

Focus on E-Solutions

2018

ANNUAL REPORT



Technologies for growth markets!

InTiCa
Systems

Key Figures of InTiCa Systems

The Group	2016	2017	2018	Change in %
	EUR '000	EUR '000	EUR '000	
Sales	44,928	50,094	47,923	-4.3%
Net margin	0.8%	1.5%	-2.7%	-
EBITDA	5,372	5,804	3,364	-42.0%
EBIT	1,040	1,469	-945	-
EBT	613	1,038	-1,394	-
Net profit (loss)	347	727	-1,314	-
Earnings per share (diluted/basic in EUR)	0.08	0.17	-0.31	-
Cash flow total	721	1,170	-4,243	-
Net cash flow from operating activities	4,142	3,172	2,120	-33.2%
Capital expenditure	4,544	4,473	6,563	46.7%

	31.12.2016 EUR '000	31.12.2017 EUR '000	31.12.2018 EUR '000	Change in %
Total assets	41,477	43,249	50,065	15.8%
Equity	16,727	18,122	16,760	-7.5%
Equity ratio	40%	42%	33%	-
Employees incl. agency staff (number)	586	608	644	5.9%

The Stock	2016	2017	2018	(Mar. 31, 2019) 2019
Closing price (in EUR)	4.75	8.19	6.20	5.60
Period high (in EUR)	5.10	10.60	8.45	6.30
Period low (in EUR)	4.20	4.31	5.70	5.35
Market capitalization at end of period (EUR million)	20.36	35.11	26.60	24.01
Number of shares	4,287,000	4,287,000	4,287,000	4,287,000

The stock prices are closing prices on XETRA®

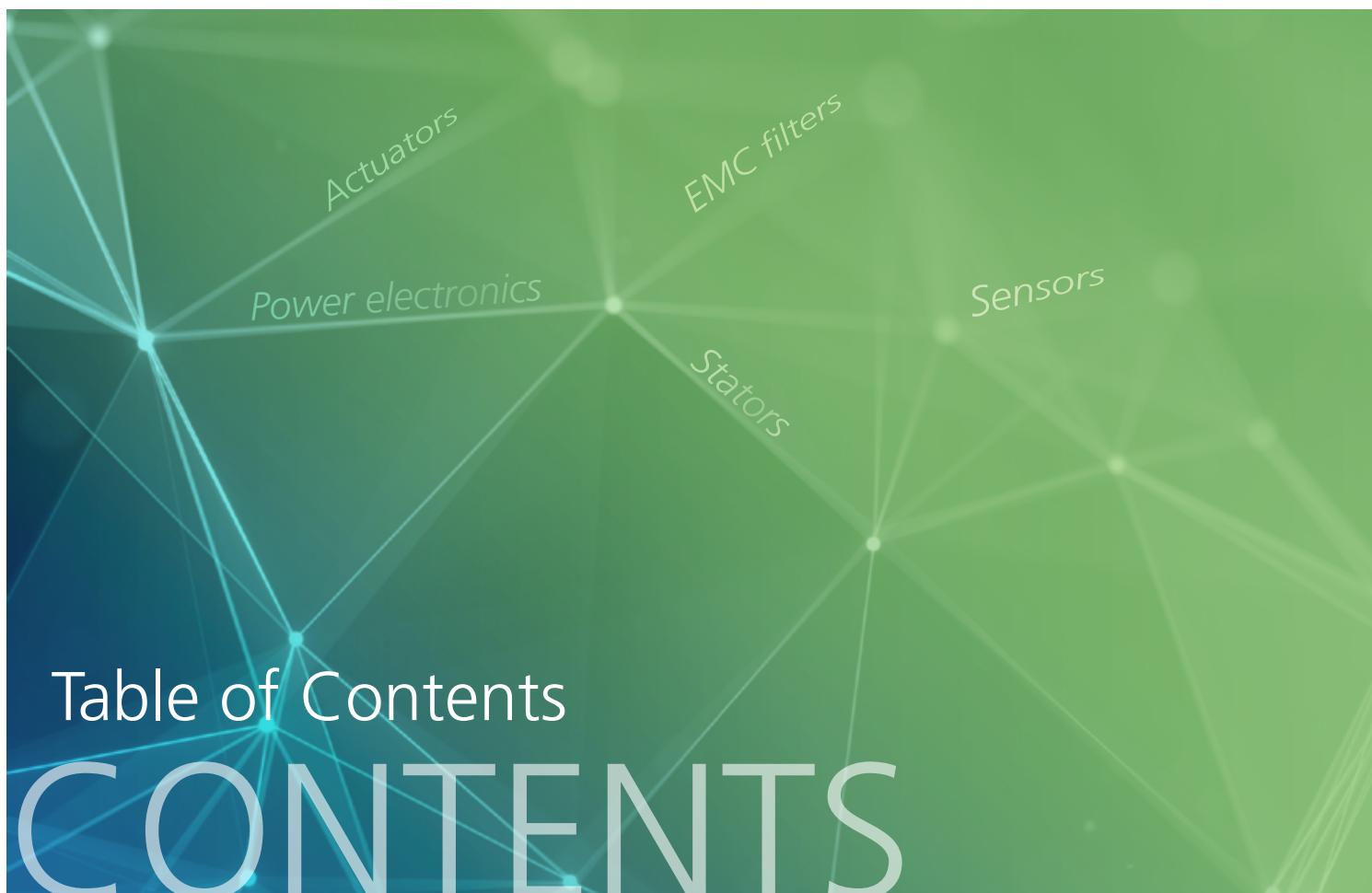


Table of Contents

CONTENTS

<u>The Group</u>	4
Foreword	4
Report of the Supervisory Board	6
Company Boards	9
Company Profile	11
InTiCa Systems Stock in 2018	25
Corporate Governance Report	28
<u>Group Management Report</u>	36
Segment Report	47
Outlook	54
<u>Consolidated Financial Statements</u>	57
Consolidated Balance Sheet	59
Consolidated Statement of Profit or Loss and Other Comprehensive Income	60
Consolidated Cash Flow Statement	61
Consolidated Statement of Changes in Equity	63
Notes to Consolidated Financial Statements	64
<u>Responsibility Statement</u>	91
<u>Independent auditor's report</u>	92
<u>Technical Glossary</u>	98
<u>Financial Calendar</u>	100



The InTiCa Systems' Group Foreword

GROUP

Dear shareholders, employees and business associates,

2018 was a difficult year for the automotive sector. From the start of the second half of the year, at the latest, production dropped markedly. The main reason for this was the Europe-wide switch to the WLTP standard. The changeover proved particularly problematic in Germany because of the wide range of model variants. Consequently, testing involved a good deal more work than in other European countries. For many model variants, the new test procedure was not completed on time, so the manufacturers had to scale back production. In addition to this sector-specific problem, uncertainty was caused by industry-wide factors such as the global shortage of certain raw materials, the lack of clarity about Brexit, increasing trade barriers and the general economic slowdown in the second half of the year. Moreover, the entire sector is in the midst of a transformation process that requires considerable investment.

All that did not leave us unscathed. On the contrary, the subdued sentiment led to a perceptible drop in call-off volumes at InTiCa Systems. For example, one major European customer cut planned procurement volume considerably for 2018. In addition, there were delays in the construction, acceptance and therefore the start-up of the third serial production line for a major new product at our site in Mexico. Due to market

development material and personnel expenses were higher than expected, putting pressure on earnings. Taken together, the various factors hampered the development of InTiCa Systems AG in the reporting period. As a result, our Automotive Technology segment was unable to meet our sales growth target.

It is therefore all the more pleasing to report that the Industrial Electronics segment continued its good development. Although it was not quite able to match the previous year's extremely good results, its performance was well above our expectations. The main factor here was high demand for inverters for solar installations and project revenues from the development of EMC filters. In the Industrial Electronics segment, products for the photovoltaic industry such as inductive components and mechatronic assemblies will probably remain InTiCa Systems' main sales drivers in this market segment in 2019. At any rate, everything suggests that the global trend to energy generation from alternative sources is continuing. We still aim to participate successfully in this in line with the development of the market for energy generation from alternative sources and our customers. Other areas of business in the Industrial Electronics segment are the development of actuator coils and EMC filter technology. In both of these fields, there is scope to leverage synergies with the Automotive Technology segment in development and process know-how.

There was even positive news from the Automotive Technology segment in 2018. Sensor production in Mexico was validated successfully, construction of the third production line continued as planned, and sales from the hybrid and e-mobility sector have already increased to 20% of total automotive sales. This proportion will continue to rise as a result of the progressive market penetration of electronic keyless entry/go systems. In the medium term, the development and manufacture of series-ready alternative drives as a basis for serial production will result in a considerable rise in demand for InTiCa Systems' performance electronics products and stators. For some time now, InTiCa Systems has not simply been talking about future strategies and developments; it has been manufacturing serial products on the basis of substantial orders. Examples are stators for hybrid vehicles and the start-up of serial production of EMC filters for electric vehicles. In 2018, as in previous years, orders were secured for additional model ranges, facelifts and new projects.

Even a small international rise in e-mobility offers enormous opportunities for InTiCa Systems. Consequently, the company considers that it is going through its second major transformation. Between 2008 and 2014, InTiCa Systems shifted its main focus from the telecommunications sector to automotive technology. Now, we are undergoing a shift within automotive technology to a substantial provider of technology for e-solutions and e-mobility. The serial production already mentioned and other development orders are corroboration of what we are doing.

To reinforce our position in a market that is exposed to rising competitive and margin pressure, it is essential to invest constantly both in new products such as filters, NFC antennas and performance components for storage solutions, and in the efficiency of our processes. As well as removing expensive, low-margin small-scale series from our product portfolio, we see further scope for optimization of our organization and internal workflows. One example is systematically reducing costs. To counter labour shortages and rising wage costs in the Czech Republic, we are investing to optimize and automate production. In addition, we are considering manufacturing certain products in Mexico in the future. In the medium term, we expect these measures to stabilize the situation considerably, putting us in a better position to cushion fluctuations in sales and the availability of personnel.

The decisive factor in 2019 will be whether the weakness in the automotive industry is merely a temporary production impairment, without output rebounding quickly, at best with knock-on effects, or whether it turns out to be a general downturn in the automotive cycle. Leading indicators such as corporate confidence, export expectations and order intake suggest it will be somewhere between the two: volume forecasts are basically

still pointing upwards, but have clouded somewhat. We notice a similar effect at InTiCa Systems. Although orders on hand at the end of the first quarter of 2019 were considerably higher than a year ago, we are noticing some uncertainty among our customers and therefore expect some stagnation in the conventional automotive market. Positive impetus is coming from the move by German premium manufacturers into e-mobility. However, the supply chains need to settle, so call-off volumes will be volatile at first. Nevertheless, we assume rising volumes of EMC filters, where delivery is just starting, and expect to register a significant increase in business with stators for hybrid vehicles. Following successful validation, production is under way in Mexico and delivery to three customer sites in North America, South America and Europe has started. We expect call-offs to rise further here, since the global OEM our customer supplies recently reduced its production volume.

Following a difficult first half of 2019, we anticipate progressive stabilization in the remainder of the year. The supply of raw materials remains challenging as a result of international shortages and longer delivery times. That is compounded by volatile call-off patterns by customers and the low availability of skilled staff. However, by constantly optimizing our processes and production workflows, we assume we can steadily raise efficiency and improve the cost situation. Rising sales should therefore enable us to move back into profit. Specifically, we expect sales to be between EUR 54 million and EUR 58 million in 2019, while the EBIT margin should be between 1.5% and 2.0%.

We would like to thank our employees for their commitment, our customers and business partners for their collaboration and our shareholders for their trust in us.

Passau, April 2019

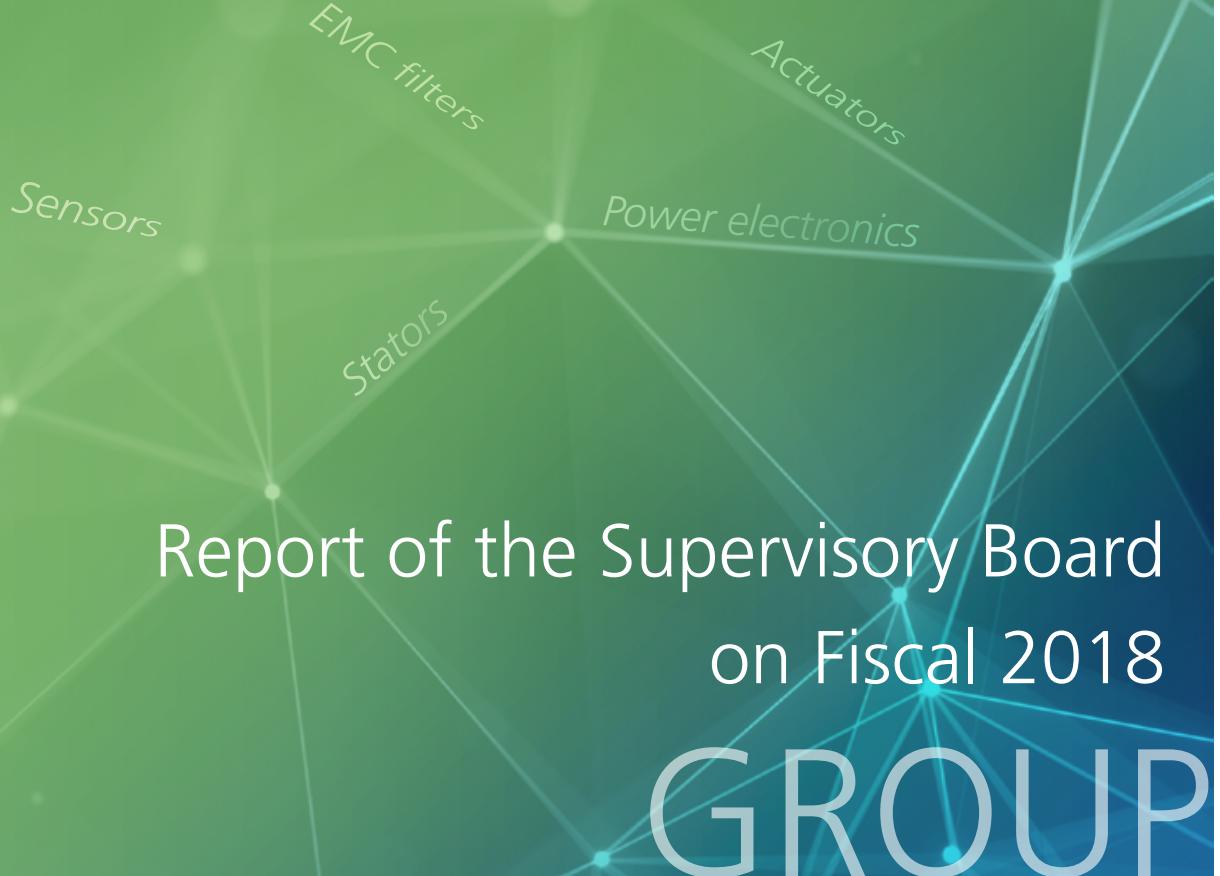
Yours



Dr. Gregor Wasle
Chairman of the Board of Directors



Günther Kneidinger
Member of the Board of Directors



Report of the Supervisory Board on Fiscal 2018

GROUP

Dear shareholders,

In fiscal 2018 the Supervisory Board performed the tasks imposed on it by law, the articles of incorporation and the rules of procedure, regularly advised the Board of Directors on the management of the company and monitored and supervised its management activities. The yardsticks for oversight were the lawfulness, correctness, cost-effectiveness and expediency of the management of the company and the Group.

Cooperation with the Board of Directors

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

The Board of Directors' reports to the Supervisory Board centred principally on planning, business development and the business situation of InTiCa Systems AG and its subsidiaries, including the risk situation, risk management, compliance and transactions of especial importance for the company. The Board of Directors outlined the discrepancy between the business planning and actual performance, together with explanations, and

informed the Supervisory Board of the planned corrective action. The content and scope of the reporting by the Board of Directors met the demands made by the Supervisory Board. Alongside these reports, the Supervisory Board requested supplementary information from the Board of Directors. The Board of Directors was available at meetings of the Supervisory Board to provide explanations and answer questions asked by the Supervisory Board. The Board of Directors and Supervisory Board used the meetings to agree on the strategic focus of the company and review the implementation of the strategy at regular intervals.

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

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

Advisory and supervisory activities

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

In 2018, the Supervisory Board considered, in particular, the company's strategic and organizational alignment, business potential and business development in the area of automotive technology and electromobility, the development of the new site in Silao, Mexico, investment in new products and operating equipment, and corporate finance. To this end, the Supervisory Board received timely and extensive information on the current situation of the Group and its companies, and all business operations of material importance for the Group's profitability and liquidity (see sec. 90 paragraph 1 of the German Companies Act [AktG]). Production and sales planning and the strategic development of the Group were also discussed regularly with the Board of Directors.

Composition of the Supervisory Board

In the reporting period the Supervisory Board members were Mr. Udo Zimmer (Chairman), Mr. Werner Paletschek (Deputy Chairman), and Mr. Christian Fürst.

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 seven regular meetings and one extraordinary meeting in 2018. All members of the Supervisory Board were present at all meetings, apart from the meeting on October 29, 2018. Mr. Udo Zimmer was excused from the meeting on October 29, 2018.

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

January 15, 2018: The main items on the agenda were the status of the annual report for 2017, a discussion of the corporate strategy, the current order situation of the site in Silao (Mexico), including expansion of business through a new order and the related investment, the development of the Prachatice site (Czech Republic), and the status of financing.

March 23, 2018: Discussion of the financial statements for 2017 and the auditor's report, current business performance, resolution on extending production of stators in Prachatice, status of the production sites, risk management system; financing status, progress with development and sales projects.

May 4, 2018: Report of the Board of Directors on current business performance, presentation and discussion of business development in 2018, earnings situation and the necessary measures, order situation of the site in Silao (Mexico).

June 29, 2018: The main topic at this meeting was the half-year forecast for 2018, with a focus on the business development at the Silao site (Mexico), and a comparison with the original budget planning and current development of call-off orders as a result of external influences (dieselgate, Brexit, NAFTA, etc.).

July 5, 2018: The Supervisory Board focused principally on the final preparations for the upcoming Annual General Meeting and the current business development in 2018, including significant customer projects and the need to reduce costs.

October 12, 2018: The Supervisory Board discussed the development of business in 2018, the first draft of the budget for 2019 and, in particular, a programme to optimise the company's earnings and costs as a necessary preparation for the changing market environment in the automotive industry (e-mobility, hybrid technology, dieselgate, etc.).

October 29, 2018: Focus of the meeting: current business development; net profit as of September 30, 2018; budget planning for 2019; cost optimization programme; order situation of the Silao site (Mexico).

December 14, 2018: The agenda focused on the budget for 2019, including planned financing. Further topics were the general development of business in 2018 and the earnings and cost optimization programme, a discussion of the start-up of the new product at the Silao site (Mexico) and a discussion of corporate strategy.

Annual financial statements of the company and the Group

The auditors KPWT Kirschner Wirtschaftstreuhand AG, Eggenfelden, Germany, were selected by the General Meeting to audit the annual financial statements and consolidated financial statements for the fiscal year from January 1, 2018 to December 31, 2018. 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, 2018 to December 31, 2018, prepared in accordance with the provisions of the German Commercial Code (HGB), were audited by KPWT Kirschner Wirtschaftstreuhand AG, Eggenfelden, Germany, which has awarded an unqualified opinion. An unqualified opinion has also been awarded to the consolidated annual financial statements and management report for the Group as of December 31, 2018, which were drawn up on the basis of the International Financial Reporting Standards (IFRS), as applicable for use in the EU, and supplemented by further explanations.

At a meeting on March 29, 2019, the provisional figures for the annual financial statements of the company and the Group for 2018 were discussed in the presence of the auditor. At a further meeting on April 24, 2019, the Supervisory Board discussed the annual financial statements for the company, the consolidated financial statements and the management reports for InTiCa Systems AG and the Group, all of which have received unqualified audit opinions, together with the report of the Supervisory Board and the corporate governance report. To prepare for this, the members of the Supervisory Board received extensive documentation, in some cases as draft versions, including the annual report with the consolidated financial statements prepared in accordance with the IFRS, the management reports for InTiCa Systems AG and the Group, the corporate governance report, the annual financial statements of InTiCa Systems AG, and the audit reports prepared by the auditor on the financial statements for the company and the Group.

The Supervisory Board examined these documents in detail and discussed them intensively in the presence of the auditor, who reported on the findings of the audit and was available for further questions and information. Following the conclusion of its own examination, the Supervisory Board agreed with the audit findings, established that it had no objections to raise, and approved the financial statements and management reports prepared by the Board of Directors. The annual financial statements of InTiCa Systems AG for fiscal 2018 and the consolidated annual financial statements are thus adopted. The Supervisory Board also adopted the Report of the Supervisory Board and the corporate governance report in its present form.

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 March 29, 2019 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 the employees of the Group for their performance and high level of commitment in 2018. It would also like to express its special thanks to the customers and business partners of InTiCa Systems AG for their trust and good collaboration. The Supervisory Board wishes the company all the best for its future development.

InTiCa Systems AG
Passau, April 24, 2019

The Supervisory Board

Udo Zimmer
Chairman

Focusing on the future

Company Boards



BOARD OF DIRECTORS

Gregor Wasle

Chairman of the Board of Directors

Engineering graduate

Strategy, investor relations, R&D, production, finance, human resources and IT

Günther Kneidinger

Member of the Board of Directors

Sales, materials management, logistics centre and quality

SUPERVISORY BOARD

Udo Zimmer

Chairman

Business administration graduate

Munich

- *Chairman of the Board of Directors of REMA TIP TOP AG*

Werner Paletschek

Deputy Chairman

Business administration graduate

Fürstenzell

- *Managing director of OWP Brillen GmbH*

Christian Fürst

Member of the Supervisory Board

Business administration graduate

Thyrnau

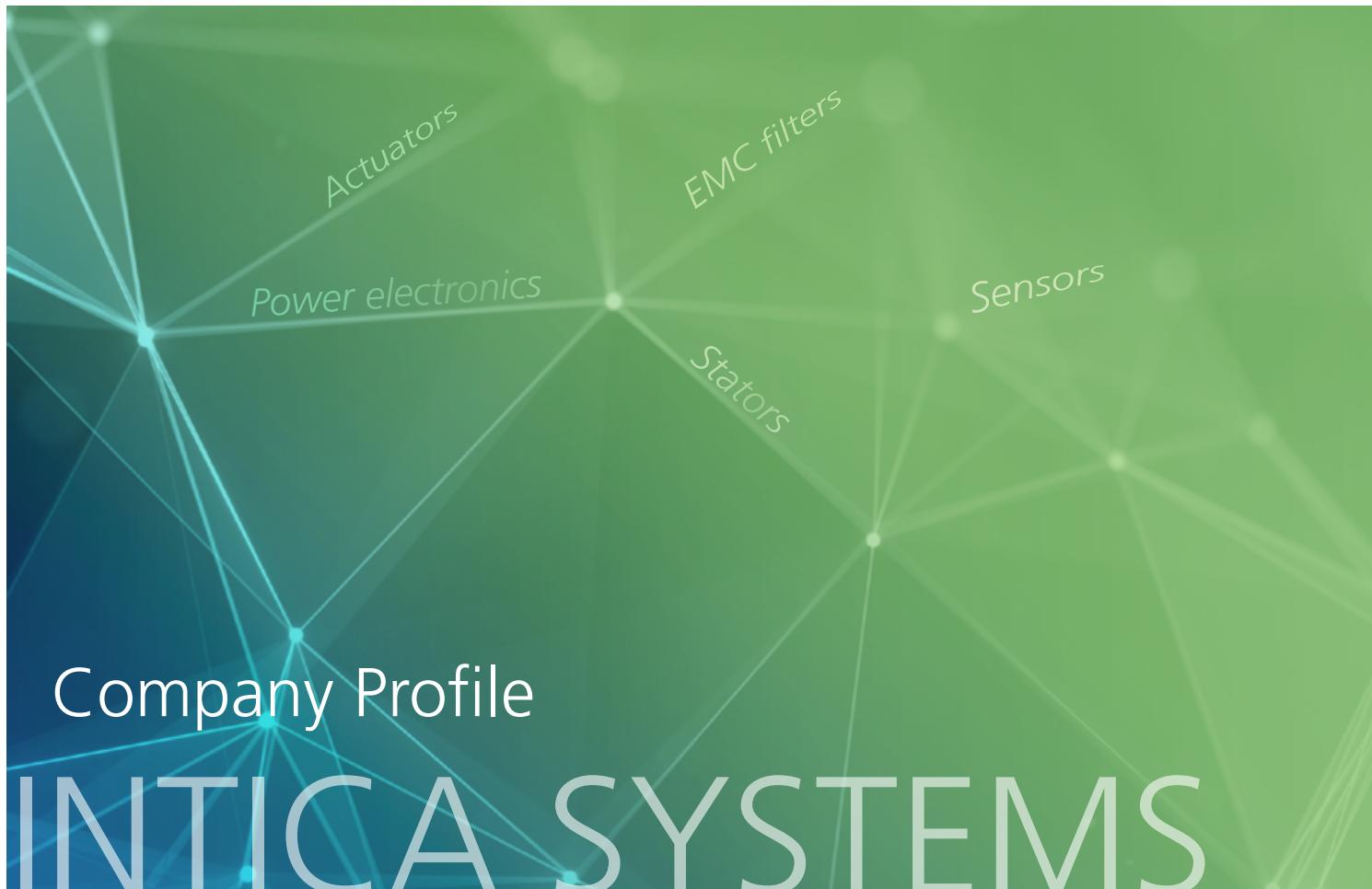
- *Managing partner of ziel management consulting gmbh*

- *Chairman of the Supervisory Board of Electrovac AG*

- *Advisory board of Eberspächer Gruppe GmbH & Co. KG*



Winding technology for hybrid drives



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 Automotive Technology and Industrial Electronics segments and has 644 employees including agency staff (December 31, 2018) at its sites in Passau (Germany), Prachatice (Czech Republic), and Silao (Mexico).

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

Sites in Europe and America



Head office Passau, Germany

- Sales and production development
- Strategic procurement
- HR and Finance
- Employees: 71
(March 31, 2019)



Technology Center Passau, Germany

- Development of manufacturing technology
- Samples and pre-serial production
- Employee training centre
- Employees: 10
(March 31, 2019)



Production facility Silao, Mexico

- Production of small series in the fourth quarter of 2016
- Complete customer validation and first serial production in the first half of 2017
- Employees: 158 (including 140 agency staff) (March 31, 2019)



Production facility Prachatice, Czech Republic

- Modern production facility with high degree of vertical integration, secure processes and technologies
- Employees: 474 (including 89 agency staff) (March 31, 2019)



E-Solutions

Intelligent solutions for the digital transformation





OUR DEFINITION OF E-SOLUTIONS?

For us, E-Solutions is the interaction of:

- ▶ energy generation
- ▶ energy storage and the associated charging and discharging technology
- ▶ energy management
- ▶ energy use (e-mobility)

The interaction of these aspects will drive forward the essential changes in the use of renewable energy sources and energy generated using environmentally compatible technology. And that will further reduce dependence on fossil fuels.

7 CORE COMPETENCIES



Product design
& simulation

Plastics technology

Winding technology

Joining technology

Casting technology

Testing technology

Automation

FOR 5 PRODUCT AREAS



Power electronics



EMC filters



Actuators



Stators



Sensors

Power electronics

Increasing efficiency

Power electronics is an area of electronic technology that focuses on the use of electronic switching elements to convert electric power. The main products are inverters, charging systems and network switches.

These products can convert voltage levels, power and frequency. Normally, power electronics comprise an electrical control unit, an inverter and a DC converter.

Power electronics has become more important as a result of progress in microelectronics and the associated improvement in control and regulation technology. Power electronics are found in the power drivetrain in all hybrid and electric vehicles.

Application examples

e.g. Automotive Technology



InTiCa Systems supplies customer-specific solutions – as high-voltage transformers and chokes. To meet the magnetic requirements of such products, iron powder materials, ferrites and metallic alloys are used. The winding technology may comprise round wire, upright coils, stranded wire or copper foil, depending on the application.

e.g. Industrial Electronics



InTiCa Systems develops and manufactures AC filter chokes, boost converters and booster chokes, high-frequency transformers, and inductive modules for solar converters. The company specializes in the 0-300 kW power range with a switching frequency of 16-50 Hz. It uses its own measuring platform to optimize the loss profile of coils at an early stage of development.

EMC filters

Electromagnetic compatibility

The rising number of appliances that produce and use energy is increasing demand for EMC filters for electromagnetic suppression. Unwanted interference between appliances can degrade performance of the power supply and onboard systems. Therefore, it has to be suppressed to prevent unplanned disruption.

Inductive properties combined with capacitors are the most common type of EMC filters. InTiCa Systems is already seen as a development partner, producer and system supplier for EMC filters. Demand for electrical and electronic devices will continue to increase in the future, creating rising demand for EMC filters.

Application examples

e.g. Automotive Technology



InTiCa Systems supplies complex components and systems to meet specific challenges of electromagnetic interference resulting from the increasing "electrification" of hybrid and electric vehicles.

e.g. Industrial Electronics



EMC filters are indispensable components in many electronic applications. InTiCa Systems supplies EMC filters that ensure the electromagnetic compatibility of products. Its portfolio includes common mode chokes in all standard designs, filter modules and filter assemblies for stationary energy storage systems.

Actuators

Controlling motion

Actuators are found in areas of drive technology. Normally, the term actuator refers to generating a movement or deflection so it is used in many technical applications. InTiCa Systems specializes in the production of various types of actuator coils. It therefore also serves a wide range of applications in measurement, control and regulation technology. Actuators convert electronic signals into mechanical motion and therefore play an active part in the control of many different processes.

They are used in almost all sectors of industry because their applications are virtually unlimited. As in all other product areas, the product solutions supplied by InTiCa Systems are tailored specifically to customers' requirements.

Application examples

e.g. Automotive Technology



Actuator coils (magnetic hub coils) are frequently used for electronic handling. InTiCa Systems offers custom-tailored assemblies. Applications include electromagnetic steering wheel locks, gearshift interlocks, electro-hydraulic steering systems and self-levelling systems.

e.g. Industrial Electronics



InTiCa Systems develops and manufactures magnetic coils for incinerators and for switching components to interrupt power supply.

Stators

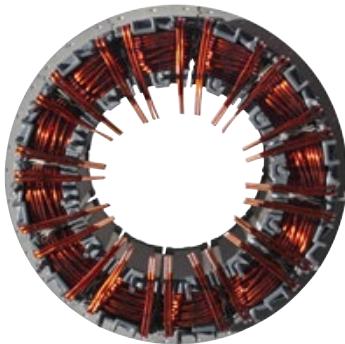
Electromagnetic transformation

For its customers, InTiCa Systems develops and produces stators for hybrid and electric vehicles and stator coils for pump drives, turbocharger systems and a good deal more. The stator coils are used in electric drives that convert electrical energy into mechanical power. Development and production at InTiCa Systems meet the highest quality and functional requirements to ensure the products can withstand the most extreme environmental conditions.

The right mix of materials and processes is vital to maximize the efficiency and stability of the products.

Application examples

e.g. Automotive Technology



The illustration shows an application in a turbocharger. Similar products are used in hybrid and electric vehicles, although they are normally far bigger. The type of insulation – a foil system or injection moulding – is determined by the application.

e.g. Industrial Electronics



InTiCa Systems supplies stator coils for industrial applications (e.g. for pumps). The company can provide both injection moulded coils for single-tooth stators and plug-in coils.

Sensors

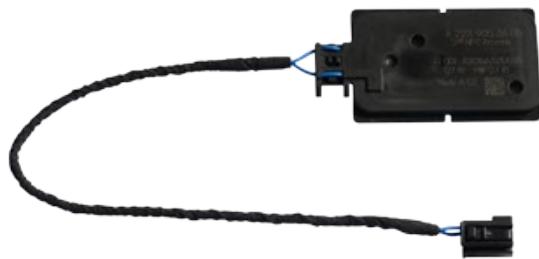
Transmitting signals

In this area, InTiCa Systems mainly focuses on low frequency (LF) antennas and immobilizers. LF antennas are a key component in keyless entry/go systems, which allow drivers to open the car door and start the engine without having to press a button on the radio frequency key. Antennas integrated into the door handles and interior of the vehicle act as sensors that recognize touch. When the system identifies a touch, the car "wakes up" the key via a radio signal and enters into bidirectional communication with it. If the system establishes that the distance between the car and the key is appropriate, the door can be opened.

Immobilizers are another group of sensor products. Together with a transponder and the associated control unit, the immobilizer prevents the engine being started without authorization.

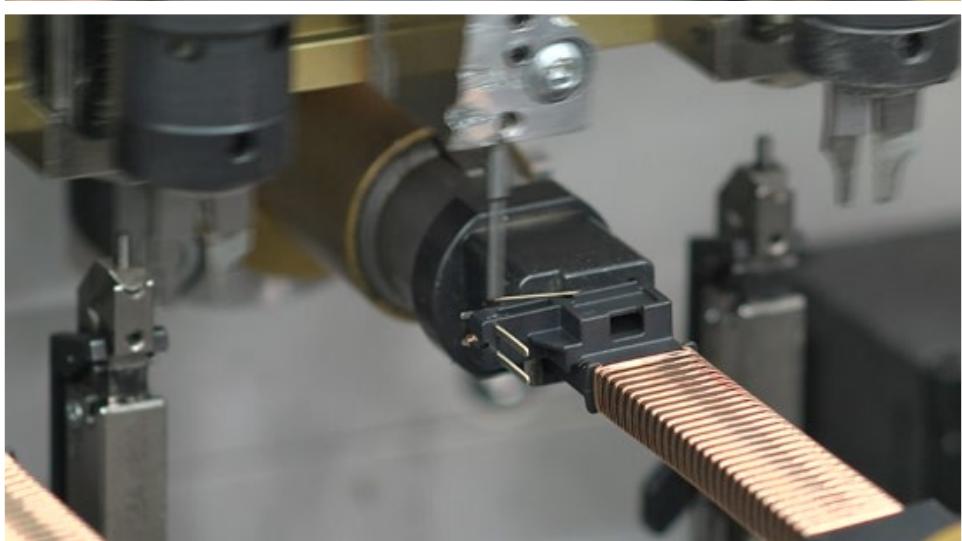
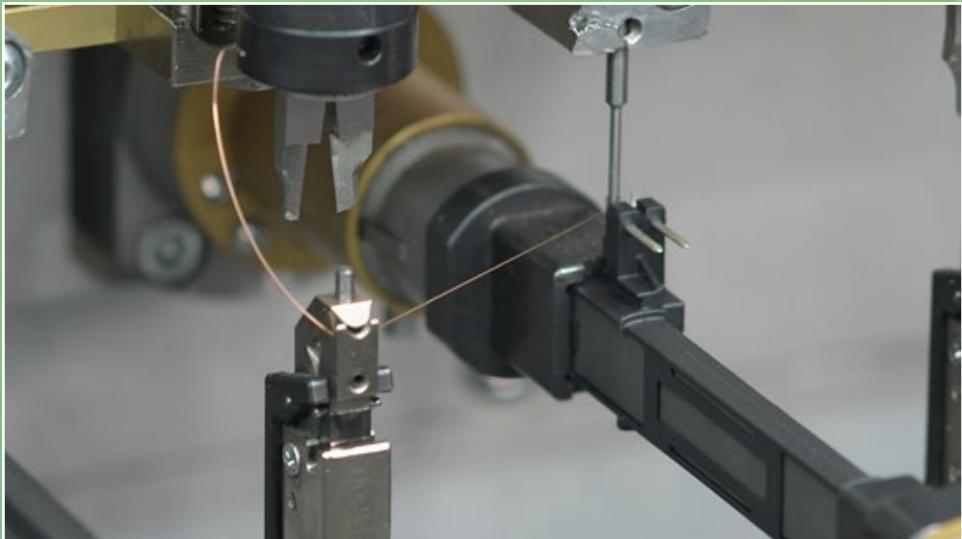
Application examples

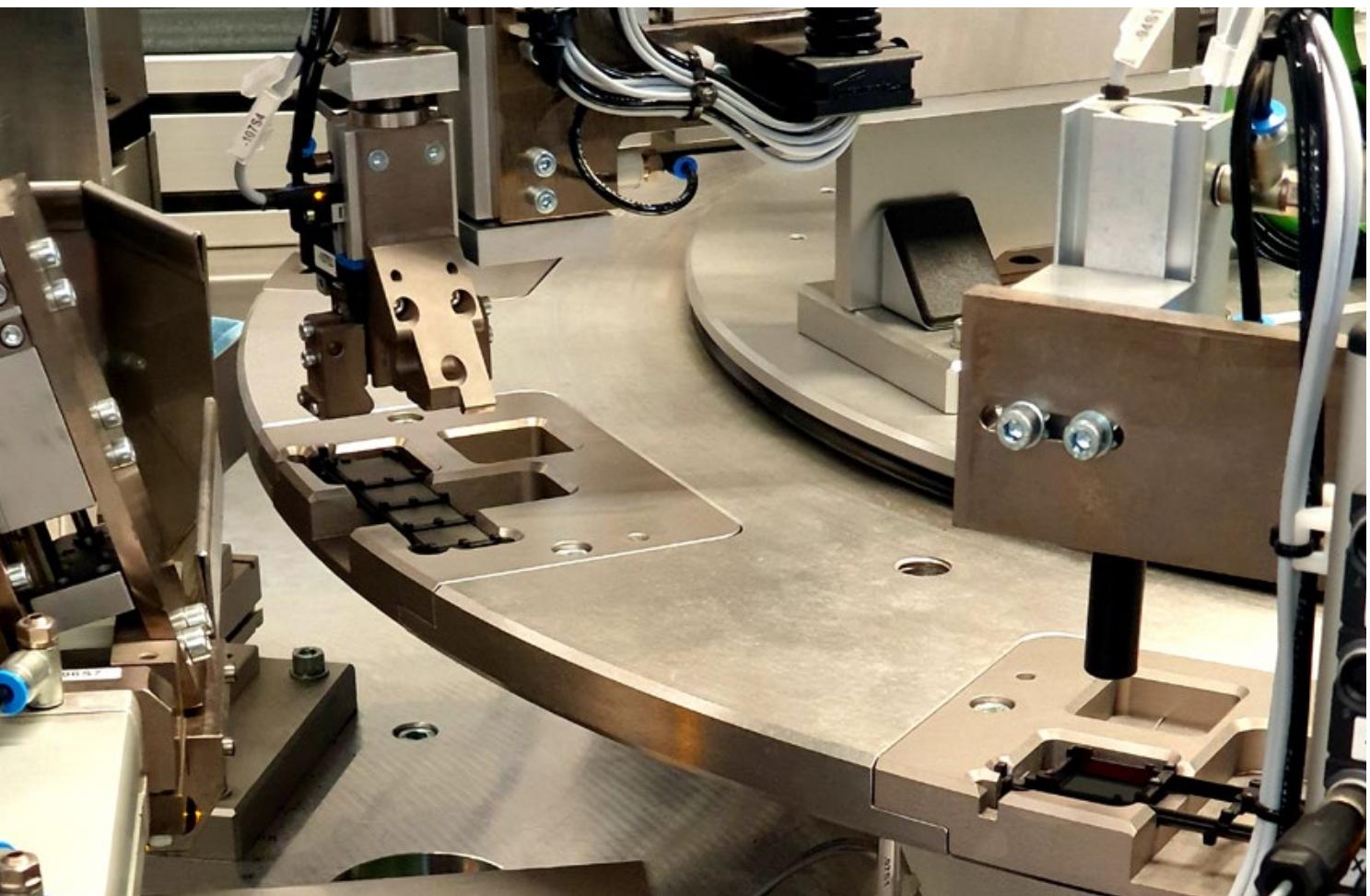
e.g. Automotive Technology



InTiCa Systems supplies antenna and transponder technology for keyless entry/go systems. The company uses its specialist knowledge of electromagnetic fields for technical development. Antennas and transponders can be supplied as cast, injection moulded and open versions.

Highest efficiency through automation





Highest efficiency through automation

*for example in the field of
sensor technology*



InTiCa Systems' stock in 2018

STOCK

Performance of shares in InTiCa Systems¹

2018 was a difficult year on the stock market. Although economic data remained solid and interest rates were low, the DAX dropped significantly during the year as a result of uncertainties on the economic policy front and fears of a global recession. Sentiment on the capital markets was dampened, in particular, by the uncertain outcome of the Brexit negotiations, the concern about Italy's budget and the trade conflict between China and the USA. While year started with the DAX hitting an all-time high of 13,559.60 points on January 23, 2018, it fell back to a low for the year of 10,281.50 on December 27, 2018. The DAX ended 2018 at 10,558.96, a drop of 18.3% during the year. The DAX Technology Sector Index fell 25.5%, while the TecDAX, which contains far smaller, growth-oriented technology stocks, only fell by 3.0%.

Following the very good price performance in the previous two years, shares in InTiCa Systems AG were unable to buck the general trend in 2018. In addition, the share price was adversely affected by the fact that business development was below expectations. The share price rose to a high for the year of EUR 8.45 on January 11, 2018, but then dropped continuously during the remainder of the year. On October 26, 2018, immediately after publication of the results for the first nine months and revision of the guidance for 2018, share price dropped to EUR 5.70, its lowest point for in the year. It subsequently recovered and rose to EUR 7.00. However, it was unable to hold this level until year-end and closed at EUR 6.20 in Xetra trading at the end of 2018. That was 24.3% lower than at the end of the previous year.

InTiCa Systems' market capitalization therefore declined to around EUR 26.6 million as of year-end 2018 (December 31, 2017: EUR 35.1 million). As in the previous year, the most important trading exchange for shares in InTiCa Systems was the XETRA electronic trading platform, which accounted for around 68.8% of trading in the share, followed by the Berlin Tradegate Exchange, which accounted for around 20.2% and the Frankfurt Stock Exchange, which accounted for around 6.0%. The average trading volume was considerably lower than in the previous year at 35,954 million shares per month (2017: 102,834 shares per month). As in the past, 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.

Shares in InTiCa Systems	2018	2017
Year high (XETRA® closing price)	8.45	10.60
Year low (XETRA® closing price)	5.70	4.31
Market capitalization at year end in EUR million	26.6	35.1

Closing prices	2018	2017	Change
Shares in Systems (XETRA®)	6.20	8.19	-24.3%
DAX	10,558.96	12,917.64	-18.3%
TecDAX	2,450.18	2,526.68	-3.0%
DAXsector Technology	913.12	1,225.69	-25.5%

Investor relations activities

InTiCa Systems' Investor Relations department is the company's interface to the capital market. It is responsible for ensuring open communication with shareholders, potential investors and all other interested members of the financial community. The focus is on providing full and transparent information for the community, to strengthen confidence in the company and its shares and improve expectations. The Board of Directors therefore personally seeks direct contact with the relevant members of the financial community.

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 provided extensive quarterly reports, which were published in English as well as German. In line with the ad hoc disclosure regulations the markets were notified of the main corporate events in ad hoc or corporate news releases.

In addition, experienced capital market analysts comment on our business results and the most important announcements and issue estimates on the future development of InTiCa Systems AG. The research reports they publish are available 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.com) contains all relevant information on the stock, a financial calendar detailing all key dates, an archive of obligatory disclosures and news releases, information on corporate governance and all information on past and upcoming General Meetings of InTiCa Systems AG.

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

Key data on the share

ISIN	DE0005874846	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 – Representative office of flatex Bank AG
Bloomberg ticker symbol	IS7:GR	Research coverage	SMC-Research
Reuters ticker symbol	IS7G.DE		
No. of shares	4,287,000		

Shareholder structure

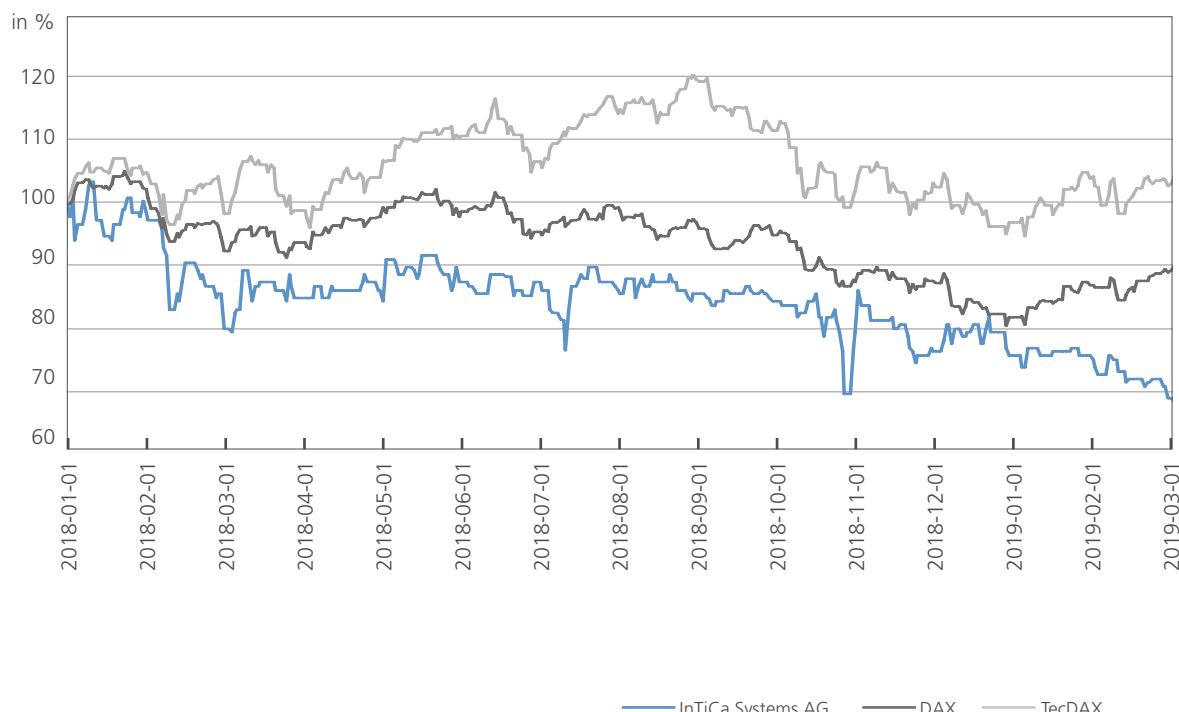
The principal shareholders on March 31, 2019:

Thorsten Wagner
Dr. Dr. Axel Diekmann
Tom Hiss
Jürgen and Elisabeth Donath
Treasury stock
Management

Shareholding:
over 25%
over 25%
over 5%
over 3%
1.5%
less than 1%



Performance of shares in InTiCa Systems





Sec. 3.10 of the German Corporate Governance Code states that the Board of Directors and Supervisory Board should report annually on corporate governance and that this report should be published in conjunction with the declaration on corporate management pursuant to sec. 289a of the German Commercial Code (HGB). Alongside the declaration of conformity with the recommendations of the German Corporate Governance Code in conformance with sec. 161 of the German Companies Act (AktG), it contains additional information on corporate management practices and describes how the Board of Directors and Supervisory Board work. It is also available on the Internet at www.intica-systems.com Investor Relations/Corporate Governance.

Declaration of Conformity

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 2019 the company will comply with the recommendations of the Corporate Governance Code in the version dated February 7, 2017, with the following exceptions:

Compliance management system

The Board of Directors ensures that the company and its subsidiaries comply with all legal provisions and with the company's internal policies. For this purpose it has implemented an appropriate compliance management system aligned to the company's risk situation. The principles of this system are disclosed in the non-financial statement in the management report. The company does not offer employees and third parties the opportunity to report suspected breaches of the law within the company in a special, protected manner because such suspicions can be reported to the Board of Directors or Supervisory Board at any time and will be treated with the necessary confidentiality (Corporate Governance Code sec. 4.1.3).

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 specified for members of the Board of Directors and Supervisory Board (Corporate Governance Code sec. 5.1.2 and 5.4.1). In compliance with the law and articles of incorporation, members of the Board of Directors and Supervisory Board may be appointed for a maximum term of office of

five years. The Board of Directors and Supervisory Board believe it makes sense for the bodies responsible for appointments to examine each candidate's age at the time of initial appointment or renewed appointment and that they should be free to appoint older candidates with relevant professional or other experience without being tied to rigid age limits. However, the Supervisory Board will only nominate candidates for election by the General Meeting who have not reached the age of 70 at the start of their term of office.

Terms of reference of the Supervisory Board and committees

The Supervisory Board has not adopted terms of reference (Corporate Governance Code sec. 5.1.3), nor set up any committees (Corporate Governance Code sec. 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 mandatory interim financial information will probably not be available within 45 days from the end of the reporting period (Corporate Governance Code sec. 7.1.2). The company cannot guarantee that it can meet the deadlines recommended by the Corporate Governance Code in view of the need to include its foreign subsidiaries in the consolidated financial statements and the mandatory interim financial information. The consolidated financial statements will, however, be available at the latest four months after the end of the financial year, while the mandatory interim financial information will be published within two months from the end of the reporting period and thus within the statutory deadlines. The Board of Directors and Supervisory Board consider this to be adequate.

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 relates in particular to the audit of quarterly, annual and consolidated financial statements as well as personnel matters relating to the Board of Directors. The Board of Directors regularly attends meetings of the Supervisory Board, provides written and oral reports on individual items on the agenda and preparatory papers, and answers the Supervisory Board's questions.

In conformance with the German Companies Act (AktG), the Supervisory Board appoints the members of the Board of Directors. In accordance with sec. 5 of the company's articles of incorporation, the Supervisory Board determines the number of members of the Board of Directors (according to the articles of incorporation, the Board of Directors comprises one or more persons) and can appoint one member of the Board of Directors as Chairman of the Board of Directors. The Supervisory Board drafts rules of procedure and a business allocation plan for the Board of Directors. The rules of procedure comprise a list of business activities requiring approval. The Supervisory Board

decides whether the members of the Board of Directors should attend meetings of the Supervisory Board. The Chairman of the Supervisory Board outlines the work of the Supervisory Board in its annual report to the shareholders and at the Annual General Meeting.

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

Objectives for the composition of the Supervisory Board

On March 23, 2018, the Supervisory Board amended its resolution on the objectives for its composition as follows:

Profile of skills and expertise for the collective Supervisory Board

The Supervisory Board as a whole must have all skills and expertise required for the proper performance of its obligations under the law and the articles of incorporation. To ensure this, as a rule three must be at least one member of the Supervisory Board with a sound knowledge and experience of overseeing publicly listed companies with international operations, industrial business, the development of corporate strategies, the field of research and development, production, marketing, sales and digitalization, the company's main markets, accounting and auditing, and the area of corporate governance and compliance.

Selection of candidates for the Supervisory Board

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 the Czech Republic and Mexico. Further, the goal is to make the company more international in the future, both in terms of sales volumes and on the procurement and production side. 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 international legal and economic conditions.

» 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.

» Number of independent Supervisory Board members

The Supervisory Board considers it appropriate if it has at least one independent member within the meaning of sec. 5.4.2 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.

» Regular length of membership

Re-election of Supervisory Board members is permitted, but members should not normally be elected more than three times.

» Diversity

Alongside qualifications and professional suitability, which form the key criteria, in the Supervisory Board's view other attributes 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 present composition of the Supervisory Board meets the objectives of the resolution of March 23, 2018 set out above. The Supervisory Board considers it appropriate if it has at least one independent member within the meaning of sec. 5.4.2 of the Corporate Governance Code. Mr. Zimmer, Mr. Paletschek and Mr. Fürst are independent members within the meaning of this provision.

The Supervisory Board will report any changes to the present objectives and progress in fulfilling the objectives in future corporate governance reports.

Members of the Board of Directors of InTiCa Systems AG in 2018

	Appointed from / to	Responsibilities	Further offices
Dr. Gregor Wasle, date of birth August 14, 1971	January 1, 2015 to December 31, 2022	Chairman of the Board of Directors – responsible for: strategy, investor relations R&D production finance, human resources, IT	None
Günther Kneidinger, date of birth November 18, 1968	January 1, 2009 to December 31, 2022	Member of the Board of Directors – responsible for: sales materials management logistics centre quality	None

Members of the Supervisory Board of InTiCa Systems AG in 2018

	Appointed from / to	Function on Supervisory Board	Seats on other Supervisory Boards and comparable supervisory bodies
Udo Zimmer, business administration graduate, chairman of the Board of Directors of REMA TIP TOP AG, Munich	Appointed on July 17, 2015 for the period until the Annual General meeting 2020	Chairman	None
Werner Paletschek, business administration graduate, Managing Director of OWP Brillen GmbH, Passau	Appointed on July 17, 2015 for the period until the Annual General meeting 2020	Deputy Chairman	None
Christian Fürst, business administration graduate, Managing Partner of ziel management consulting gmbh, Passau	Appointed on July 17, 2015 for the period until the Annual General meeting 2020	Member of the Supervisory Board	Chairman of the Supervisory Board of Electrovac AG Advisory Board of Eberspächer Gruppe GmbH & Co. KG

Remuneration

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

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

Passau, April 24, 2019

Supervisory Board

Udo Zimmer
Werner Paletschek
Christian Fürst

Shareholdings

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, 2019, Mr. Günther Kneidinger held 4,000 shares (0.09%), Mr. Werner Paletschek held 5,000 shares (0.12%) and Mr. Christian Fürst held 4,800 shares (0.11%). The company itself held 64,430 shares (treasury stock) as of March 31, 2019 (1.5%).

Directors' Dealings

In 2018, the company did not receive notification of any securities transactions by persons required to disclose such transactions in accordance with Article 19 of Regulation (EU) No. 596/2014.

Board of Directors

Dr. Gregor Wasle
Günther Kneidinger



Measuring station incl. conveyor system

Review of electronica 2018

A new look for a new era!

2018 was the sixth time InTiCa Systems AG had exhibited at electronica, the world's leading trade fair for electronic components, systems and applications.

Around 3,100 exhibitors from more than 50 countries showcased their products and technologies at this event at the Munich exhibition centre under the slogan "Connecting everything – smart, safe & secure". That was eight percent more exhibitors than at the previous electronica exhibition.

The event on November 13-16, 2018 attracted more than 80,000 visitors from 80 countries. A survey by Gelszus, a specialist in market research for trade fairs, showed another increase in visitor satisfaction: 99 percent of visitors gave the event a rating of good to excellent. That was good news for us as an exhibitor, too.





*From left to right: G. Kneidinger (Member of the Board of Directors),
C. Meyer, J. Atzinger, A. Gütlein, S. Aigner, M. Schätzl*

As in the past, we were very satisfied with the organization and running of this event. We were particularly pleased to welcome so many established and potential customers to our completely redesigned exhibition booth. Exceptionally interesting talks with customers gave us an opportunity to discuss both current projects and new, future-oriented topics. That is how we live our motto of working with our customers so that we explore new routes together.

We will be back at electronica in Munich in 2020 and are already looking forward to welcoming many visitors to our stand.

InTiCa
Systems

Group Management Report

for the period from January 1 to December 31, 2018

GROUP MANAGEMENT REPORT

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

positioned among the market and technology leaders whose products and solutions are 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 for

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

A major advantage of these passive inductive components is that they do not require any additional energy source such as mains current or a battery. Moreover, they are extremely reliable and have little exposure to wear and tear.

1. Basic information on the Group

1.1 Business activities

InTiCa Systems AG is a leading supplier of inductive components, passive analogue switches and mechatronic assemblies. It is divided into two segments: Automotive Technology and Industrial Electronics. In both segments, the company is

InTiCa Systems' specialization, long-standing experience and extensive knowledge enable it to offer its customers precise and unique solutions for their specific applications. InTiCa Systems offers custom-tailored products, from the initial vision to an industrially produced assembly or system.

1.1.1 Automotive Technology

The Automotive Technology segment is the most important segment for the operating performance and future development of InTiCa Systems AG. This segment focuses on developing and manufacturing products for actuators, sensors, power electronics and network topologies in vehicles. Electric and hybrid vehicles are becoming increasingly important. These technologies are used in premium vehicles, high-end sports cars and less expensive models. Steady, above-average growth is being registered in the call-off of orders by customers. Other areas of expertise are entry/go systems, security systems and actuators. InTiCa Systems' products are used worldwide by well-known European, US and Asian manufacturers and their system suppliers.

InTiCa Systems sees increasingly far-reaching opportunities in the areas of electromobility and hybrid technology. New developments such as EMC filter systems for electric vehicles and charging infrastructure, stator systems for hybrid vehicles and planar transformers for battery management systems offer promising potential to counter the present uncertainty about vehicles powered entirely by combustion engines. This is opening up a promising future-oriented area of business for the company with potential to generate additional revenue with automotive producers and suppliers. The aim is to find intelligent ways to enable customers to optimize the energy-efficiency of their products. InTiCa Systems offers them the right solution.

1.1.2 Industrial Electronics

The mainstays of the Industrial Electronics segment are still inverters and converters, and, more recently, EMC filter technology. Inductive components and systems are used to convert solar power into electricity for the grid and for electrical suppression of interference. The effective use of know-how on the market drives forward this segment in the areas of power transfer and noise suppression components, coils and filters. Customers derive significant benefits from, for example, the improvement in efficiency combined with the reduction in the dimensions.

To extend the product portfolio and serve a variety of sectors of industry, InTiCa Systems is constantly looking for new development opportunities in this field. Focused use is made of synergies between the areas of industrial electronics and automotive technology and their specific customer requirements. The aim is to extend the customer base.

1.2 Corporate structure

In addition to the parent company, InTiCa Systems AG, Passau, Germany, the following companies are included in the consolidated financial statements:

- InTiCa Systems s.r.o., Prachatice, Czech Republic
- Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V., Silao, Mexico

The Czech subsidiary is a wholly owned company, while InTiCa Systems AG holds 99% of shares in the Mexican company and InTiCa Systems s.r.o. holds 1%. The annual financial statements and interim financial statements of the Group companies are drawn up as of the last day of the Group's fiscal year or the interim reporting period. There was no change in the scope of consolidation of InTiCa Systems AG compared with 2017.

1.3 Management system

InTiCa Systems has a defined strategy process to ensure it maintains a technological edge in the future. Roadmaps have been drawn up for each segment to ensure constant and dynamic alignment to market and customer requirements. In addition to the company's key economic targets, such as stringent cost management, steadily optimizing the value chain by permanently raising productivity and evaluating opportunities and risks is particularly important. In addition, the company has to address rising market demands and expectations, the need for innovation and technological progress, and the performance parameters in international competition. These constant endeavours in all areas of business from the company's target profile.

InTiCa Systems' key performance indicators are the development of sales and earnings by segment, EBIT, EBITDA, orders on hand and inventories, gross profit, material consumption and production defects, headcount, liquidity and capital expenditures. These are used for internal management of the Group and are reported to the Board of Directors in a monthly report.

1.4 Research and development

InTiCa Systems can build on profound and long-standing expertise. The company's innovative capability offers the best basis for developing new products and accessing potential applications, on the one hand, and for steadily optimizing the competitiveness of existing products and manufacturing processes through continuous improvements, on the other. Customers also value the company's offer of finding individual solutions to meet their requirements. Improvements in the efficiency of the inductive components and mechatronic assemblies developed by InTiCa Systems are a benefit when responding to enquiries from the renewable energy sector, while customers in the automotive industry commission the development and production of inductive components, systems and sensors.

2. Non-financial statement

This section contains the non-financial statement of InTiCa Systems AG pursuant to sec. 315b paragraphs 1 and 3 of the German Commercial Code (HGB). Since the company refrained from voluntary sustainability reporting in the past, a framework based on sec. 289d of the German Commercial Code was not used. An extensive description of InTiCa Systems' business model and products can be found in section 1 of the consolidated management report under "Basic information on the Group". In accordance with the statutory requirements, InTiCa Systems AG reports on those aspects that are necessary for an understanding of its business performance, results of operations and corporate situation and the impact of its business activities on society and the environment. The non-financial performance indicators that are not addressed in the non-financial statement and non-financial risk factors are outlined in the management report in sections 3.5.2 and 4.3.

2.1 Responsible corporate management and compliance, including anti-corruption and anti-bribery measures

In the course of its international business operations, InTiCa Systems is exposed to a wide range of legal requirements. Compliance with these legal requirements is the basis for responsible, sustainable and successful corporate management because unlawful behaviour can cause lasting damage to the company's reputation and market position as well as serious economic damage. For this reason, the actions of the Board of Directors and Supervisory Board of InTiCa Systems AG are rooted in the principles of transparent, responsible and value-based corporate management. In addition, alongside laws and other regulations such as the German Corporate Governance Code, the

regulatory framework in which the company operates includes the internal control and risk management system, internal compliance management, the internal Code of Conduct and the related company policies on specific issues. The corporate governance report, including the declaration of conformity by the Board of Directors and Supervisory Board and the declaration on corporate management for InTiCa Systems AG are available for download from the company's website.

The Code of Conduct and company policies provide guidance for the company and its employees on correct conduct with regard to legal and ethical challenges in their daily work. Furthermore, they are designed to help avoid corrupt conduct. The Code of Conduct contains binding rules on various topics such as anti-corruption, fair competition and social aspects such as tolerance and respect. It has been approved by the Board of Directors and all managing directors and distributed to employees.

To ensure compliance with the applicable laws, InTiCa Systems has established Group-wide compliance management covering anti-corruption, avoiding conflicts of interest, preventing money laundering, working with customers and suppliers, dealing with gifts and invitations, occupational safety, environmental protection and data privacy. A key element in compliance management is the Compliance Officer, who sees his role as being an independent and objective advisor. His task is to protect the company from financial and reputational damage, and to protect the management and all employees from personal liability issues. He responds to internal and external allegations, clarifies the position, taking into account the principle of proportionality, issues recommendations on optimizing in-house workflows and regularly shares information with other areas, especially risk management. Compliance management is reviewed regularly as a basis for continuous optimization.

In addition, InTiCa Systems AG has an internal control and risk management system to ensure that risks are handled responsibly. This allows timely identification of Group-wide risks and market trends, enabling the Board of Directors to respond promptly to relevant changes in the risk profile. All departments are included in the risk management system, allowing full risk monitoring of all areas of the company, including monitoring potential risks relating to non-financial issues. The internal control and risk management system is included in the annual audit at regular intervals. The aim is to optimize business processes and avoid unnecessary costs by improving internal controls.

2.2 InTiCa Systems and the environment

InTiCa Systems is actively committed to environmental protection. The principle is that both InTiCa Systems' products and environmentally friendly manufacturing within the company should make a fundamental contribution to environmental compatibility and sustainability. The environmental policy enshrines the Board of Directors' commitment to ensuring compliance with all relevant legislation, avoiding environmental impact, and continually improving InTiCa Systems' environmental profile. It thus forms the framework for establishing and evaluating environmental targets. The environmental policy is applicable Group-wide.

Environmental protection at InTiCa Systems covers energy, gas, water and waste and is aligned to the legal requirements, which are met in full. InTiCa Systems' declared intention is to avoid environmental impacts wherever possible and to minimize them where they are unavoidable. Therefore, its integrated environmental and energy management is specifically included in the integrated management system. The environmental management system and the energy management system are monitored regularly in accordance with the requirements of DIN ISO 14001:2015 and validated by an external certification body. The Prachatice production site has met these requirements since 2007 and validation was obtained for headquarters in Passau, including the new technology centre, at the beginning of 2016. Equivalent validation of the site in Mexico was obtained in 2017.

» Environmental and energy management process

In accordance with DIN ISO 14001:2015 and DIN ISO 50001:2011, the environmental management and energy management process at InTiCa Systems AG is based on the PDCA (Plan-Do-Check-Act) cycle. In line with this, selected workflows are subject to continuous planning, management, monitoring and improvement.

Constant repetition of the following steps is designed to bring about a continuous improvement:

- **Plan:** As an example, consumption data for energy, water, oil and gas are compiled annually to identify potential for improvement. The first priority is to set a target for those areas where sensible improvements can be achieved at reasonable cost.
- **Do:** Site-specific measures are implemented to achieve the targets efficiently.
- **Check:** Target attainment and planned targets are checked by comparing the target and actual situation.
- **Act:** Interim checks are carried out during the measurement period to assess attainment of the target. If the target is unlikely to be met, a check is performed on whether the basic conditions and framework need to be altered. In this way, adjustments can be made during the entire period in order to meet the target.

InTiCa Systems AG also expects its suppliers to meet its high in-house standards of environmental protection. Under the company's general procurement terms, all contractual partners are required to observe the applicable environmental laws and standards in the provision of their goods and services. Further, environmentally conscious provision of goods and services is important to InTiCa Systems AG. Specifically, this comprises selecting environment-friendly, recyclable materials, low emission and low pollutant delivery, products that can easily be dismantled, and energy and resource-saving products and processes. In addition, all contractual partners are required to give an undertaking that they will observe the bans or ceilings set out in the German chemicals ordinance and the ordinance prohibiting the use of CFCs and halons, the requirements of VDA List 232-101, as amended from time to time, and the applicable regulations on the use of safety data sheets in accordance with EU Directive 91-155/EEC.

» Resource efficiency

InTiCa Systems continuously strives to optimize the environmental profile of its sites. When purchasing new and replacement equipment for its sites, it therefore gives priority to high technological standards and resource-efficient machinery. The budget for this is managed centrally by headquarters. To identify and realize scope to raise efficiency, in 2015 InTiCa Systems restructured and optimized its workflows in line with the principles of lean management.

The principles of lean management are applied when designing production processes and take account of material and energy efficiency.

Retrospective analysis and evaluation of existing production plants is performed as appropriate. On this basis, the production machinery at all sites is being replaced by new, state-of-the-art solutions with a lower environmental impact.

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

2.3 Working at InTiCa Systems

» Skilled staff

Qualified, high-performing staff who are loyal to the company are the basis for the success of InTiCa Systems AG and its corporate policy. The Board of Directors regards ensuring the deployment of qualified personnel as a key task. Through an established vocational and ongoing training policy, the management ensures that the company's staff are highly trained. Employees receive selective ongoing training to ensure they can meet the demands made on them both now and in the future. High-quality products and developments and competent advice for customers are key elements in the company's success. To secure sufficient qualified staff for the future, InTiCa Systems trains apprentices and generally hires them when they have completed their training.

InTiCa Systems values a diversity of personal attributes, talents and performance within the workforce. The company's future viability depends to a large extent on how this diversity is fostered and used. As a company that operates internationally, cultural diversity is an important element in InTiCa Systems' corporate culture. With a view to equal opportunities for men and women, when filling vacancies attention is paid to a balanced representation of both genders wherever possible. However, priority is always given to the personal and professional qualifications of the candidates rather than their gender.

The system also includes specific motivation and improvement programmes and opportunities to play an active part in shaping the company.

» Employee rights and occupational safety

InTiCa Systems AG observes local laws and pays attention to the rights of its employees throughout the Group. It safeguards their safety by complying with the customary standards. The company accepts the principle of equal treatment and takes action in accordance with employment law to deal with breaches of the German General Equality Act (AGG). With regard to the safety of employees, high priority is given to avoiding accidents and emergency situations and to making contingency plans. If there is nevertheless an accident, the causes are investigated at the production site by local production managers and subsequently discussed with the production team to raise the awareness and define appropriate preventive measures. The best possible protection is achieved by trustful collaboration with employees, as their knowledge and experience are the basis for a continuous improvement in occupational safety. The occupational safety committee holds meetings with all delegates at the company's headquarters four times a year and monitors all necessary action.

2.4 Respect for human rights

Protecting human rights is important to InTiCa Systems AG. As a matter of principle, the company does not tolerate child, youth or forced labour, either at its own sites or in business relationships with third parties. In line with the principles of good corporate governance, achieving economic targets is not the sole factor of importance; attention is also paid to how they are achieved. The commitment to balancing economic performance and ethical responsibility is reflected in company policy and in the Code of Conduct, which is designed to give employees, in particular, guidance on correct conduct with regard to legal and ethical challenges. Therefore, it includes rules for the treatment of each other and third parties and sets out requirements for tolerance, respect and non-discrimination.

2.5 InTiCa Systems' social commitment

Social responsibility has always had a firm place in InTiCa Systems' corporate culture and values. In principle, the company distinguishes between donations and sponsorship. Overall, the general focus in this area is on education and science, social factors, the arts and sport.

In 2018, for the fifth year in succession, InTiCa Systems AG refrained from sending customers Christmas gifts and made a donation to Lebensgemeinschaft Langlebenhof gGmbH in Passau instead. The donation supported the construction of a crafts workshop. InTiCa Systems AG sees the enormous need for this building and is making a contribution to the future of the region in this way.

3. Economic report

3.1 General economic conditions¹

The German economy continued its solid growth in 2018, with gross domestic product (GDP) rising by 1.5%. However, growth was well below the leading economic institutes' annual forecasts. For example, the Federal Ministry for Economic Affairs and Energy (BMWi) forecast growth of 2.4%. Economic momentum dropped considerably, especially in the second half of the year. In fact, in the third quarter, a slight decline was registered for the first time in more than three years. This was mainly attributable to slowing foreign trade. Exports were affected by high political uncertainty and increasing global trade disputes. That was compounded by problems in the automotive industry, which lost its role as a driving force. By contrast, the domestic economy was basically stable, supported by the service sector and consumption. However, growth in manufacturing industry was below average at 1 percent. The outlook for 2019 is clouded by the continued high political uncertainty. The experts at the Institute for the World Economy (IfW) in Kiel, Germany, predict that economic momentum will slow further and in March they cut their forecast for German GDP growth from 1.8% to 1.0%. In addition to the difficult export conditions, output was held back by capacity bottlenecks. In addition, an unusually large number of companies are complaining about a shortage of skilled staff and shortages of materials and equipment. At the same time, investment was held back. Although the global economy also perceptibly lost momentum in the second half of 2018, the picture here was more varied: The IfW has reduced its forecast for 2019 marginally, by 0.1 percentage points to 3.3%. Nevertheless, despite the slower pace of growth, overall capacity utilization is expected to remain high, especially in the advanced economies, and the IfW is even predicting a further drop in unemployment. Consequently, it is not possible to talk about widespread economic weakness. However, Brexit remains a significant source of uncertainty. A "hard" Brexit could have negative implications affecting economic growth in Europe. As a result, the IfW is only predicting growth of 1.3% in the euro zone in 2019, compared with 1.9% in 2018.

In the USA, total economic output increased strongly in the past year. Gross domestic product grew by 2.9%, the strongest growth since 2015. There was a particularly strong rise in capital expenditure by the corporate sector. This was probably partly due to the tax reform adopted at the end of 2017. Nevertheless, even in the USA a slowdown became visible during the year. At the end of the year, overall economic output only rose by 0.6%. The underlying economic trend continued in the first quarter of 2019. In all, the IfW is forecasting 2.1% economic growth in the USA this year. Overall economic output also lost momentum in Latin America in 2018. In the last quarter of the year, the upswing stalled, especially in Brazil and Mexico. In Mexico, GDP growth fell to 0.2% in the fourth quarter of the year, mainly due to a decline in industrial output. The Mexican economy therefore grew by 2% in 2018. At the start of the new year, bottlenecks in the supply of petrol probably held back economic activity temporarily. At the same time, there is still uncertainty about the new government's policy and the trade agreement with the USA and Canada to replace NAFTA. In the light of this, the IfW is predicting a growth rate of 2.1% for Mexico in 2019. The Chinese economy, which is so important for the automotive sector, is also growing more slowly. To counter financial excesses, the government was prepared to tolerate a slower rise in output. However, it has now made it clear that it will take action to prevent a pronounced economic downturn and has announced expansionary measures. On balance, the IfW expects the growth rate to drop to 6.1% in 2019. Despite the slower pace of growth, China will continue to make a big contribution to global economic growth.

3.2 Market and market conditions

3.2.1 Automotive Technology²

Conditions in the international automotive industry were robust overall in 2018 despite the increasing headwind triggered by the trade dispute between the USA and China. Looking at the development of individual markets, the picture was very varied. The German Automotive Industry Association (VDA) calculates that the European car market (EU28 + EFTA) was able to hold the high prior-year level of 15.6 million new vehicle registrations, despite the market weakness in the UK. In the USA, the market for light vehicles actually grew slightly, by 0.5% to 17.2 million vehicles. Strong growth rates were registered in Brazil (+13.8%) and Russia (+12.8%). The Indian market also grew by 5.1%. In China, there was a decline of 3.8% for the first time, although the market volume remained very high at 23.3 million cars.

¹ Institute for the World Economy (IfW): Kiel Institute Economic Outlook – Joint Economic Forecast Spring 2019.

² Verband der Automobilindustrie e. V. (VDA): Press releases of December 5, 2018, January 16, 2019 and January 30, 2019.

According to the VDA, around 3.4 million new cars were registered in Germany in 2018. Despite the distortion caused by the switch the WLTP standard, the previous year's exceptionally high level was achieved. The number of new registrations of electric cars rose by 24% to 67,500, with the number of purely battery-electric cars increasing by 44% to 36,100 vehicles and the number of plug-in hybrids by 7% to 31,400 vehicles.

The VDA anticipates that 2019 will be a transition year. Aside from the global economic policy squabbles, producers and suppliers are continuing to focus on electromobility, digitalisation, and networked, automated and autonomous driving. The VDA expects the international car market to report slight growth of 1% to 85.9 million new cars in 2019, with the USA and European markets maintaining their high volumes (17.2 million light vehicles in the USA and 15.8 million vehicles in Europe). For China it is forecasting slight growth of 2% to 24.4 million cars.

Electric vehicles are gaining ground slowly but surely. In particular, in order to meet the EU target of reducing carbon emissions by 30% by 2030, a rapid rise in the proportion of electric vehicles throughout Europe is necessary in the next few years. According to the VDA, the extent to which growth momentum increases in the market for electric vehicles depends on a range of factors such as battery costs, charging infrastructure, fuel prices and public procurement. However, the German automotive industry is taking massive steps to prepare for this. In the next three years, the number of e-models available will increase to 100. At the same time, the industry is investing EUR 40 billion in alternative drives and is the leader in patents for alternative drives. According to the VDA, in the field of electromobility and hybrid drives Germany accounts for every third patent worldwide.

3.2.2 Industrial Electronics³

As well as power components for renewable energies (mainly solar power at present), InTiCa Systems' Industrial Electronics segment mainly manufactures EMC filters, products for industrial equipment and domestic appliances, actuator coils for industrial conveyors and gas combustion systems.

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), the German electrical and electronics industry generated record sales in 2018. Aggregate sales in 2018 increased to a new record of EUR 195.0 billion, up 1.9% compared with 2017. The association reports that domestic revenues increased by 1.5% (to EUR 92.9 billion) while foreign sales rose 2.2% (to EUR 102.1 billion). Sales with customers in the euro zone (+3.7% to EUR 37.7 billion) rose three times as fast as sales with business partners in other regions (+1.3% to EUR 6.4 billion).

The association sees a number of risks that dampen the outlook for 2019. The German electrical and electronics industry made a mixed start to the new year. While sales and exports rose in January, order intake and output dropped. In view of the high level of uncertainty – ranging from protectionism and declining global growth to Brexit – the association is sticking to its cautious forecast. It anticipates that real output in the electrical and electronics industry will rise by around 1%. Capacity utilization in the sector was virtually unchanged at a high level 87.6% of total operational capacity in the first quarter of 2019. At the same time work on hand increased significantly from 3.3 to 3.8 months. Companies in this sector also revised production plans upwards in January 2019 following a steady reduction. 29% of companies now plan to increase output in the next three months while only 10% plan a reduction. The remainder assume they will maintain output at the present level.

3.3 Significant events in the reporting period

On October 25, 2018, InTiCa Systems AG issued an ad hoc statement announcing that the provisional figures for the first nine months of 2018 were below expectations, and revised its guidance. This was due to a substantial reduction/postponement of order volumes by a major European customer for hybrid technology, plus delays in serial production of a major new product of significance for the Mexico site. There were no other significant events affecting the company in the reporting period.

3.4 Earnings, asset and financial position

3.4.1 Overall position

Delayed start-up of two important projects, higher than expected material and personnel costs and more difficult market conditions held back performance in the reporting period. In addition, the company made enormous upfront investment for the new e-mobility sector in the form of production facilities for the upcoming start of serial production. This mainly affected the Automotive Technology segment. By contrast, the Industrial Electronics segment developed well thanks to high demand for inverters and the introduction of EMC filters. There was also good news in the Automotive Technology segment. Antenna production in Mexico was validated successfully, construction of the third production line was completed as planned, and sales from hybrid and e-mobility products have already increased to 20% of total sales from the automotive sector. In all, the results for the 2018 financial year were in line with the revised guidance. Consolidated sales were EUR 47.9 million at year end, while EBIT was negative at minus EUR 0.9 million. The operating cash flow was positive but overall there was a cash outflow of EUR 4.2 million as a result of high capital expenditures. At the same time, the equity ratio decreased from 42% to 33% due to increased borrowing.

³ Zentralverband Elektrotechnik- und Elektronikindustrie e.V. (ZVEI): Press releases of February 8, 2019 and April 1, 2019.

3.4.2 Earnings position

» Sales

Group sales declined 4.3% year-on-year to EUR 47.9 million in 2018 (2017: EUR 50.1 million). Sales growth was therefore in line with the lower expectations announced when the nine-month results were published. The shortfall compared with the original growth expectation was mainly due to a substantial reduction in order volumes by a major European customer for hybrid technology, plus delays in serial production of a major new product of significance for the Mexico site. In the Automotive Technology segment, sales were EUR 37.0 million (2017: EUR 38.1 million), well below the original forecast of between EUR 45.0 million and EUR 47.0 million. This segment accounted for 77.2% of total sales (2017: 76.2%). Thanks to high demand for inverters and increasing business with EMC filter technology, the Industrial Electronics segment registered sales of EUR 10.9 million. Although that was below the prior-year figure (2017: EUR 11.9 million) it was well above the expected range of EUR 8.0 million to EUR 9.0 million.

» Expenses

Expenses for raw materials and supplies amounted to EUR 27.2 million in the reporting period (2017: EUR 28.5 million). The material cost ratio (based on total output) dropped from 55.0% to 54.1%. The personnel cost ratio increased to 24.7% in the reporting period (2017: 23.1%) due to the hiring of further staff, higher wage costs in the Czech Republic and lower sales. The costs for agency staff at the production sites in Prachatice and Silao, which are recognized in "Other expenses", increased considerably to EUR 1.8 million in the reporting period (2017: EUR 0.8 million). Overall, other expenses rose from EUR 7.0 million in 2017 to EUR 9.2 million. Depreciation and amortization of property, plant and equipment and intangible assets remained at the prior-year level of EUR 4.3 million.

» Research and development

In 2018, spending on research and development amounted to EUR 2.9 million, which was 6.1% of sales (2017: EUR 2.8 million / 5.7% of sales). Development work focused principally on the Automotive Technology segment and mainly related to customer-specific product requirements. EUR 1.6 million was expensed directly for development work (2017: EUR 1.5 million) and the remaining EUR 1.3 million (2017: EUR 1.3 million) was capitalized. The capitalization rate was 45.0% (2017: 45.8%). Depreciation and amortization of own work capitalized was EUR 1.0 million in the reporting period (2017: EUR 1.2 million).

» Earnings

The gross profit was EUR 21.8 million in the reporting period (2017: EUR 22.1 million) and the gross profit margin improved from 44.1% to 45.5%. EBITDA (earnings before interest, taxes, depreciation and amortization) dropped substantially year-on-year to EUR 3.4 million (2017: EUR 5.8 million). The EBITDA margin was 7.0% (2017: 11.6%).

EBIT (earnings before interest and taxes) was clearly negative at minus EUR 0.9 million in 2018 (2017: EUR 1.5 million). EBIT was in line with the Board of Directors' revised guidance. The original forecast of an EBIT margin of around 3% was not achievable as a result of unexpectedly high material and personnel costs and lower sales. EBIT was minus EUR 1.3 million (2017: EUR 0.8 million) in the Automotive Technology segment and EUR 0.4 million (2017: EUR 0.6 million) in the Industrial Electronics segment. The Industrial Electronics segment therefore generated an EBIT margin of 3.4% (2017: 5.4%).

The financial result was minus EUR 0.4 million in the reporting period (2017: minus EUR 0.4 million). While financial expense increased slightly year-on-year from EUR 431 thousand to EUR 449 thousand, there was no financial income in either 2018 or 2017.

The pre-tax loss was EUR 1.4 million in the reporting period (2017: pre-tax profit of EUR 1.0 million). Taking into account deferred taxes, tax income was EUR 80 thousand (2017: tax expense of EUR 311 thousand), so a net loss of EUR 1.3 million was recorded (2017: net profit of EUR 0.7 million). Earnings per share were therefore minus EUR 0.31 (2017: EUR 0.17).



Winding technology

3.4.3 Asset position

» Capital structure

Total assets increased from EUR 43.2 million in 2017 to EUR 50.1 million in 2018. This was mainly due to an increase in property, plant and equipment and current assets, especially inventories, trade receivables and other current receivables. On the liabilities side, equity decreased but there was a considerable rise in current liabilities, especially financial liabilities and trade payables. The equity ratio fell from 42.0% as of December 31, 2017 to 33.5% as of December 31, 2018.

» Non-current assets

Overall, non-current assets increased to EUR 28.1 million as of December 31, 2018 (December 31, 2017: EUR 25.8 million). Property, plant and equipment increased from EUR 20.1 million to EUR 22.0 million in the reporting period while intangible assets increased from EUR 4.6 million to EUR 4.9 million. Deferred taxes rose slightly to EUR 1.2 million (December 31, 2017: EUR 1.1 million).

» Current assets

Current assets increased considerably to EUR 22.0 million as of December 31, 2018 (December 31, 2017: EUR 17.5 million). This was mainly attributable to the rise in inventories from EUR 8.1 million to EUR 11.0 million, an increase in trade receivables from EUR 8.8 million to EUR 9.2 million and a rise in other current receivables from EUR 0.4 million to EUR 1.6 million. Cash and cash equivalents totalled EUR 0.1 million (December 31, 2017: EUR 0.1 million).

» Non-current liabilities

Non-current liabilities declined slightly to EUR 12.5 million as of December 31, 2018 (December 31, 2017: EUR 12.6 million). Non-current financial liabilities were EUR 10.8 million (December 31, 2017: EUR 10.9 million). The liabilities to banks comprise fixed-interest loans with remaining terms of up to seven years and three floating-rate loans with a remaining term of six years. Interest rates on non-current liabilities are between 0.50% and 3.05%. Deferred tax liabilities amounted to EUR 1.6 million on the reporting date (December 31, 2017: EUR 1.7 million).

» *Current liabilities*

Current liabilities increased substantially in the reporting period to EUR 20.9 million as of December 31, 2018 (December 31, 2017: EUR 12.5 million). The rise was mainly due to an increase in financial liabilities from EUR 9.1 million to EUR 13.6 million and in trade payables from EUR 1.6 million to EUR 4.9 million. In addition, other current provisions increased slightly to EUR 1.2 million (December 31, 2017: EUR 1.1 million), other current liabilities increased to EUR 0.5 million (December 31, 2017: EUR 0.3 million) and other financial liabilities increased to EUR 0.5 million (December 31, 2017: EUR 0.3 million).

» *Equity*

As of December 31, 2018 equity totalled EUR 16.8 million (December 31, 2017: EUR 18.1 million). As a result of the net loss, the negative profit reserve increased from minus EUR 0.7 million to minus EUR 2.1 million. The negative currency translation reserve increased slightly to minus EUR 0.8 million (December 31, 2017: minus EUR 0.7 million). The capital stock of EUR 4.3 million, treasury stock of EUR 64 thousand and general capital reserve of EUR 15.4 million were unchanged from the previous year.

3.4.4 Financial position

» *Liquidity and cash flow statement*

The net cash flow from operating activities was EUR 2.1 million in 2018 (2017: EUR 3.2 million). The year-on-year decline was mainly due to the net loss and the increase in inventories. Depreciation and amortization of non-current assets totalled EUR 4.3 million, which was unchanged from the prior-year figure. The increase in trade payables had a positive effect on the cash flow.

The net cash outflow for investing activities was EUR 6.6 million in the reporting period (2017: EUR 4.5 million). This comprised EUR 5.2 million (2017: EUR 3.1 million) for property, plant and equipment and EUR 1.3 million (2017: EUR 1.4 million) for intangible assets.

The net cash inflow from financing activities was EUR 0.2 million in 2018 (2017: EUR 2.5 million). Cash outflows for scheduled loan repayment instalments amounted to EUR 3.2 million, while inflows from borrowing totalled EUR 3.4 million.

Overall there was a cash outflow of EUR 4.2 million in 2018 (2017: cash inflow of EUR 1.2 million). Cash and cash equivalents totalled EUR 0.1 million on December 31, 2018 (December 31, 2017: EUR 0.1 million). Cash and cash equivalents less utilized overdraft facilities amounted to minus EUR 9.9 million as of December 31, 2018 (December 31, 2017: minus EUR 5.7 million).

» *Capital expenditures*

Capital expenditures totalled EUR 6.6 million in the reporting period, which was considerably above the previous year's level (2017: EUR 4.5 million). EUR 5.2 million (2017: EUR 3.1 million) of this was invested in property, plant and equipment, and EUR 1.3 million (2017: EUR 1.4 million) in intangible assets. The biggest investments were for the new production lines for the new product at the Mexico facility, production lines for EMC filters for electromobility and production facilities for NFC antennas and, for example, power electronics.

Further capital expenditures for property, plant and equipment of around EUR 5.8 million are planned for 2019. They include EUR 3.3 million for two highly automated leased production lines, which will be used to produce stator coils for hybrid vehicles. Further investments mainly relate to the installation and extension of production plants for e-mobility (EMC filters and stators) at the site in the Czech Republic.

» *Employees*

The headcount increased to 644 as of December 31, 2018 (December 31, 2017: 608). This figure includes 152 agency staff (December 31, 2017: 67). Expenses of EUR 1,782 thousand (2017: EUR 777 thousand) for agency staff are included in other operating expenses. The personnel expense ratio, including expenses for agency staff, was 28.4% (2017: 24.6%). On average, the Group had 518 employees and 119 agency staff in the reporting period (2017: 557 and 46).

3.4.5 Financial management

The central objective of financial management at InTiCa Systems is to ensure sufficient liquidity reserves at all times, minimize financial risk and secure financial flexibility.

The segments' operating business and the resulting cash inflows are the Group's main source of liquidity. Operational planning is based on a long-term liquidity forecast. The short and medium-term forecasts are updated monthly. InTiCa Systems includes all consolidated subsidiaries in this planning process. 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, and finance leasing. As a result of the company's capital base and the constant revision and adaptation of financing arrangements, the Board of Directors is of the opinion that the main preconditions for financing have been met.

3.5 Financial and non-financial performance indicators

The Board of Directors mainly uses the following financial and non-financial indicators to manage the Group and its development. In this context, great value is placed on sustainable development of the Group. The exact presentation of the Group's earnings, net assets and financial position can be found in section 3.4.

3.5.1 Financial performance indicators

» Sales

Group sales declined 4.3% year-on-year to EUR 47.9 million (2017: EUR 50.1 million). Sales revenues are reported net of products returned by customers, discounts and similar deductions.

The budgeted sales level of EUR 53.0 million to EUR 56.0 million was not achieved. Due to a sharp reduction in call-off volumes by an important major European customer for hybrid technology and delays in serial production of a major new project of significance for the Mexico site, the Automotive Technology segment posted sales of EUR 37.0 million, well below the budgeted level of between EUR 45.0 million and EUR 47.0 million. By contrast, in the Industrial Electronics segment sales were EUR 10.9 million, well above the budgeted level of between EUR 8.0 million and EUR 9.0 million, as a result of sustained high demand for inverters for solar installations and start-up of the business with EMC filters.

» Material cost ratio

The material cost ratio is derived from the cost of materials divided by total output.

The material cost ratio decreased from 55.0% in the previous year to 54.1%, mainly because of the increased sales in the Industrial Electronics segment. In future, the material cost ratio of each segment is to be optimized further by improving production workflows and the corresponding success in procurement.

» EBIT margin

The EBIT margin comprises earnings before interest and taxes divided by sales. EBIT was negative at minus EUR 0.9 million in 2018 (2017: EUR 1.5 million). As a result the EBIT margin was minus 2.0% (2017: 2.9%). Consequently, the EBIT margin fell short of the original expectation of between 3.0% and 3.5%.

» Equity ratio

The equity ratio comprises the ratio of equity capital to total capital (= total assets). The equity ratio declined from 42% in the previous year to 33%. Nevertheless, the equity ratio is still solid.

3.5.2 Non-financial performance indicators

» Orders on hand

Orders on hand amounted to EUR 87.7 million as of December 31, 2018, which was considerably higher than in the previous year (December 31, 2017: EUR 53.0 million). 82% of orders were for the Automotive Technology segment (2017: 89%). The present order situation is therefore very positive. Consequently, sales are expected to rise in 2019. Orders on hand is used by the Board of Directors as an indicator of future business development.

» Customer and product portfolio and vertical integration

A diversified customer and product portfolio is very important for the company. Where possible, the Board of Directors manages business to avoid risks such as high dependence on individual products or customers, and excessive diversification involving disproportionate additional costs.

Vertical integration is kept at a high level (around 90%) through the company's own production facilities in Prachatice (Czech Republic) and Silao (Mexico). The company strives to obtain higher margins by correspondingly broad value added, increased process expertise and the resulting improvement in benefits for customers.

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

3.6 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		Total	
in EUR '000	2018	2017	2018	2017	2018	2017
Sales	36,977	38,149	10,946	11,945	47,923	50,094
Pre-tax earnings (EBIT)	-1,316	828	371	641	-945	1,469

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

	Germany		Other countries		Total	
in EUR '000	2018	2017	2018	2017	2018	2017
Sales	32,594	32,384	15,329	17,710	47,923	50,094
Segment assets	6,855	7,407	20,041	17,295	26,896	24,702
Average no. of employees	88	87	549	516	637	603
of which agency staff	0	0	119	46	119	46

A full description of the segments and details of segment performance can be found in sections 1.1 and 3.2 of this management report.

3.7 Remuneration system of the Board of Directors and Supervisory Board

3.7.1 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. The variable component is based on the EBIT margin achieved by the Group as a whole. From an EBIT margin of 4% (threshold), the members of the Board of Directors receive variable compensation of 20% of their annual base salary. The increase in the variable compensation is graduated. The maximum is 100% of their annual base salary for an EBIT margin of 14%. Payment is spread over three years. The second and final instalments are only paid if the EBIT margin has not deteriorated by more than 25% compared with the year in which the bonus was granted. If a member steps down from the Board of Directors, the period for payment of the bonuses for the previous years is reduced. The bonus for the year in which the member leaves the Board of Directors is paid if the EBIT margin has not deteriorated by more than 25% year-on-year. A company car is made available to each member of the Board of Directors. The contracts with the members of the Board of Directors do not include any specific commitments in the event of termination of the contract, nor do they contain any change of control clause. There are no commitments for future pension or annuity payments to members of the Board of Directors. A breakdown of the individual remuneration of members of the Board of Directors can be found in Note 30.3 to the financial statements.

3.7.2 Remuneration of the Supervisory Board

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

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

Total expenses for both governance bodies amounted to EUR 475 thousand in 2018 (2017: EUR 474 thousand).

3.8 Declaration on corporate management pursuant to sec. 289f HGB

The declaration on corporate management pursuant to sec. 289f 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.

The declaration on corporate governance is contained in the corporate governance report on page 28 et seq. of this annual report. In addition, the corporate governance report is available on the company's website www.intica-systems.com at Investor Relations/Corporate Governance.

The Board of Directors has submitted the declaration on corporate management in 2018 and published it on the company's website (www.intica-systems.com). On March 29, 2019, the Board of Directors submitted an updated declaration of corporate governance pursuant to sec. 289f of the German Commercial Code. This has also been made available to the public on the website at www.intica-systems.com.

3.9 Other information

» Composition of the capital stock

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

» Restrictions on voting rights and the transfer of shares

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

» Shareholdings exceeding 10% of the voting rights

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

» Shares with special rights according rights of control

There are no shares in InTiCa Systems AG with special rights according rights of control.

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

InTiCa Systems AG has not issued any shares that allow direct exercise of control rights.

» 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) and sec. 5 of the articles of incorporation. Pursuant to the statutory provisions (sec. 179 paragraph 1 AktG) any amendment to the articles of incorporation requires a resolution of the General Meeting. Resolutions of the General Meeting are adopted on the basis of a simple majority vote except for amendments for which the German Companies Act stipulates a larger majority. Under sec. 8 paragraph 4 of the company's articles of incorporation, the Supervisory Board may make amendments to the articles of incorporation, providing these are merely editorial.

In addition, under sec. 3 paragraph 3 of the articles of incorporation, the Supervisory Board may alter the articles of incorporation in the event of a capital increase out of the authorized capital 2017/I to bring them into line with the extent of the capital increase and may make any other amendments associated with this provided that these are merely editorial.

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

The Board of Directors is authorized to increase the capital stock with the Supervisory Board's consent, up to July 20, 2022, by a total of up to EUR 2,143,500.00 in return for cash or contributions in kind under exclusion of shareholders' subscription rights (authorized capital 2017/I). Further details are given in sec. 3 paragraph 3 of the company's articles of incorporation, which can be downloaded from the company's website at Company/Downloads [available in German only].

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, 2018, InTiCa Systems AG still had treasury stock amounting to 64,430 shares (December 31, 2017: 64,430).

On the basis of a resolution adopted by the Annual General Meeting on July 21, 2017, the company is authorized, up to July 20, 2022, to purchase its own shares, in one or more tranches, up to a total of 10% of the capital stock at the time of adoption of this resolution or, if the capital stock is lower when this authorization is utilized, of the capital stock at the time when it is utilized. The company has not yet used this authorization.

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

InTiCa Systems AG has loans amounting to EUR 3.9 million which give 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 loans 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% of the borrower'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.

4. Risk management and risk report

4.1 Risk management

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

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

Potential risks are entered in a risk management system installed at the company, analysed and classified on the basis of their probability of occurrence and potential damage. The risks are not quantified. Neither categoric exclusion nor fundamental avoidance of specific risks is planned. Business activities are examined for opportunities and risks at planning meetings and, on the basis of the findings, targets are derived. The attainment of these targets is monitored by a controlling system 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 profit, consumption of materials and production defects, personnel, liquidity and investments. The Board of Directors can access each report via the IT system and initiate appropriate counteraction.

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

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

4.2 Risk management relating to the accounting process

The accounting process is controlled by the parent company through the Group-wide Finance and Accounting, Controlling and Investor Relations departments. Functions and responsibilities in these areas are clearly separated/assigned and there are mutual control processes to ensure a continuous exchange of information. The internal control system for financial accounting is based on defined preventive and supervisory control mechanisms such as systematic and manual checking, and on predefined approval procedures, especially by appointing 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 experts such as auditors and lawyers are consulted on changes and complex accounting issues.

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

4.3 Risks

» Market risks

Through its Automotive Technology and Industrial Electronics segments, InTiCa Systems AG operates in areas exposed to general economic fluctuations. In the Industrial Electronics segment, in particular, the Group is exposed to political and/or strategic decisions taken by some key customers. 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 risk factor. Moreover, competition is continuing to increase, especially with Asian companies.

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. The market assessment deteriorated considerably in the reporting period and is not expected to improve significantly in 2019 (see "Economic report"). The associated global uncertainty and the planning uncertainty resulting from the general transformation process in the automotive industry entail risks for the development of the company. In contrast, there is presently an increase in the introduction of electric and hybrid vehicles. The implications for the company and the possibility that it could offset the stagnating trend in conventional vehicles are being monitored intensively.

» Customer dependence

The sales split between the segments is as follows: Automotive Technology 77.2%, Industrial Electronics 22.8%. Within each segment, the proportion of sales generated with the largest customers is as follows: Automotive Technology 25%, Industrial Electronics 51%. If one or both of the segments were to lose major customers and be unable to replace them with equivalent new customers, this could adversely affect InTiCa Systems' business.

» Dependence on suppliers

InTiCa Systems AG requires a variety of raw materials and supplies for its production activities, e.g. plastics granulates, copper and other metals for electroplating. There is a risk that production workflows could be affected if suppliers fail to meet their delivery obligations or do not meet them on time, or if InTiCa Systems AG is unable to procure the raw materials it needs on the market in the necessary quantities or at the required time. The disruption to production workflows could mean that InTiCa Systems AG is unable to meet its own delivery obligations in full or on time. That could jeopardize customer relationships and result in claims for compensation, which could in turn adversely affect the assets, liabilities, financial position and profit or loss of InTiCa Systems AG. In particular, there are very few suppliers of high-quality plastics granulates and precursors for electroplating. The very high overall demand for these materials has already resulted in far longer delivery times and price increases. The Board of Directors of InTiCa Systems AG endeavours to minimize the risk of dependence on suppliers through long-term production planning and by using the widest possible number of suppliers.

» Technological risks

With the introduction and extension of EMC filter technology and coils for stator systems for the automotive industry, the company considers that it is well-positioned, especially with regard to electromobility and hybrid technology. The company has invested considerably in the development of business in e-mobility, taking into account certain risks, in order to enter this market at an early stage and build a market position with the relevant technology. Power electronics, sensors and actuators remain important technologies. They are continuously being developed and new findings are being integrated to improve them. Overall, as of now the Board of Directors does not see any significant technological risk for the Automotive Technology segment.

» *Personnel risks*

At the Group's headquarters in Passau, Germany, there is a risk that key employees, especially sales and research and development personnel, could leave the company as a result of the good labour market situation. InTiCa Systems counters this risk through a varied and interesting working environment, an attractive remuneration system, social benefits and a wide range of vocational and further training offers. It makes an effort to position itself as an attractive, future-oriented employer with opportunities for advancement and job security.

A particular risk is seen with regard to the Prachatice site in the Czech Republic in the short to mid term. The very low unemployment rate in the Czech Republic, the increasing flexibility and mobility of employees in terms of where they live and work and, in particular, competition on the labour market from companies close to the border in Germany are already a real challenge. At present, there is no sign that the situation will improve in the foreseeable future. In addition, wages are rising significantly in the Czech Republic as a result of the very good capacity utilization. Efforts are being made to counter this development by offering attractive remuneration models, benefits and training. The use of temporary staff from other European countries is already essential. Finally, the labour market is being monitored closely to allow timely action.

» *Liquidity risk*

As of December 31, 2018, InTiCa Systems had four fixed-interest loans totalling EUR 7.9 million with residual terms of between 1 and 7 years. In addition, in the past three years three floating-rate loans have been concluded in the Czech Republic. These had a carrying amount of EUR 6.5 million as of December 31, 2018 and a residual term of 6 years. These loans are used to secure liquidity. In addition, InTiCa Systems has assured credit lines of EUR 10.35 million. EUR 10.0 million of this amount was drawn as of the reporting date. Further, the company has cash and cash equivalents of EUR 0.08 million. To adapt the liquidity situation, the credit lines were increased by EUR 2 million to EUR 12.4 million in the first quarter of 2019. As a general goal, the company aims to restructure its financing strategy with its partner banks in 2019 to fund the growth of the business, especially in the field of e-mobility.

» *Currency risk*

The main currency risk for InTiCa Systems comprises the operating costs of its production facilities in the Czech Republic and Mexico, plus some customer contracts in US dollars. Since the difference between procurement and sales in US dollars and business volume at the manufacturing site in Mexico was still not material in 2018, following previous practice no euro/US dollar currency hedging was undertaken. The future risk of appreciation of the Mexican pesos mainly relates to higher wage costs. All other significant cost items such as material costs are calculated in US dollars or euros.

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 therefore relates to local wages and overheads and the liabilities of the Czech subsidiary to the Group. The risk comprises appreciation of the Czech koruna and the related increase in wage costs for production personnel. In 2018, an unconditional currency forward (hedging instrument) was used to lock in a fixed exchange rate for cash flows in CZK (hedged item). The hedged item was fully hedged by the hedging instrument.

» *Interest rate risk*

The company's exposure to the risk of short-term changes in interest rates on its loans is limited as the remaining term of the loans is between two and seven years. Apart from three loans with variable interest rates, one taken out in 2016, which runs for 8 years, one taken out in 2017 with a term of 7 years and one taken out in 2018 with a term of 6 years, all debt is based on fixed, customary market interest rates. 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 therefore been issued to document this conservative investment strategy. No interest income was generated in the reporting period.

» *Credit risk (default risk)*

A credit risk arises if a customer does not meet its contractual commitments. 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 an economic downturn and a possible decline in volume sales entail a significant sector risk, especially in the cyclical automotive sector, which is a central market for InTiCa Systems.

The German solar sector is suffering from increasing competitive pressure from Asia and structural problems following a change in the legislative framework. These trends are having a direct impact on the Industrial Electronics segment. It cannot be ruled out that strategic customers of InTiCa Systems could get into financial difficulties in the future too. The management specifically monitors this sector and especially the main customers.

In June 2015 credit insurance for goods was concluded to provide InTiCa Systems with corresponding protection. The credit insurance was renewed in 2018.

» *Risks relating to non-financial aspects*

At present, there are no material risks that have or are highly likely to have serious negative effects on the aspects outlined in section 2.

4.4 Overall statement on the risk situation

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

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

The increase in capacity in the Automotive Technology segment, the introduction of new products, increasing diversification and internationalization of markets, and the extension of the production site in Mexico will help generate further sales growth and stabilize earnings on a lasting basis.

5. Opportunities and management of opportunities

5.1 Management of opportunities

The markets of relevance to InTiCa Systems are constantly changing so new opportunities are constantly arising. Timely identification, and correct assessment and utilization of such opportunities are key success factors for InTiCa Systems. The potential may be either internal or external. InTiCa Systems does not have a dedicated system to manage opportunities.

Moreover, opportunities are not quantified. Analysing opportunities falls within the remit of the Board of Directors. The strategic focus of the Group and the operating measures taken are based on its analysis of opportunities. Besides, opportunities always involve risks. The role of risk management is to evaluate such risks and minimize them insofar as possible. InTiCa Systems strives to achieve a balance between opportunities and risks.

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

5.2 Opportunities

» *Continued repositioning as a systems supplier*

As it repositions itself as a solution supplier, InTiCa Systems AG is continuing to focus on prudent and healthy product diversification and internationalization. It is committed to an ongoing process of innovation and renewal in all areas of the company. As a components and system supplier, InTiCa Systems AG takes on far more responsible tasks for its customers and develops complete systems with them. These ready-to-install solutions provide essential added value for customers, and ultimately for OEMs (original equipment manufacturers) and end-consumers. Trust, reliability and responsibility to customers and employees are the basis for long-term customer retention and thus the business basis for the ongoing development of the company. Selective extension of vertical integration and a continuous increase in development and manufacturing expertise are the prerequisites for all these endeavours. Ultimately, they will generate higher margins and secure the long-term future of the business.

» *Introduction of solutions for volume models/hybrid and electric drives*

The three principal key technologies for the automotive industry, both now and in the future, are hybridization and electrification, autonomous driving, and networking and digitization of vehicles. InTiCa Systems already develops and supplies product groups for all three areas. Prime examples are stator coils for hybrid drives, EMC filters for electric vehicles, stationary battery storage solutions and actuators for a wide range of applications. InTiCa Systems already produces various key components for well-known system suppliers and OEMs. These are increasingly being used or could be used in additional models. It has a broadly based and close collaboration with manufacturers and their suppliers.

InTiCa Systems also expects steady sales growth to come from market penetration of keyless entry/go systems, power electronics components and further mechatronic and inductive assemblies. These products are used by leading international car manufacturers in premium models and, increasingly, in volume models. InTiCa Systems regards itself as a specialist in these product and technology segments.

» *New developments for industrial applications*

The Industrial Electronics segment will benefit from developments in the automotive industry, and vice versa. Expertise in filter technology has been used successfully for the automotive industry. The company believes that it can also leverage synergies for future stationary batteries and charging points, which would benefit the Industrial Electronics segment and its sales. Irrespective of this, inductive components and modules for inverters and converters to transform solar power into electricity for the grid will remain an important business basis. Although sales declined in the European solar industry, the sector recently stabilized with a slightly positive trend. Worldwide, solar power is increasingly becoming a key element in tomorrow's sustainable electricity production.

» *Good access to system suppliers to the automotive industry*

InTiCa Systems had set itself the goal of being a world-class player in the global competition to develop and manufacture inductive components and mechatronic systems. InTiCa Systems regards itself as a specialist for its customers and is therefore driving forward sustainable development of the company. Through its collaborative and proactive approach, InTiCa Systems is constantly gaining well-known national and international systems suppliers to the automotive sector (or OEMs) as customers. These customers are highly satisfied with its product quality, cutting-edge technology and flexibility. Consequently, they place highly reliable contracts with the company for periods five to eight years. That simplifies and speeds up the placement of new developments on the market and heightens global competitiveness.

» *Development and manufacturing expertise*

A team of technical experts and excellently trained employees is the basis of InTiCa Systems' success. Their specialist development and manufacturing know-how, combined with many years of experience, enable the company to respond quickly and specifically to customer requirements and to find optimum individual solutions to new problems. The company is already a leader in inductive components, passive analogue switches and mechatronic modules. Continuous sharing of knowledge and experience between different organizational units, especially the technology unit, builds synergies that can be utilized effectively to initiate future-oriented products and solutions. This already takes place, for example, in the development of components for electric and hybrid vehicles, a future-oriented business area which will become increasingly significant for InTiCa Systems in the next few years.

» *Expansion of international business*

International expansion of the company's presence is vital to ensure that InTiCa Systems can achieve its core corporate goals of growing sales and extending its customer base. InTiCa Systems will be able to establish itself internationally in the long term by building and strengthening new and established distribution and production alliances. In 2014, it therefore decided to establish a location in NAFTA. In 2015, a new production site was established in Mexico. Production of the first small-scale series for automotive customers came on stream there at the end of 2016. Production started on a complete serial line in 2017 and was ramped up in 2018. Further production sites are under consideration for the medium term, e.g. in Asia.

5.3 Management assessment of the overall risk and opportunity situation

The Board of Directors currently sees sufficient opportunities in both the Automotive Technology segment and the Industrial Electronics segment to generate corporate growth in the future. In the past, the company shifted from telecommunications technology to automotive technology. Now it has to master the next intensive transformation within the automotive industry to electromobility in all its variants.

Taking an aggregate view, the Board of Directors has come to a positive conclusion about the opportunities and risks that could influence the development of the Group. The present risks and those that have been identified are classified as manageable.

At present, no risks have been identified that could jeopardize the future existence of the Group.

As of the date of preparation of this report, the risks arising from geopolitical developments, market, customer and product developments and production relationships, which could have a negative impact on InTiCa Systems' business, are considered to be containable and controllable. The Group's operational management takes a risk-aware approach and implements measures to avoid potential risks. At the same time, there are a large number of activities to drive forward the use of present and future opportunities.

6. Outlook

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

6.1 Segment trends

» Automotive Technology

In view of the heightened uncertainty resulting from the threat of Brexit and US trade policy, the Board of Directors assumes that the global automotive market will stagnate. In the medium term, however, positive impetus will come from the transformation of the automotive industry, driven by the key technologies for electromobility, autonomous driving and connectivity. InTiCa Systems can play a part in this through significant products and services.

The ongoing rollout of alternative hybrid and electric drives, in particular, and the investments that have already been undertaken or are planned by automotive manufacturers raise hopes of a positive development in this field. These market developments are being reinforced by the growing political pressure on car producers.

InTiCa Systems AG has a clearly defined strategy of becoming an essential participant in the electromobility market. To this end, it has initiated significant developments, implemented products where serial production is about to start, and made considerable upfront investment in the installation of manufacturing facilities. The company expects that in the medium term alternative drives will bring a significant increase in demand for InTiCa Systems' power electronics products and stators. This is evidenced by substantial orders, for example for stators and filters for hybrid vehicles. Based on the present demand situation and the development work already commissioned, the company assumes that further orders will be placed in the course of 2019. In the past financial year, products for e-mobility and hybrid technology already accounted for 20% of sales in the Automotive Technology segment. That proportion will increase in the future. However, this also entails corresponding investment and upfront expenses for future development.

The company also assumes that market penetration of electronic entry/go systems will continue across all vehicle platforms. Additional model ranges, facelifts and new projects are essential. Despite tough competitive pressure and the associated pressure on margins, it may be assumed that this product area will continue to make a material business contribution in the future.

InTiCa Systems has a reputation on the international market as a developer and solution provider. Customers particularly value the company's profound specialist expertise and its flexibility and dynamism in development and industrial scale-up. At present, InTiCa Systems' products are used in more than 400 models manufactured by 25 different car manufacturers.

The Board of Directors expects segment sales to rise to around EUR 44 million to EUR 46 million in 2019.

» *Industrial Electronics*

Building on the positive global trend for energy generation from alternative sources, products for the photovoltaic industry such as inductive components and mechatronic assemblies will remain important for InTiCa in 2019. In addition, EMC technology for e-mobility (charging infrastructure and vehicles) is gaining in significance. In this field, the boundaries between Industrial Electronics and Automotive Technology are becoming increasingly blurred. InTiCa Systems has sound know-how in this area and plans to continue its success in development and serial orders in 2019. For this it is making use of cross-company synergies.

Development of filters, actuator coils and power electronics components will help this segment stabilize sales or even achieve further moderate sales growth. The Board of Directors expects this segment to report sales of between EUR 10 million and EUR 12 million in 2019.

6.2 Order situation

At the end of the first quarter of 2019 orders on hand were well above the prior-year level at EUR 88.0 million (March 31, 2018: EUR 59.8 million). 83% of orders were for the Automotive Technology segment (Q1 2018: 88%). Overall, the Board of Directors expects orders on hand to rise in the Automotive Technology segment and the Industrial Electronics segment.

6.3 Earnings, asset and financial position

Although moderate economic growth is still expected for 2019, the risks relating to the general economic development are continuing to increase. The tension in global trade policy, increasing protectionism and mutual imposition of protective customs duties are serious threats to Germany's export-driven economy. Economic development is also being held back by the unclear situation with regard to Brexit.

The Automotive Technology segment will remain the most important element in InTiCa Systems' business activities in 2019, as in previous years. Product innovations and further internationalization should open the door to new markets in both segments.

As a result of international shortages and longer delivery times, the supply of raw materials will remain a challenge in 2019. Other challenges are customers' order call-off patterns and the availability of skilled staff. The Board of Directors expects to see an ongoing improvement in efficiency and an improvement in the cost situation in 2019 as a result of constant optimization of corporate processes and production workflows.

The positive development of the Automotive Technology segment in the first three months of 2019 confirms this view and lifted Group sales by more than 3% year-on-year to EUR 13.6 million (Q1 2018: EUR 13.2 million). EBITDA is expected to come in at around EUR 1.5 million in the first quarter of 2019, while EBIT should be around EUR 0.3 million.

At present, the Board of Directors assumes that, given a stable economic environment and taking into account the particular challenges of 2019, Group sales will rise to around EUR 54.0 million to EUR 58.0 million in 2019, while the EBIT margin will be between 1.5% and 2.0%. The material cost ratio should be optimized further in both segments and the equity ratio should remain stable.

Passau, April 24, 2019

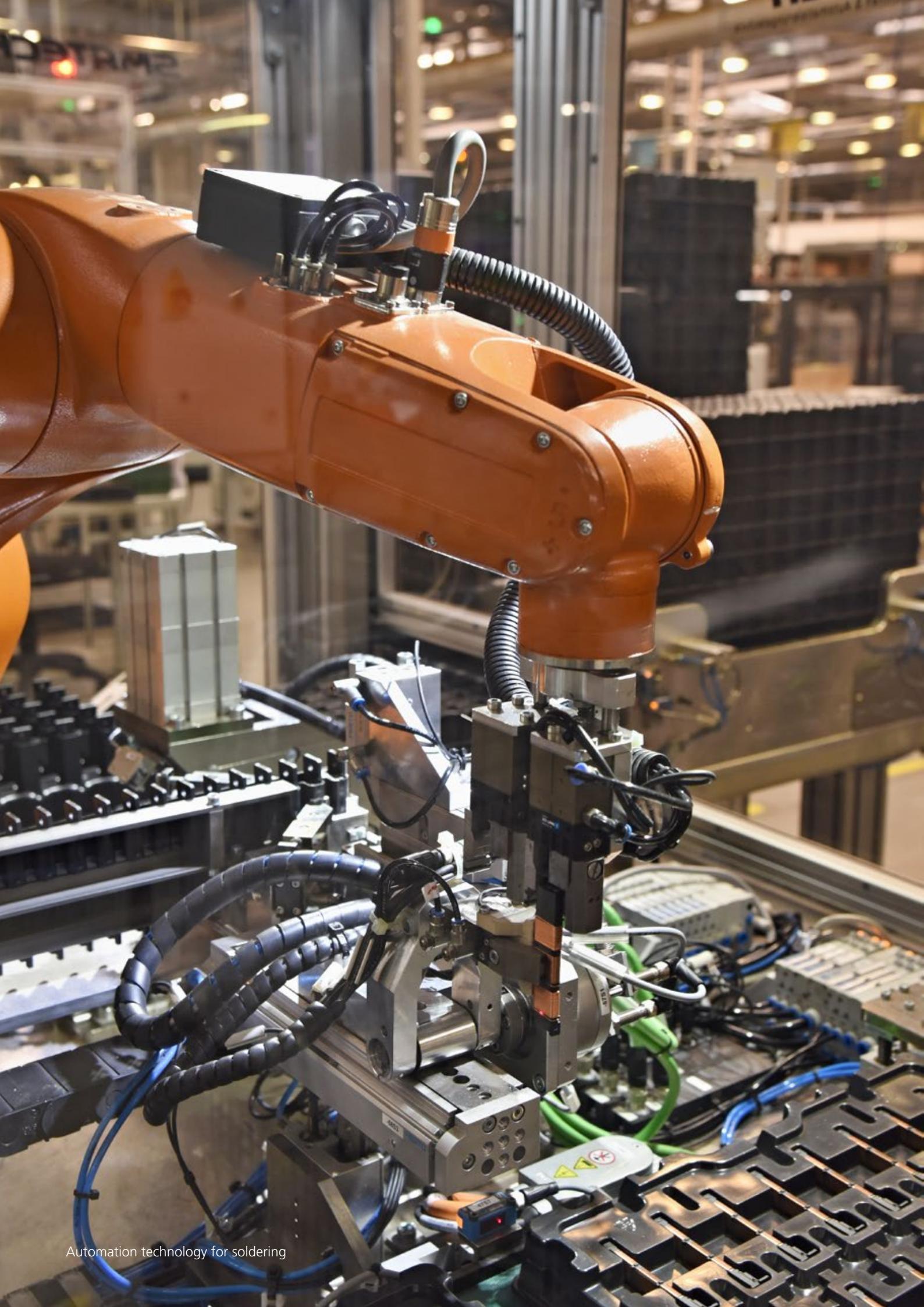
The Board of Directors



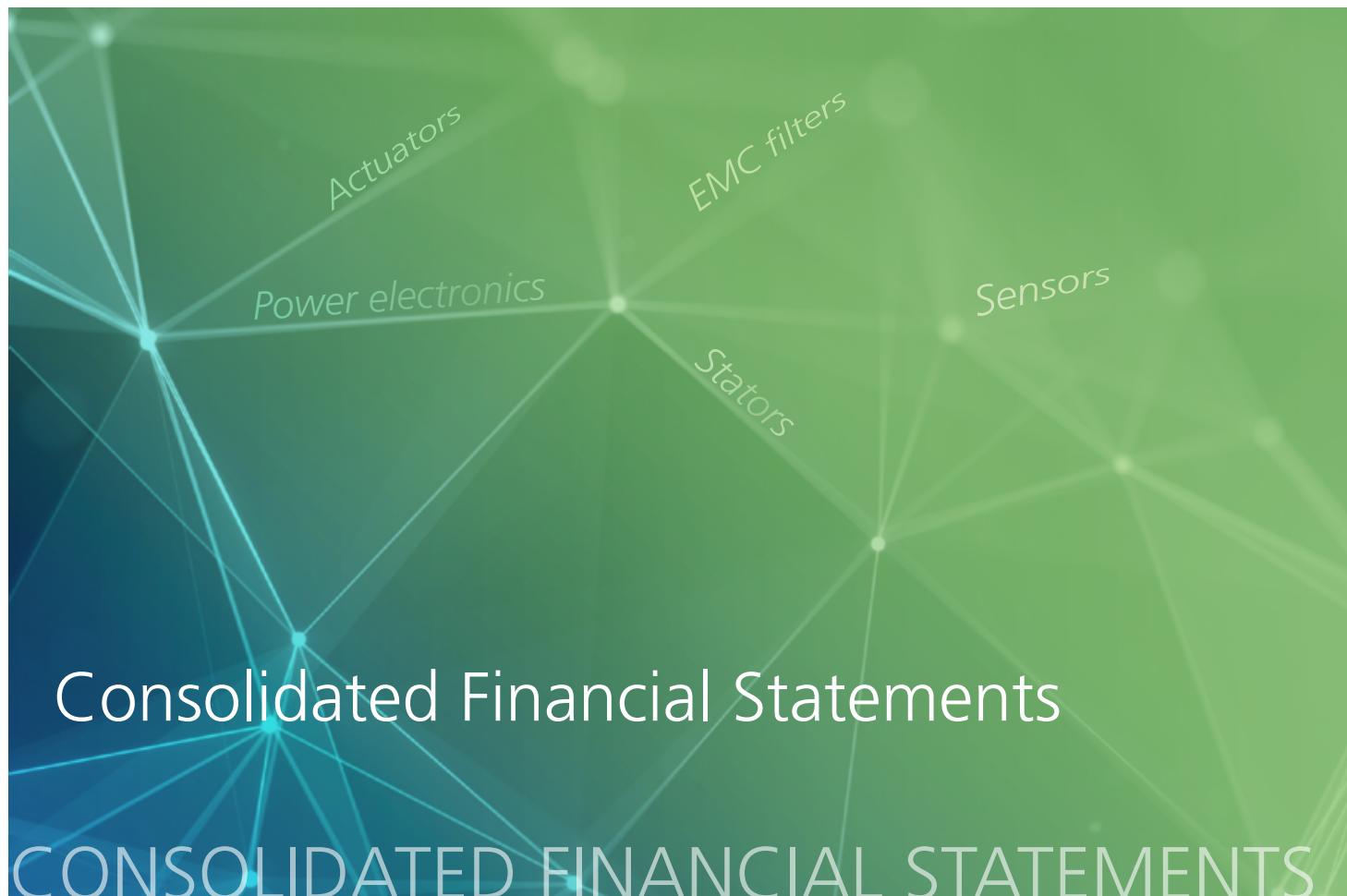
Dr. Gregor Wasle
Chairman of the Board of Directors



Günther Kneidinger
Member of the Board of Directors



Automation technology for soldering





*Highest
level of quality*

through modern measuring and testing systems

Consolidated Balance Sheet

of InTiCa Systems in accordance with IFRS
as at December 31, 2018

Assets	Note	Dec. 31, 2018 EUR '000	Dec. 31, 2017 EUR '000
Non-current assets			
Intangible assets	14	4,928	4,593
Property, plant and equipment	13	21,968	20,109
Deferred taxes	10.3	1,180	1,054
Total non-current assets		28,076	25,756
Current Assets			
Inventories	17	11,029	8,099
Trade receivables	18	9,236	8,802
Tax assets	10.2	5	3
Other financial assets	16.1	75	53
Other current receivables	16.2	1,566	395
Cash and cash equivalents	31	78	141
Total current assets		21,989	17,493
Total assets		50,065	43,249

Equity and liabilities	Anhang	Dec. 31, 2018 EUR '000	Dec. 31, 2017 EUR '000
Equity			
Capital Stock	19	4,287	4,287
Treasury Stock	19	-64	-64
General capital reserve	20	15,389	15,389
Profit reserve	21	-2,058	-744
Currency translation reserve	22	-794	-746
Total equity		16,760	18,122
Non-current liabilities			
Financial liabilities	23	10,813	10,928
Deferred taxes	10.3	1,640	1,676
Total non-current liabilities		12,453	12,604
Current liabilities			
Other current liabilities	24	1,211	1,074
Tax liabilities		151	116
Financial liabilities	23	13,564	9,106
Trade payables	25; 29.2	4,936	1,592
Other financial liabilities	26	488	328
Other current liabilities	27	502	307
Total current liabilities		20,852	12,523
Total equity and liabilities		50,065	43,249
<i>Equity ratio</i>		33.5%	41.9%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

of InTiCa Systems in accordance with IFRS
for the period from January 1 to December 31, 2018

	Note	Fiscal year EUR '000	Previous year EUR '000
Sales	5; 6.2	47,923	50,094
Other operating income	7	1,360	1,056
Change in finished goods and work in process	17	1,062	510
Other own work capitalized		1,205	1,217
Raw materials and supplies		27,168	28,497
Personnel expense	11.3	11,821	11,550
Depreciation and amortization	11.1; 13; 14	4,309	4,335
Other expenses	7	9,197	7,026
Operating profit (EBIT)		-945	1,469
Cost of financing	9	449	431
Other financial income	8	0	0
Pre-tax profit/loss		-1,394	1,038
Income taxes	10.1	-80	311
Consolidated net profit/loss		-1,314	727

Other comprehensive income after taxes

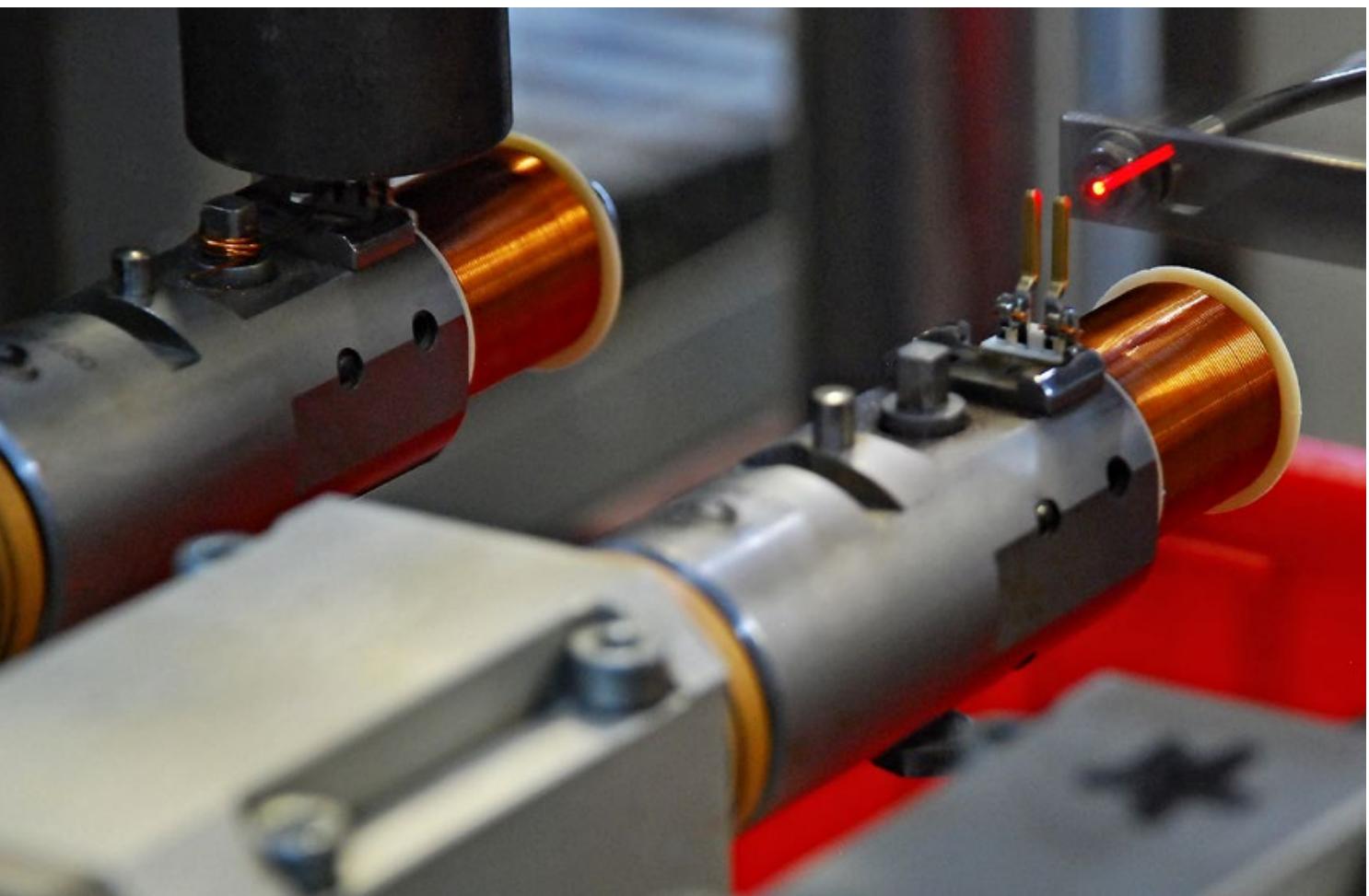
Items that will subsequently be reclassified to profit or loss if specific conditions are met:

Exchange differences from the translation of foreign operations	22	-48	668
Other comprehensive income, after taxes		-48	668
Total comprehensive income		-1,362	1,395
Earnings per share (diluted/basic in EUR)	12	-0.31	0.17

Consolidated Cash Flow Statement

of InTiCa Systems in accordance with IFRS/IAS
for the period from January 1 to December 31, 2018

	Note	Fiscal year EUR '000	Previous Year EUR '000
Cash flow from operating activities			
<i>Consolidated net income/loss for the period</i>		-1,314	727
Income tax expense recognised in income	10.1	-80	311
Cash outflow for borrowing costs	9	449	432
Income from financial investments	8	0	0
Depreciation and amortization of non-current assets	11.1	4,309	4,335
<i>Non-cash transactions</i>			
Net currency gains/losses		-19	129
Other transactions		-6	-5
<i>Increase/decrease in assets not attributable to financing or investing activities</i>			
Inventories	17	-2,931	-1,125
Trade receivables	18	-434	-288
Other assets		-1,193	220
<i>Increase/decrease in liabilities not attributable to financing or investing activities</i>			
Other current provisions	24	137	-10
Trade payables	29.2	3,345	-1,136
Other liabilities		341	14
Cash and cash equivalents from operating activities		2,604	3,604
Income tax receipts/payments		-43	-1
Cash outflow for interest payments		-441	-431
Net cash flow from operating activities		2,120	3,172
Cash flow from investing activities			
Cash inflow from interest payments		0	0
Cash inflow from the disposal of property, plant and equipment		6	4
Cash outflow for intangible assets	14	-1,332	-1,389
Cash outflow for property, plant and equipment	13	-5,231	-3,084
Net cash flow from investing activities		-6,557	-4,469
Cash flow from financing activities			
Cash inflow from loans		3,438	4,337
Cash outflow for loan repayment installments		-3,244	-1,870
Repayments from the redemption of finance leases		0	0
Net cash flow from financing activities		194	2,467
Total cash flow		-4,243	1,170
Cash and cash equivalents at start of period	31	-5,721	-6,674
Impact of changes in exchange rates on cash and cash equivalents held in foreign currencies		31	-217
Cash and cash equivalents at end of period	31	-9,933	-5,721



Dynamics and precision

for example in the field of product and process development

Consolidated Statement of Changes in Equity

for InTiCa Systems according with IFRS

for the period from January 1, 2017 to December 31, 2018

	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	22	29.1
As at January 1, 2017	4,287	-64	15,389	-1,471	-1,414	16,727
Consolidated net income 2017	0	0	0	727	0	727
Other comprehensive income, after taxes	0	0	0	0	668	668
Total comprehensive income 2017	0	0	0	727	668	1,395
As at December 31, 2017	4,287	-64	15,389	-744	-746	18,122
As at January 1, 2018	4,287	-64	15,389	-744	-746	18,122
Consolidated net income 2018	0	0	0	-1,314	0	-1,314
Other comprehensive income, after taxes	0	0	0	0	-48	-48
Total comprehensive income 2018	0	0	0	-1,314	-48	-1,362
As at December 31, 2018	4,287	-64	15,389	-2,058	-794	16,760



Notes to the Consolidated Financial Statements of InTiCa Systems AG for Fiscal 2018

NOTES

1. General information

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

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

2. Application of new and amended standards

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

The company applied the following new or amended standards and interpretations issued by the IASB for the first time in 2018:

IFRS 9	Financial instruments – Introduction of new rules for the recognition and measurement of financial instruments and replacement for IAS 39.
IFRS 15	Revenue from contracts with customers and the associated clarification – IFRS 15 defines the timing and amount of revenue recognition. In addition, it requires companies preparing financial statements to provide more useful and more relevant disclosures for users than in the past. In principle, IFRS 15 applies for all contracts with customers. IFRS 15 defines revenue as the amount expected to be received as consideration for the transfer of goods or services to customers. The timing of recognition depends on when control is obtained and no longer on the transfer of the opportunities and risks. A five-step model has been developed to implement the future requirements of this standard. IFRS 15 greatly extends the disclosures on revenue from contracts with customers.
IFRIC 22	Foreign currency transactions and advance consideration – IFRIC 22 contains the following application guidance on determining the exchange rate for advance payments in foreign currencies. For the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income, the transaction date is the date on which the entity first recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

AIP 2014 - 2016	Improvements to IFRSs – In particular, deletion of short-term exemptions for first-time adopters of IFRSs (IFRS 1) and clarification of the measurement option for interests in other entities (IAS 28).
-----------------	--

The standards and interpretations that had to be applied for the first time with effect from January 1, 2018 had the following impact on the consolidated financial statements:

» *Initial application of IFRS 9 "Financial Instruments"*

In the past financial year, the new standard IFRS 9 "Financial Instruments" and the related amendments to other IFRS standards were applied for the first time. The Group made use of the exemption from restatement of comparative information on the changes in classification and measurement (including impairments) for prior periods. Differences between the carrying amounts of financial assets and financial liabilities resulting from application of IFRS 9 were recognized in profit reserves as of January 1, 2018. Accordingly, the information presented for 2017 generally reflects the requirements of IAS 39 rather than those of IFRS 9.

Initial application of IFRS 9 in the past fiscal year did not have a material impact on the assets, financial position and results of operation of the Group. Details are set out below.

IFRS 9 contains criteria for the recognition, measurement and derecognition of financial instruments. Therefore, the previous rules on recognition of financial instruments in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) have been replaced by recognition in accordance with IFRS 9. Among other things, this standard contains a new impairment model, which is based on expected credit losses.

Under IFRS 9, subsequent measurement of financial instruments is based on their classification as "at amortized cost" (AC), "at fair value through profit or loss" (FVTPL), or "at fair value through other comprehensive income" (FVOCI). Classification is based on two criteria: the business model used by the Group to manage its financial assets and the question as to whether the contractual cash flows from the financial instruments are "solely payments of principal and interest on the principal amount outstanding". The assessment of the Group's business model was made as of the date of initial application, i.e. January 1, 2018. The assessment of whether the contractual cash flows from debt instruments solely comprise payments of principal and interest was assessed on the basis of the facts and circumstances at the date of initial recognition of the assets.

The categories "held to maturity" (HtM) and financial assets "at fair value through profit or loss" (AFV) were not previously used. Consequently, in the reporting period there were no assets that were allocated to the "sell" business model, which it would have been necessary to recognize at fair value through profit or loss (FVTPL) in accordance with IFRS 9.

The classification and measurement of financial liabilities under IFRS 9 is basically unchanged from the criteria set out in IAS 39. In the past, the InTiCa Group did not recognize any financial liabilities at fair value through profit or loss (LFV). Accordingly, the application of IFRS 9 did not have any impact on the classification and measurement of the Group's financial liabilities.

The following table contains an overview of the classification and measurement of financial assets and liabilities under IAS 39 and IFRS 9. There were no changes in valuation.

Financial assets and liabilities	IAS 39		IFRS 9	
	Category	Measurement	Business model	Measurement
Cash and cash equivalents	Loans and receivables (LaR)	At amortized cost	Hold	At amortized cost
Trade receivables	Loans and receivables (LaR)	At amortized cost	Hold	At amortized cost
Miscellaneous financial assets	Loans and receivables (LaR)	At amortized cost	Hold	At amortized cost
Trade payables	Other liabilities	At amortized cost	Hold	At amortized cost
Financial liabilities and miscellaneous financial liabilities	Other liabilities	At amortized cost	Hold	At amortized cost

Unlike the old impairment rules in IAS 39, which only prescribed the recognition of losses incurred ("incurred loss model"), the new impairment rules in IFRS 9 prescribe recognition of expected losses ("expected credit loss model"). Consequently, the company has to recognize expected losses and changes in expected losses at every reporting date in order to reflect changes in the credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for default to occur before credit losses are accounted for.

The impairment method used for trade receivables has therefore been aligned to the requirements of IFRS 9. The Group measures the expected credit loss using the simplified approach set out in IFRS 9. The impairment write-downs for all trade receivables are measured on the basis of the lifetime expected credit losses. As of January 1, 2018, this increased impairment write-downs for trade receivables by EUR 35 thousand. Details of the calculation of the impairment write-downs are contained in Note 18. The impairment write-down on trade receivables increased by a further EUR 26 thousand in the reporting period.

Application of the other standards referred to above did not have any material impact on the consolidated financial statements.

2.2 Standards, interpretations and amendments to published standards where application was not mandatory in 2018 and which were not applied early by the Group

The following new or amended standards and interpretations have already been adopted by the IASB but are not yet mandatory or have not yet been transposed into European law. This overview only contains the standards that are relevant for the InTiCa Systems Group or that the present status suggests could be relevant in the future. The company has not opted for early application of these standards. There are no plans for early application of the published standards, interpretations and amendments to published standards in the consolidated financial statements.

IFRS 16	Leases ¹ – New rules on the recognition of leases.
IFRIC 23	Clarification of uncertainty over income tax treatment ¹ – IFRIC 23 addresses the recognition of current and deferred tax liabilities where there is uncertainty regarding their income tax treatment. Such uncertainties arise when application of the applicable tax law to a specific transaction is not clear and therefore depends (among other things) on interpretation by the fiscal authorities. An entity only takes such uncertainties into account if it is probable that the corresponding tax amounts will be paid or refunded.
IFRS 9	Financial instruments ¹ – Amendments for assets with symmetrical termination rights.
IAS 19	Employee benefits ^{1,3} – The amendments explicitly specify that in the case of plan amendments, curtailments and settlements during the year, the current service cost and net interest cost must be recalculated for the remaining period.
AIP 2015 - 2017	Clarification of various previously published standards ^{1,3} – Especially clarification of the measurement of previously held interests when control is obtained (IFRS 3, IFRS 11), clarification of the application of IAS 12.52B to all income tax consequences of dividend payments (IAS 12) and clarification of the general calculation of borrowing costs (IAS 23).
Changes to the conceptual framework	Revised conceptual framework ^{2,3} – Amendments to references to IFRS standards in the conceptual framework.
Amendments to IAS 1 and IAS 8	Definition of material ^{2,3} – The amendments relate to the definition of material information in financial statements. The aim is to simplify assessment of materiality.

¹ To be applied for financial years starting on or after January 1, 2019.

² To be applied for financial years starting on or after January 1, 2020.

³ Not yet endorsed by the EU.

Apart from the standards and interpretations explicitly outlined below, the Board of Directors does not expect application of the above standards to have a significant impact on the consolidated financial statements.

» IFRS 16 Leases

The Group is required to apply IFRS 16 "Leases" for the first time for financial years starting on or after January 1, 2019. The Group's assessment of the estimated impact of initial application of IFRS 16 is outlined below. The actual impact of applying this standard could differ from this assessment.

IFRS 16 introduces a uniform accounting model for the recognition of leases on the lessee's balance sheet. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing the obligation to make lease payments. There are practical expedients for short-term leases and leases where the underlying asset is of low value. Leases are always presented in the statement of profit or loss as financing transactions, i.e. the right-of-use asset is depreciated using the straight-line method and the lease liability is recognized using the effective interest method.

InTiCa Systems AG has decided to apply the modified retrospective method as of the date of initial recognition. Consequently, the prior-year figures do not have to be restated. In addition, the Board of Directors has decided to apply the expedient for short-term leases with a term of less than 12 months and low-value leased assets and to continue to recognize the related leasing expense on a straight-line basis. Furthermore, continuing obligations that were not identified as leases under IAS 17/IFRIC 4 will not be recognized in accordance with IFRS 16.

The Group mainly concludes leases as a lessee under operating leases. Application of IFRS 16 will have the following impact on the presentation of the Group's assets, financial position and results of operations: the recognition of right-of-use assets when IFRS 16 is initially applied will result in an increase in the minimum lease payments for operating leases recognized in other financial liabilities. At the same time, financial liabilities will be increased by recognition of the corresponding lease liabilities. There will therefore be a considerable increase in the Group's equity and total liabilities and a corresponding decrease in its equity ratio. Moreover, the type of expenses for lease liabilities will alter since the straight-line recognition of expenses for operating leases in the past will be replaced under IFRS 16 by depreciation of the right-of-use assets and interest expense for the lease liabilities. In the statement of profit and loss, this will have a positive effect on operating income (EBIT). In addition, under IFRS 16, the repayment portion lease payments that are not classified as short-term or low-value leases, will be recognized as a component of the cash flow from financing activities. The cash flow from operating activities will therefore improve.

The value of the present operating leases is reported in Note 33 (operating leases). It is expected that the transition will affect most of the properties leased by InTiCa Systems AG (office buildings, production buildings and warehouses). A provisional quantitative assessment indicates that as of January 1, 2019, the Group will recognize a right-of-use asset totalling around EUR 3.5 million and a corresponding lease liability. The provisional impact on the statement of profit and loss for the 2019 financial year, including further anticipated leases entered into in 2019, indicates that lease expenses will decline by around EUR 0.7 million, depreciation will rise by around EUR 0.6 million, and interest expense will rise by around EUR 0.15 million.

Under IAS 17, all lease payments for operating leases were recognized in the cash flow statement in the cash flow from operating activities. As a result of initial application of IFRS 16, the cash flow from operating activities will increase in 2019, and the cash flow from financing activities will decrease by the same amount.

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, and the supplementary commercial law provisions in accordance with sec. 315a paragraph 1 of the German Commercial Code (HGB).

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been drawn up on the basis of historical acquisition or production costs. Historical acquisition or production costs are generally based on the fair value of the consideration paid for the asset. The fair value is the price that could be achieved in an orderly transaction between market participants on the reporting date for the sale of an asset or that would have to be paid for the transfer of a liability. This applies irrespective whether the price is directly observable or is estimated using a valuation method. However, it does not apply for lease agreements that fall within the scope of IAS 17 "Leases" and valuation methods that are similar to but do not correspond to the fair value, for example, net realizable value as per IAS 2 "Inventories" or value in use as per IAS 36 "Impairment of Assets". The principal accounting policies and valuation methods are outlined below. Where amounts are stated in thousands of euros (EUR '000) individual items or transactions may be subject to rounding differences of +/-1.

3.3 Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company and any business entities under its control. Control exists when the parent company can exercise power over its subsidiaries, obtains variable returns from its shareholding and can influence such returns through its power over the entity. 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. In the future acquisition of businesses, transaction costs incurred will be expensed. 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

The Group generates revenue in the following areas (see also 6.5):

- The sale of small-signal electronics
- The sale of power electronics
- The sale of mechatronic components and systems
- Other (especially the sale of tools and materials)

Sales are measured at the amount of the consideration that the Group expects to receive from a contract with a customer. The Group recognizes revenue when control of the product or service is transferred to the customer. Revenue from the sale of goods therefore has to be recognized when the goods are delivered to the customer. Delivery has taken place when the goods have been shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and the customer has either accepted the goods in accordance with the contract of sale, the acceptance date has lapsed, or the Group has objective evidence that all acceptance criteria have been fulfilled.

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.

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

3.7 Foreign currencies

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

Translation differences arising from monetary items, including those relating to independent foreign subsidiaries, are recognized in profit or loss in the period in which they occur. This does not apply to translation differences relating to receivables or payables from/to a foreign business operation where fulfillment 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 average exchange rate for the fiscal year. If a foreign business operation is divested, all accumulated translation differences from this business operation that are attributable to the Group are reclassified to profit or loss.

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

Country	Closing rates		Average rates	
	2018	2017	2018	2017
Czech Republic	EUR 1/ CZK 25.725	EUR 1/ CZK 25.540	EUR 1/ CZK 25.643	EUR 1/ CZK 26.330
USA	US \$ 1.145	US \$ 1.199	US \$ 1.181	US \$ 1.130
Mexico	MXN 22.505	MXN 23.693	MXN 22.743	MXN 21.316

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 profit shown in the consolidated statement of profit and loss 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. 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 the net profit.

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 was to be settled or the asset realized in the manner expected by the Group as of the reporting date.

» Current and deferred taxes for the reporting period

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

3.9 Earnings per share

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

3.10 Property, plant and equipment

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

Since the construction of production buildings was completed within a 12-month period, there are no qualifying assets as defined by IAS 23.7. Accordingly, borrowing costs are not capitalized.

The procurement process for machinery and tools normally takes a maximum of 6 months so this does not give rise to any qualifying assets that would require capitalization of borrowing costs.

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 written down to the lower recoverable amount if no further economic benefit is expected from the continued use or sale of the asset. Gains or losses resulting from derecognition of the asset are calculated from the difference between the net proceeds from the sale of the asset and its carrying amount and recognized in the statement of profit or loss for the period in which the asset is derecognized.

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

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

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

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

3.11 Intangible assets

» *Intangible assets acquired separately*

Intangible assets acquired separately are recognized at acquisition cost 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.

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 fulfills these conditions. If a self-created intangible asset cannot be capitalized, the development costs are expensed in the period in which they are incurred.

Normally, the production process takes place in such a limited period that there is no justification for capitalizing borrowing costs since the uninterrupted development period is less than 12 months.

In our opinion, there are no qualifying intangible assets as defined in IAS 23.7.

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.

Intangible assets are derecognized at the date of disposal or written down to the lower recoverable amount if no further economic benefit is expected from their continued use. The profit or loss resulting from the derecognition of an intangible asset, valued as the difference between the net proceeds and the carrying amount of the asset, is recognized as of the date of derecognition of the asset.

3.12 Impairment of property, plant and equipment and intangible assets

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

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

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

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

3.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until completion of substantially all activities necessary to prepare it for use or sale. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale.

The Group regards a period of more than 12 months as a substantial period of time.

Income earned from the interim investment of funds borrowed until they are spent on the qualifying asset is deducted from the capitalized borrowing costs.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.14 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. If the reasons for the write-downs are no longer applicable, a corresponding write-up is recognized.

3.15 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.

3.16 Financial assets

Trade receivables are initially recognized at the transaction price and subsequently measured at amortized cost after deduction of impairment losses. As specified in IFRS 15 "Revenue from Contracts with Customers", the transaction price is the amount of consideration to which the entity expects to be entitled in exchange for delivery of the goods or provision of the services to the customer, excluding amounts collected on behalf of third parties.

To determine the impairment write-downs for trade receivables, the Group uniformly applies the simplified approach of determining the lifetime expected credit losses on the receivables in accordance with IFRS 9 "Financial Instruments". For this purpose, trade receivables are aggregated in suitable groups with common credit risk attributes. The expected credit losses are calculated with the aid of a matrix, which shows the age structure of the receivables and reflects the probability of default of individual maturity bands for receivables on the basis of past credit losses and future-oriented factors. The probability of default expressed as a percentage is reviewed regularly to check that it is still applicable. Insofar there are objective indications of a reduction in creditworthiness in respect of trade receivables relating to a specific customer, a more detailed analysis of the customer's specific credit risk is performed and an individual impairment write-down is recognized for the trade receivables from this specific customer. If there is credit insurance, this is taken into account in the amount of the impairment write-down.

Other assets are initially measured at fair value taking into account transaction costs and subsequently measured at amortized cost, after deduction of impairment losses.

The classification of other financial assets is based on the business model used to manage the financial assets and the cash flows from the financial assets. In the Group, financial assets are held exclusively within a business model whose objective is exclusively to hold them until maturity in order to collect the contractual cash flows. Consequently, other financial assets are normally measured at amortized cost. The "trading" business model and the categories "at fair value through profit or loss" (FVTPL) and "at fair value through other comprehensive income" (FVTOCI) are not used.

3.17 Financial liabilities

Financial liabilities are measured at cost of acquisition, taking transaction costs into account, and subsequently measured at amortized cost. Non-interest-bearing and low-interest liabilities with terms of at least one year are measured at present value on the basis of a market-oriented discount rate and interest is recognized until the repayment amount is due. Liabilities from finance leases are recognized at the inception of the lease at the present value of the minimum lease payments or fair value, whichever is lower, and reduced by the repayment amount of the leasing instalments.

The Group does not use the categories "at fair value through profit or loss" (FVTPL) or "at fair value through other comprehensive income" (FVTOCI) for financial liabilities.

Current financial liabilities also contain the portion of non-current loans that is due within at most one year.

3.18 Security provided

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

3.19 Cash and balances on bank accounts

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

Cash and balances on bank accounts are subject to the impairment rules of IFRS 9 "Financial Instruments". The Board of Directors monitors the credit risk of these financial instruments in the light of the economic situation and the external credit risk of other financial institutions. The credit risk is classified as immaterial due to their short maturities and credit rating.

3.20 Accounting for hedging relationships

The Group designates certain derivatives as hedging instruments in cash flow hedges. Hedging of the currency risks of firm commitments are accounted for as cash flow hedges.

The hedging relationship between the hedged item and the hedging instrument, including the risk management objectives and the underlying hedging strategy, are documented at the start of the hedging relationship. Further, the effectiveness of the designated hedging instrument in offsetting changes in the cash flows from the hedged item, based on the hedged risk, is documented both at the start of the hedging relationship and during the hedging relationship. The hedging relationship is effective if it meets all of the following effectiveness criteria:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The effective portion of the changes in the fair value of derivatives and other qualifying hedging instruments that are suitable for hedging cash flows and are designated as cash flow hedges, are recognized in other comprehensive income. Amounts that were previously recognized in other comprehensive income and accumulated in equity are reclassified to the statement of profit and loss in the periods in which the hedged item affects the statement of profit and loss; they are reclassified to the same profit and loss items as the hedge item.

3.21 Government grants

Government grants are not recognized until it is sufficiently certain that the Group will meet the related conditions and the grants will actually be made.

Government grants are recognized in the consolidated statement of profit and loss in the periods in which the Group recognizes the expenses that the grants are designed to offset. Government grants that compensate for expenses or losses already incurred or that constitute immediate financial support without any related expense in the future are recognized in the statement of profit and loss in the period in which the related claim arises.

In 2018, the Group recognized revenue of EUR 132 thousand from a government grant. This comprised a support payment received from the state of Guanajuato for the Mexican subsidiary. Most of the agreed conditions for this and further grants (increase in headcount, investments) have already been fulfilled and will be satisfied well before the end of the agreed five-year period.

4. Principal sources of estimation uncertainty

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

The assumptions underlying such estimates are reviewed regularly. Where changes to such estimates only affect one period, they are recognized for this period only. If the change relates to the present and subsequent reporting periods, they are reflected in the present and following 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. Borrowing costs are not included because customer requirements mean that the production process normally takes less than 12 months.

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 4.8 million as of December 31, 2018 (2017: EUR 4.5 million).

Overall, projects proceeded satisfactorily and customer resonance has also confirmed previous estimates made by the management of the expected future revenues. On the basis of a sensitivity analysis, the Board of Directors has come to the conclusion that the carrying amounts of assets will be realized in full, despite the possibility of lower revenues. Adjustments will be made in subsequent fiscal years if the future market situation/demand from customers suggests that such adjustments are necessary. For information on impairment write-downs on intangible assets in the fiscal year, see Note 14.

» Taxes

Taxes are determined on the basis of the applicable local tax laws and the associated administrative practices. In view of their complexity, there is a possibility of different interpretations by the taxpayer and the fiscal authorities. Different interpretations of tax laws can result in retrospective tax payments for past years. These are included in the assessment on the basis of estimates by the Board of Directors.

Recognition of deferred taxes, especially for tax loss carryforwards, requires estimates and assumptions about future tax planning strategies, and the timing and level of future taxable income. For this purpose, taxable income is estimated from the relevant planning data. This takes into account past earnings and expected future business trends. When companies make a loss, deferred tax assets can only be recognized for loss carryforwards if it can be assumed that there is a high probability that positive earnings will be generated in the future to allow utilization of the tax loss carryforwards.

5. Sales

The table shows the Group's sales split:

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Revenues from trading	4,923	4,271
Revenues from production	43,000	45,823
Total revenues from the sale of goods	47,923	50,094

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 sites are in Prachatice (Czech Republic) and Silao (Mexico).

» Automotive Technology

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

» Industrial Electronics

InTiCa Systems' Industrial Electronics segment specializes in developing and manufacturing high-quality, custom-tailored inductive components, mechatronic modules and system solutions for regenerative energy sources (solar power), and automation and drive technology. In addition, this segment includes products for transmission technology and high-frequency engineering and cable applications.

6.2 Segment sales and segment result

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.

	Segment sales		Segment result	
	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Automotive Technology	36,977	38,149	-1,316	828
Industrial Electronics	10,946	11,945	371	641
Total	47,923	50,094	-945	1,469
Income and expenses relating to assets not allocated to any segment			0	0
Financial result			-449	-431
Pre-tax income			-1,394	1,038

The sales revenues presented above comprise revenues from transactions with external customers. There were no intersegment transactions (2017: zero).

6.3 Segment assets and liabilities

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Automotive Technology	38,441	33,779
Industrial Electronics	8,721	7,825
Total	47,162	41,604
Assets not allocated to any segment	2,903	1,645
Total consolidated assets	50,065	43,249

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, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Cash and cash equivalents	78	141
Other current receivables	1,565	395
Other financial assets	75	53
Tax receivables	5	2
Deferred taxes	1,180	1,054
Total	2,903	1,645

Liabilities are not allocated among the segments.

6.4 Other segment information

	Depreciation, amortization and impairment write-downs	of which impairment write-downs	Additions to non-current assets	
	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Automotive Technology	3,771	3,747	56	5,755
Industrial Electronics	538	588	3	808
Total	4,309	4,335	59	6,563
				4,473

The total depreciation, amortization and impairment write-downs include impairment charges of EUR 59 thousand (2017: EUR 96 thousand) on intangible assets. For information on impairment write-downs on self-created intangible assets see Note 14.

6.5 Sales generated by the principal products

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

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Small signal electronics	5,282	7,427
Power electronics	17,220	15,782
Mechatronic components and systems	19,776	21,842
Other	5,645	5,043
Total	47,923	50,094

For information on the timing of revenue recognition, please see Note 3.5.

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, 2018 in EUR '000	Dec. 31, 2017 in EUR '000	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Germany	32,594	32,384	6,855	7,407
Other countries of which Mexico	15,329 2,257	17,710 2,858	20,041	17,295
Total	47,923	50,094	26,896	24,702
Assets not allocated to any segment			1,180	1,054
Non-current assets, total			28,076	25,756

The data on sales in Mexico are based on the location of the customer. The data on non-current segment assets outside Germany relate to the company's production facilities in the Czech Republic and Mexico. EUR 16,646 thousand of this amount comprises assets at the site in the Czech Republic (2017: EUR 15,861 thousand).

6.7 Information on major customers

The Group's two largest customers accounted for around EUR 9,082 thousand (2017: EUR 8,978 thousand) and EUR 5,587 thousand (2017: EUR 6,838 thousand) of direct sales of products. That was 19.0% (2017: 17.9%) and 11.7% (2017: 13.7%) of total sales. These are customers of the Automotive Technology and Industrial Electronics segments. In both 2018 and 2017 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, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Gains from foreign currency translation	1,177	889
Insurance refund	11	44
Other	172	123
Total	1,360	1,056

Other expenses	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Exchange losses	1,012	640
Cost of premises	1,049	1,032
Insurance premiums, contributions, levies	399	340
Vehicle expenses	305	279
Advertising costs, travel expenses	598	434
Delivery costs	1,112	833
Maintenance and repairs	1,049	1,065
Agency staff	1,782	777
Legal and consultancy expenses	272	345
Other operating expenses	1,619	1,281
Total	9,197	7,026

8. Other financial income

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Interest income from balances on bank accounts	0	0
Other financial assets	0	0
Total	0	0

Breakdown of investment income from financial assets by valuation class:

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Cash on hand and bank balances (LaR)	0	0
Financial assets recognized at amortized cost (LaR)	0	0
Total	0	0

9. Financial expenses

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Interest on overdrafts and bank loans	449	431
Interest on obligations relating to finance leases	0	0
Total	449	431

Breakdown of expenses for financial liabilities by valuation class:

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Financial liabilities measured at amortized cost (OL)	449	431

10. Income taxes

10.1 Income taxes recognized in the statement of profit or loss

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Current tax expense	82	114
Deferred taxes	-162	197
Total	-80	311

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

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Income before taxes	-1,394	1,038
Theoretical tax expense	-416	309
Impact of adjustments to tax values (including deferred taxes)	184	48
Impact of different tax rates applied to subsidiaries in different tax jurisdictions	152	-46
Total	-80	311

The tax rate used for the above reconciliation for 2018 and 2017 is the tax rate of around 29.83% (2017: 29.83%) payable by companies in Germany on taxable income in accordance with the applicable tax legislation.

10.2 Current claims for tax refunds

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Current claims for tax refunds	5	3

10.3 Deferred taxes

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Deferred tax assets	1,180	1,054
Deferred tax liabilities	1,640	1,676
Total	-460	-622

2018	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	-1,331	-104	0	0	-1,435
Property, plant and equipment	-254	140	0	0	-114
Provisions	6	-1	0	0	5
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,048	127	0	0	1,175
Total	-622	162	0	0	-460
2017					
Temporary differences					
Intangible assets	-1,304	-27	0	0	-1,331
Property, plant and equipment	-186	-68	0	0	-254
Provisions	6	0	0	0	6
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,159	-102	-9	0	1,048
Total	-416	-197	-9	0	-622

The tax loss carryforwards to which deferred tax assets refer relate to tax losses at the parent company in the period 2007-2010 and in 2014, and to start-up losses at the Mexican subsidiary. On the basis of current plans, the deferred tax assets recognized for loss carryforwards are expected to be used within the next five fiscal years.

10.4 Unrecognized deferred tax assets

No deferred taxes were recognized for "outside basis differences" because the company is not planning to divest its shares in associated companies and these transactions would in any case be allocated to the tax-exempt operations.

11. Net income from continuing operations

11.1 Depreciation, amortization and impairment write-downs

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Impairment write-downs on property, plant and equipment	0	0
Depreciation of property, plant and equipment	3,310	3,085
Impairment write-downs on intangible assets	59	96
Amortization of intangible assets	940	1,154
Total	4,309	4,335

For information on impairment write-downs on intangible assets in the fiscal year, see Note 14. Information on impairment write-downs on property, plant and equipment can be found in Note 13.

11.2 Research and development costs expensed immediately

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Research and development costs expensed in the fiscal year	1,603	1,547

11.3 Personnel-related expenses

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Wages and salaries	9,420	9,180
Social security expenses	2,297	2,247
Pension expenses	12	12
Other	92	111
Total	11,821	11,550

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, 2018	Dec. 31, 2017
Consolidated net profit (in EUR '000)	-1,314	727
Weighted average ordinary shares (in thousand units)	4,223	4,223
Earnings per share (in EUR)	-0.31	0.17

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

13. Property, plant and equipment

Change in non-current assets in the period January 1, 2017 to December 31, 2018

InTiCa Systems Group

In EUR '000	Land and buildings	Technical equipment and machinery	Other facilities, furniture and office equipment	Advance payments and construction in process	Total
Cost of acquisition or production					
As at January 1, 2017	8,567	30,607	2,247	1,670	43,091
Additions	0	2,431	373	280	3,084
Transfers	0	197	34	-231	0
Disposals	0	-536	-156	0	-692
Translation differences	465	1,275	-12	0	1,728
As at December 31, 2017 / January 1, 2018					
	9,032	33,974	2,486	1,719	47,211
Additions	134	4,008	581	508	5,231
Transfers	0	1,104	0	-1,104	0
Disposals	0	-33	-117	0	-150
Translation differences	-61	-125	23	0	-163
As at December 31, 2018	9,105	38,928	2,973	1,123	52,129
Depreciation					
As at January 1, 2017	2,269	20,150	1,326	0	23,745
Depreciation	317	2,423	342	0	3,082
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-536	-156	0	-692
Translation differences	110	870	-14	0	966
As at December 31, 2017 / January 1, 2018					
	2,696	22,907	1,498	0	27,101
Depreciation	321	2,620	370	0	3,311
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-14	-109	0	-123
Translation differences	-17	-116	5	0	-128
As at December 31, 2018	3,000	25,397	1,764	0	30,161
Balance sheet value as at December 31, 2018					
	6,105	13,531	1,209	1,123	21,968
Balance sheet value as at December 31, 2017					
	6,336	11,067	988	1,719	20,110

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

Assets and mortgages pledged as security

A mortgage claim (EUR 2,000 thousand) on developed land owned by the Group with a carrying amount of EUR 5,964 thousand (2017: EUR 6,208 thousand) has been registered as security for the Group's liabilities to banks. Machinery at the Prachatic site with a carrying amount of EUR 3,505 thousand (2017: EUR 4,569 thousand) has been pledged as security for liabilities to banks.

14. Intangible assets

Change in non-current assets in the period January 1, 2017 to December 31, 2018

InTiCa Systems Group

In EUR '000	Self-created intangible assets	Other intangible assets	Total
Cost of acquisition or production			
As at January 1, 2017	10,214	543	10,757
Additions	1,307	83	1,390
Transfers	0	0	0
Disposals	-1,613	0	-1,613
Translation differences	0	5	5
As at December 31, 2017 / January 1, 2018	9,908	631	10,539
Additions	1,309	23	1,332
Transfers	0	0	0
Disposals	-609	0	-609
Translation differences	0	1	1
As at December 31, 2018	10,608	655	11,263
Amortization			
As at January 1, 2017	5,848	456	6,304
Amortization	1,217	36	1,253
Impairment write-downs	0	0	0
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-1,613	0	-1,613
Translation differences	0	2	2
As at December 31, 2017 / January 1, 2018	5,452	494	5,946
Amortization	953	45	998
Impairment write-downs	0	0	0
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-609	0	-609
Translation differences	0	0	0
As at December 31, 2018	5,796	539	6,335
Balance sheet value as at December 31, 2018	4,812	116	4,928
Balance sheet value as at December 31, 2017	4,456	137	4,593

Where the underlying projects have not been completed or no sales have been generated, self-created intangible assets (carrying amount EUR 2,886 thousand in 2018; 2017: EUR 2,159 thousand) are not yet subject to amortization.

Impairment write-downs in 2018

For development projects, the amortization recognized in the statement of profit and loss includes impairment write-downs of EUR 59 thousand (2017: EUR 96 thousand). The carrying amounts of the development projects were written down entirely because a positive net realizable value was not expected, even in the event of sale of the projects.

15. Subsidiaries

Details of subsidiaries as of December 31, 2018 are presented below:

Name of subsidiary	Head office	Stake in %	Voting rights in %	Main business activity
InTiCa Systems s.r.o.	Prachatice, Czech Republic	100	100	Production
(2017:		100	100)
Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V.	Silao, Mexico	100	100	Production
(2017:		100	100)

16. Other financial assets and other receivables

16.1 Other financial assets

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Receivables recognized at amortized cost		
Other financial assets	75	53
Total	75	53
Non-current	0	0
Current	75	53
Total	75	53

16.2 Other current receivables

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Deferred charges	162	133
Advance payments made	279	79
Current tax receivables	1,124	183
Total	1,565	395

17. Inventories

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Raw materials and supplies	5,980	4,111
Work in process	1,222	1,302
Unfinished tools with customer involvement	631	608
Finished goods	3,197	2,078
Total	11,030	8,099

Total impairment write-downs on inventories recognized in profit and loss amounted to EUR 227 thousand (2017: EUR 142 thousand). They comprised EUR 146 thousand (2017: EUR 84 thousand) in the Automotive Technology segment, and EUR 81 thousand (2017: EUR 58 thousand) in the Industrial Electronics

segment. As of the reporting date the carrying amount of these inventories was EUR 935 thousand (2017: EUR 876 thousand). The write-downs in the financial year are contained in other comprehensive income and comprise EUR 95 thousand (2017: EUR 50 thousand) in "Change in inventories of finished goods and work in process" and EUR 132 thousand (2017: EUR 92 thousand) in "Raw materials and supplies".

18. Trade receivables

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Trade receivables	9,297	8,802
Impairment write-downs	-61	0
Total	9,236	8,802

The simplified approach permitted by IFRS 9 is used to measure expected credit losses. On this basis, the lifetime expected credit losses are calculated for all trade receivables. To measure the expected credit losses, receivables from customers are aggregated on the basis of common credit risk attributes and days past due. Payment profiles are generated for sales in the past 36 months. These also include defaults in these past periods. The historic loss ratios derived in this way are then adjusted using present and future-oriented data. Macroeconomic factors and customers' individual creditworthiness criteria are also taken into account. If there is credit insurance, this is taken into account in the amount of the impairment write-down.

In this way, the following impairment write-downs were determined:

Dec. 31, 2018	Expected loss ratio	Gross carrying amount of receivables in EUR '000	Impairment write-down in EUR '000
Not due	0.10%	6,600	7
1-30 days past due	1.00%	1,455	14
31-60 days past due	1.50%	620	9
61-90 days past due	3.50%	171	6
More than 90 days past due	5.50%	451	25
Total		9,297	61
 Jan. 1, 2018			
Not due	0.10%	7,219	7
1-30 days past due	1.00%	1,012	10
31-60 days past due	1.50%	283	4
61-90 days past due	3.50%	136	5
More than 90 days past due	5.50%	152	9
Total		8,802	35

The reconciliation of the write-downs for trade receivables from the opening to the closing balance sheets is as follows:

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
December 31 – calculated in accordance with IAS 39	0	0
Retrospective restatement of the carrying amount of profit reserves via the opening balance	35	0
Opening balance of impairment write-downs as of January 1, 2018 – calculated in accordance with IFRS 9	35	0
Amounts written down as uncollectable during the financial year	0	0
Impairment write-downs on receivables	26	0
Total	61	0

Trade receivables are derecognized when it is estimated with reasonable assurance that they can no longer be collected. Indicators of reasonable assurance that receivables cannot be collected include, for claims that are more than 150 days past due,

either that no agreement has been made with the debtor on a repayment plan, or that payments under a repayment plan are no longer being made.

Impairment write-downs on trade receivables are presented as other operating expense (net) in the operating result. In subsequent periods, any payments received for amounts that were previously written down are recognized in other operating income.

In 2017, impairment write-downs were estimated on the basis of expected defaults. Individual receivables that were not collectible were reflected in a direct write-down of the carrying amount. The other receivables were tested for impairments that had occurred but had not yet been identified on a portfolio basis. Restatement of the prior-year impairment losses was necessary due to the transition to the expected credit losses method triggered by IFRS 9.

To secure credit lines totalling EUR 6.0 million (2017: EUR 6.0 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 8.7 million (2017: EUR 8.5 million).

19. Capital stock

	Capital stock and ordinary shares	
	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
4,287,000 fully paid-up ordinary shares	4,287	4,287
64,430 treasury shares (treasury stock)	-64	-64
Total	4,223	4,223

	Treasury stock			
	Dec. 31, 2018 in EUR '000	% of capital stock	Dec. 31, 2017 in EUR '000	% of capital stock
Status at start of year	64	1.493	64	1.493
Shares sold (nominal capital)	0	0	0	0
Shares repurchased	0	0	0	0
Total	64	1.493	64	1.493

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

The Board of Directors is authorized by a resolution of the Annual General Meeting of July 21, 2017 to increase the capital stock with the Supervisory Board's consent, up to July 20, 2022, by a total of up to EUR 2,143,500.00 in return for cash or contributions in kind under exclusion of shareholders' subscription rights (Authorized Capital 2017/1).

20. General capital reserve

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Status at start of year	15,389	15,389
Sale of treasury stock	0	0
Pro rata net profit	0	0
Total	15,389	15,389

The capital reserve includes premiums from the issue of shares.

21. Profit reserve

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Status at start of year	-744	-1,471
Consolidated net loss (2017: consolidated net profit)	-1,314	727
Total	-2,058	-744

The profit reserve contains statutory profit reserves of EUR 51 thousand (2017: EUR 51 thousand) and other profit reserves (including the loss carryforward) of minus EUR 2,109 thousand (2017: minus EUR 795 thousand).

22. Currency translation reserve

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Status at start of year	-746	-1,414
Translation of foreign business operations	-48	668
Total	-794	-746

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

23. Financial liabilities

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Unsecured – recognized at amortized cost		
Overdrafts	11	9
Loans	576	1,482
Secured – recognized at amortized cost		
Overdrafts	9,999	5,853
Liabilities relating to finance leases (see Note 28)	0	0
Loans	13,791	12,691
Total	24,377	20,035
Current	13,564	9,106
Non-current	10,813	10,929
Total	24,377	20,035

EUR 4,003 thousand (2017: EUR 3,806 thousand) of the secured overdrafts relate to the Czech subsidiary and are secured by a guarantee from InTiCa Systems AG. EUR 3,400 thousand (2017: EUR 4,000 thousand) of the non-current loans are secured by a guarantee from InTiCa Systems s.r.o. for the German parent company.

Summary of financing agreements:

Overdrafts are subject to variable interest during the year. Interest on loans is 1.30%-5.5% p.a. (2017: 1.5%-4.08% p.a.).

Non-current loans incur interest at a fixed rate averaging 2.34% p.a. (2017: 2.37% p.a.). Variable interest was agreed for three non-current loans totalling EUR 6,495 thousand (2017: EUR 3,879 thousand). As of December 31, 2018, the interest payments due were 0.5% p.a., 1.03% p.a. and 1.60% (2017: 0.5% and 1.60%).

24. Provisions

	Jan. 1, 2018 in EUR '000	Utilized in EUR '000	Reversed in EUR '000	Additions in EUR '000	Dec. 31, 2018 in EUR '000
Trade-related commitments (i)	345	345	0	594	594
Personnel expense (ii)	515	515	0	296	296
Other (iii)	214	214	0	321	321
Total	1,074	1,074	0	1,211	1,211

(i) In both 2017 and 2018, provisions for trade-related commitments comprised provisions for expected credit notes and outstanding invoices.

(ii) In both 2017 and 2018 the provisions for personnel expense were mainly to cover employees' annual vacation entitlements, bonuses, an anniversary provision, and expected contributions to the employers' liability insurance association.

(iii) In 2017, the other provisions comprised costs for retention obligations. In 2018, the other provisions comprised costs for retention obligations and provisions for warranties.

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

25. Trade payables

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

26. Other financial liabilities

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
At amortized cost		
Other financial liabilities	488	328

27. Other current liabilities

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Accrued expenses	0	0
Advance payments received	186	0
Other liabilities	316	307
Total	502	307

28. Liabilities relating to finance leases

The Group does not have any finance leases at present.

29. Financial instruments

29.1 Capital risk management

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

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

The Group's capital structure comprises interest-bearing financial liabilities, cash and cash equivalents and equity. The equity comprises paid-in shares, the capital reserve, the profit reserve and the currency translation 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, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Equity	16,760	18,122
Total assets	50,065	43,249
Equity ratio	33.5%	41.9%
Interest-bearing financial liabilities	24,377	20,035
Cash and cash equivalents	78	141
Net financial debt	24,299	19,894
EBIT	-945	1,469
Depreciation, amortization and impairment write-downs	4,309	4,335
EBITDA	3,364	5,804
Net financial debt/EBITDA	7.22	3.43

29.2 Supplementary disclosures on financial instruments

	IFRS 9 valuation categories	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Financial assets			
Cash on hand and bank balances	AC ¹⁾	78	141
Trade receivables	AC ¹⁾	9,236	8,802
Other financial assets	AC ¹⁾	75	53
Total		9,389	8,996
Financial liabilities			
Financial liabilities	AC ¹⁾	24,377	20,034
Trade payables	AC ¹⁾	4,936	1,592
Other financial liabilities	AC ¹⁾	488	328
Total		29,801	21,954

¹⁾ AC = at amortized cost

Financial instruments and their prior-year amounts have been allocated to the new valuation categories specified by the newly applicable standard IFRS 9. For the prior-year amounts, a reconciliation from the IAS 39 to the IFRS 9 categories can be found in section 2 of the notes to the consolidated financial statements (application of new and amended standards).

Cash and cash equivalents, trade receivables and other financial assets have short maturities. Therefore, the carrying amount on the reporting date is an approximation of their fair value. In the case of receivables, the nominal value is used, after applying deductions for default risks.

Current liabilities to banks can be called at any time. Therefore, the carrying amount on the reporting date is an approximation of their fair value. The non-current liabilities to banks are fixed-interest loans. They are carried at the repayment amount.

Trade payables have short remaining terms; the amount recognized is therefore an approximation of the fair value.

29.3 Financial risk management

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

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

» Exchange-rate risks

Certain business transactions undertaken by the Group are denominated in foreign currencies, namely in USD, CZK and MXN. 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 first into a non-current loan (treated as a net investment) and subsequently into equity (capital reserve) has reduced the risks and the volatility of the Group's net profit by reducing the balance of open items as it ensures more timely settlement of liabilities.

The Group made currency hedging agreements in Czech koruna for forecast expenditures in the next 15 months. The purpose is to minimize the volatility of foreign exchange transactions resulting from fluctuations in exchange rates. The risks arise from the volatility of the CZK/EUR exchange rate. The Group has hedged this via an unconditional forward transaction (currency forward; hedging relationship) to secure a fixed exchange rate for cash outflows in CZK (hedged item). The hedged item is fully hedged by the hedging transaction. For further information on hedge accounting, please see Note 3.20. The expiration date of the hedge is March 10, 2020 and a notional amount of EUR 400,000 thousand is exchanged monthly at a fixed rate of CZK 26.04/EUR 1. As of December 31, 2018, the fair value of the hedging transaction was minus EUR 2 thousand.

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 and the MXN 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%; MXN: +/-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, 2018, the impact of the change in the USD exchange rate on the consolidated net profit would have been a decline (increase) of around EUR 43 thousand (2017: EUR 87 thousand), while a change in the CZK exchange rate of this magnitude would have increased (decreased) the consolidated net profit by around EUR 43 thousand (2017: EUR 20 thousand). For the MXN, the impact on the consolidated net profit would have been a decline (increase) of EUR 237 thousand (2017: EUR 42 thousand).

	Nominal amount as of		Nominal amount as of	
	Dec. 31, 2018 in EUR '000	2018 in EUR '000	Dec. 31, 2017 in EUR '000	2017 in EUR '000
Change in USD (+/-10%)	498	43	1,041	87
Change in CZK (+/-3.5%)	1,235	43	559	20
Change in MXN (+/-3.5%)	6,762	237	1,197	42

» 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, 2018, the result would have been EUR 165 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 contracting 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, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Credit lines		
Amounts drawn	9,999	5,862
Undrawn amounts	351	4,488
Total	10,350	10,350

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.

	up to 1 year in EUR '000	1–5 years in EUR '000	over 5 years in EUR '000	Total in EUR '000
2018				
Variable-interest financial liabilities	11,365	4,813	733	16,911
Fixed-interest financial liabilities	2,739	4,939	571	8,249
Total	14,104	9,752	1,304	25,160
2017				
Variable-interest financial liabilities	6,845	2,861	293	9,999
Fixed-interest financial liabilities	2,643	7,088	1,161	10,892
Total	9,488	9,949	1,454	20,891

30. Related party transactions

Balances and business transactions between the company and its subsidiaries, which constitute related parties, were eliminated in the course of consolidation and are not discussed in this note. Details of business transactions between the Group and other related parties are outlined below.

30.1 Board of Directors

- Dr. Gregor Wasle

Strategy, investor relations, R&D, production, finance, human resources and IT

- Günther Kneidinger

Sales, materials management, logistics centre and quality

30.2 Supervisory Board

- Udo Zimmer

Chairman of the Supervisory Board, Munich
Chairman of the Board of Directors of REMA TIP TOP AG

- Werner Paletschek

Deputy Chairman of the Supervisory Board, Fürstenzell
Managing Director of OWP Brillen GmbH

- Christian Fürst

Member of the Supervisory Board, Thyrnau
Managing partner of ziel management consulting gmbh
Chairman of the Supervisory Board of Electrovac AG
(Electrovac Hermetic Packages business unit)
Advisory Board of Eberspächer Gruppe GmbH & Co. KG

30.3 Remuneration of the Board of Directors and the Supervisory Board

» Remuneration of the Board of Directors

The total remuneration of the Board of Directors in the 2018 fiscal year was EUR 423 thousand (2017: EUR 422 thousand). The fixed compensation comprises a base salary and variable annual compensation. The fringe benefits comprise supplementary payments for social security contributions and payments in kind comprising the use of company cars. The variable annual compensation comprises bonuses paid upon attainment of personal targets agreed with the members of the Board of Directors.

From an EBIT margin of 4%, the members of the Board of Directors receive variable compensation of 20% of their annual base salary. The increase in the variable compensation is graduated. The maximum is 100% of their annual base salary for an EBIT margin of 14%. Payment is spread over three years. The second and final instalments are only paid if the EBIT margin has not deteriorated by more than 25% compared with the year in which the bonus was granted.

The following tables show the remuneration of the members of the Board of Directors of InTiCa Systems AG for 2018 and the previous year. It should be noted that in some cases, the compensation granted has not yet resulted in any payments. The amounts received by members of the Board of Directors are therefore shown separately.

Amount granted in EUR '000	Dr. Gregor Wasle Board of Directors Since January 1, 2015				Günther Kneidinger Board of Directors Since January 1, 2009			
	2017	2018	2018 (min)	2018 (max)	2017	2018	2018 (min)	2018 (max)
Fixed compensation	190	190	190	190	180	180	180	180
Fringe benefits	22	23	23	23	30	30	30	30
Total	212	213	213	213	210	210	210	210
One-year variable compensation	0	0	0	190	0	0	0	180
Multi-year variable compensation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Plan description (plan term)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	0	0	0	190	0	0	0	180
Pension expense	0	0	0	0	0	0	0	0
Total compensation	212	213	213	403	210	210	210	390

Amount received in EUR '000	Dr. Gregor Wasle Board of Directors Since January 1, 2015		Günther Kneidinger Board of Directors Since January 1, 2009	
	2017	2018	2017	2018
Fixed compensation	190	190	180	180
Fringe benefits	22	23	30	30
Termination benefit	0	0	0	0
Total	212	213	210	210
One-year variable compensation	0	0	0	0
Multi-year variable compensation	n.a.	n.a.	n.a.	n.a.
Plan description (plan term)	n.a.	n.a.	n.a.	n.a.
Other	0	0	0	0
Total	0	0	0	0
Pension expense	0	0	0	0
Total compensation	212	213	210	210

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

» Remuneration of the Supervisory Board

Sec. 11 of the articles of incorporation of InTiCa Systems AG sets out the remuneration of the Supervisory Board. This comprises a fixed payment and an allowance for attending meetings of the Supervisory Board (attendance fee).

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

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

	Performance-unrelated remuneration in EUR '000	Attendance fee in EUR '000	Total in EUR '000
2018			
Udo Zimmer	15.00	4.50	19.50
Werner Paletschek	12.50	5.25	17.75
Christian Fürst	10.00	5.25	15.25
Total	37.50	15.00	52.50
2017			
Udo Zimmer	15.00	4.50	19.50
Werner Paletschek	12.50	5.25	17.75
Christian Fürst	10.00	5.25	15.25
Total	37.50	15.00	52.50

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

30.4 Share ownership

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

	Shareholding (units)	
	Dec. 31, 2018	Dec. 31, 2017
Günther Kneidinger	4,000	4,000
Werner Paletschek	5,000	5,000
Christian Fürst	4,800	4,800

Major shareholders:

	Shareholding in %	
	Dec. 31, 2018	Dec. 31, 2017
Thorsten Wagner	more than 25	more than 25
Dr. Dr. Axel Diekmann	more than 25	more than 25
Tom Hiss	more than 5	more than 5
InTiCa Systems AG	1.5	1.5

31. Cash and cash equivalents

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

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Cash and balances on bank accounts	78	141
Overdrafts	-10,011	-5,862
Total	-9,933	-5,721

In the reporting period, there were no significant cash and cash equivalents that the company could not dispose of. The fair value of cash and cash equivalents corresponds to the carrying amount.

32. Payment obligations

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Commitments to acquire property, plant and equipment	1,026	2,133

33. Operating leases

Operating lease agreements relate to furniture and operating equipment and business premises and have remaining terms of between 1 and 8 years. For the business premises there are extension options for a further 5 years.

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Payments recognized as expenses:		
Lease payments	800	779
Non-cancellable lease agreements:		
up to 1 year	1,258	755
between 1 and 5 years	4,568	2,644
more than 5 years	2,421	1,705
Total	8,247	5,104

34. Defined-contribution pension plans

The Group's employees belong to a state pension plan which is managed by the state authorities ("statutory pension insurance"). The parent company and 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 of EUR 1,509 thousand (2017: EUR 1,484 thousand) recognized in the consolidated statement of profit or loss comprise the Group's contributions to these pension plans on the basis of the agreed contributions.

35. Events after the reporting date

No reportable events have occurred since the reporting date.

36. Disclosures

The Board of Directors approved the consolidated financial statements for publication on April 24, 2019. InTiCa Systems AG did not receive notification of any reportable investments pursuant to sec. 21 paragraph 1 WpHG in fiscal 2018.

37. Staff

The average number of employees in fiscal 2018 was 518 (2017: 557).

	Dec. 31, 2018	Dec. 31, 2017
Salaried employees	120	113
Industrial employees	388	436
Trainees	3	2
Low-wage part-time staff	7	6
Total	518	557

38. Auditor's fees

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

	Dec. 31, 2018 in EUR '000	Dec. 31, 2017 in EUR '000
Audit services for the fiscal year	68	68
Other services for the fiscal year	6	2
Total	74	70

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

39. German Corporate Governance Code

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

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

Passau, April 24, 2019

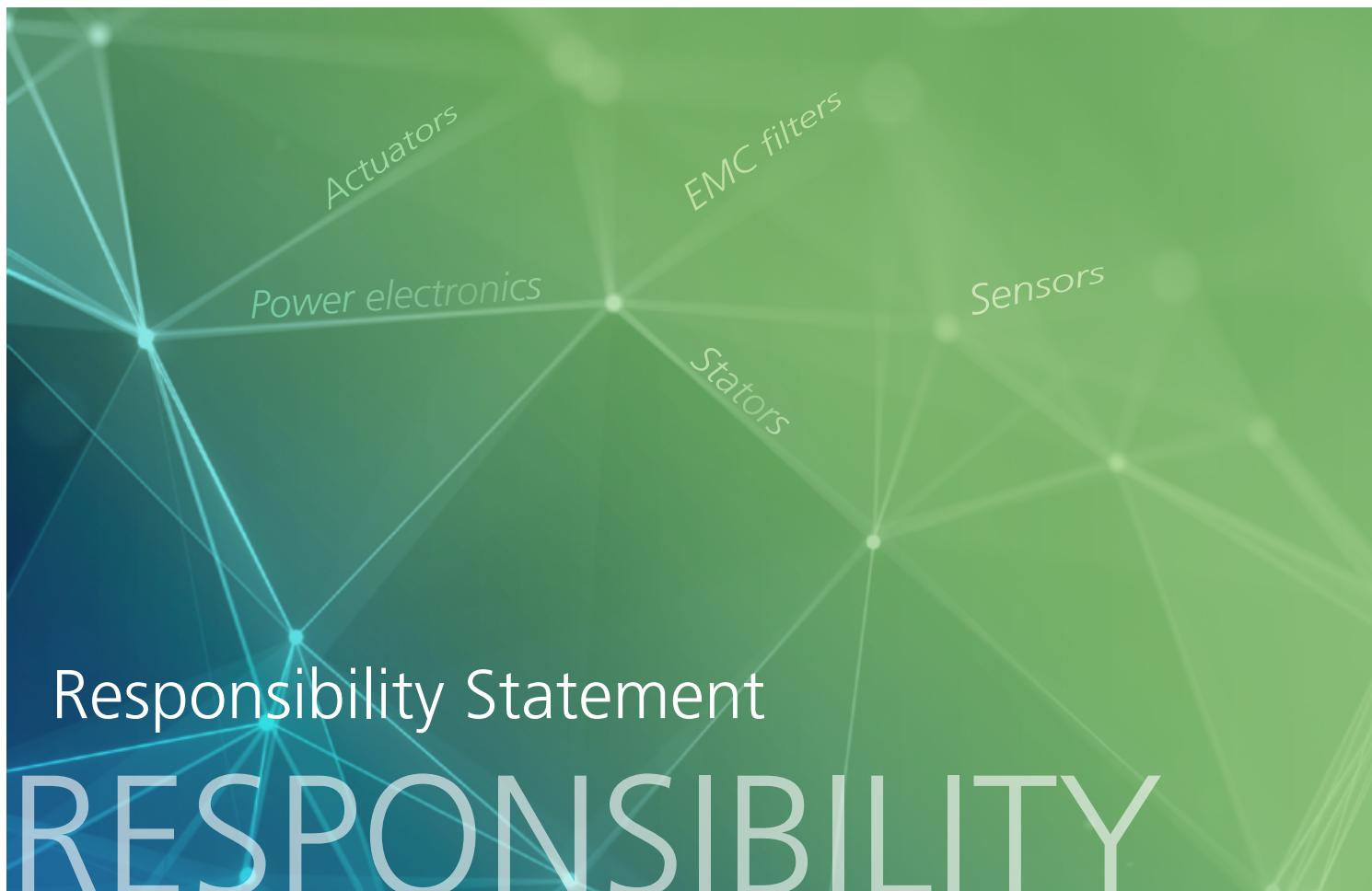
The Board of Directors



Dr. Gregor Wasle
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, 2019

The Board of Directors



Dr. Gregor Wasle
Chairman of the Board of Directors



Günther Kneidinger
Member of the Board of Directors



Independent auditor's report

AUDITOR'S REPORT

To InTiCa Systems AG, Passau

Report on the audit of the consolidated financial statements and the Group management report

Audit opinions

We have audited the consolidated financial statements of InTiCa Systems AG and its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1, 2018 to December 31, 2018, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of InTiCa Systems AG for the financial year from January 1, 2018 to December 31, 2018.

In our opinion, based the knowledge obtained in the audit

- the attached consolidated financial statements comply in all material respects with the IFRS as adopted by the EU, and the additional requirements of German law to be applied in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB) and gives a true and fair view of the Group's assets and financial position as of December 31,

2018 and the results of operations for the financial year from January 1, 2018 to December 31, 2018 in accordance with these requirements, and

- the attached Group management report as a whole gives an appropriate view of the company's position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with the German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with section 322 paragraph 3 sentence 1 of the German Commercial Code (HGB), we declare that our audit did not lead to any reservations regarding the propriety of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the German Commercial Code and the EU Audit Regulation (no. 537/2014; subsequently referred to as the "EU Audit Regulation") and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany

(IDW). Our responsibilities under these requirements and principles are set out in the section "Auditor's responsibility for the audit of the consolidated financial statements and the Group management report" in our auditor's report. We are independent of the Group companies in accordance with European law and German commercial and professional law and have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 Paragraph 2 (f) of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services pursuant to Article 1 of the EU Audit Regulation. In our opinion, the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the consolidated financial statements for the financial year from January 1, 2018 to December 31, 2018. These were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

Below, we outline the impairment of development costs, which was in our view a key audit matter. Our presentation of the key audit matters is structured as follows:

- a) Description of the key audit matter (including reference to the relevant disclosures in the consolidated financial statements)
- b) Audit approach and findings

Impairment test on capitalized development costs

- a) Description of the key audit matter

Capitalized development costs amounted to EUR 4,812 thousand as of December 31, 2018. They account for 9.6% of total assets. For information on the accounting policies and valuation methods applied, see Notes 3.11 and 3.12 to the consolidated financial statements. For information on estimation uncertainty, see Note 4 to the consolidated financial statements. For information on the development of capitalized development costs, see Note 14 to the consolidated financial statements.

Capitalized development costs are tested annually for impairment at the level of the cash generating units or the self-created intangible assets. In the course of the impairment test, the carrying amount of the self-created intangible assets is compared with the recoverable amount. 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.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. 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 test on own work capitalized is complex and is based on a series of discretionary assumptions. These include, in particular, expected future cash flows. As a result of the impairment test, the company recognized impairment write-downs of EUR 59 thousand. The carrying amounts of the development projects concerned were written down entirely because a positive net realizable value was not expected, even in the event of sale of the projects.

In principle, impairment of capitalized development costs does not represent a risk for the consolidated financial statements.

- b) Audit approach and findings

In our audit, we initially examined the methodology used by InTiCa Systems AG to perform impairment tests. Among other things, we assessed the appropriateness of the company's material assumptions and the calculation method. On the basis of explanations by staff responsible for planning, we evaluated the planning process and the significant assumptions on the development of sales and earnings. We compared the expected future cash flows with the approved planning and existing customer agreements.

Further, we ascertained the reliability of the forecasts made by the company in the past by comparing sales and EBIT plans for past financial years with the actual results and analysing the deviations. To ensure the theoretical correctness of the valuation model used, we checked the company's calculations.

The calculation method underlying the impairment test on capitalized development costs is correct and conforms to the valuation principles applied. The assumptions and parameters on which the valuation is based are appropriate.

Other information

The management is responsible for other information. The other information comprises the declaration by the Group on corporate management pursuant to Section 315d of the German Commercial Code (HGB) and all other parts of the annual report, with the exception of the audited consolidated financial statements, the Group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and Group management report do not cover the other information; accordingly, we do not express an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and evaluate whether the other information

- is materially inconsistent with the consolidated financial statements, Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

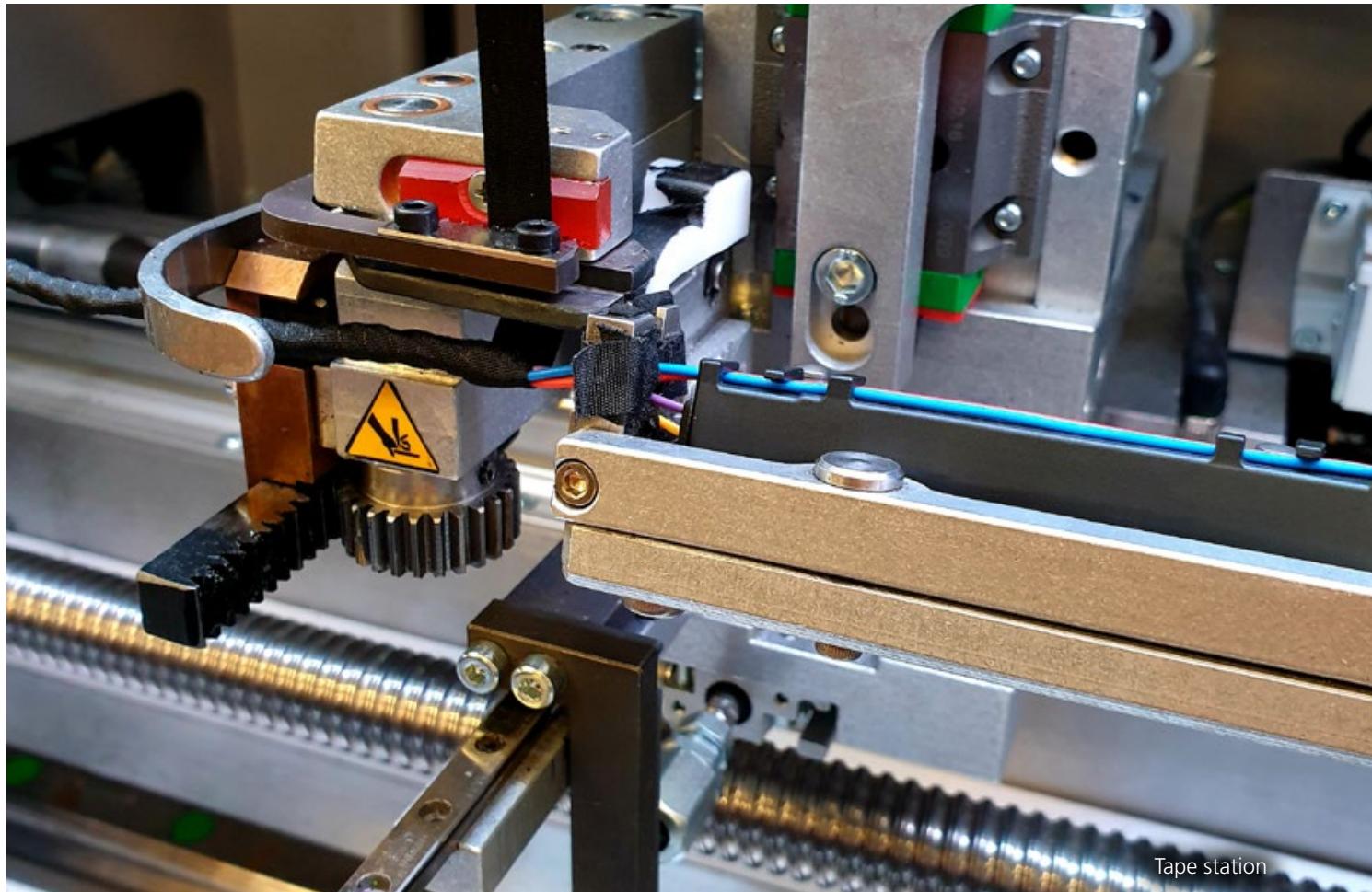
Responsibility of the legal representatives and Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for preparing consolidated financial statements that comply in all material respects with the IFRS as adopted by the EU and the additional requirements of German law to be applied in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB) and for ensuring that the consolidated financial statements give a true and fair view of the assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls they have defined as necessary to allow preparation of consolidated financial statements that are free from material misstatements – whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue to operate as a going concern. Furthermore, they are responsible for disclosing any pertinent issues relating to the going concern assumption. In addition, they are responsible for using the going concern principle of accounting unless the intention is to liquidate the company or to cease top operate or there is no realistic alternative but to do so.

The legal representatives are also responsible for preparing the Group management report, which as a whole gives an appropriate view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for implementing the safeguards and measures (systems) they consider to be necessary to allow the preparation of a Group management report in compliance with the applicable German legal requirements and for ensuring they are able to provide sufficient appropriate evidence for the statements made in the Group management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.



Tape station

Auditor's responsibility for the audit of the consolidated financial statements and the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from misstatements, whether due to fraud or error, and whether the Group management report as a whole gives an appropriate view of the Group's position and is consistent in all material respects with knowledge obtained in our audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level assurance, but not a guarantee, that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation, taking into account the German generally accepted standards for the audit of financial statements promulgated by

the Institute of Public Auditors in Germany (IDW) will always detect any material misstatement. Misstatements may result from fraud or error and are regarded as material if, either individually or in aggregate, they could reasonably be expected to influence economic decisions by users taken on the basis of these consolidated financial statements or this Group management report.

During the audit, we exercise the necessary professional judgement and maintain a critical attitude. In addition,

- we identify and assess the risks of material in the consolidated financial statements and Group management report, whether due to fraud or error, plan and perform the audit as a response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements might not be detected is higher in the event of fraud than in the event of error because fraud may involve collusion, forgery, intentional omissions, misrepresentations or overriding internal controls.

- we gain an understanding of the internal controls of relevance for the audit of the consolidated financial statements and the safeguards and measures of relevance to the audit of the Group management report, in order to plan audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an audit opinion on the efficacy of these systems.
- we assess the appropriateness of the accounting policies applied by the legal representatives, the reasonableness of the estimates made by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle of accounting used by the legal representatives and, on the basis of the audit evidence, about whether there is any material uncertainty regarding the events or circumstances that could give rise to significant doubt about the ability of the Group to continue as a going concern. If we come to the conclusion that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the Group management report or, if these disclosures are inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. Future events or circumstances may, however, prevent the Group continuing to do business.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying business transactions and events in a manner such that consolidated financial statements give a true and fair view of the assets, financial position and results of operations of the Group in accordance with the IFRSs adopted by the EU and the additional requirements of German law in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB).
- we obtain sufficient appropriate audit evidence regarding the accounting information on the companies or business operations within the Group to give audit opinions on the consolidated financial statements and Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we assess the consistency of the Group management report with the consolidated financial statements, its compliance with the law and the view it presents of the Group's position.
- we perform our audit procedures on the forward-looking statements made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine, in particular, the significant assumptions underlying the forward-looking statements by the legal representatives and assess whether the forward-looking statements have been derived correctly from these assumptions. We do not express a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a significant and unavoidable risk that future events could deviate materially from the forward-looking statements.

We communicate the planned scope and timing of the audit and significant audit findings, including any shortcomings in the internal control system identified during the audit, with those charged with governance.

We provide those charged with governance with a declaration that we have observed the relevant requirements on independence and discuss with them all relationships and other matters that may reasonably be assumed to affect our independence and the related safeguards.

Based on the matters communicated with those charged with governance, we determine the matters that were of most significance for the audit of the consolidated financial statements for the present reporting period and that are therefore the key audit matters. We describe these issues in our auditor's report, unless law or regulation precludes public disclosure of the matter.



Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation.

We were elected as the auditor for the consolidated financial statement at the Annual General Meeting on July 06, 2018. We were engaged by the Supervisory Board on July 09, 2018. We have been engaged continuously as the auditor for InTiCa Systems AG since 2012.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation.

Responsible auditor

The auditor responsible for the audit is Albert Schick.

Eggenfelden, April 24, 2019

KPWT Kirschner Wirtschaftstreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Diplom-Betriebswirt (FH)
Albert Schick
Wirtschaftsprüfer (Auditor)

Diplom-Volkswirt
Collin Späth
Wirtschaftsprüfer (Auditor)



Technical Glossary

TECHNICAL GLOSSARY

Antennas

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

Automation technology

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

Coil

See under "inductive components" or "inductors".

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

See under "inductive components"; electronic component for the separation of different signal sources.

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.

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.

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).

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.

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).

Financial Calendar 2019

- April 25, 2019 Publication of the annual report for 2018
- April 25, 2019 Press conference/conference call
- May 23, 2019 Publication of interim financial statements for Q1 2019
- July 10, 2019 Annual General Meeting in Passau
- August 22, 2019 Publication of interim financial statements for H1 2019
- November 21, 2019 Publication of interim financial statements for Q3 2019
- December 11, 2019 Munich Capital Market Conference 2019



Thank you for your confidence
in our company

InTiCa
Systems



Technologies for growth markets!

Headquarters

InTiCa Systems AG
Spitalhofstraße 94
94032 Passau/Germany

Phone +49 (0) 851 9 66 92-0

Fax +49 (0) 851 9 66 92-15
info@intica-systems.com
www.intica-systems.com

InTiCa
Systems