

Focus on E-Mobility

# 2017

ANNUAL REPORT



Technologies for growth markets!

***InTiCa***  
Systems

# Key Figures of InTiCa Systems

The Group	2015	2016	2017	Change in %
	EUR '000	EUR '000	EUR '000	
Sales	42,441	44,928	50,094	11.5%
Net margin	0%	0.8%	1.5%	-
EBITDA	5,163	5,372	5,804	8.0%
EBIT	706	1,040	1,469	41.3%
EBT	262	613	1,038	69.3%
Net profit (loss)	78	347	727	109.5%
Earnings per share (diluted/basic in EUR)	0.02	0.08	0.17	109.5%
Cash flow total	-6,095	721	1,170	62.3%
Net cash flow from operating activities	2,618	4,142	3,172	-23.4%
Capital expenditure	8,964	4,544	4,473	-1.6%
	31.12.2015	31.12.2016	31.12.2017	Change in %
	EUR '000	EUR '000	EUR '000	
Total assets	40,321	41,477	43,249	4.3%
Equity	16,445	16,727	18,122	8.3%
Equity ratio	41%	40%	42%	-
Employees incl. agency staff (number)	525	586	608	3.8%

The Stock	2015	2016	2017	(Mar. 31, 2018)
				2018
Closing price (in EUR)	4.25	4.75	8.19	7.25
Period high (in EUR)	5.50	5.10	10.60	8.45
Period low (in EUR)	3.87	4.20	4.31	6.55
Market capitalization at end of period (EUR million)	18.22	20.36	35.11	31.08
Number of shares	4,287,000	4,287,000	4,287,000	4,287,000

The stock prices are closing prices on XETRA®



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# The InTiCa Systems' Group Foreword

# GROUP

Dear shareholders, employees and business associates,

The dominant issue in 2017, especially in Germany, was the ongoing debate about the future of diesel engines and the resulting structural market effects. Above all, the possibility of restrictions on the use of diesel vehicles clearly unsettled potential end-customers. By contrast, electric vehicles are gaining ground slowly but surely. Although the number of such vehicles was still low at around 55,000 in 2017, the growth rate was 117%, showing that the electromobility is taking off in Germany. By 2020, customers will be able to choose between more than 100 e-models manufactured by German car makers. At present, rising sales of hybrid vehicles make them far more significant. Producers are increasingly using this technology to achieve consumption and emissions targets and as a transition to electric vehicles. Since our products serve key technologies such as electromobility, energy storage and safety technology, InTiCa Systems is already participating in this dynamic market trend. Group sales rose 11.5% to EUR 50.1 million and the EBIT margin improved from 2.3% to 2.9% so the company met the

targets it had set. In addition, InTiCa Systems was able to use the low-interest phase to take out low-interest loans to optimize its financing structure further and refinance long-term investment in further growth. Together with a clearly positive operating cash flow, borrowing helped raise the overall cash flow to EUR 1.2 million. At the same time, the equity ratio rose slightly to 42%.

Turning to the development of the segments, Automotive Technology improved slightly, while Industrial Electronics achieved strong growth. Automotive Technology is currently dominated by the launch of innovative new products such as EMC filters and inductive high-voltage applications, and building up the site in Mexico. The increased expense and an unplanned, customer-induced delay in start-up of a serial production contract in Mexico impacted both sales and earnings. After adjustment for these effects and given the future significance of these products for electromobility, the overall performance of the Automotive Technology segment was satisfactory. The establishment of the new production site can already be regarded as an important strategic success. However, before taking the next step in our

strategy of internationalization, in 2018 we will be concentrating on ramping up production at the new facility in Mexico and utilizing the new capacity and opportunities. We are currently in the planning and start-up phase for serial production of a further product on a considerably larger scale. The customer wants to start sourcing this product in the third quarter of 2018. The aim is for the new site to be operating profitably shortly before production of this high-volume series starts. That gives us a solid basis for further expansion of production in Mexico.

Attention should be drawn to the very good development of the Industrial Electronics segment in 2017. This was driven by strong demand for inverters. The high sales revenues also enabled this segment to report clearly positive EBIT again. The coming quarters will show whether the high level of demand is sustainable or a one-off effect. In general, increasing convergence of the Industrial Electronics and Automotive Technology segments is being observed as there are considerable overlaps, especially in EMC filters and performance electronics. We will be using these development and technology synergies.

We plan to grow Group sales further to between EUR 53.0 million and EUR 56.0 million in 2018 and to achieve an EBIT margin of 3.0% to 3.5%. We assume that we will be able to raise sales to EUR 45-47 million in the Automotive Technology segment and EUR 8-9 million in the Industrial Electronics segment. However, we are currently confronted with the first signs that the economy is overheating. At the site in Prachatice, in particular, high employment means we are having difficulty finding new skilled production staff. The use of agency staff to cover capacity bottlenecks is also becoming harder and far more costly. In addition, we face tight supply of key raw materials, especially plastic granulates for injection moulding and electroplated components. Since demand is very high overall, we are increasingly experiencing supply bottlenecks. Nevertheless, we are confident that we can counter these issues by long-term production planning and by offering our employees attractive conditions.

We are pleased that the very positive overall performance of InTiCa Systems is also being rewarded by the capital market and is reflected in a considerable rise in the share price. This endorses the path we have taken and is an incentive for the next steps.

We would like to thank all our staff for their untiring contribution to the success of InTiCa Systems, our business associates for their good and trustful cooperation, and our shareholders for their confidence in us.

Passau, April 2018

Yours



Dr. Gregor Wasle

Spokesman for the Board of Directors



Günther Kneidinger

Member of the Board of Directors



# Report of the Supervisory Board on Fiscal 2017 GROUP

## Dear shareholders,

In fiscal 2017 the Supervisory Board performed the tasks imposed on it by law, the articles of incorporation and the rules of procedure, regularly advised the Board of Directors on the management of the company and monitored and supervised its management activities. The yardsticks for oversight were the lawfulness, correctness, cost-effectiveness and expediency of the management of the company and the Group.

### Cooperation with the Board of Directors

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

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

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

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

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

### Advisory and supervisory activities

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

In 2017, the Supervisory Board considered in particular the company's future strategic and organizational alignment, business potential and business development in the area of Automotive Technology and electromobility, the development of the new site in Silao, Mexico, and corporate finance. To this end, the Supervisory Board received timely and extensive information on the current situation of the Group and its companies, and all business operations of material importance for the Group's profitability and liquidity (see sec. 90 paragraph 1 of the German Companies Act [AktG]). Production and sales planning and the strategic development of the Group were also discussed regularly with the Board of Directors.

### Composition of the Supervisory Board

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

Since the Supervisory Board only has three members, it has not established any committees. The full Supervisory Board discusses all relevant issues.

### Meetings of the Supervisory Board

The Supervisory Board held seven meetings in 2017. All members of the Supervisory Board were present at all meetings, apart from the meeting in Silao, Mexico, on September 28, 2017. Mr. Udo Zimmer was excused from the meeting on September 28, 2017.

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

February 16, 2017: The main items on the agenda were the annual financial statements for 2016, the status of business development in 2017, including a stress test; growth strategy; the current status of establishment of the site in Silao (Mexico) and the development of the site in Prachatice (Czech Republic); financing status.

April 6, 2017: Discussion of current business performance; business development and growth strategy; annual financial statements for 2016; financing status; progress with the development and sales projects.

May 18, 2017: Report of the Board of Directors on current business performance; business development and corporate strategy; status of the production sites in Prachatice (Czech Republic) and Silao (Mexico); status of sales and development projects; planning for the Annual General Meeting.

July 20, 2017: The Supervisory Board focused principally on the final preparations for the Annual General Meeting; current status of business development and risk management, especially with regard to Industrial Technology/photovoltaics.

September 28, 2017: This meeting of the Supervisory Board was held in conjunction with the official opening of the Mexico site in Silao; focus on the Mexico site, including human resources, costs, production start-ups, establishment of the site. The Supervisory Board was given a personal report on the construction of the facility in Mexico and inspected it. Other topics discussed: current business development; sales and development projects; financing; risk management, especially with regard to Industrial Technology.

November 3, 2017: The Supervisory Board and Board of Directors mainly discussed the company's business performance, including the forecast for 2017; business development at the Silao facility (Mexico); initial draft of the mid-term budget for 2018 to 2020; aspects of risk management.

December 9, 2017: The agenda focused on the budget for 2018. Other topics were general business performance, including a focus on the Silao site in Mexico; investment decision for a major project in Mexico; aspects of risk management.

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

The auditors KPWT Kirschner Wirtschaftstreuhand AG, Eggenfelden, Germany, were selected by the General Meeting to audit the annual financial statements and consolidated financial statements for the fiscal year from January 1, 2017 to December 31, 2017. 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, 2017, prepared in accordance with the provisions of the German Commercial Code (HGB), were audited by KPWT Kirschner Wirtschaftstreuhand AG, Eggenfelden, Germany, which has awarded an unqualified opinion. An unqualified opinion has also been awarded to the consolidated annual financial statements and management report for the Group as of December 31, 2017, which were drawn up on the basis of the International Financial Reporting Standards (IFRS), as applicable for use in the EU, and supplemented by further explanations.

At a meeting on March 23, 2018, the provisional figures for the annual financial statements of the company and the Group for 2017 were discussed in the presence of the auditor. At a further meeting on April 23, 2018, the Supervisory Board discussed the annual financial statements for the company, the consolidated financial statements and the management reports for InTiCa Systems AG and the Group, all of which have received unqualified audit opinions, together with the report of the Supervisory Board and the corporate governance report. To prepare for this, the members of the Supervisory Board received extensive documentation, in some cases as draft versions, including the annual report with the consolidated financial statements prepared in accordance with the IFRS, the management reports for InTiCa Systems AG and the Group (incl. the non-financial statement), the corporate governance report, the annual financial statements of InTiCa Systems AG, and the audit reports prepared by the auditor on the financial statements for the company and the Group and the management reports.

The Supervisory Board examined these documents in detail and discussed them intensively in the presence of the auditor, who reported on the findings of the audit and was available for further questions and information. Following the conclusion of its own examination, the Supervisory Board agreed with the audit findings, established that it had no objections to raise, and approved the financial statements and management reports prepared by the Board of Directors. The annual financial statements of InTiCa Systems AG for fiscal 2017 and the consolidated annual financial statements are thus adopted. The Supervisory Board also adopted the Report of the Supervisory Board and the corporate governance report in its present form.

### Corporate governance

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

The current declaration of conformity by the Board of Directors and Supervisory Board pursuant to sec. 161 of the German Companies Act (AktG) was adopted on March 23, 2018 and published on the company's website. There were no conflicts of interest on the Supervisory Board.

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

The Supervisory Board would like to thank the Board of Directors and the employees of the Group for their performance and high level of commitment in 2017. 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 23, 2018

### The Supervisory Board

Udo Zimmer  
Chairman



# Company Boards

*Focusing on the future*

## Board of Directors

### Gregor Wasle

Spokesman for the Board of Directors

Engineering graduate

*Strategy, Finance, Human Resources,  
Production, Manufacturing Technology,  
IT, Investor Relations and Public Relations*



### Günther Kneidinger

Member of the Board of Directors

*Sales, R&D,  
Materials Management  
and Quality Management*

## 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*



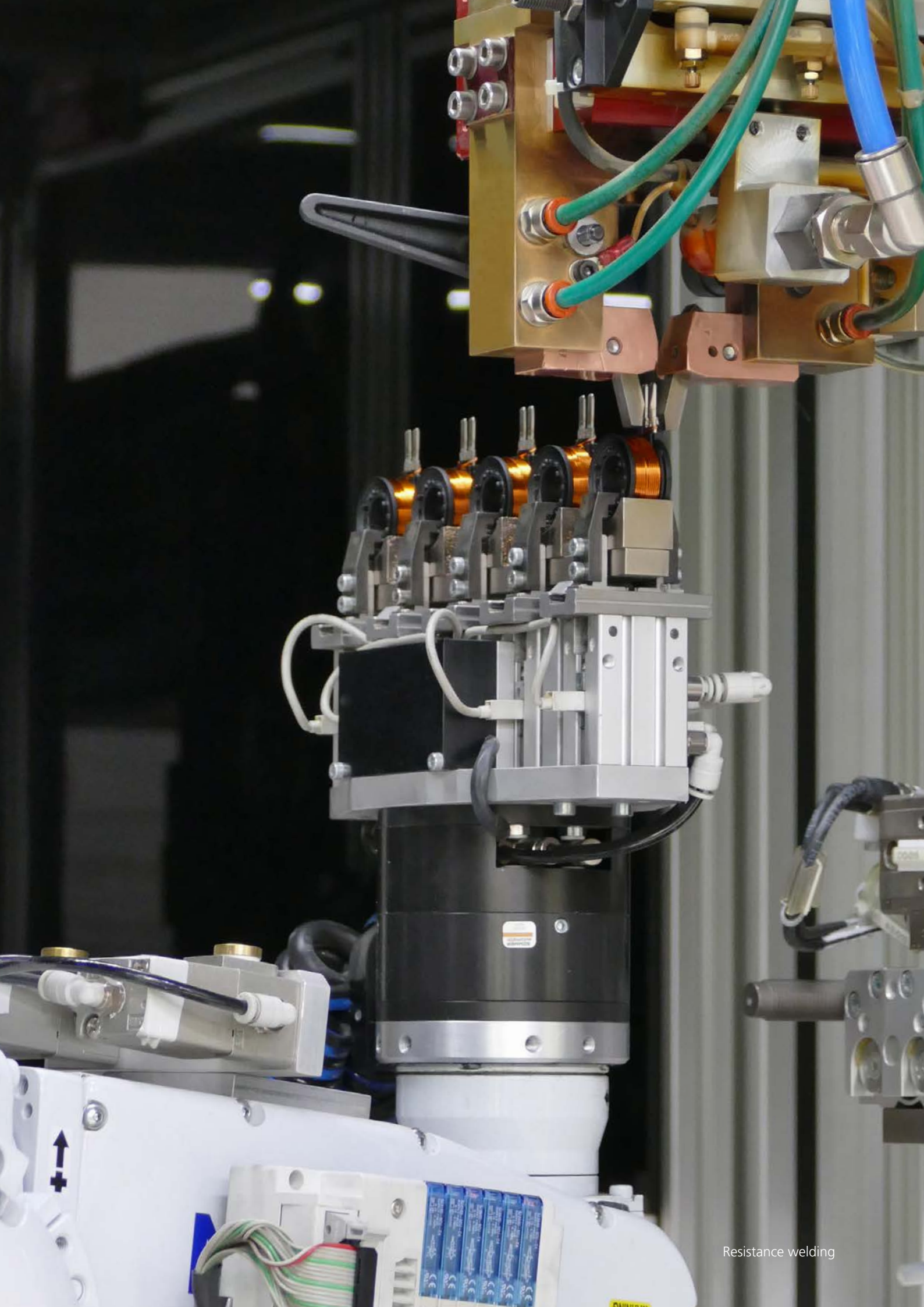
### Christian Fürst

Member of the Supervisory Board

Business administration graduate

Thyrnau

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



Resistance welding



## Company Profile

# INTICA SYSTEMS

InTiCa Systems is a European leader in the development, manufacture and commercialization of inductive components, passive analogue switching technology and mechatronic assemblies. It operates in the Automotive Technology and Industrial Electronics segments and has 608 employees including agency staff (December 31, 2017) at its sites in Passau (Germany), Prachatice (Czech Republic), and Silao (Mexico).

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

### Our aims and strategies

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

# Global markets

## Sites in Europe und America

Organisation, new ideas and developments:  
Passau, Germany



### Head office

- Sales and production development
- Strategic procurement
- HR and Finance
- Employees: 79  
(March 31, 2018)

### Technology Center

- Development of manufacturing technology
- Samples and pre-serial production
- Employee training centre
- Employees: 12  
(March 31, 2018)

## *Production and manufacturing: Czech Republic and Mexico*



### Production facility Prachatice, Czech Republic

- Modern production facility with high degree of vertical integration, secure processes and technologies
- Employees: 501 (including 72 agency staff)  
(March 31, 2018)



### Production facility Silao, Mexico

- Production of small series in the fourth quarter of 2016
- Complete customer validation and first serial production in the first half of 2017
- Employees: 23 (including 16 agency staff)  
(March 31, 2018)

# E-Solutions

Intelligent solutions for the digital transformation



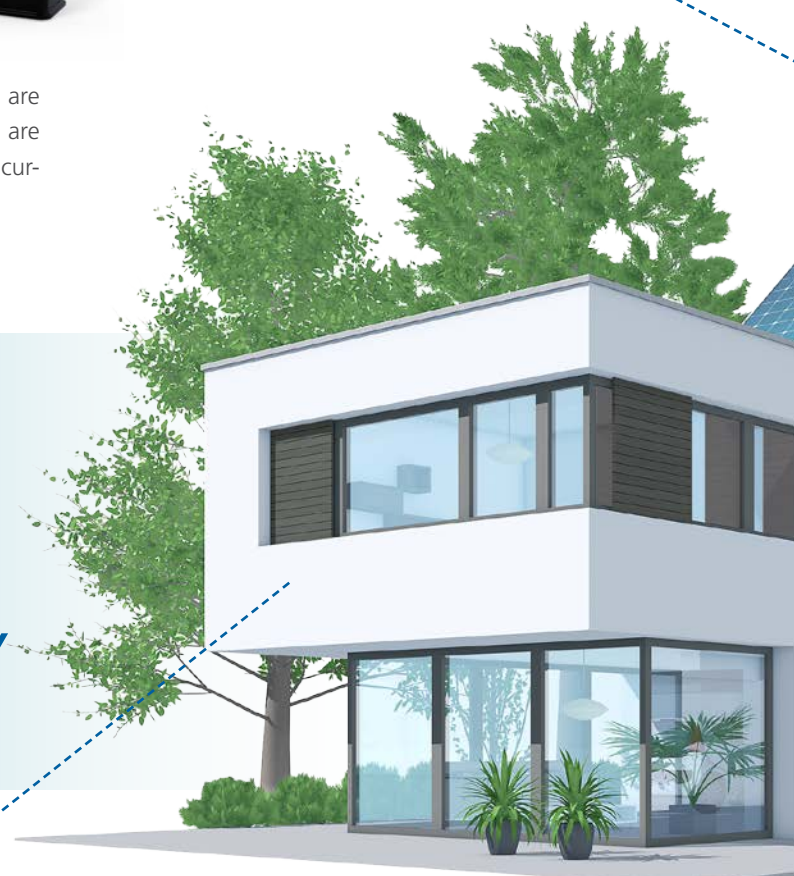
Examples of energy generation:

- ▶ Solar power
- ▶ Solar thermal energy
- ▶ Wind turbine

## ▶ ENERGY GENERATION:

Converters for use in energy generation are very important for InTiCa Systems. They are electrical appliances that convert direct current into alternating current.

*Successfully switching to renewable energy*



## ▶ ENERGY STORAGE:

Various methods are used to store energy so it can be used more flexibly. Power storage in home storage systems, i.e. direct storage of energy in battery systems within the home, is gaining in importance.

## ▶ ENERGY MANAGEMENT:

The keyword here is smart metering, in other words, measuring, evaluating and managing energy consumption. The aim is to save energy and enhance the efficiency of energy supply.



## OUR DEFINITION OF E-SOLUTIONS?

For us, E-Solutions is the interaction of:

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

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



*Driving  
future  
mobility*

### ▶ ENERGY CHARGING TECHNOLOGY:

There are various ways of charging electric cars: conductive technology using a cable, inductive charging, which allows cable-free charging, and replacing the battery.

### ▶ ELECTROMOBILITY:

Electromobility is one of the keys to climate-friendly mobility. Electric vehicles reduce CO<sub>2</sub> emissions, especially if power from renewable sources is used.



- 1 *Power electronics*
- 2 *EMC filters*
- 3 *Actuators*
- 4 *Stators*
- 5 *Sensors*



## *Overview of our product technologies*



# Power electronics 1

## Increasing efficiency

Power electronics is an area of electronic technology focusing on the use of electronic switching components to convert electric power. Examples are inverters, charging systems and network switches for a wide variety of applications. These convert the wave form, current, voltage level, power and frequency of electrical energy. However, some power electronics components and assemblies are simply used to switch appliances on and off.

Normally, power electronics components comprise an electrical control unit, an inverter and a DC/DC converter.

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

## Application examples

*e.g. Automotive Technology*



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

*e.g. Industrial Electronics*



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

# EMC filters 2

## Electromagnetic compatibility

The wide variety of appliances and energy supply systems in use means that electromagnetic compatibility is a constant concern. Unwanted interference in the power supply caused by other appliances can degrade performance and has to be suppressed to prevent undesirable disruption, e.g. in onboard systems in vehicles. ECM filters normally combine inductive properties and capacitors.

At InTiCa Systems, developing EMC filters is a key step in building a reputation as a systems supplier. The steadily rising number of electrical and electronic appliances is leading to a corresponding rise in demand for EMC filters.

### Application examples

*e.g. Automotive Technology*



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

*e.g. Industrial Electronics*



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

# Actuators 3

## Controlling motion

Actuators are elements used in drive technology. The term normally means generating a movement or deflection and is used in many technical applications. InTiCa Systems specializes in the production of various types of coils, so it can serve almost all applications in the fields of measurement, control and regulation. Actuators convert electronic signals (generated by a control unit) into mechanical motion and therefore play an active part in processes/applications.

Actuators are used in almost all industrial sectors because their applications are virtually unlimited. In this product segment, InTiCa Systems only supplies customer-specific solutions.

## Application examples

*e.g. Automotive Technology*



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

*e.g. Industrial Electronics*



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

# Stators 4

## Electromagnetic transformation

InTiCa Systems supplies stator systems for transducers for hybrid and electric vehicles and applications for turbochargers, pump drives, etc. Transducers are basically electric motors that convert electrical energy into mechanical movement. InTiCa Systems develops and produces stator coils with optimized insulation and winding technology for use in extreme environmental conditions.

Ultimately, selecting the right materials and processes is vital to optimize efficiency for each customer-specific application.

### Application examples

*e.g. Automotive Technology*



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

*e.g. Industrial Electronics*



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

# Sensors 5

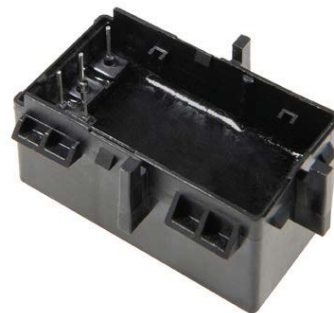
## Transmitting signals

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

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

## Application examples

*e.g. Automotive Technology*



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

# *Innovative. Efficient. Flexible.*

*Productivity through digitalization*



With their own competence team of developers and manufacturing experts InTiCa Systems supports their customers in finding the most efficient solution for their individual requirements and developing their product ideas to innovative, marketable products.

Experienced specialists continuously devote their attention to the latest technology, develop customised concepts together with the customers and implement these. The service portfolio includes the development or adoption of the specifications of the product as well as the complete manufacturing, taking all electrical, plastics and moulding relevant conditions into consideration.



### **Moulding technology**

- Vertical and horizontal moulding technology, with rotating tables option
- Insert moulding and over moulding technologies

### **Winding technology**

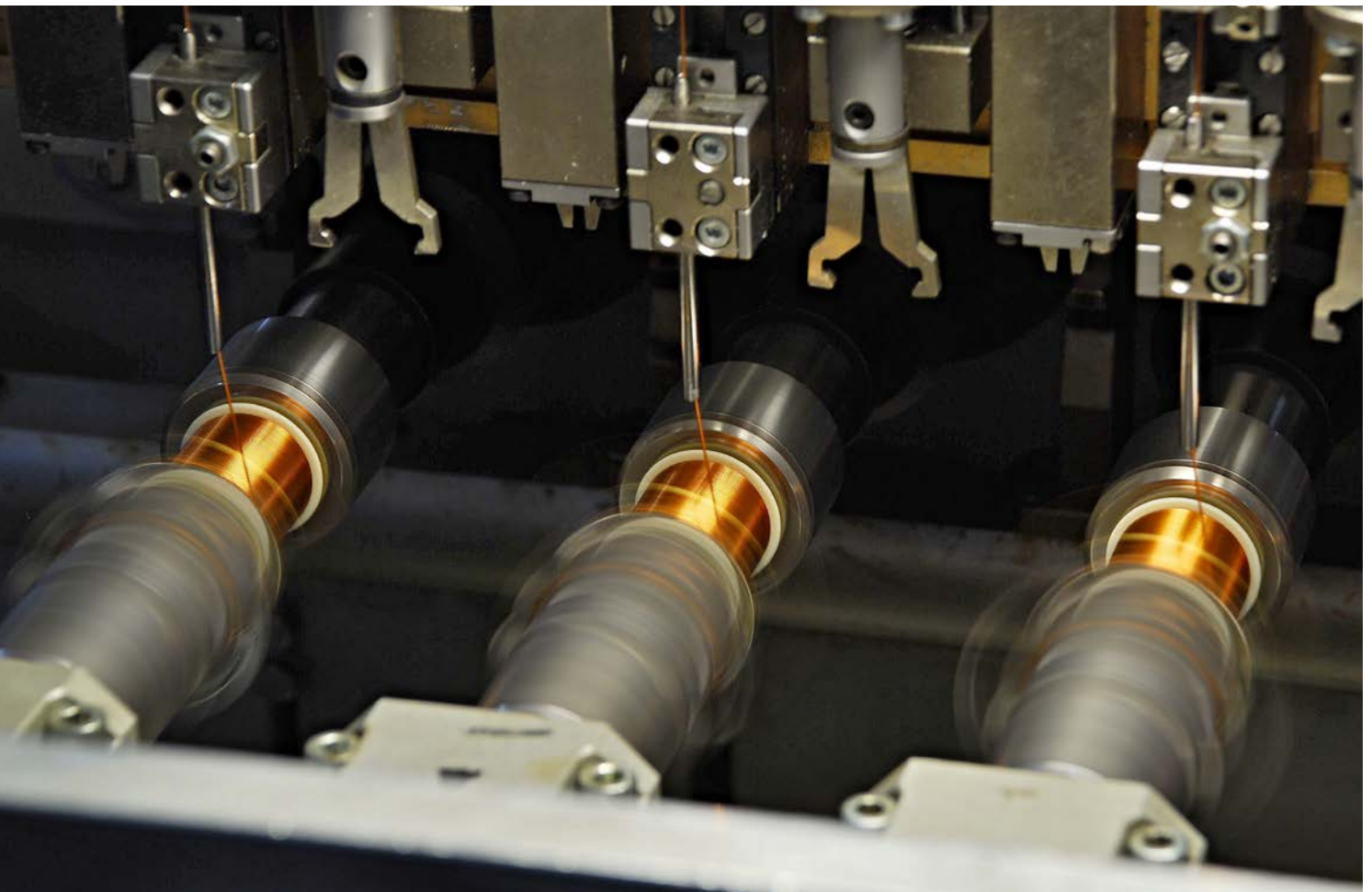
- State-of-the-art winding technologies: single and multi-spindle, autocyclic winding, toroid winding technology

### **Construction and combination technology**

- Soldering and welding methods
- Ultrasonic welding, hot staking
- Vacuum potting and gluing technology
- Various interconnect technologies crimp, press fit etc.

### **Measuring and test systems**

- Automatic tests of critical product characteristics, as
  - ▀ Electrical parameters
  - ▀ Dimensional conformance
  - ▀ Environmental requirement conformance
  - ▀ Optical and mechanical test



## *Highest efficiency through automation*

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*for example in the area of  
winding technology*





## InTiCa Systems' stock in 2017

# STOCK

### Performance of shares in InTiCa Systems<sup>1</sup>

The equity markets developed positively in 2017, supported by robust growth in the global economy, rising corporate profits, low interest rates and an expansionary monetary policy. In an environment characterized by low volatility, many indices rose to new highs. 2017 delivered few negative surprises along the lines of Brexit and the election of Donald Trump in the previous year. The German blue chip index, the DAX, rose almost constantly until the middle of the year, then consolidated slightly in the summer months. Apart from the fears of a military escalation in North Korea, the main reasons for this were the strength of the euro and speculation that the ECB might change tack. At the start of September, the ECB put an end to the uncertainty by deciding to continue its bond purchase programme until at least September 2018, paving the way for share prices to rise further. The DAX posted a high for the year of 13,479 at the close of trading on November 3, 2017. This was followed by another slight consolidation as the year ended. The DAX ended 2017 at 12,918 points, a gain of around 12.5% over the year. The DAX Technology Sector Index performed even better, with a gain of 33.8%, while the TecDAX, which contains smaller, growth-oriented technology stocks, rose by 39.4%.

Having gained 11.7% in 2016, shares in InTiCa Systems AG started 2017 at EUR 4.75. At the start of the year, they initially traded in a range between EUR 4.50 and EUR 4.75. In early March, they briefly dropped below EUR 4.50 and on March 13, 2017 the share price recorded its lowest point of the year at EUR 4.31. However, the price recovered quickly from this setback and rose above EUR 4.50 following publication of the provisional results for 2016. The shares subsequently continued to move sideways, trading in a range of between EUR 4.50 and EUR 4.75. From the end of May, the share price rose strongly and reached a high for the year of EUR 10.60 on October 13, 2017. Following a brief retrenchment to EUR 7.00, the price rose again at the end of the year and closed 2017 at EUR 8.19 in XETRA® trading. That was 72.4% higher than at year-end 2016.

InTiCa Systems' market capitalization therefore increased to around EUR 35.1 million as of year-end 2017 (December 31, 2016: EUR 20.4 million). As in the previous year, the most important trading exchange for shares in InTiCa Systems was the XETRA® electronic trading platform, which accounted for around 55.6% of trading in the share, followed by the Berlin Trade-gate Exchange, which accounted for around 24.4% and the Frankfurt Stock Exchange, which accounted for around 13.1%.

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

The average trading volume was considerably higher than in the previous year at 102,834 million shares per month (2016: 31,122 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	2017	2016
Year high (XETRA® closing price)	10.60	5.10
Year low (XETRA® closing price)	4.31	4.20
Market capitalization at year end in EUR million	35.1	20.4

Closing prices	2017	2016	Change
Shares in Systems (XETRA®)	8.19	4.75	+72.4%
DAX	12,917.64	11,481.06	+12.5%
TecDAX	2,526.68	1,812.75	+39.4%
DAXsector Technology	1,225.69	915.87	+33.8%

#### Investor relations activities

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

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

In addition, experienced capital market analysts comment on our business results and the most important announcements and issue estimates on the future development of InTiCa Systems AG. The research reports they publish are available on the Investor Relations pages on InTiCa Systems' website.

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

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

## Key data on the share

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

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

## Shareholder structure

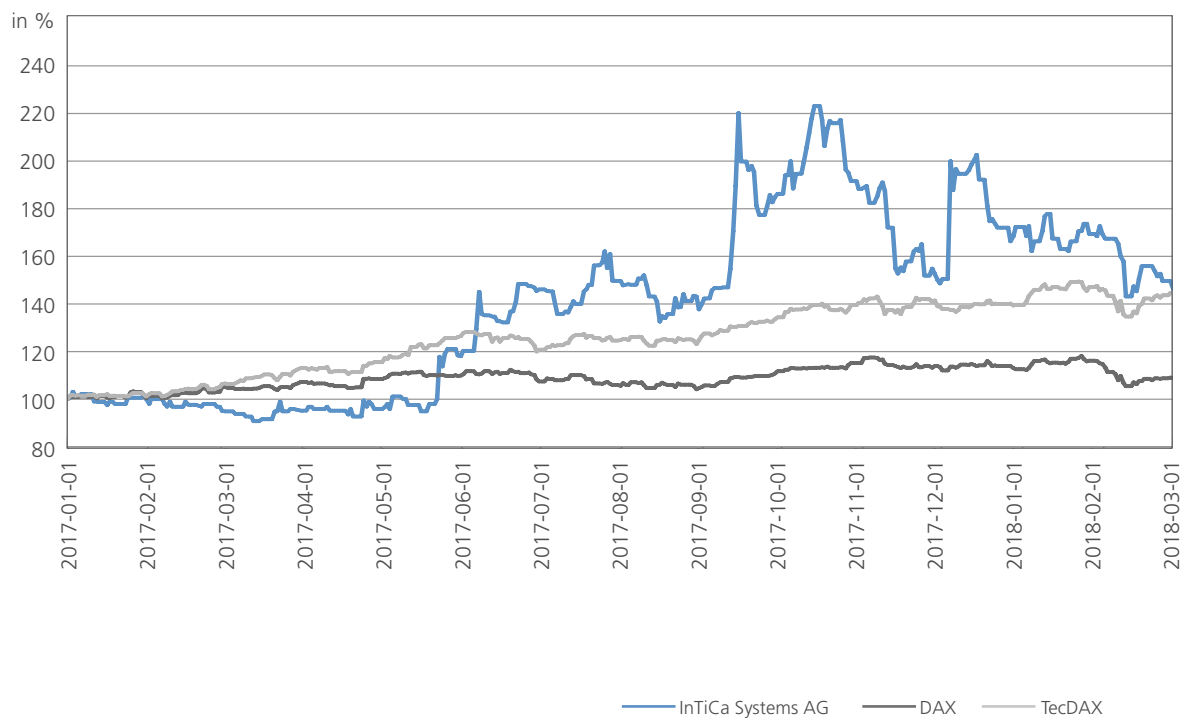
The principal shareholders on March 31, 2018

Thorsten Wagner  
 Dr. Dr. Axel Diekmann  
 Tom Hiss  
 Treasury stock  
 Management

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



## Performance of shares in InTiCa Systems





## Corporate Governance Report

# CORPORATE GOVERNANCE

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

### Declaration of Conformity

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

In previous years the company complied with the recommendations of the valid version of the German Corporate Governance Code, apart from the exceptions stated in the declaration pursuant to sec. 161 of the German Companies Act (AktG) for the relevant year. In 2018 the company will comply with the recommendations of the Corporate Governance Code in the version dated February 7, 2017, with the following exceptions:

### Compliance management system

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

### Appointment of the Board of Directors and Supervisory Board

Decisions on suitable candidates for appointment as members of the Supervisory Board or Board of Directors are taken on a purely objective basis in accordance with German legislation on diversity. No age limits are specified for members of the Board of Directors and Supervisory Board (Corporate Governance Code sec. 5.1.2 and 5.4.1). In compliance with the law and articles of incorporation, members of the Board of Directors and Supervisory Board may be appointed for a maximum term of office of

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

#### Terms of reference of the Supervisory Board and committees

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

#### Publication of interim reports and consolidated financial statements

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

#### Significant corporate management practices

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

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

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

#### Description of how the Board of Directors and Supervisory Board work

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

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

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

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

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

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

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

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

#### Objectives for the composition of the Supervisory Board

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

##### Profile of skills and expertise for the collective Supervisory Board

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

##### Selection of candidates for the Supervisory Board

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

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

» *International activities*

The company is based in Germany and has subsidiaries in the Czech Republic and Mexico. Further, the goal is to make the company more international in the future, both in terms of sales volumes and on the procurement and production side. To enable the members of the Supervisory Board to perform their duties, especially the supervision and evaluation of decisions and processes, an in-depth knowledge of the German legal and economic framework is required, together with a basic knowledge of international legal and economic conditions.

» *Conflicts of interest*

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

» *Number of independent Supervisory Board members*

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

» *Age limit*

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

» *Regular length of membership*

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

» *Diversity*

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

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

The present composition of the Supervisory Board meets the objectives of the resolution of March 23, 2018 set out above. The Supervisory Board considers it appropriate if it has at least one independent member within the meaning of sec. 5.4.2 of the Corporate Governance Code. Mr. Zimmer, Mr. Paletschek and Mr. Fürst are independent members within the meaning of this provision.

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

**Members of the Board  
of Directors of InTiCa  
Systems AG in 2017**

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

Members of the Supervisory Board of InTiCa Systems AG in 2017	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	Elected on July 7, 2015 for the period until the Annual General meeting 2020	Chairman	None
Werner Paletschek, business administration graduate, Managing Director of OWP Brillen GmbH, Passau	Elected on July 7, 2015 for the period until the Annual General meeting 2020	Deputy Chairman	None
Christian Fürst, business administration graduate, Managing Partner of ziel management consulting gmbh, Passau	Elected on July 7, 2015 for the period until the Annual General meeting 2020	Member of the Supervisory Board	Chairman of the Supervisory Board of Electrovac AG Advisory Board of Eberspächer Gruppe GmbH & Co. KG

### Remuneration

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

Further details of the remuneration system for members of the governance bodies can be found in section 3.7 of the management report ("Remuneration system of the Board of Directors and Supervisory Board"). The notes to the consolidated financial statements also contain detailed information on the remuneration of the Board of Directors and Supervisory Board on an individual basis, broken down into fixed and variable components. The structure of the remuneration systems is regularly reviewed.

Passau, April 23, 2018

### Supervisory Board

Udo Zimmer  
Werner Paletschek  
Christian Fürst

### Shareholdings

Members of the Board of Directors and Supervisory Board hold a small amount of the company's stock. The combined shareholdings of members of both governance bodies is well below 3%. As of March 31, 2018, Mr. Günther Kneidinger held 4,000 shares (0.09%), Mr. Werner Paletschek held 5,000 shares (0.12%) and Mr. Christian Fürst held 4,800 shares (0.11%). The company itself held 64,430 shares (treasury stock) as of March 31, 2018 (1.5%).

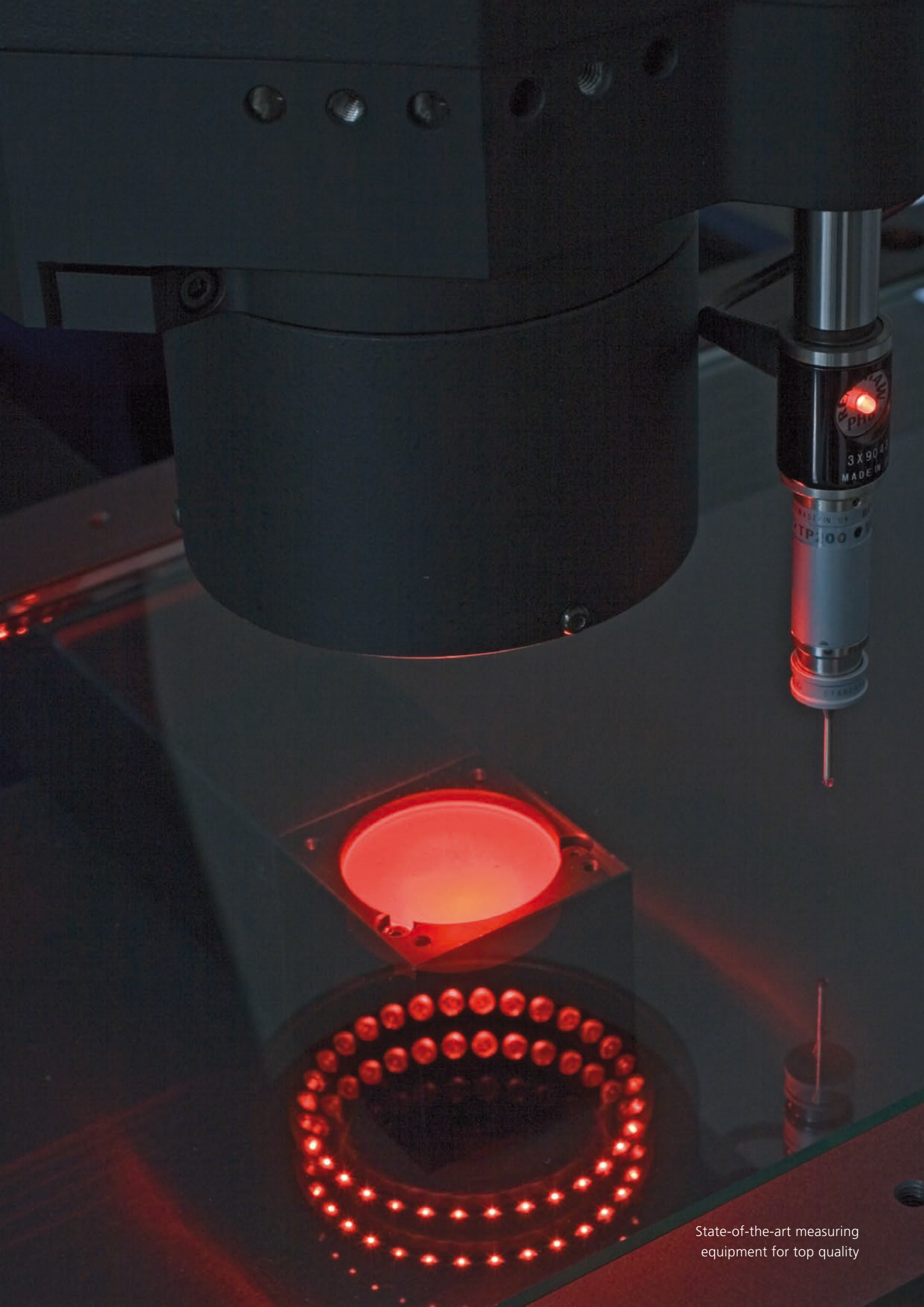
### Directors' Dealings

In 2017, the company did not receive notification of any securities transactions by persons required to disclose such transactions in accordance with Article 19 of Regulation (EU) No. 596/2014.

### Board of Directors

Dr. Gregor Wasle  
Günther Kneidinger





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

# Acting globally

Silao, Mexico



InTiCa Systems' new site in Mexico was officially opened on September 28, 2017 by Dr. Gregor Wasle and Günther Kneidinger of the Board of Directors and site manager René López. 120 guests were invited to the opening ceremony and information event. Those present included the company's Supervisory Board and Board of Directors, customers, suppliers, representatives of various levels of regional and central government, the German Honorary Consul in León, and representatives of the automotive sector and the German community in Guanajuato.

The site in Mexico is dedicated to the production and commercialization of automotive and industrial electronics components for international customers.

The site comprises a 5,000 m<sup>2</sup> production facility at Guanajuato Puerto Interior (GPI), an industrial park with a number of well-known companies such as Volkswagen und Pirelli. InTiCa Systems' facility meets international requirements for the production of components for the automotive industry and has been validated by both customers and the authorities.

The first production line came into service in October 2016 and InTiCa Systems now has 24 employees working on 2 continuously operating production lines at this site.

The company chose the state of Guanajuato as its first location outside Europe because of its geographical location. Logistically, it is ideally placed to supply customers, most of whom are located within a radius of 200 km. Moreover, the Guanajuato automotive cluster is one of the most important and dynamic in Latin America.

Guanajuato has developed into a business hub. By 2020, the region is expected to be the leading location for car producers in Mexico. According to the forecasts, more than 50% of the automotive industry, comprising 11 manufacturers and hundreds of suppliers, will have a base here by then.

At the opening ceremony, both the support received from local authorities and the importance of InTiCa Systems' decision were stressed.

As a supplier, InTiCa Systems aims to provide a sustained basis for meeting the needs of both established and new customers. State-of-the-art materials and processes are the basis for constant innovation to produce new products and participate in economic development.

This new site reflects the repositioning of InTiCa Systems from a European to a global company.



The Supervisory Board and Board of Directors of InTiCa Systems AG and staff of Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V.

## *Opening ceremony*

### *Production plant Silao, Mexico*



# Group Management Report

for the period from January 1 to December 31, 2017

## GROUP MANAGEMENT REPORT

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

### 1. Basic information on the Group

#### 1.1 Business activities

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

positioned among the market and technology leaders whose products and solutions are based on high-tech inductivity. The ability of a coil to produce voltage in its own windings by means of a magnetic field or, conversely, to generate a magnetic field in a coil if voltage is applied, is utilized by the company for

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

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

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

### 1.1.1 Automotive Technology

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

In 2017 the Automotive Technology segment grew sales by 5.1% to EUR 38.1 million (2016: EUR 36.3 million). It therefore accounted for 76.2% (2016: 80.8%) of total Group sales. Segment EBIT (earnings before interest and taxes) declined to EUR 0.8 million (2016: EUR 1.1 million).

InTiCa Systems is continuing to shift its focus to new developments such as stator systems for hybrid/electric vehicles and planar transformers for battery management. The forecasts here were achieved in 2017, so the opportunities of this promising, future-oriented area of business are opening up additional sales potential with automotive manufacturers and their suppliers. The aim is to find intelligent ways to enable customers to optimize the energy-efficiency of their products. InTiCa Systems offers them the right solution.

### 1.1.2 Industrial Electronics

Inverters and converters are still the most important technologies in the Industrial Electronics segment. Inductive components and systems are used to convert solar power into electricity for the grid. The effective use of know-how and a technological edge on the market drive forward this segment in the areas of power transfer and noise suppression components, coils and filters. Customers derive significant benefits from, for example, the improvement in efficiency combined with the reduction in the dimensions of inverters.

To extend the product portfolio and serve a variety of sectors of industry, InTiCa Systems is constantly looking for new development opportunities in this field. New developments include actuator coils to reduce the power consumption of industrial equipment and domestic appliances, and actuator coils for equipment to reduce exhaust emissions. The aim is to extend the customer base.

The previous year's positive trend continued in 2017. Sales rose 38.1% year-on-year to EUR 11.9 million (2016: EUR 8.6 million), mainly due to an increase in the call-off of orders by the solar industry. This segment's share of total sales therefore increased further from 19.2% in 2016 to 23.8% in 2017. With EBIT of EUR 0.6 million, this segment also made a positive contribution to the Group's net profit for the first time in a long time (2016: minus EUR 0.04 million).

### 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 compared with 2016.

### 1.3 Management system

To maintain a technological edge in the future, InTiCa Systems has to adapt continuously to market conditions. It therefore works towards achieving key economic targets such as stringent cost management, steadily continuously optimizing the value chain and reducing fixed overheads. Opportunities and risks are evaluated continuously. In addition, the company has to address rising market demands and expectations, the need for innovation and technological progress, and the performance parameters in international competition. These constant endeavours in all areas of business form the company's target profile.

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

### 1.4 Research and development

InTiCa Systems is so successful because it uses its innovative capability to develop new products and access new applications. At the same time, it continuously optimizes the competitiveness of existing products and thus sets new standards. Customers value the company's offer of finding innovative solutions to meet their requirements. Improvements in the efficiency of the inductive components and mechatronic assemblies developed by InTiCa Systems are a benefit when responding to enquiries from the renewable energy sector, while customers in the automotive industry commission the development and production of inductive components, systems and sensors. Thanks to its top performance, InTiCa Systems can confidently meet its customers' technology and quality specifications.

## 2. Non-financial statement

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

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

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

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

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

To ensure compliance with the applicable laws, InTiCa Systems has established a 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 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

As well as manufacturing products that enhance environmental protection, InTiCa Systems places great value on environment-friendly production processes. The environmental policy enshrines the Board of Directors' commitment to ensuring compliance with all relevant legislation, avoiding environmental impact, and continually improving InTiCa Systems' environmental profile. It thus forms the framework for establishing and evaluating environmental targets. The environmental policy is applicable Group-wide.

Environmental protection at InTiCa Systems covers energy, gas, water and waste and is aligned to the legal requirements, which are met in full. InTiCa Systems' declared intention is to avoid environmental impacts wherever possible and, to minimize them where they are unavoidable. Therefore, its integrated environmental and energy management is specifically included in the integrated management system. The environmental management system and the energy management system are monitored regularly in accordance with the requirements of DIN ISO 14001:2015 and validated by an external certification body. The Prachatice production site has met these requirements since 2007 and validation was obtained for headquarters in Passau, including the new technology centre, at the beginning of 2016. The process to obtain equivalent validation of the site in Mexico was initiated at the start of 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 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 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. 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 ordinance prohibiting the use of CFCs and halons, the requirements of VDA List 232-101, as amended from time to time, and the applicable regulations on the use of safety data sheets in accordance with EU Directive 91-155/EEC.

### » *Resource efficiency*

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

The principles of lean management are applied when designing production processes and take account of material and energy efficiency. The newly built training and development centre in Passau, Germany, is responsible for the design and efficient structure of new production processes.

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

### 2.3 Employment at InTiCa Systems AG

#### » *Skilled staff*

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

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

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

#### » *Employee rights and occupational safety*

InTiCa Systems 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 situation 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.

### 2.4 Respect for human rights

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

### 2.5 InTiCa Systems' social commitment

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

In 2017, for the fourth year in succession, InTiCa Systems AG refrained from sending customers Christmas gifts and made a donation to the Dritter Orden children's hospital in Passau instead. The money helped to fund the construction of a new parent, baby and family centre. InTiCa Systems AG sees the enormous need for this building and is making a contribution to the future of the region in this way.



### 3. Economic report

#### 3.1 General economic conditions

The global economy is still in a strong upswing. During the past year, growth gained breadth as a result of the increasing recovery in raw material exporting emerging markets. Overall, industrial output in Latin America rose by 1.4% in 2017, having declined by 1.2% in the previous year. Inflation is very low in many countries and that is increasing monetary policy scope. An exception is Mexico, where monetary policy was recently tightened because inflation had risen to a multi-year high, mainly due to the price of petrol. However, the major industrialized countries remain the main drivers of global economic growth. In particular, there was a strong increase in economic momentum in the USA last year, driven by more dynamic capital spending and export growth. While GDP only rose by 1.5% in 2016, it picked up significantly to 2.3% in 2017. The Chinese market, which is particularly important for the automotive industry, posted 6.9% growth in GDP, which was also slightly higher than the previous year's rise (6.7%). However, the pace of growth slowed slightly during the year as a result of a more restrictive monetary policy. The upswing in the euro zone also gained momentum in 2017, with exports proving a major driving force. Here too, the underlying trend in investment remained upward, but growth in consumer spending slowed slightly during the year. One positive factor is that the upswing has now spread to all countries. The economic upturn in Germany also continued, with GDP growing by 2.2% in 2017, which was considerably higher than the IfW experts had predicted. Overall, based on purchasing power parity global output rose by 3.9% in 2017, the highest rise since 2011.<sup>1</sup>

The experts at the Institute for the World Economy (IfW) in Kiel, Germany, are forecasting a further slight rise to 4.0% in 2018. This will be supported by sustained growth in the industrialized countries and higher momentum in Latin America, where GDP growth is expected to be 1.8% (compared with 1.4% in 2017). Above all, the global economy could benefit from Donald Trump's tax reform. At the same time, economic sentiment recently deteriorated slightly due to mounting uncertainty about the expected pace of monetary tightening in the USA and concern about punitive customs duties. In China, the fact that economic growth is largely driven by debt has raised doubts about the sustainability of the present growth rates. The experts expect the global upswing to lose further momentum during the forecasting period as more and more countries are reaching

capacity limits. Nevertheless, an economic downturn is not expected in the forecasting period as economic policy remains expansionary. For example, the German government's fiscal plans are likely to provide further impetus for the already strong German economy. The economic experts at IfW therefore expect GDP to rise by 2.5% in 2018. At the same time, they anticipate that Germany is approaching the end of a prolonged upswing.<sup>1</sup>

#### 3.2 Market and market conditions

##### 3.2.1 Automotive Technology

Conditions in the international automotive market remained positive in 2017. The German Automobile Industry Association (VDA) calculates that the development was particularly dynamic in India, Brazil and Russia, with growth rates of 8.8%, 9.4% and 11.9%. China, the world's largest individual market, also remained a growth driver. The number of cars sold there rose 2% to 24.2 million. China is not only the world's largest car market, it is also the world leader in registrations of electric cars and plug-in hybrids. Last year, 581,300 such cars were sold in China, a rise of 72% compared with 2016. The proportion of electric cars on the overall market therefore rose from 1.4% in 2016 to 2.4% in 2017. Car sales in Europe developed even better than in China: 15.6 million vehicles were sold, an increase of 3.3% and the highest volume since 2007. This was principally attributable to the strong growth in the 13 new EU member states, where sales volume rose by a total of 12.8%. The German market was also strong. The number of new car registrations rose 3% to just over 3.4 million, the highest volume in the past decade. By contrast, there was another significant drop on UK market (-14%), influenced by the uncertainty relating to Brexit. In the USA, too, volumes in the light vehicle market (cars and light trucks) contracted by nearly 2% in 2017 to 17.1 million new vehicles. Following seven consecutive years of growth and a new record of 17.5 million vehicles sold in 2016, there were clear signs of market saturation. In this environment, the German producers increased unit sales in the USA slightly to 1.35 million vehicles (+1%). This raised their market share from 7.6% to 7.9%.<sup>2</sup>

<sup>1</sup> Institute for the World Economy (IfW): Kieler Konjunkturberichte 2018/Q1, March 2018.

The VDA expects growth to continue in 2018, albeit at a slightly slower pace. It forecasts that the global car market will grow by 1% to 86 million vehicles. The year got off to a promising start: double-digit increases in unit sales were registered in Brazil, China and Russia. Europe, the USA and India also reported an upward trend. Japan was the only country that fell slightly short of the previous year's level. The dominant issue, especially in Germany, is the ongoing debate about the future of diesel engines and the resulting structural market effects. Above all, the possibility of restrictions on the use of diesel vehicles has clearly unsettled potential customers. By contrast, electric vehicles are gaining ground, slowly but surely. Although the number of vehicles remained low at around 55,000 in 2017, the growth rate was 117%, showing that the electromobility is taking off in Germany. Another indicator: according to the VDA, by 2020 customers will have a choice of over 100 e-models produced by German manufacturers. That is three times as many as at present. The German automotive industry plans to invest a total of EUR 40 billion in alternative drives and the establishment of charging infrastructure in this period. A similar development can be observed in other markets. For instance, last year the Chinese government set a quota for electric cars. This requires manufacturers to produce electric cars or plug-in hybrids. From 2019, they have to meet minimum quotas for the production and sale of alternative drives. This will be managed via a complex points system. If a manufacturer fails to meet the quotas, points will have to be purchased from other producers or a fine will be imposed. In Latin America, the new Rota 2030 policy is designed to provide incentives. For example, the industrial products tax will in future be based on the energy efficiency of vehicles. One aim is to alleviate the current high tax on electric vehicles.<sup>2</sup>

### 3.2.2 Industrial Electronics

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

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), in 2017 order intake in the German electrical and electronics sector was 5.4% higher than in the previous year. While domestic orders stagnated (-0.4%), foreign orders rose by 9.6% to almost EUR 200 billion, the fourth export record in succession. The sector's biggest customer last year was once again China (+17.4% to EUR 19.1 billion), followed by the USA (+5.6% to EUR 17.1 billion) and France (+7.6% to EUR 12.9 billion). Price-adjusted output increased 4.7% year-on-year in 2017 and sector-wide sales grew 7.2% to

a record level of EUR 191.2 billion. Export revenues (+8.8% to EUR 99.7 billion) rose faster than domestic revenues (+5.3% to EUR 91.5 billion).<sup>3</sup>

The association expects sector revenue to rise to a good EUR 196 billion in 2018. In January 2018, revenue was already a substantial 11.2% above the prior-year level. Domestic sales rose 9.6% to EUR 7.5 billion and export sales increased 12.7% to EUR 8.2 billion. A strong 14.1% rise in orders at the start of the year points to a continuation of this positive trend. Both domestic and foreign orders posted double-digit growth in January. Price-adjusted output of the German electrical and electronics industry also posted double-digit growth (10.3%) in January. Overall, companies in this sector revised planned output downward in February, only 3% of companies expect output to decline in the next three months. By contrast, 30% aims to raise output and the remainder intend to keep it at the present high level. Accordingly, capacity utilization in the sector as a whole rose further by nearly 1 percentage point to 89.0% of normal full capacity in the first quarter of 2018. Average inventory coverage rose from 2.7 to 3.1 months. In addition, companies raised output plans again at the start of the year.<sup>3</sup>

### 3.3 Significant events in the reporting period

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

### 3.4 Earnings, asset and financial position

#### 3.4.1 Overall position

InTiCa Systems AG posted a positive business performance in 2017. Consolidated sales rose 11.5% to EUR 50.1 million and the EBIT margin improved from 2.3% to 2.9% so the company met the targets it had set. Looking at the segments, the very good development of Industrial Electronics should be highlighted. This was due to strong demand for inverters. The high sales also enabled this segment to report clearly positive EBIT again. The coming quarters will show whether this was a one-off effect. In any case, the company is working to continue the positive trend. Despite the delayed start-up of planned serial production at the new site in Silao, Mexico, the Automotive Technology segment once again made a contribution to sales and earnings growth in the reporting period. In addition, InTiCa Systems was able to use the low-interest phase to take out low-interest loans to optimize its financing structure further and re-finance long-term investment in further growth. Together with a clearly positive operating cash flow, borrowing contributed to the increase in the overall cash flow from EUR 0.7 million to EUR 1.2 million. At the same time, the equity ratio increased slightly from 40% to 42% as a result of the net profit.

<sup>2</sup> Verband der Automobilindustrie e. V. (VDA): press releases of December 12, 2017, January 4, 2018, January 17, 2018 and February 15, 2018.

<sup>3</sup> Zentralverband Elektrotechnik- und Elektronikindustrie e. V. (ZVEI): press releases of February 8, 2018, March 1, 2018 and March 13, 2018.

### 3.4.2 Earnings position

#### » Sales

Group sales grew 11.5% year-on-year to EUR 50.1 million in 2017 (2016: EUR 44.9 million). Sales growth was therefore at the upper end of the range forecast by the Board of Directors. This was principally due to growth in the Industrial Electronics segment. Thanks to high demand for inverters, sales rose 38.1% to EUR 11.9 million (2016: EUR 8.6 million). This segment's sales were therefore well above the Board of Director's forecast of between EUR 8.0 million and EUR 9.0 million in 2017. The Automotive Technology segment grew sales 5.1% to EUR 38.1 million in 2017 (2016: EUR 36.3 million). However, sales fell short of the Board of Director's original expectation of between EUR 39.0 million and EUR 41.0 million as a result of the delayed start-up of planned serial production at the new site in Silao, Mexico. This segment's share of total sales was 76.2% (2016: 80.8%).

#### » Expenses

Expenses for raw materials and supplies increased slightly faster than sales, by 13.9% year-on-year to EUR 28.5 million in the reporting period (2016: EUR 25.0 million). The material cost ratio (based on total output) therefore rose from 53.9% to 55.0%. Despite the recruitment of further employees, the personnel expense ratio actually declined slightly to 23.1% in 2017 (2016: 23.2%). The costs for temporary staff at the production sites in Prachatice and Silao, which are recognized in „Other expenses“, were EUR 0.8 million in the reporting period (2016: EUR 0.5 million). Overall, other expenses increased from EUR 6.0 million in 2016 to EUR 7.0 million in 2017. Depreciation and amortization of property, plant and equipment and intangible assets remained at the prior-year level of EUR 4.3 million.

#### » Research and development

In 2017, spending on research and development amounted to EUR 2.8 million, which was 5.7% of sales (2016: EUR 2.8 million). Development work focused principally on the Automotive Technology segment and mainly related to customer-specific product requirements. EUR 1.5 million was expensed directly for development work (2016: EUR 1.4 million) and the remaining EUR 1.3 million (2016: EUR 1.4 million) was capitalized. The capitalization rate was 45.8% (2016: 50.2%). Depreciation and amortization of own work capitalized was EUR 1.2 million in the reporting period (2016: EUR 1.4 million).

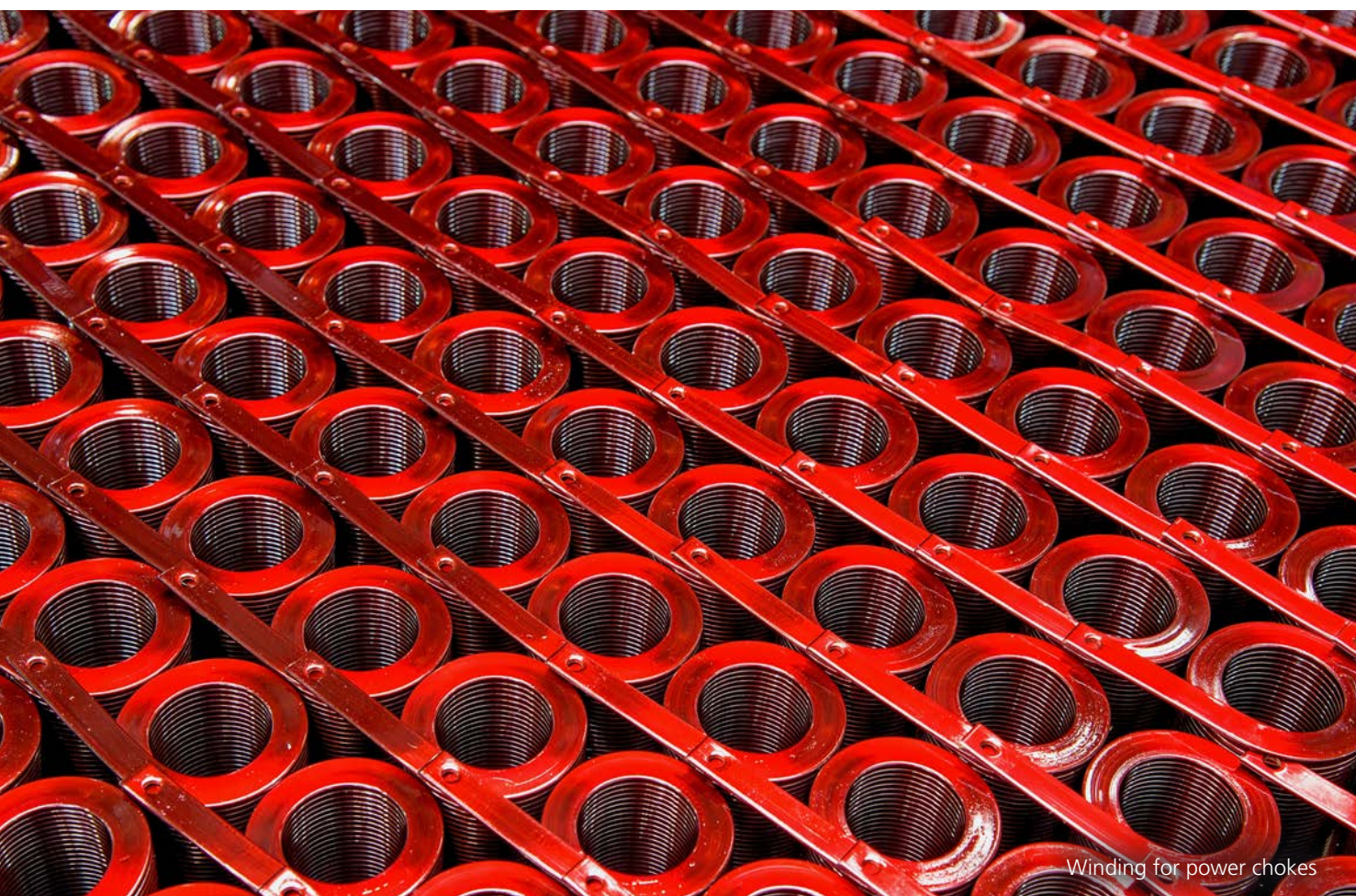
#### » Earnings

The gross profit increased 9.7% to EUR 22.1 million in the reporting period (2016: EUR 20.2 million), but the gross profit margin slipped from 44.9% to 44.1%. EBITDA (earnings before interest, taxes, depreciation and amortization) increased by 8.0% year-on-year to EUR 5.8 million (2016: EUR 5.4 million). The EBITDA margin was 11.6% (2016: 12.0%).

EBIT (earnings before interest and taxes) improved 41.3% year-on-year to EUR 1.5 million (2016: EUR 1.0 million), accompanied by a rise in the EBIT margin from 2.3% to 2.9%. The EBIT margin was therefore in line with the Board of Directors' expectation of just under 3%. As a result of customer-induced delays in the approval of new serial production at the new site in Mexico and the increased use of agency staff at the Czech site, the Automotive Technology segment's EBIT was lower than in the previous year at EUR 0.8 million (2016: EUR 1.1 million). The EBIT margin therefore declined from 3.0% to 2.2%. By contrast, the Industrial Electronics segment improved EBIT significantly from minus EUR 40 thousand to EUR 641 thousand, giving an EBIT margin of 5.4%.

The financial result was minus EUR 0.4 million in the reporting period (2016: minus EUR 0.4 million). While financial expense increased slightly year-on-year from EUR 427 thousand to EUR 431 thousand, there was no financial income in either 2017 or 2016.

The Group's pre-tax profit grew 69.3% year-on-year to EUR 1.0 million (2016: EUR 0.6 million). Tax expense was EUR 311 thousand (2016: EUR 266 thousand), so the net profit more than doubled compared with the previous year to EUR 0.7 million (2016: EUR 0.3 million). Earnings per share were therefore EUR 0.17 (2016: EUR 0.08).



Winding for power chokes

### 3.4.3 Asset position

#### » Capital structure

Total assets increased from EUR 41.5 million in 2016 to EUR 43.2 million. The main growth on the assets side comprised the increase in property, plant and equipment and current assets, especially inventories. On the liabilities side, equity and non-current liabilities rose, while current liabilities declined. The equity ratio rose from 40.3% as of December 31, 2016 to 41.9% as of December 31, 2017.

#### » Non-current assets

Overall, non-current assets increased to EUR 25.8 million as of December 31, 2017 (December 31, 2016: EUR 25.0 million). This was mainly attributable to the increase in property, plant and equipment from EUR 19.3 million to EUR 20.1 million in the reporting period. Intangible assets only increased slightly year-on-year, from EUR 4.5 million to EUR 4.6 million. By contrast, deferred taxes declined to EUR 1.1 million (December 31, 2016: EUR 1.2 million).

#### » Current assets

Current assets increased to EUR 17.5 million as of December 31, 2017 (December 31, 2016: EUR 16.5 million). Inventories increased from EUR 7.0 million to EUR 8.1 million in the reporting period, while trade receivables increased to EUR 8.8 million (December 31, 2016: EUR 8.5 million). Cash and cash equivalents totalled EUR 0.1 million (December 31, 2016: EUR 0.4 million).

#### » Non-current liabilities

In all, non-current liabilities increased to EUR 12.6 million as of December 31, 2017 (December 31, 2016: EUR 11.4 million) because non-current financial liabilities increased to EUR 10.9 million as of December 31, 2017 (December 31, 2016: EUR 9.8 million). Liabilities to banks comprised fixed-interest loans with a remaining term of up to eight years and two variable loans with a remaining term of seven years. Interest rates on non-current liabilities are between 0.50% and 3.05%. Deferred taxes amounted to EUR 1.7 million on the reporting date (December 31, 2016: EUR 1.6 million).

#### » *Current liabilities*

Current liabilities declined to EUR 12.5 million as of December 31, 2017 (December 31, 2016: EUR 13.3 million). This was mainly attributable to the reduction in trade payables from EUR 2.7 million to EUR 1.6 million. By contrast, current financial liabilities rose slightly from EUR 8.9 million to EUR 9.1 million in the reporting period, while other current provisions (EUR 1.1 million), other current liabilities (EUR 0.3 million) and other financial liabilities (EUR 0.3 million) were around the prior-year level.

#### » *Equity*

As of December 31, 2017 equity totalled EUR 18.1 million (December 31, 2016: EUR 16.7 million). The net profit reduced the negative profit reserve from minus EUR 1.5 million to minus EUR 0.7 million. There was also a significant reduction in the negative currency translation reserve from minus EUR 1.4 million to minus EUR 0.7 million. The capital stock of EUR 4.3 million, treasury stock of EUR 64 thousand and general capital reserve of EUR 15.4 million were unchanged from the previous year.

### 3.4.4 Financial position

#### » *Liquidity and cash flow statement*

The net cash flow from operating activities was EUR 3.2 million in 2017 (2016: EUR 4.1 million). The year-on-year decline was mainly due to the EUR 1.1 million increase in inventories and the reduction of trade payables, which also amounted to EUR 1.1 million. Depreciation and amortization of non-current assets totalled EUR 4.3 million, which was unchanged from the prior-year figure. The higher net profit and lower increase in trade receivables compared with the prior year had a positive effect on the operating cash flow.

As in the previous year, the net cash outflow for investing activities was EUR 4.5 million in the reporting period (2016: EUR 4.5 million). This comprised EUR 3.1 million (2016: EUR 3.1 million) for property, plant and equipment and EUR 1.4 million (2016: EUR 1.5 million) for intangible assets.

The net cash inflow from financing activities was EUR 2.5 million in the reporting period (2016: EUR 1.1 million). Cash outflows for scheduled loan repayment instalments were EUR 1.9 million, while inflows from borrowing amounted to EUR 4.3 million.

Overall there was a cash inflow of EUR 1.2 million in 2017 (2016: EUR 0.7 million). Cash and cash equivalents totalled EUR 0.1 million on December 31, 2017 (December 31, 2016: EUR 0.4 million). Cash and cash equivalents less utilized overdraft facilities amounted to minus EUR 5.7 million as of December 31, 2017 (December 31, 2016: minus EUR 6.7 million).

#### » *Capital expenditures*

Capital expenditures amounted to EUR 4.5 million in 2017, the same level as in the previous year (2016: EUR 4.5 million). EUR 3.1 million (2016: EUR 3.1 million) of this was invested in property, plant and equipment, and EUR 1.4 million (2016: EUR 1.5 million) in intangible assets. The capital expenditures were mainly used for efficient, modern production facilities to expand capacity in the Automotive Technology segment both at the site at Prachatice in the Czech Republic and at the new production site in Silao, Mexico. In addition, InTiCa Systems invested selectively in further equipment for the new technology and training centre in Passau, Germany. Investment in intangible assets was mainly for projects in the Automotive Technology segment.

Further capital expenditures for property, plant and equipment of around EUR 4.5 million are planned for 2018. The biggest items relate to further expansion of the site in Mexico and an increase in production capacity at the facilities in the Czech Republic in response to new customer orders. Further modernization to raise efficiency will support the progress with the lean philosophy.

#### » *Employees*

The headcount increased to 608 as of December 31, 2017 (December 31, 2016: 586). This figure includes 67 agency staff (December 31, 2016: 29). Expenses of EUR 777 thousand (2016: EUR 483 thousand) for agency staff are included in other operating expenses. The personnel expense ratio, including expenses for agency staff, was 24.6% (2016: 24.2%). On average, the Group had 557 employees and 46 agency staff in the reporting period (2016: 540 and 39).

### 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.

InTiCa Systems includes all consolidated subsidiaries in this planning process. The segments' operating business and the resulting cash inflows are the Group's main source of liquidity. Operational planning is based on a long-term liquidity forecast. The short and medium-term forecasts are updated monthly. Surplus funding within the Group is distributed to those areas that require it via cash pooling in order to reduce external funding requirements and optimize net interest expense. To secure its liquidity position, InTiCa Systems also uses various internal and external financing instruments such as credit agreements, which form the basis for short and medium-term financing, and finance leasing. As a result of the company's capital base and financing arrangements, the Board of Directors is of the opinion that the main preconditions for 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 paid 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 11.5% year-on-year to EUR 50.1 million (2016: EUR 44.9 million). Sales revenues are reported net of products returned by customers, discounts and similar deductions.

Sales were EUR 50.1 million and therefore slightly above the budgeted level of EUR 47.0 million to EUR 50.0 million. In the Automotive Technology segment, sales were EUR 38.1 million, slightly below the budgeted range of EUR 39.0 million to EUR 41.0 million due to delays in the start-up of serial production at the new facility in Mexico. However, the Industrial Electronics significantly exceed the budget of EUR 8.0 million to EUR 9.0 million, posting sales of EUR 11.9 million as a result of sustained high demand for inverters for solar installations.

##### » Material cost ratio

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

The material cost ratio increased from 53.9% in the previous year to 55.0%, mainly because of the increased sales in the Industrial Electronics segment. In future, the material cost ratio of each segment is to be reduced again by optimizing production workflows and corresponding success in procurement.

##### » EBIT margin

The EBIT margin comprises earnings before interest and taxes divided by sales. The EBIT margin was 2.9% in 2017 (2016: 2.3%). Consequently, it was in line with the expected level of just under 3%. The operating result rose 41.3% year-on-year to around EUR 1.5 million (2016: EUR 1.0 million).

##### » Equity ratio

The equity ratio comprises the ratio of equity capital to total capital (= total assets). The equity ratio improved slightly year-on-year from 40% to 42%. The equity ratio is therefore still very solid.

### 3.5.2 Non-financial performance indicators

##### » Orders on hand

Orders on hand were over EUR 53 million as of December 31, 2017 (December 31, 2016: EUR 47 million). 89% of orders were for the Automotive Technology segment (2016: 86%). The present order situation is very positive so a further rise in sales is expected in 2018. Orders on hand is used by the Board of Directors as an indicator of future business development.

##### » Customer and product portfolio and vertical integration

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

Vertical integration is kept at a high level (around 91%) through the company's own production facilities in Prachatice (Czech Republic) and Silao (Mexico). The company strives to obtain higher margins by correspondingly broad value added, increased process expertise and the resulting improvement in benefits for customers.

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

### 3.6 Segment report

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

Segment	Automotive Technology		Industrial Electronics		Total	
	2017	2016	2017	2016	2017	2016
in EUR '000						
Sales	38,149	36,281	11,945	8,647	50,094	44,928
Pre-tax earnings (EBIT)	828	1,080	641	-40	1,469	1,040

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

in EUR '000	Germany		Other countries		Total	
	2017	2016	2017	2016	2017	2016
Sales	32,384	27,473	17,710	17,455	50,094	44,928
Segment assets	7,407	7,170	17,295	16,629	24,702	23,799
Average no. of employees	87	83	516	496	603	579
of which agency staff	0	0	46	39	46	39

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

### 3.7 Remuneration system of the Board of Directors and Supervisory Board

#### 3.7.1 Remuneration of the Board of Directors

The members of the Board of Directors receive a fixed monthly salary and a variable component based on the company's performance, which is payable after the end of the fiscal year. The variable component is based on the EBIT margin achieved by the Group as a whole. From an EBIT margin of 4% (threshold), the members of the Board of Directors receive variable compensation of 20% of their annual base salary. The increase in the variable compensation is graduated. The maximum is 100% of their annual base salary for an EBIT margin of 14%. Payment is spread over three years. The second and final instalments are only paid if the EBIT margin has not deteriorated by more than 25% compared with the year in which the bonus was granted. If a member steps down from the Board of Directors, the period for payment of the bonuses for the previous years is reduced. The bonus for the year in which the member leaves the Board of Directors is paid if the EBIT margin has not deteriorated by more than 25% year-on-year. The threshold for 2017 was reduced to 3% on a one-off basis. A company car is made available to each member of the Board of Directors. The contracts with the members of the Board of Directors do not include any specific commitments in the event of termination of the contract, nor do they contain any change of control clause. There are no commitments for future pension or annuity payments to members of the Board of Directors. A breakdown of the individual remuneration of members of the Board of Directors can be found in Note 30.3 to the financial statements.

#### 3.7.2 Remuneration of the Supervisory Board

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

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

Total expenses for both governance bodies amounted to EUR 474 thousand in 2017 (2016: EUR 475 thousand).

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

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

It is contained in the corporate governance report on page 28 et seq. of this annual report. In addition, the corporate governance report is available on the company's website [www.intica-systems.com](http://www.intica-systems.com) at Investor Relations/Corporate Governance.

The Board of Directors has submitted the declaration on corporate governance in 2017 and published it on the company's website ([www.intica-systems.com](http://www.intica-systems.com)). On March 23, 2018, the Board of Directors submitted an updated declaration of corporate governance pursuant to sec. 289f of the German Commercial Code. This has also been made available to the public on the website at [www.intica-systems.com](http://www.intica-systems.com).

### 3.9 Other information

#### » *Composition of the capital stock*

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

#### » *Restrictions on voting rights and the transfer of shares*

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

#### » *Shareholdings exceeding 10% of the voting rights*

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

#### » *Shares with special rights according rights of control*

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

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

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

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

The appointment and dismissal of members of the Board of Directors is governed by sec. 84 and sec. 85 of the German Companies Act (AktG) and sec. 5 of the articles of incorporation. Pursuant to the statutory provisions (sec. 179 paragraph 1 AktG) any amendment to the articles of incorporation requires a resolution of the General Meeting. Resolutions of the General Meeting are adopted on the basis of a simple majority vote except for amendments for which the German Companies Act stipulates a larger majority. Under sec. 8 paragraph 4 of the company's articles of incorporation, the Supervisory Board may make amendments to the articles of incorporation, providing these are merely editorial.

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

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

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

On the basis of the resolution of the Annual General Meeting of May 29, 2008, the company was authorized, until November 28, 2009, to repurchase up to 10% of the capital stock of 428,700 shares at the date of the resolution. This resolution was used to purchase 263,889 shares in the company. As of December 31, 2017, InTiCa Systems AG still had treasury stock amounting to 64,430 shares (December 31, 2016: 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 has loans amounting to EUR 5.1 million which give the lender a right of termination in the event of a change in the borrower's shareholder or ownership structure such that the shareholders or owners relinquish control over the borrower during the term of the loans or a person or group of persons acting jointly acquire more than 50% of the voting rights and/or more than 50% of the capital of the borrower, unless the prior consent of the lender is obtained.

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

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

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

## 4. Risk management and risk report

### 4.1 Risk management

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

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

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

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

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

### 4.2 Risk management relating to the accounting process

The accounting process is controlled by the parent company through the Group-wide Finance and Accounting, Controlling and Investor Relations departments. Functions and responsibilities in these areas are clearly separated/assigned and there are mutual control processes to ensure a continuous exchange of information. The internal control system for financial accounting is based on defined preventive and supervisory control mechanisms such as systematic and manual checking, and on predefined approval procedures, especially by appointing functions and compliance with guidelines. Appropriate IT precautions are in place to protect the financial systems used from

unauthorized access. Financial accounting systems only use standard software. Uniform accounting is ensured by applying corporate accounting guidelines and standardized reporting formats. The guidelines and reporting formats are determined by the Board of Directors of the parent company and compliance is monitored continuously by employees in the Finance department. Alongside technical checks by the system, manual and analytical checks are performed. External experts such as auditors and lawyers are consulted on changes and complex accounting issues.

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

### 4.3 Risks

#### » *Market risks*

Through its Automotive Technology and Industrial Electronics segments, InTiCa Systems AG operates in areas exposed to general economic fluctuations. In the Industrial Electronics segment, in particular, the Group is exposed to political and/or strategic decisions taken by some key customers. Even though the customer base has now been expanded and placed on a more international basis, dependence on political and strategic decisions still constitutes a risk factor. Moreover, competition is continuing to increase, especially with Asian companies.

The Automotive Technology segment is exposed to the customary economic risks in this sector, which could hold back expected growth considerably. That would be particularly true if customers of InTiCa Systems were to postpone the start of production of new models containing new components from InTiCa Systems due to a poor general economic situation or a reduction in subsidies (for electric and hybrid vehicles). The present debate about consumption data, emission values and software manipulation, and the widespread introduction of electric vehicles, including the necessary infrastructure, will transform the automotive industry. The planning uncertainty resulting from this process of change harbours corresponding risks for the development of the company.

#### » *Customer dependence*

The sales split between the segments is as follows: Automotive Technology 76.2%, Industrial Electronics 23.8%. Within each segment, the proportion of sales generated with the largest customers is as follows: Automotive Technology 24%, Industrial Electronics 57%. 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. plastic 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 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 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 plastic 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. In view of the high market demand, there are now also supply bottlenecks and long waiting times for the procurement of new production machinery. This could adversely affect InTiCa Systems' planned growth.

#### » *Technological risks*

At present, the Board of Directors does not see any significant technological risk for the Automotive Technology segment. Thanks to the recent introduction of new EMC filter technology for the automotive sector, company considers that it is particularly well-positioned with regard to electromobility. In the Industrial Electronics segment, present cable television technology and splitter technology are being substituted. In response to this, the company was reorganized from three segments to two in 2015.

#### » *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 or are becoming a real challenge. An attractive pay policy and social benefits, training opportunities and intensive recruitment activities are essential. In addition, certain simple tasks will have to be outsourced.

#### » *Liquidity risk*

As of December 31, 2017 InTiCa Systems had one loan from the KfW development bank (EUR 4.0 million) taken out in 2016, which runs for 7 years, and three further loans, one with a term of 7 years that was agreed in November 2013 (EUR 4.0 million), one with a term of 5 years that was agreed in December 2014 (EUR 2.4 million), and one with a term of ten years that was agreed in December 2015 (EUR 3.0 million). In addition, in the first quarter of 2016 the Czech subsidiary took out a EUR 2.0 million loan with a term of 8 years. In the first quarter of 2017, it took out a further loan for EUR 4.0 million with a term of 7 years, but only EUR 2.3 million of this had been drawn on December 31, 2017. These loans are used to secure liquidity. In addition, InTiCa Systems has credit lines of EUR 10.35 million. EUR 5.9 million of this amount was drawn as of the reporting date. Further, the company has cash and cash equivalents of EUR 0.14 million.

#### » *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 were negligible in 2017, following previous practice no euro/US dollar currency hedging was undertaken. The future risk of appreciation of the Mexican pesos mainly relates to higher wage costs. All other significant cost items such as material costs are calculated in US dollars or euros.

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

#### » *Interest rate risk*

The company's exposure to the risk of short-term changes in interest rates on its loans is limited as the term of the loans ranges from three years to eight years for the loan taken out in 2015. Apart from a 8-year loan and a 7 year-loan with variable interest rates, which were taken out in 2016 and 2017, all debt is based on fixed, customary market interest rates. However, interest income is dependent on short-term money market trends and there is thus a risk that only low interest income will be earned if rates fall. A capital investment guideline has therefore been issued to document this conservative investment strategy. No interest income was generated in the reporting period.

#### » *Credit risk (default risk)*

A credit risk arises if a customer does not meet its contractual commitments. To counter this risk the company undertakes extensive reviews of its customers' credit standing and engages in intensive receivables management, which is steadily being improved. Nevertheless, it cannot be ruled out that customers of InTiCa Systems could unexpectedly become insolvent. In view of the increasingly diversified customer base, the risk associated with individual customers is becoming less significant.

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

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

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

#### » *Risks relating to non-financial aspects*

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

#### 4.4 Overall statement on the risk situation

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

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

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

### 5. Opportunities and management of opportunities

#### 5.1 Management of opportunities

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

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

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

#### 5.2 Opportunities

##### » *Continued repositioning as a systems supplier*

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

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

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

InTiCa Systems also expects steady sales growth to come from market penetration of keyless entry/go systems, efficient engine management to reduce fuel consumption and CO<sub>2</sub> emissions, and further mechatronic and inductive assemblies. These products are used by leading international car manufacturers in premium models and, increasingly, in volume models. InTiCa regards itself as a specialist in these product and technology segments.

» *New developments for industrial applications*

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

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

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

» *Development and manufacturing expertise*

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

This already takes place, for example, in the development of components for electric and hybrid vehicles, a future-oriented business area which will become increasingly significant for InTiCa Systems in the next few years. The technology centre, which was opened in 2015, supports this future-oriented process and provides the best possible framework for sharing ideas, training the team and testing new manufacturing technologies in order to identify and use new opportunities in the future. The technology centre also offers scope for the production of samples and pre-production series for subsequent implementation as serial production at our international sites.

» *Expansion of international business*

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

### 5.3 Management assessment of the overall risk and opportunity situation

The Board of Directors currently sees sufficient opportunities in both the Automotive Technology segment and the Industrial Electronics segment to generate corporate growth in the future.

Taking an aggregate view, the Board of Directors has come to a positive conclusion about the opportunities and risks that could influence the development of the Group.

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

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

## 6. Outlook

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

### 6.1 Segment trends

#### » *Automotive Technology*

The Board of Directors assumes that the positive development of the global automotive market will continue in 2018. The positive market trend will be driven by key technologies that are transforming the automotive sector: electromobility, autonomous driving and connectivity. InTiCa Systems can play a part in this through significant products and services.

The rollout of alternative hybrid and electric drives and the investments that have already been undertaken or are planned by automotive manufacturers are of especial interest to InTiCa Systems. These market developments are being reinforced by growing political pressure on car producers.

The development and manufacture of alternative drives as a basis for serial production will result in a considerable rise in demand for InTiCa Systems' performance electronics and stator systems in the medium term. This is evidenced by substantial new orders received in 2017, for example for stators and filters for hybrid cars. Based on the present demand situation and the development work already commissioned, the company assumes that further future-oriented orders will be placed in the course of 2018. However, this also entails corresponding investment and upfront expenses for future development.

The penetration of electronic entry/go systems will continue. As in previous years, orders have been acquired for additional models, facelifts and new projects. The Board of Directors anticipates that this product group will continue to generate a significant proportion of total sales in the future despite higher competitive and margin pressure.

InTiCa Systems has a reputation on the international market as a developer and solution provider. Customers particularly value the company's profound specialist expertise and its flexibility and dynamism in development and industrial scale-up. At present, InTiCa Systems' products are used in more than 400 models manufactured by 20 different car manufacturers.

The management confirms that the internationalization of the company remains very important in 2018. This significant basis for the future growth of InTiCa Systems is as important as intelligent diversification of the customer base and product portfolio. The start-up of serial production at the new site in Mexico represents an important step in setting a global footprint outside Europe and serving customers locally in line with the principle "follow the customer". The goal for 2018 is now to work hard to make up for the customer-induced delay in production start-up and to ensure timely industrial scale-up of the new product currently being realized. The Board of Directors is already considering further steps to increase internationalization. However, the locations and timing are still open.

The Board of Directors expects this segment to report sales of between EUR 45.0 million and EUR 47.0 million in 2018.

#### » *Industrial Electronics*

Products for the photovoltaic industry such as inductive components and mechatronic assemblies will remain the most important sales generator for InTiCa Systems' Industrial Electronics segment in 2018. Globally, the positive trend towards energy generation from alternative sources will continue. The company's aim is still to participate positively in this in line with the development of the market and its customers. Another area of business in the Industrial Electronics segment is the development of actuator coils and filter technology. There is scope to leverage synergies with the Automotive Technology segment in the development and process know-how for both of these fields.

Development of filters, actuator coils and power electronics components will help this segment stabilize sales or even achieve further moderate sales growth. The Board of Directors expects this segment to report sales of between EUR 8.0 million and EUR 9.0 million in 2018.

## 6.2 Order situation

At the end of the first quarter of 2018 orders on hand were well above the prior-year level at EUR 59.8 million (March 31, 2017: EUR 48 million). 88% of orders were for the Automotive Technology segment (Q1 2017: 83%). Overall, the Board of Directors expects orders on hand to rise in the Automotive Technology segment and the Industrial Electronics segment.

## 6.3 Earnings, asset and financial position

Although the economic outlook for 2018 is positive overall, there are a number of factors that could have a negative impact during the year. The first of these is global trade policy. Increasing protectionism and the imposition of protective customs duties are serious threats to Germany's export-driven economy.

The Automotive Technology segment will remain the most important element in InTiCa Systems' business activities in 2018, as in previous years. The Industrial Electronics segment should stabilize further, even though business conditions remain challenging. Product innovations and further internationalization should open the door to new markets in both segments.

Special challenges in 2018 are the investment and industrialization projects to prepare for contracts that will generate sales revenues in subsequent years, access to raw materials in the light of specific international shortages, resulting in longer delivery times, and the availability of skilled personnel to meet order commitments. Continuous progress will be made in 2018 thanks to permanent optimization of corporate processes and production workflows. The Board of Directors nevertheless sees further scope for optimization.

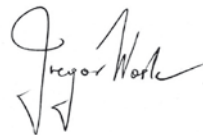
InTiCa Systems' ability to offer customer-specific solutions, combined with greater vertical integration and systems solution competence, are its main competitive advantage in addressing the opportunities that arise.

The continued positive development in the first three months of 2018 confirms this view and lifted Group sales 7% year-on-year to EUR 13.2 million in the first quarter of the year (Q1 2017: EUR 12.3 million). EBITDA is expected to be around EUR 1.4 million in the first quarter of 2018, while EBIT should be around EUR 0.4 million.

At present, the Board of Directors assumes that, given a stable economic environment and taking into account the particular challenges of 2018, Group sales will rise to around EUR 53.0 million to EUR 56.0 million in 2018 and the EBIT will be 3.0% to 3.5%. The material cost ratio should drop further in both segments and the equity ratio should remain stable.

Passau, April 23, 2018

### The Board of Directors



Dr. Gregor Wasle  
Spokesman for the Board of Directors



Günther Kneidinger  
Member of the Board of Directors

MOTIVE  
DUCTION

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AG  
karsulm

RD

17

**AUTOMOBIL  
PRODUKTION**

**AUTOMOTIVE  
LEAN  
PRODUCTION**

Sieger Kategorie  
Special Award:  
Lean Transformation

InTiCa Systems AG  
Werk Prachatice

AWARD

2017

**GAMUS  
CONSULT**

**AUTOMOBIL  
PRODUKTION**

**PREISTRÄGER 2017**



Source: Audi AG

International Award for  
Lean Transformation





# Consolidated Financial Statements

## CONSOLIDATED FINANCIAL STATEMENTS



*Highest  
quality level*

*through modern robotics*



# Consolidated Balance Sheet

of InTiCa Systems in accordance with IFRS  
as at December 31, 2017

<b>Assets</b>	Note	Dec. 31, 2017 EUR '000	Dec. 31, 2016 EUR '000
<b>Non-current assets</b>			
Intangible assets	14	4,593	4,454
Property, plant and equipment	13	20,109	19,346
Deferred taxes	10.3	1,054	1,165
<b>Total non-current assets</b>		<b>25,756</b>	<b>24,965</b>
<b>Current Assets</b>			
Inventories	17	8,099	6,974
Trade receivables	18	8,802	8,514
Tax assets	10.2	3	2
Other financial assets	16.1	53	128
Other current receivables	16.2	395	539
Cash and cash equivalents	31	141	355
<b>Total current assets</b>		<b>17,493</b>	<b>16,512</b>
<b>Total assets</b>		<b>43,249</b>	<b>41,477</b>

<b>Equity and liabilities</b>	Note	Dec. 31, 2017 EUR '000	Dec. 31, 2016 EUR '000
<b>Equity</b>			
Capital Stock	19	4,287	4,287
Treasury Stock	19	-64	-64
General capital reserve	20	15,389	15,389
Profit reserve	21	-744	-1,471
Currency translation reserve	22	-746	-1,414
<b>Total equity</b>		<b>18,122</b>	<b>16,727</b>
<b>Non-current liabilities</b>			
Financial liabilities	23	10,928	9,835
Deferred taxes	10.3	1,676	1,582
<b>Total non-current liabilities</b>		<b>12,604</b>	<b>11,417</b>
<b>Current liabilities</b>			
Other current liabilities	24	1,074	1,084
Tax liabilities		116	3
Financial liabilities	23	9,106	8,900
Trade payables	25; 29.2	1,592	2,727
Other financial liabilities	26	328	274
Other current liabilities	27	307	345
<b>Total current liabilities</b>		<b>12,523</b>	<b>13,333</b>
<b>Total equity and liabilities</b>		<b>43,249</b>	<b>41,477</b>
<i>Equity ratio</i>		41.9%	40.3%

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

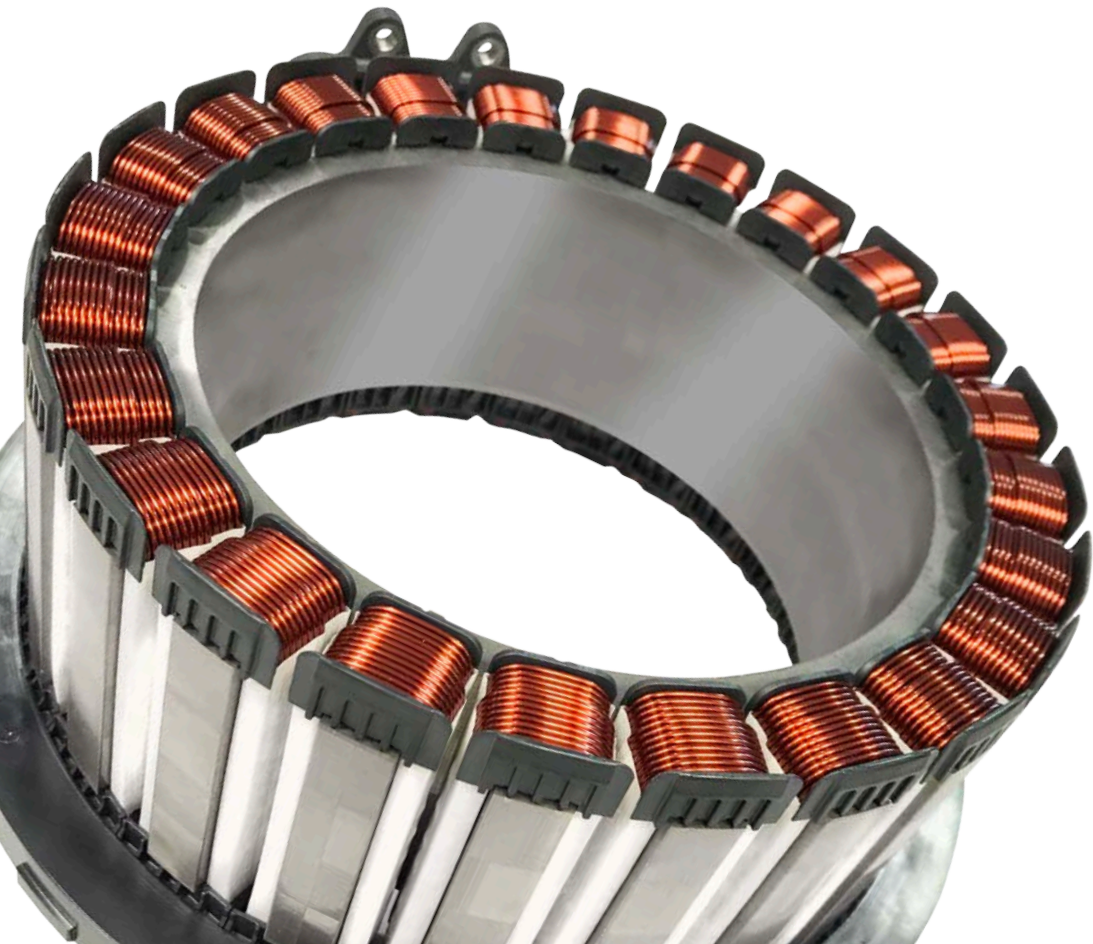
of InTiCa Systems in accordance with IFRS  
for the period from January 1 to December 31, 2017

	Note	Fiscal year EUR '000	Previous year EUR '000
Sales	5; 6.2	50,094	44,928
Other operating income	7	1,056	376
Change in finished goods and work in process	17	510	245
Other own work capitalized		1,217	1,267
Raw materials and supplies		28,497	25,016
Personnel expense	11.3	11,550	10,408
Depreciation and amortization	11.1; 13; 14	4,335	4,332
Other expenses	7	7,026	6,020
<b>Operating profit (EBIT)</b>		<b>1,469</b>	<b>1,040</b>
Cost of financing	9	431	427
Other financial income	8	0	0
<b>Pre-tax profit/loss</b>		<b>1,038</b>	<b>613</b>
Income taxes	10.1	311	266
<b>Consolidated net profit/loss</b>		<b>727</b>	<b>347</b>
<b>Other comprehensive income after taxes</b>			
Items that will subsequently be reclassified to profit or loss if specific conditions are met:			
Exchange differences from the translation of foreign operations	22	668	-65
<b>Other comprehensive income, after taxes</b>		<b>668</b>	<b>-65</b>
<b>Total comprehensive income</b>		<b>1,395</b>	<b>282</b>
Earnings per share (diluted/basic in EUR)	12	0,17	0,08

# Consolidated Cash Flow Statement

of InTiCa Systems in accordance with IFRS/IAS  
for the period from January 1 to December 31, 2017

	Note	Fiscal year EUR '000	Previous Year EUR '000
<b>Cash flow from operating activities</b>			
<i>Consolidated net income/loss for the period</i>		727	347
Income tax expense recognised in income	10.1	311	266
Cash outflow for borrowing costs	9	432	427
Income from financial investments	8	0	0
Depreciation and amortization of non-current assets	11.1	4,335	4,332
<i>Non-cash transactions</i>			
<i>Net currency gains/losses</i>		129	-59
<i>Other transactions</i>		-5	0
<i>Increase/decrease in assets not attributable to financing or investing activities</i>			
<i>Inventories</i>	17	-1,125	784
<i>Trade receivables</i>	18	-288	-1,706
<i>Other assets</i>		220	16
<i>Increase/decrease in liabilities not attributable to financing or investing activities</i>			
<i>Other current provisions</i>	24	-10	-71
<i>Trade payables</i>	29.2	-1,136	107
<i>Other liabilities</i>		14	149
<b>Cash and cash equivalents from operating activities</b>		<b>3,604</b>	<b>4,592</b>
Income tax receipts/payments		-1	-1
Cash outflow for interest payments		-431	-449
<b>Net cash flow from operating activities</b>		<b>3,172</b>	<b>4,142</b>
<b>Cash flow from investing activities</b>			
Cash inflow from interest payments		0	0
Cash inflow from the disposal of property, plant and equipment		4	0
Cash outflow for intangible assets	14	-1,389	-1,455
Cash outflow for property, plant and equipment	13	-3,084	-3,089
<b>Net cash flow from investing activities</b>		<b>-4,469</b>	<b>-4,544</b>
<b>Cash flow from financing activities</b>			
Cash inflow from loans		4,337	4,000
Cash outflow for loan repayment installments		-1,870	-2,877
<b>Net cash flow from financing activities</b>		<b>2,467</b>	<b>1,123</b>
<b>Total cash flow</b>		<b>1,170</b>	<b>721</b>
Cash and cash equivalents at start of period	31	-6,674	-7,388
Impact of changes in exchange rates on cash and cash equivalents held in foreign currencies		-217	-7
<b>Cash and cash equivalents at end of period</b>	31	<b>-5,721</b>	<b>-6,674</b>



## *Dynamics and precision*

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*Stator coils*

# Consolidated Statement of Changes in Equity

for InTiCa Systems according with IFRS

for the period from January 1, 2016 to December 31, 2017

	Capital stock EUR '000	Treasury stock EUR '000	Capital reserve EUR '000	Profit reserve EUR '000	Currency trans- lation reserve EUR '000	Total equity EUR '000
Note	19	19	20	21	22	29.1
<b>As at January 1, 2016</b>	<b>4,287</b>	<b>-64</b>	<b>15,389</b>	<b>-1,818</b>	<b>-1,349</b>	<b>16,445</b>
Consolidated net income 2016	0	0	0	347	0	347
Other comprehensive income, after taxes	0	0	0	0	-65	-65
<b>Total comprehensive income 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>347</b>	<b>-65</b>	<b>282</b>
<b>As at December 31, 2016</b>	<b>4,287</b>	<b>-64</b>	<b>15,389</b>	<b>-1,471</b>	<b>-1,414</b>	<b>16,727</b>
<b>As at January 1, 2017</b>	<b>4,287</b>	<b>-64</b>	<b>15,389</b>	<b>-1,471</b>	<b>-1,414</b>	<b>16,727</b>
Consolidated net income 2017	0	0	0	727	0	727
Other comprehensive income, after taxes	0	0	0	0	668	668
<b>Total comprehensive income 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>727</b>	<b>668</b>	<b>1,395</b>
<b>As at December 31, 2017</b>	<b>4,287</b>	<b>-64</b>	<b>15,389</b>	<b>-744</b>	<b>-746</b>	<b>18,122</b>

# Notes to the Consolidated Financial Statements of InTiCa Systems AG for Fiscal 2017

## NOTES

### 1. General information

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

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

### 2. Application of new and amended standards

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

The company applied the following new or amended standards and interpretations issued by the IASB for the first time in 2017:

IAS 7	Disclosure initiative – This amendment prescribes disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
IAS 12	Recognition of deferred tax assets for unrealized losses – Clarification of the recognition of deferred tax assets for unrealized losses in the following cases: <ul style="list-style-type: none"> <li>- unrealized losses on assets carried at fair value</li> <li>- where tax law restricts the deductibility of losses</li> <li>- the estimate of probable future taxable profits.</li> </ul>
AIP 2014 – 2016 (IFRS 12)	Clarification of various previously published standards, especially clarification of the scope of IFRS 12.

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



## 2.2 Standards, interpretations and amendments to published standards where application was not mandatory in 2017 and which were not applied early by the Group

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

IFRS 9	Financial instruments <sup>1</sup> – Introduction of new rules for the recognition and measurement of financial instruments and replacement for IAS 39.
IFRS 15	Revenues from contracts with customers <sup>1</sup> and the associated clarifications <sup>1</sup> – IFRS 15 defines the timing and amount of revenue recognition. In addition, it requires companies preparing financial statements to provide more useful and more relevant disclosures for users than in the past. In principle, IFRS 15 applies for all contracts with customers. IFRS 15 defines revenue as the amount expected to be received as consideration for the transfer of goods or services to customers. The timing of recognition depends on when control is obtained and no longer on the transfer of the opportunities and risks. A five-step model has been developed to implement the future requirements of this standard. IFRS 15 greatly extends the disclosures on revenue from contracts with customers.
IFRIC 22	Foreign currency transactions and advance consideration <sup>1,4</sup> – IFRIC 22 contains the following application guidance on determining the exchange rate for advance payments in foreign currencies. For the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income, the transaction date is the date on which the entity first recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.
AIP 2014 – 2016 (IFRS 1, IAS 28)	Clarification of various previously published standards <sup>1</sup> – In particular, deletion of short-term exemptions for first-time adopters of IFRSs (IFRS 1) and clarification of the measurement option for interests in other entities (IAS 28).
IFRS 4	Initial application of IFRS 9 in conjunction with IFRS 4 <sup>1</sup> – Amendments to minimize the effect of different dates of initial application of IFRS 9 and the standard replacing IFRS 4, especially on companies with extensive insurance activities.
IFRS 16	Leases <sup>2</sup> – New rules on the recognition of leases.

IFRIC 23	Uncertainty over income tax treatments <sup>2,4</sup> – IFRIC 23 addresses the recognition of current and deferred tax liabilities where there is uncertainty regarding their income tax treatment. Such uncertainties arise when application of the applicable tax law to a specific transaction is not clear and therefore depends (among other things) on interpretation by the fiscal authorities. An entity only takes such uncertainties into account if it is probable that the corresponding tax amounts will be paid or refunded.
IFRS 9	Financial instruments <sup>2,4</sup> – Amendments for assets with symmetrical termination rights.
IAS 19	Employee benefits <sup>2,4</sup> – This amendment specifies that in the case of modifications to a defined benefit pension plan, current actuarial assumptions must be used for calculation.
AIP 2015 – 2017 (IFRS 3, IFRS 11, IAS 12, IAS 23)	Clarification of various previously published standards <sup>2,4</sup> – Especially clarification of the measurement of previously held interests when control is obtained (IFRS 3, IFRS 11), clarification of the application of IAS 12.52B to all income tax consequences of dividend payments (IAS 12) and clarification of the general calculation of borrowing costs (IAS 23).

<sup>1</sup> To be applied for financial years starting on or after January 1, 2018.

<sup>2</sup> To be applied for financial years starting on or after January 1, 2019.

<sup>3</sup> Date of initial application postponed indefinitely.

<sup>4</sup> Not yet endorsed by the EU.

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

In July 2014, the IASB published IFRS 9 “Financial Instruments”. Application of this standard is mandatory for reporting periods beginning on or after January 1, 2018. This standard introduces new recognition and measurement rules for financial instruments. It replaces IAS 39.

Compared with IAS 39, IFRS 9 prescribes a new model for the classification of financial assets. The previous valuation classes

- loans and receivables
- assets held to maturity
- available-for-sale financial assets
- assets carried at fair value through profit or loss

will be replaced by

- assets carried at amortized cost and
- assets carried at fair value

For financial liabilities carried using the fair value option, changes in fair value resulting from changes in the company's own credit loss risk must be recognized in other comprehensive income in the future.

The rules on impairment contained in IFRS 9 are based on the concept of expected credit losses. Impairment write-downs are recognized using a 3-step model based on expected credit losses. Expected losses on financial assets that are not originated credit-impaired have to be recognized using the expected 12-month credit loss over the full remaining term of the instrument.

In addition, IFRS 9 contains revised rules for the recognition of general hedge relationships. These comprise three types of hedge accounting (as in IAS 39), but extend the scope of the potential hedged items and hedging instruments and contain new rules on the effectiveness of hedge relationships.

Of particular significance for InTiCa Systems AG are the new impairment rules. The Group will apply the simplified approach for trade receivables. Here, a loss allowance equal to the lifetime expected credit losses over the remaining term of the receivables is recognized for all customers, irrespective of their credit quality. In view of the good external rating, the Board of Directors anticipates a low credit risk and therefore expects that it will therefore only be necessary to recognize the expected 12-month credit loss. Overall, application of the new impairment model will result in earlier recognition of expected losses, but the Board of Directors does not anticipate a significant increase in the impairment amounts.

*» IFRS 16 contains an extensive model on identifying leases and how they are to be accounted for by lessees and lessors*

In principle, IFRS 16 applies for all leases. Within the meaning of this standard, a contract is a lease if the lessor conveys the right to control the use of an identified asset to the lessee for a specific period of time and the lessee pays a consideration to the lessor for this right.

For lessees, the present distinction between operating leases and finance leases will be abolished. Instead, in future the lessee will have to recognize a "right-of-use asset" and a corresponding lease liability for all leases. Exceptions are only applicable for short-term leases and leases where the underlying assets

are of low value. At the date of initial recognition, the right-of-use asset is equivalent to the lease liability plus any initial direct costs to the lessee. In subsequent periods, the right-of-use asset is measured at amortized cost. The lease liability is the present value of the lease payments to be made over the term of the lease. The lease liability is subsequently increased by applying a periodic interest rate equivalent to the discount rate and reduced to reflect lease payments made. Modifications to lease payments result in remeasurement of the lease liability.

In addition, there are far more extensive disclosure requirements to give users a better understanding of the impact of the lease on the assets, liabilities, financial position and profit or loss.

InTiCa Systems will not apply the new lease standard fully retrospectively; instead, it will make use of the practical expedients of the modified retrospective method. Payment obligations under existing operating leases will be discounted in the transition to the new method using the marginal borrowing rate. The right-of-use assets will be recognized at the level of the lease liabilities, less prepayments.

The majority of lease payments are for the rental of office premises, furniture, operating equipment, machinery and technical plant. The Group is solely a lessee in such contracts. A preliminary assessment indicates that these contracts meet the definition of a lease in IFRS 16 so the Group would therefore have to recognize corresponding right of use assets and lease liabilities when applying IFRS 16, with the exception of the exemptions for short-term leases and low-value assets. The recognition of right-of-use assets and lease liabilities will increase total assets and liabilities. In the future, write-downs and interest expense will be recognized in the income statement instead of expenses for leases. That will improve EBITDA. In the cash flow statement, the repayment portion of lease payments for the present operating leases will reduce the cash flow from financing activities rather than the cash flow from operating activities. Only interest payments will remain in the cash flow from operating activities. Overall, the cash flow from operating activities will increase.

Assets and liabilities are already recognized for finance leases. InTiCa Systems AG has no contracts as a lessors so, as for finance leases, there will be no significant impact on the consolidated financial statements, apart from the extended disclosure requirements in the notes.

### 3. Principal accounting policies and valuation methods

#### 3.1 Declaration of conformance

The consolidated financial statements have been prepared in conformance with the International Financial Reporting Standards, as applicable for use in the European Union, and the supplementary commercial law provisions in accordance with sec. 315a paragraph 1 of the German Commercial Code (HGB).

#### 3.2 Basis of preparation of the consolidated financial statements

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

#### 3.3 Principles of consolidation

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

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

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

#### 3.4 Business combinations

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

#### 3.5 Revenue recognition

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

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

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

Accordingly, revenues from the sale of goods are normally recognized when the goods are delivered and transfer of legal ownership has taken place. Interest income is recognized when it is probable that the economic benefit will flow to the Group and the level of the revenue can be determined reliably. Interest income should be accrued over time on the basis of the outstanding nominal amount using the relevant effective interest rate. The effective interest rate is the interest rate used to discount the expected future inflows over the term of the financial assets to exactly the net carrying amounts of the assets as of the date of initial recognition.

### 3.6 Leasing

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

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

### 3.7 Foreign currencies

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

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

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

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

Country	Closing rates		Average rates	
	2017	2016	2017	2016
Czech Republic	EUR 1/ CZK 25.540	EUR 1/ CZK 27.020	EUR 1/ CZK 26.330	EUR 1/ CZK 27.033
USA	USD 1.199	USD 1.056	USD 1.130	USD 1.107
Mexico	MXN 23.693	MXN 21.774	MXN 21.316	MXN 20.677

### 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 and deferred tax assets are recognized if it is probable that sufficient taxable profit will be available to utilize the tax-deductible temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary differences relating to the initial recognition of assets or liabilities result from events that do not affect taxable income or the net profit.

The carrying amount of deferred taxes is tested annually as of the reporting date and an impairment write-down is recognized if it is no longer probable that sufficient taxable income will be available to realize the asset either in full or partially. Deferred tax assets and liabilities are calculated on the basis of anticipated tax rates (and tax legislation) that are expected to be applicable at the date of performance of the liability or realization of the asset. The valuation of deferred tax assets and liabilities reflects the tax implications that would arise if the liability 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.

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

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

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

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

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

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

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

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

### 3.11 Intangible assets

#### » *Intangible assets acquired separately*

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

#### » *Self-created intangible assets – research and development expenses*

Research costs are expensed in the period in which they are incurred.

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

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

The amount initially capitalized for a self-created intangible asset is the expense incurred from the date on which the intangible asset 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 not 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 assigned to the following categories:

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

Classification is based on the type and purpose of the financial asset and is made at the time of addition. With the exception of current receivables, where the discounting effect would be negligible, interest income is computed using the effective interest method.

#### » *At fair value through profit or loss*

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

#### » *Held-to-maturity financial assets*

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

#### » *Available-for-sale financial assets*

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

#### » *Loans and receivables*

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

#### » *Impairment write-downs of financial assets*

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

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

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

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

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

#### » *Derecognition of financial assets*

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

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

In connection with the classification of financial assets and liabilities, the following abbreviations are used:

AfS = available-for-sale

FVTPL = fair value through profit or loss

LaR = loans and receivables

HfT = held for trading

OL = other liabilities

### 3.17 Financial liabilities

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

#### » *Liabilities recognized at fair value through profit or loss*

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

#### » *Other financial liabilities*

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

#### » *Derecognition of financial liabilities*

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

In connection with the classification of financial liabilities the abbreviations set out in the Note 3.16 are used.

### 3.18 Security provided

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

### 3.19 Cash and balances on bank accounts

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



#### 4. Principal sources of estimation uncertainty

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

The assumptions underlying such estimates are reviewed regularly. Where changes to such estimates only affect one period, they are recognized for this period only. If the change relates to the present and subsequent reporting periods, they are reflected in the present and following periods.

##### » *Principal sources of estimation uncertainty*

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

##### » *Self-created intangible assets*

The Board of Directors decides on the basis of the progress of the project whether the criteria for recognition set out in IAS 38 are fulfilled. The cost of production is determined on the basis of the wage costs of the employees involved, separate lists of materials and general overhead allocations. Borrowing costs are not included because customer requirements mean that the production process normally takes less than 12 months.

During the fiscal year, the Board of Directors once again tested intangible assets produced by the Group's development department for impairment. The self-created intangible assets were carried in the consolidated balance sheet at EUR 4.5 million as of December 31, 2017 (2016: EUR 4.4 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.

#### 5. Sales

The table shows the Group's sales split:

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Revenues from trading	4,271	5,770
Revenues from production	45,823	39,158
<b>Total revenues from the sale of goods</b>	<b>50,094</b>	<b>44,928</b>

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

#### 6. Segment information

##### 6.1 Products that generate revenues for the reportable segments

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

##### » *Automotive Technology*

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

##### » *Industrial Electronics*

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

## 6.2 Segment sales and segment result

	Segment sales		Segment result	
	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Automotive Technology	38,149	36,281	828	1,080
Industrial Electronics	11,945	8,647	641	-40
<b>Total</b>	<b>50,094</b>	<b>44,928</b>	<b>1,469</b>	<b>1,040</b>
Income and expenses relating to assets not allocated to any segment			0	0
<b>Financial result</b>			<b>-431</b>	<b>-427</b>
Pre-tax income			1,038	613

The sales revenues presented above comprise revenues from transactions with external customers. There were no intersegment transactions (2016: zero).

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

## 6.3 Segment assets and liabilities

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Automotive Technology	33,779	32,507
Industrial Electronics	7,825	6,780
<b>Total</b>	<b>41,604</b>	<b>39,287</b>
Assets not allocated to any segment	1,645	2,190
<b>Total consolidated assets</b>	<b>43,249</b>	<b>41,477</b>

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Cash and cash equivalents	141	355
Other current receivables	395	539
Other financial assets	53	128
Tax receivables	2	2
Deferred taxes	1,054	1,166
<b>Total</b>	<b>1,645</b>	<b>2,190</b>

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, 2017 in EUR '000	Dec. 31, 2016 in EUR '000	Dec. 31, 2017 in EUR '000	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Automotive Technology	3,747	3,493	94	3,694	3,890
Industrial Electronics	588	839	2	779	654
<b>Total</b>	<b>4,335</b>	<b>4,332</b>	<b>96</b>	<b>4,473</b>	<b>4,544</b>

The total depreciation, amortization and impairment write-downs include impairment charges of EUR 96 thousand (2016: EUR 145 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, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Small signal electronics	7,427	7,978
Power electronics	15,782	11,243
Mechatronic components and systems	21,842	20,159
Other	5,043	5,548
<b>Total</b>	<b>50,094</b>	<b>44,928</b>

## 6.6 Geographical information

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

	Sales revenues from transactions with external customers		Non-current assets	
	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Germany	32,384	27,473	7,407	7,170
Other countries <i>of which Spain</i>	17,710 3,083	17,455 3,070	17,295	16,629
<b>Total</b>	<b>50,094</b>	<b>44,928</b>	<b>24,702</b>	<b>23,799</b>
Assets not allocated to any segment			1,054	1,166
Non-current assets, total			25,756	24,965

The data on sales in Spain 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 15,861 thousand of this amount comprises assets at the site in the Czech Republic (2016: EUR 15,626 thousand).

### 6.7 Information on major customers

The Group's two largest customers accounted for around EUR 8,978 thousand (2016: EUR 8,522 thousand) and EUR 6,838 thousand (2016: EUR 4,161 thousand) of direct sales of products. That was 17.9% (2016: 19.0%) and 13.7% (2016: 9.3%) of total sales. These are customers of the Automotive Technology and Industrial Electronics segments. In both 2017 and 2016 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, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Gains from foreign currency translation	889	140
Insurance refund	44	117
Other	123	119
<b>Total</b>	<b>1,056</b>	<b>376</b>

Other expenses	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Exchange losses	640	148
Cost of premises	1,032	908
Insurance premiums, contributions, levies	340	304
Vehicle expenses	279	272
Advertising costs, travel expenses	434	408
Delivery costs	833	918
Maintenance and repairs	1,065	1,101
Agency staff	777	487
Legal and consultancy expenses	345	444
Other operating expenses	1,281	1,030
<b>Total</b>	<b>7,026</b>	<b>6,020</b>

### 8. Other financial income

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Interest income from balances on bank accounts	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Breakdown of investment income from financial assets by valuation class:

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Cash on hand and bank balances (LaR)	0	0
Financial assets recognized at amortized cost (LaR)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### 9. Financial expenses

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Interest on overdrafts and bank loans	431	427
Interest on obligations relating to finance leases	0	0
<b>Total</b>	<b>431</b>	<b>427</b>

Breakdown of expenses for financial liabilities by valuation class:

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Financial liabilities measured at amortized cost (OL)	431	427

### 10. Income taxes

#### 10.1 Income taxes recognized in the statement of profit or loss

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Current tax expense	114	3
Deferred taxes	197	263
<b>Total</b>	<b>311</b>	<b>266</b>

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Income before taxes	1,038	613
Theoretical tax expense (2016: tax income)	309	183
Impact of tax-exempt income/ non-deductible expenses	25	24
Impact of different tax rates applied to subsidiaries in different tax jurisdictions	-23	59
<b>Total</b>	<b>311</b>	<b>266</b>

The tax rate used for the above reconciliation for 2017 and 2016 is the tax rate of around 29.83% (2016: 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, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Current claims for tax refunds	3	2

## 10.3 Deferred taxes

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Deferred tax assets	1,054	1,165
Deferred tax liabilities	1,676	1,581
<b>Total</b>	<b>-622</b>	<b>-416</b>

	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
<b>2017</b>					
Temporary differences					
Intangible assets	-1,304	-27	0	0	-1,331
Property, plant and equipment	-186	-68	0	0	-254
Provisions	6	0	0	0	6
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,159	-102	-9	0	1,048
<b>Total</b>	<b>-416</b>	<b>-197</b>	<b>-9</b>	<b>0</b>	<b>-622</b>
<b>2016</b>					
Temporary differences					
Intangible assets	-1,290	-14	0	0	-1,304
Property, plant and equipment	-87	-99	0	0	-186
Provisions	6	0	0	0	6
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,309	-150	0	0	1,159
<b>Total</b>	<b>-153</b>	<b>-263</b>	<b>0</b>	<b>0</b>	<b>-416</b>

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

#### 10.4 Unrecognized deferred tax assets

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

### 11. Net income from continuing operations

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Impairment write-downs on property, plant and equipment	0	0
Depreciation of property, plant and equipment	3,085	2,941
Impairment write-downs on intangible assets	96	145
Amortization of intangible assets	1,154	1,246
<b>Total</b>	<b>4,335</b>	<b>4,332</b>

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, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Research and development costs expensed in the fiscal year	1,547	1,389

#### 11.3 Personnel-related expenses

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Wages and salaries	9,180	8,326
Social security expenses	2,247	2,011
Pension expenses	12	12
Other	111	59
<b>Total</b>	<b>11,550</b>	<b>10,408</b>

### 12. Earnings per share

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Consolidated net profit	727	347
Weighted average ordinary shares (in thousand units)	4,223	4,223
<b>Earnings per share (in EUR)</b>	<b>0.17</b>	<b>0.08</b>

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, 2016 to December 31, 2017

##### 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
<b>Cost of acquisition or production</b>					
As at January 1, 2016	8,527	29,014	1,887	1,118	40,546
Additions	39	1,943	535	573	3,090
Transfers	0	11	10	-21	0
Disposals	0	-364	-185	0	-549
Translation differences	1	3	0	0	4
<b>As at December 31, 2016 / January 1, 2017</b>	<b>8,567</b>	<b>30,607</b>	<b>2,247</b>	<b>1,670</b>	<b>43,091</b>
Additions	0	2,431	373	280	3,084
Transfers	0	197	34	-231	0
Disposals	0	-536	-156	0	-692
Translation differences	465	1,275	-12	0	1,728
<b>As at December 31, 2017</b>	<b>9,032</b>	<b>33,974</b>	<b>2,486</b>	<b>1,719</b>	<b>47,211</b>
<b>Depreciation</b>					
As at January 1, 2016	1,930	18,227	1,191	0	21,348
Depreciation	338	2,282	321	0	2,941
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-361	-185	0	-546
Translation differences	1	2	-1	0	2
<b>As at December 31, 2016 / January 1, 2017</b>	<b>2,269</b>	<b>20,150</b>	<b>1,326</b>	<b>0</b>	<b>23,745</b>
Depreciation	317	2,423	342	0	3,082
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-536	-156	0	-692
Translation differences	110	870	-14	0	966
<b>As at December 31, 2017</b>	<b>2,696</b>	<b>22,907</b>	<b>1,498</b>	<b>0</b>	<b>27,101</b>
<b>Balance sheet value as at December 31, 2017</b>	<b>6,336</b>	<b>11,067</b>	<b>988</b>	<b>1,719</b>	<b>20,110</b>
Balance sheet value as at December 31, 2016	6,298	10,457	921	1,670	19,346

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

#### Assets and mortgages pledged as security

A mortgage claim (EUR 2,000 thousand) on developed land owned by the Group with a carrying amount of EUR 6,208 thousand (2016: EUR 6,157 thousand) has been registered as security for the Group's liabilities to banks. Machinery at the Prachatice site with a carrying amount of EUR 4,569 thousand (2016: EUR 5,370 thousand) has been pledged as security for liabilities to banks.

## 14. Intangible assets

### Change in non-current assets in the period January 1, 2016 to December 31, 2017

#### InTiCa Systems Group

In EUR '000	Self-created intangible assets	Other intangible assets	Total
<b>Cost of acquisition or production</b>			
As at January 1, 2016	10,193	497	10,690
Additions	1,401	53	1,454
Transfers	0	0	0
Disposals	-1,380	-7	-1,387
Translation differences	0	0	0
<b>As at December 31, 2016 / January 1, 2017</b>	<b>10,214</b>	<b>543</b>	<b>10,757</b>
Additions	1,307	83	1,390
Transfers	0	0	0
Disposals	-1,613	0	-1,613
Translation differences	0	5	5
<b>As at December 31, 2017</b>	<b>9,908</b>	<b>631</b>	<b>10,539</b>
<b>Amortization</b>			
As at January 1, 2016	5,872	428	6,300
Amortization	1,211	35	1,246
Impairment write-downs	145	0	145
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-1,380	-7	-1,387
Translation differences	0	0	0
<b>As at December 31, 2016 / January 1, 2017</b>	<b>5,848</b>	<b>456</b>	<b>6,304</b>
Amortization	1,217	36	1,253
Impairment write-downs	0	0	0
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-1,613	0	-1,613
Translation differences	0	2	2
<b>As at December 31, 2017</b>	<b>5,452</b>	<b>494</b>	<b>5,946</b>
<b>Balance sheet value as at December 31, 2017</b>	<b>4,456</b>	<b>137</b>	<b>4,593</b>
Balance sheet value as at December 31, 2016	4,366	87	4,453

Where the underlying projects have not been completed or no sales have been generated, self-created intangible assets (carrying amount EUR 2,159 thousand in 2017; 2016: EUR 1,615 thousand) are not yet subject to amortization.

#### Impairment write-downs in 2017

For development projects, the amortization recognized in the statement of profit and loss includes impairment write-downs of EUR 96 thousand (2016: EUR 145 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, 2017 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
(2016:		100	100	)
Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V.	Silao, Mexico	100	100	Production
(2016:		100	100	)

The subsidiary Sistemas Mecatrónicos InTiCa S.A.P.I de C.V. was consolidated on June 16, 2016 as a company established by cash contributions. The establishment of this company constituted the opening of a new production site. A start-up loss of EUR 1,313 thousand (before consolidation postings) was recorded for the Mexican subsidiary in 2017.

## 16. Other financial assets and other receivables

### 16.1 Other financial assets

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Receivables recognized at amortized cost		
Other financial assets	53	128
<b>Total</b>	<b>53</b>	<b>128</b>
Non-current	0	0
Current	53	128
<b>Total</b>	<b>53</b>	<b>128</b>

### 16.2 Other current receivables

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Deferred charges	133	120
Advance payments made	79	128
Current tax receivables	183	291
<b>Total</b>	<b>395</b>	<b>539</b>

## 17. Inventories

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Raw materials and supplies	4,111	3,496
Work in process	1,302	1,138
Unfinished tools with customer involvement	608	313
Finished goods	2,078	2,027
<b>Total</b>	<b>8,099</b>	<b>6,974</b>

Total impairment write-downs on inventories recognized in profit and loss amounted to EUR 142 thousand (2016: EUR 162 thousand). They comprised EUR 84 thousand (2016: EUR 90 thousand) in the Automotive Technology segment, and EUR 58

thousand (2016: EUR 72 thousand) in the Industrial Electronics segment. As of the reporting date the carrying amount of these inventories was EUR 876 thousand (2016: EUR 692 thousand). The write-downs in the financial year are contained in other comprehensive income and comprise EUR 50 thousand (2016: EUR 74 thousand) in "Change in inventories of finished goods and work in process" and EUR 92 thousand (2016: EUR 88 thousand) in "Raw materials and supplies".

Total write-ups of inventories amounted to EUR 166 thousand (2016: EUR 0 thousand). The write-ups comprised EUR 157 thousand (2016: EUR 0 thousand) attributable to the Industrial Electronics segment and were due to the reusability of the material. As of the reporting date the carrying amount of these inventories was EUR 250 thousand (2016: EUR 260 thousand).

## 18. Trade receivables

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Trade receivables	8,802	8,514
Impairment write-downs	0	0
<b>Total</b>	<b>8,802</b>	<b>8,514</b>

Payment terms for products sold are normally 30-120 days. Impairment write-downs on trade receivables are made on a case-by-case basis on receivables that are disputed by the customer.

The Group conducts a creditworthiness test before accepting new customers and sets individual credit limits. Customer assessments are reviewed once a year and credit limits are reviewed monthly. On the reporting date, trade receivables totalling EUR 1,602 thousand (2016: EUR 1,494 thousand) were due from the Group's two biggest customers. Trade receivables amounting to more than 5% of total trade receivables (2016: 5%) were due from 8 (2016: 10) customers.



Impairment write-downs were not recognized for trade receivables amounting to EUR 1,919 thousand (2016: EUR 1,019 thousand) which were overdue on the reporting date because no material change in the creditworthiness of the debtors had been identified and the amounts due are expected to be paid. The Group does not have any security for these open items.

Age structure of overdue but non-impaired receivables:

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
1 – 30 days	1,111	717
30 – 60 days	509	112
more than 60 days	299	190
<b>Total</b>	<b>1,919</b>	<b>1,019</b>

Changes in impairment write-downs:

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Status at start of year	0	510
Amounts written down as uncollectible during the financial year	0	-510
Impairment write-downs on receivables	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

All changes in the creditworthiness of customers between the date on which the payment terms were granted and the reporting date are taken into account when testing trade receivables for impairment. There are no significant credit cluster risks as the customer base is diversified and there is no correlation within the customer base.

To secure credit lines totalling EUR 6.0 million (2016: EUR 6.0 million), a blanket assignment has been made. This comprises the parent company's trade receivables. As of the reporting date, the carrying amount of the receivables was EUR 8.5 million (2016: EUR 8.1 million).

## 19. Capital stock

	Capital stock and ordinary shares	
	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
4,287,000 fully paid-up ordinary shares	4,287	4,287
64,430 treasury shares (treasury stock)	-64	-64
<b>Total</b>	<b>4,223</b>	<b>4,223</b>

	Treasury stock			
	Dec. 31, 2017 in EUR '000	% of capital stock	Dec. 31, 2016 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
<b>Total</b>	<b>64</b>	<b>1.493</b>	<b>64</b>	<b>1.493</b>

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

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

## 20. General capital reserve

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Status at start of year	15,389	15,389
Sale of treasury stock	0	0
Pro rata net profit	0	0
<b>Total</b>	<b>15,389</b>	<b>15,389</b>

The capital reserve includes premiums from the issue of shares.

## 21. Profit reserve

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Status at start of year	-1,471	-1,818
Consolidated net profit	727	347
<b>Total</b>	<b>-744</b>	<b>-1,471</b>

The profit reserve contains statutory profit reserves of EUR 51 thousand (2016: EUR 51 thousand) and other profit reserves (including the loss carryforward) of minus EUR 795 thousand (2016: minus EUR 1,522 thousand).

## 22. Currency translation reserve

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Status at start of year	-1,414	-1,349
Translation of foreign business operations	668	-65
<b>Total</b>	<b>-746</b>	<b>-1,414</b>

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

## 24. Provisions

	Jan. 1, 2017 in EUR '000	Utilized in EUR '000	Reversed in EUR '000	Additions in EUR '000	Dec. 31, 2017 in EUR '000
Trade-related commitments (i)	656	656	0	345	345
Personnel expense (ii)	396	396	0	515	515
Other (iii)	32	32	0	214	214
<b>Total</b>	<b>1,084</b>	<b>1,084</b>	<b>0</b>	<b>1,074</b>	<b>1,074</b>

(i) In both 2016 and 2017, provisions for trade-related commitments comprised provisions for expected credit notes and outstanding invoices.

(ii) In both 2016 and 2017 the provisions for personnel expense covered employees' annual vacation entitlements and overtime claims, bonuses, an anniversary provision, and expected contributions to the employers' liability insurance association.

## 23. Financial liabilities

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
<b>Unsecured – recognized at amortized cost</b>		
Overdrafts	9	11
Loans	1,482	2,915
<b>Secured – recognized at amortized cost</b>		
Overdrafts	5,853	7,018
Liabilities relating to finance leases (see Note 28)	0	0
Loans	12,691	8,791
<b>Total</b>	<b>20,035</b>	<b>18,735</b>
<b>Current</b>		
	9,106	8,900
<b>Non-current</b>		
	10,929	9,835
<b>Total</b>	<b>20,035</b>	<b>18,735</b>

EUR 3,806 thousand (2016: EUR 3,897 thousand) of the secured overdrafts relate to the Czech subsidiary and are secured by a guarantee from InTiCa Systems AG. EUR 4,000 thousand (2016: EUR 2,000 thousand) of the non-current loans are secured by a guarantee from InTiCa Systems s.r.o. for the German parent company.

Summary of financing agreements:

Overdrafts are subject to variable interest during the year. Interest on loans is 1.25%-4.08% p.a. (2016: 1.35%-4.34% p.a.).

Non-current loans incur interest at a fixed rate averaging 2.37% p.a. (2016: 2.42% p.a.). Variable interest was agreed for two non-current loans of EUR 3,879 thousand (2016: EUR 1,792 thousand). As of December 31, 2017, interest payments of 0.5% and 1.60% p.a. were due.

(iii) In both 2016 and 2017, the other provisions comprised costs for retention obligations.

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

## 25. Trade payables

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

## 26. Other financial liabilities

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
At amortized cost		
Other financial liabilities	328	274

## 27. Other current liabilities

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Accrued expenses	0	0
Advance payments received	0	63
Other liabilities	307	282
<b>Total</b>	<b>307</b>	<b>345</b>

## 28. Liabilities relating to finance leases

The Group does not have any finance leases at present.

## 29. Financial instruments

### 29.1 Capital risk management

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

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

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

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

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Equity	18,122	16,727
Total assets	43,249	41,477
Equity ratio	41.9%	40.3%
Interest-bearing financial liabilities	20,035	18,735
Cash and cash equivalents	141	355
<b>Net financial debt</b>	<b>19,894</b>	<b>18,380</b>
EBIT	1,469	1,040
Depreciation, amortization and impairment write-downs	4,335	4,332
EBITDA	5,804	5,372
<b>Net financial debt/EBITDA</b>	<b>3.43</b>	<b>3.42</b>

## 29.2 Categories of financial instruments

Category		Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
<b>Financial assets</b>		<b>8,996</b>	<b>8,997</b>
Cash on hand and bank balances	LaR	141	355
Trade receivables	LaR	8,802	8,514
Financial assets recognized at amortized cost	LaR	53	128
<b>Financial liabilities</b>		<b>21,954</b>	<b>21,736</b>
Financial liabilities recognized at amortized cost	OL	20,363	19,009
Trade payables	OL	1,592	2,727

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

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

## 29.3 Financial risk management

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

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

### » Exchange-rate risks

Certain business transactions undertaken by the Group are denominated in foreign currencies, namely in USD, 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. By converting liabilities first into a non-current loan (treated as a net investment) and subsequently into equity (capital reserve) has reduced the risks and the volatility of

the Group's net profit by reducing the balance of open items as it ensures more timely settlement of liabilities.

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

The parameters used for the sensitivity analysis (USD: +/-10%; CZK +/-3.5%; MXN: +/-3.5%) represent the Board of Directors' assessment of a reasonable potential change in the exchange rate. If the euro had appreciated (depreciated) by these percentages against each of these currencies as of December 31, 2017, the impact of the change in the USD exchange rate on the consolidated net profit would have been a decline (increase) of around EUR 87 thousand (2016: EUR 111 thousand), while a change in the CZK exchange rate of this magnitude would have increased (decreased) the consolidated net profit by around EUR 20 thousand (2016: EUR 43 thousand). For the MXN, the impact on the consolidated net profit would have been a decline (increase) of EUR 42 thousand (2016: EUR 0 thousand).

	Nominal amount as of		Nominal amount as of	
	Dec. 31, 2017 in EUR '000	2017 in EUR '000	Dec. 31, 2016 in EUR '000	2016 in EUR '000
Change in USD (+/-10%)	1,041	87	1,177	111
Change in CZK (+/-3.5%)	559	20	1,237	43
Change in MXN (+/-3.5%)	1,197	42	0	0

### » 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, 2017, the result would have been EUR 59 thousand lower (higher).

#### » Price risks

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

#### » Risk of default

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

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

#### » Liquidity risk

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Credit lines		
Amounts drawn	5,862	7,029
Undrawn amounts	4,488	3,321
<b>Total</b>	<b>10,350</b>	<b>10,350</b>

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

	up to 1 year in EUR '000	1–5 years in EUR '000	over 5 years in EUR '000	Total in EUR '000
<b>2017</b>				
Variable-interest financial liabilities	6,845	2,861	293	9,999
Fixed-interest financial liabilities	2,643	7,088	1,161	10,892
<b>Total</b>	<b>9,488</b>	<b>9,949</b>	<b>1,454</b>	<b>20,891</b>
<b>2016</b>				
Variable-interest financial liabilities	7,456	1,067	549	9,072
Fixed-interest financial liabilities	1,841	6,889	1,865	10,595
<b>Total</b>	<b>9,297</b>	<b>7,956</b>	<b>2,414</b>	<b>19,667</b>

### 30. Related party transactions

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

#### 30.1 Board of Directors

- **Dr. Gregor Wasle**  
Strategy, finance, human resources, production, manufacturing technology, IT, investor relations and public relations
- **Günther Kneidinger**  
Sales, R&D, materials management and quality management

#### 30.2 Supervisory Board

- **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, Fürstzell  
Managing Director of OWP Brillen GmbH
- **Christian Fürst**  
Member of the Supervisory Board, Thyrnau  
Managing partner of ziel management consulting gmbh  
Chairman of the Supervisory Board of Electrovac AG  
(Electrovac Hermetic Packages business unit)  
Advisory Board of Eberspächer Gruppe GmbH & Co. KG

### 30.3 Remuneration of the Board of Directors and the Supervisory Board

#### » Remuneration of the Board of Directors

The total remuneration of the Board of Directors in fiscal 2017 was EUR 422 thousand (2016: EUR 422 thousand). The fixed compensation comprises a base salary and variable annual compensation. The fringe benefits comprise supplementary payments for social security contributions and payments in kind comprising the use of company cars. The variable annual compensation comprises bonuses paid upon attainment of personal targets agreed with the members of the Board of Directors.

From an EBIT margin of 4%, the members of the Board of Directors receive variable compensation of 20% their annual base salary. The increase in the variable compensation is graduated. The maximum is 100% of their annual base salary for an EBIT margin of 14%. Payment is spread over three years. The second and final instalments are only paid if the EBIT margin has not deteriorated by more than 25% compared with the year in which the bonus was granted. The threshold for 2017 was reduced to 3% on a one-off basis.

The following tables show the remuneration of the members of the Board of Directors of InTiCa Systems AG for 2017 and the previous year. It should be noted that in some cases, the compensation granted has not yet resulted in any payments. The amounts received by members of the Board of Directors are therefore shown separately.

Amount granted in EUR '000	Dr. Gregor Wasle Board of Directors Since January 1, 2015				Günther Kneidinger Board of Directors Since January 1, 2009			
	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)
Fixed compensation	190	190	190	190	180	180	180	180
Fringe benefits	22	22	22	22	30	30	30	30
<b>Total</b>	<b>212</b>	<b>212</b>	<b>212</b>	<b>212</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>
One-year variable compensation	0	0	0	190	0	0	0	180
Multi-year variable compensation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Plan description (plan term)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180</b>
Pension expense	0	0	0	0	0	0	0	0
<b>Total compensation</b>	<b>212</b>	<b>212</b>	<b>212</b>	<b>402</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>390</b>

Amount received in EUR '000	Dr. Gregor Wasle Board of Directors Since January 1, 2015		Günther Kneidinger Board of Directors Since January 1, 2009	
	2016	2017	2016	2017
Fixed compensation	190	190	180	180
Fringe benefits	22	22	30	30
Termination benefit	0	0	0	0
<b>Total</b>	<b>212</b>	<b>212</b>	<b>210</b>	<b>210</b>
One-year variable compensation	0	0	0	0
Multi-year variable compensation	n.a.	n.a.	n.a.	n.a.
Plan description (plan term)	n.a.	n.a.	n.a.	n.a.
Other	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pension expense	0	0	0	0
<b>Total compensation</b>	<b>212</b>	<b>212</b>	<b>210</b>	<b>210</b>

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

### » Remuneration of the Supervisory Board

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

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

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

	Performance-unrelated remuneration in EUR '000	Attendance fee in EUR '000	Total in EUR '000
<b>2017</b>			
Udo Zimmer	15.00	4.50	19.50
Werner Paletschek	12.50	5.25	17.75
Christian Fürst	10.00	5.25	15.25
<b>Total</b>	<b>37.50</b>	<b>15.0</b>	<b>52.50</b>
<b>2016</b>			
Udo Zimmer	15.00	5.25	20.25
Werner Paletschek	12.50	5.25	17.75
Christian Fürst	10.00	5.25	15.25
<b>Total</b>	<b>37.50</b>	<b>15.75</b>	<b>53.25</b>

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

### 30.4 Share ownership

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

	Shareholding (units)	
	Dec. 31, 2017	Dec. 31, 2016
Günther Kneidinger	4,000	4,000
Werner Paletschek	5,000	5,000
Christian Fürst	4,800	4,800

Major shareholders:

	Shareholding in %	
	Dec. 31, 2017	Dec. 31, 2016
Thorsten Wagner	more than 25	more than 25
Dr. Dr. Axel Diekmann	more than 25	more than 25
Tom Hiss	more than 5	more than 5
InTiCa Systems AG	1.5	1.5

### 31. Cash and cash equivalents

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Cash and balances on bank accounts	141	355
Overdrafts	-5,862	-7,029
<b>Total</b>	<b>-5,721</b>	<b>-6,674</b>

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, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Commitments to acquire property, plant and equipment	2,133	692

### 33. Operating leases

Operating lease agreements relate to furniture and operating equipment and business premises and have remaining terms of between 1 and 9 years. For the business premises there are extension options for a further 5 years.

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
<b>Payments recognized as expenses:</b>		
Lease payments	779	628
<b>Non-cancellable lease agreements:</b>		
up to 1 year	755	788
between 1 and 5 years	2,644	2,742
more than 5 years	1,705	2,486
<b>Total</b>	<b>5,104</b>	<b>6,016</b>

### 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 1,484 thousand (2016: EUR 1,324 thousand) recognized in the consolidated statement of profit or loss comprise the Group's contributions to these pension plans on the basis of the agreed contributions.

### 35. Events after the reporting date

No reportable events have occurred since the reporting date.

### 36. Disclosures

The Board of Directors approved the consolidated financial statements for publication on April 24, 2018. InTiCa Systems AG did not receive notification of any reportable investments pursuant to sec. 21 paragraph 1 WpHG in fiscal 2017.

### 37. Staff

The average number of employees in fiscal 2017 was 557 (2016: 540).

	Dec. 31, 2017	Dec. 31, 2016
Salaried employees	113	110
Industrial employees	436	422
Trainees	2	2
Low-wage part-time staff	6	6
<b>Total</b>	<b>557</b>	<b>540</b>

### 38. Auditor's fees

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

	Dec. 31, 2017 in EUR '000	Dec. 31, 2016 in EUR '000
Audit services for the fiscal year	68	68
Other services for the fiscal year	2	0
<b>Total</b>	<b>70</b>	<b>68</b>

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

### 39. German Corporate Governance Code

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

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

Passau, April 23, 2018

#### The Board of Directors



Dr. Gregor Wasle  
Spokesman for the Board of Directors



Günther Kneidinger  
Member of the Board of Directors





# Responsibility Statement

# RESPONSIBILITY

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

Passau, April 23, 2018

#### The Board of Directors



Dr. Gregor Wasle  
Spokesman for the Board of Directors



Günther Kneidinger  
Member of the Board of Directors



## Independent auditor's report

# AUDITOR'S REPORT

To InTiCa Systems AG, Passau

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

#### Audit opinions

We have audited the consolidated financial statements of InTiCa Systems AG and its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2017, 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, 2017 to December 31, 2017, 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, 2017 to December 31, 2017.

In our opinion, based on the knowledge obtained in the audit

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

2017 and the results of operations for the financial year from January 1, 2017 to December 31, 2017 in accordance with these requirements, and

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

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

#### Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 of the German Commercial Code and the EU Audit Regulation (no. 537/20144; subsequently referred to as the "EU Audit Regulation") and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany

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

#### Key audit matters in the audit 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, 2017 to December 31, 2017. These were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

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

#### Impairment test on capitalized development costs

- a) Description of the key audit matter

Capitalized development costs amounted to EUR 4,456 thousand as of December 31, 2017. They account for 10.3% of total assets. For information on the accounting policies and valuation methods applied, see Notes 3.11 and 3.12 to the consolidated financial statements. For information on estimation uncertainty, see Note 4 to the consolidated financial statements. For information on the development of capitalized development costs, see Note 14 to the consolidated financial statements.

Capitalized development costs are tested annually for impairment at the level of the cash generating units or the self-created intangible assets. In the course of the impairment test, the carrying amount of the self-created intangible assets is compared with the recoverable amount. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is estimated for the cash generating unit to which the asset belongs. If an appropriate and stable basis can be determined for allocation, shared assets are allocated among the cash generating units. If this is not possible, they are allocated to the smallest group of cash generating units for which an appropriate and stable allocation basis can be determined.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If the estimated recoverable amount of an asset is below its carrying amount, the carrying amount is written down to the recoverable amount.

The impairment test on own work capitalized is complex and is based on a series of discretionary assumptions. These include, in particular, expected future cash flows. As a result of the impairment test, the company recognized impairment write-downs of EUR 96 thousand. The carrying amounts of the development projects concerned were written down entirely because a positive net realizable value was not expected, even in the event of sale of the projects.

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

- b) Audit approach and findings

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

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

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

#### Other information

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

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

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

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

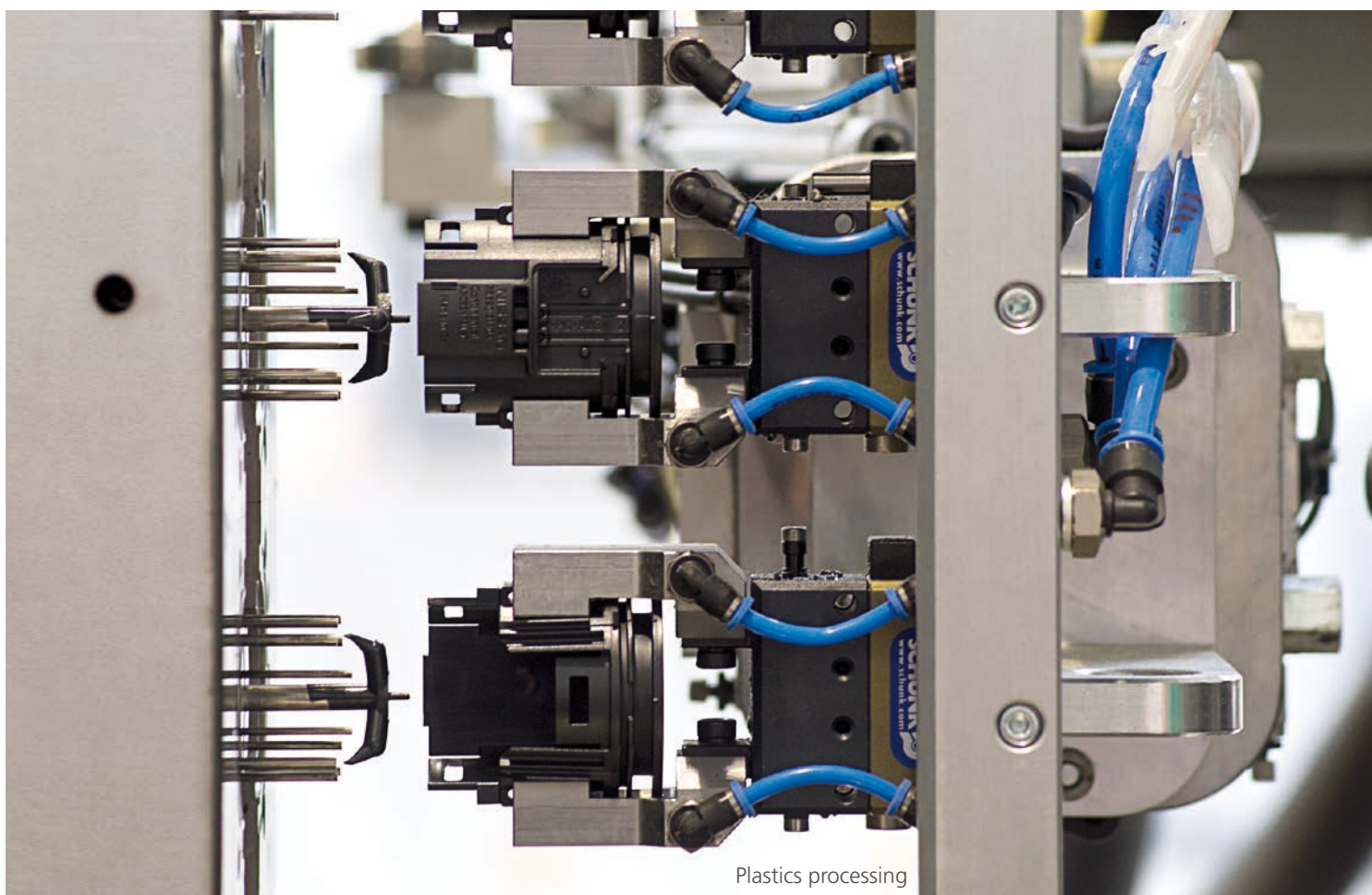
#### Responsibility of the legal representatives and Supervisory Board for the consolidated financial statements and the Group management report

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

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue to operate as a going concern. Furthermore, they are responsible for disclosing any pertinent issues relating to the going concern assumption. In addition, they are responsible for using the going concern principle of accounting unless the intention is to liquidate the company or to cease 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.



Plastics processing

#### 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 judgment and maintain a critical attitude. In addition,

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

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

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

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

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



Reception Plant Prachatice

#### Other legal and regulatory requirements

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

We were elected as the auditor for the consolidated financial statement at the Annual General Meeting on July 21, 2017. We were engaged by the Supervisory Board on July 24, 2017. We have been engaged continuously as the auditor for InTiCa Systems AG since 2012.

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

#### Responsible auditor

The auditor responsible for the audit is Albert Schick.

Eggenfelden, April 23, 2018

KPWT Kirschner Wirtschaftstreuhand Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Diplom-Betriebswirt (FH)

Albert Schick

Wirtschaftsprüfer (Auditor)

Diplom-Volkswirt

Collin Späth

Wirtschaftsprüfer (Auditor)



## Technical Glossary

# TECHNICAL GLOSSARY

### Antennas

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

### Automation technology

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

### Coil

See under "inductive components" or "inductors".

### Ferrites

Ferrites are poorly or non-electroconductive ferrimagnetic ceramic materials consisting of ferric oxide hematite ( $\text{Fe}_2\text{O}_3$ ), less commonly magnetite ( $\text{Fe}_3\text{O}_4$ ) and other metallic oxides. If not saturated, ferrites conduct the magnetic flux very well and provide a high magnetic permeability. These materials thus usually provide low magnetic resistance.

### Filter

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



### Hybrid vehicles

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

### Inductors, Solenoid, Coil

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

### Inductive components

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

### Inductivity, High-tech inductivity

Inductivity is an electric property of an energized electric conductor due to the enviroining 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, Remote Keyless Entry

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

### RFID

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

### Sensor

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

### Splitter

Electronic component for merging or separating voice and data signals.

### xDSL

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

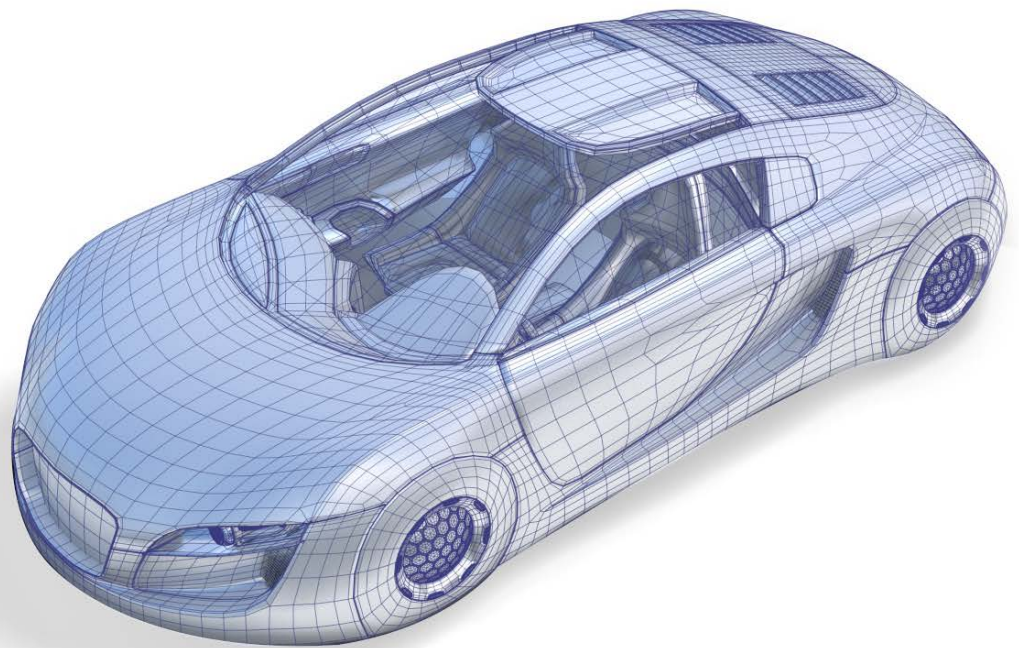
# Financial Calendar 2018

- April 24, 2018 Publication of annual report for 2017
- April 24, 2018 Press conference/Conference call
- May 24, 2018 Publication of interim financial statements for Q1 2018
- July 06, 2018 Annual General Meeting in Passau
- August 23, 2018 Publication of interim financial statements for H1 2018
- Nov. 22, 2018 Publication of interim financial statements for Q3 2018
- Dec. 11/12, 2018 Munich Capital Market Conference 2018



Thank you for your confidence  
in our company

***InTiCa***  
*Systems*



Technologies for growth markets!

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Systems