Focus on Internationalization

2016
ANNUAL REPORT

Technologies for growth markets!

InTiCa Systems

Key Figures of InTiCa Systems

The Group

	2014 EUR ´000	2015 EUR ´000	2016 EUR ´000	Change in %
Sales	40,509	42,441	44,928	5.9%
Net margin	-6%	0%	0.8%	-
EBITDA	2,398	5,163	5,372	4.0%
EBIT	-2,476	706	1,040	47.3%
EBT	-2,869	262	613	134.0%
Net profit (loss)	-2,430	78	347	344.9%
Earnings per share (diluted/basic in EUR)	-0.58	0.02	0.08	344.9%
Cash flow total	-1,646	-6,095	721	-
Net cash flow from operating activities	3,145	2,618	4,142	58.2%
Capital expenditure	6,199	8,964	4,544	-49.3%

	31.12.2014 EUR ´000	31.12.2015 EUR ´000	31.12.2016 EUR ´000	Change in %
Total assets	34,763	40,321	41,477	2.9%
Equity	15,998	16,445	16,727	1.7%
Equity ratio	46%	41%	40%	-
Employees incl. agency staff (number)	507	525	586	11.6%

The Stock

	2014	2015	2016	(Mar. 31, 2017) 2017
Closing price (in EUR)	4.12	4.25	4.75	4.52
Period high (in EUR)	6.00	5.50	5.10	4.90
Period low (in EUR)	3.86	3.87	4.20	4.31
Market capitalization at end of period (EUR million)	17.66	18.22	20.36	19.38
Number of shares	4,287,000	4,287,000	4,287,000	4,287,000

The stock prices are closing prices on XETRA

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The InTiCa Systems' Group Foreword

GROUP

Dear shareholders, employees and business associates,

2016 was definitely not an easy year for InTiCa Systems but looking back at the intensive development of the company and the establishment of the site in Mexico, there is reason to be satisfied. The bottom line was sales growth of around 6 percent to approximately 45 million euro. On the earnings side, we actually slightly exceeded our expectations. Despite higher expenses for optimization of production workflows and internationalization, the operating result (EBIT) increased by more than 45 percent year-on-year to around 1 million euro, giving an EBIT margin of 2.3 percent. Without the start-up costs for the Mexico site, earnings would have been considerably higher. As a result of our investment in state-of-the-art production equipment and the systematic alignment of production to lean principles, we achieved a clear net profit of 0.3 million euro. There was also another significant improvement in the cash flow compared with the previous year. Overall, our performance was quite clearly positive.

As expected, the dynamic growth reported by our Automotive Technology segment in recent years flattened somewhat in 2016. This was mainly because our products have now achieved a certain market penetration. Components made by InTiCa Systems are already used in more than 400 models manufactured by over 20 different automobile producers. Nevertheless, the segment still offers a wide range of opportunities to raise sales appreciably in the future. Promising factors here are the increased use of solutions such as our keyless entry systems in volume models, and the development and commercialization of new products and solutions for the upcoming megatrends in the automotive industry, i.e. digital networking and electric vehicles. Our innovative stator systems and EMC filters already offer ideal solutions for the challenges confronting automotive producers and their suppliers as a result of these new technologies.

Another important basis for future growth is the internationalization of production and distribution. The company´s aim is to leave a "global footprint" outside Europe and, as a first step,

to supply existing customer orders locally based on the principle of "follow the customer". In view of this, InTiCa Systems deliberately opted for a site in Mexico, where it has established a new subsidiary, Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V., and rented an existing 5,000 m² production building. The site is in an industrial park in Silao in the state of Guanajuato in the Bajio region, where other well-known international automotive suppliers are located as well. All major customers are within a radius of about 200 kilometres. An experienced team has been hired for the management of the company, production and quality control. A complete production line was installed at the end of 2016 and validated by the customer in the first quarter of 2017. We plan to start production of a further serial component during the year and to install the second production line. We are currently engaged in negotiations for further components for the Mexico site. If these orders are secured, we would bring forward the installation of further production plant and equipment from 2018 to the fourth quarter of 2017.

Mexico is the world's fourth largest automobile exporter and one of the most important production locations for the international automotive industry. However, at present about 70 percent of components are imported. Hence there is a correspondingly high demand for local suppliers. Thanks to the North American Free Trade Agreement (NAFTA) and similar free trade agreements with more than 40 countries, Mexico also offers good access to many attractive markets. Favourable wages and good to very good training standards are further advantages of a location in the country, with over 120 million inhabitants. At present, we do not expect the election of the new US president and the associated announcement of a change in US trade and foreign policy to have a direct adverse effect on our business activities in Mexico.

The Industrial Electronics segment reported an improvement in sales for the first time since 2012. We believe we are still well-positioned for the future as a specialist for the development and production of high-quality, customer-specific inductive components as well as mechatronic modules and system solutions for industrial electronics applications. Accordingly, we expect to benefit from sector trends such as the digitization of industrial plant, i.e. Industry 4.0. We are therefore sticking to the medium-term objective that 15-20 percent of total Group revenue will come from the sale of solutions for filter technology, stators and actuators by the Industrial Electronics segment.

We expect both segments to report continuous growth in sales volumes in 2017. Assuming stable economic conditions, we plan to increase the Group's sales revenue by around 10 percent and the EBIT margin by around 3 percent. Our guidance is supported by our performance in the first quarter of 2017 and the exceptionally high level of orders on hand.

Finally, we would like to mention a special event in the history of InTiCa Systems: in 2016 we celebrated the tenth anniversary of our production site in Prachatice. InTiCa Systems AG and InTiCa Systems s.r.o. invited anyone who was interested to an Open Day at the Czech site on September 24, 2016. This was followed by a celebration of this unique day with the entire team. The event symbolizes the hope with which we are facing the future and the successful collaboration of our workforce across borders.

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

Passau, April 2017

Yours

Dr. Gregor Wasle
Spokesman for the Board of Directors

Günther Kneidinger
Member of the Board of Directors

Report of the Supervisory Board on Fiscal 2016

GROUP

Dear shareholders,

In fiscal 2016 the Supervisory Board performed the tasks imposed on it by law, the articles of incorporation and the rules of procedure, regularly advised the Board of Directors on the management of the company and monitored and supervised its management activities. The yardsticks for oversight were the lawfulness, correctness, cost-effectiveness and expediency of the management of the company and the Group.

Cooperation with the Board of Directors

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

The Board of Directors' reports to the Supervisory Board centred principally on planning, business development and the business situation of InTiCa Systems AG and its subsidiaries, including the risk situation, risk management, compliance and transactions of especial importance for the company. The Board of Directors outlined the discrepancy between the business planning and actual performance, together with explanations, and informed the Supervisory Board of the planned corrective action. The content and scope of the reporting by the Board of Directors met the demands made by the Supervisory Board. Alongside these reports, the Supervisory Board requested supplementary information from the Board of Directors. The Board of Directors was available at meetings of the Supervisory Board to provide explanations and answer questions asked by the Supervisory Board. The Board of Directors and Supervisory Board used the meetings to agree on the strategic focus of the company and review the implementation of the strategy at regular intervals.

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

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

Advisory and supervisory activities

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

In 2016 the Supervisory Board considered in particular the company's strategic focus, the establishment of the new site in Silao, Mexico, corporate finance, and the lean production changes at the existing production site. The development of the individual segments was always a focus in the discussion of all issues. To this end, the Supervisory Board received timely and extensive information on the current situation of the Group and its companies, and all business operations of material importance for the Group's profitability and liquidity (see sec. 90 paragraph 1 of the German Companies Act [AktG]). Production and sales planning and the strategic development of the Group were also discussed regularly with the Board of Directors.

Composition of the Supervisory Board

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

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

Meetings of the Supervisory Board

The Supervisory Board held seven meetings in 2016. All members of the Supervisory Board attended all meetings.

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

January 25, 2016: The main items on the agenda were the budget for 2016; establishment of the production site in Mexico; the development of delivery and quality costs; plans for the lean production project in 2016; establishment of the company's financial calendar for 2016.

March 14, 2016: Discussion of current business performance; business development Industrial Electronics; business performance in 2015; ongoing development of the financing concept; progress in establishing the site in Mexico; progress in the lean production project, including a tour of the Prachatice site; appointment of the auditor and hearing; extension of monthly reporting and the risk management report; presentation and discussion of the cyber security concept.

April 20, 2016: The central item on the agenda was the presentation of the annual financial statements by the Board of Directors and the auditor; presentation of the quarterly report on the first three months; discussion of the cost/earnings situation.

June 8, 2016: Report by the Board of Directors on current business performance; business development Industrial Electronics; update on establishment of the Mexico site; development of delivery and quality costs; successes in the lean production project; measures to optimize costs; appointment of a new site manager in Prachatice; IT security concept; appointment of the auditor for the 2016 fiscal year.

July 14, 2016: The Supervisory Board focused principally on the final preparations for the Annual General Meeting; current status of business development and progress with the Mexico site; Market Abuse Regulation.

September 20, 2016: Resolution approving the mid-term planning for 2017-2019; current status of business development and forecast for 2016; status of distribution and development projects; status of the production facility in the Czech Republic and the site in Mexico.

December 7, 2016: The main items on the agenda were the business performance in 2016 and development; update on the distribution and development projects; situation at the production facility in the Czech Republic and at the Mexico site; corporate finance update.

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, 2016 to December 31, 2016. 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, 2016, prepared in accordance with the provisions of the German Commercial Code (HGB), were audited by KPWT Kirschner Wirtschaftstreuhand AG, Eggenfelden, Germany, which has awarded an unqualified opinion. An unqualified opinion has also been awarded to the consolidated annual financial statements and management report for the Group as of December 31, 2016, 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.

No specific areas of focus for the audit were agreed with the auditors.

At a meeting on April 6, 2017, the provisional figures for the annual financial statements of the company and the Group for 2016 were discussed in the presence of the auditor. At a further meeting on April 21, 2017, the Supervisory Board discussed the annual financial statements for the company, the consolidated financial statements and the management reports for InTiCa Systems AG and the Group, all of which have received unqualified audit opinions, together with the report of the Supervisory Board and the Corporate Governance Report. To prepare for this, the members of the Supervisory Board received extensive documentation, in some cases as draft versions, including the annual report with the consolidated financial statements prepared in accordance with the IFRS, the management reports for InTiCa Systems AG and the Group, the Corporate Governance Report, the annual financial statements of InTiCa Systems AG, and the audit reports prepared by the auditor on the financial statements for the company and the Group 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 consolidated financial statements for fiscal 2016 were thus approved and the annual financial statements of InTiCa Systems AG were adopted. The Supervisory Board also adopted the Report of the Supervisory Board and the Corporate Governance Report in its present form.

Corporate governance

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

The current declaration of conformity by the Board of Directors and Supervisory Board pursuant to sec. 161 of the German Companies Act (AktG) was adopted on April 6, 2017 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 2016. 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 21, 2017

The Supervisory Board

Udo Zimmer
Chairman

Company Boards

Board of Directors

Gregor Wasle
Spokesman for the Board of Directors
Engineering graduate
Strategy, Finance, Human Resources, Production, Manufacturing Technology, IT, Investor Relations and Public Relations

Günther Kneidinger
Member of the Board of Directors
Sales, R&D, Materials Management and Quality Management

Supervisory Board

Udo Zimmer
Chairman
Business administration graduate
Munich
- *Member of the Board of Management of REMA TIP TOP AG*
- *Managing Director of TOP-WERK GmbH (until February 29, 2016)*
- *Chairman of the Supervisory Board of SCHNELL Motoren AG (until August 31, 2016)*

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

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

Winding technology

Company Profile

INTICA SYSTEMS

InTiCa Systems is a European leader in the development, manufacture and commercialization of inductive components, passive analogue switching technology and mechatronic assemblies. It operates in the Automotive Technology and Industrial Electronics segments and has 586 employees including agency staff (December 31, 2016) at its sites in Passau (Germany), Prachatice (Czech Republic), and Silao (Mexico).

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

Our aims and strategies

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

Sites

in Europe und America

Head office
Passau, Germany

- Sales and production development
- Strategic procurement
- HR and Finance
- Employees: 73
  (March 31, 2017)

Technology Center
Passau, Germany

- Development of manufacturing technology
- Samples and pre-serial production
- Employee training centre
- Employees: 11
  (March 31, 2017)

Production facility
Prachatice, Czech Republic

- Modern production facilities with high degree of vertical integration, secure processes and technologies
- Employees: 492 including 25 agency staff
  (March 31, 2017)

Production facility
Silao, Mexico

- Production of small series in the fourth quarter of 2016
- Complete customer validation and first serial production in the first half of 2017
- Employees: 16 including 13 agency staff
  (March 31, 2017)

Internationalization

Focus: NAFTA Region

Opening of the site in Mexico

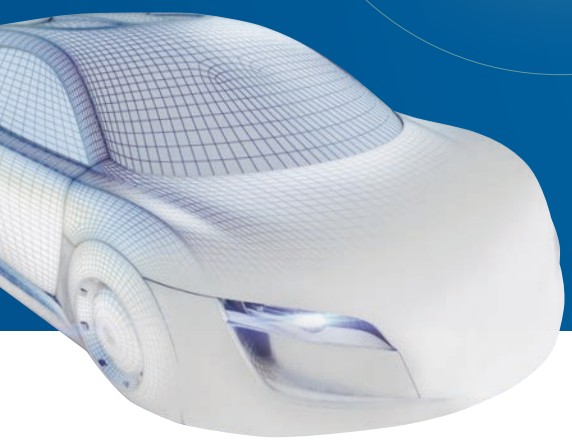
In summer 2016 InTiCa Systems AG took a leap over the Atlantic Ocean and established a production site in the NAFTA region. The new site of **Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V.** is located in Parque Industrial Santa Fé IV in the town of Silao de la Victoria in the Mexican state of Guanajuato. Silao is about 300 kilometres north-west of the country's capital, Mexico City, and its geographical location makes it an ideal logistics base to serve customers.

The establishment of Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V. is an important step in InTiCa Systems' international growth strategy. It is also a response to customers' comments on the need for local supply in the NAFTA region. It means we can offer our business partners greater security and flexibility. Further strategic goals in this context are gaining new customers, generating a corresponding increase in sales and sharpening our international profile.

Production of a small series for a major automotive technology customer started at the end of September. Further customer validation took place at the beginning of 2017 and start-up of serial production for key customers commenced. Production is initially focused on core products manufactured by the Automotive Technology segment, especially actuators and keyless entry/go systems. As production is ramped up in Mexico, all key production processes will be available at the site including injection moulding of plastics, coiling, soldering, welding, casting and testing, as well as assembly and over-moulding technology.

Technologies for growth markets

Innovations that shape the future



InTiCa Systems is actively involved in shaping our changing times. Since 2003 the company has established itself as a reliable partner for the development and production of customer-specific inductive components and assemblies for system suppliers in the automotive industry. The hallmarks of the company are structured processes and trustful collaboration with customers. Dynamism and precision are the key attributes of our team of experts. Innovative ideas and solutions are constantly being added to our spectrum of products and services. Our future-oriented focus ranges from electric vehicles and hybrid technology to tried-and-tested filter and safety technology, supplemented by keyless entry/go systems.

In the industrial electronics sector, InTiCa Systems is the specialist for the development and manufacture of inductive components, mechatronic modules and system solutions. In particular, we have expertise in power electronics, automation and drive technology. Our product range includes transformers, chokes, coils, power transfer, EMC filters, and inverters for solar power. The key features that set InTiCa Systems apart from other suppliers are our rapid responses to enquiries and timely prototyping. Our experienced team puts their entire know-how at the service of our customers. Combined with state-of-the art production facilities, that adds up to optimum solutions and top quality.

Innovative technologies

Focus: Automobile future

Driving and access authorisation systems

InTiCa Systems offers both antenna as well as transponder technology for applications in driving and access authorisation. InTiCa Systems has special development technical know-how in the electromagnetic fields sector.

Filter Technology

InTiCa Systems delivers complex components for special challenges from EMC solutions (Electro-Magnetic-Compatibility), which are necessary due to the increasing "electrification" of hybrid and electric vehicles.

Safety Technology

InTiCa Systems offers antenna solutions both in high and low frequency areas for safety engineering applications such as tire pressure monitoring systems.

Actuator Engineering

InTiCa Systems has specialised in the production of the most varied types of coils and can thus serve nearly all fields of application for "handling, controlling, measuring". For electronic handling actuator coils or so-called tractive solenoid coils are used. Both open coil types as well as cast or injection-moulded actuator types are on offer.

Electromobility/Hybrid Technology

InTiCa Systems supplies tailor-made solutions for both the power train in the stators area as well as the corresponding power electronics such as EMC filters, transformers and derating. To fulfill the respective magnetic requirements, depending on the demands, iron powder materials, ferrites, and metallic alloys are used. For winding technology round wire, upright coils, rectangular wire, stranded wire or copper-foil wire will be used, depending on the application.

Innovative technologies

Focus: Industrial development

EMC filters/components

EMC filters are nowadays indispensable components in nearly every electronic application. InTiCa Systems offers EMC filters that guarantee the electromagnetic compatibility of the products being used. Common Mode Chokes in all present designs, filter modules as well as filter assemblies are part of the portfolio.

Converter (photovoltaic)

InTiCa Systems develops and manufactures AC-filter chokes, boost converters and boost chokes, high-frequency transformers and inductive modules for solar converters. InTiCa Systems has specialised in the power range from 0-300 kW with a switching frequency of 16-50 kHz. Using their own test assembly to find lost power the coiled goods can be optimised at an early development stage.

Automation, drive system technology

InTiCa Systems offers customised solutions for transformers, coils and hybrid transformers for frequency converters as well as stator windings for electric motors.

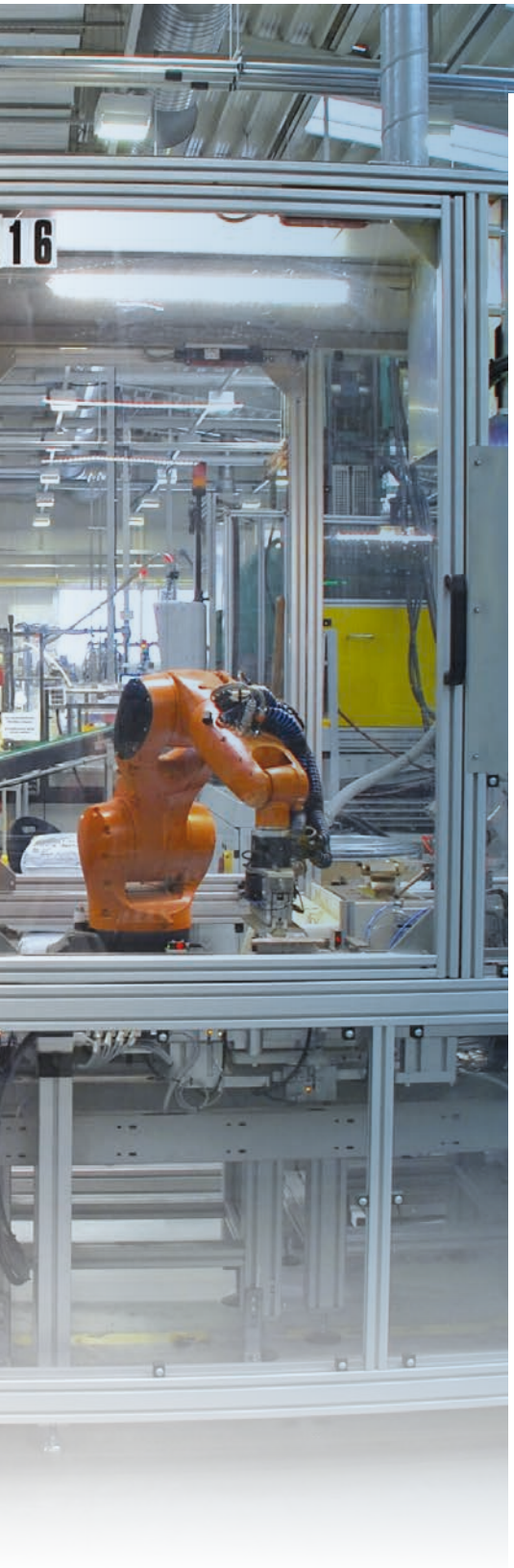
Actuator Engineering

InTiCa Systems has specialised in the engineering and manufacturing of solenoid coils for numerous applications.

Pumping and engine technology

InTiCa Systems has specialised in the manufacturing and development of stator coils. Stator coils are used in various industrial engines. InTiCa Systems offers not only overmoulded single coils but also so called single chokes.

Core competence in various manufacturing technologies



So that it doesn`t just remain an idea – development and manufacturing from a single source

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

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

Moulding technology

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

Winding technology

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

Construction and combination technology

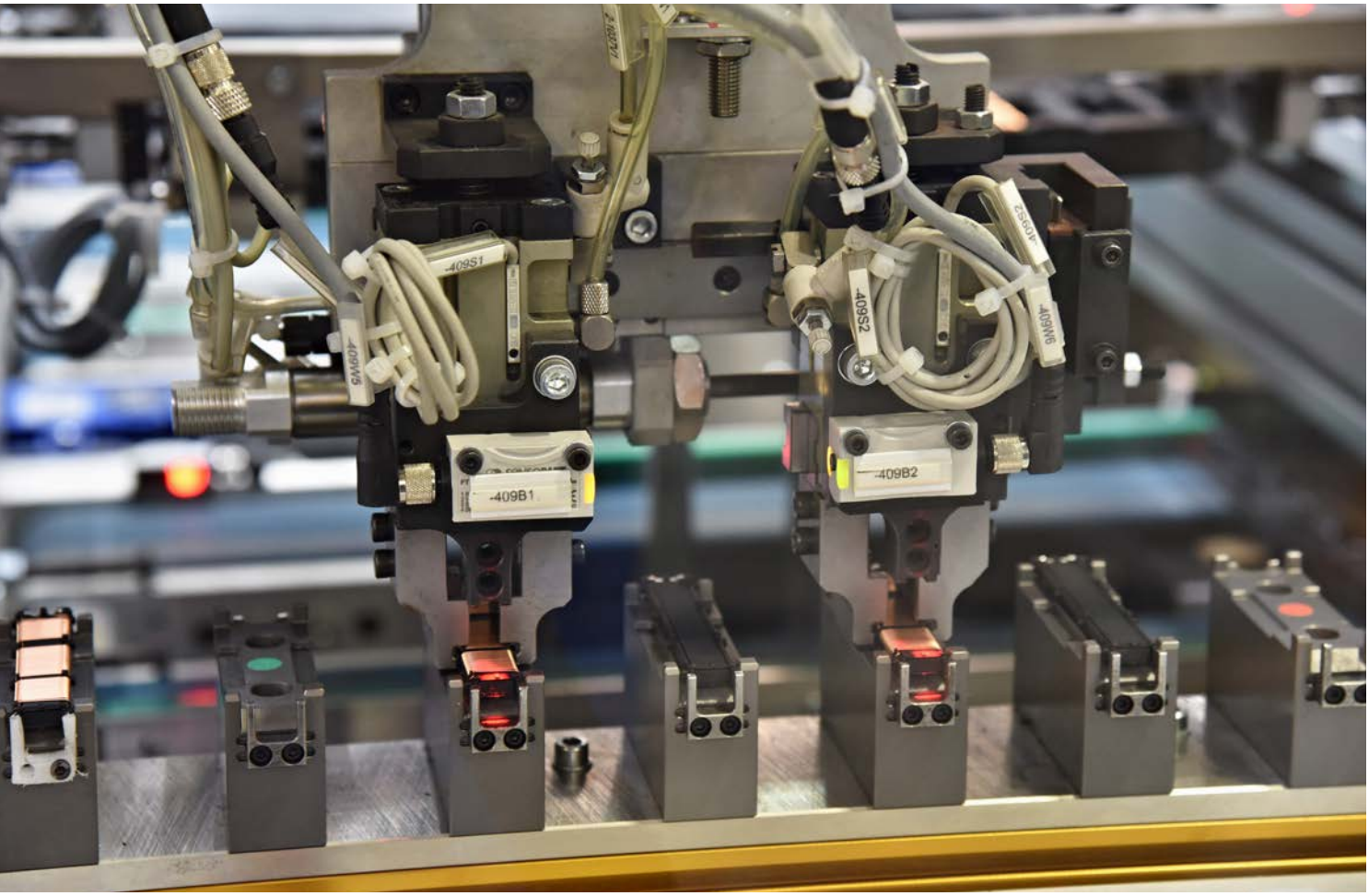
- Soldering and welding methods
- Ultrasonic welding, hot staking
- Vacuum potting and gluing technology
- Various interconnect technologies crimp, press fit etc.

PCB Assembly

- In SMD and THT

Measuring and test systems

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



Automation maximizes efficiency

for example production of coils

InTiCa Systems' stock in 2016

STOCK

Performance of shares in InTiCa Systems[1]

Shares in InTiCa Systems started 2016 at EUR 4.25, following a year in which the price performance had been dominated by extremely volatile market conditions. There was a clear upward trend at the start 2016 and shares in the company rose to a high for the year of EUR 5.10 on February 2, 2016. After a brief correction, in the following months the shares traded in a range of EUR 4.50 to EUR 5.00, albeit with a slight downward trend. In mid-June the share dropped below the EUR 4.50 mark and hit a low for the year of EUR 4.20 on August 12, 2016. A considerable rebound was registered from mid-August. The rally continued until the end of 2016 and the shares closed the year at EUR 4.75 in Xetra trading. That was 11.7% higher than at year-end 2015.

Supported by the expansionary liquidity policy by the central banks, the equity market was far less volatile in 2016 than it had been in the previous year and the German blue chip index, the DAX, rose further. That said, the year started badly for the stock market. As a result of turbulence on the Chinese market, the escalation of the conflict in Syria and the drop in the oil price, the DAX had lost around 18.5 percent by mid-February. However, a steady upward trend set in on March 21, at the latest, when the ECB cut its key rate to 0.00 percent and decided to purchase corporate bonds. This trend continued until year-end, with just two brief interruptions caused by the Brexit vote and the outcome of the US election. Alongside the high level of liquidity available, the rapid recovery was driven principally by good corporate figures. On August 11, the market was back where it had been at year-end 2015. Extension of the ECB's bond purchase programme and the good sentiment on the US markets then ensured that the year ended on a positive note. The DAX closed the year at 11,482, a gain of 6.9 percent over the year. The DAXsector Technology index performed even better, with a gain of 21.4% at year-end. By contrast, the TecDAX, which contains far smaller, growth-oriented technology stocks, slipped 1%.

[1] Price data based on Xetra, source: Bloomberg

InTiCa Systems' market capitalization was around EUR 20.4 million at year-end 2016 (December 31, 2015: EUR 18.2 million). As in the previous year, the most important trading exchange for shares in InTiCa Systems was the XETRA electronic trading platform, which accounted for around 69.9% of trading in the share, followed by the Frankfurt Stock Exchange, which accounted for around 16.4%. Average trading volume in 2016 was around 31,122 InTiCa Systems shares per month. 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, as in the past, by BankM.

Shares in InTiCa Systems	2016	2015
Year high (XETRA® closing price)	5.10	5.50
Year low (XETRA® closing price)	4.20	3.87
Market capitalization at year end in EUR million	20.4	18.2

Closing prices	2016	2015	Change
Shares in Systems (XETRA®)	4.75	4.25	+11.7%
DAX	11,481.06	10,743.00	+6.9%
TecDAX	1,812.75	1,830.74	-1.0%
DAXsector Technology	915.87	754.67	+21.4%

Investor relations activities

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

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

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

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

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

Key data on the share

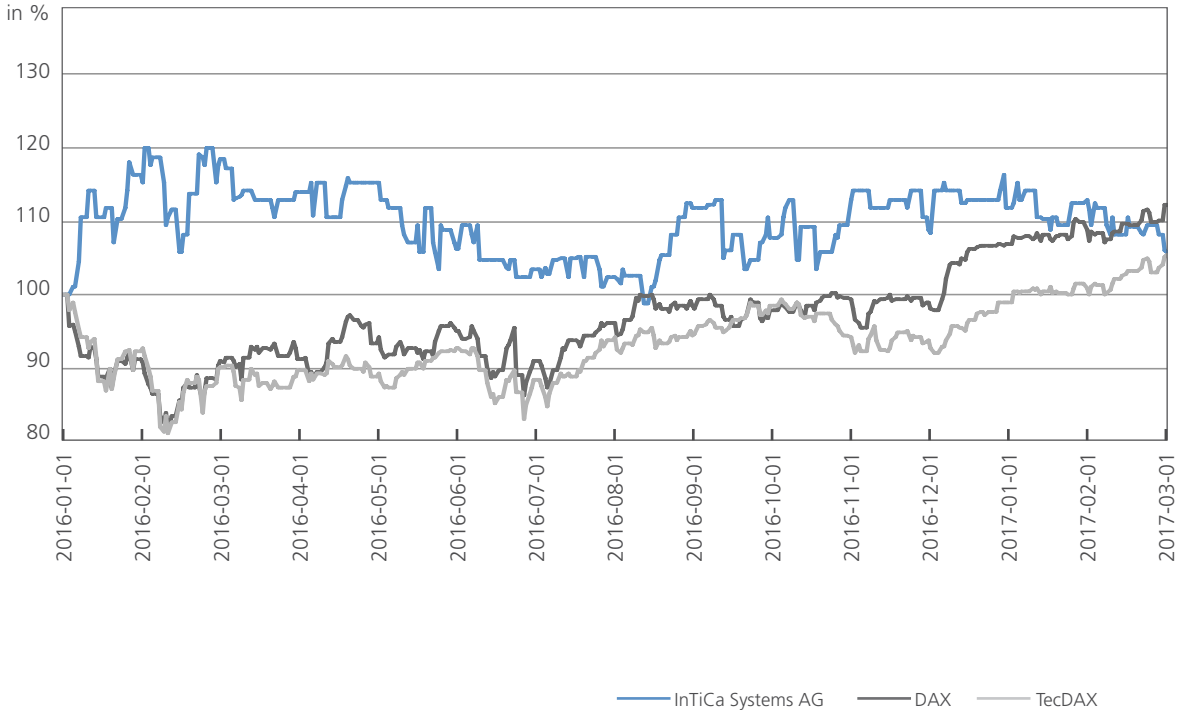
ISIN	DE0005874846
WKN	587 484
Stock market symbol	IS7
Bloomberg ticker symbol	IS7:GR
Reuters ticker symbol	IS7G.DE
No. of shares	4,287,000

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

Shareholder structure

The principal shareholders on March 31, 2017	Shareholding
Thorsten Wagner	over 25%
Dr. Dr. Axel Diekmann	over 25%
Tom Hiss	over 5%
Treasury stock	1.5%
Management	less than 1%

Performance of shares in InTiCa Systems



Corporate Governance Report

CORPORATE GOVERNANCE

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

Declaration of Conformity

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

In previous years the company complied with the recommendations of the valid version of the German Corporate Governance Code, apart from the exceptions stated in the declaration pursuant to sec. 161 of the German Companies Act (AktG) for the relevant year. In 2017 the company will comply with the recommendations of the Corporate Governance Code in the version dated May 5, 2015, the following exceptions:

Appointment of the Board of Directors and Supervisory Board

Decisions on suitable candidates for appointment as members of the Supervisory Board or Board of Directors are taken on a purely objective basis in accordance with German legislation on diversity. No age limits are set for members of the Board of Directors and Supervisory Board (Corporate Governance Code 5.1.2, 5.4.1). In compliance with the law and articles of incorporation, members of the Board of Directors and Supervisory Board may be appointed for a maximum term of office of five years. The Board of Directors and Supervisory Board believe it makes sense for the bodies responsible for appointments to examine each candidate's age at the time of initial appointment or renewed appointment and that they should be free to appoint older candidates with relevant professional or other experience without being tied to rigid age limits. 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 5.1.3), nor set up any committees (5.3.1, 5.3.2 and 5.3.3). The company's Supervisory Board has three members. Since it is a legal requirement that any committee that takes decisions must also have at least three members, the establishment of committees is neither necessary nor expedient. The Supervisory Board has so far refrained from adopting terms of reference since the rulings contained in legal statutes and the articles of incorporation have proven sufficient.

Publication of interim reports and consolidated financial statements

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

The resolution of the Supervisory Board regarding the objectives for its composition from March 14, 2016, which was published in the Corporate Governance report 2016, remains valid unchanged. The current composition of the Supervisory Board is in line with these objectives.

Members of the Board of Directors of InTiCa Systems AG in 2016	Appointed from / to	Responsibilities	Further offices
Dr. Gregor Wasle, date of birth August 14, 1971	January 1, 2015 to December 31, 2022	Spokesman of the Board of Directors – responsible for: strategy finance human resources production production technology IT, investor relations and public relations	None
Günther Kneidinger, date of birth November 18, 1968	January 1, 2009 to December 31, 2019	Responsible for: sales R&D, materials management and quality	None

Members of the Supervisory Board of InTiCa Systems AG in 2016	Appointed from / to	Function on Supervisory Board	Seats on other Supervisory Boards and comparable supervisory bodies
Udo Zimmer, business administration graduate, member of the Board of Management of REMA TIP TOP AG, Munich	Elected on July 7, 2015 for the period until the Annual General meeting 2020	Chairman	Chairman of the Supervisory Board of SCHNELL Motoren AG (until August 31, 2016)
Werner Paletschek, business administration graduate, Managing Director of OWP Brillen GmbH, Passau	Elected on July 7, 2015 for the period until the Annual General meeting 2020	Deputy Chairman	None
Christian Fürst, business administration graduate, Managing Partner of ziel management consulting gmbh, Passau	Elected on July 7, 2015 for the period until the Annual General meeting 2020	Member of the Supervisory Board	Chairman of the Supervisory Board of Electrovac Hacht & Huber GmbH Advisory Board of Eberspächer Gruppe GmbH & Co. KG (since February 1, 2015)

Remuneration

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

Further details of the remuneration system for members of the governance bodies can be found in section 2.7 of the management report ("Remuneration system of the Board of Directors and Supervisory Board"). The notes to the consolidated financial statements also contain detailed information on the remuneration of the Board of Directors and Supervisory Board on an individual basis, broken down into fixed and variable components. The structure of the remuneration systems is regularly reviewed.

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, 2017, 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, 2017 (1.5%).

Directors' Dealings

In 2016 the company has not been notified of securities transactions by persons subject to notification pursuant to Article 19 of Regulation (EU) No 596/2014.

Passau, April 21, 2017

Supervisory Board
Udo Zimmer
Werner Paletschek
Christian Fürst

Board of Directors
Dr. Gregor Wasle
Günther Kneidinger

Anniversary
10 years in Prachatice

Custom-tailored products for demanding customers have been manufactured at our site in the Czech Republic for more than 10 years. For a decade, our experience and extensive design and development expertise, combined with state-of-the-art production facilities, have enabled us to find increasingly optimized solutions to meet our customers' individual requirements. Our portfolio has been extended considerably over the years and now includes product development or taking over product specifications as well as the complete manufacturing process – always taking into account all relevant electrical, plastics and injection moulding conditions. Since production started on May 3, 2006, InTiCa Systems s.r.o. has evolved into a modern production facility with its own logistics. The site has become a vital part of our company, employing around 500 people from the town of Prachatice with its population of 11,000. Between 2009 and 2011 the production area and capacity were extended and all warehousing was transferred to this site. In 2015 InTiCa Systems AG invested in further state-of-the-art production facilities to raise capacity and optimize the production process. In particular, it constructed an additional production hall so the site can play a proactive part in shaping the future of the company.

On September 24, 2016, the management invited all employees and local inhabitants to celebrate the anniversary at the site in Prachatice in the Czech Republic. The sunny autumn day started with an Open Day for anyone interested. The visitors were given site tours in small groups and listened attentively to the explanations. This was an opportunity for them to

gain a unique insight into the impressive production processes at the site, including automated coiling and various bonding techniques. They were also able to watch the manufacture of a product from start to finish on a production line. Refreshments were served to all visitors after the site tours. So it was no surprise that visitors, young or old, left the site with a wealth of new impressions and many gifts from InTiCa Systems.

In our daily work as well as in sport ...

In the afternoon, a special celebration was held for employees and their families at the adjacent sports arena. Staff from headquarters in Germany took on their colleagues from the Czech subsidiary in a very special football match. The score was irrelevant – there were no winners or losers: the result was that all players left the pitch as a stronger team. The match was followed by a barbecue, giving everyone an opportunity to talk about their shared history with the company and to bask in memories. The highlight of the day was a ceremony honouring those colleagues who had worked for InTiCa Systems for ten years or more. They have played a key role in the development of the company into a leading technology provider. The bonds at InTiCa Systems were not simply demonstrated in the first-class team spirit in the football match; they are equally evident in the commitment of every individual member of the company. Optimum results can only be achieved as a team – and that applies in our daily work as well as in sport.

10 years TEAMWORK across borders

Group Management Report

for the period from January 1 to December 31, 2016

GROUP MANAGEMENT REPORT

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

1. Basic information on InTiCa Systems AG

1.1 Business activity

InTiCa Systems AG is divided into two segments, Automotive Technology and Industrial Electronics. As a leading supplier of inductive components, passive analogue switches and mechatronic assemblies it has a reputation extending far beyond the borders of the European market. In both segments, the company is positioned among the market and technology leaders whose products and solutions are based on high-tech inductivity. Wide-ranging and highly innovative processes enable it to think and act with a view to the future. 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

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

InTiCa Systems' combination of practical experience and knowledge gained over the years enables it to apply this specific technology for a diverse and broadly based range of applications. 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.

Finally, it should be stressed that InTiCa Systems focuses almost exclusively on developing custom-tailored products for applications initiated by its customers. Consequently, customers' ideas and requirements do not remain visions; they are turned into innovative products thanks to the experience of the entire InTiCa Systems team.

1.1.1 Automotive Technology

InTiCa Systems' Automotive Technology segment focuses on developing and manufacturing products for actuators, sensors, power electronics and network topologies in vehicles. The company is particularly proud of its expertise in keyless entry/go systems, safety systems, and engine and energy management systems. Its energy management systems are becoming increasingly significant for future-oriented electric and hybrid vehicles, where it is irrelevant whether the applications are for premium vehicles, high-end sports cars or the less expensive alternatives in the compact class. InTiCa Systems' products are used worldwide by well-known European, US and Asian manufacturers and their system suppliers.

The Automotive Technology segment is the most important segment for the operating performance and future development of InTiCa Systems AG. In 2016 this segment grew sales by 3.6% to EUR 36.3 million (2015: EUR 35.0 million). It accounted for 80.8% of total sales (2015: 82.5%). Segment EBIT (earnings before interest and taxes) was EUR 1.1 million (2015: EUR 1.35 million).

InTiCa Systems is currently focusing increasingly on new developments such as stator systems for hybrid/electric vehicles and planar transformers for battery management. This promising, future-oriented area of activity opens up opportunities and additional sales potential for the company with automotive producers and suppliers who are looking for smart solutions to optimize the energy efficiency of their products. InTiCa Systems offers them the right solution.

1.1.2 Industrial Electronics

Inverters and converters are the most important technology in the Industrial Electronics segment. InTiCa Systems manufactures and supplies inductive components and systems to convert solar power into electricity for the grid. The effective use of know-how and a technological edge on the market drive forward this segment in the areas of power transfer and noise suppression components, coils and filters. Customers derive significant benefits from, for example, the improvement in efficiency combined with the reduction in the dimensions of inverters. InTiCa Systems contributes to this by producing components for inverters that convert renewable energy sources into electricity.

To extend the product portfolio and serve a variety of sectors of industry, InTiCa Systems is constantly looking for new development opportunities in this field. New developments include actuator coils to reduce the power consumption of industrial equipment and domestic appliances, and actuator coils for equipment to reduce exhaust gas emissions. In this way, the company gains access to an even broader customer base in the industrial electronics sector.

The negative trend reported by this segment in previous years was halted in 2016. Sales rose 16.7% year-on-year to EUR 8.6 million (2015: EUR 7.4 million), mainly due to an increase in the call-off of orders by the solar industry. This segment's share of total sales therefore increased slightly from 17.5% in 2015 to 19.2% in 2016. Segment EBIT was minus EUR 0.04 million in the reporting period (2015: minus EUR 0.65 million).

1.2 Corporate structure

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

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

The Czech subsidiary is a wholly owned company, while InTiCa Systems AG holds 99% of shares in the Mexican company and InTiCa Systems s.r.o. holds 1%. The annual financial statements and interim financial statements of the Group companies are drawn up as of the last day of the Group's fiscal year or the interim reporting period. Compared with 2015, the scope of consolidation of InTiCa Systems AG has been extended to include Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V. in Silao, Mexico.

1.3 Management system

To maintain a technological edge in the future, InTiCa Systems has to adapt to market conditions. That includes working towards the achievement of the company's key economic targets such as stringent cost management, continuously optimizing vertical integration and reducing fixed overheads. Alongside these essentially monetary targets, it is also important to note that state-of-the-art production technologies and machinery are essential if InTiCa Systems is to meet rising market requirements and expectations in terms of innovation, rapid technical progress and performance parameters in all product areas. These endeavours round out the company's goals.

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

1.4 Research and development

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

2. Economic report

2.1 General economic conditions

Experts at the Institute for the World Economy (IfW) in Kiel, Germany, estimate that the global economy strengthened in 2016, despite the heightened political uncertainty. Based on purchasing price parity, the IfW calculates that global output increased by 3.1 percent. The US economy grew by 1.6 percent, mainly as a result of strong consumer spending, while the economic recovery in the euro zone led to growth of 1.7 percent, driven by declining unemployment, low interest rates and the low euro exchange rate. The German economy also benefited from these factors. It posted growth of 1.9 percent in 2016 thanks to a particularly strong second half. The situation in the emerging markets has stabilized. Overall, they achieved economic growth of 4.3 percent.[1]

The IfW anticipates that global GDP will expand by 3.5 percent in 2017. It is predicting an economic upswing in the advanced economies, especially the United States, where both consumer spending and private investment are expected to increase substantially and GDP should rise by 2.5 percent this year, partly due to fiscal policy impetus. For the European Union, the IfW is forecasting virtually unchanged growth of 1.9 percent because the economy will be held back by the negative impact of political uncertainty. By contrast, the IfW assumes that the emerging markets will continue to recover. In Latin America, the economic outlook has brightened due to the perceptible rebound of commodity prices. Brazil should therefore be able to move out of recession this year. For Mexico the IfW estimates robust economic growth of around 2.1 percent. For Germany, the IfW assumes growth of 1.7 percent in 2017, with the upswing becoming increasingly broadly based. Growth in consumer spending is expected to slow considerably because the purchasing power of disposable incomes is being eroded considerably by the oil price-driven increase in inflation. Similarly, public-sector spending will no longer increase quite as fast as there is unlikely to be any additional expenditure relating to the migration of refugees. Instead, the IfW is predicting additional capital expenditures and investment in construction, accompanied by an upturn in exports, with employment remaining at a high level.[1]

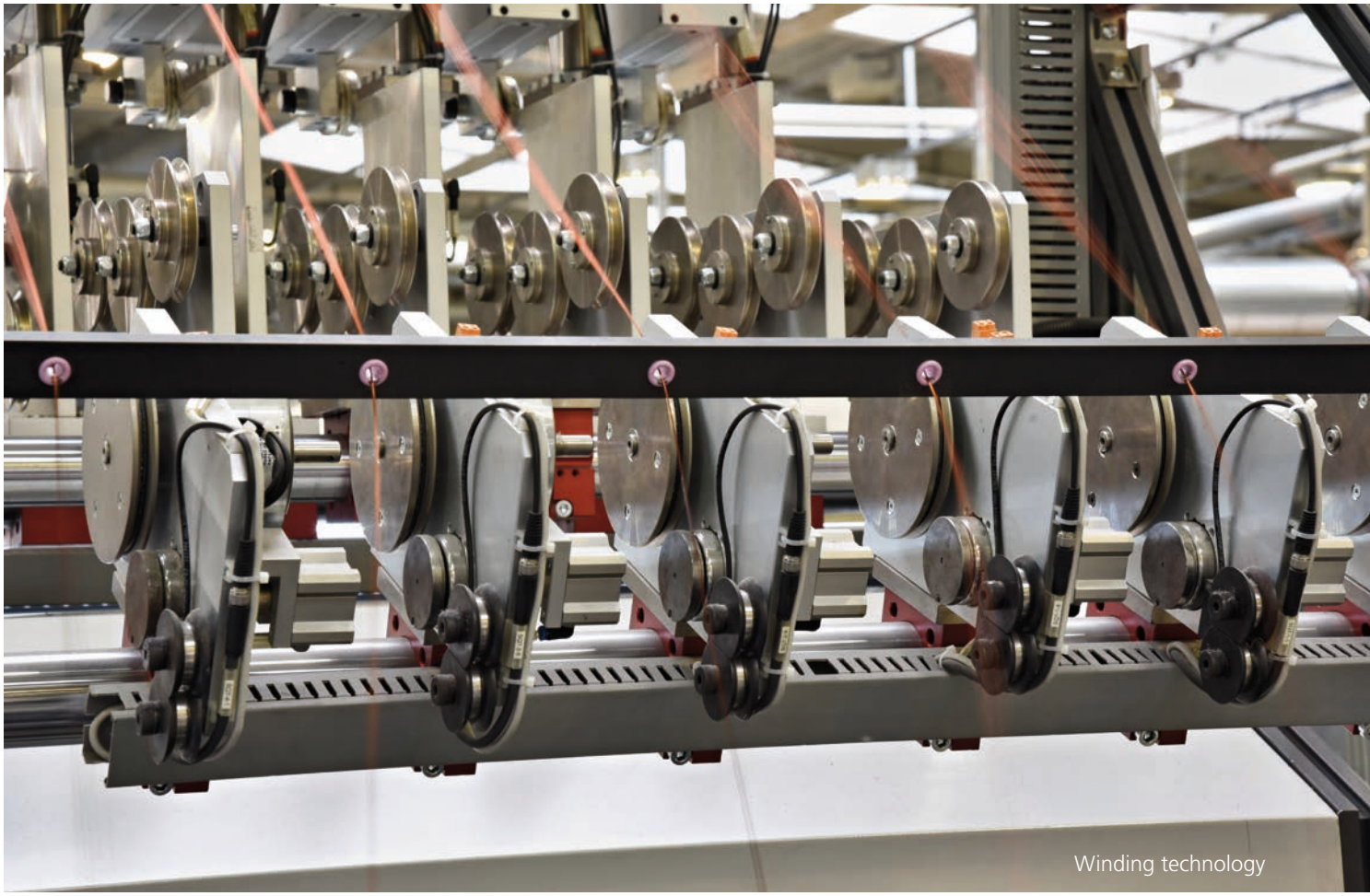
2.2 Market and market conditions

2.2.1 Automotive Technology

According to the German Automobile Industry Association (VDA), the international automotive market continued to develop well in 2016. In the USA and China, the industry topped the previous year's record sales and even in Western Europe sales rose to the best level since 2007. Expressed in figures, in the USA new registrations were 0.4 percent higher than in the previous year at 17.5 million vehicles. In China, new registrations were up 17.8 percent at 23.7 million vehicles and in Western Europe they rose 5.8 percent to 14.0 million vehicles. The German automotive market also developed very well, with new registrations increasing by 5 percent to 3.4 million. Although domestic order intake by German car manufacturers fell slightly year-on-year in 2016 (-1 percent), foreign orders rose by nearly 3 percent. In all, just over 5.7 million vehicles were produced in Germany in 2016, a rise of 1 percent.[2]

[1] Institute for World Economy (IfW): Kieler Konjunkturnachrichten 2017/Q1, March 2017.

[2] Verband der Automobilindustrie e. V. (VDA): press releases of January 4, 2017, January 17, 2017 and March 16, 2017



Winding technology

Matthias Wissmann, President of the German Automobile Industry Association (VDA) is predicting a continuation of the good economic environment in 2017. The association therefore expects the global car market to post 3 percent growth to 85 million vehicles in 2017. This is based on the assumption of slight growth in the European market to 17.6 million new registrations, with the German market remaining stable at 3.35 million. The VDA forecasts that the Chinese market will grow by 5 percent to up to 25 million vehicles, and still expects the US to post record sales of around 17.5 million light vehicles. At the same time, it sees major challenges for the automotive sector. The trends to digital networking and electric vehicles are accelerating the global innovation competition for the best technologies, requiring enormous investment in research and development. The association estimates that the German automotive industry needs to invest more than EUR 40 billion in alternative drives alone by 2020. At the same time, it stresses the enormous opportunities that electric vehicles offer the industry in Germany. According to Wissmann, the German automotive industry plans to more than triple the number of electric models on the market from 30 at present to around 100.[2] The Electric Vehicle Index compiled by the management consultancy McKinsey also assumes that Germany will be one of the largest producers of electric vehicles in five years time with output of 1.3 million e-cars.

2.2.2 Industrial Electronics

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

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), in 2016 order intake in the German electrical and electronics sector was about 1 percent below the prior-year figure, which was boosted by large orders. By contrast, sector output grew by 1.2 percent year-on-year and there was a slight rise of 0.2% in sector revenue to EUR 178.6 billion. Domestic sales amounted to EUR 87.0 billion (+0.3%) while foreign sales were EUR 91.6 billion (+0.1%).[3]

Despite the economic uncertainty (Brexit vote, new US administration, failure of the constitutional referendum in Italy, etc.), in February 2017 ZVEI predicted that the business climate in the German electrical and electronics industry would brighten. Although the assessment of the current situation was slightly less favourable than in January, there was a considerable improvement in general business expectations. 38% of electrical and electronics manufacturers in Germany rated their current position as good, 56% as stable and only 6% as poor. 25% of

[3] Zentralverband Elektrotechnik- und Elektronikindustrie e. V. (ZVEI): Konjunkturbarometer Februar 2017 dated February 9, 2017 and Konjunkturbarometer March 2017 dated March 10, 2017.

companies in the sector assume that business will pick up in the next six months, 64% expect it to remain stable, and 11% anticipate a deterioration. According to ZVEI, in February production planning by companies in this sector was higher than for nearly two years. ZVEI is therefore predicting a real rise in output of 1.5% in the sector in 2017, while sales should rise to EUR 182 billion.[3]

2.3 Significant events in the reporting period

Establishment of the production site in Mexico

Internationalization is the basis for InTiCa Systems' growth strategy. The company´s aim is to leave a "global footprint" outside Europe and, as the first step, to supply existing customer orders locally based on the "follow the customer" principle. In view of this, InTiCa Systems deliberately chose Mexico for its first non-European site. Here it has established its new subsidiary, Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V. and rented an existing 5,000 m^2 production building. The site is in an industrial park in Silao in the state of Guanajuato in the Bajio region, where other well-known international automotive suppliers are located as well. All major customers are within a radius of about 200 kilometres.

Mexico is the world's fourth largest automobile exporter and one of the most important production locations for the international automotive industry. However, at present about 70% of components are imported. Hence there is a correspondingly high demand for local suppliers. Thanks to the North American Free Trade Agreement (NAFTA) and similar free trade agreements with more than 40 countries, Mexico also offers good access to many attractive markets. Favourable wages and good to very good training standards are further advantages of a location in the country, with over 120 million inhabitants. According to recent studies, the presence of German automotive suppliers in Mexico is set to rise further in the coming years as most OEMs already produce in Mexico and are increasing their capacity there. Many major customers of InTiCa Systems and potential new customers already have production plants in Mexico and supply directly to the OEMs.

Last year, the first production machines were installed and started up. An initial customer audit was also successfully completed. A complete production line was installed towards the end of 2016 and validated by the customer in the first quarter of 2017. An experienced team of senior executives and production and quality control managers has been hired. Production of a further serial component and installation of the second production line are scheduled for this year. So far, the necessary validation audits in conformance with ISO/TS 16949 and ISO 14001 have been completed successfully and further audits have been performed by the customer. These are an important basis for realizing additional customer sales. At present, the company is negotiating on further components for the Mexico site. If they are ordered in 2017, installation of additional production plant and equipment will be brought forward from 2018 to the fourth quarter of 2017.

2.4 Earnings, asset and financial position

2.4.1 Overall position

The dynamic growth of the Automotive Technology segment flattened somewhat in the reporting period, but the negative trend in the Industrial Electronics segment was halted. Overall, the Group therefore posted sound sales growth of 5.9%. Earning power improved considerably although expenditures for internationalization and for optimization of existing production capacity were considerably higher than in the previous year. The operating result increased by more than 45% and the operating margin was slightly above the company's expectations. The net profit was EUR 0.3 million.

There was also a further considerable improvement in the operating cash flow compared with the previous year. As a result of lower investment and rescheduling of liabilities to banks from current to non-current, a positive overall cash flow was achieved in the reporting period. There was no significant change in the structure of the balance sheet in the reporting period. The equity ratio declined slightly from 41% to 40% as a result of the increase in total equity and liabilities, but equity increased in absolute terms.

2.4.2 Earnings position

» Sales

In 2016 the Group grew sales 5.9% year-on-year to EUR 44.9 million (2015: EUR 42.4 million). Since year-end business was weaker than expected, especially in the Automotive Technology segment, overall sales growth in 2016 was slightly below the Board of Directors' expectations. Despite this, sales in the Automotive Technology segment increased 3.6% year-on-year to EUR 36.3 million (2015: EUR 35.0 million). For the reason outlined above, the segment did not quite achieve the forecast sales level of EUR 39.0 million in 2016. This segment's share of total sales was 80.8% (2015: 82.5%). The Industrial Electronics segment reported a further rise in sales of about 16.7% to EUR 8.6 million in 2016 (2015: EUR 7.4 million). Segment sales were therefore slightly above the Board of Directors' expectation of EUR 8.0 million.

» Expenses

Despite the rise in sales, expenses for raw materials and supplies decreased by 2.7% year-on-year to EUR 25.0 million (2015: EUR 25.7 million). The material cost ratio (based on total output) therefore dropped from 57.5% to 53.9%. The personnel expense ratio rose from 21.1% to 23.2% in the reporting period due to the recruitment of further employees. The costs for temporary staff at the Prachatice production site, which are recognized in "Other expenses", amounted to EUR 0.5 million in 2016 (2015: EUR 0.4 million). Other expenses increased year-on-year from EUR 5.7 million to EUR 6.0 million. Depreciation and amortization of property, plant and equipment and intangible assets was slightly lower at EUR 4.3 million (2015: EUR 4.5 million).

» Research and development

Spending on research and development amounted to EUR 2.8 million in 2016 (2015: EUR 2.6 million). Development work focused principally on the Automotive Technology segment and mainly related to customer-specific product requirements. EUR 1.4 million was expensed directly for development work (2015: EUR 1.3 million) and the remaining EUR 1.4 million (2015: EUR 1.3 million) was capitalized. Depreciation and amortization of own work capitalized was EUR 1.4 million in the reporting period (2015: EUR 1.3 million).

» Earnings

The gross profit increased 13.0% to EUR 20.2 million in the reporting period (2015: EUR 17.8 million) and the gross profit margin improved from 42.0% to 44.9%. EBITDA (earnings before interest, taxes, depreciation and amortization) increased slightly year-on-year to EUR 5.4 million (2015: EUR 5.2 million). The EBITDA margin was 12.0% (2015: 12.2%).

EBIT (earnings before interest and taxes) improved 47.3% year-on-year to EUR 1.0 million (2015: EUR 0.7 million), leading to a year-on-year increase in the EBIT margin from 1.7% to 2.3%. The EBIT margin was therefore slightly above the Board of Directors' expectation of around 2%. EBIT slipped year-on-year in the Automotive segment to EUR 1.0 million (2015: EUR 1.4 million). The EBIT margin therefore declined from 3.9% to 3.0%. This was mainly due to changes in the product portfolio and start-ups, especially for products for electric vehicles and hybrid technology. In the Industrial Electronics segment, by contrast, EBIT improved from minus EUR 646 thousand to minus EUR 40 thousand, so it was only slightly negative.

The financial result was minus EUR 0.4 million in 2016 (2015: minus EUR 0.4 million). While financial expense decreased slightly year-on-year from EUR 444 thousand to EUR 427 thousand, there was no financial income in either 2015 or 2016.

The Group more than doubled its pre-tax profit to EUR 0.6 million (2015: EUR 0.3 million). After tax expense of EUR 266 million (2015: EUR 184 million), the Group made a far higher net profit of EUR 0.3 million (2015: EUR 0.1 million). Earnings per share were therefore EUR 0.08 (2015: EUR 0.02).

2.4.3 Asset position

» Capital structure

Total assets increased from EUR 40.3 million in 2015 to EUR 41.5 million in 2016. This was mainly due to the increase in current assets, especially trade receivables. On the liabilities site, equity and non-current liabilities rose, while current liabilities declined. The equity ratio therefore dropped slightly from 41% as of December 31, 2015, to 40% as of December 31, 2016.

» Non-current assets

Property, plant and equipment increased slightly from EUR 19.2 million to EUR 19.3 million in the reporting period, while intangible assets rose from EUR 4.4 million to EUR 4.5 million. By contrast, deferred taxes declined to EUR 1.2 million (December 31, 2015: EUR 1.3 million). Overall, non-current assets increased to EUR 25.0 million as of December 31, 2016 (December 31, 2015: EUR 24.9 million).

» Current assets

Inventories were reduced to EUR 7.8 million to EUR 7.0 million in the reporting period. At the same time, trade receivables increased to EUR 8.5 million (December 31, 2015: EUR 6.8 million), and cash and cash equivalents rose from EUR 0.2 million to EUR 0.4 million. In all, current assets increased to EUR 16.5 million as of December 31, 2016 (December 31, 2015: EUR 15.4 million).

» Non-current liabilities

Non-current financial liabilities increased further in the past financial year and amounted to EUR 9.8 million on December 31, 2016 (December 31, 2015: EUR 7.9 million). Liabilities to banks comprised fixed-interest loan agreements with a remaining term of up to nine years and one variable-interest loan with a remaining term of eight years. Interest rates on non-current liabilities are between 1.60% and 3.05%.

Deferred tax liabilities were EUR 1.6 million on the reporting date (December 31, 2015: EUR 1.5 million). In all, non-current liabilities increased to EUR 11.4 million as of December 31, 2016 (December 31, 2015: EUR 9.4 million).

» Current liabilities

Current financial liabilities were reduced from EUR 10.2 million to EUR 8.9 million in 2016. At the same time, trade payables increased slightly to EUR 2.7 million (December 31, 2015: EUR 2.6 million), while other current provisions declined to EUR 1.1 million (December 31, 2015: EUR 1.2 million). Other current liabilities (EUR 0.3 million) and other financial liabilities (also EUR 0.3 million) were around the prior-year level. In all, current liabilities dropped to EUR 13.3 million as of December 31, 2016 (December 31, 2015: EUR 14.5 million).

» Equity

As of December 31, 2016, equity totalled EUR 16.7 million (December 31, 2015: EUR 16.4 million). The net profit reduced the negative profit reserve from minus EUR 1.8 million to minus EUR 1.5 million. The negative currency translation reserve increased slightly from minus EUR 1.3 million to minus EUR 1.4 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.

2.4.4 Financial position, cash flow statement and liquidity

» Liquidity and cash flow statement

The net cash flow from operating activities improved considerably to EUR 4.1 million in 2016 (2015: EUR 2.6 million). The positive year-on-year effect mainly came from the higher net profit, the EUR 0.8 million reduction in inventories and the EUR 0.1 million increase in trade payables. Depreciation and amortization of non-current assets totalled EUR 4.3 million, which was slightly below the prior-year figure. Conversely, the cash flow in the reporting period was diminished by an increase of EUR 1.7 million in trade receivables.

The net cash outflow for investing activities was EUR 4.5 million in the reporting period (2015: EUR 9.0 million). This comprised EUR 3.1 million (2015: EUR 7.6 million) for property, plant and equipment and EUR 1.5 million (2015: EUR 1.3 million) for intangible assets.

The net cash inflow from financing activities was EUR 1.1 million in the reporting period (2015: EUR 0.3 million). Cash outflows comprised EUR 2.9 million for scheduled loan repayment instalments, while inflows from borrowing amounted to EUR 4.0 million.

Overall there was a cash inflow of EUR 0.7 million in 2016 (2015: outflow of EUR 6.1 million). Cash and cash equivalents totalled EUR 0.4 million on December 31, 2016 (2015: EUR 0.2 million). Cash and cash equivalents less utilized overdraft facilities amounted to minus EUR 6.7 million as of December 31, 2016 (2015: minus EUR 7.4 million).

» Capital expenditures

Capital expenditures were reduced considerably in 2016 compared with the previous year. The total was EUR 4.5 million (2015: EUR 9.0 million), with EUR 3.1 million (2015: EUR 7.6 million) of this amount invested in property, plant and equipment and EUR 1.5 million (2015: EUR 1.3 million) in intangible assets. Most of the capital expenditures were for efficient, modern production facilities to expand capacity in the Automotive Technology segment both at the site at Prachatice in the Czech Republic and at the new production site in Silao, Mexico. In addition, InTiCa Systems invested in further equipment for the new technology and training centre in Passau, Germany. Investment in intangible assets was mainly for projects in the Automotive Technology segment.

Further capital expenditures for property, plant and equipment of around EUR 4.5 million are planned for 2017. The biggest items relate to expansion of the site in Mexico, including a further production line, and an increase in production capacity at the facilities in the Czech Republic in response to new customer orders. Further modernization to raise efficiency will support the progress with the lean philosophy.

» Employees

The headcount increased to 586 as of December 31, 2016, compared with 525 as of December 31, 2015. This figure includes 29 agency staff (December 31, 2015: 32). Expenses of EUR 483 thousand (2015: EUR 380 thousand) for agency staff are included in other operating expenses. The personnel expense ratio, including expenses for agency staff, was 24.2% (2015: 22.0%). On average, the Group had 540 employees and 39 agency staff in the reporting period (2015: 484 and 37).

2.4.5 Financial management

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

InTiCa Systems includes all consolidated subsidiaries in this planning process. The segments' operating business and the resulting cash inflows are the Group's main source of liquidity. Operational planning is based on a long-term liquidity forecast. The short and medium-term forecasts are updated monthly. Surplus funding within the Group is distributed to those areas that require it via cash pooling in order to reduce external funding requirements and optimize net interest expense. To secure its liquidity position, InTiCa Systems also uses various internal and external financing instruments such as credit agreements, which form the basis for short and medium-term financing, and finance leasing. In 2016 InTiCa Systems continued the strategic realignment of non-current financing, which started in 2015. In all, the Group's financing was placed on a solid new basis aligned to its growth targets. As a result of the company's capital base and financing arrangements, the Board of Directors is of the opinion that the main preconditions for financing have been met.

2.5 Financial and non-financial performance indicators

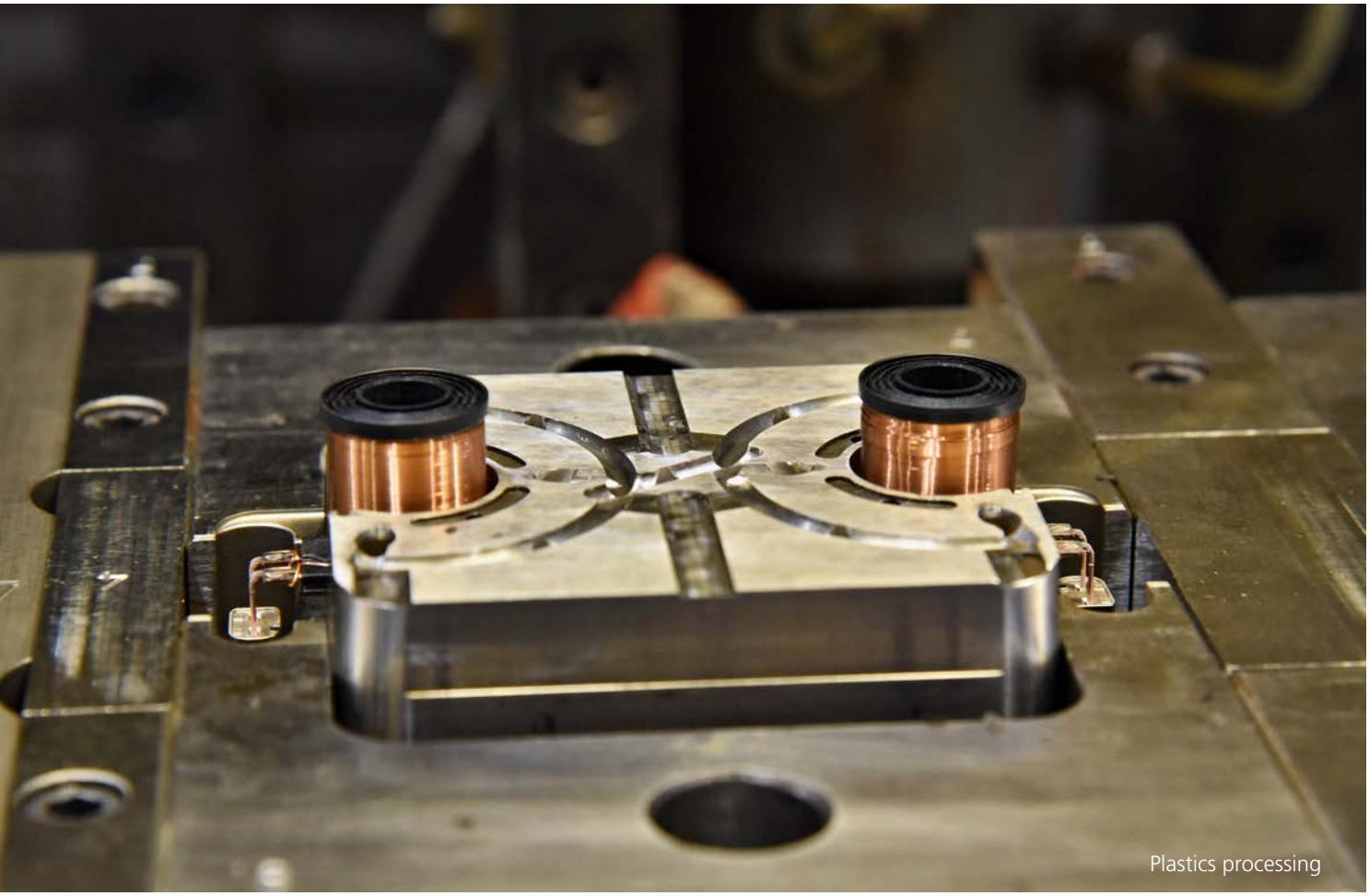
The Board of Directors mainly uses the following financial and non-financial indicators to manage the Group and its development. Great attention is paid to the sustainable development of the Group. The exact presentation of the Group's earnings, net assets and financial position can be found in section 2.4.

2.5.1 Financial performance indicators

» Sales

Group sales grew 5.9% year-on-year to EUR 44.9 million (2015: EUR 42.4 million). Sales revenues are reported net of products returned by customers, discounts and similar deductions.

Sales fell slightly short of the budgeted level of around EUR 47 million, mainly because the year-end business was weaker than expected. This mainly affected the Automotive Technology segment, where sales fell short of the target of EUR 39.0 million. By contrast, the Industrial Electronics segment exceeded its target of EUR 8.0 million.


Plastics processing

» Material cost ratio

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

There was a further year-on-year improvement in the material cost ratio to 53.9%, which was well below the prior-year level of 57.5%. Thanks to optimized production workflows on the one hand and the procurement performance on the other, the material cost ratio was reduced and the target met.

» EBIT margin

The EBIT margin comprises earnings before interest and taxes divided by sales. The EBIT margin was 2.3% in 2016 (2015: 1.7%). Consequently, it was slightly above the expected level of around 2%. The operating result rose 45% year-on-year to around EUR 1.0 million (2015: EUR 0.7 million).

» Equity ratio

The equity ratio comprises the ratio of equity capital to total capital (= total assets). The equity ratio declined slightly year-on-year from 41% to 40%. The equity ratio is therefore still more than satisfactory.

2.5.2 Non-financial performance indicators

» Orders on hand

Orders on hand were over EUR 47 million as of December 31, 2016 (December 31, 2015: EUR 38 million). 86% of orders were for the Automotive Technology segment (2015: 86%). The present order situation is very positive so a further rise in sales is expected in 2017. Orders on hand are used by the Board of Directors as an indicator of future business development.

» Customer and product portfolio and vertical integration

Building up the production facilities in Prachatice has increased the vertical integration of in-house production in recent years from 27% (2007) to 87% (2016). Higher vertical integration increases value added for InTiCa Systems and also enhances the benefits for its customers. That enables the company to obtain higher margins on its products. At the same time, a diversified customer and product portfolio is extremely important. This strategic focus safeguards know-how, reduces production costs, increases flexibility and decreases dependence on individual customers and products.

» Quality management

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

» Skilled staff

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

» Environmental protection

As well as manufacturing products that increase environmental protection, InTiCa Systems places great value on environment-friendly production processes. For instance, an environmental management system that conforms with DIN EN ISO 14001:2009 has been integrated into the production site in Prachatice. The company's headquarters in Passau and the new technology centre were validated at the start of 2016. The process to obtain equivalent validation of the site in Mexico was initiated at the start of 2017. The environmental policy enshrines the Board of Directors' commitment to ensuring compliance with all relevant legislation, avoiding environment 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.

2.6 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	2016	2015	2016	2015	2016	2015
Sales	36,281	35,032	8,647	7,409	44,928	42,441
EBIT	1,080	1,352	-40	-646	1,040	706

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

	Germany		Other countries		Total	
in EUR '000	2016	2015	2016	2015	2016	2015
Sales	27,473	24,459	17,455	17,982	44,928	42,441
Segment assets	7,170	6,739	16,629	16,850	23,799	23,589
No. of employees	83	84	496	437	579	521
of which agency staff	0	0	39	37	39	37

A full description of the segments and details of segment performance can be found in sections 1.1 and 2.2 of this management report.

2.7 Remuneration system of the Board of Directors and Supervisory Board

2.7.1 Remuneration of the Board of Directors

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

2.7.2 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. In addition to these amounts, for fiscal years in which the EBIT margin (ratio of EBIT to sales) reported in the consolidated financial statements exceeds 3%, the members of the Supervisory Board receive a further payment which is graduated as follows: 20% of the fixed payment if the EBIT margin exceeds 3%, 50% of the fixed payment if the EBIT margin exceeds 5%, and 100% of the fixed payment if the EBIT margin exceeds 10%.

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

Total expenses for both governance bodies amounted to EUR 475 thousand in fiscal 2016 (2015: EUR 459 thousand).

2.8 Declaration on corporate management pursuant to sec. 289a HGB

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

It is contained in the Corporate Governance Report on page 28 et seq. of this annual report. In addition, the Corporate Governance Report is available on the company's website at Investor Relations/Corporate Governance.

The Board of Directors has submitted the declaration on corporate governance 2016, which is available on the company's website (www.intica-systems.com) [in German only]. The Board of Directors issued an updated declaration on corporate governance pursuant to sec. 289a of the German Commercial Code (HGB) on April 6, 2017. This is also available on the company's website at www.intica-systems.com [available in German only].

2.9 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 2012/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

Under sec. 3 paragraph 3 of the articles of incorporation, the Board of Directors is authorized, until July 5, 2017, to increase the company's capital stock, with the consent of the Supervisory Board, by up to EUR 2,143,500.00 by issuing new shares for cash or contributions in kind in one or more tranches (authorized capital 2012/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, 2016, InTiCa Systems AG still had treasury stock amounting to 64,430 shares (December 31, 2015: 64,430).

On the basis of a resolution adopted by the Annual General Meeting on July 6, 2012, the company is authorized, up to July 5, 2017, 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 6.1 million which give the lender a right of termination in the event of a change in the borrower's shareholder or ownership structure such that the shareholders or owners relinquish control over the borrower during the term of the loans or a person or group of persons acting jointly acquire more than 50% of the voting rights and/or more than 50% of the capital of the borrower, unless the prior consent of the lender is obtained.

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

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

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

3. Risk management and risk report

3.1 Risk management

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

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

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

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

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

3.2 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.

3.3 Risks

» Market risks

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

The Automotive Technology segment is exposed to the customary economic risks in this sector, which could hold back expected growth considerably. That would be particularly true if customers of InTiCa Systems were to postpone the start of production of new models containing new components from InTiCa Systems due to a poor general economic situation or a reduction in subsidies (for electric and hybrid vehicles).

» Customer dependence

The sales split between the segments is as follows: Automotive Technology 81%, Industrial Electronics 19%. Within each segment, the proportion of sales generated with the largest customers is as follows: Automotive Technology 23%, Industrial Electronics 41%. 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.

» Technological risks

At present, the Board of Directors does not see any significant technological risk for the Automotive Technology segment. In the Industrial Electronics segment, present cable television technology and splitter technology are being substituted. In response to this, the company was reorganized from three segments to two in 2015.

» Personnel risks

In principle, there is a risk that key employees, especially sales and research and development personnel, could leave the company. InTiCa System 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. These reduce staff fluctuation and position the Group as an employer offering long-term security and career opportunities.

» Liquidity risk

As of December 31, 2016, InTiCa Systems had one loan from the KfW development bank (EUR 2.0 million) taken out in 2016, which runs for 7 years, and three further loans, one with a term of 7 years that was agreed in November 2013 (EUR 4.0 million), one with a term of 5 years that was agreed in December 2014 (EUR 2.4 million), and one with a term of ten years that was agreed in December 2015 (EUR 3.0 million). In addition, in the first quarter of 2016 the Czech subsidiary took out a EUR 2.0 million loan with a term of 8 years. These loans are used to secure liquidity. In addition, InTiCa Systems has credit lines of EUR 10.35 million. EUR 7.0 million of this amount was drawn as of the reporting date. Further, the company has cash and cash equivalents of EUR 0.35 million.

» Currency risk

The main currency risk for InTiCa Systems comprises the operating costs of its Czech production facilities and its new site in 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 could not be reliably estimated in 2016, following previous practice no euro/US dollar currency hedging was undertaken. The future risk of appreciation of the Mexican pesos mainly relates to higher wage costs. All other significant cost items such as material costs are calculated in US dollars or euros.

InTiCa Systems' production facility in the Czech Republic sources goods from the euro zone. All deliveries are made on a euro basis, either to InTiCa Systems AG or to external manufacturers who undertake further processing steps. The currency risk with regard to the Czech koruna is therefore limited to local wages and overheads and the liabilities of the Czech subsidiary to the Group. No currency hedging was undertaken here, either. The risk comprises a rise in the Czech koruna and the related increase in wage costs for production personnel. In view of the forecast appreciation of this currency in the fourth quarter of 2017, various hedging options are currently being considered. The aim is to take a decision in the first half of the year on whether possible hedging makes sense.

» Interest rate risk

The company's exposure to the risk of short-term changes in interest rates on its loans is limited as the term of the loans ranges from three years to nine years for the loan taken out in 2015. Apart from one 8-year loan with variable interest rates, which was taken out in 2016, 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.

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

3.4 Overall statement on the risk situation

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

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

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

4. Opportunities and management of opportunities

4.1 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 AG. The potential may be either internal or external. InTiCa Systems does not have a 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 company 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.

4.2 Opportunities

Continued repositioning as a systems supplier

As it repositions itself as a solution supplier, InTiCa Systems AG is focusing 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

It has become clear that both now and in the future the automotive industry will be dominated by three key technologies: hybrid/electric vehicles, autonomous vehicles, and networking and digitization of vehicles. InTiCa Systems' product groups give it a presence in all three fields. Examples are stator coils, EMC filters and actuators. InTiCa Systems already produces various key components for well-known system suppliers. These are increasingly being used or could be used in additional models. InTiCa Systems therefore works closely with manufacturers and suppliers on the use of these components.

Further, InTiCa Systems anticipates steady sales growth from the increasing market penetration of keyless entry/go systems, efficient engine management to reduce fuel consumption and CO_2 emissions, and further mechatronic and inductive assemblies – from premium cars to the volume models of leading international manufacturers. InTiCa Systems regards itself as a specialist in these product and technology segments.

New developments for industrial applications

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

Good access to system suppliers to the automotive industry

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

Development and manufacturing expertise

A team of technical experts and excellently trained employees is the basis of InTiCa Systems' success. Their specialist development and manufacturing know-how, combined with many years of experience, enable the company to respond quickly and specifically to customer requirements and to find optimum individual solutions to new problems. The company is already a leader in inductive components, passive analogue switches and mechatronic modules. Continuous sharing of knowledge and experience between different organizational units, especially the technology unit, builds synergies that can be utilized effectively to initiate future-oriented products and solutions. This already takes place, for example, in the development of components for electric and hybrid vehicles, a future-oriented business area which will become increasingly significant for InTiCa Systems in the next few years. The technology centre, which was opened in 2015, supports this future-oriented process and provides the best possible framework for sharing ideas, training the team and testing new manufacturing technologies in order to identify and use new opportunities in the future. The technology centre also offers scope for the production of samples and pre-production series for subsequent implementation as serial production at our international sites.

Expansion of international business

International expansion of the company's presence is vital to ensure that InTiCa Systems can achieve its core corporate goals of growing sales and extending its customer base. InTiCa Systems will be able to establish itself internationally in the long term by building and strengthening new and established distribution and production alliances. In 2014, it therefore decided to establish a location in NAFTA. Last year, 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. Serial production of a complete line will start in 2017. The company is looking ahead confidently to a future as a global player.

4.3 Management assessment of the overall risk and opportunity situation

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

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

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

Even a consideration of the purely speculative risks that could adversely affect InTiCa Systems' business at the time of preparation of this report indicated that the individual risks could be isolated and controlled. The Group's operational management takes a risk-aware approach and implements measures to avoid potential risks. At the same time, there are a large number of activities to drive forward the use of present and future opportunities.

5. 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.

5.1 Segment trends

» Automotive Technology

The Board of Directors assumes a sustained positive development on the global automotive market in 2017. Market penetration of models where InTiCa Systems's electronic products are used to enhance comfort and of hybrid technologies and electric vehicles is expected to increase. At present, InTiCa Systems' products are used in more than 400 models manufactured by 20 different producers.

Demand for InTiCa Systems' power electronics and stator products should increase substantially as a result of sustained political pressure to step up the introduction of alternative hybrid and electric drives. A boost to demand should come from investments undertaken by automotive producers to develop and manufacture alternative drives that are ready for serial production and to extend their model ranges.

In 2016, the company again acquired substantial new orders for Automotive Technology such as stators and filters for hybrid vehicles. Based on the present demand situation and the development work already commissioned, the company assumes that further future-oriented orders will be placed in the course of 2017.

Keyless entry/go systems are continuing to penetrate the market. As in previous years, it was possible to obtain orders for additional models and new products. The Board of Directors anticipates that this product group will continue to generate a considerable proportion of total sales in the future and will therefore secure the planned sales growth.

InTiCa Systems further established itself in customers' perception as a development and solution provider. For example, it has been retained as a development partner to design several EMC filters to reduce electromagnetic interference in hybrid and electric vehicles.

Another important building block of InTiCa Systems' future growth in the Automotive Technology sector is the progressive internationalization of the company. A first step in this was the establishment and start-up of the new site in Mexico. The aim is to leave the company´s "global footprint" outside Europe and, as a first step, to supply existing customer orders locally based on the "follow the customer" principle. The goals for 2017 are to ramp up serial production for existing customers and address new customers. The Board of Directors expects this to have a significant impact on sales from the second half of 2017. At the same time, the Board of Directors is constantly examining possibilities of setting up further sites outside the EU.

In light of the steps taken to optimize production and the investment in state-of-the-art production plants, we expect rising sales volumes to be accompanied by an appreciable improvement in the margin. The Board of Directors expects Group sales to rise from around EUR 39 million to EUR 41 million in 2017.

» Industrial Electronics

As in the past, sales in the Industrial Electronics segment are generated principally by inductive components and mechatronic assemblies for inverters for use in the solar industry. The Board of Directors still assumes that growth impetus will come from regenerative energy sources because they are now firmly established for power generation. Other areas of business for this segment comprise developing actuator coils to reduce power consumption and filters for power storage systems. We have stepped up our development activities in the field of filter technology to improve market penetration. Synergies with automotive technology applications can be leveraged for both filter technology and actuators, ensuring optimum use of the available expertise. Development of filters, actuator coils and power electronics components will help this segment stabilize sales or even achieve further moderate sales growth. The Board of Directors expects this segment to report sales of around EUR 8.0 million to EUR 9.0 million in 2017.

5.2 Order situation

At the end of the first quarter of 2017 orders on hand were well above the prior-year level at EUR 48 million (March 31, 2016: EUR 36.3 million). 83% of orders were for the Automotive Technology segment (March 31, 2016: 84%). Overall, the Board of Directors expects order on hand to rise in the Automotive Technology segment and the Industrial Electronics segment.

5.3 Earnings, asset and financial position

Although the economic outlook for 2017 is positive, there are still a number of factors that could have a negative impact during the year. These uncertainties include, for example, the upcoming Brexit negotiations with the UK, important elections in four of the five largest EU member states, and the unpredictability of the new US administration's economic and trade policy.

The Automotive Technology segment will remain the most important element in InTiCa Systems' business activities in 2017, as in previous years. The investment in expanding production capacity and optimizing production workflows has reduced material costs and overcome capacity bottlenecks but the Board of Directors sees further scope for optimization. The Industrial Electronics segment should stabilize further, even though business conditions remain challenging. Product innovations and further internationalization should open the door to new markets.

InTiCa Systems' ability to offer customer-specific solutions, combined with greater vertical integration and systems solution competence, are its main competitive advantage in addressing the opportunities that arise. In-house manufacturing is expected to be over 80% again in 2017.

The continued positive development of the Automotive Technology segment in the first three months of 2017 confirms this view and lifted Group sales 9% year-on-year to EUR 12.3 million in the first quarter of 2017 (Q1 2016: EUR 11.3 million). EBITDA is expected to be around EUR 1.4 million in the first quarter of 2017, while EBIT should be around EUR 0.3 million.

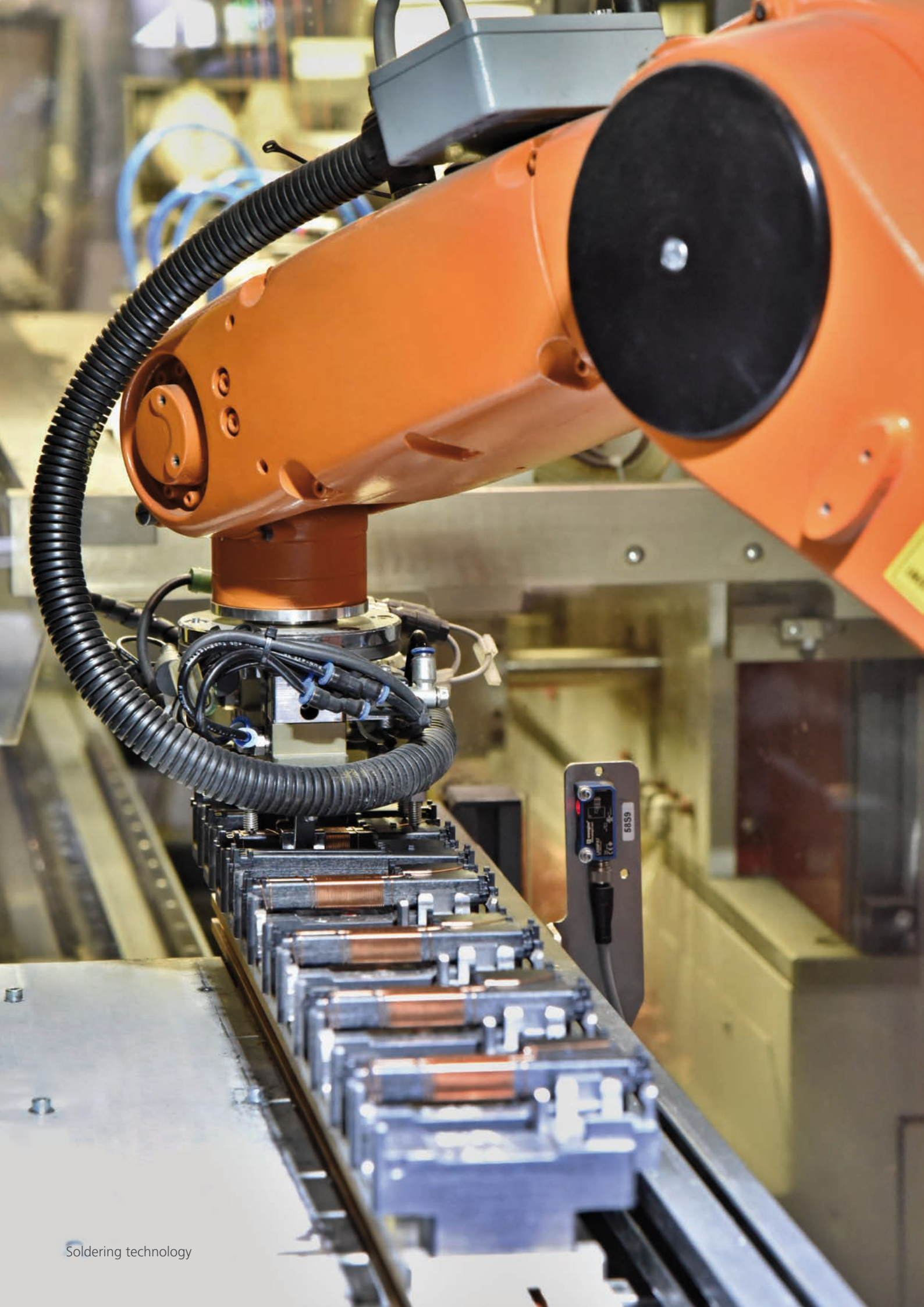
At present, the Board of Directors assumes that, given a stable economic environment, Group sales will rise to around EUR 47 million to EUR 50 million in 2017 and the EBIT margin will improve to around 3%. The material cost ratio should drop further and the equity ratio should be held stable.

Passau, April 21, 2017

The Board of Directors

Dr. Gregor Wasle
Spokesman for the Board of Directors

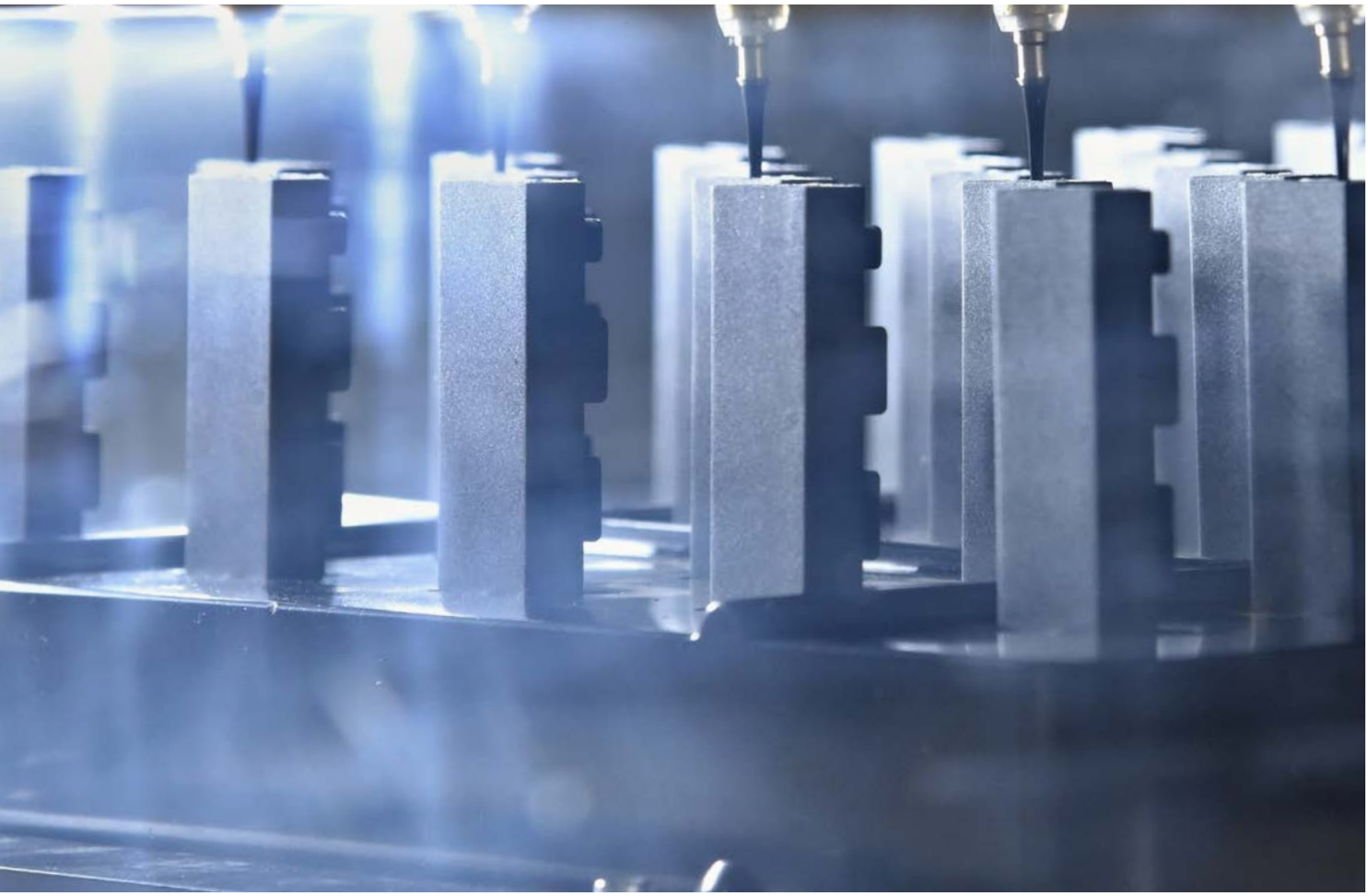
Günther Kneidinger
Member of the Board of Directors



Soldering technology

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS



Highest quality level

through modern robotics

Consolidated Balance Sheet

of InTiCa Systems in accordance with IFRS
as at December 31, 2016

Assets	Note	Dec. 31, 2016 EUR ´000	Dec. 31, 2015 EUR ´000
Non-current assets			
Intangible assets	14	4,454	4,391
Property, plant and equipment	13	19,346	19,198
Deferred taxes	10.3	1,165	1,315
Total non-current assets		**24,965**	**24,904**
Current Assets			
Inventories	17	6,974	7,758
Trade receivables	18	8,514	6,807
Tax assets	10.2	2	1
Other financial assets	16.1	128	142
Other current receivables	16.2	539	542
Cash and cash equivalents	31	355	167
Total current assets		**16,512**	**15,417**
Total assets		**41,477**	**40,321**

Equity and liabilities		Dec. 31, 2016 EUR ´000	Dec. 31, 2015 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	-1,471	-1,818
Currency translation reserve	22	-1,414	-1,349
Total equity		**16,727**	**16,445**
Non-current liabilities			
Financial liabilities	23	9,835	7,915
Deferred taxes	10.3	1,582	1,468
Total non-current liabilities		**11,417**	**9,383**
Current liabilities			
Other current liabilities	24	1,084	1,155
Tax liabilities	10.1	3	0
Financial liabilities	23	8,900	10,225
Trade payables	25; 29.2	2,727	2,620
Other financial liabilities	26	274	266
Other current liabilities	27	345	227
Total current liabilities		**13,333**	**14,493**
Total equity and liabilities		**41,477**	**40,321**
Equity ratio		40.3%	40.8%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

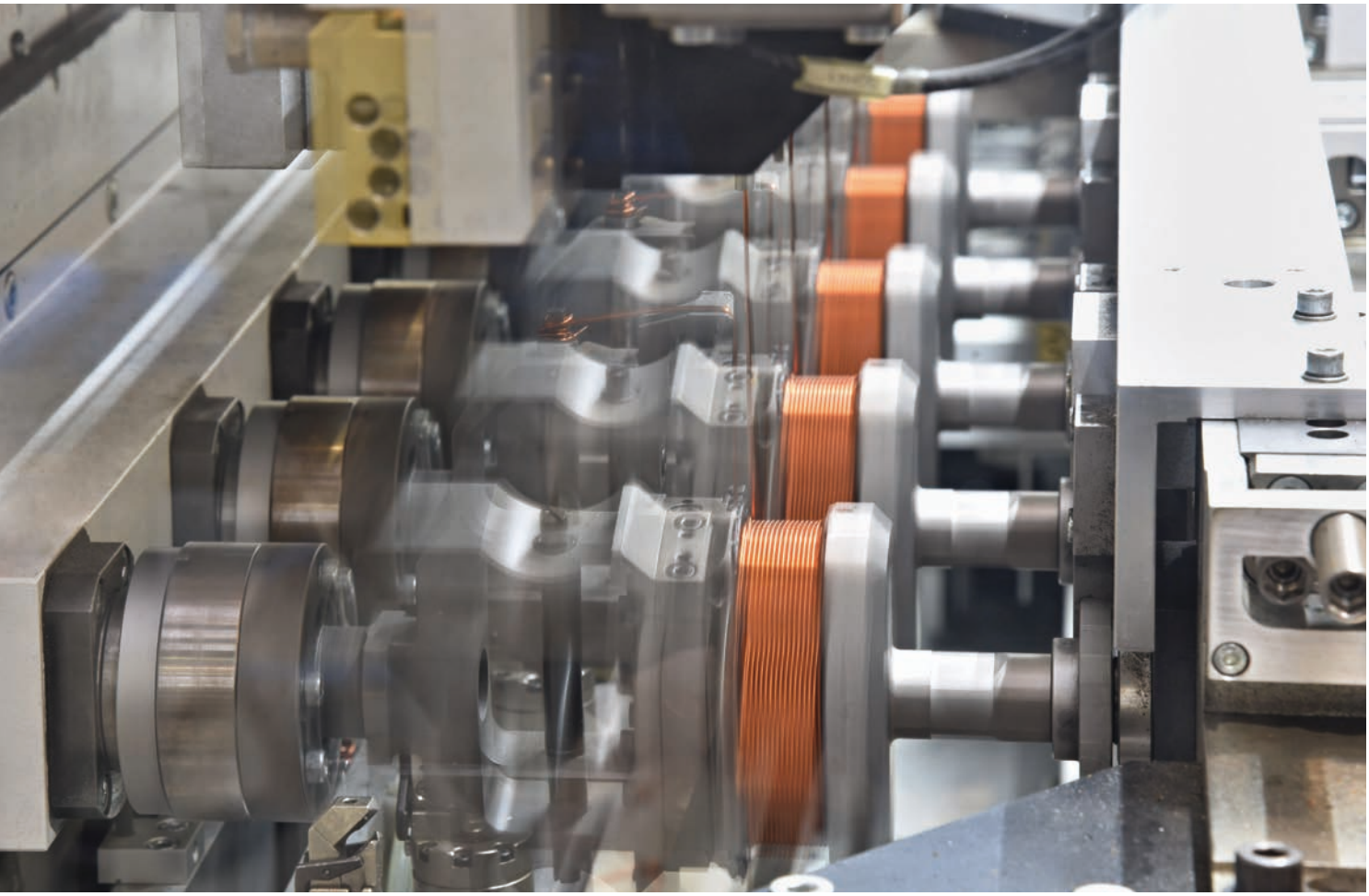
of InTiCa Systems in accordance with IFRS for the period from January 1 to December 31, 2016

	Note	Fiscal year EUR ´000	Previous year EUR ´000
Sales	5; 6.2	**44,928**	**42,441**
Other operating Income	7	376	758
Change in finished goods and work in process	17	245	1,110
Other own work capitalized		1,267	1,200
Raw materials and supplies		25,016	25,712
Personnel expense	11.3	10,408	8,966
Depreciation and amortization	11.1; 13; 14	4,332	4,457
Other expenses	7	6,020	5,668
Operating profit (EBIT)		**1,040**	**706**
Cost of financing	9	427	444
Other financial income	8	0	0
Pre-tax profit/loss		**613**	**262**
Income taxes	10.1	266	184
Consolidated net profit/loss		**347**	**78**
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	-65	369
Other comprehensive income, after taxes		**-65**	**369**
Total comprehensive income		**282**	**447**
Earnings per share (diluted/basic in EUR)	12	0,08	0,02

Consolidated Cash Flow Statement

of InTiCa Systems in accordance with IFRS/IAS for the period from January 1 to December 31, 2016

	Note	Fiscal year EUR ´000	Previous Year EUR ´000
Cash flow from operating activities			
Consolidated net income/loss for the period		347	78
Income tax payments/receipts	10.1	266	184
Cash outflow for borrowing costs	9	427	444
Income from financial investments	8	0	0
Depreciation and amortization of non-current assets	11.1	4,332	4,457
Non-cash transactions			
Net currency gains/losses		-59	155
Other transactions		0	27
Increase/decrease in assets not attributable to financing or investing activities			
Inventories	17	784	-1,035
Trade receivables	18	-1,706	-299
Other assets		16	-508
Increase/decrease in liabilities not attributable to financing or investing activities			
Other current provisions	24	-71	-88
Trade payables	29.2	107	-404
Other liabilities		149	54
Cash and cash equivalents from operating activities		**4,592**	**3,065**
Income tax receipts/payments		-1	1
Cash outflow for interest payments		-449	-448
Net cash flow from operating activities		**4,142**	**2,618**
Cash flow from investing activities			
Cash inflow from interest payments		0	0
Cash inflow from the disposal of property, plant and equipment		0	0
Cash outflow for intangible assets	14	-1,455	-1,336
Cash outflow for property, plant and equipment	13	-3,089	-7,628
Net cash flow from investing activities		**-4,544**	**-8,964**
Cash flow from financing activities			
Cash inflow from loans		4,000	3,000
Cash outflow for loan repayment installments		-2,877	-2,655
Cash outflow for liabilities under finance leases		0	-94
Net cash flow from financing activities		**1,123**	**251**
Total cash flow		**721**	**-6,095**
Cash and cash equivalents at start of period	31	-7,388	-1,232
Impact of changes in exchange rates on cash and cash equivalents held in foreign currencies		-7	-61
Cash and cash equivalents at end of period	31	**-6,674**	**-7,388**



Dynamics and precision

Our motivation

Consolidated Statement of Changes in Equity

for InTiCa Systems according with IFRS

for the period from January 1, 2015 to December 31, 2016

	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, 2015	4,287	-64	15,389	-1,896	-1,718	15,998
Consolidated net income 2015	0	0	0	78	0	78
Other comprehensive income, after taxes	0	0	0	0	369	369
Total comprehensive income 2015	0	0	0	78	369	447
As at December 31, 2015	4,287	-64	15,389	-1,818	-1,349	16,445
As at January 1, 2016	4,287	-64	15,389	-1,818	-1,349	16,445
Consolidated net income 2016	0	0	0	347	0	347
Other comprehensive income, after taxes	0	0	0	0	-65	-65
Total comprehensive income 2016	0	0	0	347	-65	282
As at December 31, 2016	4,287	-64	15,389	-1,471	-1,414	16,727

Notes to the Consolidated Financial Statements of InTiCa Systems AG for Fiscal 2016

NOTES

1. General information

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

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

2. Application of new and amended standards

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

The company applied the following new or amended standards for the first time in the reporting period.

» IFRS 11

A party that invests in a joint arrangement that constitutes a business as defined in IFRS 3 must apply all the principles on accounting for business combinations set out in IFRS 3 and other IFRSs, unless these conflict with the guidelines in IFRS 11. Application of the amendments to IFRS 11 did not have any impact on the consolidated financial statements because no relevant transactions occurred in the reporting period.

» IAS 16 / IAS 38

Guidelines on the methods that can be used for depreciation of property, plant and equipment and amortization of intangible assets. Clarification that revenue-based methods of depreciation and amortization methods are not appropriate for property, plant and equipment and intangible assets. This presumption is rebuttable for intangible assets in some limited circumstances. The company uses the straight-line method for the amortization of intangible assets and depreciation of property, plant and equipment because this method best reflects the reduction in the economic benefit of the assets. The amendments therefore had no impact on the consolidated financial statements.

» IAS 27

Reintroduction of the equity method as an accounting option for shares in subsidiaries, joint ventures and associates. Since the Group did not utilize this accounting option, this does not have any impact on the consolidated financial statements.

» Annual Improvements 2012 - 2014

Amendments and clarification of various IFRSs. Application has not had any material impact on the consolidated financial statements.

» IAS 1

The amendments relate to the presentation of annual financial statements, especially materiality and aggregation, presentation of the balance sheet and statement of comprehensive income, the presentation of the components of other comprehensive income (OCI) and disclosures in the notes. Application of IAS 1 has not had any material impact on the consolidated financial statements.

» Annual Improvements 2010 - 2012

Amendments and clarification of various IFRSs. Application has not had any material impact on the consolidated financial statements.

2.2 Standards, interpretations and amendments to published standards where application was not mandatory in 2016 and which were not applied early by the Group

The IASB has adopted the following new or amended standards that are relevant for the Group from the current viewpoint. However, as application of these standards is not yet mandatory or they have not yet been endorsed by the EU, they were not applied for the consolidated financial statements as of December 31, 2016. The new standards or amendments to existing standards have to be applied for financial years that start on or after the date on which become effective. They are not normally applied early, even where this is permitted by individual standards.

There are no plans for early application of the published standards, interpretations and amendments to published standards in the consolidated financial statements. Following an initial examination, however, it is assumed that, with the exceptions explicitly indicated below, at present application would not have a material impact on the assets, financial and earnings position of the Group. The material impact is currently being examined by the management.

» IAS 7

To meet the new disclosure requirements in accordance with IAS 7, the Group intends to present a reconciliation from the initial and final level of debt, showing changes in connection with financing activities. The standard is mandatory for the first time for financial years starting on or after January 1, 2017.

» IAS 12 Recognition of deferred tax assets for unrealized losses

This standard contains various clarifications relating to the recognition of deferred tax assets for unrealized losses. The Group does not expect the amendments to IAS 12 to have a material impact on the consolidated financial statements. The standard is mandatory for the first time for financial years starting on or after January 1, 2017.

» IFRS 9

- **Classification of financial assets**
  Based on provisional assessment, the Group is of the opinion that – insofar as they are applied in the future – the new classification requirements would have a significant impact on the recognition of trade accounts receivable and loans.
- **Impairments – financial assets and contract assets**
  The Group is of the opinion that impairment charges for assets in the scope of the IFRS 9 impairment model will probably increase and become more volatile. Since a final decision on the impairment method has not yet been taken, it is not currently possible to quantify the resulting impact.
- **Disclosures**
  IFRS 9 requires extensive new disclosures, especially on the recognition of credit risks and expected credit defaults. This will necessitate modifications to the internal control system in order to compile the necessary data.
- **Transition**
  Changes in the accounting methods resulting from application of IFRS 9 will normally be applied retrospectively. No decision has yet been taken on whether to use the exemption from restatement of comparative information for previous periods on the changes in classification and measurement (including impairments). In this case, differences between the carrying amounts of the financial assets resulting from application of IFRS 9 would have to be recognized in profit reserves as of January 1, 2018. The standard is mandatory for the first time for financial years starting on or after January 1, 2018.

» IFRS 15 Revenue from contracts with customers

IFRS 15 defines the timing and amount of revenue recognition. According to IFRS 15 revenue is the amount expected to be received as consideration for the transfer of goods or services to customers. The timing of recognition depends on when control is obtained and no longer on the transfer of the opportunities and risks. A five-step model has been developed to implement the future requirements of this standard. IFRS 15 greatly extends the disclosures on revenue from contracts with customers. The Group currently assumes that initial application of IFRS 15 will result in significant changes in the consolidated financial statements. The standard is mandatory for the first time for financial years starting on or after January 1, 2018.

» IFRS 16 Leases

IFRS 16 contains an extensive model on identifying leases and how they are to be accounting for by lessees and lessors. In principle, IFRS 16 applies for all leases. It abolishes the present distinction between operating leases and finance leases. Instead, in future the lessee will have to recognize a "right-of-use asset" and a corresponding lease liability for all leases.

When this standard is introduced, the Group will recognize assets and liabilities for operating leases for the first time. This will alter the nature of expenses relating to leases because IFRS 16 replaces linear recognition of expenses for operating leases by amortization of the right-of-use assets and interest expense for liabilities for leases. The standard is not expected to have any impact on finance leases. The standard is mandatory for the first time for financial years starting on or after January 1, 2018. IFRS 16 had not been endorsed by the EU as of the date of preparation of the notes to the consolidated financial statements. The Group has not yet decided whether to adopt the retrospective approach or the modified retrospective approach with optional rules to simplify transition.

» IFRIC 22 Foreign currency transactions and advance consideration

IFRIC 22 contains application guidance on determining the exchange rate for advance payments in foreign currencies. Application of IFRIC 22 could have an impact on the consolidated financial statements if advance payments are made on foreign currency transactions in the future. IFRIC 22 is mandatory for the first time for financial years starting on or after January 1, 2018.

» Annual Improvements Project 2014 - 2016

Amendments and clarification of various IFRSs. The Group does not expect the amendments 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 for the sale of an asset or that would have to be paid for the transfer of a liability. This applies irrespective whether the price is directly observable or is estimated using a valuation method. However, it does not apply for lease agreements that fall within the scope of IAS 17 Leases and valuation methods that are similar to but do not correspond to the fair value, for example, net realizable value as per IAS 2 Inventories or value in use as per IAS 36 Impairment of Assets. The principal accounting policies and valuation methods are outlined below. Where amounts are stated in thousands of euros (EUR '000) individual items or transactions may be subject to rounding differences of +/-1.

3.3 Principles of consolidation

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

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

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

3.4 Business combinations

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

3.5 Revenue recognition

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

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

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

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

3.6 Leasing

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

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

3.7 Foreign currencies

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

Translation differences arising from monetary items, including those relating to independent foreign subsidiaries, are recognized in profit or loss in the period in which they occur. This does not apply to translation differences relating to receivables or payables from/to a foreign business operation where 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	
	2016	2015	2016	2015
Czech Republic	EUR 1/ CZK 27.020	EUR 1/ CZK 27.025	EUR 1/ CZK 27.033	EUR 1/ CZK 27.283
USA	USD 1.056	USD 1.089	USD 1.107	USD 1.110
Mexico	MXN 21.774	-	MXN 20.677	-

3.8 Taxation

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

» Current taxes

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

» Deferred taxes

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

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

» Current and deferred taxes for the reporting period

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

3.9 Earnings per share

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

3.10 Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.11 Intangible assets

» Intangible assets acquired separately

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

» Self-created intangible assets – research and development expenses

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

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

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

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

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

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

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

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

3.12 Impairment of property, plant and equipment and intangible assets

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

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

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

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

3.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until completion of substantially all activities necessary to prepare it for use or sale. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. The Group regards a period of more than 12 months as a substantial period of time.

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

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

3.14 Inventories

Inventories are carried at the lower of cost of acquisition or production cost and net realizable value. The cost of acquisition or production of inventories is measured using the FIFO (first-in first-out method). The net realizable value is the estimated price that can be obtained in normal business conditions less the estimated production and selling expenses.

Write-downs are made for obsolete and slow-moving inventories. If the reasons for the write-downs are not longer applicable, a corresponding write-up is recognized.

3.15 Provisions

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

3.16 Financial assets

Financial assets are assigned to the following categories:

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

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

» At fair value through profit or loss

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

» Held-to-maturity financial assets

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

» Available-for-sale financial assets

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

» Loans and receivables

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

» Impairment write-downs of financial assets

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

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

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

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

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

» Derecognition of financial assets

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

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

In connection with the classification of financial assets and liabilities, the following abbreviations are used:
AfS = available for sale
FVTPL = fair value through profit or loss
LaR = loans and receivables
HfT = held for trading
OL = other liabilities

3.17 Financial liabilities

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

» Liabilities recognized at fair value through profit or loss

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

» Other financial liabilities

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

» Derecognition of financial liabilities

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

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

3.18 Security provided

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

3.19 Cash and balances on bank accounts

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

4. Principal sources of estimation uncertainty

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

The assumptions underlying such estimates are reviewed regularly. Where changes to such estimates only affect one period, they are recognized for this period only. If the change relates to the present and subsequent reporting periods, it is 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 4.4 million as of December 31, 2016 (2015: EUR 4.3 million).

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

5. Sales

The table shows the Group's sales split:

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Revenues from trading	5,770	5,918
Revenues from production	39,158	36,523
Total revenues from the sale of goods	**44,928**	**42,441**

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

6. Segment information

6.1 Products that generate revenues for the reportable segments

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

» Automotive Technology

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

» Industrial Electronics

InTiCa Systems' Industrial Electronics segment specializes in developing and manufacturing high-quality, custom-tailored inductive components, mechatronic modules and system solutions for regenerative energy sources (solar power), and automation and drive technology. In addition, since 2015 this segment has included products for transmission technology and high-frequency engineering and cable applications. Fundamental structural adjustments were made to the functional organization, resulting in changes in internal reporting structures. The Communication Technology and Industrial Electronics segments were combined in the Industrial Electronics segment in 2015.

6.2 Segment sales and segment result

	Segment sales		Segment result	
	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Automotive Technology	36,281	35,032	1,080	1,352
Industrial Electronics	8,647	7,409	-40	-646
Total	**44,928**	**42,441**	**1,040**	**706**
Income and expenses relating to assets not allocated to any segment			0	0
Financial result			**-427**	**-444**
Pre-tax income			613	262

The sales revenues presented above comprise revenues from transactions with external customers. There were no intersegment transactions (2015: zero).

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

6.3 Segment assets and liabilities

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Automotive Technology	32,507	32,324
Industrial Electronics	6,780	5,830
Total	**39,287**	**38,154**
Assets not allocated to any segment	2,190	2,167
Total consolidated assets	**41,477**	**40,321**

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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Cash and cash equivalents	355	167
Other current receivables	539	542
Other financial assets	128	142
Tax receivables	2	1
Deferred taxes	1,166	1,315
Total	**2,190**	**2,167**

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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000	Dec. 31, 2016 in EUR '000	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Automotive Technology	3,493	3,297	70	3,890	8,018
Industrial Electronics	839	1,160	75	654	946
Total	**4,332**	**4,457**	**145**	**4,544**	**8,964**

The total depreciation, amortization and impairment write-downs include write-downs of EUR 145 thousand (2015: EUR 41 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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Small signal electronics	7,978	7,926
Power electronics	11,243	10,311
Mechatronic components and systems	20,159	18,762
Other	5,548	5,442
Total	**44,928**	**42,441**

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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Germany	27,473	24,459	7,170	6,739
Other countries	17,455	17,982	16,629	16,850
of which Spain	3,070	2,358		
Total	**44,928**	**42,441**	**23,799**	**23,589**
Assets not allocated to any segment			1,166	1,315
Non-current assets, total			24,965	24,904

The data on sales in Spain are based on the location of the customer. The data on non-current segment assets outside Germany relate to the company's production facilities in the Czech Republic and Mexico. EUR 15,626 thousand of this amount comprises assets at the site in the Czech Republic (2015: EUR 16,850 thousand).

6.7 Information on major customers

The Group's two largest customers accounted for around EUR 8,522 thousand (2015: EUR 7,242 thousand) and EUR 4,161 thousand (2015: EUR 3,635 thousand) of direct sales of products. That was 19.0% (2015: 17.1%) and 9.3% (2015: 8.6%) of total sales. Both customers are assigned to the Automotive Technology segment. In both 2016 and 2015 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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Gains from foreign currency translation	140	402
Income from reductions in write-downs on receivables	0	0
Insurance refund	117	250
Other	119	106
Total	**376**	**758**

Other expenses

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Exchange losses	148	278
Cost of premises	908	742
Insurance premiums, contributions, levies	304	240
Vehicle expenses	272	280
Advertising costs, travel expenses	408	275
Delivery costs	918	1,399
Maintenance and repairs	1,101	937
Agency staff	487	380
Legal and consultancy costs	444	175
Other operating expenses	1,030	962
Total	**6,020**	**5,668**

8. Other financial income

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 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, 2016 in EUR '000	Dec. 31, 2015 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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Interest on overdrafts and bank loans	427	443
Interest on obligations relating to finance leases	0	1
Total	**427**	**444**

Breakdown of expenses for financial liabilities by valuation class:

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Financial liabilities measured at amortized cost (OL)	427	444

10. Income taxes

10.1 Income taxes recognized in the statement of profit or loss

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Current tax expense	3	0
Deferred taxes	263	184
Total	**266**	**184**

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

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Income before taxes	613	262
Theoretical tax expense	183	78
Impact of tax-exempt income/ non-deductible expenses	24	24
Impact of different tax rates applied to subsidiaries in different tax jurisdictions	59	82
Total	**266**	**184**

The tax rate used for the above reconciliation for 2016 and 2015 is the tax rate of around 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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Current claims for tax refunds	2	1

10.3 Deferred taxes

2016	Initial balance in EUR '000	Recognized in profit or loss in EUR '000	Recognized in other comprehensive income in EUR '000	Recognized directly in equity in EUR '000	End balance in EUR '000
Temporary differences					
Intangible assets	-1,290	-14	0	0	-1,304
Property, plant and equipment	-87	-99	0	0	-186
Provisions	6	0	0	0	6
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,309	-150	0	0	1,159
Total	**-153**	**-263**	**0**	**0**	**-416**
2015					
Temporary differences					
Intangible assets	-1,299	9	0	0	-1,290
Property, plant and equipment	-34	-53	0	0	-87
Provisions	0	6	0	0	6
Currency translation differences relating to foreign subsidiaries	-91	0	0	0	-91
Tax losses	1,455	-146	0	0	1,309
Total	**31**	**-184**	**0**	**0**	**-153**

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. 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

Profits from the subsidiary in the Czech Republic were exempt from taxation up to a cumulative amount of approximately EUR 11 million. This tax exemption ended at the end of fiscal 2016. The level of the tax exemption resulted from investments made at the Czech site.

Further, deferred taxes were not recognized for "outside basis differences" because the company is not planning to divest its shares in associated companies and these transactions would in any case be allocated to the tax-exempt operations.

11. Net income from continuing operations

11.1 Depreciation, amortization and impairment write-downs

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Impairment write-downs on property, plant and equipment	0	0
Depreciation of property, plant and equipment	2,941	3,060
Impairment write-downs on intangible assets	145	41
Amortization of intangible assets	1,246	1,356
Total	**4,332**	**4,457**

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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Research and development costs expensed in the fiscal year	1,389	1,260

11.3 Personnel-related expenses

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Wages and salaries	8,326	7,210
Social security expenses	2,011	1,715
Pension expenses	12	12
Other	59	29
Total	**10,408**	**8,966**

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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Consolidated net profit	347	78
Weighted average ordinary shares (in thousand units)	4,223	4,223
Earnings per share (in EUR)	**0.08**	**0.02**

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, 2015 to December 31, 2016
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, 2015	6,676	24,212	2,135	1,742	34,765
Additions	1,690	5,252	433	253	7,628
Transfers	2	677	198	-877	0
Disposals	0	-1,573	-884	0	-2,457
Translation differences	159	446	5	0	610
As at December 31, 2015 / January 1, 2016	**8,527**	**29,014**	**1,887**	**1,118**	**40,546**
Additions	39	1,943	535	573	3,090
Transfers	0	11	10	-21	0
Disposals	0	-364	-185	0	-549
Translation differences	1	3	0	0	4
As at December 31, 2016	**8,567**	**30,607**	**2,247**	**1,670**	**43,091**
Depreciation					
As at January 1, 2015	1,589	17,141	1,652	0	20,382
Depreciation	307	2,360	393	0	3,060
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	1	0	-1	0	0
Disposals	0	-1,573	-856	0	-2,429
Translation differences	33	299	3	0	335
As at December 31, 2015 / January 1, 2016	**1,930**	**18,227**	**1,191**	**0**	**21,348**
Depreciation	338	2,282	321	0	2,941
Impairment write-downs	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
Disposals	0	-361	-185	0	-546
Translation differences	1	2	-1	0	2
As at December 31, 2016	**2,269**	**20,150**	**1,326**	**0**	**23,745**
Balance sheet value as at December 31, 2016	**6,298**	**10,457**	**921**	**1,670**	**19,346**
Balance sheet value as at December 31, 2015	6,597	10,787	696	1,118	19,198

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

Assets and mortgages pledged as security

A mortgage claim (EUR 2,000 thousand) on developed land owned by the Group with a carrying amount of EUR 6,157 thousand (2015: EUR 6,407 thousand) has been registered as security for the Group's liabilities to banks. Machinery at the Prachatice site with a carrying amount of EUR 5,370 thousand (2015: EUR 3,596 thousand) has been pledged as security for liabilities to banks.

14. Intangible assets

Change in non-current assets in the period January 1, 2015 to December 31, 2016
InTiCa Systems Group

In EUR '000	Self-created intangible assets	Other intangible assets	Total
Cost of acquisition or production			
As at January 1, 2015	8,952	474	9,426
Additions	1,314	22	1,336
Transfers	0	0	0
Disposals	-73	0	-73
Translation differences	0	1	1
As at December 31, 2015 / January 1, 2016	**10,193**	**497**	**10,690**
Additions	1,401	53	1,454
Transfers	0	0	0
Disposals	-1,380	-7	-1,387
Translation differences	0	0	0
As at December 31, 2016	**10,214**	**543**	**10,757**
Amortization			
As at January 1, 2015	4,600	375	4,975
Amortization	1,304	52	1,356
Impairment write-downs	41	0	41
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-73	0	-73
Translation differences	0	1	1
As at December 31, 2015 / January 1, 2016	**5,872**	**428**	**6,300**
Amortization	1,211	35	1,246
Impairment write-downs	145	0	145
Write-ups	0	0	0
Transfers	0	0	0
Disposals	-1,380	-7	-1,387
Translation differences	0	0	0
December 31, 2016	**5,848**	**456**	**6,304**
Balance sheet value as at December 31, 2016	**4,366**	**87**	**4,453**
Balance sheet value as at December 31, 2015	4,321	69	4,390

Where the underlying projects have not been completed or no sales have been generated, self-created intangible assets (carrying amount EUR 1,615 thousand in 2016; 2015: EUR 1,243 thousand) are not yet subject to amortization.

Impairment write-downs in 2016

For development projects, the amortization recognized in the statement of profit and loss includes impairment write-downs of EUR 145 thousand (2015: EUR 41 thousand) in addition to regular amortization. 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, 2016 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
(2015:		100	100	)
Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V.	Silao, Mexico	100	100	Production
(2015:		0	0	)

The subsidiary Sistemas Mecatrónicos InTiCa S.A.P.I. de C.V. was consolidated on June 16, 2016 as a company established by cash contributions. The establishment of this company constituted the opening of a new production site. A start-up loss of EUR 556 thousand was recorded for the Mexican subsidiary.

16. Other financial assets and other receivables

16.1 Other financial assets

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Receivables recognized at amortized cost		
Other financial assets	128	142
Total	**128**	**142**
Non-current	0	0
Current	128	142
Total	**128**	**142**

16.2 Other current receivables

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Deferred charges	120	245
Advance payments made	128	37
Current tax receivables	291	260
Total	**539**	**542**

17. Inventories

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Raw materials and supplies	3,496	4,524
Work in process	1,138	1,352
Unfinished tools with customer involvement	313	482
Finished goods	2,027	1,400
Total	**6,974**	**7,758**

Total impairment write-downs on inventories recognized in profit and loss amounted to EUR 162 thousand (2015: EUR 31 thousand). They comprised EUR 90 thousand (2015: EUR 0 thousand) in the Automotive Technology segment, and EUR 72 thousand (2015: EUR 31 thousand) in the Industrial Electronics segment. As of the reporting date the carrying amount of these inventories was EUR 692 thousand (2015: EUR 92 thousand). The write-downs in the financial year are contained in other comprehensive income and comprise EUR 74 thousand (2015: EUR 18 thousand) in "Change in inventories of finished goods and work in process" and EUR 88 thousand (2015: EUR 13 thousand) in "Raw materials and supplies".

Total write-ups of inventories amounted to EUR 0 thousand (2015: EUR 320 thousand). The write-ups comprised EUR 0 thousand (2015: EUR 320 thousand) attributable to the Industrial Electronics segment. As of the reporting date the carrying amount of these inventories was EUR 260 thousand (2015: EUR 372 thousand).

18. Trade receivables

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Trade receivables	8,514	7,317
Impairment write-downs	0	-510
Total	**8,514**	**6,807**

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

The Group conducts a creditworthiness test before accepting new customers and sets individual credit limits. Customer assessments are reviewed once a year and credit limits are reviewed monthly. On the reporting date, trade receivables totalling EUR 1,494 thousand (2015: EUR 1,113 thousand) were due from the Group's two biggest customers. Trade receivables amounting to more than 5% of total trade receivables (2015: 5%) were due from 10 (2015: 8) customers.

Impairment write-downs were not recognized for trade receivables amounting to EUR 1,019 thousand (2015: EUR 1,209 thousand) which were overdue on the reporting date because no material change in the creditworthiness of the debtors had been identified and the amounts due are expected to be paid. The Group does not have any security for these open items.

Age structure of overdue but non-impaired receivables:

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
1 – 30 days	717	767
30 – 60 days	112	268
more than 60 days	190	174
Total	**1,019**	**1,209**

Changes in impairment write-downs

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Status at start of year	510	510
Amounts written down as uncollectible during the financial year	-510	0
Impairment write-downs on receivables	0	0
Total	**0**	**510**

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

The impairment write-downs include individual write-downs on trade receivables amounting to EUR 0 thousand (2015: EUR 510 thousand) where insolvency proceedings have been opened with regard to the debtor's assets. The write-down recognized in 2015 resulted from the difference between the carrying amount of the receivables and the carrying amount of the expected proceeds from liquidation. There is no security for these amounts.

The Board of Directors is convinced that no risk provisioning is necessary beyond the impairment write-downs already recognized. The average age structure of impaired receivables was 0 days (2015: 402 days).

To secure credit lines totalling EUR 6.0 million (2015: EUR 10.5 million), a blanket assignment has been made. This comprises the parent company's trade receivables. As of the reporting date, the carrying amount of the receivables was EUR 8.1 million (2015: EUR 6.4 million).

19. Capital stock

Capital stock and ordinary shares

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 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, 2016 in EUR '000	% of capital stock	Dec. 31, 2015 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 6, 2012, to increase the capital stock with the Supervisory Board's consent, up to July 5, 2017, 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 2012/I).

20. General capital reserve

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Status at start of year	-1,818	-1,896
Consolidated net profit	347	78
Total	**-1,471**	**-1,818**

The profit reserve contains statutory profit reserves of EUR 51 thousand (2015: EUR 51 thousand) and other profit reserves (including the loss carryforward) of minus EUR 1,522 thousand (2015: minus EUR 1,869 thousand).

22. Currency translation reserve

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Status at start of year	-1,349	-1,718
Translation of foreign business operations	-65	369
Total	**-1,414**	**-1,349**

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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Unsecured – recognized at amortized cost		
Overdrafts	11	7
Loans	2,915	5,584
Secured – recognized at amortized cost		
Overdrafts	7,018	7,548
Liabilities relating to finance leases (see Note 28)	0	0
Loans	8,791	5,000
Total	**18,735**	**18,139**
Current	8,900	10,224
Non-current	9,835	7,915
Total	**18,735**	**18,139**

EUR 3,897 thousand (2015: EUR 3,825 thousand) of the secured overdrafts relate to the Czech subsidiary and are secured by a guarantee from InTiCa Systems AG. EUR 2,000 thousand (2015: EUR 0 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 1.35%-4.34% p.a. (2015: 1.15%-4.6% p.a.).

Non-current loans incur interest at a fixed rate averaging 2.42% p.a. (2015: 2.96% p.a.). Variable interest was agreed for a non-current loan of EUR 1,792 thousand (2015: EUR 0 thousand). As of December 31, 2016, interest payments were 1.60% p.a.

24. Provisions

	Jan. 1, 2016 in EUR '000	Utilized in EUR '000	Reversed in EUR '000	Additions in EUR '000	Dec. 31, 2016 in EUR '000
Trade-related commitments (i)	757	757	0	656	656
Personnel expense (ii)	364	364	0	396	396
Other (iii)	34	34	0	32	32
Total	**1,155**	**1,155**	**0**	**1,084**	**1,084**

(i) In both 2015 and 2016, provisions for trade-related commitments comprised provisions for expected credit notes and outstanding invoices.

(ii) In both 2015 and 2016 the provisions for personnel expense covered employees' annual vacation entitlements and overtime claims, bonuses, an anniversary provision, and expected contributions to the employers' liability insurance association.

(iii) In both 2015 and 2016, the other provisions comprised costs for retention obligations.

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

25. Trade payables

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

26. Other financial liabilities

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
At amortized cost		
Other financial liabilities	274	266

27. Other current liabilities

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Accrued expenses	0	0
Advance payments received	63	0
Other liabilities	282	227
Total	**345**	**227**

28. Liabilities relating to finance leases

The Group does not have any finance leases at present.

29. Financial instruments

29.1 Capital risk management

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

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

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

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

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

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Equity	16,727	16,445
Total assets	41,477	40,321
Equity ratio	40.3%	40.8%
Interest-bearing financial liabilities	18,735	18,139
Cash and cash equivalents (-)	355	167
Net financial debt	**18,380**	**17,972**
EBIT	1,040	706
Depreciation, amortization and impairment write-downs	4,332	4,457
EBITDA	5,372	5,163
Net financial debt/EBITDA	**3.42**	**3.48**

29.2 Categories of financial instruments

	Category	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Financial assets		**8,997**	**7,116**
Cash on hand and bank balances	LaR	355	167
Trade receivables	LaR	8,514	6,807
Financial assets recognized at amortized cost	LaR	128	142
Financial liabilities		**21,736**	**21,025**
Financial liabilities recognized at amortized cost	OL	19,009	18,405
Trade payables	OL	2,727	2,620

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

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

29.3 Financial risk management

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

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

» Exchange-rate risks

Certain business transactions undertaken by the Group are denominated in foreign currencies, namely in USD, CZK and MXN. Risks relating to the CZK arise during the year in connection with the settlement of receivables and liabilities relating to transactions cross-charged between InTiCa Systems AG and its Czech subsidiary and the netting of receivables and liabilities in the consolidation of liabilities. Converting liabilities into a non-current loan (see Note 22) and recognizing this loan as a net investment has reduced the risks and the volatility of the Group's net income by reducing the open items as it ensures timely settlement of liabilities. As of the reporting date, there were no material risks arising from business transactions in MXN.

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

The parameters used for the sensitivity analysis (USD: +/-10%, CZK +/-3.5%) represent the Board of Directors' assessment of a reasonable potential change in the exchange rate. If the euro had appreciated (depreciated) by these percentages against each of these currencies as of December 31, 2016, the impact of the change in the USD exchange rate on Group net income would have been a decline (increase) of around EUR 111 thousand (2015: EUR 127 thousand), while a change in the CZK exchange rate of this magnitude would have increased (decreased) net income by around EUR 43 thousand (2015: EUR 188 thousand).

	Nominal amount as of Dec. 31, 2016 in EUR '000	2016 in EUR '000	Nominal amount as of Dec. 31, 2015 in EUR '000	2015 in EUR '000
Change in USD (+/-10%)	1,177	111	1,379	127
Change in CZK (+/-3.5%)	1,237	43	5,361	188

» 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, 2016, the result would have been EUR 70 thousand lower (higher).

» Price risks

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

» Risk of default

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

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

» Liquidity risk

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

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Credit lines		
Amounts drawn	7,029	7,555
Undrawn amounts	3,321	7,345
Total	**10,350**	**14,900**

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
2016				
Variable-interest financial liabilities	7,456	1,067	549	9,072
Fixed-interest financial liabilities	1,841	6,889	1,865	10,595
Total	**9,297**	**7,956**	**2,414**	**19,667**
2015				
Variable-interest financial liabilities	7,705	0	0	7,705
Fixed-interest financial liabilities	2,832	6,400	1,757	10,989
Total	**10,537**	**6,400**	**1,757**	**18,694**

30. Related party transactions

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

30.1 Board of Directors

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

30.2 Supervisory Board

- **Udo Zimmer**
  Chairman of the Supervisory Board, Munich
  Member of the Board of Management of REMA TIP TOP AG (since March 15, 2016)
  Managing Director of TOP-WERK GmbH (until February 29, 2016)
  Chairman of the Supervisory Board of SCHNELL Motoren AG (until August 31, 2016)
- **Werner Paletschek**
  Deputy Chairman of the Supervisory Board, Fürstenzell
  Managing Director of OWP Brillen GmbH
- **Christian Fürst**
  Member of the Supervisory Board, Thyrnau
  Managing partner of ziel management consulting gmbh
  Chairman of the Supervisory Board of Electrovac Hacht & Huber GmbH (Electrovac Hermetic Packages business unit)
  Advisory Board of Eberspächer Gruppe GmbH & Co. KG (since February 1, 2015)

30.3 Remuneration of the Board of Directors and the Supervisory Board

» Remuneration of the Board of Directors

The total remuneration of the Board of Directors in fiscal 2016 was EUR 422 thousand (2015: EUR 411 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% (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. The threshold for 2017 has been reduced to 3% on a one-off basis.

The following tables show the remuneration of the members of the Board of Directors of InTiCa Systems AG for 2016 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. The termination benefit for the former member of the Board of Directors, Mr. Walter Brückl, was paid in fiscal 2015.

Amount granted in EUR '000	Dr. Gregor Wasle Board of Directors Since January 1, 2015				Günther Kneidinger Board of Directors Since January 1, 2009			
	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)
Fixed compensation	180	190	190	190	180	180	180	180
Fringe benefits	24	22	22	22	27	30	30	30
Total	**204**	**212**	**212**	**212**	**207**	**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	**204**	**212**	**212**	**402**	**207**	**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		Walter Brückl Board of Directors Until December 31, 2014	
	2015	2016	2015	2016	2015	2016
Fixed compensation	180	190	180	180	0	0
Fringe benefits	24	22	27	30	0	0
Termination benefit	0	0	0	0	266	0
Total	**204**	**212**	**207**	**210**	**266**	**0**
One-year variable compensation	0	0	0	0	0	0
Multi-year variable compensation	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.
Other	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Pension expense	0	0	0	0	0	0
Total compensation	**204**	**212**	**207**	**210**	**266**	**0**

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

» Remuneration of the Supervisory Board

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

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

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

	Performance-unrelated remuneration in EUR '000	Attendance fee in EUR '000	Total in EUR '000
2016			
Udo Zimmer	15.00	5.25	20.25
Werner Paletschek	12.50	5.25	17.75
Christian Fürst	10.00	5.25	15.25
Total	37.50	15.75	53.25
2015			
Udo Zimmer	12.08	3.75	15.83
Werner Paletschek	13.96	3.75	17.71
Christian Fürst	11.46	3.00	14.46
Total	37.50	10.50	48.00

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, 2016	Dec. 31, 2015
Günther Kneidinger	4,000	4,000
Werner Paletschek	5,000	5,000
Christian Fürst	4,800	4,800

Major shareholders

	Shareholding in %	
	Dec. 31, 2016	Dec. 31, 2015
Thorsten Wagner	more than 25	more than 25
Dr. Dr. Axel Diekmann	more than 25	more than 25
Tom Hiss	more than 5	more than 5
InTiCa Systems AG	1.5	1.5

31. Cash and cash equivalents

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

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Cash and balances on bank accounts	355	167
Overdrafts	-7,029	-7,555
Total	-6,674	-7,388

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, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Commitments to acquire property, plant and equipment	692	406

33. Operating leases

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

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Payments recognized as expenses:		
Lease payments	628	444
Non-cancellable lease agreements:		
up to 1 year	788	505
between 1 and 5 years	2,742	1,702
more than 5 years	2,486	1,825
Total	6,016	4,032

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 1,324 thousand (2015: EUR 964 thousand) recognized in the consolidated statement of profit or loss comprise the Group's contributions to these pension plans on the basis of the agreed contributions.

35. Events after the reporting date

No reportable events have occurred since the reporting date.

36. Disclosures

The Board of Directors approved the consolidated financial statements for publication on April 24, 2017. InTiCa Systems AG did not receive notification of any reportable investments pursuant to sec. 21 paragraph 1 WpHG in fiscal 2016.

37. Staff

The average number of employees in fiscal 2016 was 540 (2015: 484).

	Dec. 31, 2016	Dec. 31, 2015
Salaried employees	110	103
Industrial employees	422	373
Trainees	2	1
Low-wage part-time staff	6	7
Total	540	484

38. Auditor's fees

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

	Dec. 31, 2016 in EUR '000	Dec. 31, 2015 in EUR '000
Audit services for the fiscal year	68	67
Other services for the fiscal year	0	5
Total	68	72

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 21, 2017

The Board of Directors

Dr. Gregor Wasle
Spokesman for the Board of Directors

Günther Kneidinger
Member of the Board of Directors

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 21, 2017

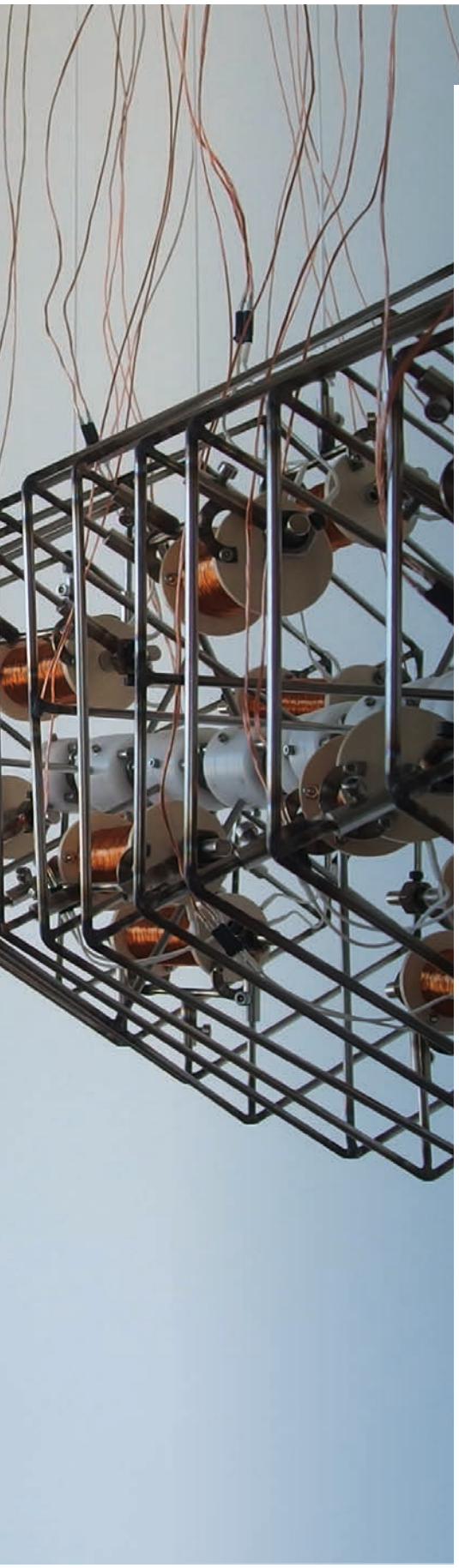
The Board of Directors

Dr. Gregor Wasle
Spokesman for the Board of Directors

Günther Kneidinger
Member of the Board of Directors

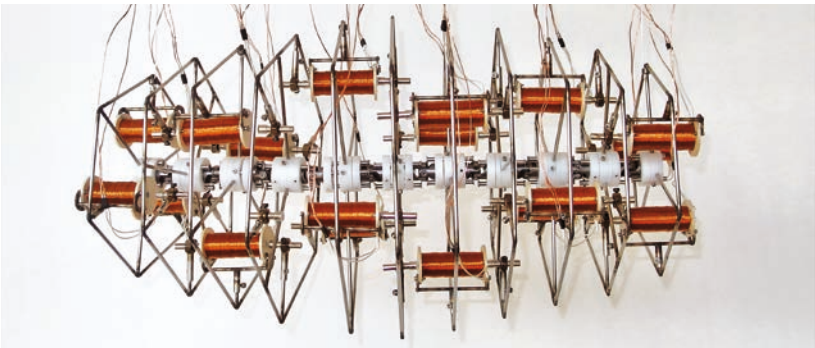
Development – Interplay

between art and technology



In September 2016 artists Carolin Liebl and Nikolas Schmid-Pfähler gave our headquarters a new dimension with their art installation "They", an intriguing work which has attracted great attention from visitors and staff.

Created from copper coils, stainless steel and high-performance plastics, the work combines some of our company's core products. The two young artists describe their work as follows: "This flexible plastic and metal object, which is composed of a number of segments – not entirely unlike a backbone – comprises elements made of copper wire coils, enveloped in a metal structure resembling a spider's web. Motion brings the installation to life and highlights its agility, but without obscuring the technology, in fact, the technology is exposed, giving it aesthetic dimension. The result is a playful, poetic communication between the work and the viewer." Thanks to the lender, InTiCa Systems has the unique and very special opportunity to exhibit this work on its business premises. We hope that in the future this will bestow a moment of reflection, discovery and appreciation on everyone who enters our building.



Our engineers and developers are artists in their own way as they use their talent to turn ideas into something new. A functional product is only marketable if it also meets the technical specifications, the necessary state-of-the-art systems and appliances are available, and the manufacturing processes are thought through to the end. Our team of design and development experts understands how to combine these three elements skilfully to create solutions. In this way, ideas lead to innovative products that meet our customers' demanding requirements. Like the work of art on display, we want to use our inspiration and creativity to generate something new. Inspiration from the market and our customers, combined with our own motivation, are the driving forces behind our innovative, cutting-edge solutions. For us, technical development is a special art form, a practical, business-oriented yet aesthetic means of expression.

Auditor´s Certificate

AUDITOR´S CERTIFICATE

We have audited the consolidated financial statements prepared by InTiCa Systems AG, Passau – comprising the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements – as well as the Group Management Report for the fiscal year ended December 31, 2016. The preparation of consolidated financial statements and Group Management Report according to IFRS as applicable in the European Union and the additional provisions of commercial law as applicable according to sec. 315a para. 1 HGB (German Commercial Code) are the responsibility of the company's Board of Directors. It is our responsibility to issue an assessment of the consolidated financial statements and the Group Management Report on the basis of our audit.

In compliance with sec. 317 HGB, we have conducted our audit in accordance with the German accounting principles established by the Institut der Wirtschaftsprüfer (IDW). These principles require the audit to be planned and performed in such a way that inaccuracies and violations which materially affect the disclosure of financial position and results from operations as presented by the consolidated financial statements and the Group Management Report and with regard to applicable accounting provisions are identified with sufficient reliability.

In establishing the audit procedures, knowledge of the business activities, the Group's economic and legal framework, and an anticipation of possible mistakes are taken into consideration. Within the context of the audit, the effectiveness of the internal accounting control system as well as proof for the disclosures made in the consolidated financial statements and the Group Management Report are examined predominantly on the basis of random sampling. The audit contains assessments of the financial statements of the companies included in the consolidated financial statements, the definition of the basis of consolidation, the accounting and consolidation principles applied, and the material estimates made by the Board of Directors, as well as an evaluation of the overall presentation of the consolidated financial statements and the Group Management Report. It is our opinion that our audit provides a sufficiently reliable basis for our assessment.

Our audit has not resulted in any objections.

Winding technology

According to our assessment based on the conclusions from our audit, the consolidated financial statements are compliant with the IFRS as applicable in the European Union and the additional provisions of commercial law as applicable according to sec. 315a para. 1 HGB, and they communicate – with regard to these provisions – a presentation of the Group's financial position and results from operations which corresponds to the actual conditions. The Group Management Report is consistent with the consolidated financial statements, communicates an overall correct impression of the situation of the Group, and describes the chances and risks of the future development coherently.

Eggenfelden, April 21, 2017

KPWT Kirschner Wirtschaftstreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft · Steuerberatungsgesellschaft

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

Diplom-Volkswirt
Collin Späth
Wirtschaftsprüfer (Auditor)

Technical Glossary

TECHNICAL GLOSSARY

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

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

Coil
See under inductive components or Inductors.

Ferrites
Ferrites are poorly or non-electroconductive ferrimagnetic ceramic materials consisting of ferric oxide hematite (Fe_2O_3), less commonly magnetite (Fe_3O_4) and other metallic oxides. If not saturated, ferrites conduct the magnetic flux very well and provide a high magnetic permeability. These materials thus usually provide low magnetic resistance.

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

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

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

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

Inductivity, High-tech inductivity
Inductivity is an electric property of an energized electric conductor due to the 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).

Splitter
Electronic component for merging or separating voice and data signals.

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

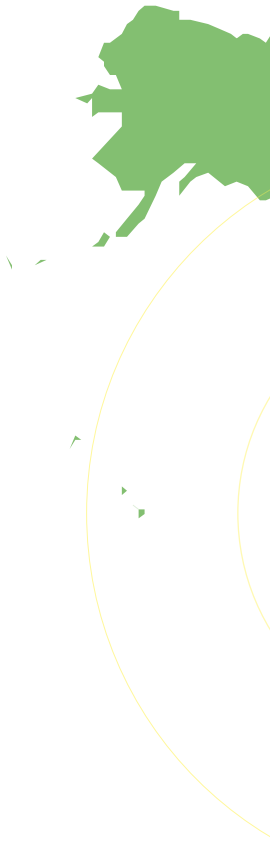
Financial Calendar 2017

March 23, 2017	Publication of the provisional figures for 2016
April 24, 2017	Publication of annual report for 2016
April 24, 2017	Press conference/Conference call
May 23, 2017	Publication of interim financial statements for Q1 2017
July 21, 2017	Annual General Meeting in Passau
August 24, 2017	Publication of interim financial statements for H1 2017
Nov. 23, 2017	Publication of interim financial statements for Q3 2017
Dec. 13, 2017	Munich Capital Market Conference 2017

Design and Realisation: creativpartner Agentur für Werbung und Marketing GmbH, Vilshofen a. d. Donau, www.creativpartner.com

Thank you for your confidence
in our company

InTiCa
Systems



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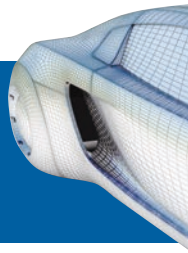

Technologies for growth markets!

InTiCa Systems