



2008      2009      2010

# Annual Report 2011

*Technologies for growth markets!*

**InTiCa Systems**

# Key Figures of InTiCa Systems

## The Group

	2009 EUR '000	2010 EUR '000	2011 EUR '000	Change
Sales	23,283	31,245	41,492	32.8%
Net margin	-	-	2%	-
EBITDA	3,024	2,913	6,162	111.5%
EBIT	-494	-1,350	1,232	-
EBT	-829	-1,834	638	-
Net profit (loss)	-870	-2,174	831	-
Earnings per share (diluted/basic in EUR)	-0,22	-0,53	0,20	-
Cash flow total	-5,315	-5,158	593	-
Net cash flow for operating activities	-1,350	1,151	4,163	262%
Capital expenditure	4,264	5,628	2,934	-47.9%

	Dec. 31,2009 EUR '000	Dec. 31,2010 EUR '000	Dec. 31,2011 EUR '000	Change
Total assets	36,652	39,674	37,433	-6%
Equity	20,906	18,943	19,489	3%
Equity ratio	57%	48%	52%	-
Employees (number)	267	447	420	-6%

## The stock

	2009	2010	2011	(end Mar. 31,2012) 2012
Closing price (in EUR)	3.95	4.2	3.54	3.19
Period high (in EUR)	4.37	5.25	5.45	3.75
Period low (in EUR)	1.34	3.75	3.3	2.65
Marketcapitalisation at end of period (million EUR)	16.9	18.0	15.2	13.7
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,

InTiCa Systems posted a very pleasing performance in fiscal 2011: sales increased by around 33% to EUR 41.5 million, EBITDA, which is important for operational management of the Group, rose to a new record of EUR 6.2 million and net income was EUR 0.8 million, bringing the company back into profit. The main growth drivers were once again the Industrial Electronics and Automotive Technology segments, which grew by around 73% and 54% respectively. The Communication Technology segment reported a positive result for the first time since fiscal 2007, despite years of persistent sales erosion and pressure on margins.

The problems that still weighed on InTiCa Systems earnings in 2010 were successfully eliminated in 2011 thanks to an improvement in purchasing conditions, optimization of the supply chain and measures geared specifically to further increasing efficiency in the production process. As a result, the material cost ratio declined from 71% to 66% and the gross margin increased from 31% to 36%. This shows we have successfully completed the repositioning of InTiCa Systems from a single-product company to an innovation leader with a broad product range and depth of production know-how. Moreover, we have paved the way for sustained and profitable growth in the future.

Despite the present economic uncertainties, we are looking forward with optimism. High-tech induction technology offers a wide range of as-yet untapped applications in all areas of business. Thanks to our focus on new developments in the areas of inductive components, mechatronic assemblies and analogue switching technology for the energy efficiency and environmental technology markets, we believe we are extremely well-placed to utilize this potential. A wide variety of new developments in all business segments have greatly extended InTiCa Systems' product portfolio in the recent past and positioned us well for the future.

By selectively building and extending our capabilities, we are now able to profile ourselves on the market as a supplier of complete product groups, thus increasing our reach along the value chain and enhancing profitability. At the same time, it enables us to offer our customers an extremely attractive package of services. The added value of our solutions is immediately evident to customers. Over the past year, this was particularly visible in our two growth segments: Industrial Electronics and Automotive Technology.



left: Günther Kneidinger, right: Walter Brückl

Although we assume that this year, we will not experience the same growth impetus as we did last year due to the start-up of new products and the difficult situation in the solar industry, we expect to see a return to dynamic growth in the following years.

We would like to thank you most sincerely for the confidence you have placed in our company over the past year. We would be delighted if you would continue to support InTiCa Systems AG in the future. In particular, we wish like to thank our employees, whose professional commitment and knowledge has helped shape the positive development of InTiCa Systems in recent years.

Passau, April 2012

Yours,

A handwritten signature in black ink, appearing to read "W. Brückl".

Walter Brückl

Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read "Günther Kneidinger".

Günther Kneidinger

Member of the Board of Directors



# Report of the Supervisory Board on Fiscal 2011

# GROUP

Dear shareholders,

In fiscal 2011 the Supervisory Board performed the tasks imposed on it by law and the articles of incorporation, 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 used in the management of the company and the Group. 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 subsidiaries, including the risk situation, risk management, compliance and transactions of especial importance for the company.

The Board of Directors drew attention to deviations between the planned and actual business development, explained them, and informed the Supervisory Board of 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 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.

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.

## Composition of the Supervisory Board

In fiscal 2011 the Supervisory Board members were Mr. Werner Paletschek (Chairman), Christian Fürst (Deputy Chairman) and Detlef Hözel.

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 ten meetings in 2011. All members of the Supervisory Board were present at all meetings.

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

February 3, 2011: The Board of Directors provided information on the current business performance and progress with the action plan to optimize processes within the company.

April 12, 2011: The annual financial statements and management report for 2010 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 trend, resolutions to be adopted and adoption of the declaration of conformity.

May 17, 2011: The meeting of the Supervisory Board included a tour of the production facilities in Prachatice. Current business trends, the development of new projects, inventories and liquidity were discussed.

July 6, 2011: This meeting focused on preparing for the Annual General Meeting.

July 13, 2011: A constitutive meeting was held following confirmation of the members of the Supervisory Board at the Annual General Meeting on July 8, 2011. At this meeting Mr. Paletschek was elected Chairman of the Supervisory Board and Mr. Fürst was elected Deputy Chairman.

July 27, 2011: The main items on the agenda at this meeting were the business trend, the development of inventories and liquidity, and the adoption of resolutions. The status of new development projects was also discussed in detail with the Board of Directors.

September 16, 2011: The meeting focused on the current business trend. In addition, the development of the solar industry operations was outlined in detail and their strategic alignment was discussed.

October 21, 2011: In addition to the current business trend, the principal item was discussing and defining the key points of strategy paper.

November 17, 2011: The present business trend and business plans for 2012 were the main items discussed.

December 14, 2011: The focus of this meeting was detailed business planning for 2012, which was discussed with the Board of Directors and adopted.

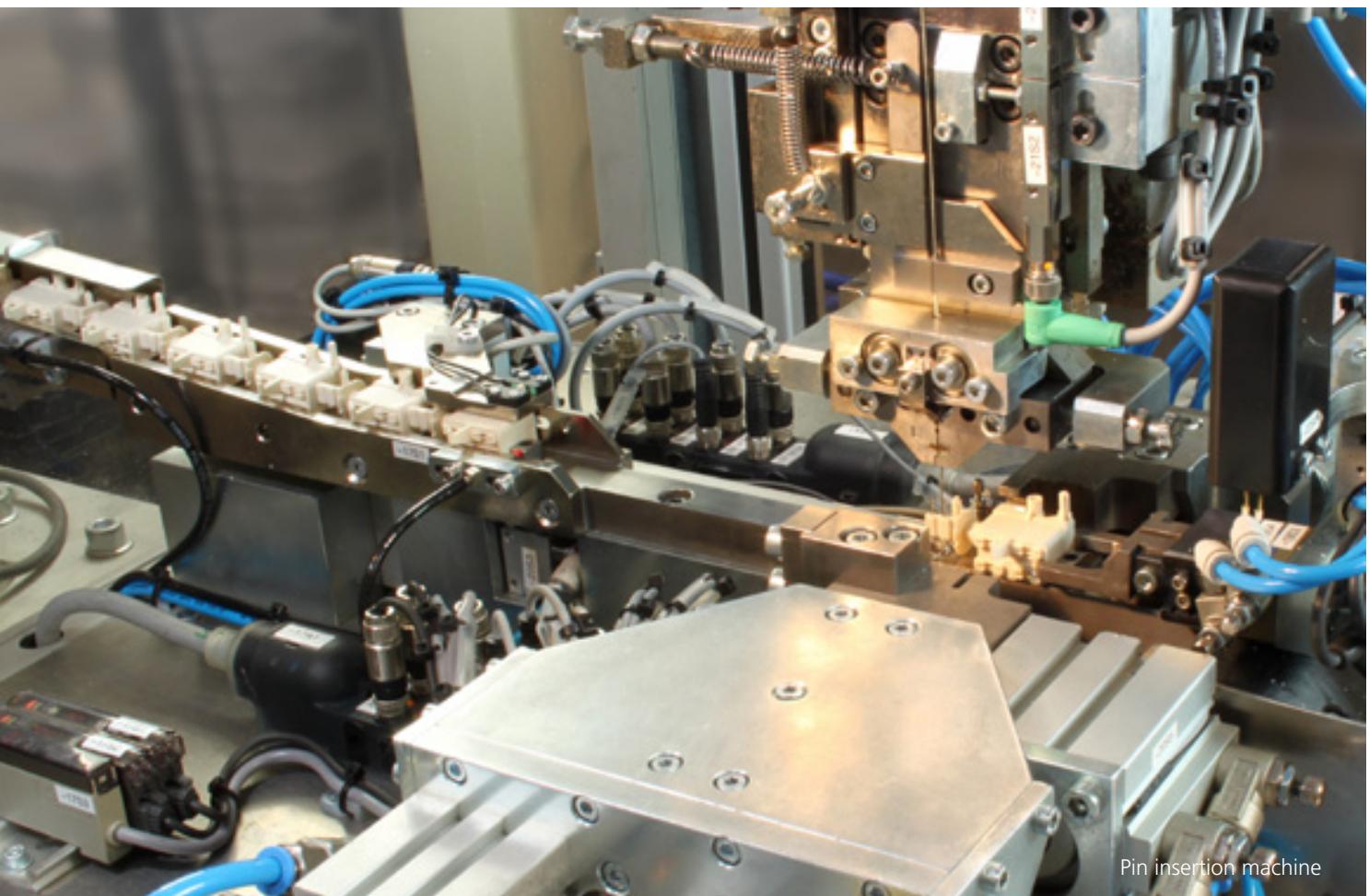
### Annual financial statements of the company and the Group

The auditors Nirschl, Grössl & Koll. GmbH, Eging am See, Germany, were selected by the General Meeting to audit the annual financial statements and consolidated financial statements for the fiscal year from January 01, 2011 to December 31, 2011 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, 2011 were audited by Nirschl, Grössl & Koll. GmbH Wirtschaftsprüfungsgesellschaft, Eging am See, which has awarded an unqualified opinion. The same applies to the consolidated financial statements as of December 31, 2011 prepared in accordance with the IFRS, together with additional explanatory notes.

In the course of this audit, the attention of the Supervisory Board was drawn to a possible discrepancy. In the previous year, there was a discrepancy of one day between the date on which the annual financial statements were adopted by the Supervisory Board and the completion of the audit. Although the annual financial statements were correct in substance, this could result in a formal objection. To ensure a correct legal basis, following a renewed examination of the annual financial statements of the company and the Group as of December 31, 2010 and the management reports for InTiCa Systems AG and the Group in 2010, on April 20, 2012, the Supervisory Board gave its renewed approval. The financial statements for InTiCa Systems AG as of December 31, 2010 are thus adopted. This resolution had no material effect on the annual financial statements as of December 31, 2011.

At a meeting on March 30, 2012, the Supervisory Board discussed the provisional figures for the annual financial statements of the company and the Group for 2011 in the presence of the auditor. At a further meeting on April 24, 2012, 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 an unqualified audit opinion,



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 version, 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 and the annual financial statements of InTiCa Systems AG, the audit reports prepared by the auditor on the financial statements for the company, the consolidated financial statements 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 his audit and was available for further questions and information. Following the conclusion of its own examination, the Supervisory Board examined the audit findings, established that it had no objections, and approved the financial statements and management reports prepared by the Board of Directors. The annual financial statements of InTiCa Systems AG for 2011 are thus adopted. The Supervisory Board also approved the proposal of the Board of Directors for the distribution of the net profit and the present 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 20, 2012 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 outstanding commitment and hard work in 2011. It also thanks customers and partners for their trust and collaboration.

InTiCa Systems AG  
Passau, April 24, 2012  
**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*

*Chairman of the Supervisory Board of Electrovac*

*Hacht & Huber GmbH*

*Managing partner of ziel management consulting gmbh*

### Detlef Hözel

*Engineering graduate*

*Ingolstadt*

*Managing partner of PCE-GmbH, Ingolstadt*

### Udo Zimmer

Substitute Member

*Business administration graduate*

*Bad Tölz*

*Managing Director of Kon-Cept Engineering GmbH, Ingolstadt*

## Company Profile

# INTICA SYSTEMS

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 more than 420 employees at its sites in Passau (Germany), Prachatice (Czech Republic) and Neufelden (Austria).

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

# 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 mulit-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



## Automotive Technology

# INTICA SYSTEMS

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.

Inductive components and mechatronic modules increase the comfort and safety of cars, improve the performance of electric and hybrid vehicles and reduce CO<sub>2</sub> emissions.





» *Our inductive components and mechatronic modules increase comfort and safety and reduce CO<sub>2</sub> emissions*



KEYLESS ENTRY SYSTEMS

ENERGY AND MOTOR MANAGEMENT CONTROL

DRIVE SYSTEMS

POWER AND CONTROL UNITS FOR HYBRID VEHICLES

TYRE PRESSURE MONITOR SYSTEM



# Industrial Electronics

# INTICA SYSTEMS

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.

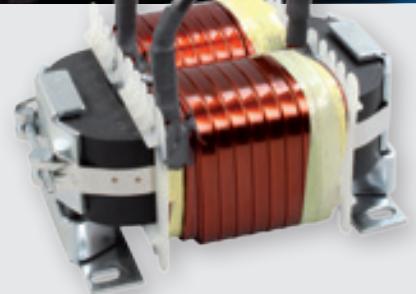
Extensive know-how in the development of inductive components combined with in-depth expert knowledge ensures that our clients receive a rapid, efficient performance, together with cost-optimised solutions to the highest quality level.





## » Our inductive components and mechatronic modules

ensure that the solar energy collected by solar modules can be converted into electricity



PERFORMANCE COMPONENTS

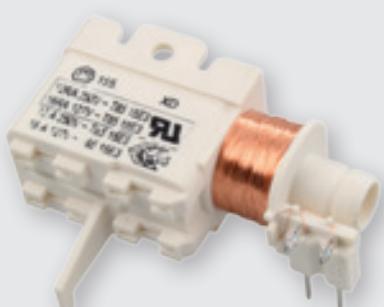
PFC- AND STORAGE CHOKE

FILTER AND NOISE SUPPRESSION

TRANSDUCERS AND TRANSFORMERS

COMPONENTS FOR RFID (NON-CONTACT TRANSMISSION)

MECHATRONIC MODULES AND SYSTEMS





# Communication Technology

# INTICA SYSTEMS

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 have effectively developed and produced applications for ultimate data rates and maximum packing density.





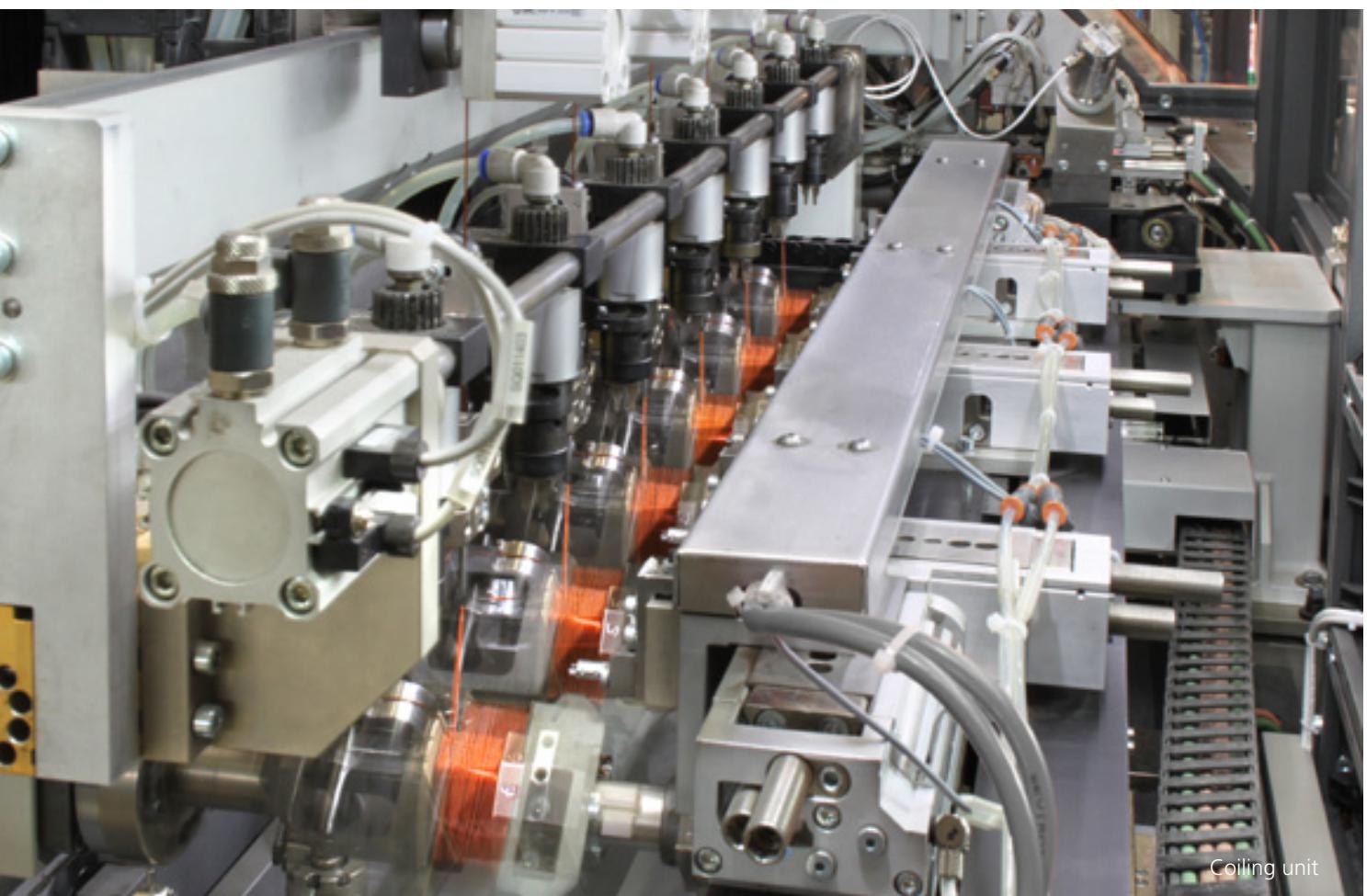
» We manufacture electronic filters and modules  
for rapid data transfer, for example,  
for telecommunications equipment



CPE SPLITTER  
(CUSTOMER PREMISES EQUIPMENT)

CO SPLITTER  
(CENTRAL OFFICE)

MDF SPLITTER  
(MAIN DISTRIBUTION FRAME)



» *Automation maximizes efficiency  
for example, in winding technology*

# InTiCa Systems Stock in 2011

# STOCK

## European debt crisis held back stock market rally

In the first half of 2011 shares in InTiCa Systems moved back towards the EUR 5 mark which they had touched briefly in the previous year. Following the tsunami disaster in Japan, the share was affected by the general uncertainty on the world's stock markets. In the short term, this resulted in a sharp correction down to nearly EUR 4. However, both shares in InTiCa Systems and the market as a whole recovered rapidly from this setback. Shortly later, the stock had regained and even exceeded its old high of EUR 5. However, the summer brought a fundamental deterioration in capital market sentiment. There was a serious decline in investor sentiment as a result of the mounting debt crisis in euro-zone countries in late summer, exacerbated by the rating agencies' downgrades for some of these countries and the USA and rising fears of recession.

## Price performance of shares in InTiCa Systems<sup>1</sup>

A sharp drop in the price of shares in InTiCa Systems was attributable to the interaction of these factors, rather than to a deterioration in the company's order situation. Like the DAX index, in early August the share slipped by more than 20% within a few days. It subsequently had difficulty recovering from this downslide. Persistent concern about the economy depressed the share price throughout the second half of the year and prevented it rising

above EUR 4.50. The share ended the year at EUR 3.54, around 16% lower than at year-end 2010. The DAX ended the year down almost 15% and thus did not perform much better. By contrast, the TecDax lost almost 20% year-on-year, while the more broadly based DAXsector Technology index, which comprises all technology companies in the Prime Standard, was down roughly 28%.

InTiCa Systems' market capitalization was around EUR 15.2 million at year-end 2011. The most important exchange for the company's shares was the XETRA electronic trading platform, which accounted for nearly 65% of trading in the share, followed by the Frankfurt Stock Exchange, which accounted for around 29%. Average trading volume in the company's shares 2011 was around 88,600 shares per month (XETRA). 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 by BankM.

In 2011, as in 2010, the price performance of shares in InTiCa Systems lagged the DAX slightly, but the stock performed far better than the TecDAX and the sector-specific indices.

<sup>1</sup> Price data based on Xetra, source: Bloomberg

Shares in InTiCa Systems	2011	2010
Year high (XETRA® closing price)	5.45	5.25
Year low (XETRA® closing price)	3.30	3.75
Market capitalization at year end in EUR million	15.2	18.0

Closing prices	2011	2010	Change
Shares in InTiCa Systems (XETRA®)	3.54	4.20	-15.7%
DAX	5,898.35	6,914.19	-14.7%
TecDAX	685.06	850.67	-19.5%
DAXsector Technology	364.97	503.83	-27.6%
DAXsubsector Communications Technology	71.55	116.04	-38.3%

### Investor relations activities

InTiCa Systems' Investor Relations department is the company's interface to the capital market. It is therefore responsible for ensuring open communication with present and potential investors and with other target groups among the general public. The main aim is to underpin confidence in the company and its stock by providing extensive and transparent information for the investment community. The Board of Directors therefore personally seeks direct contact with the relevant members of the financial community. For example, in 2011 InTiCa Systems AG once again gave a presentation at the German Equity Forum in November. This forum, which is organized by Deutsche Börse AG, attracts more than 5,000 participants from the financial sector, the corporate sector in Germany and internationally, investors and analysts, making it Europe's largest capital market conference. It is held once a year in Frankfurt am Main, Germany. At conferences like these, a large number of one-on-one meetings are held with asset managers, analysts and fund managers to report on InTiCa Systems' business model, current market and corporate developments, and the company's strategy in its various areas of business. The Board of Directors took advantage of such events to conduct intensive discussions with investors and analysts. This enabled it to improve the expectations held by the various target groups. In addition, in 2011 background reports on InTiCa Systems and interviews with members of the Board of Directors were again published in various high-circulation specialist stock-market and investment journals.

In 2011, as in the past, 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. The investment community is notified immediately of important events, for example, when the company secures major orders, important corporate developments and the publication of financial reports through ad hoc statements or press releases and separate investor relations bulletins.

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](http://www.intica-systems.de)) contains all relevant information on the stock, a financial calendar detailing all key dates, an archive of obligatory disclosures and press 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.

InTiCa Systems intends to hold roadshows in 2012, as it did in 2011, to present the company to new capital market multipliers and professional investors. It will also be reporting in detail on the company's business development at one-on-one meetings with present and potential investors. The Board of Directors of InTiCa Systems retains its view that active, open and transparent communication with the capital markets, general public and the media is imperative.

## Key data on the stock

ISIN	DE0005874846	Trading segment	Regulated market, Prime Standard
WKN	587 484	Trading exchanges	XETRA®, Frankfurt, Hamburg, Berlin, Munich, Stuttgart, Düsseldorf
Stock market symbol	IS7	Designated sponsor	BankM
Bloomberg ticker symbol	IS7:GR	Research coverage	Performaxx Research GmbH
Reuters ticker symbol	IS7G.DE		
No. of shares	4,287,000		

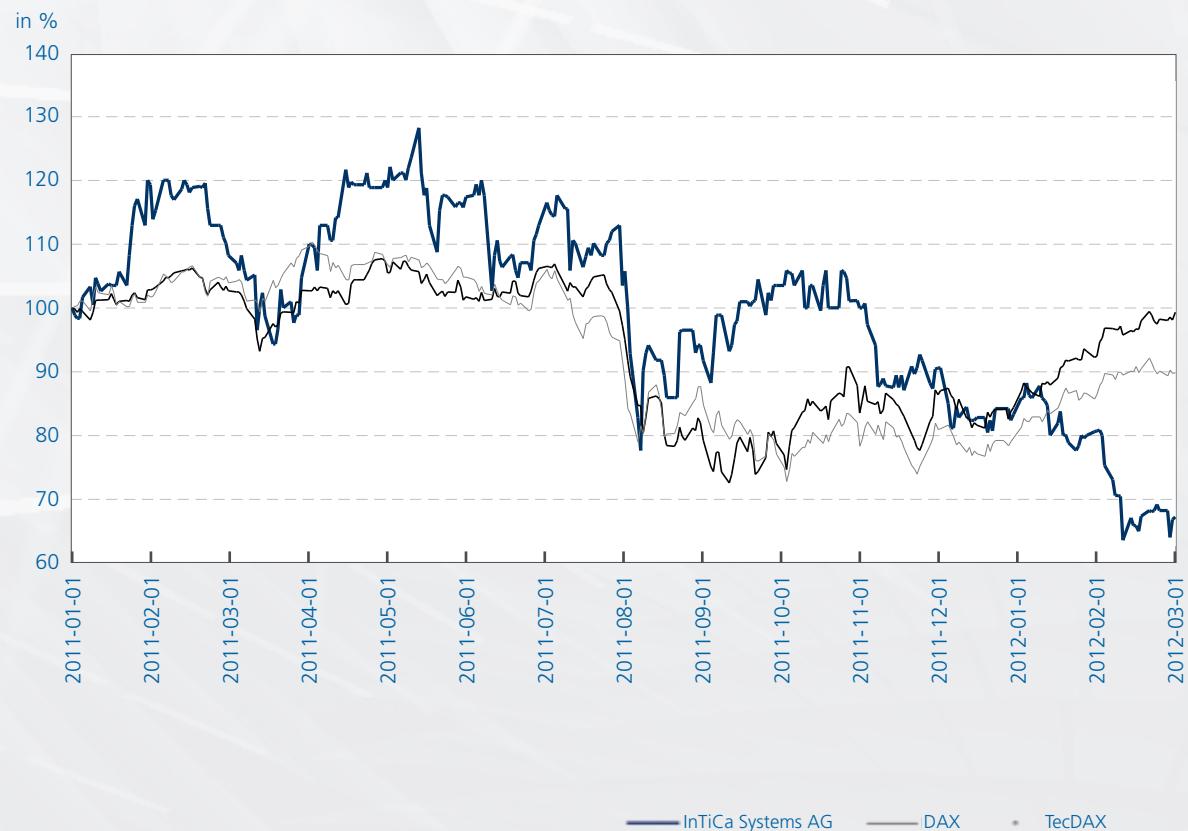
## Shareholder structure

The principal shareholders on March 31, 2012

were as follows:

Thorsten Wagner  
Dr. Dr. Axel Diekmann  
KST Beteiligungs AG  
bcm Invest GmbH  
Dr. Paul and Maria Grohs  
Karl Kindl  
Treasury stock  
Management

Shareholding:  
over 20%  
over 10%  
over 5%  
over 5%  
over 3%  
over 3%  
1.5%  
less than 1%



## Corporate Governance Report

# CORPORATE GOVERNANCE

This corporate governance report for InTiCa Systems AG 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, it contains additional information on corporate management practices and describes how the Board of Directors and Supervisory Board work, and the composition and method of working of their committees.

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

The above components of the declaration on corporate management pursuant to sec. 289a of the German Commercial Code are available on the internet at [www.intica-systems.de](http://www.intica-systems.de) 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 2012 the company will comply with the recommendations of the Corporate Governance Code in the version dated May 26, 2010, as published in the electronic Federal Gazette on July 2, 2010, 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 German legislation on diversity. 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.

#### 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 foreign

companies 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.

#### 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, on July 7, 2011 the Supervisory Board 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 subsidiaries in Austria and 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 Austria and 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, and for 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, provide 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 2011**

	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, 2014	Responsible for: sales R&D materials management and quality	None

**Members of the Supervisory Board of  
InTiCa Systems AG in 2011**

	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, Thyrnau	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
Detlef Hözel, engineering graduate, Managing Partner of PCE-GmbH, Ingolstadt	Appointed on July 8, 2011 for the period until the Annual General Meeting 2015	Supervisory Board member	None
Udo Zimmer, business administration graduate, Managing Director of Kon-Cept Engineering GmbH, Ingolstadt	Appointed on July 8, 2011 for the period until the Annual General Meeting 2015	Substitute member of the Supervisory Board	None

## Remuneration

The contracts with the members of the Board of Directors contains 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 7 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 in to 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, 2012, Mr. Walter Brückl held 19,000 shares in InTiCa Systems AG (0.4%), Mr. Günther Kneidinger held 1,000 shares (0.02%), Mr. Werner Paletschek held 2,000 shares (0.05%) and Mr. Christian Fuchs and Mr. Detlef Hölzel each held 2,000 shares (0.05%). The company itself held 64,430 shares (treasury stock) as of March 31, 2012 (1.5%).

## Directors' Dealings

In 2011 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	Governance body	Purchase/sale	Units	Price in EUR	Transaction value in EUR	Stock exchange
June 1, 2011	Detlef Hölzel	Supervisory Board	Purchase	1,000	4.979	4,979	Direct trading
June 17, 2011	Christian Fürst	Supervisory Board	Purchase	1,000	4.65	4,650	Xetra
July 19, 2011	Werner Paletschek	Supervisory Board	Purchase	1,000	4.56	4,560	Munich
August 5, 2011	Detlef Hölzel	Supervisory Board	Purchase	1,000	4.00	4,000	Munich
December 8, 2011	Walter Brückl	Board of Directors	Purchase	1,000	3.589	3,589	Tradegate
December 8, 2011	Günther Kneidinger	Board of Directors	Purchase	1,000	3.589	3,589	Tradegate

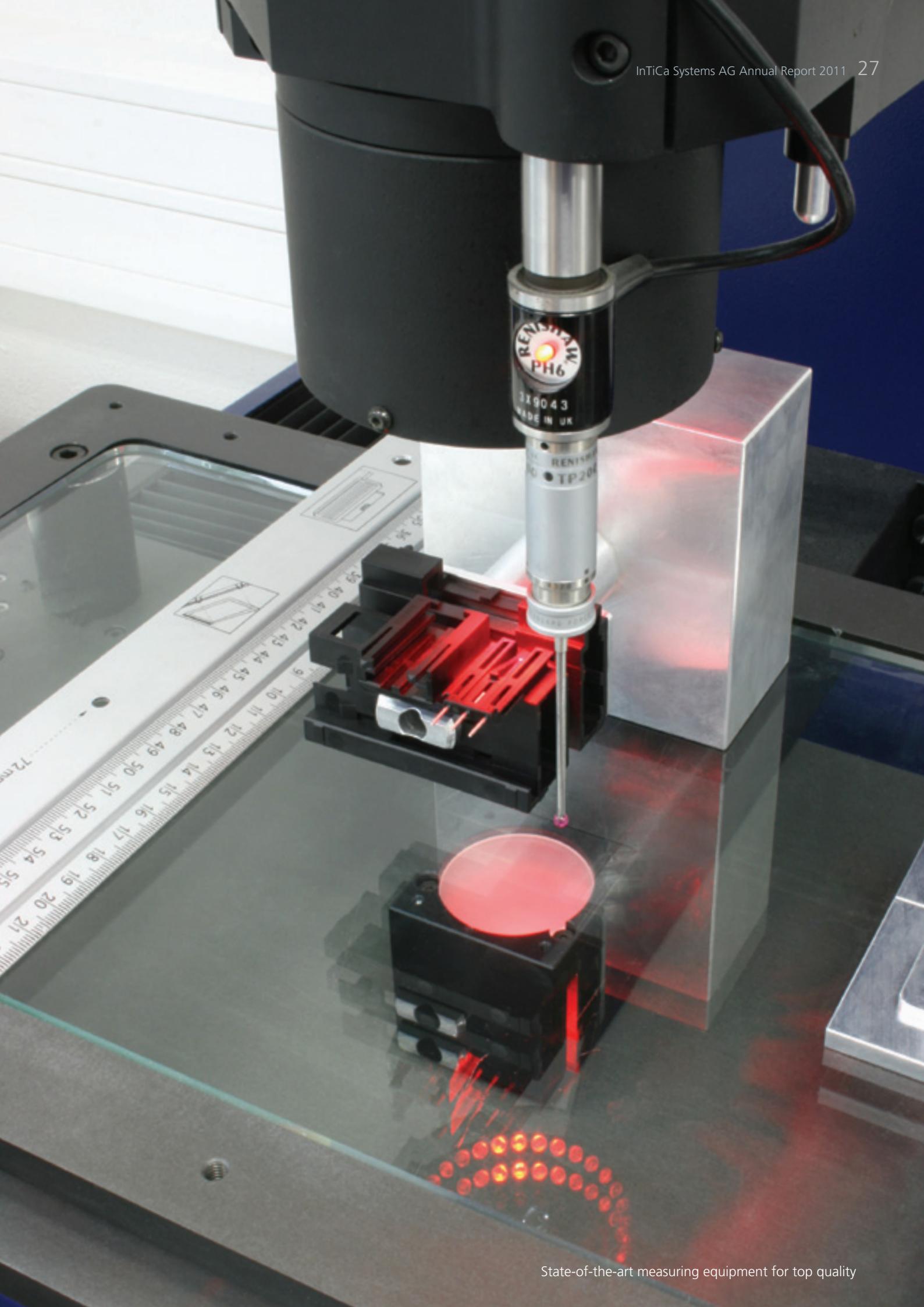
Passau, April 20, 2012

## The Supervisory Board

Werner Paletschek  
Christian Fürst  
Detlef Hölzel

## The Board of Directors

Walter Brückl  
Günther Kneidinger



State-of-the-art measuring equipment for top quality

# Group Management Report

## for the period from January 1 to December 31, 2011

# GROUP MANAGEMENT REPORT

*The Group management report should be read in conjunction with the audited consolidated financial statements and the Notes to the consolidated financial statements. The following comments are based on various information, which are 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. Business activity

InTiCa Systems' business focuses on customized 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 industrial 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 in products for high-speed data transmission in the telecommunications sector (ADSL+, VDSL+, referred to jointly as xDSL). InTiCa Systems' Communication Technology segment serves this sector. The Automotive Technology segment develops and manufactures products for sensors and actuators, electronic drives for engine management and hybrid vehicles, and network topologies for vehicles. The Industrial Electronics segment, which was established in 2007, delivers

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

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 of the underlying technologies:

### 1.1 Automotive Technology

InTiCa Systems' Automotive Technology segment develops and manufactures products 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. These products are used by well-known European, US and Asian manufacturers and their system suppliers.

Through new developments such as stator systems for hybrid / electric vehicles and planar transformers for efficient battery management InTiCa Systems responds to demand from automotive producers and their suppliers for smart ways of optimizing energy efficiency.

Thanks to orders running for several years placed by well-known new clients in 2011 and early 2012, InTiCa Systems has access to additional sales potential in further automotive applications and product areas.

In 2011 the Automotive Technology segment contributed sales of around EUR 15.4 million, a rise of around 54% compared with the previous year (2010: EUR 10.0 million). This segment increased its share of Group sales to around 37% (2010: 32%) and is the second largest segment. Its earnings before interest and taxes (EBIT) improved significantly year-on-year to EUR 1.1 million (2010: EUR -0.1 million) owing to a considerable reduction in unit costs.

### 1.2 Industrial Electronics

Inverters and converters, which are used to transform solar power into electricity for the grid, are the main applications for the products manufactured and supplied by InTiCa Systems' Industrial Electronics segment, for example, coils, chokes and transformers. 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 magnetic coils to reduce the power consumption of 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 Industrial Electronics segment once again grew sales strongly in 2011, from EUR 9.2 million to around EUR 15.9 million, an increase of roughly 73% year-on-year. As in the previous year, this segment was therefore the Group's main sales driver. It increased its share of total sales from around 29% in 2010 to more than 38%. EBIT (earnings before interest and taxes) totalled EUR 0.2 million in 2011 (2010: EUR 0.4 million).

### 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+ (up to 16 Mbit/s) and VDSL2 data rates (up to 50 Mbit/s).

The 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 applications for fibre optic networks and 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 company now has a variety of products for all cable-based broadband networks.

This segment's sales declined further to EUR 10.3 million in 2011 (2010: EUR 12.1 million). Over the past four years its share of Group sales has dropped from 87% in 2007 to just 25% as there has been a substantial increase in the proportion of suppliers from low-wage Asian countries operating on the European market. This has cut InTiCa Systems' volume sales. The significant price erosion triggered by the market entry of these competitors has exacerbated the drop in sales. Moreover, overall growth potential in the market for splitters has been declining in recent years, and expansion of the VDSL network by Deutsche Telekom AG has so far fallen short of the level originally anticipated. This is partly attributable to the continuing debate about alternative future transmission technologies, which has further reduced willingness to invest in a nationwide VDSL network. InTiCa Systems estimates that despite declining volume sales its splitters business still has a market share of around 50% in Germany.

In 2011 InTiCa Systems nevertheless managed to offset the decline in sales in this segment through successful measures to raise efficiency. As a result EBIT was positive at EUR 0.002 million (2010: negative EBIT of minus EUR 1.7 million).

## 2. General economic conditions

Following a good start to 2011, economic sentiment deteriorated considerably and global economic growth slowed over the year. Alongside temporary factors such as the aftermath of the natural catastrophe in Japan and the sharp rise in raw material prices in the first half of the year, downside factors included, in particular, the mounting sovereign debt crisis in the euro zone and the economic trend in the USA. According to provisional calculations by the International Monetary Fund (IMF)<sup>1</sup>, the global growth rate therefore dropped from 5.2% in 2010 to 3.8% in 2011. The slowdown was particularly pronounced in the advanced economies, but the emerging markets also registered a clear drop in momentum. On the one hand, export volumes declined as a result of lower demand from industrialized countries, while on the other, monetary and fiscal policy were geared to preventing overheating and inflation. The IMF forecasts that the global economy will grow by 3.3% in 2012.

According to the IMF, in the euro zone, the enormous uncertainty surrounding the sovereign debt crisis and the inescapable spending cuts in the crisis-ridden countries resulted in a relatively low average economic growth rate of 1.6% in 2011 (2010: 1.9%). However, there were enormous regional differences within the European Union. While the countries affected by the debt crisis such as Italy, Spain and the UK only reported marginal growth of less than 1%, and Greece and Portugal saw economic output decline, the cyclical trend in Germany in particular remained stable. The IMF's forecast for the euro zone is based on the assumption that the crisis will not be overcome in 2012. It is therefore predicting that economic output will contract by 0.5%.

According to the Federal Statistics Office<sup>2</sup>, the German economy grew by around 3.0% in 2011 (2010: 3.7%). Growth was mainly driven by German exports in the first half of the year. However, sentiment gradually deteriorated during the year. The IMF only expects Germany to report low economic growth of 0.3% in 2012.

The economic trend in the United States picked up after a poor start to the year. Consumer spending, employment and capital spending increased significantly during the year. Nevertheless, according to the IMF economic growth slipped from 3.0% in 2010 to 1.8% in 2011. It anticipates that the US economic growth rate will remain around this level in 2012.

## 3. Market and market conditions

### 3.1 Automotive Technology

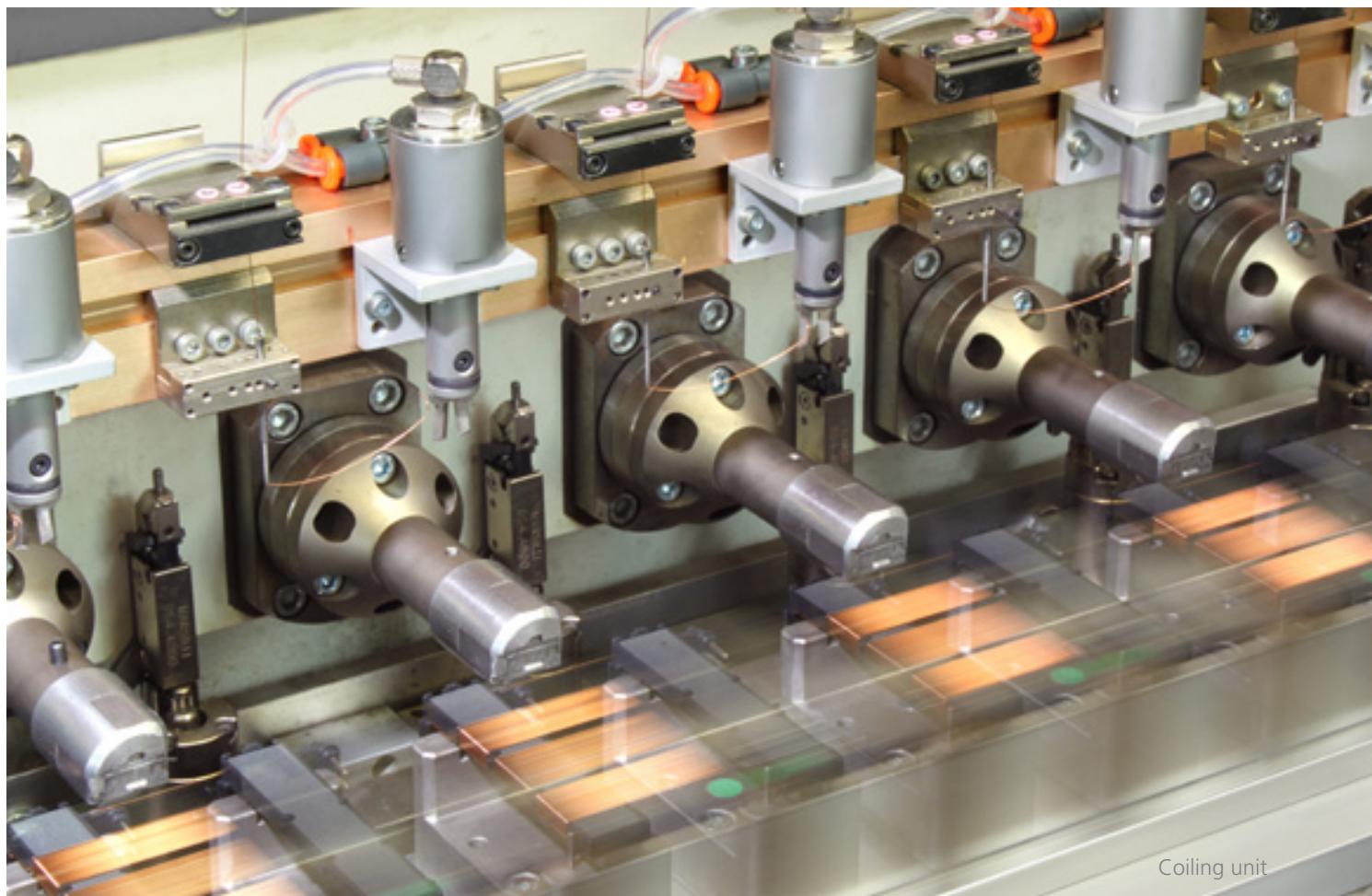
According to the German Automobile Industry Association (VDA)<sup>3</sup>, the global auto market was robust in 2011 and volume sales grew around 6% to 65.4 million vehicles. Market trends were particularly favourable in the USA, China, India and Russia, where growth rates were in the double-digit region. The VDA<sup>4</sup> calculates that the western European market remained around the previous year's level with 12.8 million new registrations in 2011 (-1%). The German car market was particularly positive. According to the VDA<sup>5</sup>, the number of new registrations in Germany increased by 9% to 3.17 million cars while exports increased 7% to a new record of 4.5 million cars. The total number of new cars produced in Germany also rose to a new record of 5.9 million according to the VDA<sup>6</sup>.

<sup>1</sup> International Monetary Fund: World Economic Outlook (WEO) Update, January 2012

<sup>2</sup> German Federal Statistics Offices: Press release no. 053 of February 15, 2012

<sup>3, 4</sup> Verband der Automobilindustrie e.V. (VDA): Press release of January 17, 2012

<sup>5, 6</sup> Verband der Automobilindustrie e.V. (VDA): Press release of January 3, 2012



Coiling unit

The Board of Directors of InTiCa Systems AG expects to see a further rise in demand for affordable fittings that enhance comfort and safety and reduce fuel consumption / CO<sub>2</sub> emissions in the automotive engineering sector, including the mid-class and small vehicle segment.

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<sub>2</sub> emissions in leading car producers' volume models, which are now going into production. Within the automotive sector, Asia will most probably remain the real growth market.

InTiCa Systems is therefore currently examining various options of positioning itself in this regional growth market. 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.

The Board of Directors believes that gaining these customers, which are systems suppliers to world-leading automotive suppliers, opens up further sales potential for InTiCa Systems with other products and areas of application.

### 3.2 Industrial Electronics

InTiCa Systems has identified applications for renewable energies (mainly solar power at present) and technologically advanced energy management products for rail technology and welding as primary markets for future sales growth. 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 in some cases by using InTiCa's inductive components and mechatronic assemblies for inverters. According to the German Solar Energy Association (BSW-Solar)<sup>7</sup>, the number of photovoltaic (PV) installations increased by almost 30% in 2011 from 840,000 to 1,090,000. PV capacity rose even faster to around 24,800 MWp (2010: around 17,000 MWp). The installed PV facilities generated around 18.5 GWh electric power in 2011. That is sufficient to meet the demand of around 5.2 million households. BSW-Solar<sup>8</sup> forecasts that solar power could meet around 4% of gross power consumption in Germany in 2012. That is expected to rise to at least 10% by 2020.

InTiCa Systems recently received orders from customers in the solar sector for the development and production of inductive components and mechatronic modules because its products improve efficiency and also reduce the space required for solar installations.

In addition, InTiCa Systems develops and manufactures products to raise the energy efficiency of industrial equipment and domestic appliances. New developments for industrial applications including rail and welding technology are currently under way.

In 2011, this segment, which was only established in 2007, reported the highest sales in the Group, driven primarily by a large number of new customers from the photovoltaic sector.

### 3.3 Communication Technology

According to the Federal Association for Information Technology, Telecommunications and New Media (BITKOM)<sup>9</sup>, sales revenues generated with telecommunication services slipped slightly to EUR 65.7 billion in 2011 (2010: EUR 66.1 billion). Deutsche Telekom<sup>10</sup> reports that the number of broadband connections increased by 1.2 million to a total of 27.1 million, including around 23.5 million DSL connections and around 3.6 million broadband cable TV connections. However, the main beneficiaries were once again 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 offering data rates of up to 50 Mbit/s. The telecommunications companies intend to narrow this gap by investing in a nationwide fibre-optic network right through to the end-customer.

<sup>7,8</sup> Statistical data for the German solar power (photovoltaic industry), Bundesverband Solarwirtschaft e.V. (BSW-Solar), April 2012

BITKOM<sup>11</sup> estimates that investment in the telecommunications infrastructure amounted to some EUR 5.7 billion in 2011 (2010: EUR 5.5 billion). Such high data rates are needed to broadcast video or television smoothly in high-definition quality via the internet. In future, mobile broadband connections ("mobile internet") will increasingly compete with stationary broadband connections.

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 exposed to high price pressure, mainly from Asian competitors, which are expanding in the European market of relevance for InTiCa Systems.

### 4. InTiCa Systems' market position and non-financial performance indicators

In 2011 InTiCa Systems AG grew sales strongly. Earnings also moved back into profit. The high unit costs, which had held back earnings in the previous year, were reduced significantly by better purchasing conditions and measures to raise efficiency. This is reflected in a significant increase in the gross profit margin.

The competitiveness of our products is vital for the success of the company. For example, inductive components and mechatronic assemblies developed by InTiCa System greatly improve efficiency, a key benefit for customers from the solar industry. Clients in the automotive industry commission InTiCa Systems to develop and manufacture inductive components, principally because its design meets their high technological and quality requirements.

Despite its technological edge, InTiCa Systems has to align its costs to market conditions. Stringent cost management, optimized vertical integration and a reduction in fixed overheads remain key factors in this.

At the same time, the constant innovation, rapid technological progress and 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.

Steps taken in recent years have increased vertical integration from 27% in 2007 to 78% in 2011 thanks to considered expansion of the production facilities in Prachatice, resulting in strong expansion of our customer base and product portfolio.

<sup>9</sup> Bitkom: Presentation at press conference: Review of 2011- Outlook for 2012, Berlin, December 15, 2011

<sup>10</sup> Deutsche Telekom AG: Annual Report 2011, page 72

<sup>11</sup> Bitkom: ITK-Marktzahlen, Kurzfassung, November 2011

This strategic refocusing of the company safeguards know-how, reduces production costs, increases flexibility and decreases dependence on individual customers and products.

Central elements of our strategic focus are securing and expanding our technological and quality edge and greater internationalization of sales and production in Asia and North America.

To safeguard and build on these objectives, 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 in order to cut manufacturing costs and raise customer satisfaction. Other objectives include identifying errors and risks in the production process and supply chain, eliminating their causes and checking the efficacy of the corrective and preventive measures introduced. At its heart is avoiding rather than identifying errors.

The high quality of the products and developments and the provision of competent advice to customers play an important part in InTiCa Systems' corporate policy so ensuring that personnel have the necessary qualifications is one of the overriding tasks of 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 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. The company had an average of two trainees in 2011 and two former trainees were taken on in 2011 at the end of the training.

To continue to drive forward the Group's favourable development, employees received a share of the profit for 2011 for the first time. In addition, financial support was provided for local social projects undertaken by employees.

In addition to the contribution made by InTiCa Systems' products to improving environmental protection, an environmental management system that meets the requirements of DIN EN ISO 14001:2009 has been integrated into the Prachatice production site.

The environmental policy enshrines the Board of Directors' commitment to ensuring compliance with all relevant legislation, avoiding an 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.

In view of the precautions taken, the Board of Directors is confident that InTiCa Systems can continue to offer customers key benefits through innovative products in the future.

## 5. Earnings, asset and financial position

### 5.1 Overall position

InTiCa Systems' business situation improved considerably compared with the previous year. Sustained high growth in the Industrial Electronics and Automotive Technology segments and lower unit costs resulted in an earnings turnaround and the highest EBITDA in the company's history. Growth in these two segments enabled us to achieve the sales and operating earnings forecast in the previous year. While non-current assets contracted year-on-year as a result of lower capital expenditures, current assets were stable. Equity increased thanks to the net profit, while both non-current debt and current debt were scaled back considerably. The equity ratio therefore increased to a sound 52% at year end (2010: 48%).

### 5.2 Earnings position

#### » Sales

Group sales increased 36% from EUR 31.2 million in 2010 to EUR 42.5 million in 2011. The growth drivers were once again the Automotive Technology segment, where sales advanced 54% to EUR 15.4 million (2010: EUR 10.0 million) and the Industrial Electronics segment, where sales surged 73% to EUR 15.9 million (2010: EUR 9.2 million). The downward trend in the Communication Technology segment continued, with sales contracting to EUR 10.3 million (2010: EUR 12.1 million).

#### » Expenses

The higher unit costs, which had held back earnings in the previous year, were successfully checked in 2011. As a result the material cost ratio declined from 71% in 2010 to 66% in 2010 (figures exclude changes in inventories). The average number of employees increased 23% year-on-year to 432 (2010: 351). 87 were agency staff (2010: 44). Despite the rise in the number of employees, the personnel cost ratio dropped from 19% to 16%. Depreciation and amortization increased by around 14% year-on-year to EUR 4.9 million (2010: EUR 4.3 million) as a result of investment in intangible assets, property, plant and equipment. Other expenses rose by around 24% to EUR 4.6 million in 2011 (2010: EUR 3.7 million). This item includes the expenses of EUR 0.8 million (2010: EUR 0.4 million) for agency staff at the Prachatice production site.

### » Research and development

Spending on research and development amounted to EUR 2.2 million in 2011 (2010: EUR 2.6 million). Development work focused principally on the Automotive Technology and Industrial Electronics segments. Expenses of EUR 0.9 million were expensed directly (2010: EUR 0.6 million) and the remainder were capitalized.

### » Earnings

EBITDA (earnings before interest, taxes, depreciation and amortization) increased by more than 111% in 2011, from EUR 2.9 million to EUR 6.2 million, which was a new record for the Group. EBITDA rose faster than sales as a result of considerable efficiency enhancements and cost savings in the procurement of goods, logistics costs and production. This is also reflected in the substantial improvement in the gross profit margin to 36.2% (2010: 30.7%). Gross profit was EUR 15.0 million (2010: EUR 9.6 million). Earnings include net currency translation gains of EUR 0.4 million (2010: EUR 0.7 million).

EBIT (earnings before interest and taxes) was EUR 1.2 million and thus also well above the year-back level of minus EUR 1.4 million. The EBIT margin was around 3.0%. The Automotive Technology and Industrial Electronics segments were principally responsible for the Group's good earnings performance as well as for the sales performance. Automotive Technology reported EBIT of EUR 1.1 million (2010: minus EUR 0.1 million) while Industrial Electronics achieved EBIT of EUR 0.2 million (2010: EUR 0.4 million).

At the same time, the Communication Technology segment achieved positive EBIT of EUR 0.002 million, compared with a loss of EUR 1.7 million in the previous year.

The financial result was minus EUR 0.6 million in 2011 (2010: minus EUR 0.5 million). Financial expense increased from EUR 0.53 million to EUR 0.64 million, while financial income decreased from EUR 0.05 million to EUR 0.04 million.

The Group made a clear profit before taxes of EUR 0.6 million in 2011, compared with a pre-tax loss of EUR 1.8 million in the previous year. Taking into account tax income of EUR 0.2 million (2010: tax expense of EUR 0.3 million), the Group made a net profit of EUR 0.8 million (2010: net loss of EUR 2.2 million). Earnings per share were EUR 0.20 (2010: minus EUR 0.53).

## 5.3 Asset position

### » Capital structure

Total assets declined from EUR 39.7 million to EUR 37.4 million in 2011. On the assets side, non-current assets decreased as a result of the increase in depreciation and amortization and the reduction in capital spending. Current assets rose. While inventories increased further, trade receivables decreased. On the equity and liabilities side, equity rose while both current and non-current liabilities decreased. The equity ratio therefore improved from 48% to 52% as of December 31, 2011.

### » Non-current assets

Depreciation of property, plant and equipment and amortization of intangible assets exceeded capital expenditures in 2011. As a result, property, plant and equipment declined from EUR 17.9 million to EUR 16.1 million while intangible assets fell back from EUR 5.4 million to EUR 4.8 million. Other non-current receivables were EUR 1.5 million lower than in the previous year while deferred taxes were virtually unchanged at EUR 1.4 million. Overall, non-current assets thus decreased to EUR 22.3 million as of December 31, 2011 (December 31, 2010: EUR 26.3 million).

### » Current assets

Inventories increased to EUR 7.6 million in 2011 (December 31, 2010: EUR 5.8 million) in response to orders from customers. Despite the higher business volume, trade receivables were reduced from EUR 6.1 million to EUR 4.7 million as a result of payments received in the reporting period. Cash and cash equivalents amounted to EUR 1.1 million, around the same level as in the previous year (December 31, 2010: EUR 1.1 million). As of December 31, 2011, current assets therefore increased from EUR 13.4 million to EUR 15.1 million as financial assets totalling EUR 1.5 million were classified as current in 2011.

### » Non-current liabilities

Non-current interest-bearing liabilities were reduced from EUR 10.1 million to EUR 9.4 million in the reporting period and other non-current liabilities of EUR 0.3 million were incurred (December 31, 2010: EUR 0.0 million). The liabilities to banks comprise fixed-interest loans with a remaining term of up to five years. With the exception of the EUR 5 million promissory note, which is due on the maturity date, repayment is in equal half-yearly instalments. Further, as of the reporting date there was

an annuity loan totalling EUR 0.8 million (December 31, 2010: EUR 1.3 million), with a remaining term of two years. Interest rates are between 3.8% and 5.27% and are fixed until the end of the loans. Deferred taxes dropped from EUR 2.1 million to EUR 1.8 million in the reporting period, so non-current liabilities declined to EUR 11.4 million as of December 31, 2011 (December 31, 2010: EUR 12.2 million).

» *Current liabilities*

Current liabilities were reduced considerably to EUR 6.5 million in 2011 (December 31, 2010: EUR 8.5 million). This was mainly due to the reduction of EUR 0.6 million in current interest-bearing liabilities from EUR 2.9 million as of December 31, 2010 to EUR 2.3 million, and a considerable reduction of EUR 1.5 million in trade payables, bringing them down from EUR 4.3 million to EUR 2.8 million.

» *Equity*

Equity increased from EUR 18.9 million in 2010 to EUR 19.5 million as of December 31, 2011. The reasons for this were the increase in the capital reserve from EUR 14.4 million to EUR 15.4 million, which was attributable to the positive net income and the sale of treasury stock in 2011. An addition of EUR 0.4 million to the profit reserve also contributed to the rise in equity. As of December 31, 2011 a currency translation loss of EUR 0.6 million was recorded in connection with the Czech subsidiary (December 31, 2010: gain of EUR 0.4 million).

## 5.4 Financial position

» *Liquidity and cash flow statement*

The net cash flow from operating activities improved by EUR 2.3 million from EUR 1.2 million in 2010 to EUR 3.5 million in 2011. Despite cash outflows of EUR 1.5 million for trade payables, the improvement in the operating cash flow was mainly due to net income and the reduction in trade receivables. The transfer of loan receivables totalling EUR 1.5 million from other non-current receivables does not represent a change in the liquidity position, as the cash inflow will only be registered in the following year. In fiscal 2011 net translation gains/losses contain gains and losses from the translation of the functional currency of the Czech subsidiary as of the reporting date and an increase in net investment (see section 10.7 „Currency risk“).

The net cash outflow for investing activities declined to EUR 2.9 million in the reporting period (2010: net outflow of EUR 7.1 million). The principal investments for expansion of the business operations were made in previous years. Nevertheless, outflows for investment in property, plant and equipment amounted to EUR 1.6 million in 2011 (2010: EUR 3.6 million) while cash outflows for investment in intangible assets were EUR 1.4 million (2010: EUR 2.1 million).

The net cash outflow for financing activities was EUR 0.03 million in the reporting period (2010: inflow of EUR 0.8 million). Cash inflows from the sale of treasury stock amounted to some EUR 0.7 million, while cash outflows for scheduled repayment of loans also amounted to around EUR 0.7 million.

A positive overall cash flow of EUR 0.6 million was achieved in 2011. That was a substantial improvement of EUR 5.8 million from the cash outflow of EUR 5.2 million in 2010. Cash and cash equivalents totalled EUR 1.1 million on December 31, 2011 (2010: EUR 1.1 million). Cash and cash equivalents less utilized overdraft facilities declined by EUR 0.5 million as of December 31, 2011 (2010: decline of EUR 1.1 million).

» *Capital expenditures*

Following substantial investment in expansion of the business operations in preceding years, capital expenditures dropped back sharply to EUR 2.9 million in 2011 (2010: EUR 5.6 million). EUR 0.4 million of capital expenditures in 2011 were leasing-financed.

» *Employees*

Despite higher sales, the year-end headcount, including agency staff, decreased from 447 on December 31, 2010 to 420 on December 31, 2011 [including 83 agency staff (2010: 123); the expenses of EUR 808 thousand (2010: EUR 432 thousand) for agency staff are recognized in other operating expenses]. The personnel expense ratio, including expenses for agency staff, therefore declined to around 17.6% (2010: 20.0%). Including agency staff, the Group had an average of 432 employees in 2011 (2010: 351).



## 6. 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	
	2011	2010	2011	2010	2011	2010	2011	2010
in EUR '000								
Sales	15,375	9,970	15,863	9,151	10,254	12,124	41,492	31,245
Pre-tax earnings	1,062	-51	168	409	2	-1,708	1,232	-1,350

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

	Germany		Other countries		Total	
	2011	2010	2011	2010	2011	2010
in EUR '000						
Sales	22,463	18,934	19,029	12,311	41,492	31,245
Segment assets	10,923	13,324	22,251	21,946	33,174	35,270
Average no. of employees	62	56	370	295	432	351
of which agency staff	0	0	87	44	87	44

## 7. Remuneration system of the Board of Directors and Supervisory Board

### 7.1 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. Remuneration is based on the customary remuneration in the sector and the size of the company. 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 28.3 to the financial statements.

## 7.2 Remuneration of the Supervisory Board

Sec. 11 of the articles of incorporation of InTiCa Systems sets out the remuneration of the Supervisory Board. In addition to reimbursement of expenses and value-added tax payable on income relating to payments for their duties on the Supervisory Board, after the end of the fiscal year each member of the Supervisory Board receives a fixed remuneration fee and a fee for attending meetings. The General Meeting is responsible for deciding whether to pay the Supervisory Board members a bonus based on the profit shown on the balance sheet. So far, this possibility has not been used. The Chairman of the Supervisory Board receives fixed annual remuneration of EUR 30,000, the Deputy Chairman receives EUR 25,000 and other members EUR 15,000. The fee for attending meetings is EUR 1,500.

The General Meeting on July 8, 2011 adopted an amendment to sec. 11 of the articles of incorporation relating to remuneration of the Supervisory Board. This is applicable from the start of the fiscal year in which the amendment is entered in the commercial register. Accordingly, the following remuneration arrangements are applicable for fiscal 2012: Alongside reimbursement of expenses and the individual value-added tax liability, each member of the Supervisory Board shall receive remuneration due 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. In addition to these amounts, for fiscal years in which the EBIT margin (ratio of EBIT to sales) reported in the consolidated financial statements exceeds 3%, the members of the Supervisory Board receive a further payment which is graduated as follows: 20% of the fixed payment if the EBIT margin exceeds 3%, 50% of the fixed payment if the EBIT margin exceeds 5%, and 100% of the fixed payment if the EBIT margin exceeds 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 28.3 to the financial statements.

Total expenses for both governance bodies amounted to EUR 453 thousand in fiscal 2011 (2010: EUR 470 thousand).

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

The declaration on corporate management pursuant to sec. 289 a 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 22 et seq. of this annual report. In addition, the corporate governance report is available on the company's website at [www.intica-systems.de](http://www.intica-systems.de) Investor Relations / Corporate Governance.

## 9. Other information

### Composition of the capital stock

The capital stock of InTiCa Systems AG comprises 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 stock), which do not confer any rights on the company. The rights and obligations of the shareholders are set out in detail in the German Stock Corporation 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 and Dr. Diekmann have direct and indirect interests in the company's capital exceeding 10% of the voting rights. The voting rights of Printad Verlags-GmbH, Landshut, Germany, reported after the end of the reporting period are attributable to Dr. Diekmann.

### Shares with special rights according to rights of control

There are no shares in the company with special rights according to 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 also authorized, until May 24, 2012, to increase the company's capital stock, with the consent of the Supervisory Board, by up to EUR 1,672,500.00 by issuing new shares for cash or contributions in kind in one or more tranches. Further details are given in sec. 3 paragraphs 3 and 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, 2011, InTiCa Systems still had treasury stock amounting to 64,430 shares (2010: 210,489).

**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 association requires a resolution of the General Meeting. Resolutions of 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, resolutions adopted by the Annual General Meeting on May 24, 2007 authorized the Supervisory Board to amend sec. 3 of the articles of incorporation to reflect the utilization of the authorized capital 2007/I and after expiry of the deadline for utilization of this right.

### 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.

## 10. Risk management and risk report

InTiCa Systems' business is exposed to a large number of risks that are inseparably linked to entrepreneurial activity. Risks constitute the possibility of the occurrence of events that could adversely affect the economic situation of InTiCa Systems AG. Such risks are countered by adequate opportunities. InTiCa Systems AG uses effective management systems to ensure timely identification, evaluation and management of risks.

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.

InTiCa Systems has established a risk management system to identify, analyze and evaluate potential risks. 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, 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.

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 pre-defined approval procedures, 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 for financial accounting is fully integrated into the Group's quality assurance process.

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 flows 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.

### 10.1 Market and price 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.

In general, the Communication Technology and Industrial Electronics segments are basically exposed to greater sector-specific fluctuations than the Automotive Technology segment.

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).

## 10.2 Customer dependence

In the past fiscal year, InTiCa Systems' Communication Technology segment generated around 48% of sales (about 12% of Group sales) with one customer. The largest customers in the Automotive Technology and Industrial Electronics segments account for around 9% and 14.5% of sales respectively. No single customer accounts for more than 38% of sales in either of these segments.

## 10.3 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.

## 10.4 Personnel risks

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

## 10.5 Financial risks

The financial risks mainly result from orders in foreign currencies and the parent company's financing activities. In particular, the company could sustain considerable damage if the euro were very strong, as production is mainly in the euro zone.

## 10.6 Liquidity risk

InTiCa Systems currently has a bonded loan from a leading German bank in the amount of EUR 5.0 million. 50% of the loan is secured by 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 4.3 million). There is also an annuity loan, which originally had a term of three years. As of December 31, 2011 it had a remaining term of just under 2 years and was valued at EUR 0.8 million (for information on further credit security, please refer to Note 3.16 in the notes to the consolidated financial statements).

All three loans are used to safeguard long-term liquidity. In addition, InTiCa Systems has credit lines of EUR 4.0 million. EUR 1.6 million of this amount was drawn on the reporting date. Further, the InTiCa Systems Group has cash and cash equivalents of EUR 1.1 million, including EUR 1.0 million provided as security for a loan, and other financial receivables amounting to EUR 1.5 million.

## 10.7 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. In view of the low volume of sales in US dollars, following on from the practice in previous years the company did not undertake currency hedging in 2011. In the first half of the year, the exchange rate for the euro versus the US dollar increased from EUR 1.3375 per USD to EUR 1.4874 per USD. In view of the worsening sovereign debt crisis in the euro zone and the economic recovery in the USA; the euro steadily lost value against the US dollar in the second half of the year and ended the year at EUR 1.2961 per USD, slightly lower than at the start of the year.

Competitive pressure from companies that produce in the US dollar zone and can export cheaply to the euro zone thanks to favourable exchange rates could increase if the euro were strong. However, due to the exchange rate, this effect could be offset by favourable procurement terms for raw materials and products in the dollar zone or goods invoiced predominantly in dollars.

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 – unless this can be absorbed by raising efficiency, a reduction in the cost of materials or price increases.

Currency gains and expenses arising from the payment of or cross-charging for intragroup transactions with independent subsidiaries whose functional currency is not the euro have to be regarded separately. As a result of payments received in euros, a net currency gain of EUR 0.4 million was registered in 2011.

In the reporting period, the Czech subsidiary was granted a bullet loan of EUR 13.2 million by converting existing trade liabilities of the same amount. This runs under December 31, 2025 and has a fixed interest rate of 2.35% for ten years. In view of the terms of the loan agreement, this loan is classified as a net investment. The translation loss of EUR 0.9 million recognized in connection with this loan is included in other comprehensive income.

#### 10.8 Interest rate risk

The company's exposure to the risk of short-term changes in interest rates is limited as the loan from the KfW runs for another five years and the loan from a German commercial bank runs for three years. Moreover, InTiCa Systems AG has agreed fixed interest rates for these loans. 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.

#### 10.9 Equity market risk

Neither InTiCa Systems AG nor the InTiCa Systems Group holds any shares in third party companies, and there are no plans to acquire any such shares. Equity market risk is thus confined to the treasury stock purchased in 2010 under the share buy-back programme adopted by the Board of Directors on July 2, 2008. Following the sale of some of these shares after the end of the reporting period, treasury stock now comprises 64,430 shares. These shares are subject to normal fluctuations in market price.

#### 10.10 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 has recently been hit by 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' 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. InTiCa Systems does not currently grant loans to employees or to external parties.

#### 10.11 Overall 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.

In view of the recent clear improvement in the operating cash flow and equity base, the Board of Directors also rates the aggregate position as regards individual risks to the development of the Group is positive, assuming that earnings continue to stabilize or even improve on last year's level.

The successful repositioning of the Group and various new developments will help drive forward the earnings situation on a sustained basis.

## 11. Branches and subsidiaries

InTiCa Systems AG holds 100% of the shares in the following companies:

- InTiCa Systems s.r.o. in Prachatice, Czech Republic
- InTiCa Systems Ges.m.b.H. in Neufelden, Austria

The site in the Czech Republic is a production facility. Until the end of Q1 2011 the Austrian branch was essentially engaged in product development and building prototypes for the Industrial Electronics segment. Serial production of most of these products took place at the Czech site. The Austrian branch was closed in April 2011 and its tasks were relocated to the Prachatice site in the Czech Republic. An application has been submitted to delete this company from the commercial register.

## 12. Opportunities

In the light of market-driven developments in the Communication Technology segment, InTiCa Systems is stepping up investment in the newer Automotive Technology and Industrial Electronics segments to strengthen their position as key sales generators.

Alongside RFID solutions for keyless entry and safety systems for cars, InTiCa Systems company supplies components for engine and energy management to reduce fuel consumption and CO<sub>2</sub> emissions, and high-performance chokes and planar transformers for electric and hybrid vehicles. These products are used in various classes of vehicle from luxury limousines and high-end sports cars to compact models. Within just under four years, the Group has managed to gain well-known German, European, US and Asian system suppliers to the automotive industry (or OEMs) as customers. Many long-term orders have been secured. Serial production has already started for some while for others it is scheduled to start in 2012 or 2013. These orders generally run for between five and eight years. However, the price pressure exerted by automotive producers on component suppliers could reduce InTiCa Systems' margins and thus its corporate performance. An unchallenged technological and quality edge is therefore extremely important as the Group can only withstand pure price competition to a limited extent.

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.

It systematically utilizes InTiCa Systems' outstanding development and manufacturing expertise in inductive components (coils, chokes, power transfer, etc.), passive analogue switches (electronic filters) and mechatronic modules (combining various inductive components in an assembly). Available synergies are also being leveraged, for example, for energy conversion in electric and hybrid vehicles. There is constant knowledge transfer and utilization of synergies between organizational units and technologies to ensure that the current products and solutions can trigger new applications.

## 13. Events after the end of the reporting period

Since the reporting date on December 31, 2011 there have not been any events or developments that have a material impact on the assets, financial position of InTiCa Systems AG.

## 14. Outlook

### Opportunities and success factors

Growth opportunities for InTiCa Systems comprise developing 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 InTiCa Systems to be able to use the growth prospects offered by the market.

Expanding the Group's regional presence will play a key role in its future development. The aim is to secure a successful long-term market presence through international distribution and production sites.

### Segment trends

#### » Automotive Technology

The Board of Directors of InTiCa Systems AG expects to see a further rise in demand for affordable fittings that enhance comfort and safety in the automotive sector, including the mid-class and small vehicle segment. Even if overall sales volumes in the automotive industry stagnate, InTiCa Systems expects to increase sales through the use of its components in new models being launched by leading international car producers. Today, InTiCa Systems' innovative products for e.g. keyless go/entry systems and power/engine electronics are used in more than 160 different models. The Board of Directors is of the opinion that Asia is most likely to remain the fastest growing market for the automobile industry.

In the electric and hybrid vehicle market, InTiCa Systems already has contracts with European manufacturers and significant order volumes have been received, so it should be able to raise sales in this field in the future.

Our sales guidance for this segment in 2012 is around EUR 19.5 million, which would be a year-on-year rise of around 25%.

The Automotive Technology segment will make a key contribution to Group net income in 2012.

#### » *Industrial Electronics*

In 2011 this segment achieved growth of around 73%, mainly with inductive components and mechatronic assemblies for inverters for the solar industry. However, sales started to decline in the fourth quarter as a result of changes in the legislative framework for solar energy in Germany and competitive problems suffered by German manufacturers of solar modules. The Board of Directors anticipates that trend will continue in 2012, resulting in lower volume sales. However, thanks to agreements with customers in the solar industry on sales volumes, InTiCa System is assured of consistent demand over the year.

Despite this development, the Board of Directors believes that in the medium term regenerative energy sources remain an area of technology that could provide above-average growth impetus for the Group. Last year, work started on the development of new products for use outside the solar power industry.

As well as being used energy generation, products manufactured by InTiCa Systems can be used for energy management. For example, in-house developments to reduce the power consumption of industrial equipment and domestic appliances offer enormous volume potential as they are used in mass-market end-products.

Other product developments such as voltage transformers for rail vehicles and welding equipment also have good market potential in the Board of Directors' view.

Its sales guidance for the Industrial Electronics segment in 2012 is around EUR 13.5 million and it expects segment earnings to be positive.

#### » *Communication Technology*

Increased competition from other suppliers and transmission technology, accompanied by strong price pressure and reluctance to invest in expansion of the broadband network over the past four years led to an above-average drop in sales of EUR 22.5 million. This was caused by a substantial reduction in the number of splitters sold and price erosion of some 23% on these products.

However, by gaining new suppliers in Asia, InTiCa Systems has achieved a significant improvement in marginal income. Moreover, a variety of innovative new products have been developed for other areas of application.

These new developments are used for copper, fibre optic and coaxial cable DSL broadband networks and to suppress interference in powerline networks.

The Board of Directors expects this segment to report sales of around EUR 7 million in 2012 and to break even on the earnings side.

#### **Earnings, asset and financial position and outlook**

The Board of Directors is of the opinion that InTiCa Systems is well-positioned in terms of both costs and products despite the overall economic uncertainty in 2012. The present deterioration in business with the solar sector will be offset by orders on hand in the Automotive Technology segment. The additional products for new applications that have been brought to market maturity in all three segments in recent months, combined with the increase in vertical integration and systems competence, offer sufficient potential for volume sales.

Following considerable investment to expand business operations in recent years, capital expenditures required for property, plant and equipment will drop to around EUR 1 million 2012. Most of this investment was realized in the first quarter or is at the planning stage.

As expected, business was subdued in the first quarter, with sales amounting to around EUR 8.9 million (2011: EUR 10.9 million), but InTiCa Systems still anticipates considerably positive pre-tax earnings and a further improvement in the liquidity situation.



Injection moulding

For the whole of 2012, assuming at least moderate economic growth despite the difficult situation in the German solar industry and the continued economic uncertainty, especially in the euro zone, the Board of Directors currently expects sales to decline slightly, while the earnings trend should be stable. It also assumes that the Group will achieve an improvement in liquidity in the low single-digit millions range.

As a result of the restraint by customers in the solar and telecommunications sectors, as of March 31, 2012 orders on hand slipped year-on-year to EUR 27.6 million (March 31, 2011: EUR 43.0 million).

Overall, the Board of Directors expects Group sales in 2012 to be around EUR 40 million, with an EBIT margin of around 3%. For 2013 the Board of Directors is forecasting further sales and earnings growth, providing the economic trend remains positive.

Passau, April 24, 2012

**The Board of Directors**

Walter Brückl

Chairman of the Board of Directors

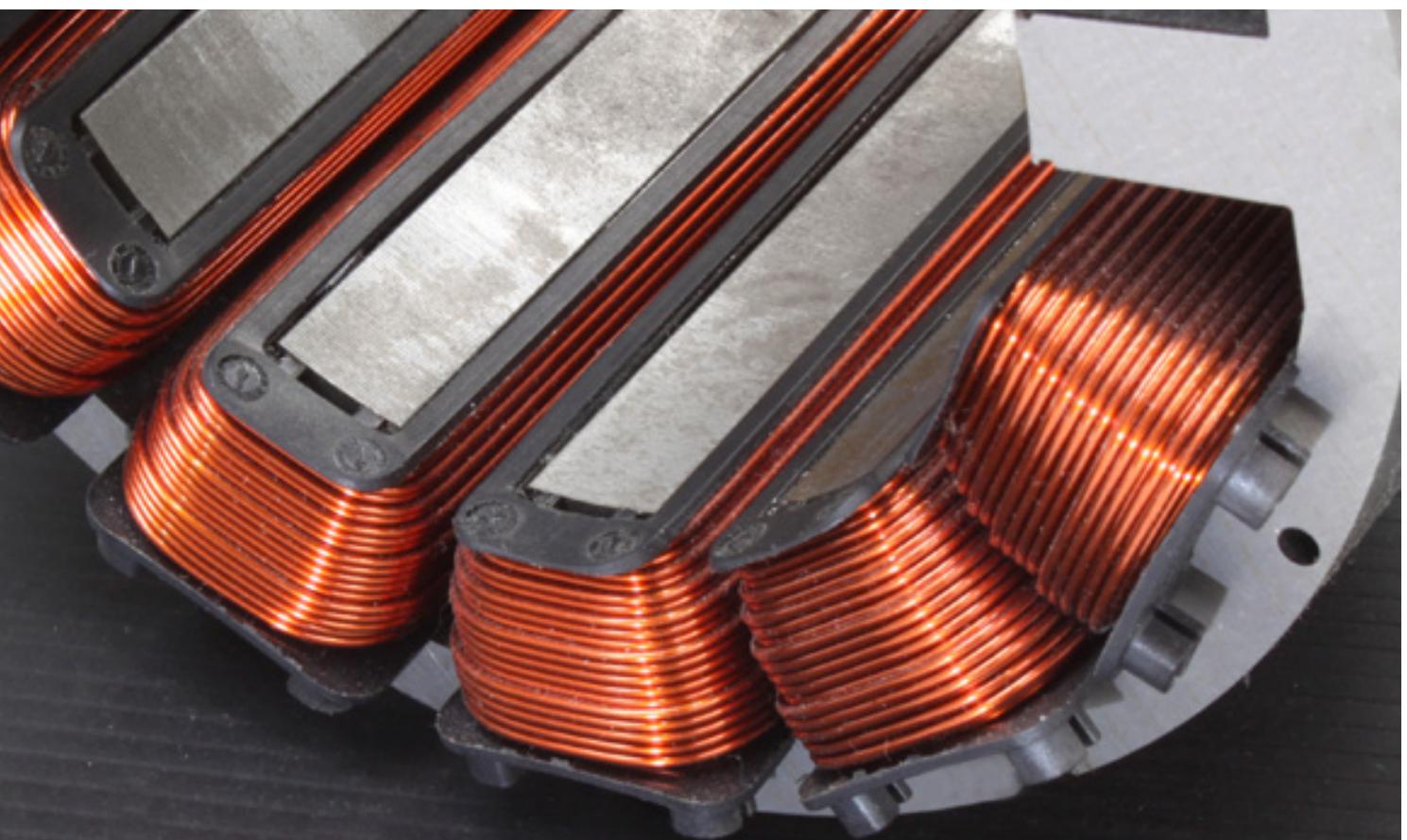
Günther Kneidinger

Member of the Board of Directors



## Consolidated Financial Statements

# CONSOLIDATED FINANCIAL STATEMENTS



Stator coils

» *Product for hybrid application*

# Consolidated Balance Sheet

of InTiCa Systems in accordance with IFRS  
as at December 31, 2011

Assets	Note	Dec. 31, 2011 EUR '000	Dec. 31, 2010 EUR '000
Non-current assets			
Intangible assets	14	4,841	5,386
Property, plant and equipment	13	16,131	17,921
Other non-current receivables	16	0	1,500
Deferred taxes	10.3	1,372	1,513
<b>Total non-current assets</b>		<b>22,344</b>	<b>26,320</b>
Current Assets			
Inventories	17	7,545	5,835
Trade receivables	18	4,657	6,128
Tax assets	10.2	17	9
Other financial assets	16.1	1,542	41
Other current receivables	16.2	200	242
Cash and cash equivalents	29	1,128	1,099
<b>Total current assets</b>		<b>15,089</b>	<b>13,354</b>
<b>Total assets</b>		<b>37,433</b>	<b>39,674</b>

Equity and liabilities		Dec. 31, 2011 EUR '000	Dec. 31, 2010 EUR '000
Equity and liabilities			
Capital Stock	19	4,287	4,287
Treasury Stock	19	-64	-210
General capital reserve	20	15,389	14,426
Profit reserve	21	449	0
Currency translation reserve	21	-572	440
<b>Total equity</b>		<b>19,489</b>	<b>18,943</b>
Non-current liabilities			
Interest-bearing non-current liabilities	22	9,387	10,088
Other non-current liabilities	22	264	0
Deferred taxes		1,788	2,124
<b>Total non-current liabilities</b>		<b>11,439</b>	<b>12,212</b>
Current liabilities			
Other current liabilities	23	850	683
Interest-bearing current liabilities	22	2,329	2,893
Trade payables	24; 27.2	2,791	4,252
Liabilities under finance leases	22; 26	78	0
Other financial liabilities	25.1	179	300
Other current liabilities	25.2	278	391
<b>Total current liabilities</b>		<b>6,505</b>	<b>8,519</b>
<b>Total equity and liabilities</b>		<b>37,433</b>	<b>39,674</b>
<i>Equity ratio</i>		52.1%	47.7%

# Consolidated Statement of Comprehensive Income

of InTiCa Systems in accordance with IFRS  
for the period from January 1 to December 31, 2011

	Note	Fiscal year EUR '000	Previous year EUR '000
<b>Sales</b>	5; 6.2	<b>41,492</b>	<b>31,245</b>
Other operating Income	7	1,103	1,100
Change in finished goods and work in process	17	940	569
Other own work capitalized		1,131	1,769
Raw materials and supplies		27,403	22,215
Personnel expense	11.3	6,491	5,822
Depreciation and amortization	13	4,930	4,263
Other expenses	7	4,610	3,733
<b>Operating profit / loss (EBIT)</b>		<b>1,232</b>	<b>-1,350</b>
Cost of financing	9	638	534
Other financial income	8	44	50
<b>Profit (loss) before taxes</b>		<b>638</b>	<b>-1,834</b>
Income taxes	10.1	-193	340
<b>Net income / loss</b>		<b>831</b>	<b>-2,174</b>
Other comprehensive income			
Exchange differences from the translation of foreign operations	21	-1,012	211
Deferred taxes on the translation of foreign operations		0	0
<b>Other comprehensive income, after taxes</b>		<b>-1,012</b>	<b>211</b>
<b>Total comprehensive income</b>		<b>-181</b>	<b>-1,963</b>
Earnings per share (diluted/basic in EUR)	12	0.20	-0.53

# Consolidated Cash Flow Statement

of InTiCa Systems in accordance with IFRS  
for the period from January 1 to December 31, 2011

	Note	Fiscal year EUR '000	Previous Year EUR '000
<b>Cash flow from operating activities</b>			
Net income/loss for the period		831	-2,174
Income tax payments/receipts	10.1	-193	340
Cash outflow for borrowing costs	9	638	534
Income from financial investments	8	-44	-50
Depreciation and amortization of non-current assets	11.1	4,930	4,263
<i>Non-cash transactions</i>			
Net currency loss		-689	-424
Other transactions		413	-3
<i>Increase/decrease in assets not attributable to financing or investing activities</i>			
Inventories	17	-1,711	-1,860
Trade receivables	18	1,472	-1,797
Other assets		40	-17
<i>Increase/decrease in liabilities not attributable to financing or investing activities</i>			
Other current provisions	23	167	217
Trade payables	27.2	-1,461	2,157
Other liabilities		-230	417
Cash and cash equivalents from operating activities		4,163	1,603
Income tax receipts/payments		-10	80
Cash outflow for interest payments		-642	-532
Net cash flow for operating activities		3,511	1,151
<b>Cash flow from investing activities</b>			
Cash inflow from interest payments		45	18
Cash inflow from the disposal of property, plant and equipment		1	51
Cash outflow for intangible assets	14	-1,357	-2,060
Cash outflow for property, plant and equipment	13	-1,577	-3,568
Cash outflow for non-current receivables	16.1	0	-1,500
Net cash flow for investing activities		-2,888	-7,059
<b>Cash flow from financing activities</b>			
Cash outflow for the cost of selling shares		-11	0
Cash inflow from the sale of treasury stock		738	0
Cash inflow from loans		0	1,290
Cash outflow for loan repayment installments		-702	-250
Cash outflow for liabilities under finance leases		-55	-290
Net cash flow from financing activities		-30	750
<b>Total cash flow</b>		<b>593</b>	<b>-5,158</b>
Cash and cash equivalents at start of period		-1,093	4,065
Impact of changes in exchange rates on cash and cash equivalents held in foreign currencies		0	0
<b>Cash and cash equivalents at end of period</b>	29	<b>-500</b>	<b>-1,093</b>



# Consolidated Statement of Changes in Equity

for InTiCa Systems according with IFRS

for the period from January 1, 2010 to December 31, 2011

	Capital stock EUR '000	Treasury stock EUR '000	Capital reserve EUR '000	Profit reserve EUR '000	Currency trans- lation reserve EUR '000	Total equity EUR '000
Note	19	19	20	21	21	27.1
As at January 1, 2010	4,287	-210	14,808	1,793	229	20,907
Net loss 2010	0	0	-381	-1,793	0	-2,174
Other comprehensive income, after taxes	0	0	0	0	211	211
Total comprehensive income 2010	0	0	-381	-1,793	211	-1,963
As at December 31, 2010	4,287	-210	14,427	0	440	18,944
As at January 1, 2011	4,287	-210	14,427	0	440	18,944
Net income 2011	0	0	382	449	0	831
Other comprehensive income, after taxes	0	0	0	0	-1,012	-1,012
Total comprehensive income 2011	0	0	382	449	-1,012	-181
Sale of treasury stock	0	146	591	0	0	737
Costs for the sale of treasury stock	0	0	-11	0	0	-11
As at December 31, 2011	4,287	-64	15,389	449	-572	19,489



The Prachatice production site in the Czech Republic

» *InTiCa Systems has invested around EUR 19 million in its production site in Prachatice in recent years to raise value-added, secure know-how, reduce production costs and enhance flexibility.*

# Notes to the Consolidated Financial Statements of InTiCa Systems AG for Fiscal 2011

# 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 (HR B 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 holds stakes in companies in Austria and the Czech Republic. The principal activities of the company and its subsidiaries are described in Note 6 Segment information and Note 15 Subsidiaries.

## 2. New standards and interpretations

### 2.1 Standards and interpretations whose application was mandatory for fiscal 2011

The following new or revised standards and interpretations were applied in the present financial statements. They did not have any material impact on the consolidated financial statements for 2011 or previous fiscal years. However, application may affect accounting for future transactions or agreements.

### *Changes under the annual improvements project (2010)*

The following changes should be mentioned:

The amendments made to IAS 1 as part of the annual improvements project make it clear that a company can choose between presentation of the items of other comprehensive income as a breakdown by items in the statement of changes in equity or in the notes. As in the previous year, the presentation of the breakdown of other comprehensive income remains in the statement of changes in equity.

The previous option permitted by IFRS 3 for the measurement of non-controlling interests at the time of acquisition is only applicable non-controlling interests that present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation. All other non-controlling interests are measured at fair value as of the acquisition date, unless a different valuation method is required by another standard. In addition, IFRS 3 was amended to clarify the recognition of share-based remuneration programs held by employees of the acquired company. In particular, the changes state that share-based payment transactions that are not replaced have to be accounted for at the time of acquisition in accordance with IFRS 2 Share-based remuneration ("market-based measure" of the transaction). Since the Group did not undertake any relevant business combinations pursuant to IFRS 3 either in 2011 or in

previous periods, the changes had no impact on the consolidated financial statements.

Application of the annual improvements process of the IFRS (2010) did not have an other material impact on amounts presented in the consolidated financial statements.

#### IAS 24 Related party disclosures (revised in 2009)

Two aspects of this standard were revised: (a) The definition of a related party relationship has been altered in IAS 24 (2009). (b) IAS 24 (2009) introduces an exemption for defined disclosures for companies over which a government has control or joint control or exercises significant influence. Neither of these aspects of IAS 24 (2009) had any influence on the consolidated financial statements in 2011 or prior periods.

#### *Amendments to IAS 32 Classification of puttable rights*

The amendments relate to the classification of certain puttable instruments issued in foreign currencies as either equity instruments or financial liabilities. As a result of the amendments to IAS 32, rights, options and warrants that comprise an entitlement to acquire a fixed number of equity instruments for a fixed amount of any currency are classified as equity instruments if the company offers them pro rata to all of its existing owners of the same class of non-derivative equity instruments. Application of the amendments had no impact in fiscal 2011 or prior fiscal years as the Group has not issued any instruments of this type.

#### *Amendments to IFRIC 14 Prepayment of a minimum funding requirement*

IFRIC 14 addresses the conditions under which refunds or reductions in future contributions should be regarded as available in accordance with the definition in IAS 19.58, how a minimum funding requirement might affect the availability of reductions in future contributions, and the circumstances in which a minimum funding requirement might give rise to recognition of a liability. The changes allow recognition of an asset as a prepayment of the minimum funding requirement. Application of this amendment had no impact on the consolidated financial statements.

#### *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 address the accounting for financial liabilities which are extinguished by the issue of new equity instruments. In particular, it rules that the equity instrument should be measured at fair value and that any difference between the carrying amount of the financial liability extinguished and the consideration paid should be recognized in profit or loss. Application had no impact on the Group in fiscal 2011 or prior period as no such transactions were undertaken.

#### **2.2 New and amended standards and interpretations that have been adopted but have not yet entered into force**

The Group has not opted for early application of the following new and amended standards and interpretations which, with the exception of the first one in the list, have not yet been endorsed by the European Union, and/or it has assessed their significance and relevance. The expected significance and relevance of these standards and interpretations for the InTiCa Systems Group can be seen from the following table:

No.	Standard and title	Applicable for fiscal years beginning on or after	Significance/relevance
1	Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets	July 1, 2011	Not significant
2	Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time-Adopters	July 1, 2011	Not relevant
3	IFRS 9 Financial Instruments	January 1, 2015	Currently being examined
4	IFRS 10 Consolidated Financial Statements	January 1, 2013	Not significant
5	IFRS 11 Joint Arrangements	January 1, 2013	Not significant
6	IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013	Extension of disclosures required in the notes
7	IFRS 13 Fair Value Measurement	January 1, 2013	Extension of disclosures required in the notes
8	Amendment to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012	Not significant
9	Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012	Not significant
10	IAS 19 (2011) Employee Benefits	January 1, 2013	Not significant
11	IAS 27 (2011) Separate Financial Statements	January 1, 2013	Not significant
12	IAS 28 (2011) Investments in Associates and Joint Ventures	January 1, 2013	Not significant
13	IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	Not relevant
14	Amendments to IAS 32: Presentation of Financial Assets – Offsetting Financial Assets and Financial Liabilities	January 1, 2013	Not significant

No.	Standard and title	Applicable for fiscal years beginning on or after	Significance/relevance
15	Amendments to IFRS 7: Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities	January 1, 2013	Not significant
16	Amendments to IFRS 1 Public Sector Loans	January 1, 2013	Not relevant

IFRS 12 „Disclosure of Interests in Other Entities“ brings together the disclosure requirements for all interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities in a single standard. It requires companies to disclose qualitative and quantitative information on the nature of the risks associated with interests in other entities and the financial effects of such interests. IFRS 12 will increase the disclosures required in the notes.

IFRS 13 “Fair Value Measurement” provides a single framework to ensure consistent fair value measurement across all standards. In addition, it requires specific presentation of the procedures used to determine fair value. Application of this new standard will result in further disclosures being made in the notes.

### 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. 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.

In accordance with IAS 1, the items on the consolidated balance sheet are presented by maturity. Assets and liabilities are classified as non-current if they have a remaining maturity of more than one year.

Accounting for business transactions and events should be consistent. Any change in accounting policy must be reflected as if the new policy had been applied as of the date of initial recognition (retrospective application). By contrast, changes in accounting estimates are normally only reflected in profit or loss in the period to which the change applies. If, in individual cases, it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate (IAS 8.35). In 2010, tax effects resulting from the cost of raising equity were charged to current income. The changes in 2010 can be seen from Notes 10.1 and 10.3.

To enhance the clarity of presentation, on the balance sheet the prior-year item “other current receivables” has been split into “other financial assets” and “other current receivables”, and while the prior-year item “other current liabilities” has been split into “other financial liabilities” and “other current liabilities”.

Further, the cash flow statement contains a more detailed breakdown of “other non-cash transactions”. Repayment instalments on financial lease liabilities are shown as a separate item in the cash flow from financing activities. The prior-year figures have been restated by increasing the change in other liabilities by EUR 290 thousand and corresponding presentation in the cash flow from financing activities.

The information given in Note 27.3 Financial risk management has been extended and improved.

#### 3.3 Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company and the subsidiaries under its control. Control means that the company is able to determine the financial and business policy of a business entity in order to benefit from its activities. The 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 liability under finance leases.

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 income statement. Lease payments from operating leases are recognized as an expense over the term of the lease using the straight-line line method. If incentives are received to enter into an operating lease, such incentives must be recognized as a liability. The accumulated benefit of incentives is recognized as a reduction in lease payments using the straight-line method, unless a different system is more representative of the usage pattern of the leased asset over time.

### 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:

Land	Closing rates		Average rates	
	2011	2010	2011	2010
Czech Republic	EUR 1 CZK 25.80	EUR 1 CZK 25.06	EUR 1 CZK 24.585	EUR 1 CZK 25.283
USA	USD 1.293	USD 1.338	USD 1.392	USD 1.327

### 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 statement of comprehensive income 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 in other comprehensive income or recognized directly in equity. In such cases, the current and deferred taxes are also recognized in other comprehensive income or in equity.

### 3.9 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 income statement 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.

### 3.10 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.

### 3.11 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.

### 3.12 Inventories

Inventories are carried at the lower of cost of acquisition or production cost 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.

### 3.13 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.

### 3.14 Financial assets

Financial assets are assigned to the following categories:

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

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

#### » Effective interest rate method

The effective interest method is a method of calculating the amortized cost of financial assets and allocating interest income to the relevant periods. The effective interest rate is the interest rate used to discount the forecast future cash inflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the carrying amount.

Income from debt securities is recognized on the basis of the effective interest rate.

#### » 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 investments 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 investments, or (c) financial assets held at fair value through profit or loss.

Exchange-listed bonds held by the Group which are traded on the market are classified as available-for-sale financial assets and recognized at fair value on each reporting date. Other changes in the carrying amounts of available-for-sale financial assets are recognized in other comprehensive income and in a revaluation reserve for financial investments. If a financial asset is sold or an impairment is identified, the accumulated profits and losses are reclassified from the revaluation reserve for financial investments to 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-down. 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.

In the case of financial assets recognized at cost of acquisition, 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 present market return on a comparable financial asset. Such impairments may not be reversed in subsequent periods.

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 income statement.

If a financial asset classified as available-for-sale is considered to be impaired, the gains and losses previously recognized in other comprehensive income are reclassified to the income statement in the reporting period.

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 income statement. 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. If the Group does not transfer or receive all material risks and opportunities associated with ownership and retains a right of disposal over the asset transferred, its remaining share in the asset is recognized, together with a corresponding liability reflecting any amounts that may have to be paid. If the Group retains all material risks and benefits associated with ownership of a financial asset that has been transferred, the Group continues to recognize the financial asset, together with a secured loan for the consideration received.

When a financial asset is fully derecognized, the difference between the carrying amounts and the total consideration received or to be received and all accumulated gains or losses included in other comprehensive income and in equity are reclassified to 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 and loss

LaR = loans and receivables

HfT = held for trading

OL = other liabilities

### 3.15 Financial liabilities

Financial liabilities are classified either as held at fair value through profit and 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 and 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 comprehensive income 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 assets 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 3.14 are used.

### 3.16 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 29). 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).

### 4. Management assessment and main 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, 2011 (2010: EUR 5.3 million).

With the exception of four developments, 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 information on impairment write-downs on these four developments and other projects in fiscal 2011, see Note 14.

## 5. Sales

The table shows the Group's sales split:

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Revenues from trading	7,244	8,053
Revenues from production	34,248	23,192
<b>Total revenues from the sale of goods</b>	<b>41,492</b>	<b>31,245</b>

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 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 all known telecommunications providers.

### 6.2 Segment sales and segment result

	Segment sales		Segment result	
	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Automotive Technology	15,375	9,970	1,062	-51
Industrial Electronics	15,863	9,151	168	409
Communication Technology	10,254	12,124	2	-1,708
<b>Total</b>	<b>41,492</b>	<b>31,245</b>	<b>1,232</b>	<b>-1,350</b>
Income and expenses for non-allocable assets			0	0
<b>Financial result</b>			<b>-594</b>	<b>-484</b>
<b>Pre-tax profit</b>			<b>638</b>	<b>-1,834</b>

The sales revenues presented above comprise revenues from transactions with external customers. There were no intersegment sales (2010: 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

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Automotive Technology	16,722	14,398
Industrial Electronics	9,138	9,735
Communication Technology	7,314	11,137
<b>Total</b>	<b>33,174</b>	<b>35,270</b>
Non-allocable assets	4,259	4,404
<b>Total consolidated assets</b>	<b>37,433</b>	<b>39,674</b>

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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Cash and cash equivalents	1,128	1,099
Other current receivables	200	242
Other financial assets	1,542	41
Tax receivables	17	9
Deferred taxes	1,372	1,513
Other non-current receivables	0	1,500
<b>Total</b>	<b>4,259</b>	<b>4,404</b>

### 6.4 Other segment information

	Depreciation, amortization and impairment write-downs		of which impairment write-downs	Additions to non-current assets	
	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000		Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Automotive Technology	2,696	1,775	97	2,072	2,154
Industrial Electronics	1,034	853	123	594	1,964
Communication Technology	1,200	1,635	135	268	1,510
<b>Total</b>	<b>4,930</b>	<b>4,263</b>	<b>355</b>	<b>2,934</b>	<b>5,628</b>

The total depreciation, amortization and impairment write-downs stated above include impairment charges of EUR 292 thousand (2010: EUR 0) on intangible assets and EUR 63 thousand (2010: EUR 0) on property, plant and equipment. 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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Small signal electronics	6,682	6,871
Power electronics	15,872	11,217
Mechatronic components and systems	10,470	6,988
Other	8,468	6,169
<b>Total</b>	<b>41,492</b>	<b>31,245</b>

### 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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Germany	22,463	18,934	6,207	7,362
Other countries of which Switzerland	19,029 6,617	12,311 1,393	14,765	15,945
<b>Total</b>	<b>41,492</b>	<b>31,245</b>	<b>20,972</b>	<b>23,307</b>
Non-allocable assets			1,372	3,013
Non-current assets, total			22,344	26,320

The data on sales in Switzerland 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 6,063 thousand (2010 EUR 4,329 thousand) and EUR 4,918 thousand (2010: EUR 2,941 thousand) of direct sales of products. That was 14.6% (2010: 13.8%) and 11.9% (2010: 9.4%) of total sales. These are customers of the Industrial Electronics and Communication Technology segments. In both 2011 and 2010 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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Income from the sale of property, plant and equipment	0	3
Gains from foreign currency translation	905	1,008
Other	198	89
<b>Total</b>	<b>1,103</b>	<b>1,100</b>

### Other expenses

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Exchange losses	528	281
Cost of premises	511	498
Insurance premiums, contributions, levies	180	182
Vehicle expenses	280	245
Advertising costs, travel expenses	98	124
Delivery costs	871	811
Maintenance and repairs	320	274
Agency staff	808	432
Other operating expenses	1,014	886
<b>Total</b>	<b>4,602</b>	<b>3,733</b>

## 8. Other financial income

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Interest income from		
balances on bank accounts	9	20
other receivables	35	30
<b>Total</b>	<b>44</b>	<b>50</b>

Breakdown of investment in financial assets by valuation class:

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Cash on hand and bank balances (LaR)	9	20
Financial assets recognized at amortized cost (LaR)	35	30
<b>Total</b>	<b>44</b>	<b>50</b>

## 9. Financial expenses

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Interest on overdrafts and bank loans	622	519
Interest on obligations under finance leases	16	15
<b>Total</b>	<b>638</b>	<b>534</b>

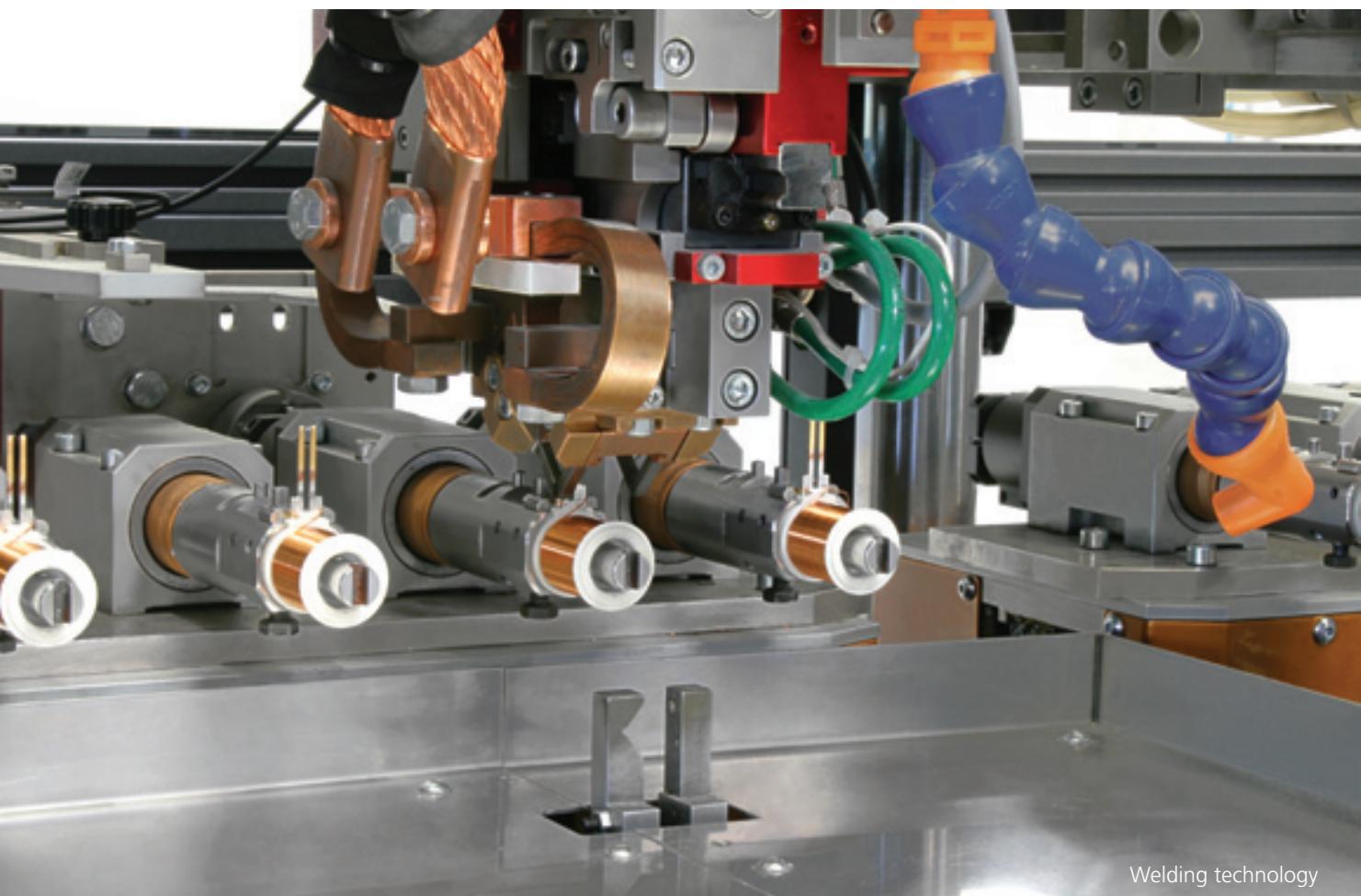
Breakdown of expenses from financial liabilities by valuation category

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Financial liabilities measured at amortized cost (OL)	638	534

## 10. Income taxes

### 10.1 Income taxes recognized in the income statement

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Current tax expense	1	2
Deferred taxes	-194	338
<b>Total</b>	<b>-193</b>	<b>340</b>



Welding technology

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

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Income before taxes	638	-1,834
Theoretical tax expense	190	-550
Impact of tax-exempt income / non-deductible expenses	55	56
Impact of tax-exempt income from foreign subsidiaries	-424	417
Impact of unused tax loss carryforwards not recognized as deferred tax assets	-14	15
Impact of different tax rates applied to subsidiaries in different tax jurisdictions	0	1
Impact of the reversal of tax assets in connection with the cost of raising equity (see Note 3.2)	0	401
<b>Total</b>	<b>-193</b>	<b>340</b>

The tax rate used for the above reconciliation for 2011 and 2010 is the tax rate of around 30% payable by companies in Germany on taxable income in accordance with the applicable tax legislation.

## 10.2 Current claims for tax refunds

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Current claims for tax refunds	17	9

### 10.3 Deferred taxes

2011	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	-1,555	-171	0	0	-1,384
Property, plant and equipment	- 477	-164			-313
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,513	141	0	0	1,372
<b>Total</b>	<b>- 610</b>	<b>- 194</b>	<b>0</b>	<b>0</b>	<b>-416</b>
<b>2010</b>					
Temporary differences					
Intangible assets	-1,390	- 165	0	0	-1,555
Property, plant and equipment	- 510	33			-477
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Costs relating to the issue of equity instruments (see Note 3.2)	401	- 401	0	0	0
Tax losses	1,318	195	0	0	1,513
<b>Total</b>	<b>- 272</b>	<b>- 338</b>	<b>0</b>	<b>0</b>	<b>- 610</b>

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

### 10.4 Unrecognized deferred tax assets

No deferred taxes are recognized for losses amounting to EUR 90 thousand (2010: EUR 43 thousand) at the subsidiary in Austria. These tax losses lapse upon liquidation.

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 2018. 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.

In fiscal 2011 an impairment write-down of EUR 36 thousand (2010: EUR 68 thousand) was made on the carrying amount of the Austrian subsidiary. However, the write-down was completely eliminated in the consolidation process.

### 11. Net income

#### 11.1 Depreciation, amortization and impairment write-downs

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Impairment write-downs on property, plant and equipment	63	0
Depreciation of property, plant and equipment	2,966	2,736
Impairment write-downs on intangible assets	292	0
Amortization of intangible assets	1,609	1,527
<b>Total</b>	<b>4,930</b>	<b>4,263</b>

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



### 11.2 Research and development costs expensed immediately

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Research and development costs expensed in the fiscal year	937	551

### 11.3 Personnel-related expenses

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Benefits paid under defined-contribution plans after termination of the employment contract (see Note 32).	678	591
Other payments to employees	5,813	5,231
<b>Total</b>	<b>6,491</b>	<b>5,822</b>

### 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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Net income	831	-2,174
Weighted average ordinary shares (in thousand units)	4,210	4,077
<b>Earnings per share (in EUR)</b>	<b>0.20</b>	<b>-0.53</b>

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

### 13. Property, plant and equipment

In EUR '000	Land and buildings	Technical equipment and machinery	Other facilities, furniture and office equipment	Advance payments and construction in process	Total
<b>Cost of acquisition or production</b>					
As at January 1, 2010	4,703	16,266	1,239	1,640	23,848
Additions	1,020	2,140	356	52	3,568
Transfers	663	507	48	-1,218	0
Disposals	0	-51	-17	0	-68
Translation differences	224	451	6	35	716
<b>As at December 31, 2010 /</b>					
<b>January 1, 2011</b>	<b>6,610</b>	<b>19,313</b>	<b>1,632</b>	<b>509</b>	<b>28,064</b>
Additions	22	1,322	214	19	1,577
Transfers	0	191	7	-198	0
Disposals	0	-312	-80	-8	-400
Translation differences	-176	-266	-24	0	-466
<b>As at December 31, 2011</b>	<b>6,456</b>	<b>20,248</b>	<b>1,749</b>	<b>322</b>	<b>28,775</b>
<b>Depreciation</b>					
As at January 1, 2010	428	6,280	637	0	7,345
Depreciation	232	2,208	296	0	2,736
Transfers	0	0	0	0	0
Disposals	0	-5	-13	0	-18
Translation differences	8	58	14	0	80
<b>As at December 31, 2010 /</b>					
<b>January 1, 2011</b>	<b>668</b>	<b>8,541</b>	<b>934</b>	<b>0</b>	<b>10,143</b>
Depreciation	262	2,464	303	0	3,029
Transfers	0	0	0	0	0
Disposals	0	-312	-69	0	-381
Translation differences	-25	-99	-24	0	-148
<b>As at December 31, 2011</b>	<b>905</b>	<b>10,594</b>	<b>1,144</b>	<b>0</b>	<b>12,643</b>
<b>Balance sheet value as at December 31, 2011</b>					
5,551	9,654	605	322	16,132	
<b>Balance sheet value as at December 31, 2011</b>					
5,942	10,772	698	509	17,921	

#### 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 5,266 thousand (2010: EUR 5,603 thousand) as security for the Group's liabilities to banks.

Technical equipment and machinery with a carrying amount of EUR 1.4 million (2010: EUR 1.6 million) have been pledged as security for a credit liability (EUR 0.8 million).

At the end of fiscal 2011 the Group had liabilities under finance leases totalling EUR 342 thousand (2010: EUR 0) (see Note 26), which secure the rights of lessors to the leased assets. The carrying amount of leased assets in 2011 was EUR 360 thousand.

#### 14. Intangible assets

In EUR '000	Self-created intangible assets	Other intangible assets	Total
<b>Cost of acquisition or production</b>			
As at January 1, 2010	8,281	432	8,713
Additions	2,021	39	2,060
Transfers	0	0	0
Translation differences	0	-1	-1
As at December 31, 2010 / January 1, 2011	10,302	470	10,772
Additions	1,274	83	1,357
Transfers	0	0	0
Disposals	-4,340	-15	-4,355
Translation differences	0	-3	-3
As at December 31, 2011	7,236	535	7,771
<b>Amortization</b>			
As at January 1, 2010	3,530	331	3,861
Amortization	1,469	58	1,527
Transfers	0	0	0
Disposals	0	0	0
Translation differences	0	-2	-2
As at December 31, 2010 / January 1, 2011	4,999	387	5,386
Amortization	1,848	53	1,901
Transfers	0	0	0
Disposals	-4,340	-14	-4,354
Translation differences	0	-3	-3
December 31, 2011	2,507	423	2,930
Balance sheet value as at December 31, 2011	4,729	112	4,841
Balance sheet value as at December 31, 2010	5,303	83	5,386

Where the underlying projects have not been completed or no sales have been generated, self-created intangible assets (carrying amount EUR 1,785 thousand; 2010: EUR 1,798 thousand) are not yet subject to amortization.

#### Impairment write-downs in 2011

For development projects, the amortization recognized in the statement of comprehensive income includes impairment write-downs of EUR 292 thousand (2010: EUR 0) in addition to regular amortization. The impairment write-downs are due to the fact that, contrary to the original forecasts, the customers will not be placing further orders. The carrying amounts of the development expenses 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 at December 31, 2011 are presented below:

Name of subsidiary	Head office	Stake in %	Voting rights in %	Main business activity
IntiCa Systems Ges.m.b.H.	Neufelden, Austria	100	100	Product development
(2010:		100	100	)
IntiCa Systems s.r.o.	Prachatice, Czech Republic	100	100	Production
(2010:		100	100	)

## 16. Other financial assets and other receivables

### 16.1 Other financial assets

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Receivables recognized at amortized cost		
Bonded loan	1,500	1,500
Other financial assets	42	41
<b>Total</b>	<b>1,542</b>	<b>1,541</b>
Non-current	0	1,500
Current	1,542	41
<b>Total</b>	<b>1,542</b>	<b>1,541</b>

The Group holds a non-cancellable bonded loan. Interest is 2.3% p.a. and the redemption date is February 2012. The debtor has an A rating from Fitch and the investment is covered by a deposit insurance fund. This asset is not impaired.

### 16.2 Other current receivables

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Deferred charges	56	60
Advance payments made	78	93
Current tax receivables	66	89
<b>Total</b>	<b>200</b>	<b>242</b>

## 17. Inventories

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Raw materials and supplies	4,877	4,106
Work in process	1,609	1,014
Finished goods	1,059	715
<b>Total</b>	<b>7,545</b>	<b>5,835</b>

Total write-downs on raw materials and supplies amounted to EUR 151 thousand (2010: EUR 80 thousand). Impairment write-downs comprised EUR 137 thousand (2010: EUR 68 thousand) relating to the Communication Technology segment and EUR 14 thousand (2010: EUR 9 thousand) relating to the Industrial Electronics segment. No impairment write-downs were required for the Automotive Technology segment (2010: EUR 3 thousand). As of the reporting date the carrying amount of these inventories was EUR 62 thousand (2010: EUR 226 thousand).

## 18. Trade receivables

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Trade receivables	4,697	6,168
Impairment write-downs	-40	-40
<b>Total</b>	<b>4,657</b>	<b>6,128</b>

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 516 thousand (2010: EUR 253 thousand) were due from the group's biggest customers. Trade receivables amounting to more than 5% of total trade receivables (2010: 5%) were due from 6 (2010: 3) customers.

Impairment write-downs were not recognized for trade receivables amounting to EUR 535 thousand (2010: EUR 350 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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
1 – 30 days	250	151
between 30 and 60 days	71	22
more than 60 days	214	177
<b>Total</b>	<b>535</b>	<b>350</b>

#### Changes in impairment write-downs

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Status at start of year	40	47
Amounts received from impaired receivables during the fiscal year	0	-7
Impairment write-downs on receivables	0	0
<b>Total</b>	<b>40</b>	<b>40</b>

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 880 days (2010: 515 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 4.7 million.

#### 19. Capital stock

	Capital stock and ordinary shares	
	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
4,287,000 fully paid-up ordinary shares	4,287	4,287
Treasury stock	-64	-210
<b>Total</b>	<b>4,223</b>	<b>4,077</b>

	Treasury stock			
	Dec. 31, 2011 in EUR '000	% of capital stock	Dec. 31, 2010 in EUR '000	% of capital stock
Status at start of year	210	4.899	210	4.899
Shares sold	-146	3.406	0	0
Shares repurchased	0	0	0	0
<b>Total</b>	<b>64</b>	<b>1.493</b>	<b>210</b>	<b>4.899</b>

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 May 24, 2007 to increase the capital stock with the Supervisory Board's consent, up to May 24, 2012, by a total of up to EUR 1,672,500.00 in return for cash or contributions in kind under exclusion of shareholders subscription rights (authorized capital 2007/1).

#### 20. General capital reserve

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Status at start of year	14,427	14,808
Sale of treasury stock	580	0
Pro rata net income	382	-381
<b>Total</b>	<b>15,389</b>	<b>14,427</b>
Rounding difference		(-1)

In fiscal 2011 net income corresponding to the net loss not covered by the profit reserve in 2010 was transferred back to the capital reserve.

## 21. Other reserves

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Profit reserve	449	0
Currency translation reserve	-572	440
Total other reserves	-123	440
Total capital and other reserves	15,266	14,866

### Profit reserve

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Status at start of year	0	1,793
Pro rata net income	449	-1,793
<b>Total</b>	<b>449</b>	<b>0</b>

In 2011, pro rata net income was transferred to the profit reserve after deduction of the amount stated in Note 20.

### Currency translation reserve

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Status at start of year	440	229
Translation of foreign business operations	-1,012	211
<b>Total</b>	<b>-572</b>	<b>440</b>

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.

In the reporting period, the Czech subsidiary was granted a bullet loan of EUR 13.2 million by converting existing trade

liabilities of the same amount. This runs under December 31, 2025 and has a fixed interest rate of 2.35% for ten years. In view of the terms of the loan agreement, this loan is classified as a net investment. The currency translation losses of EUR 1.0 million include EUR 0.9 million relating to the translation of this loan, which would otherwise have been consolidated as part of the consolidation of liabilities.

## 22. Interest-bearing liabilities

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
<b>Unsecured – recognized at amortized cost</b>		
Overdrafts	12	503
Loans	4,250	4,500
<b>Secured – recognized at amortized cost</b>		
Overdrafts	1,616	1,688
Loans	6,180	6,290
	<b>12,058</b>	<b>12,981</b>
Current	2,407	2,893
Non-current	9,651	10,088
<b>Total</b>	<b>12,058</b>	<b>12,981</b>

Summary of financing agreements:

Overdrafts are subject to variable interest during the year. Interest on loans is 1.7% - 5.89% p.a. (2010: 1.8% - 5.29% p.a.).

Non-current loans incur interest at a fixed rate averaging 4.6% p.a. (2010: 4.6% p.a.).

## 23. Provisions

	Jan. 1, 2011 in EUR '000	Utilized in EUR '000	Reversed in EUR '000	Additions in EUR '000	Dec. 31, 2011 in EUR '000
Trade-related commitments (i)	530	530	0	429	429
Personnel expense (ii)	133	133	0	381	381
Other (iii)	20	20	0	40	40
<b>Total</b>	<b>683</b>	<b>683</b>	<b>0</b>	<b>850</b>	<b>850</b>

(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 provisions for guarantees and costs for retention obligations.

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

## 24. Trade payables

Average payment terms of 14 – 45 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.

## 25. Other financial liabilities and other current liabilities

### 25.1 Other financial liabilities

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
At amortized cost		
Other financial liabilities	179	300

### 25.2 Other current liabilities

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Accrued expenses	6	4
Advance payments received	125	250
Other liabilities	147	137
Total	278	391

## 26. Liabilities relating to finance leases

The Group currently has the following finance leases:

	Present value of minimum lease payments			
	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
With a residual term of up to 1 year	96	0	78	0
less cost of financing	18	0	0	0
<b>Total</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>0</b>
With a residual term of between 1 and 5 years	246	0	223	0
less cost of financing	23	0	0	0
<b>Total</b>	<b>223</b>	<b>0</b>	<b>223</b>	<b>0</b>

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).

## 27. Financial instruments

### 27.1 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. Further, 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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Equity	19,489	18,943
Total assets	37,433	39,674
Equity ratio	52.1 %	47.7 %

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Interest-bearing financial liabilities	12,058	12,981
Cash and cash equivalents (-)	1,128	1,099
<b>Net financial debt</b>	<b>10,930</b>	<b>11,882</b>
EBIT	1,232	-1,350
Depreciation, amortization and impairment write-downs	4,930	4,263
EBITDA	6,162	2,913
<b>Net financial debt / EBITDA</b>	<b>1.77</b>	<b>4.08</b>

## 27.2 Categories of financial instruments

Category	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
<b>Financial assets</b>	<b>7,326</b>	<b>8,768</b>
Cash on hand and bank balances	LaR 1,128	1,099
Trade receivables	LaR 4,656	6,128
Financial assets recognized at amortized cost	LaR 1,542	1,541
<b>Financial liabilities</b>	<b>15,028</b>	<b>17,533</b>
Financial liabilities recognized at amortized cost	OL 12,237	13,281
Trade payables	OL 2,791	4,252

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.

## 27.3 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 21) 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, 2011, the impact of the change in the USD exchange rate on Group net income would have been a decline (increase) of around EUR 13 thousand (2010: EUR 37 thousand), while a change in the CZK exchange rate of this magnitude would have increased (decreased) net income by around EUR 118 thousand (2010: EUR 580 thousand).

	Nominal amount as of		Nominal amount as of	
	Dec. 31, 2011 in EUR '000	2011 in EUR '000	Dec. 31, 2011 in EUR '000	2010 in EUR '000
Change in USD (+/-10%)	170	13	497	37
Change in CZK (+/-3.5%)	-3,373	118	-16,569	580

### » 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, the result would have been EUR 7 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, 2011 in EUR '000	Dec 31, 2010 in EUR '000
Credit lines		
Amounts drawn	1,628	2,191
Undrawn amounts	2,372	859
Total	4,000	3,050

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
<b>2011</b>				
Variable-interest liabilities	1,683	0	0	1,683
Fixed-interest liabilities and financial liabilities	1,239	10,272	0	11,511
<b>Total</b>	<b>2,922</b>	<b>10,272</b>	<b>0</b>	<b>13,194</b>
<b>2010</b>				
Variable-interest liabilities	2,250	0	0	2,250
Fixed-interest liabilities and financial liabilities	1,133	9,907	1,262	12,302
<b>Total</b>	<b>3,383</b>	<b>9,907</b>	<b>1,262</b>	<b>14,552</b>

## 28. Related party transactions

### 28.1 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

### 28.2 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 partner of ziel management consulting gmbh  
Chairman of the Supervisory Board of Electrovac Hacht & Huber GmbH (Electrovac Hermetic Packages division)

#### - Detlef Hözel

Ingolstadt  
Managing Director of PCE-GmbH

At the General Meeting on July 8, 2011,

Mr. Udo Zimmer, Bad Tölz, Managing Director of Kon-Cept Engineering GmbH, was elected as a substitute for all members of the Supervisory Board.

### 28.3 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 2011 was EUR 402 thousand (2010: EUR 396 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 Board of Directors.

**Individual breakdown of remuneration:**

	Basic remuneration in EUR '000	Performance-related remuneration in EUR '000	Total in EUR '000
<b>2011</b>			
Walter Brückl	211	0	211
Günther Kneidinger	191	0	191
<b>Total</b>	<b>402</b>	<b>0</b>	<b>402</b>
<b>2010</b>			
Walter Brückl	206	0	206
Günther Kneidinger	190	0	190
<b>Total</b>	<b>396</b>	<b>0</b>	<b>396</b>

There is no remuneration based on long-term incentives, no are there any loans to members or former members of the Board of Directors.

#### » Remuneration of the Supervisory Board

Sec. 11 of the articles of incorporation, 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).

In addition to these amounts, for fiscal years in which the EBIT margin (ratio of EBIT to sales) reported in the company's consolidated financial statements exceeds 3%, the members of the Supervisory Board receive a further payment which is graduated as follows: 20% of their fixed remuneration if the EBIT margin exceeds 3%, 50% of their fixed remuneration if the EBIT margin exceeds 5%, and 100% of their fixed remuneration if the EBIT margin exceeds 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
<b>2011</b>			
Werner Paletschek	15	4.5	19.5
Christian Fürst	12.5	4.5	17
Detlef Hözel	10	4.5	14.5
<b>Total</b>	<b>37.5</b>	<b>13.5</b>	<b>51</b>
<b>2010</b>			
Werner Paletschek	6	3	9
Christian Fürst	5	3	8
Detlef Hözel	4	3	7
Dr. Walter Hasselkus	17	3	20
Dr. Horst Rüdiger Hollstein	15	3	18
Dr. Wulfdieter Braun	9	3	12
<b>Total</b>	<b>56</b>	<b>18</b>	<b>74</b>

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

## 28.4 Share ownership

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

	Shareholding (units)	
	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Walter Brückl	19,000	18,000
Günther Kneidinger	1,000	0
Werner Paletschek	2,000	1,000
Christian Fürst	2,000	1,000
Detlef Hözel	2,000	0

## Major shareholders

	Shareholding in %	
	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Thorsten Wagner	more than 15	more than 15
Dr. Dr. Axel Diekmann	more than 10	more than 5
bcm invest gmbh	more than 5	n.a.
KST Beteiligungs AG, Stuttgart	more than 5	more than 5
UBS Global Asset Management (Deutschland) GmbH	more than 5	more than 5
Karl Kindl	more than 3	more than 3
UBS Fund Management (Switzerland) AG	n.a.	more than 3
Dr. Paul und Maria Grohs	more than 3	more than 3
InTiCa Systems AG	1.5	more than 3

## 29. 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, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Cash and balances on bank accounts	1,128	1,099
Overdrafts	-1,628	-2,192
Total	-500	-1,093

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.

## 30. Payment obligations

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Commitments to acquire property, plant and equipment	449	50

## 31. Operating leases

Operating lease agreements relate to furniture and operating equipment and business premises and have terms of between 1 and 5 years. For the business premises there is an extension option for a further 10 years.

	Dec. 31, 2011 in EUR '000	Dec. 31, 2010 in EUR '000
Payments recognized as expenses:		
Minimum lease payments	295	323
Term of lease payments:		
up to 1 year	283	292
between 1 and 5 years	772	853
more than 5 years	0	138
Total	1,055	1,283

## 32. 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 subsidiaries 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 Group's statement of comprehensive income (Note 11.3) comprise the Group's contributions to these pension plans on the basis of the agreed contributions.

## 33. Events after the reporting date

The operations of the Austrian subsidiary were wound up in fiscal 2011. The assets were sold to Group companies so the balance sheet for this subsidiary no longer contains any non-current assets. Consequently, it does not meet the criteria for recognition in accordance with IFRS 5 „Non-current Assets Held for Sale and Discontinued Operations“. When the consent of the fiscal authorities has been obtained, the company will be deleted from the commercial register. A provision for the expected costs (EUR 7 thousand) has already been made in the present fiscal year.

### 34. Disclosures

The Board of Directors approved the consolidated financial statements for publication on April 24, 2012.

In fiscal 2011 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 February 18, 2011 InTiCa Systems AG provided notification in accordance with sec. 26, paragraph 1, sentence 2, WpHG that its treasury shares in InTiCa Systems AG, Passau, Germany, ISIN: DE0005874846, WKN: 587484 dropped below the 3% threshold on February 17, 2011 and that as of that date amounted to 2.846% (corresponding to 122,000 voting rights).

On March 3, 2011 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 10% threshold on February 24, 2011 and that as of this date he holds 10.054% of the total voting rights (corresponding to 431,023 voting rights). 9.984% of these voting rights (corresponding to 428,023 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:

- Wochenblatt Verlagsgruppe GmbH & Co KG
- Wochenblatt Verlagsgruppe Beteiligungs GmbH

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 10% threshold on April 1, 2011 and that as of this date it holds 10.01% of the total voting rights (corresponding to 429,116 voting rights). 10.01% of these voting rights (corresponding to 429,116 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:

- Wochenblatt Verlagsgruppe GmbH & Co KG

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 10% threshold on April 1, 2011 and that as of

this date it holds 10.01% of the total voting rights (corresponding to 429,116 voting rights). 2.15% of these voting rights (corresponding to 92,273 voting rights) are attributable to Wochenblatt Verlagsgruppe GmbH & Co KG pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG.

On March 21, 2011 Mr. Thorsten Wagner, 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 3% threshold on August 31, 2007 and that as of this date he holds 3.02% of the total voting rights (corresponding to 129,627 voting rights). 3.02% of these voting rights (corresponding to 129,627 voting rights) are attributable to Mr. Thorsten Wagner pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via Global Derivative Trading GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

On March 21, 2011 Mr. Thorsten Wagner, 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 5% threshold on January 14, 2008 and that as of this date he holds 5.04% of the total voting rights (corresponding to 215,962 voting rights). 5.04% of these voting rights (corresponding to 215,962 voting rights) are attributable to Mr. Thorsten Wagner pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via Global Derivative Trading GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

On March 21, 2011 Mr. Thorsten Wagner, 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 10% threshold on March 6, 2008 and that as of this date he holds 10.24% of the total voting rights (corresponding to 439,145 voting rights). 10.24% of these voting rights (corresponding to 439,145 voting rights) are attributable to Mr. Thorsten Wagner pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via Global Derivative Trading GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

On March 21, 2011 Mr. Thorsten Wagner, 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 June 9, 2008 and that as of this date he holds 16.46% of the total voting rights (corresponding to 705,518 voting rights). 16.46% of these voting rights (corresponding to

705,518 voting rights) are attributable to Mr. Thorsten Wagner pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via Global Derivative Trading GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

On March 21, 2011 Mr. Thorsten Wagner, 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 dropped below the 15% threshold on June 16, 2008 and that as of this date he holds 14.12% of the total voting rights (corresponding to 605,518 voting rights). 14.12% of these voting rights (corresponding to 605,518 voting rights) are attributable to Mr. Thorsten Wagner pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via Global Derivative Trading GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

On March 21, 2011 Mr. Thorsten Wagner, 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, 2010 and that as of this date he holds 15.18% of the total voting rights (corresponding to 650,965 voting rights). 15.18% of these voting rights (corresponding to 650,965 voting rights) are attributable to Mr. Thorsten Wagner pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via Global Derivative Trading GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

On March 21, 2011 Global Derivative Trading GmbH, Lehrte, 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 3% threshold on August 31, 2007 and that as of this date it holds 3.02% of the total voting rights (corresponding to 129,627 voting rights).

On March 21, 2011 Global Derivative Trading GmbH, Lehrte, 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 5% threshold on January 14, 2008 and that as of this date it holds 5.04% of the total voting rights (corresponding to 215,962 voting rights).

On March 21, 2011 Global Derivative Trading GmbH, Lehrte, 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 10% threshold March 6, 2008 and that as of this date it holds 10.24% of the total voting rights (corresponding to 439,145 voting rights).

On March 21, 2011 Global Derivative Trading GmbH, Lehrte, 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 June 9, 2008 and that as of this date it holds 16.46% of the total voting rights (corresponding to 705,518 voting rights).

On March 21, 2011 Global Derivative Trading GmbH, Lehrte, 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 dropped below the 15% threshold on June 16, 2008 and that as of this date it holds 14.12% of the total voting rights (corresponding to 605,518 voting rights).

On March 21, 2011 Global Derivative Trading GmbH, Lehrte, 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 February 22, 2010 and that as of this date it holds 15.16% of the total voting rights (corresponding to 649,965 voting rights).

On May 26, 2011 UBS Fund Holding (Switzerland) AG, Basel, Switzerland, notified us pursuant to sec. 21 paragraph 1 WpHG that its share of the voting rights in InTiCa Systems AG, Passau, Germany, ISIN: DE0005874846, WKN: 587484 dropped below the 3% threshold on May 20, 2011 and that as of this date it holds 2.65% (corresponding to 113,500 voting rights). 2.65% of these voting rights (corresponding to 113,500 voting rights) are attributable to UBS Fund Holding (Switzerland) AG pursuant to sec. 22, paragraph 1, sentence 1, no. 1 WpHG.

On May 25, 2011 UBS AG, Zurich, Switzerland, notified us pursuant to sec. 21 paragraph 1 WpHG that its share of the voting rights in InTiCa Systems AG, Passau, Germany, ISIN: DE0005874846, WKN: 587484 dropped below the 3% threshold on May 20, 2011 and that as of this date it holds 2.65% (corresponding to 113,500 voting rights). 2.65% of these voting rights (corresponding to 113,500 voting rights) are attributable to UBS AG pursuant to sec. 22, paragraph 1, sentence 1, no. 1 WpHG.

On June 15, 2011 bcm invest gmbh, Salzwedel, 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

3% threshold on May 18, 2011 and that as of this date it holds 3.85% of the total voting rights (corresponding to 165,200 voting rights).

On September 7, 2011 bcm invest gmbh, Salzweg, 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 5% threshold on September 7, 2011 and that as of this date it holds 5.015% of the total voting rights (corresponding to 215,000 voting rights).

In addition, in 2012, while preparing the annual financial statements, InTiCa Systems AG received the following notifications of reportable investments pursuant to sec. 21, paragraph 1 WpHG:

On February 22, 2012 UBS Global Asset Management (Deutschland) GmbH, 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 dropped below the 5% threshold on February 21, 2012 and that as of this date it holds 4.75% of the total voting rights (corresponding to 203,700 voting rights).

On February 24, 2012 Mr. Thorsten Wagner, 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 20% threshold on February 21, 2012 and that as of this date he holds 20.17% of the total voting rights (corresponding to 864,563 voting rights). 20.17% of these voting rights (corresponding to 864,563 voting rights) are attributable to Mr. Thorsten Wagner pursuant to sec. 22 paragraph 1 sentence 1, no. 1 WpHG. The attributable voting rights are held via Global Derivative Trading GmbH, whose voting rights in InTiCa Systems AG are 3% or more.

On February 23, 2012 Global Derivative Trading GmbH, Lehrte, 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 20% threshold on February 21, 2012 and that as of this date it holds 20.16% of the total voting rights (corresponding to 864,263 voting rights).

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 3%, 5% and 10% thresholds on February 22, 2012 and that as of this date it holds 11.77% of the total voting rights (corresponding to 504,409 voting rights).

On March 26, 2012 UBS Global Asset Management (Deutschland) GmbH, 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 dropped below the 3% threshold on March 22, 2012 and that as of this date it holds 0.00% of the total voting rights (corresponding to 0 voting rights).

### 35. Staff

The average number of employees in fiscal 2011 was 345 (2010: 307)

	Dec. 31, 2011	Dec. 31, 2010
Salaried employees	76	71
Industrial employees	261	229
Trainees	3	3
Low-wage part-time staff	5	4
<b>Total</b>	<b>345</b>	<b>307</b>

### 36. Auditor's fees

The following fees were charged to expenses in the fiscal year for services rendered by the auditor, Nirschl, Grössl & Koll. GmbH Wirtschaftsprüfungsgesellschaft, Eging:

in EUR '000	Dec. 31, 2011	Dec. 31, 2010
Audit services for the fiscal year	60	46
Audit services for the previous year	9	0
<b>Total</b>	<b>69</b>	<b>46</b>

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

### 37. 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](http://www.intica-systems.de).

Passau, April 24, 2012

#### The Board of Directors



Walter Brückl

Chairman of the Board of Directors



Günther Kneidinger

Member of the Board of Directors

# Responsibility Statement

# RESPONSIBILITY

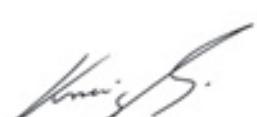
We hereby declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the management report for the Group 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 24, 2012

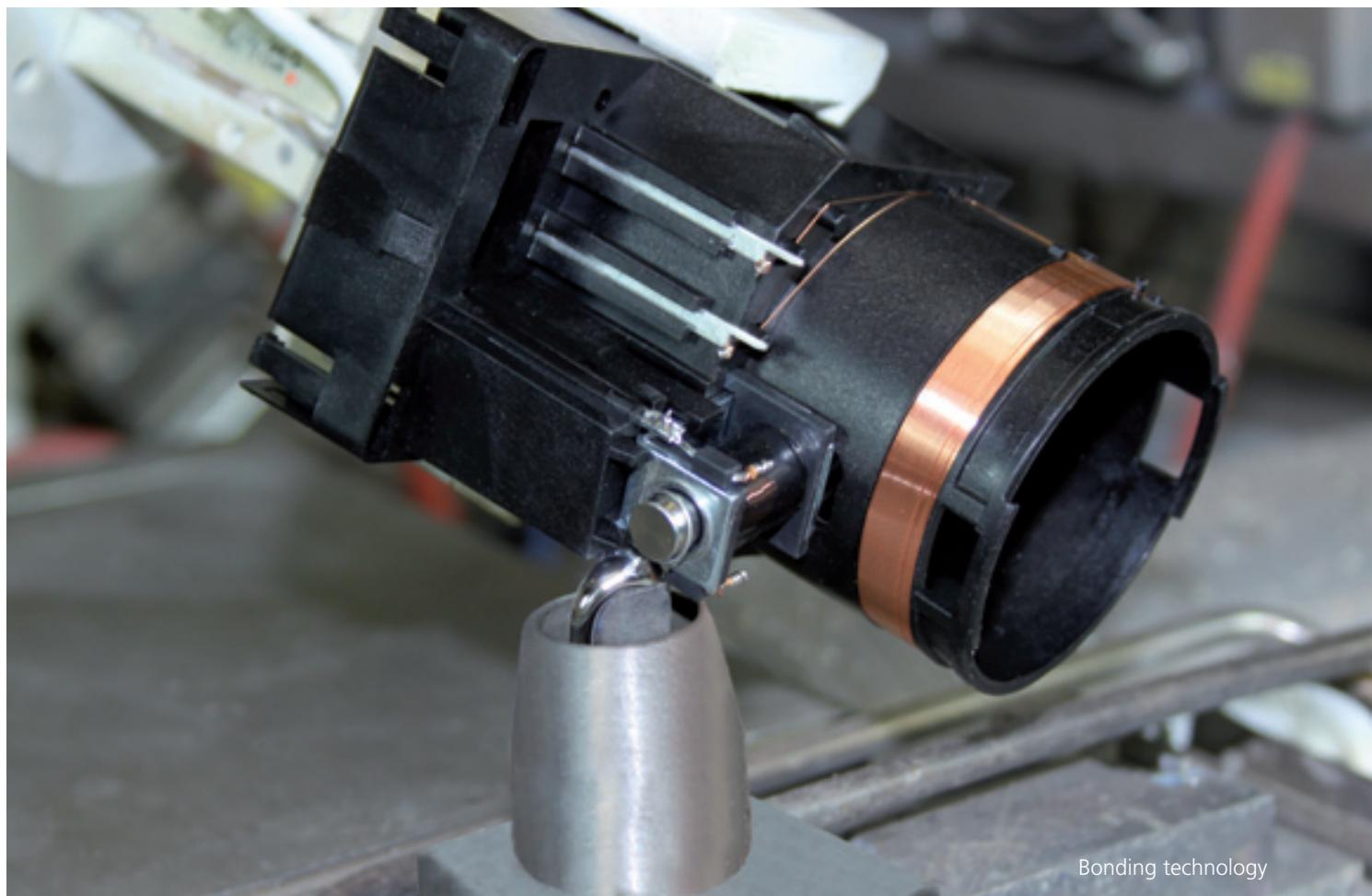
**The Board of Directors**



Walter Brückl  
Chairman of the Board of Directors



Günther Kneidinger  
Member of the Board of Directors



Bonding technology

» *Innovations drive growth  
that secure the future!*

## Auditor's Certificate

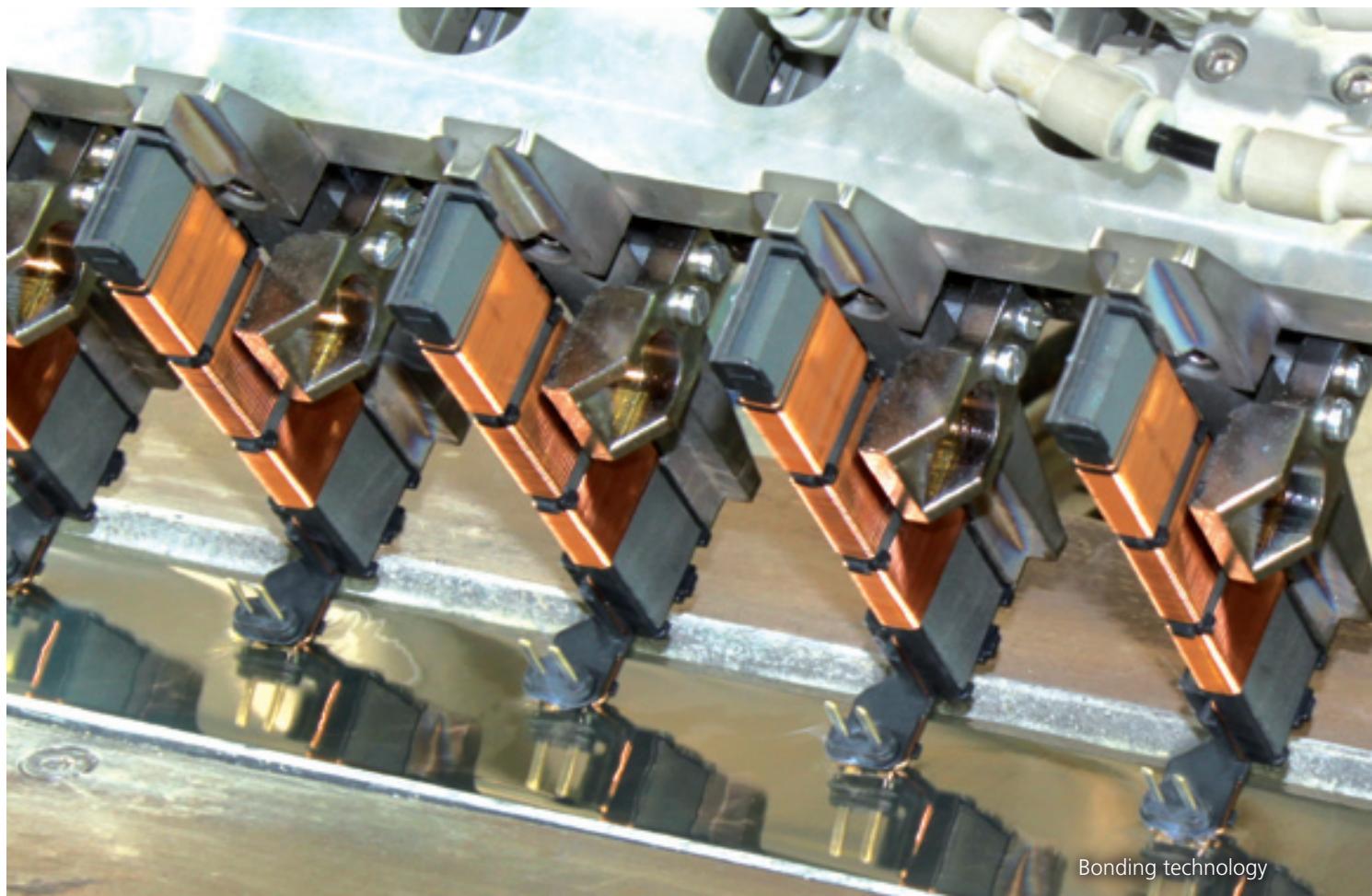
# AUDITOR'S CERTIFICATE

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, 2011. 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.



Bonding technology

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.

Eging am See, April 24, 2012

Nirschl, Grössl & Koll. GmbH  
Wirtschaftsprüfungsgesellschaft

W. Keil  
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 autonomously 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 analog 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 ( $Fe_{2O_3}$ ), less commonly magnetite ( $Fe_{3O_4}$ ) 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 enveloping 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 three-phase 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 analog as previously. By a concerted use of several channels, a transmission rate of 128 kbit/s is achieved.

**KBit/s** Kilo bits 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 a 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 significantly higher data transmission rates via conventional phone lines than for instance ADSL or ADSL2+.

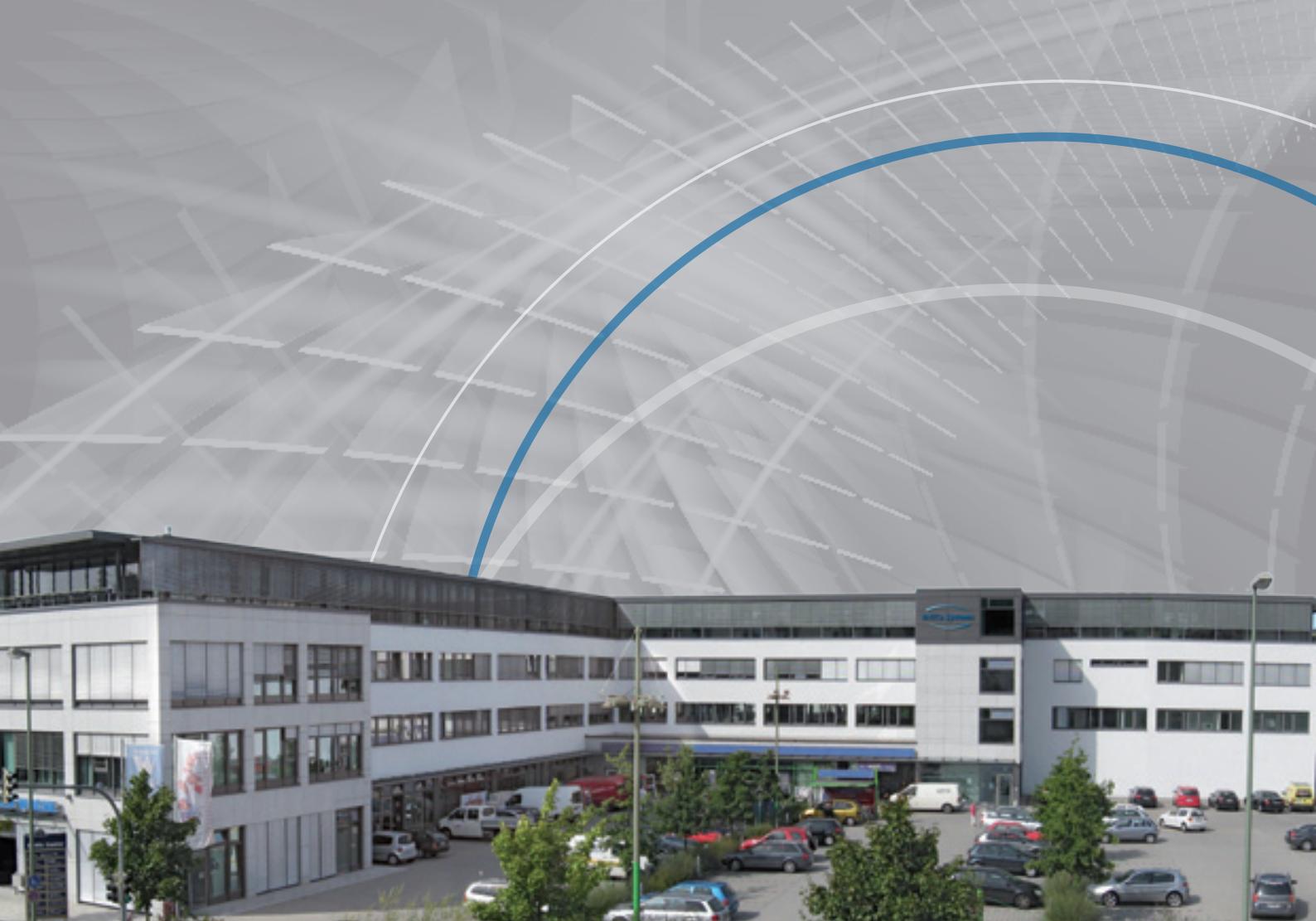
**VDSL2** VDSL2 bases on the transmission procedure Discrete Multitone (DMT) and provides theoretically attainable data transmission rates of up to 200 Mbit/s for both upstream and downstream at a cut-off frequency of 30 MHz.

**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 2012

April 24, 2012	Publication of annual report for 2011
April 24, 2012	Press conference / Conference call
May 22, 2012	Publication of interim financial statements for Q1 2012
July 06, 2012	Annual General Meeting in Passau
August 21, 2012	Publication of interim financial statements for H1 2012
Nov. 20, 2012	Publication of interim financial statements for Q3 2012



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*Technologies for growth markets!*

**InTiCa Systems**