InTiCa Systems

INNOVATIONS for key technologies

2021 ANNUAL REPORT

Technologies for growth markets

Transformation Strategy

Key Figures of InTiCa Systems

The Group

	2019 EUR ´000	2020 EUR ´000	2021 EUR ´000	Change in %
Sales	65,733	71,072	95,735	34.7%
Net margin	1.7%	-0.2%	2.0%	-
EBITDA	7,356	6,668	9,276	39.1%
EBIT	2,108	736	3,396	361.4%
EBT	1,373	169	2,835	1577.5%
Net profit (loss)	1,129	-118	1,962	-
Earnings per share (diluted/basic in EUR)	0.27	-0.03	0.46	-
Cash flow total	3,008	6,610	-4,914	-
Net cash flow from operating activities	8,607	6,005	2,875	-52.1%
Capital expenditure	3,503	2,123	3,736	76.0%

	31.12.2019 EUR ´000	31.12.2020 EUR ´000	31.12.2021 EUR ´000	Change in %
Total assets	55,297	53,315	58,420	9.6%
Equity	17,969	16,888	19,660	16.4%
Equity ratio	32%	32%	34%	-
Employees incl. agency staff (number)	601	894	744	-16.8%

The Stock

	2019	2020	2021	(March 31) 2022
Closing price (in EUR)	7.60	8.60	12.20	11.60
Period high (in EUR)	8.50	8.65	22.00	12.70
Period low (in EUR)	4.84	3.80	8.50	10.40
Market capitalization at end of period (in EUR million)	32.58	36.87	52.30	49.73
Number of shares	4,287,000	4,287,000	4,287,000	4,287,000

The stock prices are closing prices on XETRA®.

CONTENT
Table of Contents

GROUP

The InTiCa Systems' Group Foreword

Dear shareholders, employees and business associates,

While our business model proved its stability and future potential at the beginning of the coronavirus pandemic, in the first half of 2021, it was possible to glimpse our full capability. Record sales, a clear improvement in profitability and rising operating cash flows provided a clear indication of what would be possible in a positive business climate. With tailwind coming from the first vaccines, the sustained effects of pent-up demand and the global economic recovery, it looked as though sales would top the EUR 100 million threshold. Ultimately, Group sales were slightly below this level at EUR 95.7 million and we did not quite retain our margin owing to the increasing strain on supply chains and rising raw material prices in the second half of the year. The fourth quarter, in particular, was relatively subdued, especially compared with the strong end to the previous year.

Nevertheless, 2021 was a very successful year for InTiCa Systems AG. Our strategic focus on e-solutions is constantly proving a key factor. As well as receiving numerous enquiries from the e-mobility sector, we acquired several new orders for energy storage systems in 2021. These will also play a part in our overall performance in the current financial year. By focusing on future-oriented product areas and spreading our growth evenly between both segments, we are gradually reducing InTiCa Systems' reliance on the general automotive cycle. The automotive sector had an extremely difficult year and in Germany new vehicle registrations dropped back to the level seen in the 1980s. Only a few years ago, achieving record sales in these conditions would have been unthinkable for InTiCa Systems. In 2022, we want to extend our sales and development competence and capacity.

Another strategic step that is increasingly proving its worth is stepping up our international exposure, for instance, with our site in Mexico. Here, we achieved a new level of stability in the management of the coronavirus pandemic in 2021. In addition, we achieved an important milestone by acquiring the first industrial projects. Solutions for the smart energy metering sector are now being implemented and production is starting. There is a high probability of acquiring further projects for the Industry & Infrastructure segment in the near future. In the Automotive segment, too, we aim to acquire new orders for the NAFTA market and promising negotiations are under way. This reflects the successful establishment of local sales capacity and we will be stepping up our focus on locally generated projects as we drive forward expansion of this site. That said, in Mexico we are still affected to a large extent by fluctuations in order offtake by Asian customers, which impact sales and earnings. In 2022, we are therefore investing both in expanding existing product lines for new products and in new facilities. For example, we have secured orders for antennas and actuators for chassis parts.

We had hoped that the plans to set up a new production facility for wage-intensive products in eastern Europe would help us leverage additional growth potential. In order to reduce pressure on our European production site in Prachatice, we examined several options in 2021. Based on an extensive valuation matrix, we decided for a site in Ukraine, not far from Kiev. In January 2022, we established InTiCa Systems LLC in Bila Tserkva with the aim of starting production in the course of 2022. As we all know, things have changed. The Russian war of aggression on Ukraine started before we could commence any significant operations. In case the planned production facility cannot be taken into service in the foreseeable future, we are examining alternative options so that we can remain proactive. In keeping with our approach to risk management, the rent contract for the production building in Ukraine contains cancellation clauses if there is a armed conflict and business operations are not possible. At any rate, the expected positive effects on wage-intensive products are unlikely to be achieved in 2022.

Although this is first and foremost a terrible tragedy for the people of Ukraine, looking beyond the question of the site, the situation in Ukraine has further consequences for our business. Supply chain disruption is likely to increase, with the disruption of the raw material and energy markets increasing production costs and raising the general uncertainty the market for products. While inventories in some fields were already depleted prior to the outbreak of war, the conflict and new lockdowns in China as a result of its zero-Covid strategy have disrupted supply chains. Supply bottlenecks are already causing instability in production, including production stoppages at many sites operated by German OEMs. Further problems are to be expected.

Therefore, proactive risk management remains important in 2022. In 2021, we managed to pass on the rising prices for raw materials and intermediates to a large extent and to secure production with the aid of higher inventories. Now we are conducting further negotiations with our customers to alter contract management and stepping up our focus on liquidity management. Our measures also include investments to optimize our site in the Czech Republic and the introduction of a new SAP-based ERP system. We are also paying increasing attention to cybersecurity.

Russia's war in Ukraine has highlighted the security-policy dimension of the energy system and the need for restructuring based on renewable resources. Electrification with end-to-end coupling of the climate-relevant sectors – energy, industry, buildings and mobility – is essential to meet the ambitious climate targets. Electrification could reduce primary energy requirements by more than 40% by 2045, the target year for achieving climate neutrality. Our stators for hybrid vehicles, performance electronics for onboard chargers and power components for stationary energy storage show that we have innovative technologies, intelligent solutions and the appropriate product portfolio to support the necessary transformation process and continue our sustainable growth in the future.

As of now, we therefore assume that, taking into account the particular challenges of 2022, Group sales will be relatively stable at EUR 85.0 million to EUR 100.0 million, while the EBIT margin will be slightly lower at between 2.5% and 3.5%. The good first quarter fuels our optimism. Although it did not quite match the record figures achieved in the prior-year period, which were driven by pent-up demand, orders on hand and order offtake by customers remained high. Product innovations in the field of e-solutions and further internationalization should open the door to new markets in both segments.

We do not simply want to continuously improve our products: our organizational structure should also be state-of-the-art. The Board of Directors and Supervisory Board of InTiCa Systems AG therefore recently decided to pave the way for a change in the company's legal status to a European stock corporation ("Societas Europaea", SE) operating as InTiCa Systems SE. InTiCa Systems would like to use this attractive, modern and internationally recognized legal form for the progressive development of the company. No change in the management structure is planned. Altering the legal form of the company is contingent, among other things, on the General Meeting of InTiCa Systems AG approving the planned change of status and the related articles of incorporation of the future InTiCa Systems SE.

We look forward to dialogue with our shareholders, and would like to thank you – and our customers and business partners – your good collaboration. Naturally, we want to say an especially big thank you to our employees: without you, InTiCa Systems would not be so successful and we trust that we can rely on your ideas and commitment in the face of the current challenges.

Passau, April 2022

Yours

Dr. Gregor Wasle
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors

GROUP

Report of the Supervisory Board on fiscal 2021

Dear shareholders,

In fiscal 2021, 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, control and 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 as well as control 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.

In particular, the Board of Directors and Supervisory Board have continued to maintain very close and constant contact about the impact of the coronavirus pandemic on the company, measures to protect employees, customers and suppliers, and the scope to prevent and mitigate the consequences of the "coronavirus crisis" as well as the negative development of the raw material and energy markets and the Ukraine crisis. In addition, the influence on the company's strategy and any necessary adjustments are constantly discussed.

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 2021, the Supervisory Board examined, in particular, the company's strategic alignment, the business potential and business development. This included intensive discussion of key markets, product groups and future-oriented technologies. Particular attention was paid to e-solutions and e-mobility.

In the light of the aforementioned prevailing crises, the Board of Directors and Supervisory Board looked very intensively at these issues, appropriate action, and the risks to be considered, along with risk mitigation. That included continuously adjusting the financing strategy. 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. Production and sales planning and the strategic development of the Group were also discussed regularly with the Board of Directors.

Corporate governance

In the reporting period, the Supervisory Board also examined the implementation of the German Corporate Governance Code at InTiCa Systems. The present declaration of conformity pursuant to sec. 161 German Companies Act (AktG) was adopted by the Board of Directors and the Supervisory Board on January 31, 2022 and is permanently available on the company's website. There were no conflicts of interest on the Supervisory Board in the reporting period.

The members of the Supervisory Board independently undertake the training required to perform the duties, for example, with respect to changes in the legal framework and new, future-oriented technologies, with appropriate support from the company. In the reporting period, information and training sessions were organized, in particular, on the amendments to the German Companies Act (AktG) resulting from the Shareholder Rights Directive and the new version of the German Corporate Governance Code adopted in 2020.

Further information on corporate governance can be found in the corporate governance statement pursuant to sec. 289f and sec. 315d German Commercial Code (HGB), including the corporate governance report.

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 did not have any committees in the reporting period. At the beginning of 2022, the Supervisory Board established an Audit Committee. The members are the three members of the Supervisory Board. The full Supervisory Board discussed all relevant issues.

Meetings of the Supervisory Board

In addition to the Supervisory Board meeting on the financial statements on April 21, 2021, the Supervisory Board held eight meetings. All members of the Supervisory Board were present at all meetings, apart from the meeting on July 15, 2021. Mr. Werner Paletschek was excused from the meeting on July 15, 2021.

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

<u>January 29, 2021:</u> The main items on the agenda were approval and signature of the declaration of conformity with the German Corporate Governance Code in conformance with sec. 161 German Companies Act (AktG); setting the date for the Annual General Meeting 2021; a preliminary conclusion on the performance of the sites in the 2020 financial year; an evaluation of the current business situation; the status of financing and liquidity; discussion of the corporate strategy 2025; update on the ERP project.

<u>February 26, 2021:</u> Resolution on the key elements of a remuneration system for the members of the Board of Directors and Supervisory Board.

<u>April 16, 2021:</u> Discussion of the annual financial statements for 2020 and the auditor's report; update by the Board of Directors on the current business and order situation, taking into account the Covid-19 situation; approval of the corporate governance statement pursuant to sec. 289f and sec. 315d German Commercial Code (HGB), including the corporate governance report; report by the Board of Directors on the status of the strategy 2025; presentation of current sales projects; current financing and liquidity issues.

<u>May 28, 2021:</u> Resolution on the remuneration system for the members of the Board of Directors; proposals for resolutions of the Annual General Meeting on July 16, 2021, including the remuneration systems for the members of the Board of Directors and the Supervisory Board; resolution on updating the declaration of conformity with the German Corporate Governance Code; resolution on amending the employment contracts of the members of the

Board of Directors; presentation of business performance to date in 2021, including the procurement situation; report on current sales issue with a focus on new and follow-on orders; update on business development activities to drive forward the Industry & Infrastructure segment; progress report on strategic projects; financing and liquidity status.

July 15, 2021: Ongoing development of the site strategy with a focus on eastern Europe; current topics relating to the Annual General Meeting 2021; update on the business performance of all sites with a special focus on the sales and procurement situation; evaluation of the liquidity and financing situation; update on the ERP project.

October 8, 2021: Overview of business performance in 2021, including an analysis of the market and customer situation; report on current projects at the Mexico site; selection procedure for partners for the ERP project; update on the strategy process with a focus on expansion of the sites and new areas of business.

December 17, 2021: Update on the establishment of the site of InTiCa Systems LLC (Ukraine) and the contract situation for the ERP project; analysis of the business performance in 2021 in the light of the market situation; discussion of the preliminary budget and financing and liquidity issues for 2022; status report on the strategic projects.

December 23, 2021: Resolution on signature of the contracts for the projects relating to establishment of a site in Ukraine and introduction of the ERP system.

Annual financial statements of the company and the Group

The auditors, consaris AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, 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, 2021 to December 31, 2021. The Supervisory Board granted the audit contract in accordance with this.

The annual financial statements and management report of InTiCa Systems AG for the fiscal year from January 1 to December 31, 2021, prepared in accordance with the provisions of the German Commercial Code (HGB), were audited by consaris AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, 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, 2021, 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 its meeting on April 8, 2022, the Supervisory Board discussed the provisional figures for the annual financial statements of the company and the Group for 2021 in the presence of the auditor. At a further meeting on April 25, 2022, the Supervisory Board discussed the annual financial statements for the company, the consolidated annual financial statements and the management reports for InTiCa Systems AG and the Group, all of which have received unqualified audit opinions, the Board of Directors' proposal for the appropriation of the profit, this report of the Supervisory Board and the corporate governance statement pursuant to sec. 289f and sec. 315d of the German Commercial Code (HGB), including 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 annual financial statements of InTiCa Systems AG, the management reports for InTiCa Systems AG and the Group, the corporate governance statement, the remuneration report, and the audit reports prepared by the auditor on the financial statements for the company and the Group and the management reports.

The Supervisory Board examined these documents in detail and discussed them intensively in the presence of the auditor, who reported on the key 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 on the annual financial statements and the consolidated annual financial statements, established that it had no objections to raise, and approved the financial statements and management reports prepared by the Board of Directors; the Supervisory Board acknowledged with approval the proposal of the Board of Directors for the appropriation of the profit. The annual financial statements of InTiCa Systems AG for 2021 are thus adopted. The Supervisory Board also adopted the present report of the Supervisory Board, the remuneration report and the corporate governance statement pursuant to sec. 289f and sec. 315d of the German Commercial Code (HGB) in the present version.

The Supervisory Board would like to thank the Board of Directors and the employees of the InTiCa Group for their performance and high level of commitment in 2021. 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 25, 2022

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

- *Member of the Board of Management 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
Passau

- *Managing partner of ziel management consulting gmbh*
- *Managing partner of Fürst Reisen GmbH & Co. KG*
- *Chairman of the Supervisory Board of Electrovac AG*
- *Advisory board of Eberspächer Gruppe GmbH & Co. KG*
- *Advisory board of Karl Bachl GmbH & Co. KG*

Highest precision

HIGH PERFORMANCE PRODUCTION LINE

INTICA SYSTEMS
Company Profile

InTiCa Systems is a leading technology provider of inductive components and systems, passive analog circuit technology and mechatronic assemblies. Driven by many years of experience, in-depth know-how and a permanent spirit of innovation, InTiCa Systems offers its customers the highest quality and pioneering technical precision for its products and services. Satisfied customers, long-term business relationships and performance in line with market requirements are the highest goals of the InTiCa Systems Group.

InTiCa Systems is a young and dynamic company specializing in the automotive and industry & infrastructure market segments. By consistently expanding its core competencies over the last two decades, the InTiCa Systems team has succeeded in achieving sustainable growth targets in the aforementioned segments for various key technologies and product fields, with the consistent pursuit of a well-thought-out corporate strategy.

The company operates with around 900 employees at four sites. Passau is home to the headquarters and the Technology Center, while the production plants are located in Prachatice/Czech Republic and Silao/Mexico.

Our strategy and targets

- The customer is at the heart of our endeavours.
- We are world class in the development and production of inductive components and mechatronic systems.
- Our actions focus on the quality and profitability of our products and services.
- We strive for healthy and measured product diversification and internationalization.
- We offer our customers high-quality and technically advanced products.
- We are committed to a continuous process of innovation and renewal.
- With our skilled and competent employees, we shape perspectives and secure the future.
- Environmental protection and environmental management are key corporate and management tasks.

International

Worldwide customers & international locations

Passau, GERMANY

Head office & Technology Center

» Sales and production development & samples and pre-serial production

» Employees: 80*

Prachatice, CZECH REPUBLIC

Production facility

» Modern production facility with high degree of vertical integration, secure processes and technologies

» Employees: 600*

Silao, MEXICO

Production facility

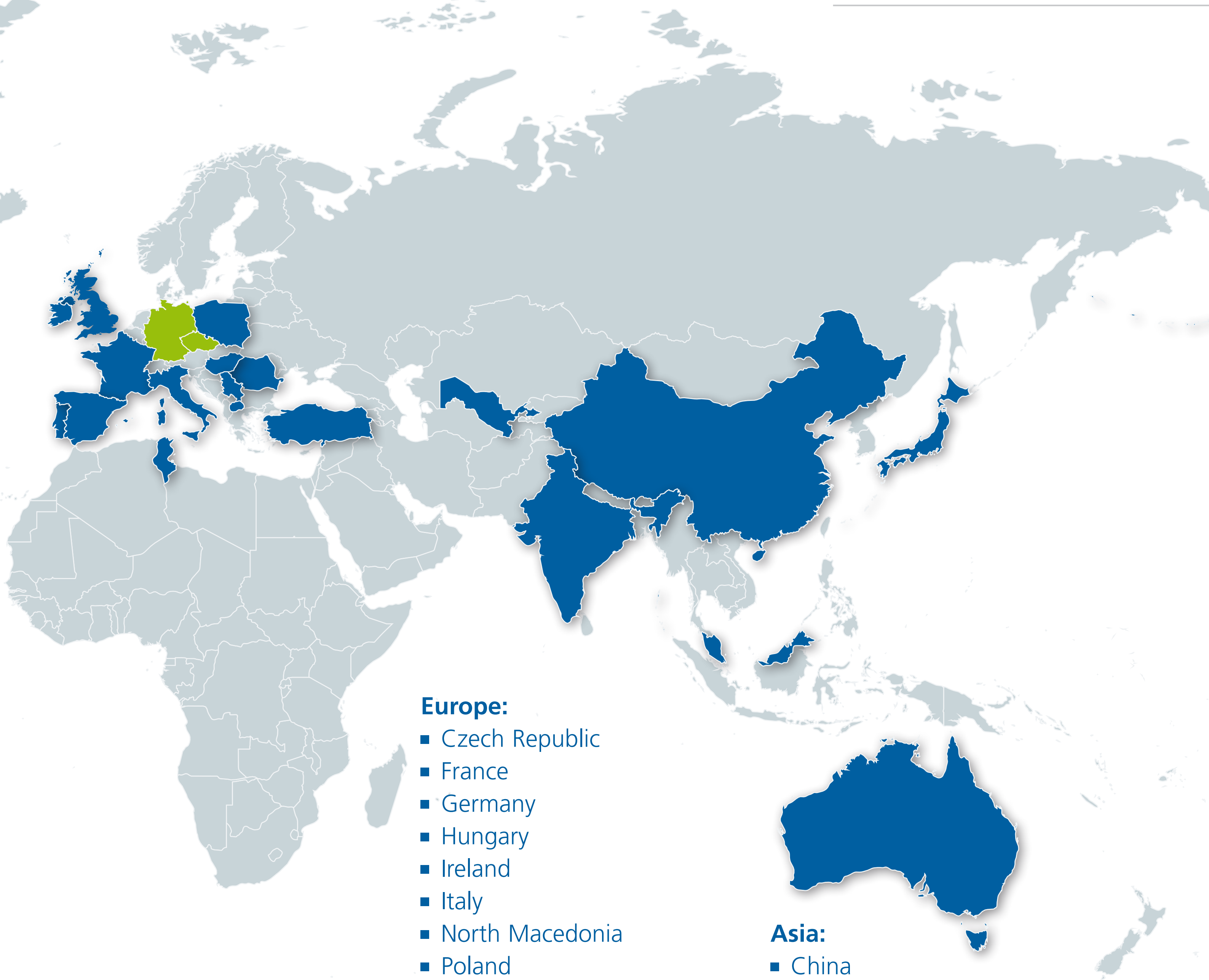
» Production for Automotive and Industry & Infrastructure

» Employees: 250*

America:

- Brazil
- Mexico
- USA

* Number of Employees: March 31, 2022



Europe:
- Czech Republic
- France
- Germany
- Hungary
- Ireland
- Italy
- North Macedonia
- Poland
- Portugal
- Romania
- Serbia
- Spain
- United Kingdom

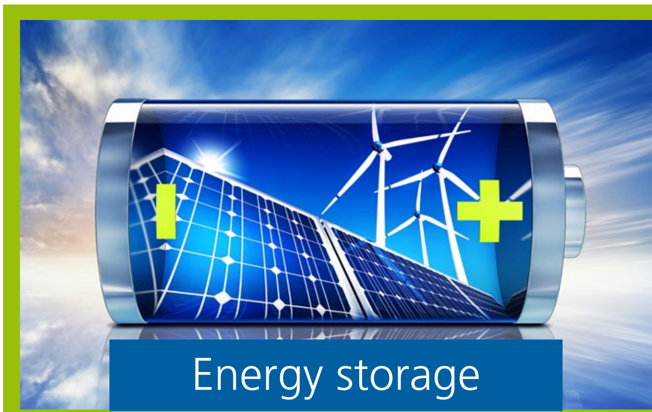
Africa:
- Tunesia

Asia:
- China
- India
- Japan
- Malaysia
- Turkey
- Uzbekistan

Australia

ORGANIZATION AND DEVELOPMENT

E-Solutions



Intelligent solutions for the digital transformation

E-SOLUTIONS – KEY TECHNOLOGIES FOR THE FUTURE

Based on an understanding of global megatrends, InTiCa Systems AG has identified four key technologies and declared them to be strategic priorities.

Dynamic engagement in key technologies of the future such as electro mobility, energy storage, energy management systems and safety technology is, quite literally, the key to success for InTiCa Systems.

The concept of „e-solutions" brings together InTiCa Systems' technological expertise and the intelligent interaction between the generation, storage, control and use of energy, providing the big picture for the company's strategic roadmap.

InTiCa Systems covers a broad portfolio of product fields, from power electronics for e-generation, through EMC filters for e-storage solutions, to system solutions for hybrid and electromobility for energy use, which is to be expanded in the future.

AUTOMOTIVE

InTiCa Systems' core business is focused on the Automotive segment, where the company specializes in the development and production of actuators, sensors, power electronics and drive technology in motor vehicles. In terms of customer orders at InTiCa Systems in this business segment, there is a clear trend towards electric and hybrid mobility.

The range of products offered in the Automotive sector includes a wide variety of different components, with products from the areas of onboard chargers, stator coils, EMC filters, inverters and components for battery management, who have become particularly relevant for e-mobility.

All five of its product groups are involved in the solutions which InTiCa Systems develops for its customers in the Automotive sector, to the extent that InTiCa Systems products and technologies are installed in all relevant vehicle classes worldwide, from small cars to premium vehicles, by well-known European and American manufacturers.

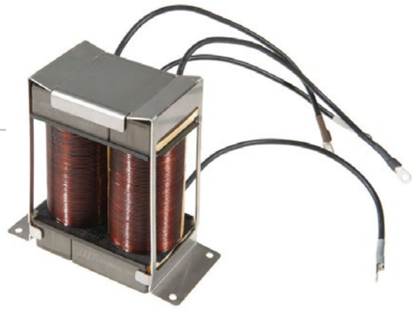
InTiCa Systems already generates well over 50% of its turnover in the field of hybrid and electric mobility, which, besides partially and fully autonomous driving and digital connectivity, is considered one of the three key technologies in the automotive industry of the future and is forecast to continue growing strongly.

INDUSTRY & INFRASTRUCTURE

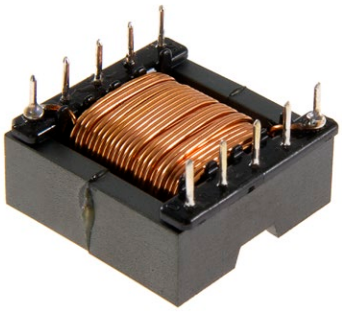
In its second business segment, Industry & Infrastructure, InTiCa Systems focuses on high-quality, customer-specific inductive components, mechatronic module and system solutions for renewable energy sources (solar), as well as automation and drive technology. In all the aforementioned areas, InTiCa Systems develops competent solutions tailored to specific requirements.

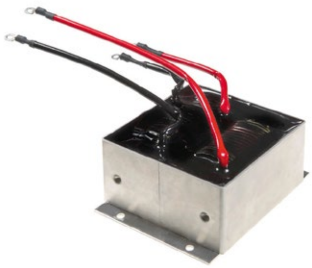
A major asset of InTiCa Systems is its many years of expertise in the Industry & Infrastructure segment, namely in converter and inverter technology, on which the company will continue to rely in the future. This technology, which is based on the ability of inductive components to convert solar energy into grid-connected electricity, will enable the company to expand its global market presence in the areas of power transformers, interference suppression components as well as coils and filters. The portfolio is complemented by the expertise of InTiCa Systems' team in the fields of power electronics and automation and drive technology.

The field of e-solutions is also a key focus in the Industry & Infrastructure segment where it is particularly important for product applications for inverters, smart metering, energy storage systems and electric charging systems. One of the company's strategic goals is to align the topics of e-solutions and e-mobility, for example by combining e-vehicles with a modern e-charging infrastructure, through the use of synergies between the Industry & Infrastructure and Automotive segments.









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 components 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. For example, power electronics are found in the power drivetrain in all hybrid and electric vehicles.

Application examples

Automotive

InTiCa Systems supplies customer-specific solutions in the form of high-voltage transformers and chokes. Applications include onboard chargers and stationary charging points. To meet technical specifications, the company uses special manufacturing processes (for example, special winding technology) and materials (for example, special magnetic materials).

Industry & Infrastructure

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 unwanted disruption.

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

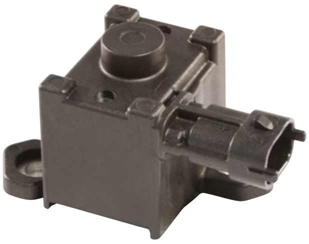
Application examples

Automotive

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

Industry & Infrastructure

EMC filters are indispensable components in many electronics applications in industry. InTiCa Systems supplies EMC filters that ensure interference-free use of industrial products. Its portfolio includes common mode chokes in all common designs, filter modules and filter assemblies for stationary energy storage systems.



ACTUATORS Controlling motion

The term actuator normally refers to the use of electrical energy to generate a movement or deflection. Actuators are used in many technical applications, for example in drive technology, valve technology and locking systems. InTiCa Systems specializes in the production of various types of actuator coils, which can be used in a wide range of applications in measurement control and regulation technology.

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

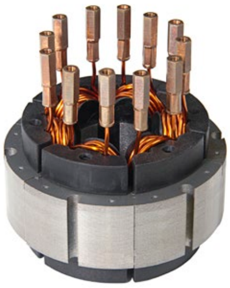
Automotive

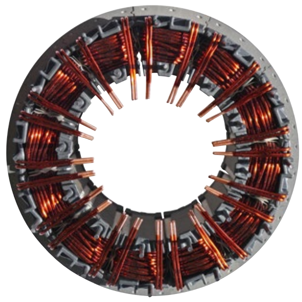
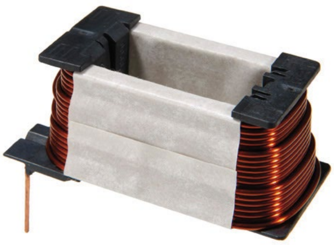
Actuator coils (magnetic hub coils) are frequently used for electronic handling. InTiCa Systems offers custom-tailored assemblies. Applications include electromagnetic steering wheel locks, gearshift interlocks, electro-hydraulic steering systems and self-levelling systems.

Industry & Infrastructure

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



STATORS Electromagnetic transformation

Stator coils are used in electric drives that convert electrical energy into mechanical power. A wide variety of different designs and electrical solutions are available. The aim is to steadily reduce the dimensions and weight of coils and to increase their electrical efficiency.

Development and production at InTiCa Systems meet the highest quality and functional requirements to ensure that 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.

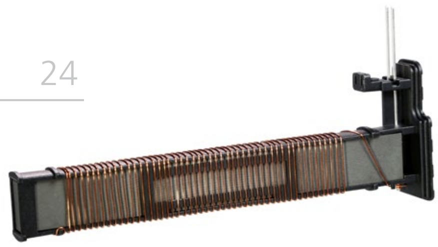
Application examples

Automotive

For its customers InTiCa Systems develops and produces stators for hybrid and electric vehicles and turbocharger systems. Product designs include a wide variety of technologies (for example, overmoulding) and materials (for example, insulating materials, laminated structures).

Industry & Infrastructure

InTiCa Systems supplies stator coils for industrial applications such as pump motors. 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.

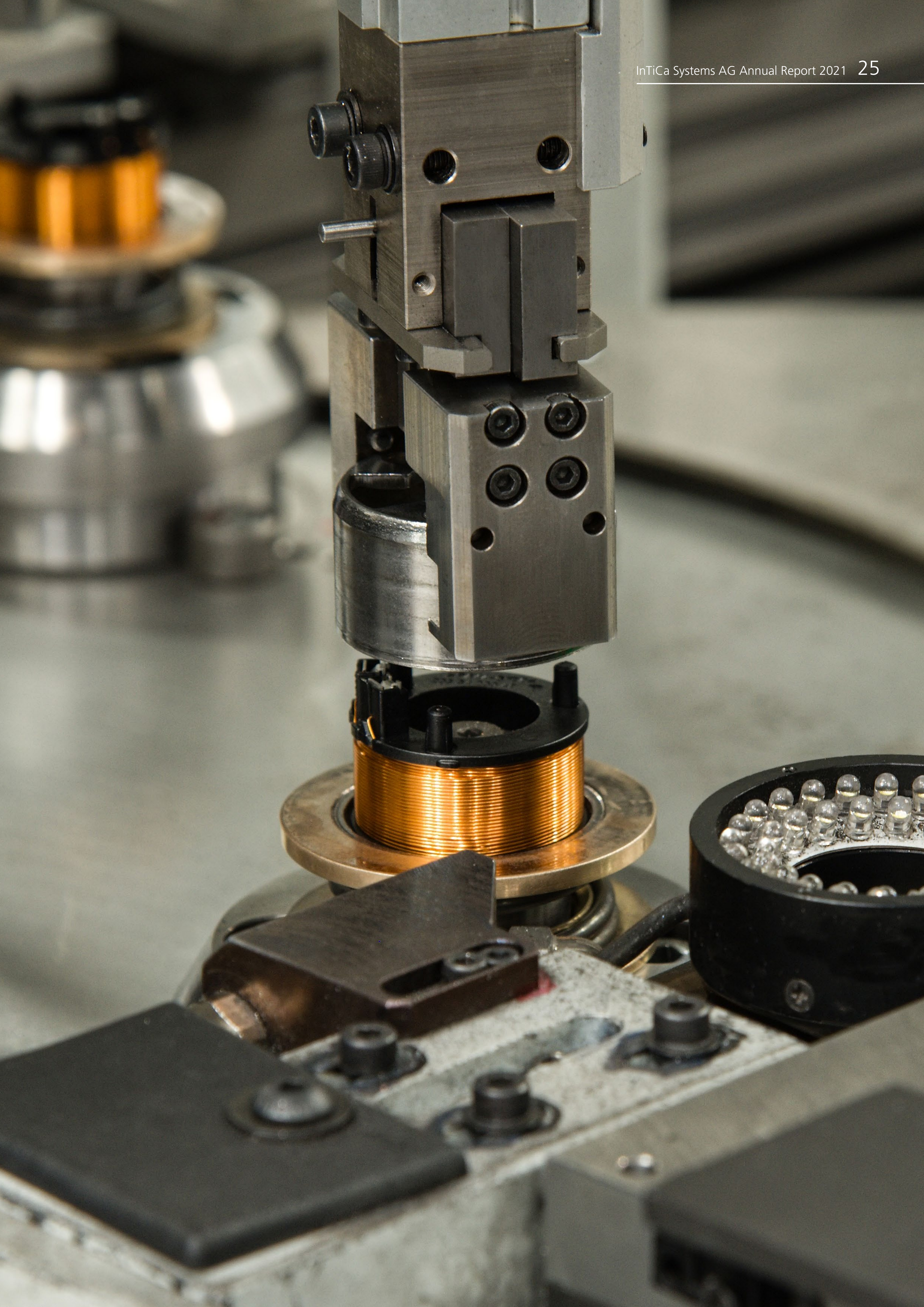
LF antennas are a key component in keyless entry/go systems, which allow drivers to open the car door and start the engine without having to press a button on the radio frequency key. Antennas integrated into the door handles and the interior of the vehicle act as sensors. Bidirectional communication takes place between the vehicle and the key. If a key is recognized at a certain distance from the vehicle or if the vehicle is touched at certain places (e.g. the door handle), the vehicle can be opened or closed without using the key.

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

Automotive

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.



STOCK
InTiCa Systems' Stock in 2021

Performance of shares in InTiCa Systems[1]

Despite the ongoing pandemic, the stock markets were far more stable in the reporting period than in 2020, which was an extremely volatile year with sharp drops in the benchmark indices around the world, followed by a strong year-end rally driven by registration of the first vaccines against Covid-19 and conclusion of the trade agreement between the EU and UK. In the first two months of the reporting period, the DAX index traded around its starting point, followed by an uptick from March, bringing it to over 15,000 points. Driven by pent-up demand, a thriving industrial cycle and a general recovery in the global economy, the DAX rose steadily and repeatedly came close to 16,000 points in August. Other key factors in the price gains were progress with the vaccination drive, low interest rates and fiscal policy measures. However, market volatility increased considerably from September. Uncertainty surrounding the outcome of the German general election, rising inflation and concern that the crisis at the Chinese real estate group Evergrande could spread led to a clear price correction in September. In fact, the DAX index briefly dropped below 15,000 points at the beginning of October, but this was followed by a renewed rally which lasted until mid-November. Based on good corporate data, the index reached a high for the year of 16,251.13 points on November 17, 2021. Following classification of Omicron as a variant of concern by the World Health Organization on November 26, 2021, the index dropped back again, losing almost all the gains of the previous weeks within a few days. December brought a renewed rally and the DAX ended the year at 15,884.86 points on December 30, 2021, a rise of 15.8% compared with end-December 2020. The gain on the TecDAX was considerably higher at 22.0%. Despite the ongoing pandemic, global supply problems and growing fears of inflation, 2021 was another very successful year for the stock market, albeit increasingly turbulent in the second half.

[1] Price data based on XETRA®, source: Bloomberg

Shares in InTiCa Systems were exposed to considerable volatility in 2020, but rising sales and order intake led to a sharp hike in the share price in the fourth quarter of the year. Having ended 2020 with a pleasing gain of around 13.2%, shares in InTiCa Systems AG started the new year at EUR 8.65. Initially, the upward trend continued, driven, among other things, by the positive forecast for the previous financial year which was published at the end of January 2021. Starting from the low for the year of EUR 8.50 on January 5, 2021, the share price rose continuously until mid-February. It then traded sideways at between EUR 11.50 and EUR 12.00. Following publication of the annual report in April, price momentum increased as trading volume picked up again. In view of the very good figures for the first quarter of 2021, the share price rose to EUR 22.00 on May 25, 2021. That was also its highest level in the reporting period. The share price subsequently dropped considerably as trading volume declined and fell below EUR 13.00 at times. It then fluctuated between EUR 13.00 and EUR 17.00, ending the third quarter at EUR 15.00. At the start of the fourth quarter, the share price was relatively stable, trading between EUR 14.00 and EUR 15.00, but a continuous downtrend set in at the start of November. Despite good nine-month figures, shares in InTiCa Systems were no longer able to shrug off rising raw material prices and massive supply bottlenecks in parts of the automotive industry. In XETRA trading, the share ended the year at EUR 12.20 on December 20, 2021. That was a gain of 41.9% compared with the closing price on December 30, 2020.

InTiCa Systems' market capitalization therefore improved to around EUR 52.3 million as of year-end 2021 (December 31, 2020: EUR 36.9 million). As in the previous year, the most important trading exchange for shares in InTiCa Systems was the XETRA electronic trading platform, which accounted around 61% of trading in the share, followed by the Berlin Tradegate Exchange, which accounted for roughly 29%, Boerse Stuttgart, which accounted for more than 6% and the Frankfurt Stock Exchange, which accounted for around 3%. The average trading volume increased again year-on-year to 64,238 shares per month (2020: 52,419 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	2021	2020
Year high (XETRA® closing price)	22.00	8.65
Year low (XETRA® closing price)	8.50	3.80
Market capitalization at year end in EUR million	52.3	36.9

Closing prices	2021	2020	Change
Shares in InTiCa Systems (XETRA®)	12.20	8.60	41.9%
DAX	15,884.86	13,718.78	15.8%
TecDAX	3,920.17	3,212.77	22.0%
DAXsector Technology	2,192.70	1,688.74	29.8%

Investor Relations

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 further strengthen confidence in the company and its shares and contribute to realistic 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 in 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 performance 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 (www.intica-systems.com). In addition to these reports, the Investor Relations section 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.

In the 2021 financial year, we provided timely information for our shareholders and the general public on current business trends, specific events and the company's overall prospects. As in the past, the press conference to mark the publication of the annual report for 2020 attracted considerable interest from analysts and investors. The presentation given at the press conference can be accessed on the company's homepage at Investor Relations/Publications (available in German only). The presentation given at the Annual General Meeting on July 16, 2021, which was held virtually again due to the ongoing coronavirus pandemic, is also available on the website. At the AGM, shareholders were able to inform themselves about fiscal 2020 and the current situation at InTiCa Systems AG.

In addition, the Board of Directors regularly presents the company at relevant capital market conferences. InTiCa Systems AG was therefore once again represented at the „MKK Munich Capital Market Conference" in December 2021 which was held online. The MKK is the largest capital market conference in southern Germany. In 2022, it is scheduled to take place on November 15/16, with InTiCa Systems AG's renewed participation firmly planned.

The homepage 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 any questions from private and institutional investors, analysts and financial journalists.

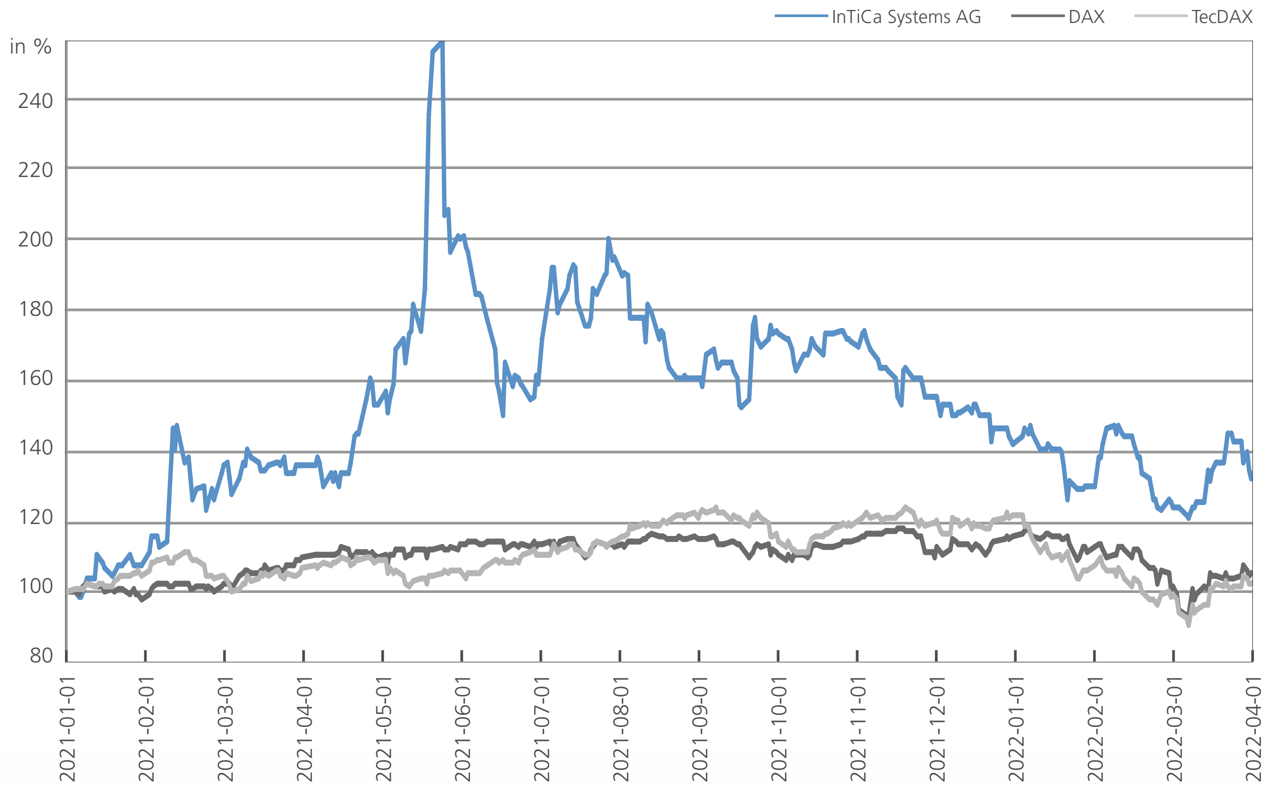
Key data on the share

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

Shareholder structure

The principal shareholders on March 31, 2022:	Shareholding:
Dr. Dr. Axel Diekmann	over 30%
Thorsten Wagner	over 25%
Tom Hiss	over 5%
Treasury stock	1.5%
Management	less than 1%

Performance of shares in InTiCa Systems



CORPORATE GOVERNANCE STATEMENT

including the Corporate Governance Report

The corporate governance statement for InTiCa Systems AG and the InTiCa Systems Group, which is required by sec. 289f and sec. 315d of the German Commercial Code (HGB), including the corporate governance report, is available on the internet at www.intica-systems.com in the section Investor Relations/Corporate Governance.

Corporate governance statement pursuant to sec. 289f of the German Commercial Code and consolidated corporate governance statement pursuant to sec 315d of the German Commercial Code for the 2021 financial year

In the corporate governance statement pursuant to sec. 289f of the German Commercial Code (HGB) and the consolidated corporate governance statement pursuant to sec 315d of the German Commercial Code, the Board of Directors and Supervisory Board provide information on the principal elements of corporate governance for InTiCa Systems AG and the Group. In addition to the annual declaration of conformity in conformance with sec. 161 of the German Companies Act (AktG), the statements include relevant information on corporate management practices and further aspects of corporate governance, especially a description of how the Board of Directors and Supervisory Board work.

Declaration of Conformity

On January 31, 2022, the Board of Directors and Supervisory Board of InTiCa Systems AG issued the following declaration of conformity pursuant to sec.161 of the German Companies Act (AktG):

1. The Board of Directors and Supervisory Board of InTiCa Systems AG (also referred to as the "company") hereby declare, in conformance with sec. 161 of the German Companies Act (AktG), that, since they issued their last declaration of conformity on January 29, 2021 (and the updated version of May 28, 2021), they have complied with the recommendations of the German Corporate Governance Code in the version of December 16, 2019, published in the German Federal Gazette (Bundesanzeiger) on March 20, 2020 ("GCGC 2020"), apart from the following exceptions:

» Recommendation A.2 GCGC 2020 (compliance management system)

The Board of Directors ensures that all statutory provisions and internal guidelines are complied with and endeavours to ensure that they are complied with throughout the company. To this end, it has instituted an appropriate and effective internal control system and risk management system (compliance management system) reflecting the scope of the company's business activities and its 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.

» Recommendations B.5 and C.2 GCGC 2020 (appointments to the Board of Directors and Supervisory Board)

Decisions on suitable candidates for appointment as members of the Supervisory Board or Board of Directors are taken on a purely objective basis in accordance with German legislation on diversity. No age limits are set for the members of the Board of Directors (recommendation B.5 GCGC 2020) and the Supervisory Board (recommendation C.2 GCGC 2020), so no age limits are disclosed in the corporate governance statement. 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.

» Recommendations D.1, D.2, D.3, D.4 and D.5 GCGC 2020 (rules of procedure and committees of the Supervisory Board)

The Supervisory Board has not adopted rules of procedure and published these on the website (recommendation D.1 GCGC 2020), nor has it formed any committees (recommendations D.2, D.3, D.4 and D.5 GCGC 2020). 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 rules of procedure since the rulings contained in legal statutes and the articles of incorporation have proven sufficient.

» Recommendation D.11 (Quality of the audit)

The Supervisory Board has not established an Audit Committee (see above). Therefore, the Supervisory Board itself conducts an evaluation of the quality of the audit on a regular basis.

» Recommendation F.2 GCGC 2020 (publication of interim financial reports and consolidated financial statements)

The consolidated financial statements and Group management report 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. 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.

» Recommendations G.7 sentence 1 and G.9 GCGC 2020 (performance criteria and target achievement for long-term variable remuneration)

According to the remuneration system for the members of the Board of Directors adopted by the Supervisory Board, the long-term variable remuneration is calculated on the basis of the EBIT margin of the InTiCa Systems Group, by applying a specific bonus factor to their annual base salary. Accordingly, for the long-term variable remuneration, the Supervisory Board does not set specific performance criteria for the upcoming financial year which are then used to calculate the variable remuneration components after the end of the financial year depending achievement of the target. Rather, the level of the long-term variable remuneration is determined using a purely mathematical formula and, unlike the short-term variable remuneration, is not contingent upon the achievement of certain pre-defined performance criteria. To this extent, the Supervisory Board does not define specific performance criteria for all variable compensation components that are then used to determine the amount to be paid. The Supervisory Board considers the purely mathematical calculation of the long-term variable remuneration to be a suitable method because it ensures that the long-term remuneration of all members of the Board of Directors is incentivized in the same way.

» Recommendation G.10 sentence 1 GCGC 2020 (granting of long-term variable remuneration)

The long-term variable remuneration is paid out to the members of the Board of Directors in cash and not predominantly invested in company shares or granted as share-based remuneration. In the opinion of the Supervisory Board, structuring long-term variable remuneration as a share-based model is not currently expedient. In view of the very low trading volume of shares in InTiCa Systems, the correspondingly low liquidity of the share price and – given the company's present shareholder structure – the relatively small „genuine" free float, the share price is not a suitable performance criterion for measuring long-term remuneration. In particular, the stock market price of shares in InTiCa Systems does not permit meaningful comparison with listed peer group companies. Specifically, the Supervisory Board considers that stock market pricing reflecting the positive or negative development of the company is not available to determine the long-term variable remuneration component. Accordingly, the Supervisory Board considers that granting long-term variable remuneration in the form of shares or corresponding share-based payment is not currently expedient.

» Recommendation G.10 sentence 2 GCGC 2020 (accessibility of long-term variable remuneration)

The long-term variable remuneration is paid out in three different tranches of 50%, 30% and 20%, with payment of each tranche being made shortly after approval by the Supervisory Board of the annual financial statements for the company and the consolidated annual financial statements for the relevant financial year (reference year) and the following and subsequent financial year, insofar as the EBIT margin of the InTiCa Systems Group has not deteriorated by more than 25% compared with the reference year. The long-term variable remuneration granted to members of the Board of Directors is therefore not accessible to them only after a period of four years. Rather, payment of the amounts stated normally takes place over a period of about two years. The Supervisory Board considers the phased multi-year payment as appropriate for performance-oriented, sustainable management of the company and the goal of creating value, especially for the company's employees and shareholders. This applies in particular given the circumstance that disbursement of half of the long-term variable remuneration is contingent on the circumstance that there is not a significant deterioration in the Group's earnings position in the defined period.

» Recommendation G.12 GCGC 2020 (disbursement of remaining variable remuneration components following termination of a contract)

If a member of the Board of Directors leaves the board during a year, any outstanding long-term variable remuneration components will be paid shortly after approval by the Board of Directors of the annual financial statements of the company and the consolidated financial statements for the year in which the member leaves the Board of Directors, provided that the EBIT margin of the InTiCa Systems Group in the year in which the member leaves the Board of Directors has not deteriorated by more than 25% compared with the reference year. The Supervisory Board considers this to be expedient because the incentivization effect of the long-term variable remuneration lapses when the member leaves, because from this date the member no longer has any influence on the earnings situation of the InTiCa Systems Group, which would otherwise form the basis for the payment of any remaining amounts.

» Recommendation G.18 GCGC 2020 (remuneration of the members of the Supervisory Board)

The performance-related remuneration granted to the members of the Supervisory Board is not geared to the long-term development of the company through a multi-year reference base. In accordance with sec. 11 paragraph 1 sentence 2 of the articles of incorporation, the members of the Supervisory Board receive variable remuneration which is calculated on the EBIT margin in the financial year as reported in the consolidated financial statements. Therefore, the performance-related remuneration is geared to a one-year reference period and not to the long-term development of the company. However, this method of measuring the remuneration of the Supervisory Board has proven effective in the past and does not impede performance of the duties of the Supervisory Board. It has not yet been decided whether the remuneration of the Supervisory Board will be switched to fixed remuneration; this is under discussion.

2. InTiCa Systems AG will continue to comply with the recommendations of the GCGC 2020 with the exception of the deviations outlined above.

However, in conformance with sec. 107 paragraph 4 sentence 1 of the German Companies Act (AktG), the Supervisory Board has now formed an Audit Committee pursuant to sec. 104 paragraph 3 sentence 2 AktG. In accordance with sec. 107 paragraph 4 sentence 2 AktG, the Audit Committee comprises all members of the Supervisory Board because the company's Supervisory Board comprises three members. Accordingly, in the future, the deviations from Recommendations D.3, D.4 sentence 1 and D.11 GCGC set out in subsection 1 above with relation to the formation, composition, tasks and chair of the

Audit Committee will no longer apply in the future. However, the deviation from Recommendation D.4 sentence 2 GCGC 2020, whereby the Chair of the Supervisory Board shall not chair the Audit Committee continues to apply; in the Supervisory Board's view, in a Supervisory Board composed of three members, all of whom are identical with the members of the Audit Committee, it is not expedient to separate the chairmanship of the Supervisory Board and the Audit Committee; rather if the same person chairs the Supervisory Board and the Audit Committee, this ensures fast, appropriate and efficient performance of their duties. Furthermore, apart from the mandatory establishment of an Audit Committee, the Supervisory Board has not formed any other committees for the reasons set out in subsection 1 above; consequently, the deviations from recommendations D.2 and D.5 GCGC also continue to apply.

Further, the remuneration system for the members of the Supervisory Board adopted by the company's Annual General Meeting on July 16, 2021 in accordance with item 7 on the agenda with effect from January 1, 2022 no longer includes any variable remuneration components. Instead, following the entry into force of the remuneration system on January 1, 2022 – and in accordance with the corresponding amended version of sec. 11 of the company's articles of incorporation and with the suggestion in G.18 sentence 1 GCGC 2020 – the members of the Supervisory Board only receive fixed remuneration, so in future the deviation from Recommendation G.18 sentence 2 GCGC 2020 will no longer apply in the future.

Relevant disclosures on corporate management practices

Compliance with the corporate governance guidelines, especially the recommendations of the German Corporate Governance Code, is a key basis for responsible, value-driven management of InTiCa Systems AG and the InTiCa Systems Group, and forms 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. This is ensured, in particular, through the company's website and the publication media prescribed by law. 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. It ensures that there is an appropriate and effective internal control system and risk management system (compliance management system) reflecting the scope of the company's business activities and its risk situation. Systematic control and 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 Supervisory Board has established an Audit Committee, comprising all of the Supervisory Board members, because the company's Supervisory Board is composed of three people. The Chairman of the Supervisory Board also chairs the Audit Committee to ensure rapid, expedient and efficient performance of its duties. In accordance with the applicable recommendation of the German Corporate Governance Code (Recommendation D.3), the Audit Committee addresses in particular the review of the accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements and compliance. The company's Supervisory Board has not established any other committees apart from the Audit Committee. The Board of Directors regularly attends meetings of the Supervisory Board and, where applicable, the Audit Committee, provides written and oral reports on individual items on the agenda and preparatory papers, and answers the questions of the Supervisory Board or Audit Committee members.

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. The Supervisory Board 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.

Targets for the proportion of women on the Board of Directors and Supervisory Board and the management levels below the Board of Directors

Sec. 76 paragraph 4 sentence 1 and sec. 111 paragraph 5 sentence 1 of the German Companies Act (AktG) specify that targets must be set for the proportion of women on the Supervisory Board and Board of Directors and at the two management levels below the Board of Directors.

Target for the proportion of women on the Supervisory Board

The Supervisory Board of InTiCa Systems AG comprises three male members. The Supervisory Board has set the target for female members of the Supervisory Board at 0%. This target applies until May 29, 2025. The present composition of the Supervisory Board meets this target. Notwithstanding this, the Supervisory Board constantly strives for appropriate involvement of women, assuming equal qualifications, professional suitability, skills and expertise.

Target for the proportion of women on the Board of Directors

The Board of Directors of InTiCa Systems AG comprises two male members. The Supervisory Board has set the target for female members of the Board of Directors at 0%. This target applies until May 29, 2025. The present composition of the Board of Directors meets this target. Notwithstanding this, the Supervisory Board constantly strives for appropriate involvement of women on the Board of Directors, assuming equal qualifications, professional suitability, skills and expertise.

Target for the proportion of women at the management levels below the Board of Directors

InTiCa Systems AG has only one management level below the Board of Directors. The Board of Directors has set the target for women at this management level at 8.3%. This target applies until May 29, 2025. The present proportion of women at the management level below the Board of Directors meets this target. Notwithstanding this, the Supervisory Board constantly strives for appropriate involvement of women when filling vacancies, assuming equal qualifications, professional suitability, skills and expertise.

Diversity concept

The Supervisory Board and the Board of Directors as a whole must have all the skills and expertise required for the proper performance of their obligations in the interests of the company, in compliance with the law and the articles of incorporation.

The selection of candidates for the Board of Directors and Supervisory Board therefore depends on their qualifications, professional suitability and skills. Diversity and, above all, attributes such as age, gender, educational or professional background, nationality and religion are therefore secondary from the viewpoint of the company and only relevant if there are several candidates with absolutely comparable qualifications, professional, suitability and skills, taking into account all bans on discrimination. The purpose of this concept and of the composition of the Board of Directors and Supervisory Board is to ensure that the personal aptitude, qualifications, professional suitability and skills of the members of the Board of Directors and Supervisory Board permit optimum performance of their duties.

As in the past, if and when proposals have to be made on the composition of the Supervisory Board and new appointments to the Board of Directors, careful attention will be paid to the candidates that best meet these criteria. The company complied with this concept in 2021.

Within this framework, the Supervisory Board ensures long-term succession planning in consultation with the Board of Management. In addition to the statutory requirements and the recommendations of the German Corporate Governance Code, in the search for candidates for the Board of Directors the specific selection criteria are the personal aptitude of the candidate and their qualifications, professional suitability and skills. Where necessary, the Supervisory Board may draw on the support of external consultants.

Corporate governance report

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 there 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, which is comprised exclusively of shareholder representatives, considers it appropriate if at least one shareholder representative is an independent member within the meaning of the German Corporate Governance Code. Mr. Zimmer, Mr. Paletschek and Mr. Fürst are independent members within the meaning of this provision.

The status of implementation of the specific targets set by the Supervisory Board for its composition and the profile of skills and expertise for the entire Supervisory Board, which takes the diversity concept into account, are published in the corporate governance statement.

Members of the Board of Directors of InTiCa Systems AG

There were no changes in the composition of the Board of Directors in the 2021 financial year. By resolutions of the Supervisory Board, the members of the Board of Directors in office in 2021, Mr. Dr. Gregor Wasle and Mr. Günther Kneidinger, were reappointed as members of the company's Board of Directors until the end of December 31, 2024:

Members of the Board of Directors of InTiCa Systems AG in 2021	Appointed from / to	Responsibilities	Further offices
Dr. Gregor Wasle, date of birth August 14, 1971	January 1, 2015 to December 31, 2024	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, 2024	Member of the Board of Directors – responsible for: sales materials management order processing centre quality	None

Age limit for members of the Board of Directors

For the reasons set out in the declaration of conformity, no age limit is set for the members of the Board of Directors.

Members of the Supervisory Board of InTiCa Systems AG

There were no changes to the composition of the Supervisory Board in the 2021 financial year:

Members of the Supervisory Board of InTiCa Systems AG in 2021	Appointed from / to	Function on Supervisory Board	Seats on other Supervisory Boards and comparable supervisory bodies
Udo Zimmer, business administration graduate, Member of the Board of Management of REMA TIP TOP AG, Munich	Appointed on July 15, 2020 for the period until the end of the General Meeting that resolves on ratification of the actions for the 2024 financial year (probably the Annual General Meeting 2025) (member of the Supervisory Board since July 2012)	Chairman	None
Werner Paletschek, business administration graduate, Managing Director of OWP Brillen GmbH, Passau	Appointed on July 15, 2020 for the period until the end of the General Meeting that resolves on ratification of the actions for the 2024 financial year (probably the Annual General Meeting 2025) (member of the Supervisory Board since August 2010)	Deputy Chairman	None
Christian Fürst, business administration graduate, Managing Partner of ziel management consulting gmbh, Passau Managing Partner of Fürst Reisen GmbH & Co. KG, Hutthurm	Appointed on July 15, 2020 for the period until the end of the General Meeting that resolves on ratification of the actions for the 2024 financial year (probably the Annual General Meeting 2025) (member of the Supervisory Board since August 2010)	Member of the Supervisory Board	Chairman of the Supervisory Board of Electrovac AG Advisory Board of Eberspächer Gruppe GmbH & Co. KG Advisory Board of Karl Bachl GmbH & Co. KG

Age limit for members of the Supervisory Board

For the reasons set out in the declaration of conformity, no age limit is set for the members of the Supervisory Board. 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.

Self-assessment by the Supervisory Board

The Supervisory Board regularly reviews how effectively it performs its duties. The last review was undertaken by the Supervisory Board in February 2022. The review was based on various individual questions, especially questions on the procedures within the Supervisory Board and the information flows between the members of the Supervisory Board and between the Supervisory Board and the Board of Directors particularly with regard to the special challenges of the COVID 19 pandemic and the crisis in Ukraine. The results of the self-assessment were discussed in detail at a meeting of the Supervisory Board.

Remuneration

In 2021, the members of the Board of Directors received a contractually agreed fixed base salary and fringe benefits in accordance with the employment contracts applicable at the time. In addition, their contracts contained short-term variable remuneration components that are linked to the company's performance, measured by the EBIT margin of the InTiCa Systems Group after adjustment for one-off factors. By contrast, their contracts did not contain long-term incentive components.

In 2021, the Supervisory Board adopted a resolution, for the first time, on the remuneration system for the members of the Board of Directors of InTiCa Systems AG (the **"Board of Directors' remuneration system 2021"**) as required by sec. 871 paragraph 1 sentence 1 of the German Companies Act (AktG) and presented this to the company's Annual General Meeting on July 16, 2021 for approval. The Annual General Meeting approved the Board of Directors' remuneration system 2021 with the necessary majority. For more detailed information on the Board of Directors' remuneration system 2021, please refer, in particular, to the invitation to the company's Annual General Meeting of July 16, 2021, item 6 and section II of the invitation. The invitation to the company's Annual General meeting on July 16, 2021 is available on the company's website at www.intica-systems.com/pr/hauptversammlung.html (available in German only). The new contracts with the members of the Board of Directors, which came into effect on January 1, 2022, are in conformance with the Board of Directors' remuneration system 2021.

In accordance with the version of sec. 11 paragraph 1 sentence 1 of the company's articles of incorporation that was in force in the 2021 financial year, the members of the Supervisory Board received remuneration for their work in the form of fixed remuneration and attendance fees. In addition, the version of sec. 11 paragraph 1 sentence 2 of the articles of incorporation applicable for the 2021 financial year contained a variable remuneration component, which was also linked to the company's performance measured by the EBIT margin.

The Annual General Meeting of the company on July 16, 2021 passed a resolution on a remuneration system for the members of the Supervisory Board of InTiCa Systems AG (the **"Supervisory Board remuneration system 2021"**) and a corresponding new version of sec. 11 of the articles of incorporation. For more detailed information on the Supervisory Board's remuneration system 2021, please refer, in particular, to the invitation to the company's Annual General Meeting of July 16, 2021, item 7 and section III of the invitation. The invitation to the company's Annual General meeting on July 16, 2021 is available on the company's website at https://www.intica-systems.com/pr/hauptversammlung.html [available in German only].

Further details of the individual remuneration granted and due to the present and former members of the company's Board of Directors and Supervisory Board in the 2021 financial year are presented and explained clearly and understandably in the remuneration report 2021 of InTiCa Systems AG. The Remuneration Report 2021 can be downloaded from the company's website at www.intica-systems.com in the section Investor Relations/Corporate Governance [available in German only]. The remuneration systems for the Board of Directors and Supervisory Board are reviewed regularly.

Passau, April 25, 2022

Supervisory Board
Udo Zimmer
Werner Paletschek
Christian Fürst

Board of Directors
Dr. Gregor Wasle
Günther Kneidinger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GROUP MANAGEMENT REPORT

for the period from January 1 to December 31, 2021

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

1. Basic information on the Group

1.1 Business activities

InTiCa Systems AG is a leading supplier of inductive components, passive analogue switches and mechatronic assemblies. The Group comprises two segments, Automotive and Industry & Infrastructure. In the assessment of the Board of Directors, both rank among the market and technology leaders as suppliers of high-tech inductive products and solutions. InTiCa utilizes 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. These electromagnetic properties are used in:

- power generation using the effect of a magnetic field (e.g. electric motors),
- shielding and interference suppression (e.g. EMC filters),
- modification of currents (e.g. voltage conversion, modulation, filtering),
- non-contact data transmission (e.g. antennas, transponders, RFiD) and
- 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. InTiCa is able to visualize specific solutions for its customers' individual applications precisely and uniquely thanks to specialization, years of experience and detailed knowledge. Based on its vision, InTiCa Systems develops custom-tailored products, up to an including industrialized components and systems.

In response to the increase in applications for its products and the increasing industrialization of the Group, in the reporting period InTiCa Systems decided to rename the Automotive Technology and Industrial Electronics segments "Automotive" and "Industry & Infrastructure". This has not affected the allocation of Group sales between the segments.

1.1.1 Automotive

The Automotive segment is the core of the operating business and future development of InTiCa Systems AG. Consequently, it is its most important segment. It focuses on developing and manufacturing components for power electronics, stators, EMC filters, actuators and sensors. Many of these key technologies are used in all common vehicle classes. Well-known European, American and Asian automotive producers and their system suppliers around the world value InTiCa Systems' extensive expertise and use its products.

InTiCa Systems is aware of the wide-ranging opportunities offered by e-mobility and hybrid technologies and utilizes this potential. Its product portfolio includes the promising potential of new developments such as EMC filter systems for electric vehicles and charging infrastructure, stator systems for mild hybrids and plug-in hybrids and planar transformers for battery management systems. These are opening up promising future-oriented areas of business for the company with the 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 solutions.

1.1.2 Industry & Infrastructure

Alongside Automotive, InTiCa Systems serves a second significant sector. The Industry & Electronics segment focuses on inverters, converters and EMC filter technology. Inductive components and systems are used to convert solar energy into power for transmission via the grid and for electric noise suppression. The effective use of know-how and years of experience in power transfer and noise suppression components, coils and filters translate into significant benefits for customers. Examples are the optimized balance between efficiency and dimensions.

InTiCa Systems' established strategy entails constantly seeking scope for new developments in the area of industrial electronics in order to broaden its product portfolio and serve a wide variety of industrial sectors. Expanding its activities into the infrastructure sector is designed to highlight the essential market developments in the area of charging and storage infrastructure and energy generation. InTiCa Systems will have a special focus on this area of the segment. In total, InTiCa Systems benefits from synergies between the Industry & Infrastructure and Automotive segments and their specific customer requirements as these can play a part in significantly increasing the product and 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 2020.

In January 2022, the company established a wholly owned subsidiary in Ukraine; for further information see Note 35 to the consolidated financial statements.

1.3 Management system

To defend its technological leadership and improve its market position, InTiCa Systems uses a constantly adjusted strategy process. Multi-year masterplans have been drawn up for the Automotive segment and the Industry & Infrastructure segment. Each masterplan is continuously developed and aligned to new conditions and is consistently put into practice. A critical review of the strategy is undertaken every year in order to keep pace with the dynamic changes in the market and customer requirements. In addition to focusing on key economic targets, priority is given to carefully designed opportunity and risk management. Special attention is paid to geopolitical changes, rising market expectations, the need for innovation and technological progress and the performance parameters in international competition. Stringent cost management and continuously optimizing the value chain by constantly increasing productivity are also important. These ongoing endeavours in all areas of business form the basis for the company's special culture.

InTiCa Systems' key performance indicators are the development of sales and earnings by segment, EBIT, orders on hand and the material cost ratio. 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

With its competent in-house team of developers and production technologists, InTiCa Systems helps customers find the most efficient solutions for their applications, taking individual requirements into account, and helps transform their ideas into innovative and marketable products. Here, InTiCa Systems can build on its profound and long-standing expertise. Its innovative capability offers the best basis for developing new products and driving forward potential applications. A continuous improvement process is used for ongoing optimization of the competitiveness of existing products. Customers value the company's offering and the ability to realize individual solutions that meet their specific needs.

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. All staff are aware that 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 (including the compliance directive), the internal Code of Conduct and the related company policies on specific issues. The corporate governance statement and the corporate governance report by the Board of Directors and Supervisory Board of InTiCa Systems AG are available for download from the company's homepage. The Code of Conduct and the compliance directive 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 and the compliance directive contain binding rules on various topics such as anti-corruption, fair competition and social aspects such as tolerance and respect. The Code of Conduct and the compliance directive have 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 based on the legal requirements, which are met in full. InTiCa Systems' explicit intention is to avoid environmental impacts wherever possible and to minimize them if they are unavoidable. Therefore, environmental and energy management are specifically included in its 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 in full since 2007 and validation was obtained for InTiCa Systems' headquarters in Passau, including the new technology centre, at the beginning of 2016. The site in Mexico has had equivalent validation since 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, since 2015 InTiCa Systems has continuously 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 and loyal staff are the basis for the success of the InTiCa Systems Group and actively shape its corporate policy. Therefore ensuring appropriate deployment of staff is one of the principal tasks of the Board of Directors. Established rules for vocational and ongoing training ensures that employees are highly trained so that 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 Group's success, so it is particularly important to ensure that it has sufficient qualified staff for the future. Therefore, InTiCa Systems trains apprentices and generally hires them when they have completed their training.

InTiCa Systems values the diversity of personal attributes, talents and performance within its workforce. The company's future viability depends to a large extent on how this diversity, which can be a source of valuable synergies, is fostered and used. As a company that operates internationally, cultural diversity is an defining element of 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. 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 commitment has always had a firm place in InTiCa Systems' corporate culture and values. Therefore, the company supports education and science, social welfare, the arts and sport through donations and sponsorship.

Following its practice in the past eight years, in 2021 InTiCa Systems AG once again refrained from presenting Christmas gifts to its customers and donated the resulting savings to the Lukas-Kern children's home. The Lukas-Kern home is an institution in Passau that takes in children and young people whose families are in difficulties. InTiCa Systems AG sees an enormous need to provide continued regional support.

3. Economic report

3.1 General economic conditions[1]

Despite the ongoing coronavirus pandemic, the global economy picked up considerably in 2021, although growth was weaker than had been expected at the start of the year. The spread of COVID-19 and the related supply chain disruption held back development, especially in the fourth quarter of 2021. Moreover, the at times uneven distribution and acceptance of vaccines dampened growth prospects and fuelled the risk of inflation. Nevertheless, in 2021 global GDP grew faster than at any time since the global financial crisis more than a decade earlier, although the pace of recovery differed between regions and sectors, influenced by the local pandemic situation, access to vaccines and the extent of support provided by economic and fiscal policy.

According to the International Monetary Fund (IMF), world output grew by 5.9% overall, which more than offset the previous year's decline of 3.1%. The IMF reports that global trade, which was seriously affected in the previous year (-8.2%) increased by 9.3% in the reporting period.

The developed economies benefited from the early availability of COVID-19 vaccines in 2021. Moreover, fiscal policy continued to bolster domestic demand and the industrial sectors benefited from the global recovery. At the same time, the central banks retained their accommodative monetary policy, supplemented by fiscal policy measures. According to the IMF, economic growth was 5.0% overall, despite the global supply chain bottlenecks. The euro zone exceeded this level with growth of 5.2%, but this was still below the pre-crisis level recorded in 2019. In the USA, by contrast, growth was slightly above the average at 5.6% as a result of extensive measures to stimulate the economy, even though it had suffered a lower drop in the previous year. The emerging markets and developing countries increased economic output by 6.5%, following a drop of just 2.0% in the previous year. In China, the growth rate was above this level at +8.1%. Economic growth was driven by strong exports and higher domestic consumption.

[1] IMF, World Economic Outlook Update, January 2022: https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022

Following easing of the pandemic-induced restrictions and strong growth in consumer spending, the German economy recovered in 2021; the IMF estimated that the growth rate was 2.7%. Although industry benefited from strong global trade it was not able to exploit its full growth potential because of the supply bottlenecks. Combined with temporary factors, the supply bottlenecks and higher energy prices resulted in a considerable rise in inflation. Nevertheless, monetary and fiscal policy remained expansionary.

3.2 Market and market environment

3.2.1 Automotive

The German Automotive Industry Association (VDA) reports that 2021 was a turbulent year for the automotive markets and was clearly divided into two parts. Considerable growth was achieved in the first half of the year due to the previous year's low figures and the effects of the market recovery, but the picture in the second half of the year was far less positive. While the shortage of semiconductors placed strain on global supply chains, the shortage of other upstream products and raw materials and rising energy and logistics prices made life more difficult for the automotive industry. Nevertheless, Europe (EU27, EFTA & UK) was the only one of the three large automotive regions where the sector reported a downward trend. By contrast, volume sales increased in the USA and China.

According to the VDA, nearly 11.8 million new cars were registered in Europe in 2021, around 2% fewer than in the previous year. The five largest individual markets posted different growth rates during the year. While Italy achieved a clear rise of nearly 6% and gains of 1% were reported in France, Spain and the UK, Germany reported a significant drop of 10% in new car registrations. The VDA reports that sales of light vehicles (cars and light trucks) in the USA increased by 3% to 14.9 million. However, sales were still below the pre-pandemic level of around 17.0 million vehicles in 2019. Sales of light trucks (+5%) were more dynamic than car sales (-2%). The Chinese car market ended 2021 with 21.1 million new car registrations, a gain of 7%. Consequently, the industry did better in China than in 2019, before the pandemic started.[2]

In Germany, only the trend in electric vehicles remained positive. According to the VDA, 681,900 electric cars (battery electric vehicles and hybrids) were registered in 2021, a year-on-year rise of around 73%. Therefore, more than a quarter of newly registered cars in Germany had an electric drive. German brands accounted for 65% of the German market for electric vehicles.[3]

3.2.2 Industry & Infrastructure

InTiCa Systems' Industry & Infrastructure segment develops and produces power components, EMC filters for renewable energy and energy storage systems, and actuator coils for industrial applications.

Despite the ongoing coronavirus pandemic, supply bottlenecks and the shortage of skilled workers, 2021 was a positive year for companies in the German electrical, electronics and digital sectors. According to the sector association ZVEI, aggregate sector turnover rose by 9.7% to a new record of EUR 199.5 billion. Business with foreign customers (+10.5% at EUR 105.7 billion) was slightly above sales to domestic customers (+8.9% at EUR 93.8 million). Sales to the euro zone increased by 8.3% to EUR 37.7 billion. Sales with customers in third countries rose by 11.7% to EUR 68.0 billion. According to ZVEI, on a price-adjusted basis output of electrical and electronic goods increased by 8.8% in 2021 and therefore more than offset the decline in 2020 (-6%).[4]

Exports also developed positively. ZVEI calculates that aggregate sector exports amounted to EUR 224.6 billion in 2021, which was 10% higher than in 2020 and also nearly 5% above the level registered in 2019, before the pandemic. The biggest export markets according to ZVEI were once again China (EUR 25.1 billion), followed by the USA (EUR 19.1 billion), France (EUR 13.4 billion), the Netherlands (EUR 11.3 billion) and Poland (EUR 11.2 billion). In 2021, imports were also at an all-time high of EUR 221.7 billion (+14.9%). Consequently, the foreign trade balance was basically in equilibrium.[5]

3.3 Significant events in the reporting period

There were no significant events affecting the company in the reporting period.

[2] https://www.vda.de/vda/de/presse/Pressemeldungen/220118_Internationale-Automobilm-rkte-2021-mit-turbulenter-Entwicklung
[3] https://www.vda.de/vda/de/presse/Pressemeldungen/220105_Deutscher-Pkw-Markt-2021_Erholung-ausgebremst
[4] https://www.zvei.org/elektro-und-digitalindustrie-2021-mit-erloesen-von-200-milliarden-euro
[5] https://www.zvei.org/presse-medien/pressebereich-1/zvei-branchenexporte-wachsen-2021-um-zehn-prozent

3.4 Earnings, asset and financial position

3.4.1 Overall position

With a significant increase in sales and improved profitability, the development in fiscal 2021 was very successful despite the ongoing Covid-19 pandemic. Overall, Group sales increased by 34.7% year-on-year to EUR 95.7 million (2020: EUR 71.1 million). This was due to the unabated high demand for e-solutions. Both segments benefited equally from this: In the Automotive segment, sales increased 35.2% to EUR 72.0 million (2020: EUR 53.3 million) and the Industry & Infrastructure segment exceeded the good prior-year level by 33.3%, with sales of EUR 23.7 million (2020: EUR 17.8 million). EBIT (earnings before interest and taxes) was EUR 3.4 million (2020: EUR 0.7 million) and the EBIT margin was 3.5% (2020: 1.0%). Despite supply bottlenecks and rising prices for intermediate products, profitability in the reporting period was thus slightly above the pre-pandemic level.

The operating cash flow was EUR 2.9 million (2020: EUR 6.0 million). Cash and cash equivalents totalled EUR 1.9 million on December 31, 2021 (December 31, 2020: EUR 1.5 million). On the reporting date, InTiCa Systems also had assured credit facilities of EUR 15.9 million, which can be drawn at any time. The equity ratio was 33.7% on the reporting date and thus above the previous year's level of 31.7%.

3.4.2 Earnings position

» Sales

Group sales increased by 34.7% year-on-year to EUR 95.7 million in 2021 (2020: EUR 71.1 million). Sales were therefore at the upper end of the forecast range of EUR 85 to 100 million. Both segments contributed equally to this increase. In the Automotive segment, sales rose 35.2% to EUR 72.0 million (2020: EUR 53.3 million). This segment accounted for 75.2% of total sales (2020: 75.0%). The Industry & Infrastructure segment grew sales by 33.3% to EUR 23.7 million (2020: EUR 17.8 million).

» Expenses

Expenses for raw materials and supplies amounted to EUR 62.3 million in the reporting period (2020: EUR 44.1 million). The material cost ratio (based on total output) rose from 61.4% to 63.7%. The personnel expense ratio (including agency staff) increased to 21.8% in the reporting period (2020: 20.9%) due to the increase in the average number of employees during 2021. There was no more short-time working in the reporting period. Other expenses increased year-on-year from EUR 12.0 million to EUR 13.6 million. The expenses for agency staff were EUR 5.7 million (2020: EUR 3.7 million). Depreciation and amortization of property, plant and equipment and intangible assets amounted to EUR 5.9 million in the reporting period (2020: EUR 5.9 million).

» Research and development

In the reporting period, spending on research and development amounted to EUR 2.8 million, which was 2.9% of sales (2020: EUR 2.3 million/3.2% of sales). Development work focused principally on the e-solutions business. EUR 1.9 million was expensed directly for development work (2020: EUR 1.6 million) and the remaining EUR 0.9 million (2020: EUR 0.7 million) was capitalized. The capitalization rate was 32.2% (2020: 31.6%). Depreciation and amortization of own work capitalized was EUR 1.3 million in the reporting period (2020: EUR 1.6 million).

» Earnings

The gross profit was EUR 34.7 million in the reporting period (2020: EUR 27.1 million) and the gross profit margin fell from 38.1% to 36.3%. EBITDA (earnings before interest, taxes, depreciation and amortization) was up 39.1% year-on-year at EUR 9.3 million (2020: EUR 6.7 million). As a result, the EBITDA margin improved to 9.7% (2020: 9.4%).

There was also a considerable year-on-year increase in EBIT (earnings before interest and taxes) to EUR 3.4 million in the reporting period (2020: EUR 0.7 million). The EBIT margin was 3.5% (2020: 1.0%) and was therefore at the lower end of the forecast range. In principle, the continued supply bottlenecks and extreme increases in the price of intermediates adversely affected profitability in the reporting period. The EBIT margin was 1.0% (2020: 3.2%). EBIT was EUR 1.9 million (2020: EUR 0.6 million) in the Automotive segment and EUR 1.5 million (2020: EUR 0.2 million) in the Industry & Infrastructure segment. The Automotive segment therefore generated an EBIT margin of 2.7% (2020: 1.1%). The EBIT margin in the Industry & Infrastructure segment was 6.2% (2020: 0.9%).

The financial result was minus EUR 0.6 million in the reporting period (2020: minus EUR 0.6 million). While financial expense amounted to EUR 0.6 million (2020: EUR 0.6 million), there was no financial income in either 2021 or 2020.

The pre-tax profit was EUR 2.8 million in the reporting period (2020: EUR 0.2 million). After tax expense of EUR 0.9 million (2020: EUR 0.3 million), the Group posted a net profit of EUR 2.0 million (2020: net loss of EUR 0.1 million). Earnings per share were therefore EUR 0.46 (2020: minus EUR 0.03).

3.4.3 Asset position

» Capital structure

Total assets increased from EUR 53.3 million in 2020 to EUR 58.4 million as of December 31, 2021. Non-current assets declined as a result of depreciation and amortization, while current assets increased year-on-year, mainly because of inventories and cash and cash equivalents. On the liabilities side, equity increased due to the profit for the period and the decrease in the negative currency translation reserve. At the same time, non-current liabilities decreased. By contrast, current liabilities rose, mainly due to a significant increase in current financial liabilities. The equity ratio rose from 31.7% as of December 31, 2020 to 33.7% as of December 31, 2021.

» Non-current assets

Non-current assets dropped to EUR 28.1 million as of December 31, 2021 (December 31, 2020: EUR 29.1 million). The decline was attributable to depreciation and amortization. Property, plant and equipment declined from EUR 23.5 million in 2020 to EUR 22.8 million in 2021 and intangible assets decreased from EUR 3.9 million to EUR 3.7 million. Deferred tax liabilities amounted to EUR 1.6 million on the reporting date (December 31, 2020: EUR 1.6 million).

» Current assets

Current assets increased to EUR 30.3 million as of December 31, 2021 (December 31, 2020: EUR 24.2 million). This was mainly attributable to the rise in inventories from EUR 11.7 million to EUR 18.1 million. At the same time, trade receivables declined from EUR 8.3 million to EUR 7.9 million as of the reporting date, while other current receivables dropped from EUR 2.2 million to EUR 1.5 million. By contrast, cash and cash equivalents increased from EUR 1.5 million to EUR 1.9 million. Other financial assets amounted to EUR 0.8 million (December 31, 2020: EUR 0.6 million).

» Non-current liabilities

Non-current liabilities decreased to EUR 15.4 million as of December 31, 2021 (December 31, 2020: EUR 19.6 million). This was mainly attributable to the drop in non-current financial liabilities to EUR 9.9 million (December 31, 2020: EUR 13.6 million). The liabilities to banks comprised fixed-interest loans with remaining terms of up to six years and four floating-rate loans with a remaining term of up to seven years. Interest rates on non-current financial liabilities are between 0.50% and 2.75%. The other non-current financial liabilities were EUR 3.6 million on December 31, 2021 (December 31, 2020: EUR 4.3 million) and deferred tax liabilities were EUR 1.9 million (December 31, 2020: EUR 1.7 million).

» Current liabilities

Current liabilities increased in the reporting period and amounted to EUR 23.4 million as of December 31, 2021 (December 31, 2020: EUR 16.8 million). This was mainly attributable to the significant rise in current financial liabilities from EUR 4.9 million to EUR 10.9 million. By contrast, trade payables decreased slightly from EUR 6.6 million to EUR 6.3 million. Other current provisions rose from EUR 2.0 million to EUR 2.2 million and other current financial liabilities increased slightly from EUR 1.3 million to EUR 1.6 million. Other current liabilities increased to EUR 1.8 million in the reporting period (December 31, 2020: EUR 1.5 million).

» Equity

Equity was EUR 19.7 million as of December 31, 2021 (December 31, 2020: EUR 16.9 million). The consolidated net profit increased the profit reserve from minus EUR 1.0 million to EUR 0.9 million. The negative currency translation reserve was reduced to minus EUR 0.9 million (December 31, 2020: minus EUR 1.7 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 2.9 million in 2021 (2020: EUR 6.0 million). The decline compared with the previous year was mainly due to the increase in inventories.

The net cash outflow for investing activities was EUR 3.7 million in the reporting period (2020: EUR 2.1 million). This comprised EUR 2.6 million (2020: EUR 1.4 million) for property, plant and equipment and EUR 1.1 million (2020: EUR 0.8 million) for intangible assets.

The net cash outflow for financing activities was EUR 4.1 million in 2021 (2020: net inflow of EUR 2.7 million). Cash outflows comprised EUR 3.1 million for scheduled loan repayment instalments and EUR 1.0 for instalments on finance leases. No new loans were taken out.

Overall, there was a negative cash flow of EUR 4.9 million in 2021 (2020: positive cash flow of EUR 6.6 million). Cash and cash equivalents totalled EUR 1.9 million on December 31, 2021 (December 31, 2020: EUR 1.5 million). Cash and cash equivalents less utilized overdraft facilities amounted to minus EUR 5.2 million as of December 31, 2021 (December 31, 2020: minus EUR 0.3 million).

» Capital expenditures

Capital expenditures totalled EUR 3.7 million in the reporting period (2020: EUR 2.1 million). EUR 2.6 million (2020: EUR 1.4 million) of this was invested in property, plant and equipment, and EUR 1.1 million (2020: EUR 0.8 million) in intangible assets. In light of the ongoing coronavirus pandemic, capital expenditures remained cautious in the reporting period. The capital expenditures focused principally on e-solutions, especially expansion of production capacity in the Czech Republic and Mexico, investment in the replacement of equipment for established production lines and the purchase of new equipment as a result of technological progress. These were supplemented by project-specific investments in the development of new projects during the financial year.

In 2022, investment in the field of e-solutions will be stepped up further. Based on current plans, capital expenditures for property, plant and equipment will be around EUR 6.0 million. These mainly comprise the installation of a further high-performance production line for a stator product and investment in further optimization of production workflows in the Czech Republic, while investment at the Mexico site is focusing on expanding production capacity for new products on existing production lines. The largest planned investment, totalling some EUR 3-4 million, is project-specific and relates to both sites. Production of an innovative antenna product and actuators for chassis components is to be set up in both the Czech Republic and Mexico on the basis of long-term customer orders.

» Employees

The headcount amounted to 744 as of December 31, 2021 (December 31, 2020: 894). This figure includes 62 agency staff (December 31, 2020: 388). The year-on-year reduction in agency staff is due to lower capacity utilization at year-end and to the transfer of agency staff to permanent contracts in Mexico in mid-year. Expenses of EUR 5.7 million (2020: EUR 3.7 million) for agency staff are included in other operating expenses. The personnel expense ratio, including expenses for agency staff, was 21.8% (2020: 20.9%). On average, the Group had 662 employees and 218 agency staff in the reporting period (2020: 488 and 276).

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 and factoring, which form the basis for short and medium-term financing, and 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 grew 34.7% year-on-year to EUR 95.7 million (2020: EUR 71.1 million). Sales revenues are reported net of products returned by customers, discounts and similar deductions.

Sales were therefore at the upper end of the forecast range of EUR 85 to 100 million. In the Automotive segment, sales were EUR 72.0 million, while the Industry & Infrastructure segment reported sales of EUR 23.7 million. Both segment sales were thus at the upper end of the forecast range.

» Material cost ratio

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

The material cost ratio increased from 61.4% in the previous year to 63.7%. This was principally attributable to supply bottlenecks and rising prices for starting products. In particular, there was a sharp rise in the purchase price of ferrite cores and plastics granulates in the third and fourth quarters. Alongside the normal optimization of the material cost ratio and improvements in production workflows and production quality, intensive efforts were made to pass the increased price of raw materials directly on to customers.

» EBIT margin

The EBIT margin comprises earnings before interest and taxes divided by sales. EBIT was clearly positive at EUR 3.4 million in 2021 (2020: EUR 0.7 million), giving an EBIT margin of 3.5% (2020: 1.0%). The forecast level for the EBIT margin of 3.5% to 4.5% was achieved.

» Equity ratio

The equity ratio comprises the ratio of equity capital to total capital (= total assets). The equity ratio improved from 31.7% in the previous year to 33.7%. Overall, the equity ratio remains solid.

3.5.2 Non-financial performance indicators

» Orders on hand

Orders on hand amounted to EUR 114.2 million as of December 31, 2021, and thus were below the previous year's level (December 31, 2020: EUR 120.8 million), which was, however, exceptionally high due to a strong catch-up effect in the last quarter of 2020. 81% of orders were for the Automotive segment (2020: 73%). In principle, the Board of Directors sees orders on hand 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, profound process expertise and the resulting improvement in benefits for customers.

The Group's strategic focus is designed to safeguard know-how, reduce production costs, increase flexibility and decrease 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		Industry & Infrastructure		Total	
in EUR '000	2021	2020	2021	2020	2021	2020
Sales	72,017	53,274	23,718	17,798	95,735	71,072
Pre-tax earnings (EBIT)	1,926	568	1,470	168	3,396	736

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

	Germany		Other countries		Total	
in EUR '000	2021	2020	2021	2020	2021	2020
Sales	62,947	46,102	32,788	24,970	95,735	71,072
Segment assets	24,694	18,377	27,878	29,040	52,572	47,417
Average no. of employees	93	78	787	686	880	764
of which agency staff	15	4	203	272	218	276

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

For a more detailed description of the remuneration system for the Board of Directors and Supervisory Board, see the Remuneration Report, which can be downloaded from the company's website at www.intica-systems.com in the section Investor Relations/Corporate Governance.

3.8 Corporate governance statement pursuant to sec. 289f and sec. 315d HGB

The corporate governance statement for InTiCa Systems AG and the InTiCa Systems Group, which is required by sec. 289f and sec. 315d of the German Commercial Code (HGB), including the corporate governance report, was issued by the Board of Directors on April 25, 2022. It is printed on page 30 et seq. of the Annual Report and is also available on the internet at www.intica-systems.com in the section Investor Relations/Corporate Governance.

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. Dr. Dr. Diekmann (Germany) and Mr. Thorsten Wagner (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, 2021, InTiCa Systems AG still had treasury stock amounting to 64,430 shares (December 31, 2020: 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 1.5 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. 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 immediately or 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

In addition to the ongoing coronavirus pandemic, the war in Ukraine, the related sanctions against Russia and their impact constitute a considerable risk for the development of business in 2022. Alongside the negative effects on sales markets, the procurement markets, in particular, are adversely affected by the disruption to supply chains, sanctions and restrictions on freight traffic. The sharp hike in energy prices and high inflation are also having a negative effect. Consequently, the potential negative effects on the company's assets, financial position and results of operations still have to be monitored closely, so that timely counteraction can be taken. Risks for InTiCa Systems AG relate to volume trends, disruption of production, the availability of personnel, procurement markets for raw materials and semi-finished products and, in particular, supply chains. It is not possible to predict to what extent the Group will be affected by the aftermath of the pandemic and the war in Ukraine. Accordingly, InTiCa Systems is constantly required to apply appropriate measures and countermeasures.

The principal risks to InTiCa Systems' business – apart from the exceptional situation due to the coronavirus pandemic and the war in Ukraine – are outlined below.

» Market risks

InTiCa Systems' two segments are exposed to different market requirements and thus to different market risks. The Automotive segment is currently dominated principally by the transformation to e-mobility, connectivity and autonomous driving. Together with the coronavirus situation and the war in Ukraine, this transformation process is causing instability in supply chains and uncertain planning, which could significantly dampen or affect the necessary growth. Uncertainty could result in delays in market and product launches, which could affect InTiCa Systems' components. In addition, the Automotive segment is exposed to ongoing sector-related economic risks. It is not clear whether the global downturn in conventional vehicle technologies will be positively offset by new product areas such as the increased introduction of electric and hybrid vehicles. This situation is being monitored closely.

The Industry & Infrastructure segment is also affected principally by the geopolitical situation, the pandemic and thus policy and/or strategic decisions by some major customers. Since the customer base in this segment is considerably smaller, individual market fluctuations cannot be countered so effectively. Moreover, competition is continuing to increase, especially as a result of Asian companies entering the market.

» Customer dependence

The sales split between the segments is as follows: Automotive 75.2%, Industry & Infrastructure 24.8%. Within each segment, the proportion of sales generated with the largest customers is as follows: Automotive 29%, Industry & Infrastructure 48%. 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 are also used in industrial electronics applications and 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 segment or the Industry & Infrastructure 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. Using agency staff from other European countries is already vital and they account for a high proportion of the total workforce. A broad agency base has now been built up and enabled us to cover personnel needs adequately even in the pandemic. In some cases, it is possible to transfer employees from staffing agencies to permanent contracts with the company. Finally, the labour market is constantly and closely monitored to ensure timely decisions and a timely response.

» Liquidity risk

As of December 31, 2021, InTiCa Systems had four fixed-interest loans totalling EUR 8.2 million with residual terms of between 2 and 6 years. In addition, in the past years four floating-rate loans have been concluded in the Czech Republic. These had a carrying amount of EUR 5.4 million as of December 31, 2021 and a residual term of between 3 and 7 years. These loans are used to secure liquidity. Moreover, InTiCa Systems has assured credit lines of EUR 15.9 million. EUR 7.2 million of this amount was drawn as of the reporting date. Further, the company has cash and cash equivalents of EUR 1.9 million. Consequently, there is sufficient headroom to finance the growth of the business, especially the e-mobility operations.

» 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 2021 following previous practice no euro/US dollar currency hedging was undertaken. The future risk of appreciation of the Mexican peso 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 InTiCa Systems AG. The risk comprises appreciation of the Czech koruna and the related increase in wage costs for production personnel. In 2021, several currency forwards (financial derivatives) were concluded to hedge the Group against exchange rate fluctuations.

In addition, there are currency risks relating to translation of the (euro) liabilities and (euro) assets of foreign subsidiaries to the parent company. However, these do not affect the Group's cash flows. Depending on the development of the exchange rates of the Czech koruna and Mexican peso versus the euro, this could result in – possibly considerable – book losses or book gains in the financial statements of the subsidiaries.

» 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 2 and 6 years. Apart from four loans with variable interest rates and residual terms of between 3 and 7 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.

Looking at the markets covered by the Industry & Infrastructure segment, the European solar industry is still exposed to significant competitive pressure from Asia. It cannot be ruled out that strategic customers of InTiCa Systems could get into financial difficulties in the future. The management specifically monitors this sector and especially the main customers.

InTiCa Systems has had credit insurance for goods since 2015 to protect it against material defaults on trade receivables.

» Risks relating to non-financial aspects

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

4.4 Overall statement on the risk situation

Apart from the effects of the coronavirus crisis and the war in Ukraine, which are difficult to estimate, the Board of Directors considers that the overall 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 for the company's existence.

Risks are assessed on the basis of probability of occurrence and the potential impact on the Group's assets, financial position and results of operations (in EUR thousand), using the following criteria:

Probability of occurrence	
Unlikely	Probability of occurrence: 0% to 25%
Possible	Probability of occurrence: 26% to 75%
Probable	Probability of occurrence: 76% to 100%

Impact	
Low	EUR 0 to EUR 500 thousand
Medium	EUR 500 thousand to EUR 1,000 thousand
High	> EUR 1,000 thousand

The risks outlined above can be classified on this basis:

Risks	Probability of occurrence	Impact
Market risks	Unlikely	High
Customer dependence	Possible	High
Dependence on suppliers	Possible	Medium
Technological risks	Unlikely	Medium
Personnel risks	Possible	Medium
Liquidity risk	Unlikely	High
Currency risk	Possible	Medium
Interest rate risk	Possible	Low
Credit risk (default risk)	Possible	Medium

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.

Extending the product portfolio and introducing new e-solutions products, the capacity increases required for this, and the continuous expansion of our production site in Mexico and the NAFTA market are regarded as key factors for further positive sales and earnings trends. The increasing diversification and internationalization of markets is playing a central role in this.

5. Opportunities and management of opportunities

5.1 Management of opportunities

There are extensive new opportunities for InTiCa Systems in markets of relevance to the Industry & Infrastructure segment, especially as a result of the global transformation of the automotive industry and new technologies and areas of application. This potential needs to be identified, evaluated and utilized for the company. 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 provider, InTiCa Systems is continuing to focus on achieving an equilibrium between product diversification and internationalization and recognizes the extensive opportunities arising from the process of innovation and renewal throughout the company. Precisely this openness to change is proving a trump card in collaboration with customers. Thanks to its enormous flexibility as a component and systems supplier, the company is increasingly taking on more responsible tasks such as the development of entire systems. These solutions form the essential added value for customers, and ultimately for OEMs (original equipment manufacturers) and end-consumers. Trust, reliability and a responsible approach to customers and employees characterize InTiCa Systems' long-term customer relationships and form the basis for the future development of the company's business base. By continuously extending vertical integration and building up development and manufacturing expertise, InTiCa Systems is able to generate higher margins and secure long-term business.

» Key technologies for e-mobility

Hybridization and electrification, autonomous driving and the networking and digitalization of vehicles are seen as key technologies for the automotive industry, both now and in the future. InTiCa Systems' product groups already give it a foothold in all three areas, with products such as stator coils for hybrid drives, EMC filters for electric vehicles, stationary battery storage solutions and actuators for a wide range of applications. The diverse key components produced by InTiCa Systems for well-known systems suppliers and OEMs are used in an increasingly wide range of vehicle brands. This is made possible by InTiCa Systems' close collaboration with OEMs and their suppliers.

The progressive market penetration of keyless entry/go systems, power electronics components and further mechatronic and inductive assemblies offer opportunities for further steady sales growth at InTiCa Systems, which is positioned as a specialist in these product and technology segments. Its products are used by the leading international automobile producers in both premium and volume models.

» Energy management for industrial electronics

Developments in the automotive industry act as a stimulus for the Industry & Infrastructure segment and vice versa. Concrete synergies do not simply result from the successful transfer of know-how from filter technology for the automotive industry to industrial applications; there are also synergies relating to future stationary battery and charging points, which will benefit the development of sales in the Industry & Infrastructure segment. The renewed upswing in the photovoltaic industry, which has regained stability as solar energy increasingly become established as a key element for sustainable energy generation throughout the world in the future, is also driving forward the business with components and modules for inverters and converters to transform solar power into electricity for the grid.

» High customer retention in the automotive industry

InTiCa Systems focuses on being a world-class player in the global competition to develop and manufacture inductive components and mechatronic systems. The Group, which sees itself as a specialist for its customers in these areas, is driving its corporate development forward in a sustainable manner in accordance with this high standard. To acquire well-known national and international systems suppliers (and OEMs) in the automotive industry as customers, InTiCa Systems uses a proactive approach and collaborative cooperation. Longer-term orders and strong value retention are evidence of the high degree of customer satisfaction with InTiCa Systems' product quality, technological expertise and flexibility. That provides the necessary basis for uncomplicated and rapid placement of new developments on the market and increases global competitiveness.

» Development and manufacturing expertise

From our point of view, InTiCa Systems' team of experts has specialist know-how in development and manufacturing, combined with many years of experience. In our opinion, as well as paving the way for InTiCa Systems' success, this allows the company to respond quickly and specifically to customers' requirements and to rapidly come up with optimum, individual solutions to new problems. Continuous internal transfer of knowledge and experience, especially in the area of technology, leverages cross-segment and cross-departmental synergies. These are used in the development of future-oriented products and solutions such as components for electric and hybrid vehicles, a future-oriented business area which will be an increasing focus of InTiCa Systems' activities in the next few years. From the perspective of the Board of Directors, the development unit's focus on key future technologies underpins InTiCa Systems' strong position in inductive components, passive analogue switches and mechatronic modules.

» Expansion of international business

To achieve its twin targets of growing sales and expanding its customer base, InTiCa Systems also strives to expand its international presence. Building and extending new and existing distribution and production alliances are geared to establishing InTiCa Systems internationally in the long term. The internationalization process started in 2014, with a focus on the North American region. 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 to 2021. Further production sites are under consideration for the medium term. The search for a site in eastern Europe led the company to Ukraine due to its well-qualified workers, the available infrastructure and the wage level. A potential site was found south of Kiev, but the project has been put on hold due to the outbreak of war. The developments are currently being monitored intensively and possible alternatives are being explored. The strategy of setting up a production facility in eastern Europe has not changed.

5.3 Management assessment of the overall risk and opportunity situation

From our perspective, the Automotive and Industry & Infrastructure segments, coupled with InTiCa Systems specific core competencies, currently offer the Group sufficient potential to generate sustainable growth in the future. InTiCa Systems needs to actively embrace the process of transformation, especially in respect of the essential issues relating to e-solutions.

Leaving aside the aspects specifically related to the coronavirus pandemic and the present political situation in light of the war in Ukraine, taking an aggregate view of the opportunities and risks, the Board of Directors would come to an unrestrictedly positive assessment. In view of the ongoing coronavirus pandemic, the war in Ukraine and the resulting situation, the 2022 financial year involves further exceptional risks. At the date of preparation of the annual report, it was therefore not possible to conclusively estimate the medium to long-term impact on the development of the Group. The Group's operating management is taking a risk-aware approach, and has taken extensive measures to mitigate the potential risks.

Based on the present order situation, there is no material uncertainty about the ability of the Group to continue to operate as a going concern. Consequently, from the present viewpoint there is no threat to its continued existence. That said, the medium to long-term effects of the aftermath of the pandemic and the war in Ukraine on business development still cannot be estimated in full. InTiCa Systems therefore has to assume that the situation could have an unforeseeable impact on its future performance. It is not possible to rule out a shift in the placement of orders or deferral of projects for which contracts have already been awarded, logistics bottlenecks or, for example, supply chain problems. If the negative volume effects resulting from the recurrent waves of coronavirus infections and the measures imposed to suppress them continue for a prolonged period and volume sales in all markets therefore do not normalize, the above risk assessment would have to be re-evaluated.

Apart from the coronavirus pandemic and the war in Ukraine, the risks arising from geopolitical developments, market, customer and product developments and production relationships, which could have a negative impact on InTiCa Systems' business have been taken into account in this report and are considered to be containable and controllable. In line with this assessment, no other risks have currently been identified that could jeopardize the future existence of the Group.

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. In e-solutions, in particular, the Board of Directors sees further substantial growth potential for InTiCa Systems.

6.1 Segment trends

» Automotive[6]

The war in Ukraine and the ongoing coronavirus pandemic have direct implications for business development in the automotive sector. While inventories in some fields were already depleted prior to the outbreak of war, the conflict and new lockdowns in China as a result of its zero-Covid strategy have disrupted supply chains. That has led to an increase in production stoppages and freight transport is also restricted. In the short term, there will be a reduction in the supply of cable assemblies, in particular. In the long term, the automotive industry will have to contend with shortages and higher prices for raw materials such as neon gas, palladium and nickel. Supply bottlenecks are already causing production stoppages at many production lines operated by the German manufacturers and further problems in the production of vehicles are foreseeable.

In March alone, Germany manufactured 29% fewer cars than in the same month of 2020. Overall, the reduction in the first quarter was 12%. The extremely dynamic situation makes reliable estimates difficult, but given the current developments, the German Automotive Industry Association (VDA) has reduced its production forecast for 2022. Instead of an increase of 13%, domestic production is now expected to rise by 7%. For foreign production, the VDA has revised its forecast from +5% to +2%. Before the outbreak of war, the global car market had been expected to grow by 4%. Due to pent-up demand, the prospects for Germany and Europe were particularly good, whereas only low growth was projected for the USA and China.

[6] VDA Pressemitteilung vom 05.04.2022 – https://www.vda.de/vda/de/presse/Pressemeldungen/220405_PM_Maerz_Produktion_und_Markt_ruecklaeufig
VDA Pressemitteilung vom 09.02.2022 – https://www.vda.de/vda/de/presse/Pressemeldungen/220209_Zeit-der-Umsetzung

Irrespective of the difficult environment, positive impetus will come from further transformation of the automotive industry, driven by the key technologies for electromobility, autonomous driving and connectivity. InTiCa Systems addressed the necessary tasks and challenges at an early stage and has driven forward the internal transformation process with determination. Hopes of a positive development in this field are raised by the systematic rollout of alternative hybrid and electric drives and the investment of billions by automotive manufacturers – in the period to 2026 OEMs and their suppliers intend to invest more than EUR 220 billion in electromobility, including battery technology, digitalization and other areas of research. These market developments are being reinforced by the growing political pressure on car producers, on the one hand, and by programmes to raise demand for electric vehicles, on the other.

One important element in InTiCa Systems' strategy is its focus on the electromobility market. It has invested consistently and purposefully in product and process development, installed complex production technology and successfully started industrial-scale production of several serial products. InTiCa Systems has a reputation on the international market as a developer and solution provider. Customers value the company's profound specialist expertise and its flexibility and dynamism in development and industrial scale-up. It expects to see a significant increase in demand for alternative drives. This is evidenced by substantial orders, for example for stators and filters for hybrid vehicles. In the past financial year, products for e-mobility and hybrid technology already accounted for 20% of sales in the Automotive segment. That proportion will increase in the future. InTiCa Systems is ready to take on this challenge and to invest in such developments in the future in line with the opportunities that arise. The focus in the Automotive segment in the current year is on new projects for assemblies and EMC filters, plus the first locally generated projects at the site in Mexico.

Taking into account the particular challenges, the Board of Directors expects segment sales of around EUR 65 million to EUR 75 million in 2022.

» Industry & Infrastructure[7]

Russia's invasion of Ukraine has also put considerable downside pressure on the business climate in the electro and digital industry. Although the majority of companies in the sector still describe the present situation as good, business expectations dropped back into negative territory in March for the first time since June 2020. Export expectations also deteriorated considerably, but remained above the zero line. According to a recent survey of members of the German sector association ZVEI, nine out of ten companies are reporting more severe supply bottlenecks and one in two is directly affected by the sanctions imposed on Russia. In the first two months of the year, the sector posted significant growth. In January and February, aggregate sector sales were 12.3% higher than in the first two months of the previous year, with domestic sales (+16.7%) rising faster than foreign sales (+8.7%). Order intake rose by 14.9% and output grew by 4.0%, the growth rate predicted for the full year. Capacity utilization remained high at 88.5% at the beginning of the year and order coverage was also high at an average of 4.8 (production) months. However, the supply bottlenecks are hampering order fulfilment: 88% of companies in the sector are suffering from shortages of materials and 41% from a shortage of skilled workers.

More than ever, the growth drivers are the electrification and digitalization megatrends. Electrification with end-to-end coupling of the climate-relevant sectors – energy, industry, buildings and mobility – is essential to meet the ambitious climate targets. Electrification could reduce primary energy requirements by more than 40% by 2045, the target year for achieving climate neutrality. Russia's war in Ukraine has highlighted the security-policy dimension of the energy system and the need for restructuring and electrification based on renewable resources. That entails a need for high investment in infrastructure and smart technologies. Demand for InTiCa Systems' products for the photovoltaics industry, for example inductive components and mechatronic assemblies, is therefore set to remain significant in 2022. The effective use of product and process expertise is driving the company forward on the global market. The trend to an all-electric society is dominated by smart coupling of all climate-relevant sectors. In the area of e-solutions for industrial electronics, InTiCa Systems is concentrating particularly on applications for inverters, smart metering, energy storage systems and electric charging systems.

[7] ZVEI-Konjunkturbarometer April 2022: https://www.zvei.org/fileadmin/user_upload/Presse_und_Medien/Publikationen/2022/April/ZVEI-Konjunkturbarometer_April_2022/ZVEI-Konjunkturbarometer-April-2022.pdf
ZVEI-Pressemitteilung vom 08.02.2022: https://www.zvei.org/elektro-und-digitalindustrie-2021-mit-erloesen-von-200-milliarden-euro
ZVEI Newsletter 3/2022: https://www.zvei.org/presse-medien/newsletter/auf-den-punkt-3-2022-zvei-newsletter

This year, the focus of the Industry & Infrastructure segment is on initiating future-oriented development projects and initial projects for charging solutions with potential new customers. The boundaries between Industry & Infrastructure and Automotive are becoming increasingly blurred. For example, EMC technology for charging infrastructure and vehicles is becoming more important. The focus on identifying synergies between the segments is one of the Group's strategic objectives. InTiCa Systems can rely on sound expertise to enable it to develop solutions that can be transferred to specific customer requirements. The Group plans to continue its success in development and serial orders in 2022.

Taking into account the particular challenges, the Board of Directors expects this segment to report sales of between EUR 20 million and EUR 25 million in 2022.

6.2 Order situation

At the end of the first quarter of 2022 orders on hand were slightly below the strong prior-year level at EUR 105.1 million (March 31, 2021: EUR 113.3 million). 81% of orders were for the Automotive segment (Q1 2021: 80%). Order offtake has been stable so far in 2022, but uncertainty is high as it is difficult to predict the future development of the coronavirus pandemic and the war in Ukraine. At present, it is not possible to estimate the extent of order offtake by customers in the remainder of the year.

6.3 Earnings, asset and financial position

The business environment is currently dominated by exceptional challenges, which entail considerable risks for business performance in 2022. The ongoing coronavirus pandemic and its course, which is difficult to predict, are continuing to influence global economic activity. While the influence in Europe appears to be less significant at present, the situation in Asia is more difficult. In particular, the renewed lockdown in parts of China at present is weighing on supply chains and sales opportunities. The war in Ukraine is also causing prolonged disruption of supply chains and, as a result of disruption of the raw material markets, it is also a key factor in rising production costs and market uncertainty. Since InTiCa Systems cannot start operating the planned production facility in Ukraine in the foreseeable future, the expected positive effects for wage-intensive products will not be achieved in 2022. The situation in Ukraine is constantly being reassessed and alternative options will be explored depending on the situation. The original valuation matrix is being reviewed in the light of the altered risk situation and talks with local institutions.

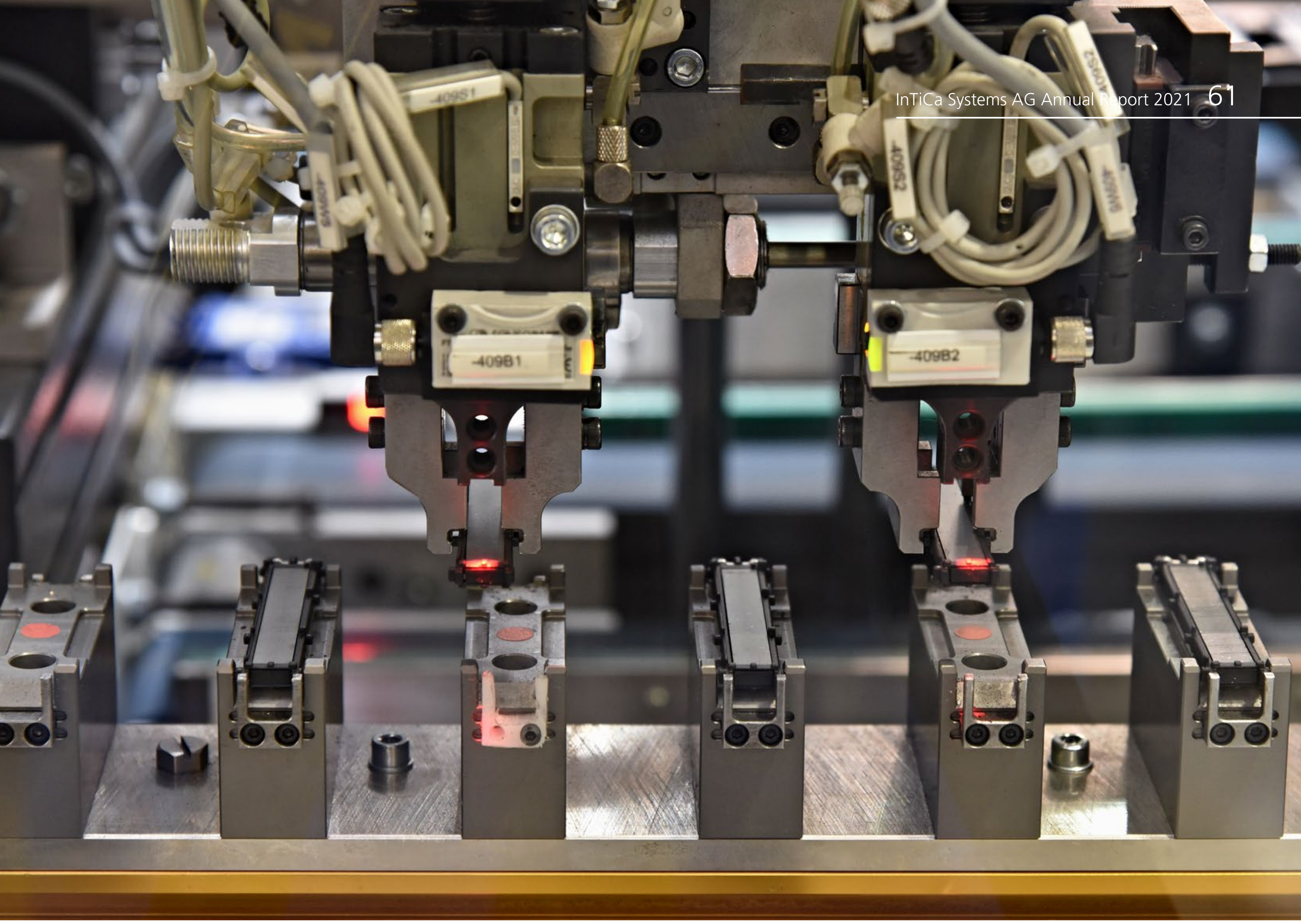
Irrespective of this, 2022 started well for InTiCa Systems. Although it did not quite match the record figures achieved in the prior-year period, which were driven by pent-up demand, orders on hand and order offtake by customers remained high in the first quarter of 2022. According to the preliminary figures, Group sales were EUR 26.9 million in the first three months of 2022 (Q1 2021: EUR 28.8 million). On the earnings side, EBIT is expected to come in at around EUR 1.0 million in the first quarter of 2022 (Q1 2021: EUR 1.3 million). The Automotive segment will remain the most important element in InTiCa Systems' business activities in 2022, as in previous years. Product innovations in the field of e-solutions and further internationalization should open the door to new markets in both segments.

At present, the Board of Directors assumes that, taking into account the particular challenges of 2022, Group sales will be relatively stable at EUR 85.0 million to EUR 100.0 million, while the EBIT margin will be slightly lower at between 2.5% and 3.5%. Where possible, the material cost ratio should be optimized further in both segments and the equity ratio should remain stable. The assumptions underlying the forecast for 2022 are that the coronavirus pandemic declines worldwide and the war in Ukraine does not escalate further. Unforeseeable negative effects could affect suppliers, have a direct impact on InTiCa Systems, or affect its customers, resulting in an inability to meet expectations.

Passau, April 25, 2022

The Board of Directors

Dr. Gregor Wasle	Günther Kneidinger
Chairman of the Board of Directors	Member of the Board of Directors



Automation

PROCESS TECHNOLOGY

GROUP
Consolidated Financial Statements

Well connected

Supply network at the Prachatice site

Consolidated Balance Sheet

of InTiCa Systems in accordance with IFRS
as at December 31, 2021

Assets

	Note	Dec. 31, 2021 EUR ´000	Dec. 31, 2020 EUR ´000
Non-current assets			
Intangible assets	14	3,746	3,932
Property, plant and equipment	13	22,766	23,549
Deferred taxes	10.3	1,601	1,606
Total non-current assets		**28,113**	**29,087**
Current Assets			
Inventories	17	18,120	11,687
Trade receivables	18	7,939	8,250
Tax assets	10.2	4	36
Other financial assets	16.1	804	582
Other current receivables	16.2	1,499	2,200
Cash and cash equivalents	31	1,941	1,473
Total current assets		**30,307**	**24,228**
Total assets		**58,420**	**53,315**

Equity and liabilities

	Note	Dec. 31, 2021 EUR ´000	Dec. 31, 2020 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	915	-1,047
Currency translation reserve	22	-867	-1,677
Total equity		**19,660**	**16,888**
Non-current liabilities			
Financial liabilities	23	9,873	13,572
Other financial liabilities	29.2; 33	3,602	4,324
Deferred taxes	10.3	1,917	1,682
Total non-current liabilities		**15,392**	**19,578**
Current liabilities			
Other current liabilities	24	2,208	2,033
Tax liabilities		662	562
Financial liabilities	23	10,879	4,858
Trade payables	25; 29.2	6,307	6,565
Other financial liabilities	26; 29.2	1,560	1,290
Other current liabilities	27	1,752	1,541
Total current liabilities		**23,368**	**16,849**
Total equity and liabilities		**58,420**	**53,315**
Equity ratio		33.7%	31.7%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

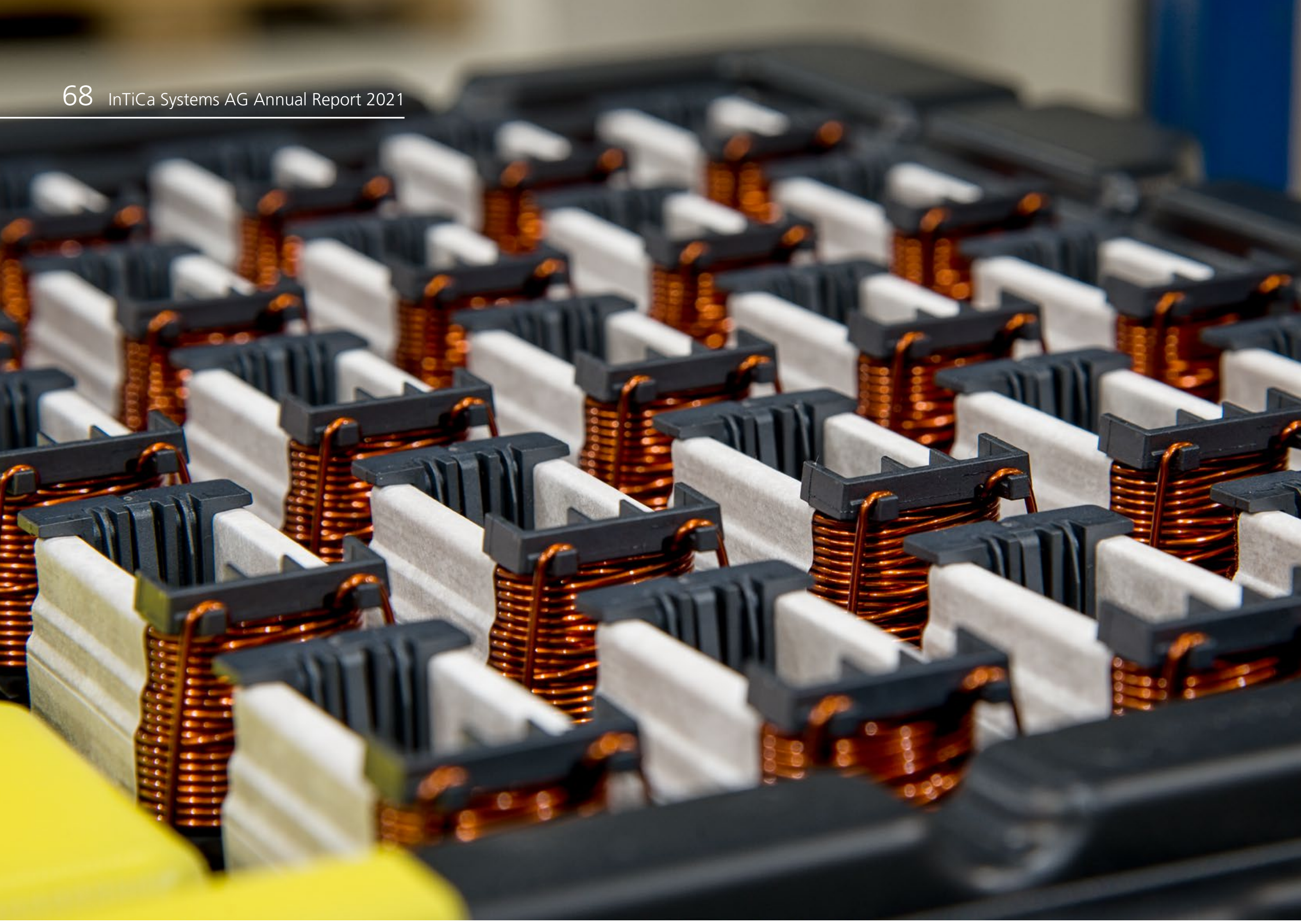
of InTiCa Systems in accordance with IFRS for the period from January 1 to December 31, 2021

	Note	Fiscal year EUR ´000	Previous year EUR ´000
Sales	5; 6.2	**95,735**	**71,072**
Other operating income	7	2,427	2,183
Change in finished goods and work in process	17	1,252	110
Other own work capitalized		823	671
Raw materials and supplies		62,271	44,130
Personnel expense	11.3	15,104	11,222
Depreciation and amortization	11.1; 13; 14	5,880	5,932
Other expenses	7	13,586	12,016
Operating profit (EBIT)		**3,396**	**736**
Cost of financing	9	561	567
Other financial income	8	0	0
Pre-tax profit/loss		**2,835**	**169**
Income taxes	10.1	873	287
Consolidated net profit/loss		**1,962**	**-118**
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	810	-963
Other comprehensive income, after taxes		**810**	**-963**
Total comprehensive income		**2,772**	**-1,081**
Earnings per share (diluted/basic in EUR)	12	0.46	-0.03

Consolidated Cash Flow Statement

of InTiCa Systems in accordance with IFRS/IAS for the period from January 1 to December 31, 2021

	Note	Fiscal year EUR ´000	Previous Year EUR ´000
Cash flow from operating activities			
Consolidated net income/loss for the period		1,962	-118
Income tax expense recognised in income	10.1	873	287
Cash outflow for borrowing costs	9	561	567
Depreciation and amortization of non-current assets	11.1	5,880	5,932
Non-cash transactions		46	-114
Increase/decrease in assets not attributable to financing or investing activities			
Inventories	17	-6,433	-1,391
Trade receivables	18	311	-1,126
Other assets		479	646
Increase/decrease in liabilities not attributable to financing or investing activities			
Other current provisions	24	175	383
Trade payables	29.2	-258	656
Other liabilities		372	928
Cash and cash equivalents from operating activities		**3,968**	**6,650**
Income tax receipts/payments		-532	-68
Cash outflow for interest payments		-561	-577
Net cash flow from operating activities		**2,875**	**6,005**
Cash flow from investing activities			
Cash inflow from the disposal of property, plant and equipment		29	0
Cash outflow for intangible assets	14	-1,131	-758
Cash outflow for property, plant and equipment	13; 33	-2,605	-1,365
Net cash flow from investing activities		**-3,707**	**-2,123**
Cash flow from financing activities			
Cash inflow from loans		0	6,000
Cash outflow for loan repayment installments		-3,100	-2,300
Repayments from the redemption of finance leases	33	-982	-972
Net cash flow from financing activities		**-4,082**	**2,728**
Total cash flow		**-4,914**	**6,610**
Cash and cash equivalents at start of period	31	-285	-6,959
Impact of changes in exchange rates on cash and cash equivalents held in foreign currencies		-39	64
Cash and cash equivalents at end of period	31	**-5,238**	**-285**



Stator coils

for hybrid technology

Consolidated Statement of Changes in Equity

for InTiCa Systems according with IFRS
for the period from January 1, 2020 to December 31, 2021

	Capital stock EUR ´000	Treasury stock EUR ´000	Capital reserve EUR ´000	Profit reserve EUR ´000	Currency translation reserve EUR ´000	Total equity EUR ´000
Note	19	19	20	21	22	29.1
As at January 1, 2020	4,287	-64	15,389	-929	-714	17,969
Consolidated net income 2020	0	0	0	-118	0	-118
Other comprehensive income, after taxes	0	0	0	0	-963	-963
Total comprehensive income 2020	**0**	**0**	**0**	**-118**	**-963**	**-1,081**
As at December 31, 2020	4,287	-64	15,389	-1,047	-1,677	16,888
As at January 1, 2021	4,287	-64	15,389	-1,047	-1,677	16,888
Consolidated net income 2021	0	0	0	1,962	0	1,962
Other comprehensive income, after taxes	0	0	0	0	810	810
Total comprehensive income 2021	**0**	**0**	**0**	**1,962**	**810**	**2,772**
As at December 31, 2021	4,287	-64	15,389	915	-867	19,660

NOTES

Notes to the Consolidated Financial Statements of InTiCa Systems AG for fiscal 2021

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 2021:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16: IBOR reform (Phase 2) – The amendments relate to the upcoming IBOR reform. This completes phase 2 of the IASB project "IBOR reform and its Effects on Financial Reporting". The amendments address issues relating to accounting after the reform of the interest rate benchmarks and their replacement by alternative interest rate benchmarks. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are designed to mitigate the financial reporting effects of the replacement of an existing interest rate benchmark by an alternative interest rate benchmark. In particular, the amendments provide a practical expedient for the modifications that are necessary as a result of the IBOR reform. The amendments in phase 2 of the project relate to the modification of financial assets, financial liabilities and lease liabilities, rules on accounting for hedging relationships and rules on disclosures in application of IFRS 7 to account for changes arising from modifications and the recognition of hedging accounting relationships.

IFRS 16	Amendment to IFRS 16: Covid-19-Related Rent Concessions – As a result of the coronavirus pandemic, many lessees were granted rent concessions, e.g. deferral of rent payments. Rent concessions can have different effects on the financial statements, depending, in particular, on whether they meet the definition of a lease modification. The amendment results in a practical expedient in that it enables the lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. The exemption initially applied to all payments that would have been due before June 30, 2021 and was extended by a year in a further amendment. The expedient only applies to recognition by the lessee.

Application of the above standards did not result in any change in the accounting methods used for the consolidated financial statements.

2.2 Standards, interpretations and amendments to published standards, where application was not mandatory in 2021 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.

» Amendment to IFRS 3 Business Combinations
(Effective date: January 1, 2022; endorsed by the EU as of June 28, 2021)

The amendments update IFRS 3 so that the standard now refers to the 2018 conceptual framework and no longer to the 1989 framework. Further, two additions have been included. When identifying liabilities assumed in a business combination, an acquirer shall apply the provisions of IAS 37 or IFRIC 21 to the recognition of transactions and similar events that would fall within the scope of either IAS 37 or IFRIC 21. In addition, the amendments explicitly state that a contingent asset acquired in a business combination may not be recognized by the acquirer. The amendments are to be applied (prospectively) for the first time to business combinations occurring in financial years starting on or after January 1, 2022.

» Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
(Effective date: January 1, 2022; endorsed by the EU as of June 28, 2021)

The amendments to IAS 37 define the scope of the cost of fulfilling a contract in the event of onerous contracts. The cost of fulfilling a contract comprises the costs that relate directly to the contract, i.e. the incremental costs of fulfilling that contract (for example, direct labour and material costs) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling several contracts). The amendments are to be applied to all contracts where the entity has not yet fulfilled all its obligations at the date of initial application. Restatement of the comparative information is not required. Instead, the cumulative effect of initial application is to be recognized in retained earnings (or another suitable component of equity) in the opening balance.

» Amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use
(Effective date: January 1, 2022; endorsed by the EU as of June 28, 2021)

As a result of the amendments, it is not permitted to deduct from the cost of acquisition or production the net proceeds from selling any items produced while bringing the asset to that location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss in accordance with applicable standards. The provisions of IAS 2 are used to measure the cost of production. Directly attributable costs include the costs of testing whether the asset is functioning properly. Furthermore, additional disclosures are required on the amounts of proceeds and cost included in profit or loss that relate to items produced in test runs that are not an output of the entity's ordinary activities. The amendments only have to be applied retrospectively to items of property, plant and equipment that are brought to the location and condition for them to be capable of operating in the manner intended by the management on or after the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. The cumulative effect of initial application is recognized in retained earnings (or another suitable component of equity) in the opening balance for the earliest period presented.

» Annual Improvements to IFRSs (2018-2020 cycle)
(Effective date: January 1, 2022; endorsed by the EU as of June 28, 2021)

Improvements and amendments to IFRS 1 (First-time Adoption of IFRS), IFRS 9 (Financial Instruments), IFRS 16 (Leases) and IAS 41 (Agriculture):

- IFRS 1: As first-time adopters, subsidiaries may measure cumulative translation differences at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs.
- IFRS 9: Clarification of which fees are included in the 10 present value test for the derecognition of financial liabilities.
- IFRS 16: The presentation of the reimbursement of the lessee's leasehold improvements has been deleted from illustrative example 13 because it is not explicitly clear from the example that this does not meet the definition of lease incentives.
- IAS 41: The amendment makes it clear that tax effects have to be taken into account in the fair value measurement of a biological asset.

» Amendments to IAS 1 Classification of Liabilities as Current or Non-Current
(Effective date: January 1, 2023; not yet endorsed by the EU)

The amendments to IAS 1 only relate to the presentation of liabilities as current or non-current on the balance sheet, not to the amount or timing of recognition of assets, liabilities, income or expenses or the disclosures required on these items. The amendments clarify that the distinction between current and non-current must be based on the rights as at the end of the reporting period, not the expectations as to whether a company will utilize its rights. The amendments also relate to the insertion of an explanation of the term settlement. Settlement comprises the transfer of cash, equity instruments or other assets or services to the counterparty. To assess whether settlement of the liability can be deferred for at least 12 months, the key criterion is whether possible conditions (e.g. covenants) for this are met at the reporting date.

» IAS 1 Disclosure of Accounting Policies
(Effective date: January 1, 2023; endorsed by the EU as of March 2, 2022)

The amendments modify the requirements of IAS 1 relating to the disclosure of accounting policies. The term "significant accounting policies" has been replaced throughout by "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of IFRS financial statements make on the basis of those financial statements. Moreover, the amendments clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The amendments are to be applied prospectively.

» IAS 8 Definition of Accounting Estimates
(Effective date: January 1, 2023; endorsed by the EU as of March 2, 2022)

The amendments to IAS 8 are intended to help distinguish between accounting policies and accounting estimates. This distinction is significant because changes in accounting estimates are applied prospectively to all transactions and other events from the date of the change, whereas changes in accounting policies are generally also applied retrospectively. The definition of changes in accounting estimates is replaced by a definition of accounting estimates. This definition states that accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Companies make accounting estimates when accounting policies require that items in the financial statements are measured in a way that involves measurement uncertainty. The change in an accounting estimate resulting from new information or new developments is not the correction of an error.

» IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
(Effective date: January 1, 2023; not yet endorsed by the EU)
The amendment to IAS 12 narrows the scope of the initial recognition exception for deferred tax. The amendment clarifies that the exemption does not apply if the transaction gives rise to equal taxable and deductible temporary differences. This may be the case, for example, when recognizing a lease liability and the corresponding right-of-use asset in application of IFRS 16 at the commencement of the lease. According to the amendment, an entity is now required to recognize for the corresponding deferred tax assets and liabilities; the impairment criteria in IAS 12 apply to the recognition of a deferred tax liability. The amendments are to be applied for transactions that occur on or after the beginning of the earliest comparative period presented.

The above standards and interpretations are not expected to have a material impact on the consolidated financial statements.

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 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 combination

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 Note 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 Leases

A lease is a contract that conveys the right to use an asset (right-of-use asset) for a period of time in exchange for consideration. Until December 31, 2018, an agreement was classified as a lease if the lessor transferred the right to use an asset to the lessee for a specific period of time in return for contractually agreed payments. Under IAS 17, the economic ownership of the leased asset was only attributed to the lessee if all material risks and rewards incidental to ownership of the leased asset were borne by the lessee.

Since January 1, 2019, InTiCa Systems has accounted for leases where it is the lessee by recognizing the right-of-use assets and liabilities for the associated payment obligations (lease liabilities). The right-of-use asset is measured at the present value of the future lease payments and subsequently depreciated over the useful life of the underlying asset or the lease term. The lease liability is measured at the present value of the lease payments to be made over the term of the lease. For subsequent recognition, the carrying amount is increased by the applicable borrowing rate and reduced by lease payments made. The lease payments of the InTiCa Group are discounted using the lessee’s incremental borrowing rate.

The Group made use of the following practical expedients when applying IFRS 16 to leases that were classified as operating leases under IAS 17:

- for leases where the lease term ends within 12 months of the date of initial application, the Group has not recognized either right-of-use assets or lease liabilities;
- for leases where the underlying asset is of low value (< EUR 5 thousand), the Group has not recognized either right-of-use assets or lease liabilities;
- in the measurement of the right-of-use asset at the date of initial application, the Group did not take account of the initial direct costs; and
- the Group determined the lease term retrospectively.

The right-of-use assets are measured at cost of acquisition, which is comprised of the following items (as applicable):

- the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs
- dismantling obligations

The right-of-use assets are subsequently measured net of depreciation, which is calculated using the straight-line basis. The depreciation period in the Group is between 3 and 10 years.

The lease liabilities comprise the following lease payments (as applicable):

- fixed payments less any lease incentives receivable
- variable lease payments that depend on an index or interest rate
- amounts expected to be payable under residual value guarantees
- extension or termination options
- the exercise price of a purchase option if exercise is considered reasonably certain
- payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

For further information on the effects on the Group, please see Note 33.

3.7 Foreign currencies

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

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

When preparing the consolidated financial statements, the assets and liabilities of the Group's foreign business operations are translated into euros (EUR) at the exchange rate applicable on the reporting date. Income and expenses are translated using the 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	
	2021	2020	2021	2020
	EUR 1/	EUR 1/	EUR 1/	EUR 1/
Czech Republic	CZK 24.860	CZK 26.245	CZK 25.645	CZK 26.444
USA	USD 1.132	USD 1.228	USD 1.183	USD 1.142
Mexico	MXN 23.409	MXN 24.405	MXN 24.066	MXN 24.482

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

» Current and deferred taxes for the reporting period

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

3.9 Earnings per share

Basic earnings per share are calculated by dividing 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.

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

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

Financial assets are recognized when a company in the Group becomes a counterparty to the financial instrument.

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.

With the exception of the financial derivatives specified below, other assets are initially measured at fair value taking into account transaction costs and subsequently measured at amortized cost, after deduction of impairment losses.

Financial derivatives that are not designated as part of a hedging relationship are initially recognized at fair value through profit or loss (FVTPL). Financial assets in this category are also measured at fair value at the end of the every reporting period and any gains and/or losses resulting from changes in the fair value are recognized in profit or loss, except if they are part of a designated hedging relationship. The profit and/or loss on the financial asset is recognized in statement of comprehensive income in "other operating income" or "other operating expenses". The procedures used to determine fair value are outlined Note 29.2.

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 to hold them until maturity in order to collect the contractual cash flows. Consequently, other financial assets, apart from the financial derivatives outlined previously, are normally measured at amortized cost. The "trading" business model and the category "at fair value through other comprehensive income" (FVTOCI) are not used.

Financial assets are recognized and derecognized on the trade date if they are financial instruments that are delivered within the standard period for the relevant market.

All recognized financial assets are subsequently measured in their entirety either at amortized cost or at fair value, depending on the classification of the financial assets set out above.

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. For information on the recognition of financial liabilities from leases, see Note 3.6.

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 and lease liabilities 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), 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 Financial derivatives

» Derivatives concluded

The Group uses derivative financial instruments to manage its exchange rate risk (currency forwards). Derivatives are initially measured at fair value at the date of conclusion of the contract. Subsequently, they are measured at fair value as of every reporting date. The gain or loss resulting from measurement is recognized immediately in profit or loss, unless the derivative designated as a hedging instrument in a hedging relationship and is effective.

A derivative with a positive fair value is recognized as a financial asset, while a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated balance sheet, unless the Group has both a legally enforceable right and the intention to offset them. The impact on the assets, financial position and results of operations is outlined in Notes 7 and 29.2. A derivative is presented as a non-current asset or a non-current liability if the remaining term of the financial instrument is more than 12 months and it is not expected to realized or closed out in this period. The remaining derivatives are recognized as current assets or current liabilities.

» Accounting for hedging relationships

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

In these cases, 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 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 is 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.

As of the reporting date, December 31, 2021, there were no derivatives designated as hedging instruments.

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.

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 3.4 million as of December 31, 2021 (2020: EUR 3.8 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.

» Leases – Estimating the lessee's incremental borrowing rate

The Group cannot readily determine the interest rate implicit in lease. It therefore measures lease liabilities using the incremental borrowing rate. This is the rate of interest that the Group would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the incremental borrowing rate using observable inputs, where such inputs are available, and also has to make certain company-specific estimates.

» 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 future 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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Revenues from trading	4,460	3,188
Revenues from production	91,275	67,884
Total revenues from the sale of goods	**95,735**	**71,072**

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

The Automotive 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.

» Industry & Infrastructure

InTiCa Systems' Industry & Infrastructure 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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Automotive	72,017	53,274	1,926	568
Industry & Infrastructure	23,718	17,798	1,470	168
Total	**95,735**	**71,072**	**3,396**	**736**
Income and expenses relating to assets not allocated to any segment			0	0
Financial result			**-561**	**-567**
Income before taxes			2,835	169

The sales revenues presented above comprise revenues from transactions with external customers. There were no intersegment transactions (2020: none).

6.3 Segment assets and liabilities

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Automotive	40,172	37,750
Industry & Infrastructure	12,399	9,668
Total	**52,571**	**47,418**
Assets not allocated to any segment	5,849	5,897
Total consolidated assets	**58,420**	**53,315**

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Cash and cash equivalents	1,941	1,473
Other current receivables	1,499	2,200
Other financial assets	804	582
Tax receivables	5	36
Deferred taxes	1,600	1,606
Total	**5,849**	**5,897**

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000	Dec. 31, 2021 in EUR '000	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Automotive	4,747	4,951	45	3,254	1,503
Industry & Infrastructure	1,133	981	0	816	717
Total	**5,880**	**5,932**	**45**	**4,070**	**2,220**

The total depreciation, amortization and impairment write-downs include impairment charges of EUR 45 thousand (2020: EUR 335 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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Small signal electronics	71	119
Power electronics	61,253	40,604
Mechatronic components and systems	26,472	24,967
Other	7,939	5,382
Total	**95,735**	**71,072**

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Germany	62,947	46,102	7,094	6,824
Other countries	32,788	24,970	19,419	20,657
thereof China	6,204	5,723		
Total	**95,735**	**71,072**	**26,513**	**27,481**
Assets not allocated to any segment			1,600	1,606
Non-current assets, total			28,113	29,087

The data on sales in China 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 15,128 thousand of this amount comprises assets at the site in the Czech Republic (2020: EUR 16,652 thousand).

6.7 Information on major customers

The Group's two (2020: two) largest customers accounted for around EUR 21,104 thousand and EUR 10,010 thousand of direct sales of products (2020: EUR 11,069 thousand and EUR 10,010 thousand) respectively. That was 22.0% and 11.7% of total sales (2020: 15.6% and 14.1%). These are customers of the Automotive and Industry & Infrastructure segments. In both 2021 and 2020, 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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Gains from foreign currency translation (i)	2,012	1,989
Other	415	194
Total	**2,427**	**2,183**

Other expenses	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Exchange losses (ii)	1,370	2,943
Cost of premises	737	594
Insurance premiums, contributions, levies	494	453
Vehicle expenses	192	160
Advertising costs, travel expenses	446	474
Delivery costs	1,289	717
Maintenance and repairs	916	1,050
Agency staff	5,745	3,665
Legal and consultancy expenses	513	452
Other operating expenses	1,884	1,508
Total	**13,586**	**12,016**

(i) This amount contains a net gain of EUR 152 thousand from the fair value measurement of several currency forwards, which were not designated as a hedge accounting relationship.

(ii) This amount contains a net loss of EUR 88 thousand from the fair value measurement of several currency forwards, which were not designated as a hedge accounting relationship.

Overall, there was a net gain of EUR 64 million from the measurement of several currency forwards, which were not designated as a hedge accounting relationship. All other income and expenses from financial instruments relate to financial assets and liabilities measured at amortized cost.

8. Other financial income

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Interest income from balances on bank accounts	0	0
Other financial assets	0	0
Total	**0**	**0**

9. Financial expenses

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Interest on overdrafts and bank loans	412	405
Interest on obligations relating to finance leases	149	162
Total	**561**	**567**

Breakdown of expenses for financial liabilities by valuation class:

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Financial liabilities measured at amortized cost (OL)	561	567

10. Income taxes

10.1 Income taxes recognized in the statement of profit or loss

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Current tax expense	664	508
Deferred taxes	209	-221
Total	**873**	**287**

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

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Income before taxes	2,835	169
Theoretical tax expense	846	50
Impact of adjustments to tax amounts at the parent company (including deferred taxes)	9	18
Impact of tax loss carryforwards or different tax rates at subsidiaries in other legal jurisdictions (including deferred taxes)	18	219
Total	**873**	**287**

The tax rate used for the above reconciliation for 2021 and 2020 is the tax rate of 29.83% (2020: 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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Current claims for tax refunds	4	36

10.3 Deferred taxes

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Deferred tax assets	1,601	1,606
Deferred tax liabilities	1,917	1,682
Total	-316	-76

2021	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
Deferred tax assets					
Property, plant and equipment	25	22	0	0	47
Inventories	23	-19	0	0	4
Trade receivables	13	-1	0	0	12
Provisions	12	6	0	0	18
Tax losses	1,533	-13	0	0	1,520
Total	1,606	-5	0	0	1,601
Deferred tax liabilities					
Intangible assets	1,143	-115	0	0	1,028
Property, plant and equipment	459	319	0	0	778
Currency translation differences relating to foreign subsidiaries	80	0	0	31	111
Total	1,682	204	0	31	1,917
Total	-76	-209	0	-31	-316
2020					
Deferred tax assets					
Property, plant and equipment	24	1	0	0	25
Inventories	0	23	0	0	23
Trade receivables	18	-5	0	0	13
Provisions	13	-1	0	0	12
Tax losses	1,524	9	0	0	1,533
Total	1,579	27	0	0	1,606
Deferred tax liabilities					
Intangible assets	1,396	-253	0	0	1,143
Property, plant and equipment	400	59	0	0	459
Currency translation differences relating to foreign subsidiaries	91	0	0	-11	80
Total	1,887	-194	0	-11	1,682
Total	-308	221	0	11	-76

The tax loss carryforwards to which deferred tax assets refer relate 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 before the loss carryforwards expire.

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Impairment write-downs on property, plant and equipment	0	0
Depreciation of property, plant and equipment	4,560	4,320
Impairment write-downs on intangible assets	45	335
Amortization of intangible assets	1,275	1,277
Total	**5,880**	**5,932**

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Research and development costs expensed in the fiscal year	1,865	1,576

11.3 Personnel-related expenses

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Wages and salaries	11,221	9,054
Social security expenses	2,937	2,278
Pension expenses	12	12
Subsidies from the Federal Employment Office (for short-time working)	0	-404
Other	934	282
Total	**15,104**	**11,222**

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, 2021	Dec. 31, 2020
Consolidated net profit (2020: consolidated net loss)	1,962	-118
Weighted average ordinary shares (in thousand units)	4,223	4,223
Earnings per share (in EUR)	**0.46**	**-0.03**

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, 2020 to December 31, 2021
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, 2020	12,500	44,240	2,899	1,493	61,132
Additions	33	852	465	113	1,463
Additions (historical cost of acquisition or production)	296	0	0	0	296
Transfers	0	804	-14	-799	-9
Disposals	-50	-31	-322	0	-403
Translation differences	-447	-1,490	-103	0	-2.040
As at December 31, 2020 / January 1, 2021	**12,332**	**44,375**	**2,925**	**807**	**60,439**
Additions	258	1,283	704	693	2,938
Transfers	4	232	57	-293	0
Disposals	0	-480	-316	0	-796
Translation differences	529	1,864	40	0	2,433
As at December 31, 2021	**13,123**	**47,274**	**3,410**	**1,207**	**65,014**
Depreciation					
As at January 1, 2020	3,837	27,919	2,059	0	33,815
Depreciation	828	3,031	460	0	4,319
Impairment write-downs (Cumulative depreciation, previous years)	39	0	0	0	39
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	-23	-31	-322	0	-376
Translation differences	-108	-714	-85	0	-907
As at December 31, 2020 / January 1, 2021	**4,573**	**30,205**	**2,112**	**0**	**36,890**
Depreciation	897	3,167	496	0	4,560
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-470	-306	0	-776
Translation differences	177	1,367	30	0	1,574
As at December 31, 2021	**5,647**	**34,269**	**2,332**	**0**	**42,248**
Balance sheet value as at December 31, 2021	**7,476**	**13,005**	**1,078**	**1,207**	**22,766**
Balance sheet value as at December 31, 2020	7,759	14,170	813	807	23,549

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

Assets and mortgages pledged as security

Machinery at the Prachatice site with a carrying amount of EUR 3,822 thousand (2020: EUR 5,034 thousand) has been pledged as security for liabilities to banks.

14. Intangible assets

Change in non-current assets in the period January 1, 2020 to December 31, 2021
InTiCa Systems Group

In EUR ’000	Self-created intangible assets	Other intangible assets	Total
Cost of acquisition or production			
As at January 1, 2020	10,624	679	11,303
Additions	728	29	757
Transfers	0	9	9
Disposals	-1,330	0	-1,330
Translation differences	0	-11	-11
As at December 31, 2020 / January 1, 2021	**10,022**	**706**	**10,728**
Additions	886	245	1,131
Transfers	0	0	0
Disposals	-676	0	-676
Translation differences	0	10	10
As at December 31, 2021	**10,232**	**961**	**11,193**
Amortization			
As at January 1, 2020	5,946	575	6,521
Amortization	1,578	34	1,612
Impairment write-downs	0	0	0
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-1,330	0	-1,330
Translation differences	0	-7	-7
As at December 31, 2020 / January 1, 2021	**6,194**	**602**	**6,796**
Amortization	1,272	47	1,319
Impairment write-downs	0	0	0
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-676	0	-676
Translation differences	0	8	8
As at December 31, 2021	**6,790**	**657**	**7,447**
Balance sheet value as at December 31, 2021	**3,442**	**304**	**3,746**
Balance sheet value as at December 31, 2020	3,828	104	3,932

Where the underlying projects have not been completed or no sales have been generated, self-created intangible assets (carrying amount EUR 978 thousand in 2021; 2020: EUR 550 thousand) are not yet subject to amortization.

Impairment write-downs in 2021

For development projects, the amortization recognized in the statement of profit and loss includes impairment write-downs of EUR 45 thousand (2020: EUR 335 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, 2021 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
(2020:		100	100	)
Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V.	Silao, Mexico	100	100	Production
(2020:		100	100	)

16. Other financial assets and other receivables

16.1 Other financial assets

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Financial assets measured at fair value through profit or loss	64	0
Other financial assets recognized at amortized cost	740	582
Total	**804**	**582**
Non-current	0	0
Current	804	582
Total	**804**	**582**

16.2 Other current receivables

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Deferred charges	298	144
Advance payments made	168	327
Current tax receivables	1,033	1,729
Total	**1,499**	**2,200**

17. Inventories

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Raw materials and supplies	13,616	8,435
Work in process	792	864
Unfinished tools with customer involvement	3,712	2,388
Finished goods	**18,120**	**11,687**

Total impairment write-downs on inventories recognized in profit and loss amounted to EUR 198 thousand (2020: EUR 220 thousand). They comprised EUR 110 thousand (2020: EUR 189 thousand) in the Automotive segment, and EUR 88 thousand (2020: EUR 31 thousand) in the Industry & Infrastructure segment. As of the reporting date the carrying amount of these inventories was EUR 527 thousand (2020: EUR 682 thousand).

The write-downs in the financial year are contained in other comprehensive income and comprise EUR 95 thousand (2020: EUR 181 thousand) in "Change in inventories of finished goods and work in process" and EUR 103 thousand (2020: EUR 39 thousand) in "Raw materials and supplies".

18. Trade receivables

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Trade receivables	8,003	8,319
Impairment write-downs	-64	-69
Total	**7,939**	**8,250**

InTiCa Systems uses the simplified approach permitted by IFRS 9 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.

Trade receivables where the principal opportunities and risks were transferred to a forfaiter under a master forfaiting agreement were fully derecognized. A purchase price discount (10%) is retained by the forfaiter when the receivables are sold and refunded on receipt of payment from the customer. The purchase price discount on the receivables derecognized as of December 31, 2021 (2021: EUR 5,332 thousand; 2020: EUR 5,090 thousand) was EUR 533 thousand as of December 31, 2021 (2020: EUR 509 thousand) and is recognized in other financial assets.

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

Dec. 31, 2021	Expected loss ratio	Gross carrying amount of receivables in EUR '000	Impairment write-down in EUR '000
Not due	0.10%	6,505	6
1-30 days past due	1.00%	884	9
31-60 days past due	1.50%	192	3
61-90 days past due	3.50%	62	2
More than 90 days past due	5.50%	360	20
Total		**8,003**	**40**

In addition, (individual) impairment write-downs of EUR 24 thousand (2020: EUR 26 thousand) were recognized for the Mexico site.

Dec. 31, 2020	Expected loss ratio	Gross carrying amount of receivables in EUR '000	Impairment write-down in EUR '000
Not due	0.10%	6,962	7
1-30 days past due	1.00%	715	7
31-60 days past due	1.50%	89	1
61-90 days past due	3.50%	120	4
More than 90 days past due	5.50%	433	24
Total		**8,319**	**43**

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.

To secure credit lines totalling EUR 8.0 million (2020: EUR 8.0 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 6.4 million (2020: EUR 5.5 million).

19. Capital stock

Capital stock and ordinary shares

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 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, 2021 in EUR '000	% of capital stock	Dec. 31, 2020 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/I).

20. General capital reserve

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Status at start of year	-1,047	-929
Consolidated net profit (2020: consolidated net loss)	1,962	-118
Total	**915**	**-1,047**

The profit reserve contains statutory profit reserves of EUR 51 thousand (2020: EUR 51 thousand) and other profit reserves (including the loss carryforward) of minus EUR 864 thousand (2020: minus EUR 1,098 thousand).

22. Currency translation reserve

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Status at start of year	-1,677	-714
Translation of foreign business operations	810	-963
Total	**-867**	**-1,677**

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Unsecured – recognized at amortized cost		
Overdrafts	7	2
Loans	5,688	6,337
Secured – recognized at amortized cost		
Overdrafts	7,172	1,756
Loans	7,885	10,335
Total	**20,752**	**18,430**
Current	10,879	4,858
Non-current	9,873	13,572
Total	**20,752**	**18,430**

EUR 3,350 thousand (2020: EUR 1,756 thousand) of the secured overdrafts relate to the Czech subsidiary and are secured by a guarantee from InTiCa Systems AG. EUR 1,000 thousand (2020: EUR 1,800 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%-4.08% p.a. (2020: 1.30%-5.50% p.a.).

Non-current loans incur interest at a fixed rate averaging 2.04% p.a. (2020: 2.09% p.a.). Variable interest was agreed for three non-current loans totalling EUR 5,385 thousand (2020: EUR 6,660 thousand). As of December 31, 2021, interest on loans was 0.50%-1.60% p.a. (2020: 0.5%-1.60% p.a.).

24. Provisions

	Jan. 1, 2021 in EUR '000	Utilized in EUR '000	Reversed in EUR '000	Additions in EUR '000	Dec. 31, 2021 in EUR '000
Trade-related commitments (i)	1,256	1,256	0	1,225	1,225
Personnel expense (ii)	532	532	0	739	739
Other (iii)	245	245	0	244	244
Total	**2,033**	**2,033**	**0**	**2,208**	**2,208**

(i) In both 2020 and 2021, provisions for trade-related commitments comprised provisions for expected credit notes and outstanding invoices.

(ii) In both 2020 and 2021, 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 2020 and 2021, 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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
At amortized cost		
Other financial liabilities	516	356
Lease liabilities	1,044	934
Total	**1,560**	**1,290**

27. Other current liabilities

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Accrued expenses	500	0
Advance payments received	394	749
Other liabilities	858	792
Total	**1,752**	**1,541**

28. Liabilities relating to finance leases

Please refer to the comments in Note 3.6.

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Equity	19,660	16,888
Total assets	58,420	53,315
Equity ratio	33.7 %	31.7%
Interest-bearing financial liabilities	20,752	18,430
Cash and cash equivalents	1,941	1,473
Net financial debt	**18,811**	**16,957**
EBIT	3,396	736
Depreciation, amortization and impairment write-downs	5,880	5,932
EBITDA	9,276	6,668
Net financial debt/EBITDA	**2.03**	**2.54**

29.2 Supplementary disclosures on financial instruments

	IFRS 9 valuation categories	Carrying amount Dec. 31, 2021 in EUR '000	Carrying amount Dec. 31, 2020 in EUR '000
Financial assets			
Cash on hand and bank balances	AC [1]	1,941	1,473
Trade receivables	AC [1]	7,939	8,250
Other financial assets	FVTPL [2]	64	0
Other financial assets	AC [1]	740	582
Total		**10,684**	**10,305**
Financial liabilities			
Financial liabilities	AC [1]	20,752	18,430
Trade payables	AC [1]	6,307	6,565
Other financial liabilities	AC [1]	5,162	5,614
Total		**32,221**	**30,609**

[1] AC = at amortized cost
[2] FVTPL = at fair value through profit and loss

The above table shows the classes of financial instruments (based on their type and attributes), the carrying amounts of the financial instruments and the fair values of the financial instruments (except for financial instruments whose carrying amount corresponds to the carrying amount). The financial assets and financial liabilities measured at amortized cost are all allocated to level 2 in the fair value hierarchy (see below).

Cash and cash equivalents, trade receivables and other financial assets (AC) 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 and other current financial liabilities have short remaining terms; the amount recognized is therefore an approximation of the fair value. The carrying amounts of the other non-current financial liabilities also correspond in most cases to their fair values.

The financial assets measured at fair value through profit or loss are derivatives (currency forwards) that have not been designated as hedging instruments. The financial assets measured at amortized cost comprise all miscellaneous financial assets.

The Group has concluded netting arrangements with a bank in connection with several currency forwards. These were as follows as at the reporting date:

- Derivative assets: EUR 5,164 thousand
- Derivative liabilities: EUR 5,100 thousand
- Net amount: EUR 64 thousand

The derivative assets and liabilities fulfil the criteria for netting out in IAS 32. Accordingly, the gross amount of the derivative liability is set off against the gross amount of the derivative asset, so that a net derivative asset of EUR 64 thousand is presented on the consolidated balance sheet. For further information on financial derivatives, see Notes 3.20 and 7.

Fair value measurement is divided into the following levels (fair value hierarchy). Allocation is dependent on the availability of observable inputs and the significance of these parameters for the determination of fair value:

- Level 1 measurement is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 measurement is based on inputs other than quoted prices included in level 1 that are directly observable for the asset or liability or can be derived indirectly from other prices.
- Level 3 measurements are derived from valuation models using inputs that are unobservable on the market.

The derivatives concluded by the Group (currency forwards) are normally measured at fair value and are all allocated to hierarchy level 2. The fair value measurement of these derivatives is derived by applying a valuation method using inputs that are observable in the market. The fair value is determined using the quoted forward rates as of the reporting date and net present value calculations based on yield curves with high creditworthiness in the corresponding currencies.

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.

In the reporting period, the Group concluded currency forwards to hedge the exchange rate from EUR to CZK. The aim of these transactions is to hedge fluctuations in exchange rates. The Group exchanges EUR for CZK at a fixed exchange rate on the trade date. The transactions were not designated as hedging instruments and are therefore recognized at fair value through profit or loss. See also the comments in Notes 3.16, 3.20, 7 and 29.2.

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 of the relevant reporting date 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, 2021, the impact of the change in the USD exchange rate on the consolidated net profit would have been a decline (increase) of around EUR 66 thousand (2020: EUR 255 thousand), while a change in the CZK exchange rate of this magnitude would have increased (decreased) the consolidated net profit by around EUR 231 thousand (2020: EUR 53 thousand). For the MXN, the impact on the consolidated net profit would have been a decline (increase) of EUR 296 thousand (2020: EUR 236 thousand).

	Nominal amount as of Dec. 31, 2021 in EUR '000	2021 in EUR '000	Nominal amount as of Dec. 31, 2020 in EUR '000	2020 in EUR '000
Change in USD (+/-10%)	745	66	3,130	255
Change in CZK (+/-3.5%)	6,593	231	1,513	53
Change in MXN (+/-3.5%)	8,452	296	6,743	236

» 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, 2021, the result would have been EUR 126 thousand lower (higher).

» Price risks

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

» Risk of default

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

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

» Liquidity risk

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

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Credit lines		
Amounts drawn	7,172	1,756
Undrawn amounts	8,728	10,244
Total	15,900	12,000

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 installments.

	up to 1 year in EUR '000	1–5 years in EUR '000	over 5 years in EUR '000	Total in EUR '000
2021				
Variable-interest financial liabilities	8,614	3,747	457	12,818
Fixed-interest financial liabilities	2,572	5,932	38	8,542
Total	11,186	9,679	495	21,360
2020				
Variable-interest financial liabilities	3,118	4,607	919	8,644
Fixed-interest financial liabilities	2,023	7,855	694	10,572
Total	5,141	12,462	1,613	19,216

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 (Chairman)**
  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
  Member of the Board of Management 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, Passau
  Managing partner of ziel management consulting gmbh
  Managing partner of Fürst Reisen GmbH & Co. KG
  Chairman of the Supervisory Board of Electrovac AG
  Advisory Board of Eberspächer Gruppe GmbH & Co. KG
  Advisory Board of Karl Bachl 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 2021 fiscal year was EUR 462 thousand (2020: EUR 445 thousand).

» Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board in the 2021 fiscal year was EUR 60 thousand (2020: EUR 55 thousand).

For a more detailed description of the remuneration system for the Board of Directors and Supervisory Board, see the Remuneration Report, which is available on the company's website at www.intica-systems.com in the section Investor Relations/ Corporate Governance.

30.4 Share ownership

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

No member of the Board of Directors or the Supervisory Board holds shares in InTiCa Systems AG representing 1% or more of the capital stock. Moreover, the total shares in InTiCa Systems AG held by all members of the Board of Directors and Supervisory Board amount to less than 1% of the issued shares.

» Major shareholders

	Shareholding in %	
	Dec. 31, 2021	Dec. 31, 2020
Dr. Dr. Axel Diekmann (indirectly through PRINTad Verlags - GmbH as direct shareholder)	more than 30	more than 30
Thorsten Wagner (indirectly through Global Derivative Trading GmbH as direct shareholder)	more than 25	more than 25
Tom Hiss (indirectly through Ludic GmbH as direct shareholder)	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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Cash and balances on bank accounts	1,941	1,473
Overdrafts	-7,179	-1,758
Total	-5,238	-285

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, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Commitments to acquire property, plant and equipment	688	400

33. Leases

Due to application of IFRS 16 as of January 1, 2019, right-of-use assets and corresponding lease liabilities were recognized for buildings, production facilities, furniture and other operating equipment leased in the reporting period. See also the information on the accounting and valuation methods (Note 3.6). The lease terms are between 3 and 10 years. In the reporting period, the Group was not party to any leases as lessor. Information on leases where the Group is the lessee is presented below.

Property, plant and equipment contain right-of-use assets for the following leased assets:

Right-of-use assets (carrying amount)	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Land, land rights and buildings, including buildings on leased land	1,949	2,356
Technical facilities and machines	2,464	2,790
Other facilities, furniture and office equipment	235	122
Total	4,648	5,268

In 2021, additions of right-of-use assets totalling EUR 334 thousand (2020: 98 thousand) were recognized.

The outstanding (undiscounted) lease payments are due as follows:

Due date of lease payments in EUR '000	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
2021				
Lease payments	1,176	3,578	227	4,981
2020				
Lease payments	1,117	3,820	823	5,760

The total cash outflows for leases in 2021 (including interest) were EUR 1,251 thousand.

As of December 31, 2021, lease liabilities with a term of less than one year totalling EUR 1,044 thousand (2020: EUR 934 thousand) were recognized in other current financial liabilities. Lease liabilities totalling EUR 3,602 thousand (2020: EUR 4,324 thousand) (term > 1 year) were recognized in other non-current financial liabilities.

Depreciation of right-of-use assets related to the following groups of assets:

Depreciation of right-of-use assets	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Land, land rights and buildings, including buildings on leased land	570	516
Technical facilities and machines	326	326
Other facilities, furniture and office equipment	108	107
Total	1,004	949

Interest expense for leases recognized in accordance with IFRS 16 amounted to EUR 149 million in 2021.

In connection with leases where the Group is lessee the following amounts were also recognized in the statement of profit or loss:

Income effect from leases	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Expenses for short-term leases with a term of more than one and maximum 12 months	13	49
Expenses for leases with underlying assets of low value (excluding short-term leases)	2	3
Total	15	52

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 1,805 thousand (2020: EUR 1,466 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

Since the end of February 2022, Russia has been waging war against Ukraine. From an accounting viewpoint, this war is a non-adjusting event and therefore has no impact on the recognition and measurement of assets and liabilities as of the reporting date. The increased risks resulting from the Russia-Ukraine war are outlined in the opportunity and risk report in the Group Management Report. At present, an impact on the Group's assets, financial position and results of operations cannot be precluded. Due to the volatile geopolitical situation, the effects cannot be quantified at present, but fundamentally we consider them to be negative.

This also applies in light of the fact that in January 2022 InTiCa Systems AG established a wholly owned subsidiary, InTiCa Systems LLC, which has its registered office in Bila Tserkva, Ukraine. This company has not yet commenced any significant business activities. A rental agreement for a production building has been concluded. However, InTiCa Systems can terminate this agreement in the event of war or if operation is not possible. The future development of the Ukrainian subsidiary cannot be estimated at present due to the ongoing war, but we are constantly monitoring the situation.

On April 21, 2022, the Board of Directors and Supervisory Board of InTiCa Systems AG decided to prepare to alter the company's legal status to a European stock corporation ("Societas Europaea", SE) with the name InTiCa Systems SE. No change in the management structure is planned. Altering the legal form of the company is contingent, among other things, on the Annual General Meeting of InTiCa Systems AG approving the planned change of status and the related articles of incorporation of the future InTiCa Systems SE.

No other events of special significance occurred after the reporting date that are expected to have a material effect on the Group's assets, financial position and results of operations.

36. Disclosures

The consolidated financial statements were approved for publication by the Board of Directors on April 25, 2022.

In 2021, InTiCa Systems AG did not receive notifications in accordance with sec. 20 paragraph 1 or paragraph 4 of the German Companies Act (AktG) or sec. 33 paragraph 1 or paragraph 2 of the German Securities Trading Act (WpHG).

37. Staff

The average number of employees in 2021 was 662 (2020: 488).

	Dec. 31, 2021	Dec. 31, 2020
Salaried employees	127	110
Industrial employees	529	372
Trainees	1	3
Low-wage part-time staff	5	3
Total	662	488

38. Auditor's fees

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

	Dec. 31, 2021 in EUR '000	Dec. 31, 2020 in EUR '000
Audit services for the fiscal year	71	68
Other services for the fiscal year	0	0
Total	71	68

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 corporate governance statement and is permanently available to investors in the Investor Relations/Corporate Governance section of the company's website: www.intica-systems.com.

Passau, April 25, 2022

The Board of Directors

Dr. Gregor Wasle
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors

Actuators

for valve technology

RESPONSIBILITY

Responsibility Statement

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

Passau, April 25, 2022

The Board of Directors

Dr. Gregor Wasle
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors

AUDITOR'S REPORT

Independent 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, 2021, 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, 2021 to December 31, 2021, 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, 2021 to December 31, 2021. In accordance with German legislation, we did not audit the content of the corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB), which is referred to in the section "Corporate governance statement" in the Group management report.

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 give a true and fair view of the Group's assets and financial position as of December 31, 2021 and the results of operations for the financial year from January 1, 2021 to December 31, 2021 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. Our audit opinion on the Group management report does not include the content of the aforementioned corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB).

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 5 Paragraph 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 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, 2021 to December 31, 2021. 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 test on own work capitalized, 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 3,442 thousand as of December 31, 2021. They account for 5.9% 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 Group recognized impairment write-downs of EUR 45 thousand in the reporting period. 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.

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 company's legal representatives are responsible for the other information. The other information comprises:

- the report of the Supervisory Board,
- the responsibility statement pursuant to Section 297 Paragraph 2 Sentence 2 of the German Commercial Code (HGB) and Section 315 Paragraph 1 Sentence 5 HGB in respect of the consolidated financial statements and the Group management report,
- the corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB), which is referred to in the "Corporate governance statement" in the Group management report,
- all other parts of the Annual Report, with the exception of the audited consolidated financial statements and the audited content of the disclosures in the Group management report and our audit report.

The Supervisory Board is responsible for the report of the Supervisory Board. The company's legal representatives and the Supervisory Board are responsible for the declaration pursuant to Section 161 of the German Companies Act (AktG), which is part of the corporate governance statement referred to in the Group management report. Furthermore, the company's legal representatives are responsible for the other information.

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 to 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.

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 misstatements 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 discussed 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

Assurance report in accordance with Section 317 Paragraph 3b of the German Commercial Code (HGB) on the electronic reproduction of the consolidated financial statements and Group management report prepared for publication purposes

Reasonable assurance opinion

We have performed an assurance engagement in accordance with Section 317 Paragraph 3y of the German Commercial Code (HGB) to obtain reasonable assurance about whether reproduction of the consolidated financial statements and the Group management report (subsequently referred to as the ESEF documents) contained in the attached file InTiCa_AG_KA+KLB_ESEF-2021-12-31.zip [SHA256-Hashwert:46F961ECEB11D6B3D16326FB57ED278F42BC9CFCA27CDE628876F0D-126C0A297] and prepared for publication purposes complies in all material respects with the requirements of Section 328 Paragraph 1 of the German Commercial Code (HGB) for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 Paragraph 1 of the German Commercial Code (HGB) for the electronic reporting format. We do not express any opinion on the information contained in the reproduction, nor on any other information contained in the above-mentioned electronic file, beyond this reasonable assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from January 1, 2021, to December 31, 2021 contained in the "Report on the audit of the consolidated financial statements and the Group management report" above.

Basis for the reasonable assurance opinion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned electronic file in accordance with Section 317 Paragraph 3a of the German Commercial Code (HGB) and the IDW Assurance Standard: Assurance in accordance with Section 317 Paragraph 3a HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are described below in the section "Responsibility of the corporate auditor for the assurance engagement on the ESEF documents". Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibility of the legal representatives and Supervisory Board for the ESEF documents

The company's legal representatives are responsible for the preparation of the ESEF documents, including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 Paragraph 1 Sentence 4 No. 1 of the German Commercial Code (HGB) and for the tagging of the consolidated financial statements in accordance with Section 328 Paragraph 1 Sentence 3 No. 2 HGB.

In addition, the company's legal representatives are responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 Paragraph 1 HGB for the electronic reporting format – whether intentional or unintentional.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Responsibility of the corporate auditor for the assurance engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 Paragraph 1 of the German Commercial Code (HGB) – whether intentional or unintentional. During the audit, we exercise the necessary professional judgement and maintain a critical attitude. In addition,

- we identify and assess the risks of material non-compliance with the requirements of Section 328 Paragraph 1 HGB, whether intentional or unintentional, plan and perform the assurance procedures as a response to these risks and obtain evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- we gain an understanding of the internal controls of relevance for the assurance engagement on the ESEF documents in order to plan assurance procedures that are appropriate in the given circumstances, but not for the purpose of expressing an assurance opinion on the efficacy of these controls.

- we evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815 on the technical specification for this file, in the version valid on the reporting date.

- we evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited Group management report.

- we evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

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 16, 2021. We were engaged by the Supervisory Board on July 23, 2021. 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.

Other matter – Use of the auditor´s report

Our auditor's report must always be read together with the audited consolidated financial statements, the audited Group management report, and the ESEF documents examined. The consolidated financial statements and Group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents provided in electronic form.

Responsible auditor

The auditor responsible for the audit is Collin Späth.

Eggenfelden, April 25, 2022

consaris AG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Diplom-Kaufmann Anton Stockinger Wirtschaftsprüfer (Auditor)	Diplom-Volkswirt Collin Späth Wirtschaftsprüfer (Auditor)

Publication or dissemination of the annual financial statements in a form other than the audited version requires a renewed assessment by us if our auditor's report is quoted or reference is made to our audit; we draw attention, in particular, to Section 328 of the German Commercial Code (HGB).

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".

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, Coil

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

Inductive components

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

Inductivity, High-tech inductivity

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

Internet

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

Inverter

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

Keyless Entry, Keyless Go

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 2022

April 26, 2022	Publication of the annual report for 2021
April 26, 2022	Press conference/conference call
May 19, 2022	Publication of interim financial statements for Q1 2022
July 15, 2022	Annual General Meeting in Passau
August 11, 2022	Publication of interim financial statements for H1 2022
November 15, 2022	Publication of interim financial statements for Q3 2022
November 15/16, 2022	Munich Capital Market Conference 2022
December 31, 2022	End of the financial year

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in our company

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