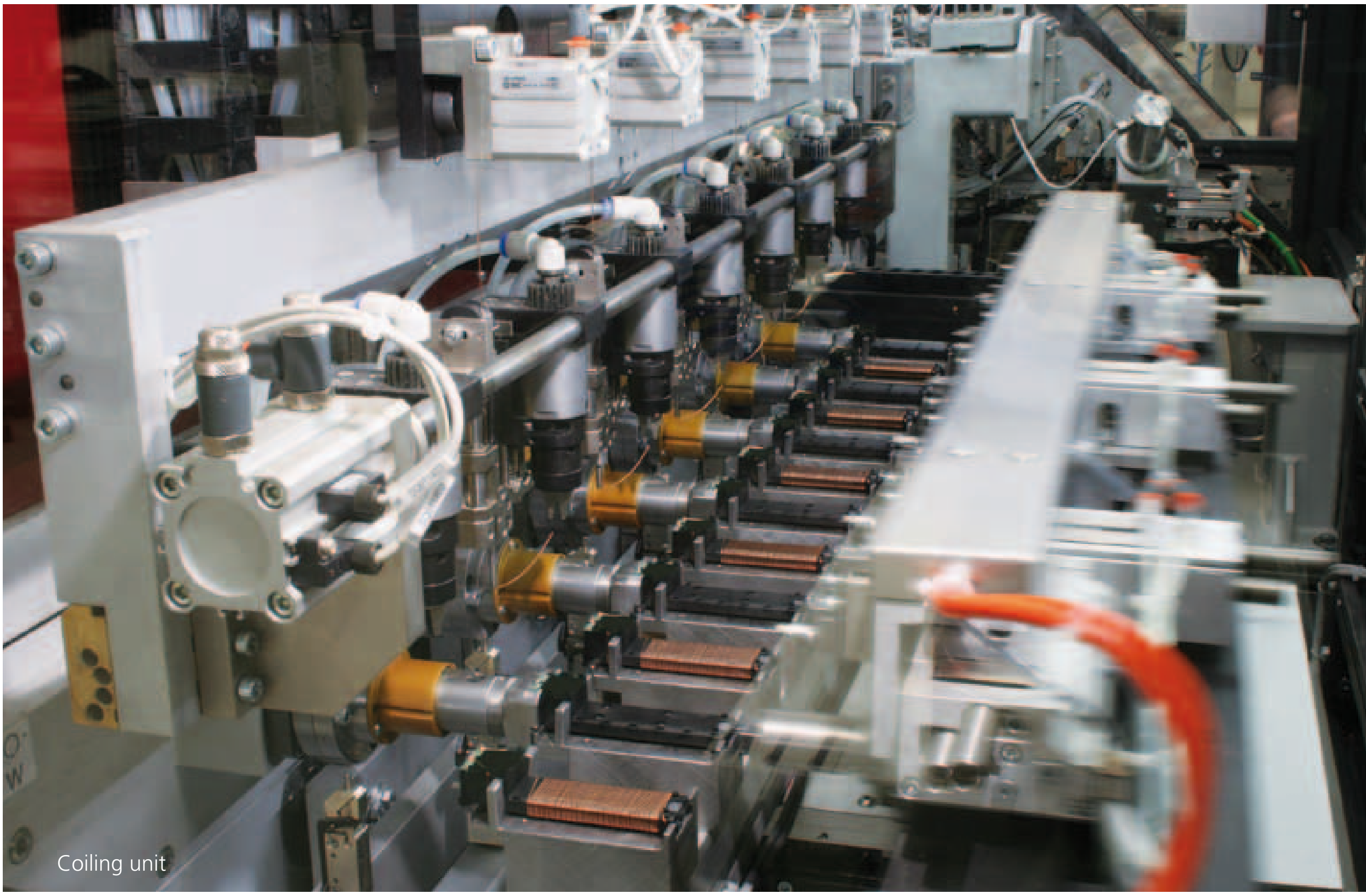
Responsibility Statement

We hereby declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the management report for the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Passau, April 23, 2014

The Board of Directors

Walter Brückl	Günther Kneidinger
Chairman of the Board of Directors	Member of the Board of Directors


Coiling unit

Growth driven by innovation

- for a secure future

Auditor´s Certificate

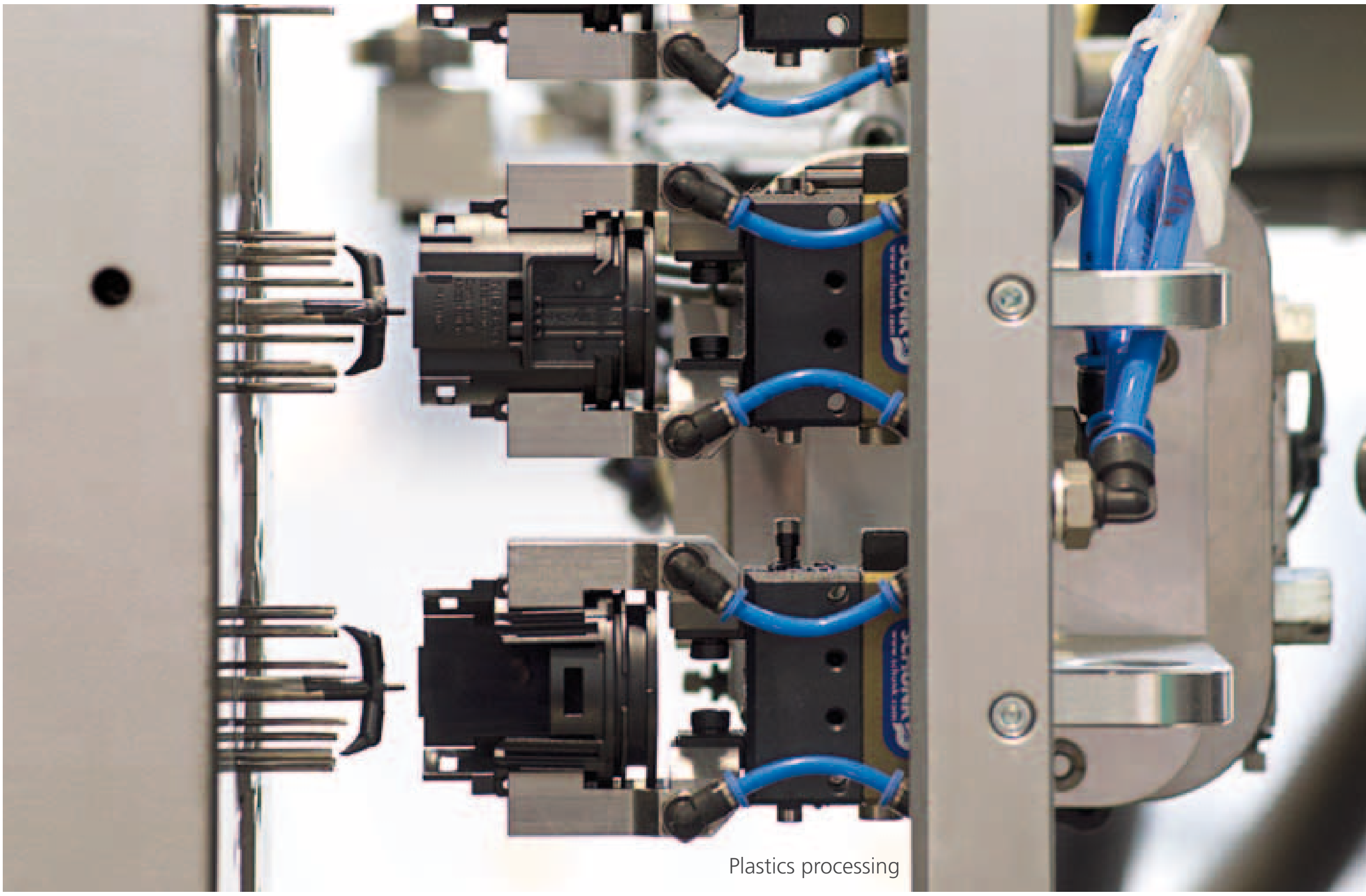
AUDITOR´S CERTIFICATE

We have audited the consolidated financial statements prepared by InTiCa Systems AG, Passau – comprising the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements – as well as the group management report for the fiscal year ended December 31, 2013. The preparation of consolidated financial statements and group management report according to IFRS as applicable in the European Union and the additional provisions of commercial law as applicable according to sec. 315a para. 1 HGB (German Commercial Code) are the responsibility of the company's Board of Directors. It is our responsibility to issue an assessment of the consolidated financial statements and the group management report on the basis of our audit.

In compliance with sec. 317 HGB, we have conducted our audit in accordance with the German accounting principles established by the Institut der Wirtschaftsprüfer (IDW). These principles require the audit to be planned and performed in such a way that inaccuracies and violations which materially affect the disclosure of financial position and results from operations as presented by the consolidated financial statements and the group management report and with regard to applicable accounting provisions are identified with sufficient reliability.

In establishing the audit procedures, knowledge of the business activities, the group's economic and legal framework, and an anticipation of possible mistakes are taken into consideration. Within the context of the audit, the effectiveness of the internal accounting control system as well as proof for the disclosures made in the consolidated financial statements and the group management report are examined predominantly on the basis of random sampling. The audit contains assessments of the financial statements of the companies included in the consolidated financial statements, the definition of the basis of consolidation, the accounting and consolidation principles applied, and the material estimates made by the Board of Directors, as well as an evaluation of the overall presentation of the consolidated financial statements and the group management report. It is our opinion that our audit provides a sufficiently reliable basis for our assessment.

Our audit has not resulted in any objections.



Plastics processing

According to our assessment based on the conclusions from our audit, the consolidated financial statements are compliant with the IFRS as applicable in the European Union and the additional provisions of commercial law as applicable according to sec. 315a para. 1 HGB, and they communicate – with regard to these provisions – a presentation of the group's financial position and results from operations which corresponds to the actual conditions. The group management report is consistent with the consolidated financial statements, communicates an overall correct impression of the situation of the group, and describes the chances and risks of the future development coherently.

Eggenfelden, April 23, 2014

KPWT Kirschner Wirtschaftstreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Diplom-Kaufmann	Diplom-Betriebswirt (FH)
Karl Unterforsthuber	Albert Schick
Wirtschaftsprüfer (Auditor)	Wirtschaftsprüfer (Auditor)

Technical Glossary

TECHNICAL GLOSSARY

ADSL Asymmetric Digital Subscriber Line; broadband technology on the basis of conventional telephone lines allowing higher data transmission rates for downloads than for uploads.

ADSL2 The maximum data rate of ADSL2 is higher than the one provided by ADSL, leading to higher relative data rates for a given distance due to improved signal processing and coding. The data transmission rate of ADSL2 is theoretically as high as up to 12 Mbit/s downstream and 1 Mbit/s upstream at a bandwidth of 1.1 MHz.

ADSL2+ New transmission standard allowing for higher downstream speed than previously possible. ADSL2+ expands the bandwidth of the ADSL signal to 2.2 MHz and thus increases the maximum data rate to 24 Mbit/s downstream and 1 MBit/s upstream. This is possible only via relatively short and high-grade phone lines and therefore not available everywhere.

Antennas Antennas in the sense of RFID technology are sender as well as receiver antennas on the basis of winding technology (inductive components or coils).

Automation technology Automation technology aims at making a machine or plant work completely autonomous and independent of human input. The closer you get at reaching this goal, the higher is the degree of automation. Often human staff is needed for supervision, supplies, conveyance of finished goods, maintenance, and similar jobs. Automation technology addresses the most diverse issues of building and plant automation, e.g. measuring, controlling, monitoring, defect analysis, and the optimization of process sequences.

Bit Binary Digit; smallest digital information unit, or rather a computer's smallest memory unit. It can assume the values one or zero.

Coil See under inductive components or Inductors

Customizing Customizing is the term for adjusting a series product, e.g. automobiles or computer software, to a customer's requirements.

Download Download means the transfer of all kinds of data from the Internet to a computer.

DSL Digital Subscriber Line: broadband technology (fast data transfer via the Internet) on the basis of conventional telephone lines. With a download speed of 768 kbit and more per second, it is much faster than both analogue modems and ISDN (using one line). The upload speed of 128 kbit/s is as high as the parallel use of both ISDN lines.

Ferrites Ferrites are poorly or non-electroconductive ferrimagnetic ceramic materials consisting of ferric oxide hematite (Fe_{2O3}), less commonly magnetite (Fe_{3O4}) and other metallic oxides. If not saturated, ferrites conduct the magnetic flux very well and provide a high magnetic permeability. These materials thus usually provide low magnetic resistance.

Filter, Filter coils See under inductive components; electronic component for the separation of different signal sources.

High-end-manufacturers High-end manufacturers manufacture goods using particularly advanced technologies.

Hub magnets Hub magnets are magnetic actuators finding preferred use for valve control and other applications.

Hybrid vehicles Hybrid vehicles are cars containing at least two transducers and two installed energy storage systems for the purpose of powering the vehicle. Transducers are for instance electric motors and Otto and Diesel engines, energy storage systems are for instance batteries and gas tanks.

Immobilizers Immobilizers are devices installed in vehicles for preventing unauthorized operation. There are mechanical, electronic and involuntary immobilizers.

Inductors, Solenoid, Coil Inductors are inductive components in the realm of electrical engineering and electronics. The terms inductor and solenoid or coil are not clearly defined and used synonymously.

Inductive components Inductive components usually consist of a ferrite core, a plastic coil body and copper wire for the transmission, filtering, and sending or receiving of electric signals. They are functional independent of external energy input.

Inductivity, High-tech inductivity Inductivity is an electric property of an energized electric conductor due to the environing magnetic field created by the current flow. It describes the ratio between the magnetic flux linked with the conductor and the current flowing through the conductor.

Industrial weighing technology Industrial scales contain a multitude of electronic components. Particularly weight sensors and voltage supply are interesting applications for special inductive components.

Internet The term was initially derived from "interconnecting network", i. e. a network that connects separate networks with each other. Today the Internet consists of an immense number of regional and local networks all over the world, together creating the "networks' network". The Internet applies a uniform addressing scheme as well as TCP/IP protocols for the transfer of data. Initially this global digital network used to primarily interconnect computers in research centers.

Inverter An inverter is an electronic device converting direct voltage into alternating voltage or direct current into alternating current. Depending on the circuit, inverters can come equipped for the generation of single-phase alternating current or threephase alternating current (rotary current).

IPTV IPTV (Internet Protocol Television) stands for the digital transmission of broadband applications such as TV programs and movies via a digital data network. The Internet Protocol (IP) is applied for the transmission of those data.

ISDN Integrated Services Digital Network. ISDN uses the existing telephone lines, only the transfer of all data is digital instead of analogue as previously. By a concerted use of several channels, a transmission rate of 128 kbit/s is achieved.

KBit/s Kilobits per second; unit for the transmission rate or speed of data transfer.

Keyless Entry, Keyless Go, Remote Keyless Entry New technology for locking and unlocking vehicles; instead of a key there is only a chip card that exchanges signals with the vehicle. As soon as the card holder approaches the car or touches the door handles, the door will open. The motor is started by touching a pushbutton or starter button.

MDF Main distribution frame technology; the telecommunication companies' network nodes for subscriber connections.

Photovoltaic power plants Photovoltaic (solar) power plants are power stations transforming part of the solar radiation into electric power by means of solar cells. This immediate way of energy conversion is called photovoltaics.

Powerline Powerline technology facilitates data transfer on the Internet via the public power supply system.

RFID Radio Frequency Identification; wireless transmission system for the detection of objects.

Sensor A sensor is a technological component that is able to detect certain physical or chemical properties (e.g. thermal radiation, temperature, humidity, pressure, sound, brightness, or acceleration) and/or the material condition or texture of its environment with respect to quality or quantity, as a measurand. These factors are detected by the use of physical or chemical effects and transformed into other processible quantities (mostly electric signals).

Solar inverter The inverter transforms the direct current generated by the solar modules into an alternating current comparable to the conventional electricity network. This makes it possible to feed the self-produced solar energy in the public power supply system.

Splitter Electronic component for merging or separating voice and data signals.

Time to Market Time to market (TTM) means the period of time from product development to placing the product in the market.

Transmitter A transmitter is a device for creating and radiating electromagnetic waves. It basically consists of at least one oscillator and one transmitting antenna. If its intended use is telecommunication, a device for oscillation modulation is required as well.

Triple Play TP is a marketing term introduced around 2005 in telecommunications for the combined offer of the three communication services audiovisual entertainment (television, video-on-demand), (IP) telephony, and Internet.

U-ADSL Universal Asymmetric Digital Subscriber Line; VDSL and U-ADSL are advancements of the present DSL system for realizing higher data transmission rates – both systems are still at the developing stage.

Upload Upload means transferring data from a computer to the Internet.

VDSL Very High Data Rate Digital Subscriber Line; is a DSL technology that provides signficantly higher data transmission rates via conventional phone lines than for instance ADSL or ADSL2+.

VDSL2 VDSL2 bases on the transmission procedure Discrete Multitone (DMT) and provides theoretically attainable data transmission rates of up to 200 Mbit/s for both upstream and downstream at a cut-off frequency of 30 MHz.

VoIP (Voice over Internet Protocol) IP telephony means telephoning via computer networks set up according to Internet standards. Information typical for telecommunication, i.e. voice signals as well as information required for establishing the connection, is transmitted over a network otherwise used for data transfer as well. Either computers, special IP telephony terminals, or conventional phones plugged in with a spezial adapter can be used at the subscriber side for providing the connection to the phone network.

xDSL Collective term for the data transmission technologies DSL, ADSL, VDSL, U-ADSL, etc.

Financial Calendar 2014

April 24, 2014	Publication of annual report for 2013
April 24, 2014	Press conference / Conference call
May 22, 2014	Publication of interim financial statements for Q1 2014
July 04, 2014	Annual General Meeting in Passau
August 21, 2014	Publication of interim financial statements for H1 2014
Nov. 20, 2014	Publication of interim financial statements for Q3 2014
Dec. 09/10, 2014	Munich Capital Market Conference 2014

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