InTiCa Systems

2019
ANNUAL REPORT

Technologies for growth markets

Transformation

Strategy

Key Figures of InTiCa Systems

The Group

	2017 EUR ´000	2018 EUR ´000	2019 EUR ´000	Change in %
Sales	50,094	47,923	65,733	37.2%
Net margin	1.5%	-2.7%	1.7%	-
EBITDA	5,804	3,364	7,356	118.7%
EBIT	1,469	-945	2,108	-
EBT	1,038	-1,394	1,373	-
Net profit (loss)	727	-1,314	1,129	-
Earnings per share (diluted/basic in EUR)	0.17	-0.31	0.27	-
Cash flow total	1,170	-4,243	3,008	-
Net cash flow from operating activities	3,172	2,120	8,607	306.0%
Capital expenditure	4,473	6,563	3,503	-46.6%

	31.12.2017 EUR ´000	31.12.2018 EUR ´000	31.12.2019 EUR ´000	Change in %
Total assets	43,249	50,065	55,297	10.5%
Equity	18,122	16,760	17,969	7.2%
Equity ratio	42%	33%	32%	-
Employees incl. agency staff (number)	608	644	601	-6.7%

The Stock

	2017	2018	2019	(Mar. 31, 2020) 2020
Closing price (in EUR)	8.19	6.20	7.60	4.76
Period high (in EUR)	10.60	8.45	8.50	8.50
Period low (in EUR)	4.31	5.70	4.84	3.00
Market capitalization at end of period (EUR million)	35.11	26.60	32.58	20.41
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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GROUP

The InTiCa Systems' Group Foreword

Dear shareholders, employees and business associates,

2019 was a very successful year for InTiCa Systems: dynamic sales growth, a visible improvement in earnings, a satisfactory cash flow and full order books. It is important to stress that before we go on to talk about the present extraordinary circumstances, with all the implications for society as a whole and the associated uncertain outlook for the future. After all, this annual report is a review of the past year, during which InTiCa Systems' staff of over 700 people worked hard to secure the success that enables us to present such pleasing figures to you today.

That is particularly remarkable given that it was a difficult year for all sectors of German industry. Global trade wars, an economic slowdown and the dispute about Brexit did not bypass the automotive industry with its close international ties. Significant declines were registered in some cases, especially on important overseas markets. In China, for instance, volumes in the car market were down nearly 10% and in the USA weak car sales pushed the volume of cars and light trucks below the 17 million mark for the first time since 2014. The electronics industry, which is also closely integrated into global value chains, registered a drop in output, orders and sales revenues in 2019.

InTiCa Systems' success in bucking these trends rewards the strategic action taken in previous years. The careful repositioning of the company as a solution provider and systems supplier with an early focus on future-oriented technologies is increasingly paying off. Specialist development and manufacturing know-how, combined with years of experience, enables us to respond quickly and specifically to customers' requirements. Continuous sharing of knowledge and experience between different organizational units builds synergies that can be utilized effectively to initiate new, future-oriented products and solutions. At InTiCa Systems, the increasing use of inductive components – be it in hybrid or electric vehicles, charging stations, energy storage or energy generation – has led to very good sales revenues from serial production and projects.

In 2019, products classed as "e-solutions" accounted for more than 40% of total sales. Thanks to serial production and project revenues, we were able to revise our original guidance significantly upward during the year. The audited results are within the revised guidance, which forecast Group sales of between EUR 65 million and EUR 68 million and an EBIT margin of at least 3%. The dynamic growth was also evident in liquidity. The operating cash flow increased to nearly EUR 10 million and the total cash flow was clearly positive again at EUR 3 million. The equity ratio remained stable compared with the previous year, even though the transition to IFRS 16 increased the balance sheet.

Naturally, last year's cash inflow helps us in the present difficult situation. As a result of the coronavirus pandemic and the associated restrictions, there has been a massive drop in production and volume sales. That has hit the automotive industry particularly hard. In March, new registrations in Germany were 38% lower than a year earlier. That was the sharpest drop since reunification. While China slowly ramped up production again in April, most car manufacturers' production lines in Europe and North America are out of action. That naturally has implications for their suppliers, too.

A report by the Center of Automotive Management (CAM) in Bergisch Gladbach predicts that the global automotive market will contract by 17% this year, with the European market suffering most. CAM's scenario is based on the assumption that the crisis in the various markets caused by the restrictions imposed on public life to combat spread of the coronavirus will last for six to eight weeks. The authors also assume that this will be followed by various state incentive programmes and additional subsidies for the automotive sector. If that is not the case, the downturn in the sector is likely to be even more drastic.

At present, it is not possible to predict how significantly the expected general economic downturn will affect our markets in the short and medium term. The electronics industry is also feeling the effects of the coronavirus crisis on both demand and supply. Since there is such high uncertainty about the course and duration of the pandemic, we are not currently able to provide a detailed outlook for 2020. However, we have to assume that if the present extraordinary situation continues, sales and earnings will decline significantly, and possibly be below last year's level. As soon as the economic situation stabilizes and reliable planning for the 2020 fiscal year is possible, InTiCa Systems AG will publish a detailed forecast.

Of course, we are currently considering the economic effects and the risks for our business. The risks go beyond the volume trend: a considerable impairment of manufacturing, our procurement market and the supply chain are also possible. In response to this situation, the Board of Directors has decided to introduce short-time working for staff in Passau, initially until the end of June. For the being, the production facilities in the Czech Republic and Mexico are continuing to operate as best possible and the use of agency staff is being scaled back in line with the reduction in sales. Worldwide, the coronavirus crisis is highlighting the sensitivity of global value chains that are particularly dependent on individual countries such as China. One result of the crisis could be to increase the regional and local focus of production and supply chains.

Technological innovations also remain very important, especially with a view to climate protection. Electrification is an important way to reduce carbon emissions and the electronics industry is already able to offer key solutions for that. Extending these to all relevant sectors such as transport, buildings, energy and industry should be prioritized again at the latest when the present crisis has been overcome. The same applies to e-mobility. Worldwide, German manufacturers produced more than 400,000 cars with electric drives in 2019 and in Germany the proportion of electric vehicles outpaced market growth, rising from 1.9% to 3.0% of the total market.

So far, this trend has continued in 2020. There are already 60 electric models on the market in Germany and about 90 more should be available by 2023. Eight of the ten most commonly registered electric cars in Germany are now domestic brands. That shows that the German automotive industry is increasingly playing a leading role in e-mobility. In the period up to 2024, producers and suppliers plan to invest around EUR 50 billion in research and development into alternative drives. In addition, EUR 25 billion has been earmarked for digitization and networked and automated driving in the same period.

It is uncertain whether these figures will still apply when the present crisis is over. However, the general trend and the demands for further carbon reductions will continue and that will benefit both segments at InTiCa Systems. Therefore, we are confident that in the medium to long term we will be able to match the success of 2019. The key to that will be the commitment and innovative capability of our employees. We would therefore like to take this opportunity to thank them most sincerely for their hard work and understanding. We would also like to thank our customers and partners for their good collaboration and our shareholders for the trust they place in us.

Passau, April 2020

Yours

Dr. Gregor Wasle
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors

GROUP

Report of the Supervisory Board on Fiscal 2019

Dear shareholders,

In fiscal 2019, 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 of the Board of Directors and the Chairman of the Supervisory Board.

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

In particular, since the outbreak of the "coronavirus crisis", the Board of Directors and Supervisory Board have maintained very close and constant contact on the impact of the crisis on the company, measures to protect employees, customers and suppliers, and the scope to avoid and mitigate the consequences of the crisis, including the effect on the company's strategy.

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 2019, the Supervisory Board examined, in particular, the company's strategic alignment, the business potential and business development of key markets, product groups and new, future technologies (for example, in the area of e-mobility), and the restructuring of the financing strategy to secure the company's growth. 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 six regular meetings in 2019. All members of the Supervisory Board were present at all meetings.

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

February 8, 2019: The main items on the agenda were the status of the annual report for 2018; a discussion of the present business performance; the order situation at the site in Silao (Mexico), with a special focus on the start-up of production of an important strategic product; the progress of the programme introduced in 2018 to optimize earnings and costs; changes in the allocation of duties on the Board of Directors, and the appointment of Dr. Wasle as Spokesman for the Board of Directors.

March 29, 2019: Discussion of the financial statements for 2018 and the auditor's report; current business performance in 2019, financing and liquidity situation and the presentation of the medium-term financing strategy; update on cost optimization; status of the production sites; progress with development and sales projects.

May 17, 2019: Report of the Board of Directors on the current business performance and the development of orders in 2019; potential of hybrid and e-mobility products for the future of the company; status of the restructuring of the financing strategy; situation at the production sites in Mexico and the Czech Republic.

July 9, 2019: The Supervisory Board focused principally on the development of business at all sites; the Group's order situation, the ramp-up of production of key e-mobility products, and critical areas such as the ramp-up of production in Mexico and the personnel situation in the Czech Republic in the context of the discussion on the global production strategy and the procedure to safeguard financing of the company's growth.

October 29, 2019: The focus of this meeting was an evaluation of the business performance in 2019 and an analysis of the 9-month figures, including an update on order outlook and the forecast for Q4; a resolution on the new financing strategy, based on an in-depth analysis and discussions with the financing partners; a resolution decision on replacing the management of the Mexican company to ensure the positive development of the site; discussion of the initial draft of the budget.

December 31, 2019: A resolution on and approval of the financing strategy of InTiCa Systems AG; evaluation of the business performance in 2019 and presentation of the main sales and development projects; status of the production sites; discussion and approval of the budget for 2020, with a specific focus on the quality of earnings in defined product groups, investment planning and a stress test scenario on how to handle unforeseen events in 2020.

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, 2019 to December 31, 2019. 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, 2019, prepared in accordance with the provisions of the German Commercial Code (HGB), were audited by consaris AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (formerly: 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, 2019, 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 video conference on April 17, 2020, in which the auditor took part, the Supervisory Board discussed the provisional figures for the company and the Group. At a further meeting on April 22, 2020, the Supervisory Board examined the annual financial statements for the company, the consolidated financial statements and the management reports for InTiCa Systems AG and the Group, all of which have received unqualified audit opinions, together with the report of the Supervisory Board and the corporate governance report. To prepare for this, the members of the Supervisory Board received extensive documentation, in some cases as draft versions, including the annual report with the consolidated financial statements prepared in accordance with the IFRS, the management reports for InTiCa Systems AG and the Group, the corporate governance report, the annual financial statements of InTiCa Systems AG, and the audit reports prepared by the auditor on the financial statements for the company and the Group 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 2019 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.

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 January 7, 2020 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 2019. 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 22, 2020

The Supervisory Board

Udo Zimmer
Chairman

FOCUSING ON THE FUTURE

Company Boards

*From left to right:
Christian Fürst,
Udo Zimmer,
Werner Paletschek,
Günther Kneidinger,
Gregor Wasle*

BOARD OF DIRECTORS

Gregor Wasle
Chairman of the Board of Directors
Engineering graduate
Strategy, investor relations, R&D, production, finance, human resources and IT

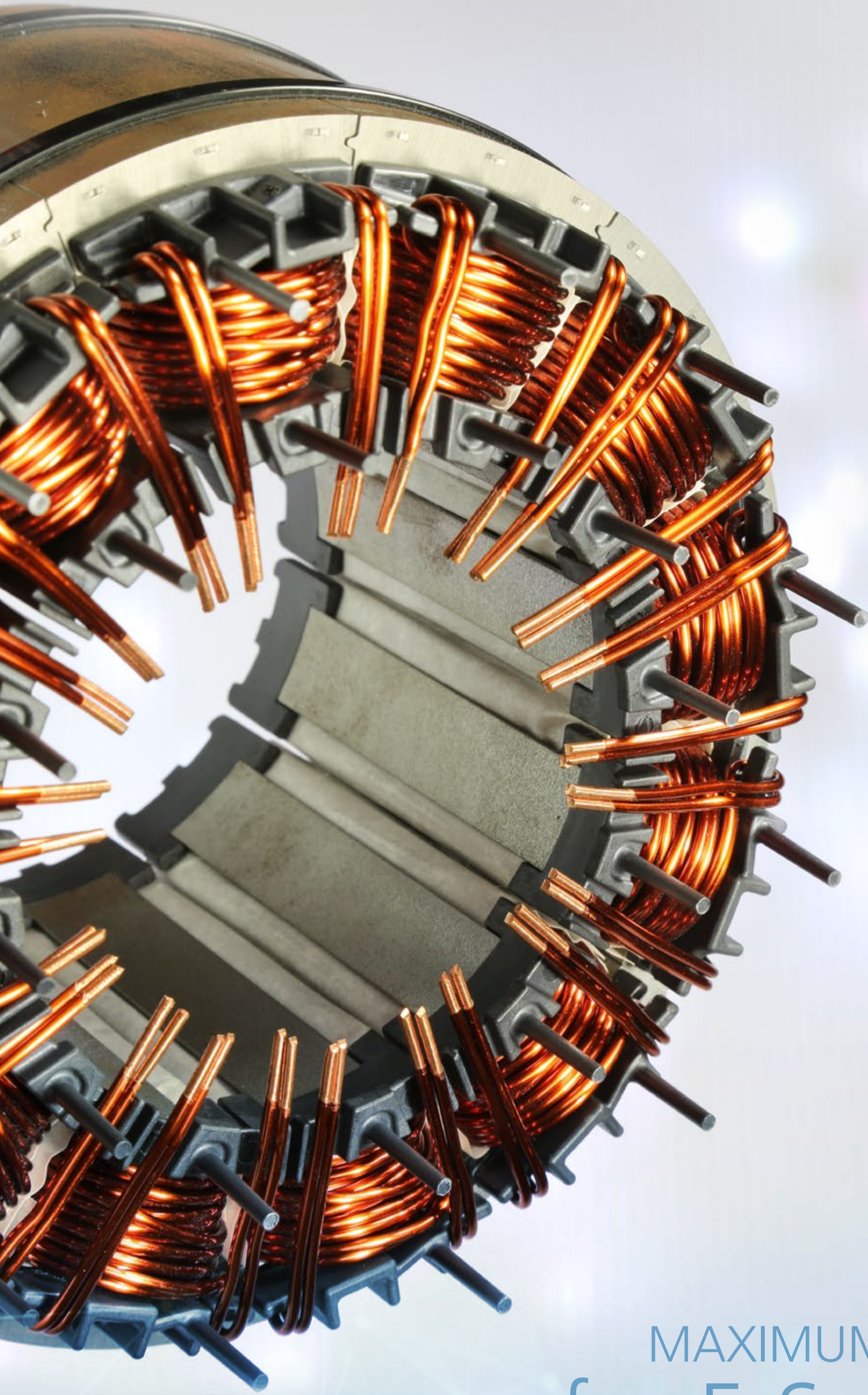
Günther Kneidinger
Member of the Board of Directors
Sales, materials management, logistics centre and quality

SUPERVISORY BOARD

Udo Zimmer
Chairman
Business administration graduate
Munich
- *Member of the Board of Management of REMA TIP TOP AG*

Werner Paletschek
Deputy Chairman
Business administration graduate
Fürstenzell
- *Managing director of OWP Brillen GmbH*

Christian Fürst
Member of the Supervisory Board
Business administration graduate
Thyrnau
- *Managing partner of ziel management consulting gmbh*
- *Managing partner of Fürst Reisen GmbH & Co. KG*
- *Chairman of the Supervisory Board of Electrovac AG*
- *Advisory board of Eberspächer Gruppe GmbH & Co. KG*



MAXIMUM PRECISION
for E-Solutions

INTICA SYSTEMS
Company Profile

InTiCa Systems is a technology leader in the development, production and marketing of inductive components, passive analogue switches and mechatronic assemblies.

The company operates through its Automotive Technology and Industrial Electronics segments. As of December 31, 2019, it had 601 employees (including agency staff) at its sites in Passau (Germany), Prachatice (Czech Republic) and Silao (Mexico).

Satisfied customers, long-term business relationships and market-driven future-oriented products are the company's priorities. Those goals are supported by the highest quality requirements and a sustainable environmental management system. Quality is implemented by all employees through the way in which they think and act in their day-to-day work.

Our strategy and targets

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

International

Worldwide customers & international locations

Europe:
- Czech Republic
- France
- Germany
- Hungary
- Ireland
- Poland
- Romania
- Serbia
- Spain
- United Kingdom

America:
- Brazil
- Mexico
- USA

Silao, MEXICO
Production facility

- Production of small series in the fourth quarter of 2016
- Employees: 180 (including 149 agency staff)
  (March 31, 2020)

Passau, GERMANY
Head office & Technology Center

- Sales and production development & samples and pre-serial production
- Employees: 74
  (March 31, 2020)

Africa:
- Tunesia

Asia:
- China
- India
- Japan
- Malaysia

Prachatice, CZECH REPUBLIC
Production facility

- Modern production facility with high degree of vertical integration, secure processes and technologies
- Employees: 516 (including 143 agency staff) (March 31, 2020)

OUR DEFINITION OF E-SOLUTIONS

At InTiCa Systems, e-solutions stands for a combination of technological expertise and the intelligent interaction of

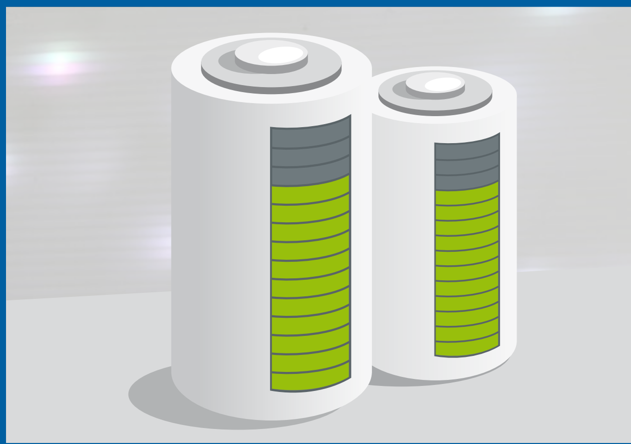
- energy generation
- energy storage
- energy management
- energy use

The interaction of these aspects is driving forward the essential changes in the field of renewables and the use of energy generated using environmentally compatible technology.

InTiCa Systems already offers serial solutions that highlight our mission to provide technology for e-solutions. We offer a broad spectrum of products, ranging from power electronics for the generation of electricity and EMC filters for e-storage solutions to system solutions for energy use, for example in hybrid and electric vehicles.

E-Solutions

Intelligent solutions for the digital transformation



CORE COMPETENCIES

InTiCa Systems defines itself as an innovative provider of solutions and services for its customers and partners. That is supported by our outstanding flexibility and by constantly extending our core competencies:

Product design & simulation

Plastics technology

Winding technology

Joining technology

Casting technology

Testing technology

Automation

PRODUCT GROUPS

Our corporate strategy is focused on aligning our product groups to innovative key technologies and leveraging the principal synergies between the segments.

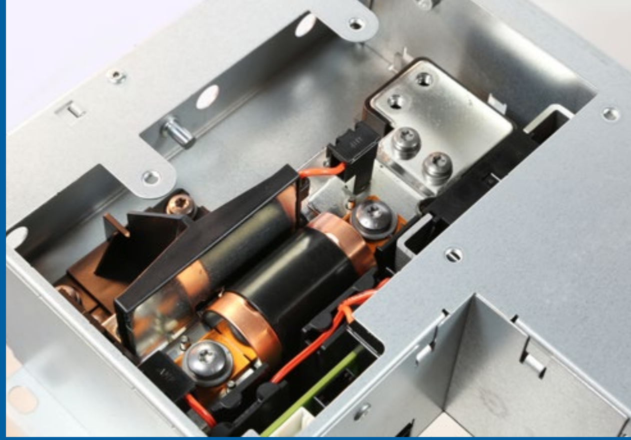
Power electronics

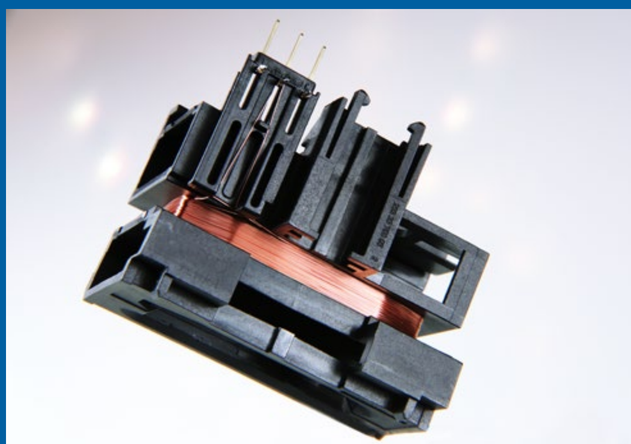
EMC filters

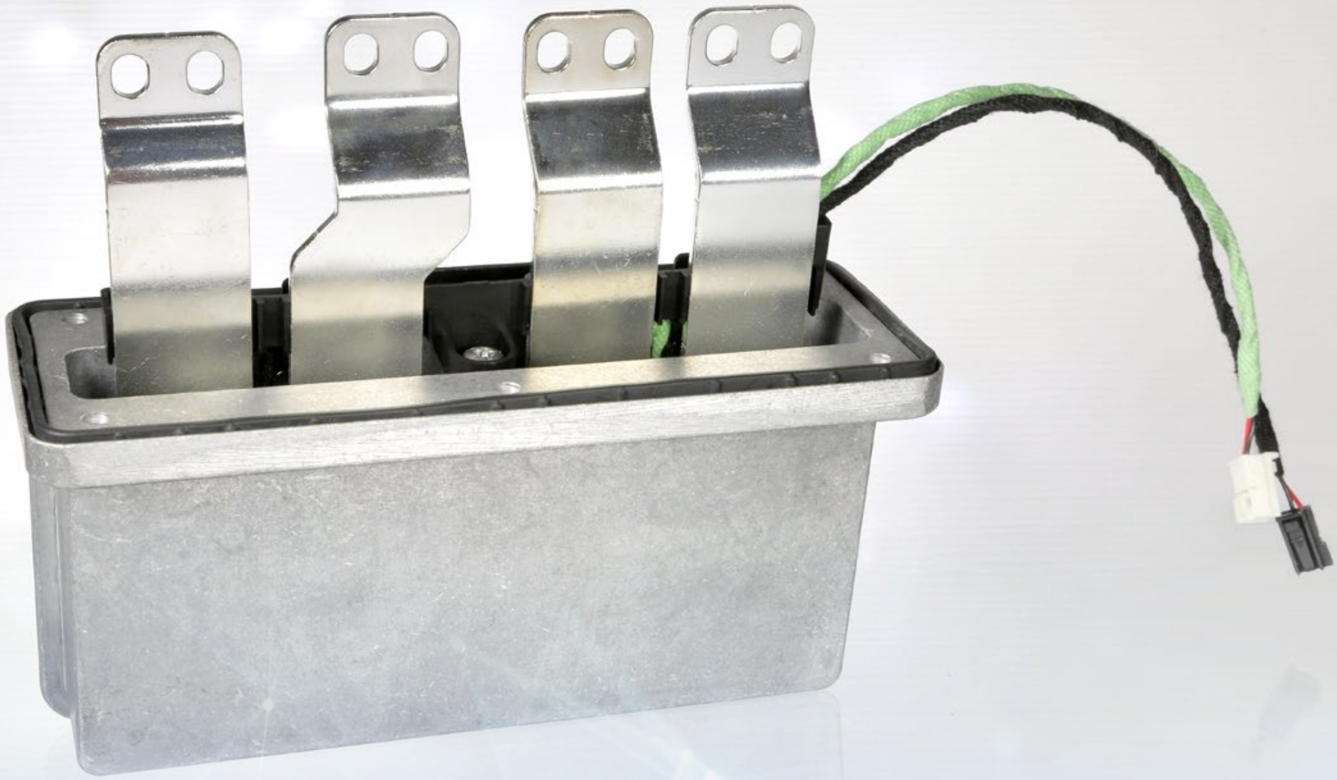
Actuators

Stators

Sensors







POWER ELECTRONICS

Increasing efficiency

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

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

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

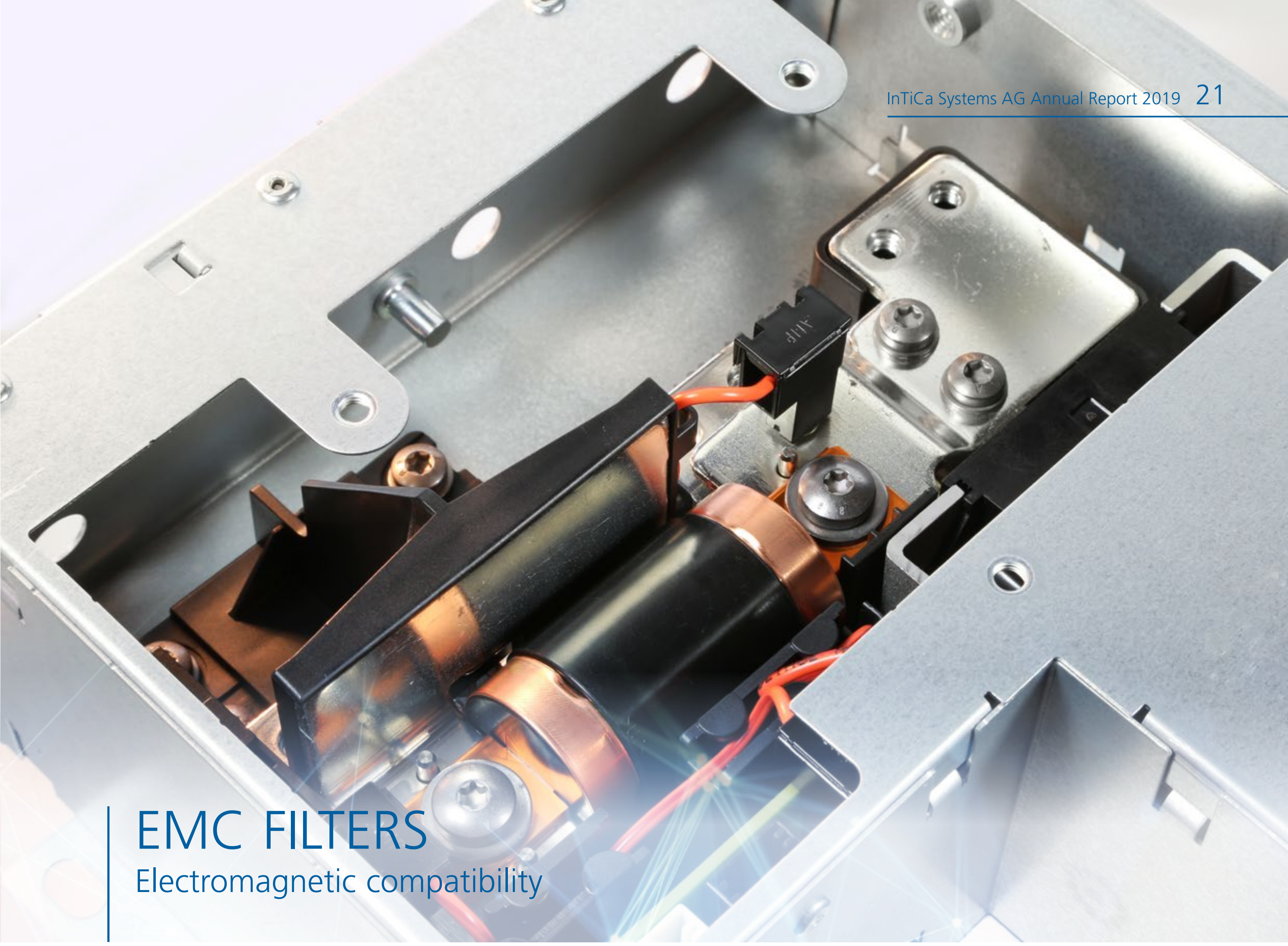
Application examples

Automotive Technology

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

Industrial Electronics

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



EMC FILTERS
Electromagnetic compatibility

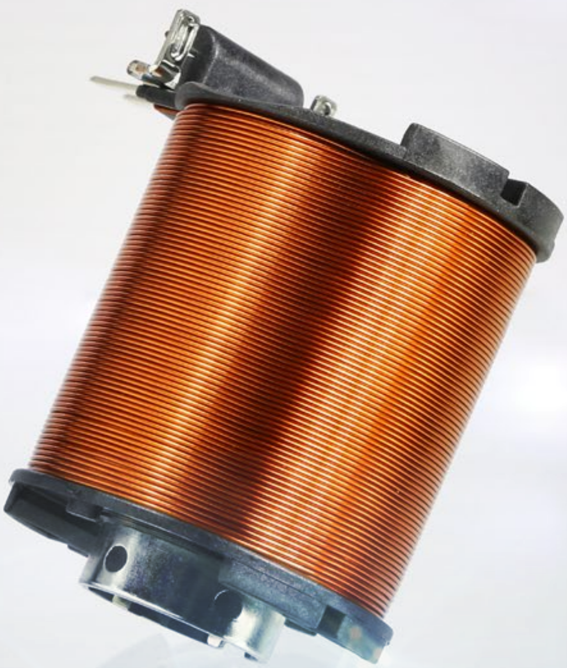
The rising number of appliances that produce and use energy is increasing demand for EMC filters for electromagnetic suppression. Unwanted interference between appliances can degrade performance of the power supply and onboard systems. Therefore, it has to be suppressed to prevent unwanted disruption.

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

Application examples

Automotive 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.

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



ACTUATORS
Controlling motion

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

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

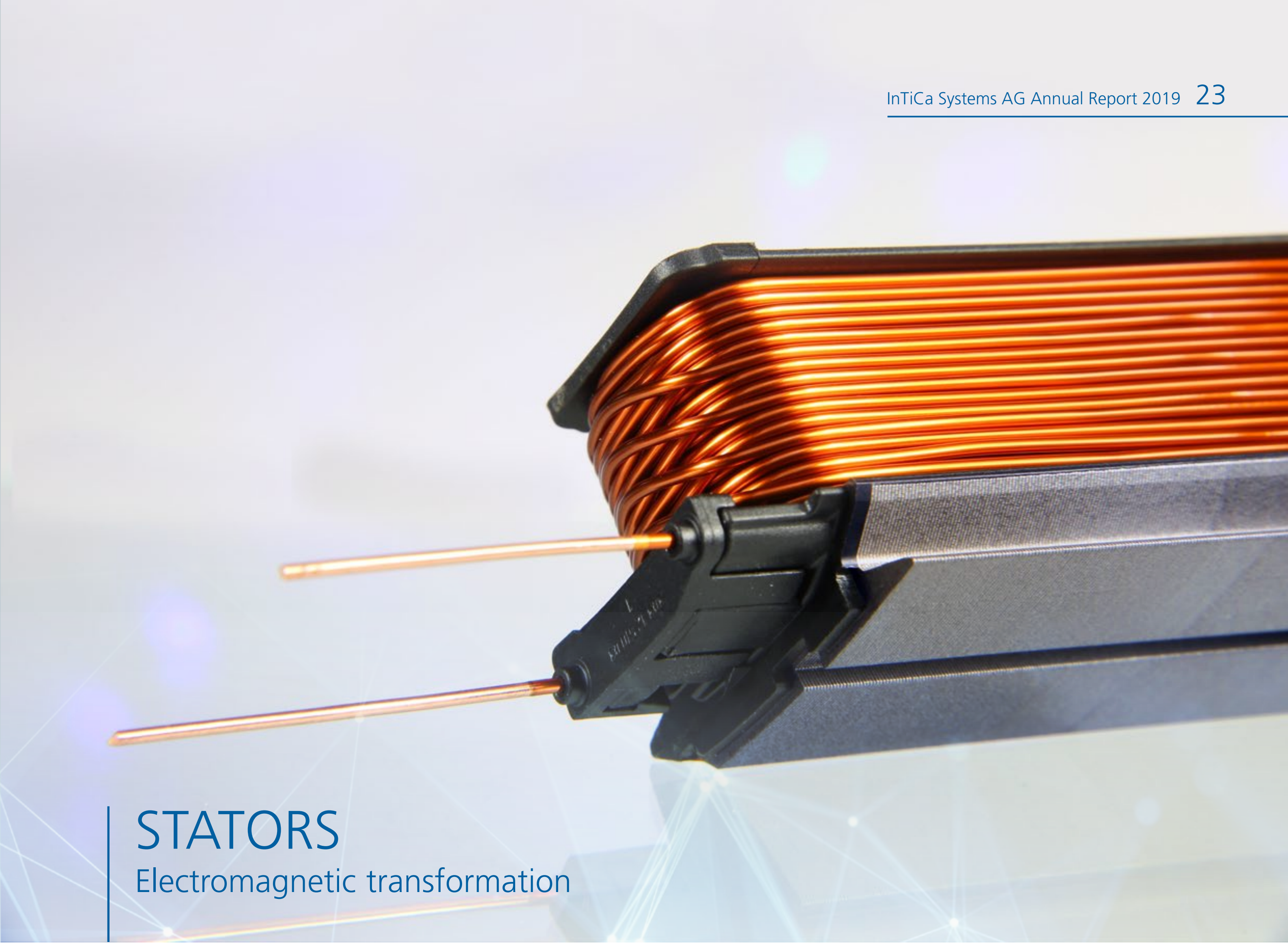
Application examples

Automotive Technology

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

Industrial Electronics

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



STATORS
Electromagnetic transformation

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

Development and production at InTiCa Systems meet the highest quality and functional requirements to ensure that products can withstand the most extreme environmental conditions. The right mix of materials and processes is vital to maximize the efficiency and stability of the products.

Application examples

Automotive Technology

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

Industrial Electronics

InTiCa Systems supplies stator coils for industrial applications such as pump motors. The company can provide both injection moulded coils for single-tooth stators and plug-in coils.

SENSORS
Transmitting signals

In this area, InTiCa Systems mainly focuses on low frequency (LF) antennas and immobilizers.

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

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

Application examples

Automotive 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.

Productivity and precision

High-performance production line

STOCK

InTiCa Systems' stock in 2019

Performance of shares in InTiCa Systems[1]

Following a difficult year on the stock market in 2018, with a significant drop in share prices, especially in the second half of the year, 2019 proved an unexpectedly favourable year for the global equity markets. In Germany, the DAX blue chip index gained 25.5%, the highest annual rise since 2013, although the outlook at the start of the year was not particularly favourable: fears of recession, the Brexit debate and, last but not least, the trade war between the USA and China kept investors on tenterhooks. Nevertheless, the DAX rose steadily until the end of April, bringing it back to level of autumn 2018. It subsequently traded sideways between 12,000 and 12,500 points, before dropping below this range in early August. On August 2, 2019, the index fell around 380 points as the trade disputes between the USA and China and the USA and the EU flared up again. However, prices rapidly stabilized again and the index climbed back above 13,000 points in early November, supported by expansionary central bank policies and positive quarterly figures. Driven by a partial agreement in the Sino-American trade war, the DAX rose to a high for the year of 13,407.66 points on December 16, 2019 and ended the year at 13,249.01 points on December 30, 2019. The TecDAX, which contains far smaller, growth-oriented technology stocks, rose to an all-time high in December 2019 and gained 23.0% over the year.

In this environment, the performance of shares in InTiCa Systems AG was subdued at first. The shares started the year at a price of EUR 6.20, and traded sideways in a range of EUR 6.00 to EUR 6.30 until the start of February. The share price subsequently dropped below EUR 6, falling to EUR 5.35 on March 12. That was followed by a slight rally. Following publication of our provisional figures for 2018, the price initially stabilized at between EUR 5.60 and EUR 6.00. However, in the following months the share price trended slightly downward. The lowest share price was EUR 4.84 on August 29, 2019. The share ended the first nine months of 2019 back at EUR 5.40. Following publication of the nine-month results and revision of the forecast for the 2019 financial year, the share price rose sharply to a year-to-date high of EUR 8.50 on November 14, 2019. At the close of Xetra trading on December 30, 2019, the share price was EUR 7.60. That was an increase of 22.6% since the start of the year.

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

InTiCa Systems' market capitalization therefore improved to around EUR 32.6 million at year-end 2019 (December 31, 2018: EUR 26.6 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 more than 60% of trading in the share, followed by the Berlin Tradegate Exchange, which accounted for roughly 27%, Börse Stuttgart, with slightly more than 6% and the Frankfurt Stock Exchange, which accounted for around 5%. The average trading volume was somewhat lower than in the previous year at 28,427 million shares per month (2018: 35,954 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	2019	2018
Year high (XETRA® closing price)	8.50	8.45
Year low (XETRA® closing price)	4.84	5.70
Market capitalization at year end in EUR million	32.6	26.6

Closing prices	2019	2018	Change
Shares in InTiCa Systems (XETRA®)	7.60	6.20	22.6%
DAX	13,249.01	10,558.96	25.5%
TecDAX	3,014.94	2,450.18	23.0%
DAXsector Technology	1,161.99	913.12	27.3%

Investor Relations

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

The Board of Directors of InTiCa Systems AG provided shareholders and members of the public with timely information on the development of the company's business 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 (www.intica-systems.com). In addition to these reports, the Investor Relations section contains all relevant information on the stock, a financial calendar detailing all key dates, an archive of obligatory disclosures and news releases, information on corporate governance and all information on past and upcoming General Meetings of InTiCa Systems AG.

In the 2019 financial year, we provided timely information for our shareholders and the general public on current business trends, specific events and the company's overall prospects. As in the past, last year's press conference to mark the publication of the annual report for 2018 attracted considerable interest from analysts and investors. The presentation and speech given at the press conference can be accessed on the company's homepage at Investor Relations/Publications [available in German only]. The presentation given at the Annual General Meeting in Passau on July 10, 2019 is also published on the website. At the AGM, shareholders were able to inform themselves about fiscal 2018 and the current situation at InTiCa Systems AG.

In addition, the Board of Directors regularly presents the company at relevant capital market conferences. In the reporting period, InTiCa Systems AG was once again represented at the "MKK Munich Capital Market Conference" in December. The MKK is the largest capital market conference in southern Germany. In 2020, the event is scheduled to take place on December 8/9, with InTiCa Systems AG's renewed participation firmly planned.

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

Key data on the share

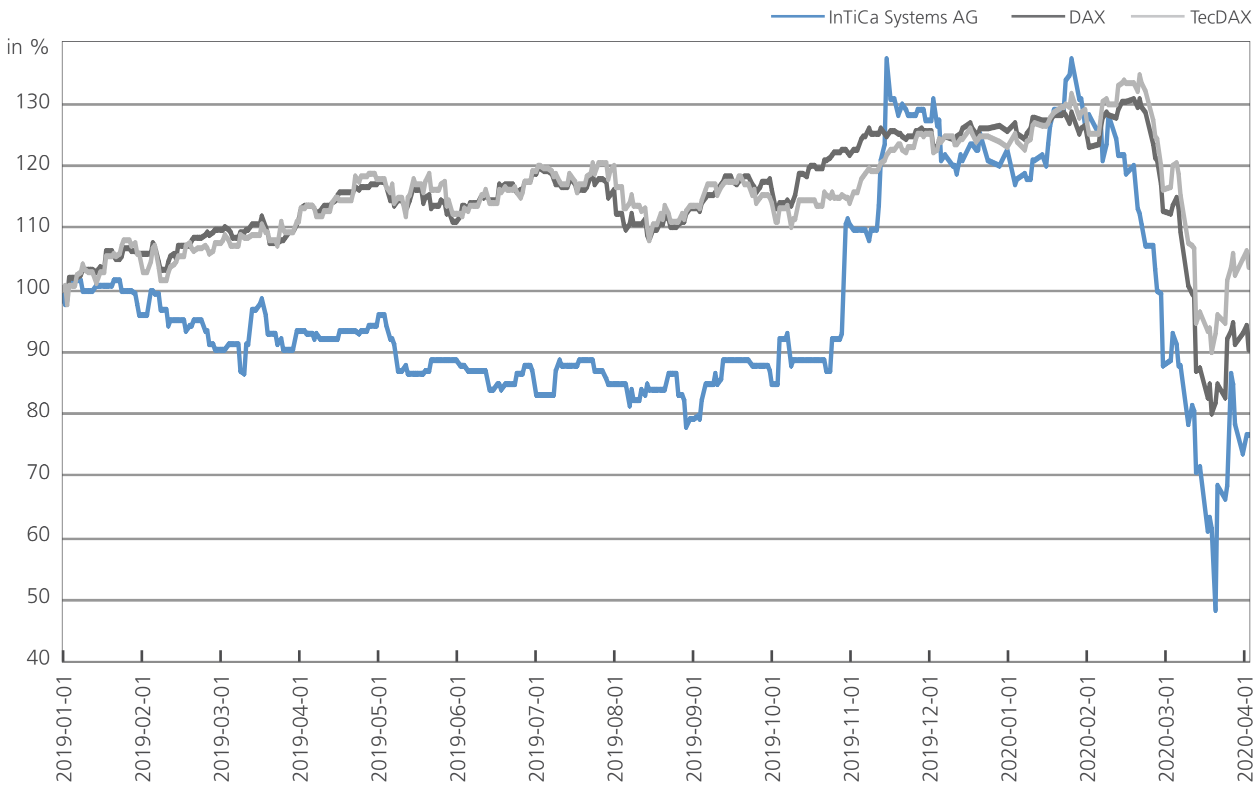
ISIN	DE0005874846
WKN	587 484
Stock market symbol	IS7
Bloomberg ticker symbol	IS7:GR
Reuters ticker symbol	IS7G.DE
No. of shares	4,287,000

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

Shareholder structure

The principal shareholders on March 31, 2020:	Shareholding:
Thorsten Wagner	over 25%
Dr. Dr. Axel Diekmann	over 25%
Tom Hiss	over 5%
Jürgen and Elisabeth Donath	over 3%
Treasury stock	1.5%
Management	less than 1%

Performance of shares in InTiCa Systems



CORPORATE GOVERNANCE

Corporate Governance Report

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

Declaration of Conformity

On January 07, 2020, the Board of Directors and Supervisory Board of InTiCa Systems AG have issued the following declaration of conformity 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 2020 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 applies in particular to examination of the quarterly and annual financial statements and topics directly relating to the members of the Board of Directors. The Board of Directors regularly attends meetings of the Supervisory Board, provides written and oral reports on individual items on the agenda and preparatory papers, and answers the Supervisory Board's questions.

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

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

Objectives for the composition of the Supervisory Board

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

Profile of skills and expertise for the collective Supervisory Board

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

Selection of candidates for the Supervisory Board

The principal objective when selecting members of the Supervisory Board is to ensure the Supervisory Board is best able to perform its supervisory and advisory tasks in the interests of the company. The key factors determining the selection of members of the Supervisory Board are therefore their qualifications, professional suitability and competence. Each member of the Supervisory Board should have the knowledge required to foster this objective and thus serve the company, for example, through specific knowledge and experience of the sectors and areas of technology in which the company operates and of corporate management, strategy, sales, law, finance and taxation. Further, the knowledge and abilities of the members of the Supervisory Board should be complementary to ensure optimal performance of its duties and ensure the 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 2019	Appointed from / to	Responsibilities	Further offices
Dr. Gregor Wasle, date of birth August 14, 1971	January 1, 2015 to December 31, 2022	Chairman of the Board of Directors – responsible for: strategy, investor relations R&D production finance, human resources, IT	None
Günther Kneidinger, date of birth November 18, 1968	January 1, 2009 to December 31, 2022	Member of the Board of Directors – responsible for: sales materials management logistics centre quality	None

Members of the Supervisory Board of InTiCa Systems AG in 2019	Appointed from / to	Function on Supervisory Board	Seats on other Supervisory Boards and comparable supervisory bodies
Udo Zimmer, business administration graduate, Member of the Board of Management of REMA TIP TOP AG, Munich	Appointed on July 17, 2015 for the period until the Annual General meeting 2020	Chairman	None
Werner Paletschek, business administration graduate, Managing Director of OWP Brillen GmbH, Passau	Appointed on July 17, 2015 for the period until the Annual General meeting 2020	Deputy Chairman	None
Christian Fürst, business administration graduate, Managing Partner of ziel management consulting gmbh, Passau Managing Partner of Fürst Reisen GmbH & Co. KG, Hutthurm	Appointed on July 17, 2015 for the period until the Annual General meeting 2020	Member of the Supervisory Board	Chairman of the Supervisory Board of Electrovac AG Advisory Board of Eberspächer Gruppe GmbH & Co. KG

Remuneration

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

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

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, 2020, 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, 2020 (1.5%).

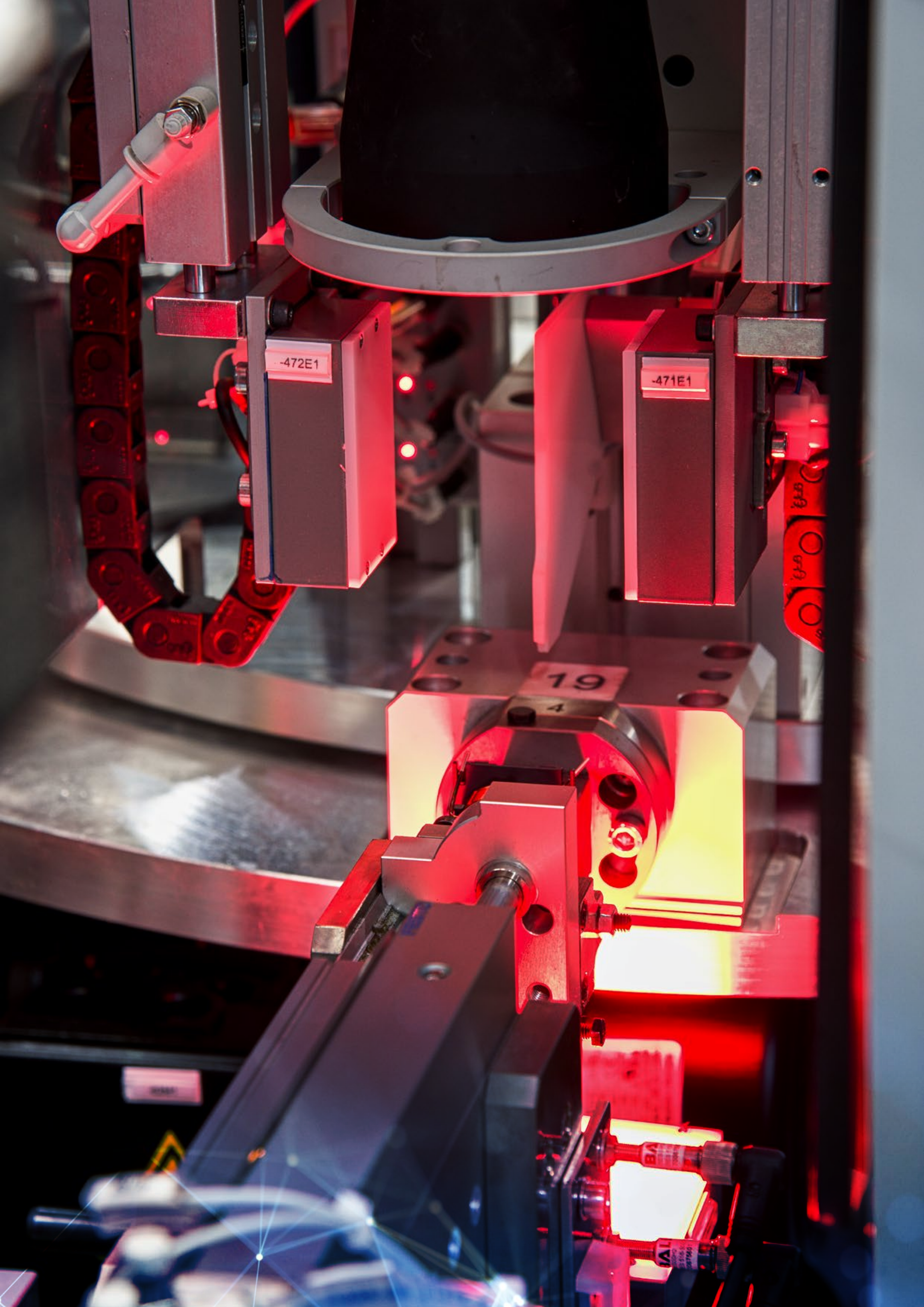
Directors' Dealings

In 2019, 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.

Passau, April 22, 2020

Supervisory Board
Udo Zimmer
Werner Paletschek
Christian Fürst

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

for the period from January 1 to December 31, 2019

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 (e.g. electric motors),
- shielding and interference suppression (e.g. EMC filters),
- modification of currents (e.g. voltage conversion, modulation, filtering),
- non-contact data transmission (e.g. antennas, transponders, RFiD) and
- generation of energy or electric power by movement in a magnetic field.

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

InTiCa 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 components for power electronics, stators, EMC filters, actuators and sensors. Many of these key technologies are widely used in the all major vehicle classes. Thanks to InTiCa Systems' broadly based expertise, its products are used worldwide by well-known European, US and Asian manufacturers and their system suppliers.

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

1.1.2 Industrial Electronics

For InTiCa Systems as a company, it is vital to have a second major segment to complement the Automotive Technology segment. The Industrial Electronics segment focuses on inverters, converters and EMC filter technology. Inductive components and systems are used to convert solar power into electricity for the grid and for electrical suppression of interference. The effective use of know-how and years of experience in power transfer and noise suppression components, coils and filters translate into significant benefits for customers. Examples are the optimized balance between efficiency and dimensions.

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

1.2 Corporate structure

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

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

The Czech subsidiary is a wholly owned company, while InTiCa Systems AG holds 99% of shares in the Mexican company and InTiCa Systems s.r.o. holds 1%. The annual financial statements and interim financial statements of the Group companies are drawn up as of the last day of the Group's fiscal year or the interim reporting period. There was no change in the scope of consolidation of InTiCa Systems AG compared with 2018.

1.3 Management system

InTiCa Systems uses a constantly adjusted strategy process to systematically defend and develop its technological edge. Multi-year roadmaps have been drawn up for the Automotive Technology segment and the Industrial Electronics segment and these are carefully followed. A critical review of the strategy is undertaken every year in order to adjust it continuously to the dynamic changes in the market and customer requirements. In addition to the company's key economic targets, priority is given to carefully designed opportunity and risk management. Special attention is paid to geopolitical changes, rising market expectations, the need for innovation and technological progress and the performance parameters in international competition. Stringent cost management and continuously optimizing the value chain by constantly increasing productivity are also important. These ongoing endeavours in all areas of business shape the company's special culture.

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

1.4 Research and development

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

2. Non-financial statement

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

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

In the course of its international business operations, InTiCa Systems is exposed to a wide range of legal requirements. Compliance with these legal requirements is the basis for responsible, sustainable and successful corporate management. All staff are aware that unlawful behaviour can cause lasting damage to the company's reputation and market position as well as serious economic damage. For this reason, the actions of the Board of Directors and Supervisory Board of InTiCa Systems AG are rooted in the principles of transparent, responsible and value-based corporate management. In addition, alongside laws and other regulations such as the German Corporate Governance Code, the regulatory framework in which the company operates includes the internal control and risk management system, internal compliance management, the internal Code of Conduct and the related company policies on specific issues. The corporate governance report, including the declaration of conformity by the Board of Directors and Supervisory Board and the declaration on corporate management for InTiCa Systems AG are available for download from the company's website.

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

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

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

2.2 InTiCa Systems and the environment

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

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

» Environmental and energy management process

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

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

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

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

» Resource efficiency

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

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

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

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

2.3 Working at InTiCa Systems

» Skilled staff

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

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

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

» Employee rights and occupational safety

InTiCa Systems AG observes local laws and pays attention to the rights of its employees throughout the Group. It safeguards their safety by complying with the customary standards. The company accepts the principle of equal treatment and takes action in accordance with employment law to deal with breaches of the German General Equality Act (AGG). With regard to the safety of employees, high priority is given to avoiding accidents and emergency situations and to making contingency plans.

If there is nevertheless an accident, the causes are investigated at the production site by local production managers and subsequently discussed with the production team to raise the awareness and define appropriate preventive measures. The best possible protection is achieved by trustful collaboration with employees, as their knowledge and experience are the basis for a continuous improvement in occupational safety. The occupational safety committee holds meetings with all delegates at the company's headquarters four times a year and monitors all necessary action.

2.4 Respect for human rights

Protecting human rights is important to InTiCa Systems AG. As a matter of principle, the company does not tolerate child, youth or forced labour, either at its own sites or in business relationships with third parties.

In line with the principles of good corporate governance, achieving economic targets is not the sole factor of importance; attention is also paid to how they are achieved. The commitment to balancing economic performance and ethical responsibility is reflected in company policy and in the Code of Conduct, which is designed to give employees, in particular, guidance on correct conduct with regard to legal and ethical challenges. Therefore, it includes rules for the treatment of each other and third parties and sets out requirements for tolerance, respect and non-discrimination.

2.5 InTiCa Systems' social commitment

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

In 2019, for the sixth year in succession, InTiCa Systems AG refrained from sending customers Christmas gifts and made a donation to the Lukas-Kern children's home instead. The Lukas-Kern home is an institution in Passau that takes in children and young people whose families are in difficulties. InTiCa Systems AG sees an enormous need to provide continued regional support.

3. Economic report

3.1 General economic conditions[1]

The German economy cooled considerably in 2019. While gross domestic product (GDP) rose by 1.5% in 2018, figures published by the Federal Ministry for Economic Affairs and Energy (BMWi) show that growth dropped to just 0.6% in 2019. Production rose in the first quarter as a result of pent-up demand, but from the summer onwards, the German economy virtually stagnated. The ongoing downturn was principally due to a significant drop in industrial output. According to data from the Institute for the World Economy (IfW) in Kiel, Germany, capacity utilization dropped below the normal level during the year. The weakness of industry increasingly had a knock-on effect on related service sectors, which had continued to show robust growth for a long time. By contrast, consumer-oriented areas of the economy and the construction sector continued to grow.

Overall, this divided picture reflected opposing trends in the domestic and global economies. While consumer-focused areas benefited from the robust development of the labour market and fiscal relief for private households, industrial sectors were held back by exposure to the forces of foreign trade. Global trade began to lose momentum in autumn 2018 and international manufacturing output also stagnated in the reporting period. Year-on-year, global economic growth therefore slowed from 3.6% to 3.0%. Trade restrictions between the USA and China and the uncertainty relating to the possible introduction of further customs duties also held back foreign trade and affected capital spending. The uncertainty surrounding the UK's decision to leave the EU had a similar effect. Overall, the impact on the German economy, which specializes in the production of capital goods, was particularly pronounced.

As industrial value added declined due to the lack of foreign trade stimulus, the downward trend in the euro zone that started in early 2018 continued, despite more buoyant consumer spending. Growth in GDP therefore dropped from 1.9% to 1.2%. Following a strong rise in the previous year, the US economy also showed a considerable loss of momentum in recent quarters. Overall, GDP growth in the USA dropped from 2.9% in 2018 to 2.3%. The principal reason for this was the end of the fiscal stimulus and weaker exports. China continued to report robust growth, although the pace dropped slightly here as well. GDP grew by 6.1%, which was lower than in 2018 (6.6%). Firstly, the trade dispute with the United States affected foreign trade and secondly, economic policy was not relaxed to the same extent as in the past. The government is evidently aware of the risks of the sharp rise in debt and wants to avoid a new phase of strong credit growth. The economy weakened significantly in Mexico in 2019. Here, GDP actually contracted year-on-year, with the growth rate dropping from 2.0% to minus 0.1%. In addition to the general global economic slowdown, the economic weakness in Mexico was due to a major cut in public spending and several temporary shocks, which impacted investment and thus overall economic activity.

While a moderate rise in economic growth was originally forecast both for Germany and globally in 2020, economy activity has nosedived worldwide as a result of the coronavirus pandemic. To reduce the spread of new infections and prevent excessive pressure on the healthcare system, many countries have now imposed considerable restrictions on the freedom of movement, largely bringing public life to a standstill. The economy is also seriously affected by supply bottlenecks, workers who are absent and production stoppages resulting from the closure of factories. This is badly affecting the German economy with its global interconnections because companies are dependent both on global demand for German goods and on supplies from the rest of the world. As a consequence, the ifo business climate index fell by 11.2 points in mid-March. That was 4.9 points more than its previous record drop in October 2008.

Similarly, most economists are forecasting a substantial downturn in the German economy. While GDP probably rose slightly in the first quarter of 2020 due to the strong start to the year, the full impact of the crisis will become visible in the second quarter. According to a base scenario published by the ifo institute, over the full year GDP could drop by 4.5%. Global trade and the global economy will likely also suffer enormously from the coronavirus crisis. In its base scenario, the ifo institute assumes that global GDP will stagnate. However, there is considerable downside risk regarding the present forecasts. It is not improbable that the crisis could last longer than predicted, for example if the pandemic can only be contained more slowly or if ramping up economic activity does not go smoothly. In this risk scenario, the economic downturn would be sharper, the recession longer, and the recovery slower.

Worldwide, the novel coronavirus and the steps taken to contain it have put massive pressure on the economy. Negative effects on production and demand as a result of policies to halt the virus as well as the uncertainty affecting consumers and investors are indisputable. Unlike normal recessionary phases, this crisis also has a significant effect on many service sectors. Instead of a gradual recovery in the global economy, the IfW in Kiel therefore anticipates that global output will drop in the first six months of this year. Even on the basis of optimistic assumptions on the course of the epidemic where experts assume that the economy will pick up in the second half of the year, growth in global output is likely to drop considerably in 2020, despite expansionary economic policies. There is a substantial risk that the slowdown in global economic momentum could be even

[1] Kiel Institute Economic Outlook Winter 2019 – www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/englisch/2019/KKB_62_2019-Q4_Deutschland_EN.pdf
Ifo Economic Forecast Spring 2020 – www.ifo.de/sites/default/files/docbase/docs/sd-2020-04-wollmershaeuser-ifo-konjunkturprognose-fruehjahr-2020-04-15.pdf
Kiel Institute Economic Outlook Spring 2020 – www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/englisch/2020/KKB_63_2020-Q1_Welt_EN.pdf

more significant and more sustained, especially if it takes longer than anticipated to contain the virus or if there are repeated outbreaks before effective medication or vaccines are available.

To avoid insolvencies and the associated long-term drop in output, most countries are putting extensive monetary and fiscal policy measures in place in an effort to cushion the expected economic impact. In the euro zone, in particular, this harbours new risks for the stability of public finances. In member states with a high level of debt, such as Italy, this could result in a massive loss of confidence by investors. At the present time, it is almost impossible to give an accurate forecast of the economic cost of the coronavirus crisis because of the enormous uncertainty about how it will spread in the future and, in particular, the measures taken by governments to contain it.

3.2 Market and market conditions

3.2.1 Automotive Technology

Global trade wars, an economic slowdown and the dispute about Brexit did not bypass the automotive industry with its close international ties. Significant declines were registered in some cases, especially on important overseas markets. For instance, the German Automotive Industry Association (VDA) estimates that in China volumes in the car market dropped by nearly 10% to 21.0 million new vehicles in 2019. Weaker macroeconomic growth in China therefore has a disproportionately high impact on the car market. Growth in other Asian markets such as Japan and India was also lower than in the previous year. In the USA, volume sales of cars and light trucks dropped below the 17 million mark for the first time since 2014. Sales of just under 17.0 million vehicles represents a year-on-year decline of 1%. Sales of cars were down 11%, while sales of light trucks, which now account for 72% of the total US market, increased by 3%.

While volume sales on the Russian light vehicle market were also down 2% year-on-year at just under 1.8 million new vehicles, in Europe (EU 28 & EFTA), 15.8 million new cars were registered in 2019, about 1% more than in 2018. The major markets developed differently. However, market volume increased in Germany (+5%) and France (+2%). In Italy, new registrations remained at the previous year's level. By contrast, declines were registered in the UK (-2%) and Spain (-5%). The Brazilian market for light vehicles was also strong in 2019. Here, volumes rose by 8% to 2.7 million vehicles[2].

According to the VDA, new registrations in Germany were around 3.6 million, the highest level since 2009. The main driving force was strong domestic order intake (6%). By contrast, new orders from abroad were 2% lower. Due to the weaker international demand, production and exports also declined. Therefore, nearly 4.7 million cars were produced in 2019 (-9%) and almost 3.5 million cars (-13%) were delivered to customers worldwide[3]. The export rate for electric cars was around the same level. The number of new electric cars registered in Germany increased by 61% to 108,837, with cars with an electric battery only increasing 76% to 63,281 vehicles, while plug-in hybrids rose 44% to 45,348 vehicles. The proportion of electric vehicles outpaced market growth, rising from 1.9% to 3.0% of the total market. Worldwide, German manufacturers produced more than 400,000 cars with electric drives in 2019[4].

So far, this trend has continued in 2020. New registrations of electric vehicles increased by over 100% in both January and February and their market share was nearly 7% at the last count. Ramp-up of the market for electric cars is therefore in full swing and further impetus will come from the manufacturers' drive to launch new models. There are already 60 electric models on the market in Germany and about 90 more should be available by 2023. Eight of the ten most commonly registered electric cars in Germany are now domestic brands[5]. That shows that the German automotive industry is increasingly playing a leading role in e-mobility. In the period up to 2024, producers and suppliers plan to invest around EUR 50 billion in research and development into alternative drives. In addition, EUR 25 billion has been earmarked for digitization and networked and automated driving in the same period[6]. The automotive industry's efforts to switch to electromobility and demands to reduce CO_2 had a positive effect on InTiCa Systems' business – over 40% of Group sales came from e-solutions products in 2019.

Unlike electric vehicles, the international automotive market as a whole started 2020 with little impetus. The European car market (EU 28 & EFTA) registered a considerable year-on-year drop in the first two months and the situation was similar in China, Japan and India. Only the US market for light vehicles increased slightly in January and February[7]. As a result of the coronavirus pandemic and the associated shutdown of production facilities, there is currently a massive drop in both output and volume sales. In March, new registrations in Germany were 38% lower than a year earlier. That was the sharpest drop since reunification[8].

[2] www.vda.de/en/press/press-releases/20200116-european-passenger-car-market-shows-modest-growth-in-2019 · [3] www.vda.de/en/press/press-releases/20200106-german-passenger-car-market-expands-in-2019
[4] www.elektroniknet.de/elektronik-automotive/elektromobilitaet/mehr-als-100-000-neue-elektrofahrzeuge-auf-deutschlands-strassen-172565.html · [5] www.vda.de/en/press/press-releases/200312-germanys-electric-car-market-sets-new-record-in-february · [6] www.vda.de/en/press/press-releases/20200203-vda-president-hildgard-mueller-promote-climate-protection-and-economic-growth-hand-in-hand
[7] www.vda.de/en/press/press-releases/200318-international-vehicle-market-february-brings-renewed-fall-in-sales · [8] www.vda.de/en/press/press-releases/200403-corona-crisis-german-passenger-car-market-collapses

While China slowly ramped up production, most car manufacturers' production lines in Europe and North America were out of action in late March/early April. That naturally has implications for their suppliers, too. Major players in this sector, Bosch, Continental and ZF Friedrichshafen, also scaled back production, as well as many smaller suppliers did. The business climate in the German automotive supplier industry therefore slumped in March, dropping to the lowest level for ten years. The present assessment by the Supplier Industry Working Group (ArGeZ) shows that expectations for the next six months have dropped massively[9].

Forecasts are difficult given at the uncertain situation and the fact that it is not clear how long the restrictions will last, but sector expert Ferdinand Dudenhöffer expects demand in the automotive sector to fall by at least 15% over the year, with more than 100,000 jobs being lost as a result of the coronavirus crisis. Since Dudenhöffer expects similar declines in other volume markets (-20% in China, -25% in France and the USA, -30% in Italy), depending on the scenario output in Germany could contract to 3.4 to 3.8 million vehicles, resulting in considerable overcapacity. In Dudenhöffer's view, this will be caused by a lack of demand rather than supply chain problems[10].

Recent studies by the Center of Automotive Management (CAM) in Bergisch Gladbach and market researcher IHS Markit come to similar conclusions. For example, CAM expects the global automobile market to decline by 17% this year, with the European market suffering most. CAM's scenario is based on the assumption that the crisis in the various markets caused by the restrictions imposed on public life to combat spread of the coronavirus will last for six to eight weeks. The authors also assume that this will be followed by various state incentive programmes and additional subsidies for the automotive sector. If that is not the case, the downturn in the sector is likely to be even more drastic[11].

The management consultancy McKinsey expects the automotive industry to become more regionalized after the crisis. To safeguard supply, many companies could examine their complex global supply chains and build up more local structures. That would strengthen the trend towards producing more within a region for that region – for example, in Eastern Europe for Europe and in China for China. In addition, inventories are likely to be increased[12].

The trends outlined above also provide an indication of the extent to which the expected general economic decline could affect demand in the automotive sector in the short to medium term. A more detailed estimated of the consequences is not possible at present due to the high degree of uncertainty about the course and duration of the coronavirus pandemic.

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 EMC filters, products for industrial equipment and domestic appliances, actuator coils for industrial conveyors and gas combustion systems.

The German electrical and electronics industry is closely integrated into processes in the global value chain. The simultaneous weakness of trade, investment and industrial output around the world in 2019 had a disproportionately adverse effect on the sector. Only exports grew in 2019, while output, sales and order intake all declined according to the German Electrical and Electronic Manufacturers' Association (ZVEI)[13].

Provisional figures indicate that aggregate sector sales fell to EUR 190.5 billion, a drop of 1.5% compared with 2018. Domestic sales fell 2.2% to EUR 89.7 billion and revenues from exports slipped 0.9% to EUR 100.8 billion. There decline in business was an equally strong with customers within the euro zone and parties in countries outside the euro zone. Orders fell even faster than sales, dropping 3.2% in 2019. Domestic orders (-4.6%) fell twice as fast as foreign orders (-2.2%). While business partners in the euro zone ordered 4.6% less than in the previous year, the drop in orders from non-euro-zone countries was a more moderate 0.8%. On a price-adjusted basis, production in the German electrical and electronics industry declined by 4.2%. Even the number of employees in Germany decreased slightly for the first time in three years to 885,400 at year-end 2019[14].

Only exports registered another record. In 2019 as a whole, aggregate exports by the sector increased by 2.7% to EUR 216.5 billion. However, growth was far lower than in the two preceding years. The biggest markets by far were China and the USA. Deliveries to China increased by 4.3% to EUR 21.9 billion, while deliveries to the USA grew by 7.7% to EUR 19.2 billion. European countries ranked third to tenth. The ten biggest export markets together accounted for almost half of foreign deliveries by the German electrical and electronics industry. Imports also rose by 2.5% to EUR 196.9 billion. The export surplus increased by EUR 800 million year-on-year to EUR 19.6 billion in 2019[15].

[9] www.argez.de/informationen/klima.asp · [10] www.automobilwoche.de/article/20200330/AGENTURMELDUNGEN/303299999/1339/wegen-coronavirus-dudenhoeffer-erwartet-deutlichen-stellenabbau-in-autoindustrie
[11] www.automobil-industrie.vogel.de/studie-corona-krise-wird-europaeischen-automarkt-am-haertesten-treffen-a-920250/?cmp=nl-99&uuid=F0CAB5EB-A8D3-47DD-ABCBC9EE0BC13CF9
[12] www.mckinsey.de/publikationen/2020-03-31-covid-19-automobilindustrie · [13] www.zvei.org/presse-medien/newsletter/auf-den-punkt-12020-zvei-newsletter/konjunktur-2019-ausblick-2020/
[14] www.zvei.org/presse-medien/pressebereich/deutsche-elektroindustrie-schliesst-2019-mit-minus-ab-erholung-im-jahresverlauf-2020-erwartet/
[15] www.zvei.org/presse-medien/pressebereich/deutsche-elektroexporte-trotz-gebremsten-wachstums-mit-neuem-rekord/

Stator coils for hybrid technology

In January 2020, however, German exports of electronic and electronic goods declined slightly, by 1.8%. Imports of electrical and electronic products also slipped in January and were 1.9% lower than in the prior-year period. In January 2020, order intake in the German electrical and electronics industry was 7.7% lower than in the previous year. While domestic orders fell substantially (-15.3%), foreign orders were only down 1.1%[16]. Sales by the German electrical and electronics industry totalled EUR 14.8 billion in January 2020, a drop of 3.4%. After adjustment for price effects, output was 1.6% higher. Looking at individual sectors of the electrical and electronics industry, the trend was heterogeneous. Orders for both industrial and consumer goods declined in January, whereas electronic components registered an increase.

The subdued sector trend in the previous year therefore continued at the start of the new year. The January figures were not affected by the coronavirus crisis. That also applies to the business climate, which was more or less on the zero line in February, following four consecutive increases. On balance, both the present situation and general business expectations were considered to be poorer than in January. The full extent of the coronavirus crisis will only be evident in hard figures as from March. The latest decline in the business climate suggests that growth rates are likely to drop well into negative territory. Although industrial production in China is being ramped up again following a massive drop in January and February, it is not yet clear when the first follow-on effects will be felt[17].

The German electrical and electronics industry is feeling the effects of the coronavirus crisis on both demand and supply. Exports to China alone amounted to EUR 21.9 billion in 2019. That was one tenth of total exports. Moreover, China is by far the largest foreign supplier to the German electrical and electronics market. Imports far exceed exports at around EUR 53.7 billion. More than a quarter of all electrical and electronics products imported into Germany come from China. A significant proportion – a good EUR 10 billion – are production inputs, making them highly relevant for supply and production chains. Worldwide, the coronavirus crisis is highlighting the sensitivity of global value chains[18].

One result of the crisis could be to increase the regional and local focus. Technological innovations also remain very important, especially with a view to climate protection. Electrification is an important way to reduce carbon emissions and the electronics industry is already able to offer key solutions for that. Extending these to all relevant sectors such as transport, buildings, energy

[16] www.zvei.org/presse-medien/pressebereich/elektroexporte-starten-schwaecher-ins-neue-jahr/
[17] www.zvei.org/presse-medien/pressebereich/deutsche-elektroindustrie-startet-mit-auftragsminus-ins-neue-jahr/
[18] www.zvei.org/presse-medien/newsletter/auf-den-punkt-22020-zvei-newsletter/coronavirus/

and industry must be the top priority again, at the latest when the present crisis is over. At present, it is not possible to predict how significantly the expected general economic downturn will affect demand on the electrical and electronics markets in the short and medium term. A more detailed estimate of the consequences is not possible at present due to the high degree of uncertainty about the course and duration of the coronavirus pandemic.

3.3 Significant events in the reporting period

In an ad-hoc statement on October 29, 2019, InTiCa Systems AG announced that, based on the provisional figures for the first nine months of 2019, both sales and earnings were well above the Board of Directors' expectations thanks to strong serial and project sales. The Board of Directors therefore increased its forecast for 2019. There were no other significant events affecting the company in the reporting period.

3.4 Earnings, asset and financial position

3.4.1 Overall position

InTiCa Systems AG successfully bucked the weaker trend in the automotive sector in 2019. The company was able to raise its original forecast significantly during the year, mainly as a result of very good serial and project sales in the area of e-solutions. The audited results are within the revised guidance, which forecast Group sales of between EUR 65 million and EUR 68 million and an EBIT margin of at least 3%. The dynamic growth was also evident in liquidity. The operating cash flow increased to nearly EUR 10 million and the total cash flow was clearly positive again at EUR 3 million. The equity ratio remained stable compared with the previous year, even though the transition to IFRS 16 increased the balance sheet. The positive overall development is attributable to the early focus on future-oriented technologies. At InTiCa Systems, the increasing use of inductive components – be it in hybrid or electric vehicles, charging stations, energy storage or energy generation – has led to very good sales revenues from serial production and projects. In 2019, products classed as "e-solutions" accounted for more than 40% of total sales.

3.4.2 Earnings position

» Sales

Group sales increased 37.2% year-on-year to EUR 65.7 million in 2019 (2018: EUR 47.9 million). Sales were therefore in line with the higher expectations announced when the nine-month results were published. In the Automotive Technology segment, sales rose to EUR 47.4 million (2018: EUR 37.0 million), which was above the original guidance, which forecast a range of EUR 44.0 million to EUR 46.0 million. This segment accounted for 72.1% of total sales (2018: 77.2%). In the Industrial Electronics segment, sales were also well above the prior-year level at EUR 18.3 million (2018: EUR 10.9 million) and exceeded the expected range of EUR 10.0 million to EUR 12.0 million. In this context it should be noted that all revenue from EMC filter technology, which is used in both stationary installations (Industrial Electronics) and vehicles (Automotive Technology), is currently allocated to the Industrial Electronics segment.

» Expenses

Expenses for raw materials and supplies amounted to EUR 38.0 million in the reporting period (2018: EUR 27.2 million). The material cost ratio (based on total output) rose from 54.1% to 58.7%. By contrast, the personnel expense ratio (including agency staff) declined to 22.9% in the reporting period (2018: 28.4%) due to the product portfolio, project sales and the increase in the number of employees at the production site in Mexico. Other expenses increased slightly year-on-year from EUR 9.2 million to EUR 9.4 million. The expenses for agency staff were EUR 3.4 million (2018: EUR 1.8 million). Depreciation and amortization of property, plant and equipment and intangible assets amounted to EUR 5.2 million in the reporting period (2018: EUR 4.3 million).

» Research and development

In 2019, spending on research and development amounted to EUR 2.6 million, which was 4.0% of sales (2018: EUR 2.9 million / 6.1% of sales). Development work focused principally on the e-solutions business. EUR 1.6 million was expensed directly for development work (2018: EUR 1.6 million) and the remaining EUR 1.0 million (2018: EUR 1.3 million) was capitalized. The capitalization rate was 39.0% (2018: 45.0%). Depreciation and amortization of own work capitalized was EUR 1.2 million in the reporting period (2018: EUR 1.0 million).

» Earnings

The gross profit was EUR 25.8 million in the reporting period (2018: EUR 21.8 million) and the gross profit margin fell from 45.5% to 39.3%. EBITDA (earnings before interest, taxes, depreciation and amortization) more than doubled year-on-year to EUR 7.4 million (2018: EUR 3.4 million). As a result, the EBITDA margin improved to 11.2% (2018: 7.0%).

EBIT (earnings before interest and taxes) was back in clearly positive territory at EUR 2.1 million in 2019 (2018: minus EUR 0.9 million). The EBIT margin was 3.2%, which was in line with the Board of Directors' revised expectations. EBIT was EUR 0.3 million (2018: minus EUR 1.3 million) in the Automotive Technology segment and EUR 1.8 million (2018: EUR 0.4 million) in the Industrial Electronics segment. The Automotive Technology segment therefore generated an EBIT margin of 0.6% (2018: minus 3.6%). The EBIT margin in the Industrial Electronics segment was 9.9% (2018: 3.4%).

The financial result was minus EUR 0.7 million in the reporting period (2018: minus EUR 0.4 million). While financial expense increased slightly year-on-year from EUR 0.4 million to EUR 0.7 million, there was no financial income in either 2019 or 2018.

The pre-tax profit was EUR 1.4 million in the reporting period (2018: pre-tax loss of EUR 1.4 million). After tax expense of EUR 0.2 million (2018: tax income of EUR 80 thousand), the net profit was EUR 1.1 million (2018: net loss of EUR 1.3 million). Earnings per share were therefore EUR 0.27 (2018: minus EUR 0.31).

3.4.3 Asset position

» Capital structure

Total assets increased from EUR 50.1 million in 2018 to EUR 55.3 million in 2019. As a result of the change to IFRS 16 as of January 1, 2019 right-of-use assets for leases totalling EUR 3.5 million were capitalized and lease liabilities of the same amount were recognized. The modified retrospective method was applied for the switch to IFRS 16. The comparative figures for the prior-year periods have not been restated. The increase on the asset side was therefore mainly due to the increase in property, plant and equipment. There was also a year-on-year increase in other current receivables and cash and cash equivalents. Inventories and trade receivables decreased. On the liabilities side, equity and non-current liabilities rose, mainly due to the other financial liabilities recognized in accordance with IFRS 16. Current liabilities were slightly lower. The equity ratio therefore dropped slightly from 33.5% as of December 31, 2018 to 32.5% as of December 31, 2019.

» Non-current assets

Overall, non-current assets increased to EUR 33.7 million as of December 31, 2019 (December 31, 2018: EUR 28.1 million). Property, plant and equipment increased from EUR 22.0 million in the previous year to EUR 27.3 million. This was mainly due to assets capitalized in accordance with IFRS 16. By contrast, intangible assets declined slightly from EUR 4.9 million to EUR 4.8 million. Deferred taxes increased to EUR 1.6 million (December 31, 2018: EUR 1.2 million).

» Current assets

Current assets decreased slightly to EUR 21.6 million as of December 31, 2019 (December 31, 2018: EUR 22.0 million). This was mainly due to a reduction in inventories from EUR 11.0 million to EUR 10.3 million and in trade receivables from EUR 9.2 million to EUR 7.1 million. The other current receivables increased from EUR 1.6 million to EUR 3.1 million in the reporting period. Cash and cash equivalents totalled EUR 0.7 million (December 31, 2018: EUR 0.1 million).

» Non-current liabilities

Non-current liabilities increased to EUR 16.9 million as of December 31, 2019 (December 31, 2018: EUR 12.5 million). Non-current financial liabilities amounted to EUR 9.8 million (December 31, 2018: EUR 10.8 million) and the new other non-current financial liabilities recognized in accordance with IFRS 16 amounted to EUR 5.2 million (December 31, 2018: EUR 0). The liabilities to banks comprised fixed-interest loans with remaining terms of up to eight years and four floating-rate loans with a remaining term of up to eight years. Interest rates on non-current liabilities are between 0.50% and 3.05%. Deferred tax liabilities amounted to EUR 1.9 million on the reporting date (December 31, 2018: EUR 1.6 million).

» Current liabilities

Current liabilities decreased in the reporting period and amounted to EUR 20.4 million as of December 31, 2019 (December 31, 2018: EUR 20.9 million). This was mainly attributable to the reduction in financial liabilities from EUR 13.6 million to EUR 10.8 million. By contrast, trade payables increased from EUR 4.9 million to EUR 5.9 million and other current provisions rose from EUR 1.2 million to EUR 1.6 million. Other current financial liabilities rose from EUR 0.5 million to EUR 1.4 million, principally due to the recognition of lease liabilities in accordance with IFRS 16. The other current liabilities remained unchanged at EUR 0.5 million (December 31, 2018: EUR 0.5 million).

» Equity

Equity was EUR 18.0 million as of December 31, 2019 (December 31, 2018: EUR 16.8 million). The consolidated net profit reduced the negative profit reserve from minus EUR 2.1 million to minus EUR 0.9 million. The negative currency translation reserve decreased slightly to minus EUR 0.7 million (December 31, 2018: minus EUR 0.8 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 8.6 million in 2019 (2018: EUR 2.1 million). The considerable increase compared with the previous year is mainly due to the profit for the period, higher depreciation and amortization, and the reduction in inventories and trade receivables.

The net cash outflow for investing activities was EUR 3.5 million in the reporting period (2018: EUR 6.6 million). This comprised EUR 2.5 million (2018: EUR 5.2 million) for property, plant and equipment and EUR 1.1 million (2018: EUR 1.3 million) for intangible assets.

The net cash outflow for financing activities was EUR 2.1 million in 2019 (2018: net inflow of EUR 0.2 million). Cash outflows comprised EUR 3.6 million for scheduled loan repayment instalments and EUR 0.7 million for instalments on finance leases, while inflows from borrowing amounted to EUR 2.2 million.

Overall, there was a positive cash flow of EUR 3.0 million in 2019 (2018: cash outflow of EUR 4.2 million). Cash and cash equivalents totalled EUR 0.7 million on December 31, 2019 (December 31, 2018: EUR 0.1 million). Cash and cash equivalents less utilized overdraft facilities amounted to minus EUR 7.0 million as of December 31, 2019 (December 31, 2018: minus EUR 9.9 million).

» Capital expenditures

Capital expenditures totalled EUR 3.5 million in the reporting period (2018: EUR 6.6 million). EUR 2.5 million (2018: EUR 5.2 million) of this was invested in property, plant and equipment, and EUR 1.1 million (2018: EUR 1.3 million) in intangible assets. In addition, two highly automated production lines for the Czech site costing a total of EUR 3.3 million were financed by leasing and recognized during the year in accordance with IFRS 16. The main capital expenditures were for production lines for stator coils and EMC filters for electromobility and production facilities for actuators for chassis systems.

Further capital expenditures for property, plant and equipment of around EUR 3.5 million are planned for 2020. These are mainly to expand production capacity for stator coils and power electronics products and for product start-ups for new EMC filters, including extended customer requirements. These areas are mainly designed to build up and expand production lines for e-mobility.

» Employees

The headcount decreased to 601 as of December 31, 2019 (December 31, 2018: 644). This figure includes 135 agency staff (December 31, 2018: 152). Expenses of EUR 3.4 million (2018: EUR 1.8 million) for agency staff are included in other operating expenses. The personnel expense ratio, including expenses for agency staff, was 22.9% (2018: 28.4%). On average, the Group had 478 employees and 234 agency staff in the reporting period (2018: 518 and 119).

3.4.5 Financial management

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

The segments' operating business and the resulting cash inflows are the Group's main source of liquidity. Operational planning is based on a long-term liquidity forecast. The short and medium-term forecasts are updated monthly.

InTiCa Systems includes all consolidated subsidiaries in this planning process. Surplus funding within the Group is distributed to those areas that require it via cash pooling in order to reduce external funding requirements and optimize net interest expense. To secure its liquidity position, InTiCa Systems also uses various internal and external financing instruments such as credit agreements and factoring, which form the basis for short and medium-term financing, and leasing. As a result of the company's capital base and the constant revision and adaptation of financing arrangements, the Board of Directors is of the opinion that the main preconditions for financing have been met.

3.5 Financial and non-financial performance indicators

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

3.5.1 Financial performance indicators

» Sales

Group sales grew 37.2% year-on-year to EUR 65.7 million (2018: EUR 47.9 million). Sales revenues are reported net of products returned by customers, discounts and similar deductions.

Thanks to very good serial and project sales for e-solutions, the guidance was increased from a range of EUR 54 million to EUR 58 million to a range of EUR 65 million to EUR 68 million when the nine-month figures were published. The revised forecast was achieved. In the Automotive Technology segment, sales were EUR 47.4 million, above the originally budgeted level of EUR 44.0 million to EUR 46.0 million. In the Industrial Electronics segment, sales were EUR 18.3 million and thus even more clearly exceeded the original budget of EUR 10.0 million to EUR 12.0 million.

» Material cost ratio

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

The material cost ratio increased from 54.1% in the previous year to 58.7%. This was mainly due to a shift in the product mix towards more material-intensive products. In future, the material cost ratio of each segment is to be optimized further by improving production workflows and the corresponding success in procurement.

» EBIT margin

The EBIT margin comprises earnings before interest and taxes divided by sales. EBIT was EUR 2.1 million in 2019 (2018: minus EUR 0.9 million). As a result, the EBIT margin was 3.2% (2018: minus 2.0%). The EBIT margin was therefore considerably higher than the original forecast of between 1.5% and 2.0% and the revised forecast of at least 3.0% was achieved.

» Equity ratio

The equity ratio comprises the ratio of equity capital to total capital (= total assets). The equity ratio declined from 33.5% in the previous year to 32.5%. This was mainly due changes introduced by IFRS 16. Overall, the equity ratio remains solid.

3.5.2 Non-financial performance indicators

» Orders on hand

Orders on hand amounted to EUR 108.3 million as of December 31, 2019, which was considerably higher than in the previous year (December 31, 2018: EUR 87.7 million). 78.5% of orders were for the Automotive Technology segment (2018: 82.3%). The order situation was very positive before the crisis caused by the coronavirus pandemic. At present it is not possible to estimate to what extent customers will take up the full order volume this year. In principle, the Board of Directors sees orders on hand as an indicator of future business development.

» Customer and product portfolio and vertical integration

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

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

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

3.6 Segment report

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

Segment	Automotive Technology		Industrial Electronics		Total	
in EUR '000	2019	2018	2019	2018	2019	2018
Sales	47,415	36,977	18,318	10,946	65,733	47,923
Pre-tax earnings (EBIT)	294	-1,316	1,814	371	2,108	-945

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

	Germany		Other countries		Total	
in EUR '000	2019	2018	2019	2018	2019	2018
Sales	43,130	32,594	22,603	15,329	65,733	47,923
Segment assets	8,839	6,855	23,260	20,041	32,099	26,896
Average no. of employees	78	88	634	549	712	637
of which agency staff	0	0	234	119	234	119

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

3.7 Remuneration system of the Board of Directors and Supervisory Board

3.7.1 Remuneration of the Board of Directors

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

3.7.2 Remuneration of the Supervisory Board

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

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

Total expenses for both governance bodies amounted to EUR 481 thousand in 2019 (2018: 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.

The declaration on corporate governance is contained in the corporate governance report on page 30 et seq. of this annual report. In addition, the corporate governance report is available on the company's website www.intica-systems.com at Investor Relations/Corporate Governance.

The Board of Directors has submitted the declaration on corporate management in 2019 and published it on the company's website (www.intica-systems.com). On April 17, 2020, the Board of Directors submitted an updated declaration of corporate governance pursuant to sec. 289f of the German Commercial Code. This has also been made available to the public on the website at www.intica-systems.com.

3.9 Other information

» Composition of the capital stock

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

» Restrictions on voting rights and the transfer of shares

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

» Shareholdings exceeding 10% of the voting rights

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

» Shares with special rights according rights of control

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

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

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

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

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

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

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

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

On the basis of the resolution of the Annual General Meeting of May 29, 2008, the company was authorized, until November 28, 2009, to repurchase up to 10% of the capital stock of 428,700 shares at the date of the resolution. This resolution was used to purchase 263,889 shares in the company. As of December 31, 2019, InTiCa Systems AG still had treasury stock amounting to 64,430 shares (December 31, 2018: 64,430).

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

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

InTiCa Systems AG has loans amounting to EUR 2.7 million which give the lender a right of termination in the event of a change in the borrower's shareholder or ownership structure such that the shareholders or owners relinquish control over the borrower during the term of the loans or a person or group of persons acting jointly acquire more than 50% of the voting rights and/or more than 50% of the capital of the borrower, unless the prior consent of the lender is obtained.

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

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

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

4. Risk management and risk report

4.1 Risk management

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

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

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

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

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

4.2 Risk management relating to the accounting process

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

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

4.3 Risks

The increasing spread of coronavirus is currently hampering public life and global economic activity to a significant extent and is also having a direct impact on InTiCa Systems AG. Depending on further developments, this could have seriously negative effects on the assets, financial position and results of operations of InTiCa Systems AG. The risks to InTiCa Systems AG go beyond development of volume sales: a considerable impairment of manufacturing, our procurement market and the supply chain is also possible. In response to the present crisis, the Board of Directors has decided to introduce short-time working for staff in Passau, initially until the end of June. For the being, the production facilities in the Czech Republic and Mexico will continue to operate as best possible. Since the situation changes daily, it is not yet possible to estimate the extent to which the company will be affected by political regulation, plant shutdowns in the automotive industry and the anticipated downturn in the global economy, or what counteraction may be necessary. Ultimately, how long short-time working will last and if and when further measures will be necessary depends on how the pandemic develops going forward. It is not yet possible to predict the extent or duration of the impact of coronavirus on global economic growth, especially in the sectors and markets served by InTiCa Systems AG.

The other risks to InTiCa Systems' business are outlined below.

» Market risks

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

The Automotive Technology segment is exposed to the customary economic risks in this sector, which could hold back expected growth considerably. That would be particularly true if customers of InTiCa Systems were to postpone the start of production of new models containing new components from InTiCa Systems due to a poor general economic situation. The market assessment deteriorated considerably in the reporting period and is not expected to improve significantly in 2020 (see "Economic report"). The associated global uncertainty and the planning uncertainty resulting from the general transformation process in the automotive industry entail risks for the development of the company. In contrast, there is presently an increase in the introduction of electric and hybrid vehicles. The implications for the company and the possibility that it could offset the stagnating trend in conventional vehicles are being monitored intensively.

» Customer dependence

The sales split between the segments is as follows: Automotive Technology 72.1%, Industrial Electronics 27.9%. Within each segment, the proportion of sales generated with the largest customers is as follows: Automotive Technology 21%, Industrial Electronics 40%. If one or both of the segments were to lose major customers and be unable to replace them with equivalent new customers, this could adversely affect InTiCa Systems' business.

» Dependence on suppliers

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

» Technological risks

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

» Personnel risks

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

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

» Liquidity risk

As of December 31, 2019, InTiCa Systems had four fixed-interest loans totalling EUR 5.7 million with residual terms of between 1 and 8 years. In addition, in the past four years four floating-rate loans have been concluded in the Czech Republic. These had a carrying amount of EUR 7.3 million as of December 31, 2019 and a residual term of between 5 and 8 years. These loans are used to secure liquidity. In addition, InTiCa Systems has assured credit lines of EUR 11.9 million. EUR 7.7 million of this amount was drawn as of the reporting date. Further, the company has cash and cash equivalents of EUR 0.7 million. The financing strategy was refocused in 2019 to finance the growth of business, especially in the area of e-mobility. By releasing the assigned receivables of some customers from the blanket assignment agreement, it was possible to sign a forfaiting agreement at the end of 2019. The first receivables were sold under this agreement in December 2019.

» Currency risk

The main currency risk for InTiCa Systems comprises the operating costs of its production facilities in the Czech Republic and Mexico, plus some customer contracts in US dollars. Since the difference between procurement and sales in US dollars and business volume at the manufacturing site in Mexico was still not material in 2019, following previous practice no euro/US dollar currency hedging was undertaken. The future risk of appreciation of the Mexican pesos mainly relates to higher wage costs. All other significant cost items such as material costs are calculated in US dollars or euros.

InTiCa Systems' production facility in the Czech Republic sources goods from the euro zone. All deliveries are made on a euro basis, either to InTiCa Systems AG or to external manufacturers who undertake further processing steps. The currency risk with regard to the Czech koruna therefore relates to local wages and overheads and the liabilities of the Czech subsidiary to the Group. The risk comprises appreciation of the Czech koruna and the related increase in wage costs for production personnel. In 2019, an unconditional currency forward (hedging instrument) was used to lock in a fixed exchange rate for cash flows in CZK (hedged item). The hedged item was fully hedged by the hedging instrument.

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

» Interest rate risk

The company's exposure to the risk of short-term changes in interest rates on its loans is limited as the remaining term of the loans is between one and six years. Apart from four loans with variable interest rates and residual terms of between 5 and 8 years, all debt is based on fixed, customary market interest rates. However, interest income is dependent on short-term money market trends and there is thus a risk that only low interest income will be earned if rates fall. A capital investment guideline has therefore been issued to document this conservative investment strategy. No interest income was generated in the reporting period.

» Credit risk (default risk)

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

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

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

In June 2015 credit insurance for goods was concluded to provide InTiCa Systems with corresponding protection. The credit insurance was renewed in 2019.

» 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

Apart from the effects of the coronavirus crisis, which cannot be estimated at present, the Board of Directors considers that the overall risks are limited and calculable. Based on the information currently available, the Board of Directors' assessment is that there are no major individual risks, either at present or in the foreseeable future, that could be classified as a threat the company's existence.

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

Expansion of capacity and the introduction of new e-solutions products are seen as the principal factors driving further positive sales and earnings growth. In addition, the expansion of the Mexican production site will make a strong contribution to InTiCa Systems' overall performance. The increasing diversification and internationalization of markets will play a key role in this.

5. Opportunities and management of opportunities

5.1 Management of opportunities

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

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

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

5.2 Opportunities

» Continued repositioning as a systems supplier

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

Selective extension of vertical integration and a continuous increase in development and manufacturing expertise are the prerequisites for all these endeavours. Ultimately, they will generate higher margins and secure the long-term future of the business.

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

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

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

» New developments for industrial applications

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

» Good access to system suppliers to the automotive industry

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

» Development and manufacturing expertise

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

» Expansion of international business

International expansion of the company's presence is vital to ensure that InTiCa Systems can achieve its core corporate goals of growing sales and extending its customer base. InTiCa Systems will be able to establish itself internationally in the long term by building and strengthening new and established distribution and production alliances. In 2014, it therefore decided to establish a location in NAFTA. In 2015, a new production site was established in Mexico. Production of the first small-scale series for automotive customers came on stream there at the end of 2016. Production started on a complete serial line in 2017 and was ramped up in 2018, 2019 and 2020. Further production sites are under consideration for the medium term, e.g. in Asia.

5.3 Management assessment of the overall risk and opportunity situation

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

Taking an aggregate view, without the situation caused by the coronavirus, the Board of Directors would have come to a positive conclusion about the opportunities and risks that could influence the development of the Group. The present and identified risks would be classified as manageable. However, the coronavirus pandemic has to be viewed as an extraordinary risk for the 2020 fiscal year, although the aggregate impact of the medium and long-term effects on the development of the Group is not foreseeable as of the date of preparation of this annual report. The Group's operating management is taking a risk-aware approach, particularly in light of the development of coronavirus, and has taken extensive measures to mitigate the potential risks.

Based on the present order situation, there is no material uncertainty about the ability of the Group to continue to operate as a going concern, so from the present viewpoint there is not threat to its continued existence. That said, the medium to long-term effects of the aftermath of the pandemic on business development cannot be predicted at present. InTiCa Systems currently assumes that there will be an as yet unforeseeable impact on future earnings. Delays in order placement and project acceptance or as a result of logistics bottlenecks cannot be ruled out. If the negative volume effects resulting from the coronavirus pandemic and the necessary containment measures continue for a prolonged period and volume sales in all markets therefore do not normalize in the coming weeks and months, the above risk assessment would have to be re-evaluated. No other risks have currently been identified that could jeopardize the future existence of the Group.

Apart from the coronavirus pandemic, the risks arising from geopolitical developments, market, customer and product developments and production relationships, which could have a negative impact on InTiCa Systems' business have been taken into account in this report and are considered to be containable and controllable.

6. Outlook

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

6.1 Segment trends

» Automotive Technology

In light of the present coronavirus crisis, the Board of Directors anticipates that there will be a considerable downturn on the global automotive market. The transformation of the automotive industry, which is being driven by the key technologies for electromobility, autonomous driving and connectivity, is nevertheless unstoppable and will provide positive impetus in the medium term. InTiCa Systems addressed the necessary tasks and challenges at an early stage and has driven forward the internal transformation process with determination. The systematic rollout of alternative hybrid and electric drives and the investment of billions by automotive manufacturers raise hopes of a positive development in this field. These market developments are being reinforced by the growing political pressure on car producers, on the one hand, and by programmes to raise demand for electric vehicles, on the other.

One important element in InTiCa Systems' strategy is its focus on the electromobility market. Therefore, product and process developments have been initiated, several serial products have already been realized, and considerable upfront investments have been undertaken to install production facilities. The company expects that in the medium term alternative drives will bring a significant increase in demand. This is evidenced by substantial orders, for example for stators and filters for hybrid vehicles. In the past financial year, products for e-mobility and hybrid technology already accounted for 20% of sales in the Automotive Technology segment. That proportion will increase in the future. However, this also entails corresponding investment and upfront expenses for future development.

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

InTiCa Systems has a reputation on the international market as a developer and solution provider. Customers particularly value the company's profound specialist expertise and its flexibility and dynamism in development and industrial scale-up. At present, InTiCa Systems' products are used in numerous models manufactured by more than 25 different car manufacturers. For information on sales expectations for the Automotive Technology segment, please see section 6.3.

» Industrial Electronics

Building on the positive global trend for energy generation from alternative sources, products for the photovoltaic industry such as inductive components and mechatronic assemblies will remain important for InTiCa Systems in 2020. In addition, EMC technology for e-mobility (charging infrastructure and vehicles) is gaining in significance. In this field, the boundaries between Industrial Electronics and Automotive Technology are becoming increasingly blurred. InTiCa Systems has sound know-how in this area and is able to exploit synergies between its segments. InTiCa Systems plans to continue its success in development and serial orders in 2020, making further use of cross-company synergies. For information on the sales expectations for the Industrial Electronics segment, please see section 6.3.

6.2 Order situation

At the end of the first quarter of 2020 orders on hand were well above the prior-year level at EUR 112.5 million (March 31, 2019: EUR 88.0 million). 76% of orders were for the Automotive Technology segment (Q1 2019: 83%). At the present state of the pandemic, it is not possible to estimate the extent of order uptake by customers in the course of the year. Strikingly, so far most customers have merely postponed orders within 2020 but have not yet reduced them significantly. However, it may be assumed that orders are still likely to be reduced so the order situation may change.

6.3 Earnings, asset and financial position

Based on the situation outlined here and the high order intake, 2020 got off to a good start for InTiCa Systems. In the first three months of 2020, Group sales rose by more than 38% year-on-year to EUR 18.3 million (Q1 2019: EUR 13.6 million). EBITDA is expected to come in at around EUR 2.0 million in the first quarter of 2020, while EBIT should be around EUR 0.55 million.

However, as coronavirus spread, orders started to be put "on hold" as a result of the drastic political and economic measures, and several customers and OEMs in the automotive industry have notified InTiCa Systems of plant shutdowns. As an initial counter-measure, the Board of Directors has decided to introduce short-time working for staff in Passau until the end of June. For the being, the production facilities in the Czech Republic and Mexico will continue to operate as best possible. Since the situation changes daily, it is not yet possible to estimate the extent to which the company will be affected by political regulation, plant shutdowns in the automotive industry and the anticipated downturn in the global economy, or what counteraction may be necessary. InTiCa Systems is in close contact with customers, business partners and public authorities in order to evaluate the action to be taken next. The Group is monitoring developments carefully and remains prepared to take timely action to implement all necessary measures. Nevertheless, at present it is not possible to give a stable and reasonably reliable forecast for the present fiscal year based on target ranges in line with past practice.

Power inductor

Therefore, at this time the Board of Directors is not able to issue specific guidance for the 2020 fiscal year. However, we have to assume that if the present extraordinary situation continues, sales and earnings will decline significantly, and possibly be below last year's level. As a result of the enormous uncertainty regarding the spread of coronavirus, economic conditions could differ considerably from expectations. This could have a significant impact on the performance of the InTiCa Systems Group. As soon as the economic situation stabilizes and reliable planning for the 2020 fiscal year is possible, InTiCa Systems AG will publish a detailed forecast for the 2020 fiscal year.

Passau, April 22, 2020

The Board of Directors

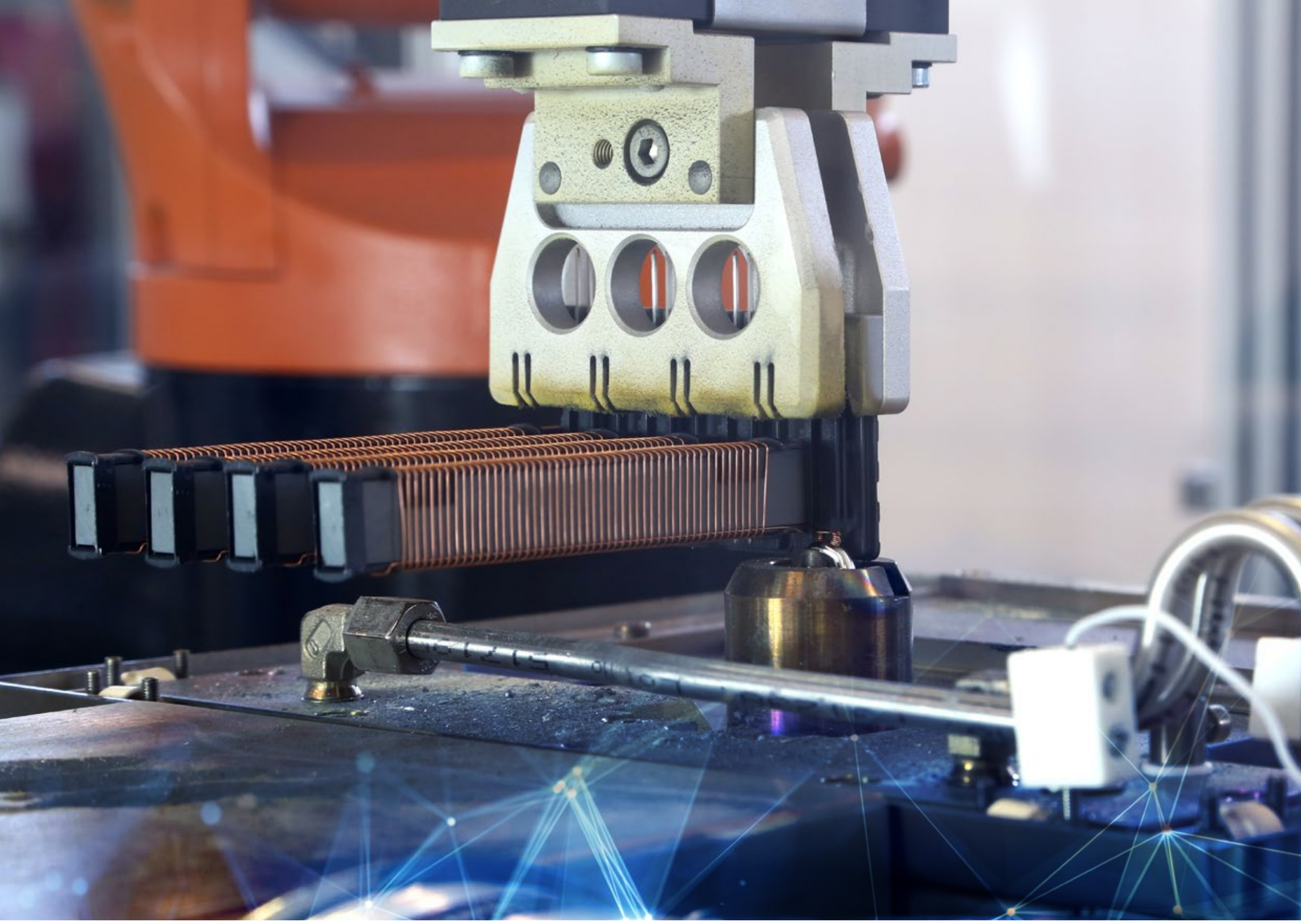
Dr. Gregor Wasle
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors

PERFORMANCE AND DYNAMICS

Innovative stator systems

GROUP
Consolidated Financial Statements



Automation and efficiency

Process technology for sensors

Consolidated Balance Sheet

of InTiCa Systems in accordance with IFRS
as at December 31, 2019

Assets

Assets	Note	Dec. 31, 2019 EUR ´000	Dec. 31, 2018 EUR ´000
Non-current assets			
Intangible assets	14	4,782	4,928
Property, plant and equipment	13	27,317	21,968
Deferred taxes	10.3	1,579	1,180
Total non-current assets		33,678	28,076
Current Assets			
Inventories	17	10,296	11,029
Trade receivables	18	7,124	9,236
Tax assets	10.2	34	5
Other financial assets	16.1	352	75
Other current receivables	16.2	3,077	1,566
Cash and cash equivalents	31	736	78
Total current assets		21,619	21,989
Total assets		55,297	50,065

Equity and liabilities

Equity and liabilities	Note	Dec. 31, 2019 EUR ´000	Dec. 31, 2018 EUR ´000
Equity			
Capital Stock	19	4,287	4,287
Treasury Stock	19	-64	-64
General capital reserve	20	15,389	15,389
Profit reserve	21	-929	-2,058
Currency translation reserve	22	-714	-794
Total equity		17,969	16,760
Non-current liabilities			
Financial liabilities	23	9,847	10,813
Other financial liabilities	33	5,159	0
Deferred taxes	10.3	1,887	1,640
Total non-current liabilities		16,893	12,453
Current liabilities			
Other current liabilities	24	1,650	1,211
Tax liabilities		121	151
Financial liabilities	23	10,819	13,564
Trade payables	25; 29.2	5,909	4,936
Other financial liabilities	26	1,392	488
Other current liabilities	27	544	502
Total current liabilities		20,435	20,852
Total equity and liabilities		55,297	50,065
Equity ratio		32.5%	33.5%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

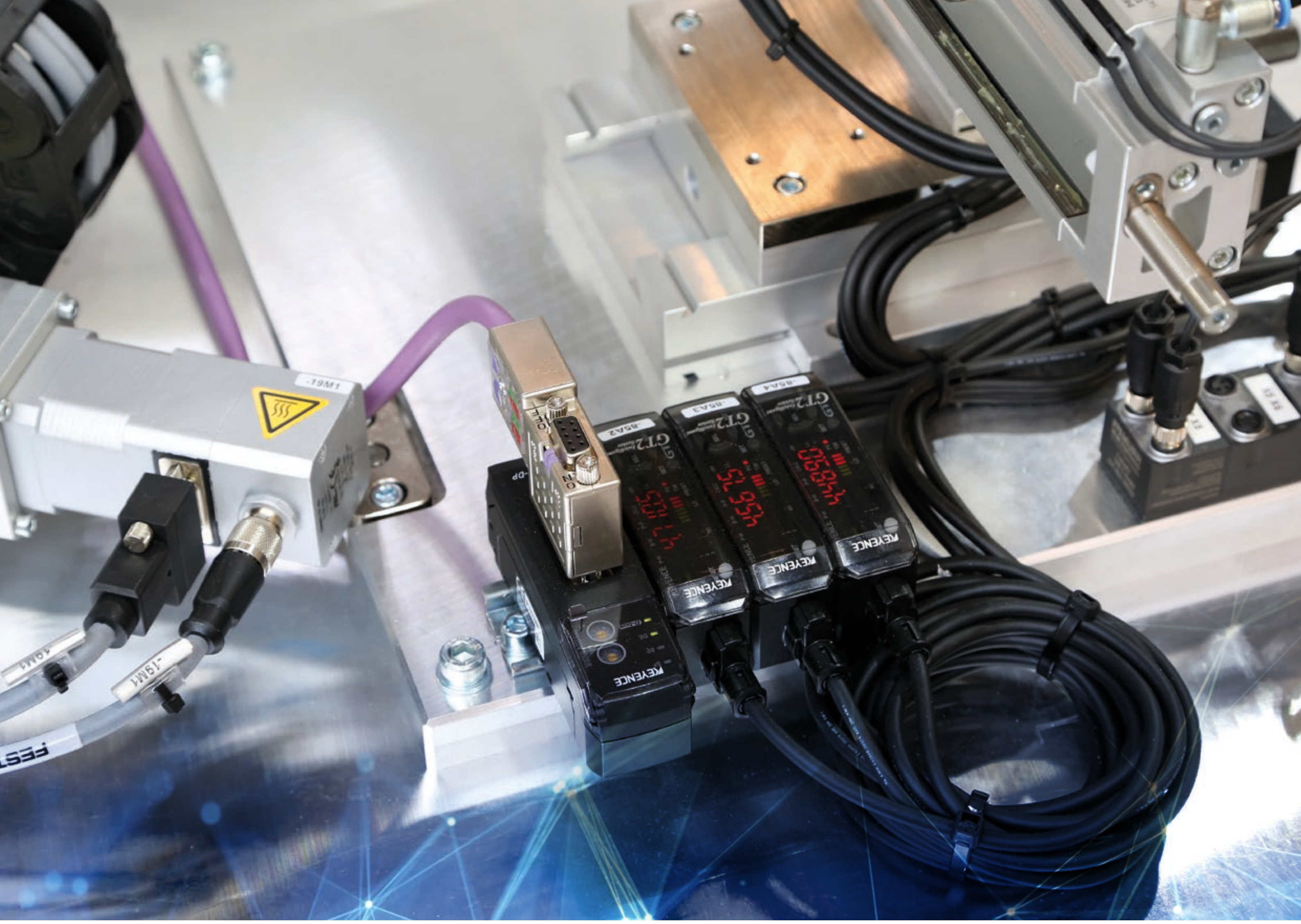
of InTiCa Systems in accordance with IFRS for the period from January 1 to December 31, 2019

	Note	Fiscal year EUR ´000	Previous year EUR ´000
Sales	5; 6.2	**65,733**	**47,923**
Other operating income	7	1,656	1,360
Change in finished goods and work in process	17	-1,908	1,062
Other own work capitalized		947	1,205
Raw materials and supplies		38,000	27,168
Personnel expense	11.3	11,668	11,821
Depreciation and amortization	11.1; 13; 14	5,248	4,309
Other expenses	7	9,404	9,197
Operating profit (EBIT)		**2,108**	**-945**
Cost of financing	9	735	449
Other financial income	8	0	0
Pre-tax profit/loss		**1,373**	**-1,394**
Income taxes	10.1	244	-80
Consolidated net profit/loss		**1,129**	**-1,314**
Other comprehensive income after taxes			
Items that will subsequently be reclassified to profit or loss if specific conditions are met:			
Exchange differences from the translation of foreign operations	22	80	-48
Other comprehensive income, after taxes		**80**	**-48**
Total comprehensive income		**1,209**	**-1,362**
Earnings per share (diluted/basic in EUR)	12	0.27	-0.31

Consolidated Cash Flow Statement

of InTiCa Systems in accordance with IFRS/IAS
for the period from January 1 to December 31, 2019

	Note	Fiscal year EUR ´000	Previous Year EUR ´000
Cash flow from operating activities			
Consolidated net income/loss for the period		1,129	-1,314
Income tax expense recognised in income	10.1	244	-80
Cash outflow for borrowing costs	9	735	449
Income from financial investments	8	0	0
Depreciation and amortization of non-current assets	11.1	5,248	4,309
Non-cash transactions		-48	-25
Increase/decrease in assets not attributable to financing or investing activities			
Inventories	17	734	-2,931
Trade receivables	18	2,112	-434
Other assets		-1,789	-1,193
Increase/decrease in liabilities not attributable to financing or investing activities			
Other current provisions	24	439	137
Trade payables	29.2	973	3,345
Other liabilities		24	341
Cash and cash equivalents from operating activities		9,801	2,604
Income tax receipts/payments		-458	-43
Cash outflow for interest payments		-736	-441
Net cash flow from operating activities		8,607	2,120
Cash flow from investing activities			
Cash inflow from interest payments		0	0
Cash inflow from the disposal of property, plant and equipment		3	6
Cash outflow for intangible assets	14	-1,052	-1,332
Cash outflow for property, plant and equipment	13; 33	-2,451	-5,231
Net cash flow from investing activities		-3,500	-6,557
Cash flow from financing activities			
Cash inflow from loans		2,223	3,438
Cash outflow for loan repayment installments		-3,617	-3,244
Repayments from the redemption of finance leases	2.1	-705	0
Net cash flow from financing activities		-2,099	194
Total cash flow		3,008	-4,243
Cash and cash equivalents at start of period	31	-9,933	-5,721
Impact of changes in exchange rates on cash and cash equivalents held in foreign currencies		-34	31
Cash and cash equivalents at end of period	31	-6,959	-9,933



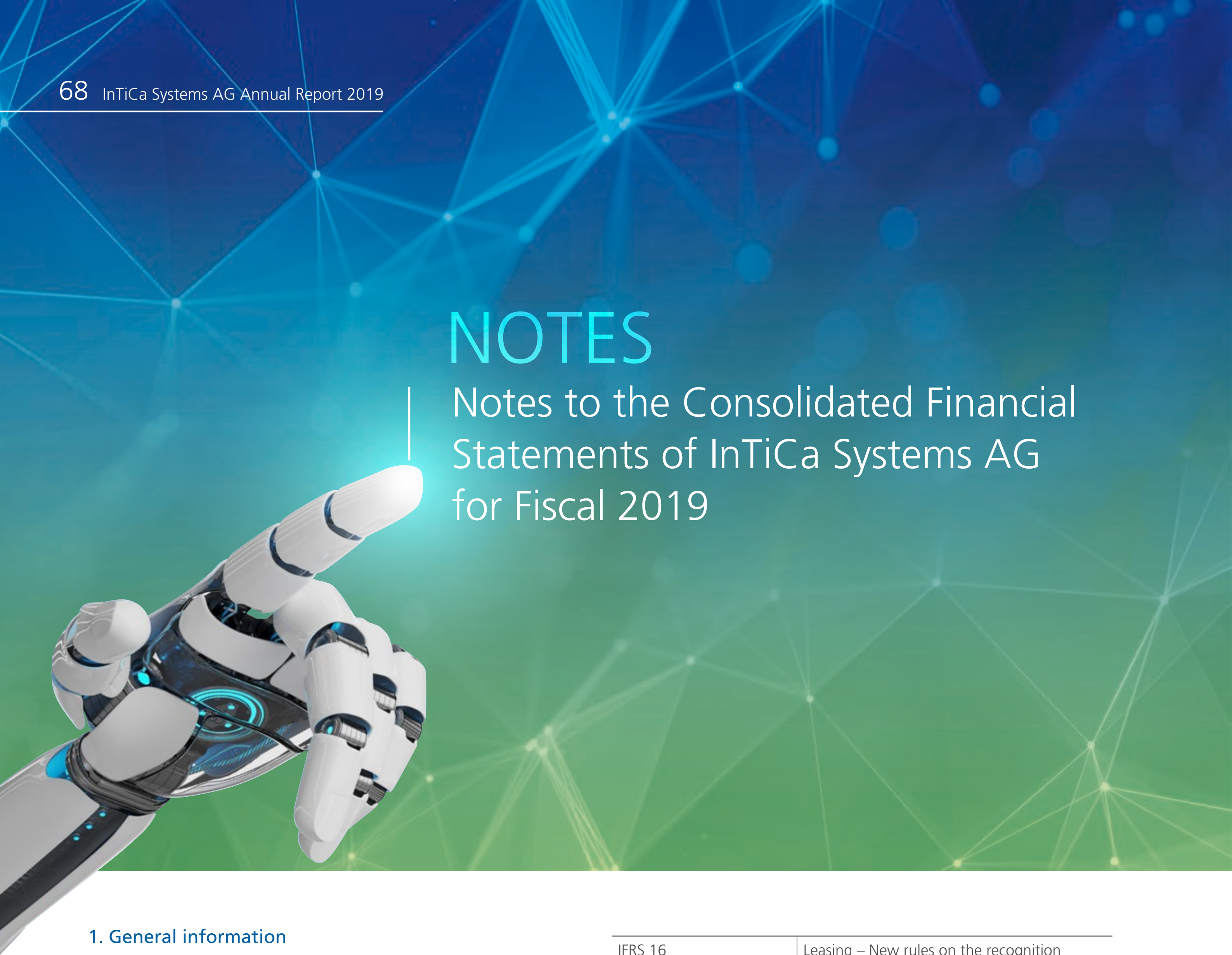
Quality and reliability

Modern control and measuring systems

Consolidated Statement of Changes in Equity

for InTiCa Systems according with IFRS
for the period from January 1, 2018 to December 31, 2019

	Capital stock EUR ´000	Treasury stock EUR ´000	Capital reserve EUR ´000	Profit reserve EUR ´000	Currency translation reserve EUR ´000	Total equity EUR ´000
Note	19	19	20	21	22	29.1
As at January 1, 2018	4,287	-64	15,389	-744	-746	18,122
Consolidated net income 2018	0	0	0	-1,314	0	-1,314
Other comprehensive income, after taxes	0	0	0	0	-48	-48
Total comprehensive income 2018	**0**	**0**	**0**	**-1,314**	**-48**	**-1,362**
As at December 31, 2018	4,287	-64	15,389	-2,058	-794	16,760
As at January 1, 2019	4,287	-64	15,389	-2,058	-794	16,760
Consolidated net income 2019	0	0	0	1,129	0	1,129
Other comprehensive income, after taxes	0	0	0	0	80	80
Total comprehensive income 2019	**0**	**0**	**0**	**1,129**	**80**	**1,209**
As at December 31, 2019	4,287	-64	15,389	-929	-714	17,969



NOTES

Notes to the Consolidated Financial Statements of InTiCa Systems AG for Fiscal 2019

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 2019:

IFRS 16	Leasing – New rules on the recognition of leases.
IFRIC 23	Clarification of uncertainty over income tax treatment – 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 – Amendments for assets with symmetrical termination rights – The amendments alter the rules on termination rights to allow measurement at amortized cost (or at fair value through other comprehensive income) even in the event of negative compensation. Consequently, all instruments with prepayment features are treated equally, irrespective whether or not the contractual party terminating the agreement pays.

IAS 19	Employee benefits – The amendments explicitly specify that in the case of plan amendments, curtailments and settlements during the year, the current service cost and net interest cost must be recalculated for the remaining period.
AIP 2015 - 2017	Clarification of various previously published standards – 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).

The standards and interpretations that had to be applied for the first time with effect from January 1, 2019 had the following impact on the consolidated financial statements:

» Initial application of IFRS 16 "Leases"

The Group applied IFRS 16 "Leases" (published by the IASB in January 2016) in the reporting period, because application is mandatory for financial years beginning on or after January 1, 2019.

IFRS 16 introduces new or modified accounting requirements for leases. It replaces the previous rules on leases set out in IAS 17, IFRIC 4 on determining whether an agreement contains a lease, SIC 15 on operating leases and SIC 27 on evaluating the substance of transactions involving the legal form of a lease. IFRS 16 standard outlines the principles for the recognition, measurement, presentation and disclosures relating to leases. There are major changes in the recognition of leases by lessees since a distinction is no longer made between operating and finance leases and they are required to recognize a right-of-lease asset and a lease liability at the commencement date of all leases, with the exception of short-term leases and leases where the underlying asset is of low value.

The Group has altered its accounting policy in accordance with the transition provisions and applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective method. Due the application of this transition method, there were no effects that had to be recognized in equity. Therefore, the comparative data for 2018 has not been restated. As of the date of initial application of the new standard, there were no onerous leases so it was not necessary to recognize an impairment write-down for right-of-use assets. The Group elected to apply the practical expedient that contracts that were in force at the transition date did not have to be reassessed to see whether they meet the definition of a lease in IFRS 16; instead, they are still recognized using the definition of a lease in IAS 17. The Group applies the definition of a lease and the related provisions of IFRS 16 to all contracts concluded or modified on or after January 1, 2019.

As lessee, the Group leases real estate, production facilities, furniture and operating equipment. In accordance with IFRS 16, the Group recognizes right-of-use assets and lease liabilities for the majority of leases, except where it applies the practical expedients outlined below. The right-of-use asset is initially measured at the present value of the future lease payments and subsequently depreciated over the useful life or term of the lease. The lease liability is determined as the present value of the lease payments to be made over the term of the lease. The carrying amount is subsequently increased by the applicable borrowing rate and reduced by the lease payments made. The lessee's weighted average incremental borrowing rate applied to the lease liabilities as of January 1, 2019 was 3.2%.

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

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

The principal effects of initial application of IFRS 16 on the consolidated financial statements are presented below.

The impact of initial application of IFRS 16 as of January 1, 2019 impacted the balance sheet as follows:

- Property, plant and equipment: increased by EUR 3,493 thousand
- Other financial liabilities: increased by EUR 3,493 thousand

The application of IFRS 16 impacted the statement of comprehensive income as follows:

- Other expenses: decreased by EUR 930 thousand
- Depreciation: increased by EUR 743 thousand
- Financial expenses: increased by EUR 227 thousand
- Income tax expense: Reduction of EUR 13 thousand

The application of IFRS 16 impacted the cash flow statement as follows:

- Net cash inflow from operating activities: increased by EUR 705 thousand
- Net cash inflow from financing activities: decreased by EUR 705 thousand

As a result of the initial application of IFRS 16, on the balance sheet as of January 1, 2019 there was an increase of the same amount in the line items other financial liabilities (due to recognition of lease liabilities) and property, plant and equipment (due to recognition of right-of-use assets). Instead of the expenses for operating leases, which were previously recognized in the operating result, under IFRS 16 the statement of comprehensive income contains depreciation of right-of-use assets and interest expense for lease liabilities. There was a similar impact on the cash flow statement, where application of IFRS 16 led to lower cash outflows for operating activities, which tends to improve the operating cash flow, while the portion of lease payments representing repayments of principal from leases are recognized in the cash flow from financing activities. The impact on depreciation, other operating expense and interest expense are outlined above. The repayments of principal relating to leases amounted to EUR 705 thousand.

The reconciliation from other financial obligations under rental and leasing agreements as of December 31, 2018 to the opening balance of lease liabilities as of January 1, 2019 is shown below.

Reconciliation to lease liabilities pursuant to IFRS 16

	in EUR '000
Obligations from operating leases reported as of December 31, 2018	8,247
Practical expedient for short-term leases	-119
Practical expedient for leases for low-value assets	-7
Other*	-3,524
Obligations from operating leases (undiscounted)	4,597
Discounting effect	-1,104
Carrying amount of the lease liability pursuant to IFRS 16 as of January 1, 2019	3,493
thereof non-current	2,972
thereof current	521

*The correction relates to leases for two production lines at the Czech subsidiary, which are leased by the Group. The corresponding lease agreements were concluded in 2018. Therefore the obligations were disclosed in the notes to the consolidated financial statements for 2018. Due to delays in completion of the production lines, however, the commencement of the lease was postponed retrospectively, and the right-of-use assets and lease liabilities were only recognized in the course of 2019, rather than as of January 1, 2019.

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

2.2 Standards, interpretations and amendments to published standards where application was not mandatory in 2019 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 3 Definition of a Business
(Effective date January 1, 2020; not yet endorsed by the EU)
The amendments to IFRS 3 Business Combinations clarify the definition of a business. The amendments specify the three elements of a business (input, processes, output). The presence of a business is the precondition for recognition of a business combination. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Thus, the presence of processes constitutes the difference between a business combination and the acquisition of a group of assets.

» References to the Conceptual Framework in IFRS standards
(Effective date: January 1, 2020;
EU endorsement: November 29, 2019)
In conjunction with the revised conceptual framework, the IASB has issued amendments to the references to the conceptual framework in the IFRS standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32. However, not all amendments update the references and citations from the conceptual framework in these standards to refer to the revised conceptual framework. Some standards were only amended to specify which version of the conceptual framework they refer to or to state that the definitions in the standard have not been updated to reflect the amended definitions in the revised conceptual framework.

» Amendments to IAS 1 and IAS 8: Definition of Material
(Effective date: January 1, 2020;
EU endorsement: November 29, 2019)
The International Accounting Standards Board (IASB) issued "Definition of Material (amendments to IAS 1 and IAS 8)" to sharpen the definition of "material" and to harmonize the different definitions in the conceptual framework and the actual standards. The revised version focuses on the materiality of information. This specifies that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of IFRS financial statements make on the basis of those financial statements.

» Amendments to IFRS 9, IFRS 39 and IFRS 7, Interest Rate Benchmark Reform
(Effective date: January 1, 2020;
EU endorsement: January 15, 2020)
To consider the potential impact of the reform of benchmark interest rates (IBOR reform) on financial reporting, the IASB included the IBOR project in its standard-setting programme in December 2018. This was divided into two phases:

- **Phase 1:** Issues relating to financial reporting in the period prior to replacement of an existing interest rate benchmark by an alternative interest rate.
- **Phase 2:** Issues relating to financial reporting in the period following replacement of an existing interest rate benchmark by an alternative interest rate.

The planned withdrawal of IBOR as a benchmark rate gives rise to a range of financial reporting issues. These include, in particular, hedge accounting, which requires forward-looking assessments. With the aid of these amendments, the aim is to permit continuation of the present hedge accounting insofar as possible. To this end, practical expedients are permitted with regard to various hedge accounting provisions.

» IAS 1 Classification of Liabilities as Current or Non-current
(Effective date: January 1, 2020; not yet endorsed by the EU)
The amendments to IAS 1 clarify the criteria for the classification of liabilities as current or non-current. In the future, the classification of a liability will depend solely on the "rights" at the end of the reporting period. Furthermore, supplementary guidance is provided for the interpretation of the criterion "right to defer settlement for at least twelve months" and explanations of "settlement" are included.

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

3. Principal accounting policies and valuation methods

3.1 Declaration of conformance

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

3.2 Basis of preparation of the consolidated financial statements

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

3.3 Principles of consolidation

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

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

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

3.4 Business combinations

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

3.5 Revenue recognition

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

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

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

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

3.6 Leases

A lease is a contract that conveys the right to use an asset (right-of-use asset) for a period of time in exchange for consideration. Until December 31, 2018, an agreement was classified as a lease if the lessor transferred the right to use an asset to the lessee for a specific period of time in return for contractually agreed payments.

Under IAS 17, the economic ownership to the leased asset was only attributed to the lessee if all material risks and rewards incidental to ownership of the leased asset were borne by the lessee. As of December 31, 2018, the InTiCa Systems Group did not have any finance leases.

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

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

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

The right-of-use assets are subsequently measured net of depreciation, which is calculated using the straight-line basis. The depreciation period in the Group is 2-10 years.

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

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

For further information on the effects on the Group, please see Notes 2.1 and 33.

3.7 Foreign currencies

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

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

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

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

Country	Closing rates		Average rates	
	2019	2018	2019	2018
Czech Republic	EUR 1/ CZK 25.410	EUR 1/ CZK 25.725	EUR 1/ CZK 25.672	EUR 1/ CZK 25.643
USA	US $ 1.123	US $ 1.145	US $ 1.120	US $ 1.181
Mexico	MXN 21.154	MXN 22.505	MXN 21.580	MXN 22.743

3.8 Taxation

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

» Current taxes

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

» Deferred taxes

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

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

» Current and deferred taxes for the reporting period

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

3.9 Earnings per share

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

3.10 Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.11 Intangible assets

» Intangible assets acquired separately

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

» Self-created intangible assets – research and development expenses

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

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

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

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

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

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

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

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

3.12 Impairment of property, plant and equipment and intangible assets

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

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

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

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

3.13 Borrowing costs

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

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

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

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

3.14 Inventories

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

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

Write-downs are made for obsolete and slow-moving inventories. If the reasons for the write-downs are no longer applicable, a corresponding write-up is recognized.

3.15 Provisions

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

3.16 Financial assets

Trade receivables are initially recognized at the transaction price and subsequently measured at amortized cost after deduction of impairment losses.

As specified in IFRS 15 "Revenue from Contracts with Customers", the transaction price is the amount of consideration to which the entity expects to be entitled in exchange for delivery of the goods or provision of the services to the customer, excluding amounts collected on behalf of third parties.

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

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

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

3.17 Financial liabilities

Financial liabilities are measured at cost of acquisition, taking transaction costs into account, and subsequently measured at amortized cost. Non-interest-bearing and low-interest liabilities with terms of at least one year are measured at present value on the basis of a market-oriented discount rate and interest is recognized until the repayment amount is due. For information on the recognition of financial liabilities from leases, see Note 3.6.

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

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

3.18 Security provided

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

3.19 Cash and balances on bank accounts

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

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

3.20 Accounting for hedging relationships

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

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

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

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

3.21 Government grants

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

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

4. Principal sources of estimation uncertainty

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

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

» Principal sources of estimation uncertainty

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

» Self-created intangible assets

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

During the fiscal year, the Board of Directors once again tested intangible assets produced by the Group's development department for impairment. The self-created intangible assets were carried in the consolidated balance sheet at EUR 4.7 million as of December 31, 2019 (2018: EUR 4.8 million).

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

» Leases – Estimating the lessee's incremental borrowing rate

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

» Taxes

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

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

5. Sales

The table shows the Group's sales split:

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Revenues from trading	4,259	4,923
Revenues from production	61,474	43,000
Total revenues from the sale of goods	**65,733**	**47,923**

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 segment

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

» Automotive Technology

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

» Industrial Electronics

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

6.2 Segment sales and segment result

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

	Segment sales		Segment result	
	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Automotive Technology	47,415	36,977	294	-1,316
Industrial Electronics	18,318	10,946	1,814	371
Total	**65,733**	**47,923**	**2,108**	**-945**
Income and expenses relating to assets not allocated to any segment			0	0
Financial result			**-735**	**-449**
Pre-tax income			1,373	-1,394

The sales revenues presented above comprise revenues from transactions with external customers. There were no intersegment transactions (2018: none).

6.3 Segment assets and liabilities

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Automotive Technology	39,353	38,441
Industrial Electronics	10,167	8,721
Total	**49,520**	**47,162**
Assets not allocated to any segment	5,778	2,903
Total consolidated assets	**55,298**	**50,065**

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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Cash and cash equivalents	736	78
Other current receivables	3,077	1,565
Other financial assets	352	75
Tax receivables	34	5
Deferred taxes	1,579	1,180
Total	**5,778**	**2,903**

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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000	Dec. 31, 2019 in EUR '000	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Automotive Technology	4,437	3,771	0	5,167	5,755
Industrial Electronics	811	538	0	1,628	808
Total	**5,248**	**4,309**	**0**	**6,795**	**6,563**

The total depreciation, amortization and impairment write-downs include impairment charges of EUR 0 thousand (2018: EUR 59 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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Small signal electronics	3,976	5,282
Power electronics	35,673	17,220
Mechatronic components and systems	20,841	19,776
Other	5,243	5,645
Total	**65,733**	**47,923**

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

6.6 Geographical information

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

	Sales revenues from transactions with external customers		Non-current assets	
	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Germany	43,130	32,594	8,839	6,855
Other countries	22,603	15,329	23,260	20,041
thereof China	4,755	1,634		
Total	**65,733**	**47,923**	**32,099**	**26,896**
Assets not allocated to any segment			1,579	1,180
Non-current assets, total			33,678	28,076

The data on sales in China are based on the location of the customer. The data on non-current segment assets outside Germany relate to the company's production facilities in the Czech Republic and Mexico. EUR 18,650 thousand of this amount comprises assets at the site in the Czech Republic (2018: EUR 16,646 thousand).

6.7 Information on major customers

The Group's three largest customers accounted for around EUR 9,775 thousand (2018: EUR 9,082 thousand), EUR 7,411 thousand (2018: EUR 5,587 thousand) and EUR 7,080 thousand (2018: EUR 3,737 thousand) of direct sales of products. That was 14.9% (2018: 19.0%), 11.3% (2018: 11.7%) and 10.8% (2018: 7.8%) of total sales. These are customers of the Automotive Technology and Industrial Electronics segments. In both 2019 and 2018, 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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Gains from foreign currency translation	1,413	1,177
Insurance refund	22	11
Other	221	172
Total	1,656	1,360

Other expenses	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Exchange losses	848	1,012
Cost of premises	503	1,049
Insurance premiums, contributions, levies	407	399
Vehicle expenses	180	305
Advertising costs, travel expenses	708	598
Delivery costs	837	1,112
Maintenance and repairs	939	1,049
Agency staff	3,372	1,782
Legal and consultancy expenses	316	272
Other operating expenses	1,294	1,619
Total	9,404	9,197

8. Other financial income

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Interest income from balances on bank accounts	0	0
Other financial assets	0	0
Total	0	0

Breakdown of investment income from financial assets by valuation class:

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Cash on hand and bank balances (LaR)	0	0
Financial assets recognized at amortized cost (LaR)	0	0
Total	0	0

9. Financial expenses

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Interest on overdrafts and bank loans	508	449
Interest on obligations relating to finance leases	227	0
Total	735	449

Breakdown of expenses for financial liabilities by valuation class:

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Financial liabilities measured at amortized cost (OL)	735	449

10. Income taxes

10.1 Income taxes recognized in the statement of profit or loss

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Current tax expense	396	82
Deferred taxes	-152	-162
Total	244	-80

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

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Income before taxes	1,373	-1,394
Theoretical tax expense	410	-416
Impact of adjustments to tax amounts (including deferred taxes)	-15	184
Impact of different tax rates applied to subsidiaries in different tax jurisdictions	-151	152
Total	244	-80

The tax rate used for the above reconciliation for 2019 and 2018 is the tax rate of 29.83% (2018: 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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Current claims for tax refunds	34	5

10.3 Deferred taxes

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Deferred tax assets	1,579	1,180
Deferred tax liabilities	1,887	1,640
Total	-308	-460

2019	Initial balance in EUR '000	Recognized in profit or loss in EUR '000	Recognized in other compre-hensive income in EUR '000	Recognized directly in equity in EUR '000	End balance in EUR '000
Deferred tax assets					
Property, plant and equipment	0	24	0	0	24
Trade receivables	0	18	0	0	18
Provisions	5	8	0	0	13
Tax losses	1,175	349	0	0	1,524
Total	**1,180**	**399**	**0**	**0**	**1,579**
Deferred tax liabilities					
Intangible assets	1,435	-39	0	0	1,396
Property, plant and equipment	114	286	0	0	400
Currency translation differences relating to foreign subsidiaries	91	0	0	0	91
Total	**1,640**	**247**	**0**	**0**	**1,887**
Total	**-460**	**152**	**0**	**0**	**-308**
2018					
Deferred tax assets					
Provisions	6	-1	0	0	5
Tax losses	1,048	127	0	0	1,175
Total	**1,054**	**126**	**0**	**0**	**1,180**
Deferred tax liabilities					
Intangible assets	1,331	104	0	0	1,435
Property, plant and equipment	254	-140	0	0	114
Currency translation differences relating to foreign subsidiaries	91	0	0	0	91
Total	**1,676**	**-36**	**0**	**0**	**1,640**
Total	**-622**	**162**	**0**	**0**	**-460**

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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Impairment write-downs on property, plant and equipment	0	0
Depreciation of property, plant and equipment	4,047	3,310
Impairment write-downs on intangible assets	0	59
Amortization of intangible assets	1,201	940
Total	**5,248**	**4,309**

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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Research and development costs expensed in the fiscal year	1,592	1,603

11.3 Personnel-related expenses

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Wages and salaries	9,091	9,420
Social security expenses	2,251	2,297
Pension expenses	12	12
Other	314	92
Total	**11,668**	**11,821**

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, 2019	Dec. 31, 2018
Consolidated net profit (in EUR '000)	1,129	-1,314
Weighted average ordinary shares (in thousand units)	4,223	4,223
Earnings per share (in EUR)	**0.27**	**-0.31**

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, 2018 to December 31, 2019
InTiCa Systems Group

In EUR '000	Land and buildings	Technical equipment and machinery	Other facilities, furniture and office equipment	Advance payments and construction in process	Total
Cost of acquisition or production					
As at January 1, 2018	9,032	33,974	2,486	1,719	47,211
Additions	134	4,008	581	508	5,231
Transfers	0	1,104	0	-1,104	0
Disposals	0	-33	-117	0	-150
Translation differences	-61	-125	23	0	-163
As at December 31, 2018	**9,105**	**38,928**	**2,973**	**1,123**	**52,129**
Additions pursuant to IFRS 16	3,291	0	202	0	3,493
As at January 1, 2019	**12,396**	**38,928**	**3,175**	**1,123**	**55,622**
Additions	16	4,698	150	879	5,743
Transfers	0	510	5	-515	0
Disposals	-18	-460	-475	0	-953
Translation differences	106	564	44	6	720
As at December 31, 2019	**12,500**	**44,240**	**2,899**	**1,493**	**61,132**
Depreciation					
As at January 1, 2018	2,696	22,907	1,498	0	27,101
Depreciation	321	2,620	370	0	3,311
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-14	-109	0	-123
Translation differences	-17	-116	5	0	-128
As at December 31, 2018 / January 1, 2019	**3,000**	**25,397**	**1,764**	**0**	**30,161**
Depreciation	818	2,760	469	0	4,047
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	-18	-460	-195	0	-673
Translation differences	37	222	21	0	280
As at December 31, 2019	**3,837**	**27,919**	**2,059**	**0**	**33,815**
Balance sheet value as at December 31, 2019	**8,663**	**16,321**	**840**	**1,493**	**27,317**
Balance sheet value as at December 31, 2018	6,105	13,531	1,209	1,123	21,968

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

Assets and mortgages pledged as security

A mortgage claim (EUR 2,000 thousand) on developed land owned by the Group with a carrying amount of EUR 5,730 thousand (2018: EUR 5,964 thousand) has been registered as security for the Group's liabilities to banks. Machinery at the Prachatice site with a carrying amount of EUR 5,648 thousand (2018: EUR 3,505 thousand) has been pledged as security for liabilities to banks.

14. Intangible assets
Change in non-current assets in the period January 1, 2018 to December 31, 2019
InTiCa Systems Group

In EUR '000	Self-created intangible assets	Other intangible assets	Total
Cost of acquisition or production			
As at January 1, 2018	9,908	631	10,539
Additions	1,309	23	1,332
Transfers	0	0	0
Disposals	-609	0	-609
Translation differences	0	1	1
As at December 31, 2018 / January 1, 2019	**10,608**	**655**	**11,263**
Additions	1,018	34	1,052
Transfers	0	0	0
Disposals	-1,002	-15	-1,017
Translation differences	0	5	5
As at December 31, 2019	**10,624**	**679**	**11,303**
Amortization			
As at January 1, 2018	5,452	494	5,946
Amortization	953	45	998
Impairment write-downs	0	0	0
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-609	0	-609
Translation differences	0	0	0
As at December 31, 2018 / January 1, 2019	**5,796**	**539**	**6,335**
Amortization	1,152	49	1,201
Impairment write-downs	0	0	0
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-1,002	-15	-1,017
Translation differences	0	2	2
As at December 31, 2019	**5,946**	**575**	**6,521**
Balance sheet value as at December 31, 2019	**4,678**	**104**	**4,782**
Balance sheet value as at December 31, 2018	4,812	116	4,928

Where the underlying projects have not been completed or no sales have been generated, self-created intangible assets (carrying amount EUR 1,096 thousand in 2019; 2018: EUR 2,886 thousand) are not yet subject to amortization.

Impairment write-downs in 2019

For development projects, the amortization recognized in the statement of profit and loss includes impairment write-downs of EUR 0 thousand (2018: EUR 59 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, 2019 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
(2018:		100	100	)
Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V.	Silao, Mexico	100	100	Production
(2018:		100	100	)

16. Other financial assets and other receivables

16.1 Other financial assets

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Receivables recognized at amortized cost		
Other financial assets	352	75
Total	**352**	**75**
Non-current	0	0
Current	352	75
Total	**352**	**75**

16.2 Other current receivables

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Deferred charges	138	162
Advance payments made	874	279
Current tax receivables	2,065	1,124
Total	**3,077**	**1,565**

17. Inventories

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Raw materials and supplies	7,154	5,980
Work in process	969	1,222
Unfinished tools with customer involvement	0	631
Finished goods	2,173	3,197
Total	**10,296**	**11,030**

Total impairment write-downs on inventories recognized in profit and loss amounted to EUR 191 thousand (2018: EUR 227 thousand). They comprised EUR 165 thousand (2018: EUR 146 thousand) in the Automotive Technology segment, and EUR 26 thousand (2018: EUR 81 thousand) in the Industrial Electronics segment. As of the reporting date the carrying amount of these inventories was EUR 690 thousand (2018: EUR 935 thousand).

The write-downs in the financial year are contained in other comprehensive income and comprise EUR 157 thousand (2018: EUR 95 thousand) in "Change in inventories of finished goods and work in process" and EUR 34 thousand (2018: EUR 132 thousand) in "Raw materials and supplies".

18. Trade receivables

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Trade receivables	7,185	9,297
Impairment write-downs	-61	-61
Total	**7,124**	**9,236**

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

Trade receivables where the principal opportunities and risks were transferred to a forfaiter under a master forfaiting agreement were fully derecognized. A purchase price discount (10%) is retained by the forfaiter when the receivables are sold and refunded on receipt of payment from the customer. The purchase price discount on the receivables derecognized as of December 31, 2019 (EUR 3,244 thousand) was EUR 324 thousand and is recognized in other financial assets.

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

Dec. 31, 2019	Expected loss ratio	Gross carrying amount of receivables in EUR '000	Impairment write-down in EUR '000
Not due	0.10%	5,364	5
1-30 days past due	1.00%	261	3
31-60 days past due	1.50%	654	10
61-90 days past due	3.50%	324	11
More than 90 days past due	5.50%	582	32
Total		**7,185**	**61**
Dec. 31, 2018			
Not due	0.10%	6,600	7
1-30 days past due	1.00%	1,455	14
31-60 days past due	1.50%	620	9
61-90 days past due	3.50%	171	6
More than 90 days past due	5.50%	451	25
Total		**9,297**	**61**

Trade receivables are derecognized when it is estimated with reasonable assurance that they can no longer be collected. Indicators of reasonable assurance that receivables cannot be collected include, for claims that are more than 150 days past due, either that no agreement has been made with the debtor on a repayment plan, or that payments under a repayment plan are no longer being made.

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

To secure credit lines totalling EUR 7.5 million (2018: 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 5.3 million (2018: EUR 8.7 million).

19. Capital stock

Capital stock and ordinary shares

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
4,287,000 fully paid-up ordinary shares	4,287	4,287
64,430 treasury shares (treasury stock)	-64	-64
Total	**4,223**	**4,223**

Treasury stock

	Dec. 31, 2019 in EUR '000	% of capital stock	Dec. 31, 2018 in EUR '000	% of capital stock
Status at start of year	64	1.493	64	1.493
Shares sold (nominal capital)	0	0	0	0
Shares repurchased	0	0	0	0
Total	**64**	**1.493**	**64**	**1.493**

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

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

20. General capital reserve

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Status at start of year	15,389	15,389
Sale of treasury stock	0	0
Pro rata net profit	0	0
Total	**15,389**	**15,389**

The capital reserve includes premiums from the issue of shares.

21. Profit reserve

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Status at start of year	-2,058	-744
Consolidated net profit (2018: consolidated net loss)	1,129	-1,314
Total	**-929**	**-2,058**

The profit reserve contains statutory profit reserves of EUR 51 thousand (2018: EUR 51 thousand) and other profit reserves (including the loss carryforward) of minus EUR 980 thousand (2018: minus EUR 2,109 thousand).

22. Currency translation reserve

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Status at start of year	-794	-746
Translation of foreign business operations	80	-48
Total	**-714**	**-794**

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

23. Financial liabilities

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Unsecured – recognized at amortized cost		
Overdrafts	7	11
Loans	387	576
Secured – recognized at amortized cost		
Overdrafts	7,687	9,999
Loans	12,585	13,791
Total	**20,666**	**24,377**
Current	10,819	13,564
Non-current	9,847	10,813
Total	**20,666**	**24,377**

EUR 3,996 thousand (2018: EUR 4,003 thousand) of the secured overdrafts relate to the Czech subsidiary and are secured by a guarantee from InTiCa Systems AG. EUR 2,600 thousand (2018: EUR 3,400 thousand) of the non-current loans are secured by a guarantee from InTiCa Systems s.r.o. for the German parent company.

Summary of financing agreements: Overdrafts are subject to variable interest during the year. Interest on loans is 1.30% - 5.50% p.a. (2018: 1.30% - 5.50% p.a.).

Non-current loans incur interest at a fixed rate averaging 2.27% p.a. (2018: 2.34% p.a.). Variable interest was agreed for three non-current loans totalling EUR 7,297 thousand (2018: EUR 6,495 thousand). As of December 31, 2019, interest on loans was 0.50% - 1.60% p.a. (2018: 0.5% - 1.60% p.a.).

24. Provisions

	Jan. 1, 2019 in EUR '000	Utilized in EUR '000	Reversed in EUR '000	Additions in EUR '000	Dec. 31, 2019 in EUR '000
Trade-related commitments (i)	594	594	0	934	934
Personnel expense (ii)	296	296	0	515	515
Other (iii)	321	321	0	201	201
Total	**1,211**	**1,211**	**0**	**1,650**	**1,650**

(i) In both 2018 and 2019, provisions for trade-related commitments comprised provisions for expected credit notes and outstanding invoices.

(ii) In both 2018 and 2019, the provisions for personnel expense were mainly to cover employees' annual vacation entitlements, bonuses, an anniversary provision, and expected contributions to the employers' liability insurance association.

(iii) In 2018 and 2019, the other provisions comprised costs for retention obligations and provisions for warranties.

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

25. Trade payables

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

26. Other financial liabilities

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
At amortized cost		
Other financial liabilities	470	488
Lease liabilities	922	0
Total	**1,392**	**488**

27. Other current liabilities

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Accrued expenses	0	0
Advance payments received	226	186
Other liabilities	318	316
Total	**544**	**502**

28. Liabilities relating to finance leases

Please refer to the comments in Note 3.6.

29. Financial instruments

29.1 Capital risk management

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

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

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

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

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

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Equity	17,969	16,760
Total assets	55,297	50,065
Equity ratio	32.5%	33.5%
Interest-bearing financial liabilities	20,666	24,377
Cash and cash equivalents	736	78
Net financial debt	**19,930**	**24,299**
EBIT	2,108	-945
Depreciation, amortization and impairment write-downs	5,248	4,309
EBITDA	7,356	3,364
Net financial debt/EBITDA	**2.71**	**7.22**

29.2 Supplementary disclosures on financial instruments

	IFRS 9 valuation categories	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Financial assets			
Cash on hand and bank balances	AC [1]	736	78
Trade receivables	AC [1]	7,124	9,236
Other financial assets	AC [1]	352	75
Total		**8,212**	**9,389**
Financial liabilities			
Financial liabilities	AC [1]	20,666	24,377
Trade payables	AC [1]	5,909	4,936
Other financial liabilities	AC [1]	6,551	488
Total		**33,126**	**29,801**

[1] AC = at amortized cost

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

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

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

29.3 Financial risk management

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

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

» Exchange-rate risks

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

The Group has concluded currency hedging agreements in Czech koruna for forecast expenditures in the next 15 months. The purpose is to minimize the volume of foreign exchange transactions with ongoing volatility as a result of fluctuations in exchange rates. The risks arise from the volatility of the CZK/EUR exchange rate. The Group has hedged this via an unconditional forward transaction (currency forward; hedging relationship) to secure a fixed exchange rate for cash outflows in CZK (hedged item). The hedged item is fully hedged by the hedging transaction. For further information on hedge accounting, please see Note 3.20. The expiration date of the hedge is March 10, 2020 and a notional amount of EUR 400,000 is exchanged monthly at a fixed rate of CZK 26.04/EUR 1. As of December 31, 2019, the fair value of the hedge was EUR 27 thousand (December 31, 2018: minus EUR 2 thousand).

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

The parameters used for the sensitivity analysis (USD: +/- 10%; CZK +/- 3.5%; MXN: +/-3.5%) represent the Board of Directors' assessment of a reasonable potential change in the exchange rate. If the euro had appreciated (depreciated) by these percentages against each of these currencies as of December 31, 2019, the impact of the change in the USD exchange rate on the consolidated net profit would have been a decline (increase) of around EUR 119 thousand (2018: EUR 43 thousand), while a change in the CZK exchange rate of this magnitude would have increased (decreased) the consolidated net profit by around EUR 97 thousand (2018: EUR 43 thousand). For the MXN, the impact on the consolidated net profit would have been a decline (increase) of EUR 359 thousand (2018: EUR 237 thousand).

	Nominal amount as of		Nominal amount as of	
	Dec. 31, 2019 in EUR '000	**2019 in EUR '000**	**Dec. 31, 2018 in EUR '000**	**2018 in EUR '000**
Change in USD (+/-10%)	1,333	119	498	43
Change in CZK (+/-3.5%)	2,760	97	1,235	43
Change in MXN (+/-3.5%)	10,250	359	6,762	237

» 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, 2019, the result would have been EUR 150 thousand lower (higher).

» Price risks

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

» Risk of default

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

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

» Liquidity risk

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

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Credit lines		
Amounts drawn	7,695	9,999
Undrawn amounts	4,205	351
Total	**11,900**	**10,350**

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

	up to 1 year in EUR '000	1–5 years in EUR '000	over 5 years in EUR '000	Total in EUR '000
2019				
Variable-interest financial liabilities	9,215	5,035	1,152	15,402
Fixed-interest financial liabilities	1,958	3,650	332	5,940
Total	11,173	8,685	1,484	21,342
2018				
Variable-interest financial liabilities	11,365	4,813	733	16,911
Fixed-interest financial liabilities	2,739	4,939	571	8,249
Total	14,104	9,752	1,304	25,160

30. Related party transactions

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

30.1 Board of Directors

- **Dr. Gregor Wasle (Chairman)**
  Strategy, investor relations, R&D, production, finance, human resources and IT
- **Günther Kneidinger**
  Sales, materials management, logistics centre and quality

30.2 Supervisory Board

- **Udo Zimmer**
  Chairman of the Supervisory Board, Munich
  Member of the Board of Management of REMA TIP TOP AG
- **Werner Paletschek**
  Deputy Chairman of the Supervisory Board, Fürstenzell
  Managing Director of OWP Brillen GmbH
- **Christian Fürst**
  Member of the Supervisory Board, Thyrnau
  Managing partner of ziel management consulting gmbh
  Managing partner of Fürst Reisen GmbH & Co. KG
  Chairman of the Supervisory Board of Electrovac AG
  Advisory Board of Eberspächer Gruppe GmbH & Co. KG

30.3 Remuneration of the Board of Directors and the Supervisory Board

» Remuneration of the Board of Directors

The total remuneration of the Board of Directors in the 2019 fiscal year was EUR 423 thousand (2018: EUR 423 thousand). The fixed compensation comprises a base salary and variable annual compensation. The fringe benefits comprise supplementary payments for social security contributions and payments in kind comprising the use of company cars. The variable annual compensation comprises bonuses paid upon attainment of personal targets agreed with the members of the Board of Directors.

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

The following tables show the remuneration of the members of the Board of Directors of InTiCa Systems AG for 2019 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			
	2018	2019	2019 (min)	2019 (max)	2018	2019	2019 (min)	2019 (max)
Fixed compensation	190	190	190	190	180	180	180	180
Fringe benefits	23	23	23	23	30	30	30	30
Total	**213**	**213**	**213**	**213**	**210**	**210**	**210**	**210**
One-year variable compensation	0	0	0	190	0	0	0	180
Multi-year variable compensation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Plan description (plan term)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**0**	**0**	**0**	**190**	**0**	**0**	**0**	**180**
Pension expense	0	0	0	0	0	0	0	0
Total compensation	**213**	**213**	**213**	**403**	**210**	**210**	**210**	**390**

Amount received in EUR '000	Dr. Gregor Wasle Board of Directors Since January 1, 2015		Günther Kneidinger Board of Directors Since January 1, 2009	
	2018	2019	2018	2019
Fixed compensation	190	190	180	180
Fringe benefits	23	23	30	30
Termination benefit	0	0	0	0
Total	**213**	**213**	**210**	**210**
One-year variable compensation	0	0	0	0
Multi-year variable compensation	n.a	n.a	n.a	n.a
Plan description (plan term)	n.a	n.a	n.a	n.a
Other	0	0	0	0
Total	**0**	**0**	**0**	**0**
Pension expense	0	0	0	0
Total compensation	**213**	**213**	**210**	**210**

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

» Remuneration of the Supervisory Board

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

Alongside the above amounts, the members of the Supervisory Board receive the following graduated payments for financial years in which the company reports a consolidated EBIT margin (ratio of EBIT to sales) of over 3%: 20% of their fixed compensation if the EBIT margin is over 3%, 50% of their fixed compensation if the EBIT margin is over 5% and 100% of their fixed compensation if the EBIT margin is over 10%. A provision for performance-related remuneration was recognized in the reporting period.

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

	Performance-unrelated remuneration in EUR '000	Performance-related remuneration in EUR '000	Attendance fee in EUR '000	Total in EUR '000
2019				
Udo Zimmer	15.00	3.00	4.50	22.50
Werner Paletschek	12.50	2.50	4.50	19.50
Christian Fürst	10.00	2.00	4.50	16.50
Total	37.50	7.50	13.50	58.50
2018				
Udo Zimmer	15.00	0.00	4.50	19.50
Werner Paletschek	12.50	0.00	5.25	17.75
Christian Fürst	10.00	0.00	5.25	15.25
Total	37.50	0.00	15.00	52.50

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

30.4 Share ownership

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

	Shareholding (units)	
	Dec. 31, 2019	Dec. 31, 2018
Günther Kneidinger	4,000	4,000
Werner Paletschek	5,000	5,000
Christian Fürst	4,800	4,800

Major shareholders:

	Shareholding in %	
	Dec. 31, 2019	Dec. 31, 2018
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
Jürgen und Elisabeth Donath	more than 3	less than 3
InTiCa Systems AG	1.5	1.5

31. Cash and cash equivalents

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

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Cash and balances on bank accounts	736	78
Overdrafts	-7,695	-10,011
Total	-6,959	-9,933

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, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Commitments to acquire property, plant and equipment	404	1,026

33. Leases

Due to initial application of IFRS 16 as of January 1, 2019, right-of-use assets and corresponding lease liabilities were recognized for buildings, production facilities, furniture and other operating equipment leased in the reporting period. See also the information on the new standards applied in the reporting period (Note 2.1) and the accounting and valuation methods (Note 3.6). The lease terms are between 2 and 8 years. In the reporting period, the Group was not party to any leases as lessor. Information on leases where the Group is the lessee is presented below.

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

Right-of-use assets	Dec. 31, 2019 in EUR '000
Land, land rights and buildings, including buildings on leased land	2,791
Technical facilities and machines	3,117
Other facilities, furniture and office equipment	131
Total	6,039

In 2019, additions of right-of-use assets totalling EUR 3,292 thousand were recognized.

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

Due date of lease payments in EUR '000	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Lease payments	1,247	4,480	1,571	7,298

As of December 31, 2019, lease liabilities with a term of less than one year totalling EUR 922 thousand were recognized in other current financial liabilities. Lease liabilities totalling EUR 5,159 thousand (term > 1 year) were recognized in other non-current financial liabilities.

Depreciation of right-of-use assets in 2019 related to the following groups of assets:

Depreciation of right-of-use assets	Dec. 31, 2019 in EUR '000
Land, land rights and buildings, including buildings on leased land	497
Technical facilities and machines	146
Other facilities, furniture and office equipment	100
Total	743

For information of the effect on interest expense and the effect on the cash flow statement, please see Note 2 "Application of new and amended standards".

In connection with leases where the Group is lessee the following amounts were also recognized in the statement of profit or loss in 2019:

Income effect from leases	Dec. 31, 2019 in EUR '000
Expenses for short-term leases with a term of more than one and maximum 12 months	84
Expenses for leases with underlying assets of low value (excluding short-term leases)	1
Total	85

As of December 31, 2018 (before application of IFRS 16) the Group reported the following expenses and financial obligations relating to operating leases for business premises and for furniture and office equipment:

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

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 1,420 thousand (2018: EUR 1,509 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

The worldwide spread of the novel coronavirus since its outbreak in China in January 2020 has been very dynamic. In view of the rate at which it is spreading, the difficulty of protecting people from transmission of the virus and its dangerous nature, governments and national authorities are imposing measures that greatly restrict public life and are having a very adverse impact on the economy (including the flow of goods).

Examples are:

- (temporary) international travel bans
- closure of borders, ports, schools and other public institutions, bars and restaurants
- cancellation of trade shows and events of all kinds
- reduction in the volume of air and rail traffic.

In just four weeks from February 17, 2020 to March 3, 2020, the value of the German blue chip index, the DAX, fell by more than 30%. There is no sign that this situation is coming to an end.

This also applies to the financial impact on our company. We cannot quantify this at present, but we estimate a clearly negative impact on our assets, financial position and results of operations. See also the comments in sections 5.3 and 6.3 of the Group Management Report.

36. Disclosures

The consolidated financial statements were approved for publication by the Board of Directors on April 22, 2020. In 2019, InTiCa Systems AG received the following notification in accordance with sec. 21 paragraph 1 or paragraph 4 of the German Companies Act (AktG) or sec. 33 paragraph 1 or paragraph 2 of the German Securities Trading Act (WpHG):

On March 14, 2019, Ms. Elisabeth Donath and Mr. Jürgen Donath, Germany, notified us pursuant to sec. 33 paragraph 1 WpHG that their share of the voting rights in InTiCa Systems Aktiengesellschaft, Passau, Germany, ISIN: DE0005874846, WKN: 587484 exceeded the 3% threshold and that their direct share of the total voting rights (4,287,000 voting rights) is now 3.05% (corresponding to 130,900 voting rights).

37. Staff

The average number of employees in 2019 was 478 (2018: 518).

	Dec. 31, 2019	Dec. 31, 2018
Salaried employees	107	120
Industrial employees	361	388
Trainees	4	3
Low-wage part-time staff	6	7
Total	**478**	**518**

38. Auditor's fees

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

	Dec. 31, 2019 in EUR '000	Dec. 31, 2018 in EUR '000
Audit services for the fiscal year	68	68
Other services for the fiscal year	1	6
Total	**69**	**74**

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

39. German Corporate Governance Code

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

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

Passau, April 22, 2020

The Board of Directors

Dr. Gregor Wasle
Chairman of the Board of Directors

Günther Kneidinger
Member of the Board of Directors

RESPONSIBILITY

Responsibility Statement

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

Passau, April 22, 2020

The Board of Directors

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

AUDITOR'S REPORT

Independent auditor's report

To InTiCa Systems AG, Passau

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

Audit opinions

We have audited the consolidated financial statements of InTiCa Systems AG and its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2019 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, 2019 to December 31, 2019, 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, 2019 to December 31, 2019.

In our opinion, based the knowledge obtained in the audit the attached consolidated financial statements

- comply in all material respects with the IFRS as adopted by the EU, and the additional requirements of German law to be applied in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB) and gives a true and fair view of the Group's assets and financial position as of December 31, 2019 and the results of operations for the financial year from January 1, 2019 to December 31, 2019 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 5 Paragraph 1 of the EU Audit Regulation. In our opinion, the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the Group management report.

Key audit matters in the audit the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the consolidated financial statements for the financial year from January 1, 2019 to December 31, 2019. 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 what we consider to be the key audit matters. Our presentation of these key 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 4,678 thousand as of December 31, 2019. They account for 8.5% of total assets. For information on the accounting policies and valuation methods applied, see Notes 3.11 and 3.12 to the consolidated financial statements. For information on estimation uncertainty, see Note 4 to the consolidated financial statements. For information on the development of capitalized development costs, see Note 14 to the consolidated financial statements.

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

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

The impairment test on own work capitalized is complex and is based on a series of discretionary assumptions. These include, in particular, expected future cash flows.

As a result of the impairment test, the Group did not recognize any impairment write-downs in the reporting period. The carrying amounts of the development projects are written down entirely if a positive net realizable value is 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.

Impact of the initial application of IFRS 16 on the recognition of leases

a) Description of the key audit matter
In the 2019 fiscal year, initial application of the new reporting standard on leases (IFRS 16) had a material impact on the opening balance sheet and its development during the year. The standard sets out principles for the recognition, measurement and presentation of leases and the related disclosures.

As lessee, the Group leases real estate, production facilities, furniture and operating equipment. In accordance with IFRS 16, the Group recognizes right-of-use assets and lease liabilities for the majority of leases, except where it applies the practical expedients outlined in the notes to the consolidated financial statements. As of January 1, 2019, the right-of-use asset for contracts in force was measured at the present value of the future lease payments and subsequently depreciated over the useful life of the asset or the term of the lease. The lease liability is determined as the present value of the lease payments to be made over the term of the lease. The carrying amount is subsequently increased by the applicable borrowing rate and reduced by the lease payments made. The lessee's incremental borrowing rate is used for discounting.

In certain cases, recognition of leases pursuant to IFRS 16 requires estimates and the judgement of the company's legal representatives. These had to be examined during the audit. In addition, first-time application of this standard had a material impact on various items in the consolidated financial statements. As of January 1, 2019, right-of-use assets and lease liabilities of EUR 3,493 thousand were recognized.

For information on the accounting policies and valuation methods applied and the impact on items in the consolidated financial statements, see Notes 2.1 and 33 to the consolidated financial statements.

In principle, there is a risk to that the Group may have make an error in the initial recognition, measurement or subsequent recognition of right-of-use assets and lease liabilities.

b) Audit approach and findings
In the course of our audit, we initially examined the methodology used by InTiCa Systems AG to recognize leases and for the correct initial and subsequent measurement of right-of use assets and lease liabilities. We viewed the lease agreements on the basis of samples and assessed whether their recognition and measurement is reflected correctly. We plausibilized their completeness on the basis of the lease payments made. The calculation of the lease liabilities as of January 1, 2019 and additions to the amounts recognized during the year were checked arithmetically. In addition, we reviewed possible assumptions made by the legal representatives for measurement purposes (e.g. the interest rate) on the basis of questions and suitable evidence.

The recognition and measurement of leases are in line with the requirements and conform to the applicable accounting and valuation principles. Depreciation and subsequent recognition were carried out correctly.

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.

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

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

Reasonable assurance is a high level assurance, but not a guarantee, that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU Audit Regulation, taking into account the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) will always detect any material misstatement. Misstatements may result from fraud or error and are regarded as material if, either individually or in aggregate, they could reasonably be expected to influence economic decisions by users taken on the basis of these consolidated financial statements or this Group management report.

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

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

- we gain an understanding of the internal controls of relevance for the audit of the consolidated financial statements and the safeguards and measures of relevance to the audit of the Group management report, in order to plan audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an audit opinion on the efficacy of these systems.

- we assess the appropriateness of the accounting policies applied by the legal representatives, the reasonableness of the estimates made by the legal representatives and the associated disclosures.

- we draw conclusions about the appropriateness of the going concern principle of accounting used by the legal representatives and, on the basis of the audit evidence, about whether there is any material uncertainty regarding the events or circumstances that could give rise to significant doubt about the ability of the Group to continue as a going concern. If we come to the conclusion that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the Group management report or, if these disclosures are inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. Future events or circumstances may, however, prevent the Group continuing to do business.

- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying business transactions and events in a manner such that consolidated financial statements give a true and fair view of the assets, financial position and results of operations of the Group in accordance with the IFRSs adopted by the EU and the additional requirements of German law in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB).

- we obtain sufficient appropriate audit evidence regarding the accounting information on the companies or business operations within the Group to give audit opinions on the consolidated financial statements and Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.

- we assess the consistency of the Group management report with the consolidated financial statements, its compliance with the law and the view it presents of the Group's position.

- we perform our audit procedures on the forward-looking statements made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine, in particular, the significant assumptions underlying the forward-looking statements by the legal representatives and assess whether the forward-looking statements have been derived correctly from these assumptions. We do not express a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a significant and unavoidable risk that future events could deviate materially from the forward-looking statements.

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

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

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

Other legal and regulatory requirements

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

We were elected as the auditor for the consolidated financial statement at the Annual General Meeting on July 15, 2019. We were engaged by the Supervisory Board on July 18, 2019. 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 Collin Späth.

Eggenfelden, April 22, 2020

consaris AG
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

Diplom-Volkswirt
Collin Späth
Wirtschaftsprüfer (Auditor)

GLOSSARY

Technical Glossary

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

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

Coil
See under "inductive components" or "inductors".

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

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

Inductors, Solenoid, Coil

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

Inductive components

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

Inductivity, High-tech inductivity

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

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).

Financial Calendar 2020

April 23, 2020	Publication of the annual report for 2019
April 23, 2020	Press conference / conference call
May 20, 2020	Publication of interim financial statements for Q1 2020
July 15, 2020	Annual General Meeting in Passau
August 13, 2020	Publication of interim financial statements for H1 2020
November 19, 2020	Publication of interim financial statements for Q3 2020
December 8/9, 2020	Munich Capital Market Conference 2020

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Thank you for your confidence
in our company

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