

Nine-month report 2006 of InTiCom Systems AG

unaudited according to IFRS 1 January 2006 – 30 September 2006

Sales growth after first nine months despite delays
in VDSL network roll-out in Germany

Zukunft durch Innovation



InTiCom Systems in Q3 2006 and the first nine months 2006

The Group	Q3 2005 EUR (000)	Q3 2006 EUR (000)	9M 2005 EUR (000)	9M 2006 EUR (000)	Change in %
Sales	9,313	8,122	24,532	28,663	16.8
Return on sales (net income)	6.5 %	4.6 %	6.6 %	4.4 %	
EBITDA	1,174	845	3,009	2,690	-10.6
EBIT	1,014	610	2,547	1,988	-22.0
EBT	1,018	581	2,603	2,012	-22.7
Net income of the period	605	372	1,614	1,247	-22.7
Earnings per share (EUR) based on 4,287,000 shares	0.14	0.09	0.38	0.29	-23.7
Earnings per share (EUR) undiluted and based on 4,287,000 shares	0.14	0.09	0.38	0.29	-23.7
Cash flow from operating activities per share (EUR)	0.16	0.27	0.16	0.27	68.8
Cash flow from operating activities	692	1,176	692	1,176	69.9
Capital expenditures	840	1,748	3,423	5,812	69.8
	30.9.2005 EUR (000)	30.9.2006 EUR (000)	31.12.2005 EUR (000)	30.9.2006 EUR (000)	Change in %
Balance sheet total	19,864	34,407	24,532	34,407	40.3
Liquidity ^{*)}	9,597	15,208	10,702	15,208	42.1
Equity	12,753	24,103	13,480	24,103	78.8
Equity ratio	64 %	70 %	55 %	70 %	
Employees	97	138	102	138	35.3

The share ^{*)} ^{**) (**))}	2005 XETRA in EUR	(up to Sep) 2006 XETRA in EUR
Year end share price	20.08	21.14
Year high	22.53	29.33
Year low	6.00	14.60
Market capitalisation at year end (in million EUR)	78.3	90.6
Number of shares	3,900,000	4,287,000

*) The liquid funds equal the sum of the two balance sheet positions securities and cash and cash equivalents.

**) Share prices have been adjusted retroactively due to the capital increase from the company's own resources and the resulting allocation of "bonus shares" with a ratio of 1:2 on 12 June 2006 to the shareholders of the company.

Foreword



The Management Board: Maria Grohs, Dr. Paul Grohs, Dieter Schopf

Dear shareholders, customers and business partners,

Delays in expanding the VDSL network in Germany – dominated by the discussion between the EU and the German government on the issue of whether and if so, how the new high-speed telecommunications technology should be regulated – have put a stop to investment in this new technology. Great expectations of a rapid roll-out of the VDSL network in Germany were not fulfilled in 2006.

In the last two quarters, InTiCom Systems has therefore lost consider-

able budgeted sales in Germany, despite existing supply agreements. The previous growth rates in DSL technology are mainly based on foreign sales, which are still growing despite the delays in expanding the VDSL network in Germany, and the installation of new DSL networks in more and more countries worldwide.

We expect the issue of whether to regulate the VDSL network in Germany to be resolved in the course of 2006 and that the enormous potential of this growth market will then be felt in increasing sales and earnings for InTiCom in the upcoming financial year 2007.

In contrast, the successful start of serial production for automotive electronics at the new manufacturing site in Prachatice in the Czech Republic went according to plan. A continuously rising number of successful customer certifications from highly satisfied automobile manufacturers and suppliers are the result of the carefully planned serial production start of our RFID products with modern machines and innovative process engineering in mid May. Currently, the first components for keyless go and tyre pressure monitor systems are being produced for five systems suppliers and automobile manufacturers in Asia and Germany.

Further production lines will begin operations in the fourth quarter 2006.

The early start to training for the new staff, who have been with the company since mid February 2006, in the ramp-up period of serial production and their parallel training resulted in rapid auditing and production clearance by our customers from the automotive industry. By ensuring a smooth start to production, a temporary ramp-up in start-up costs for materials and staff expenses could be achieved.

Creating new development capacity meant that we had to move into new premises at the Passau site in the third quarter. The new premises are around three times the previous

size and will enable us to continue to strengthen our research and development team in future to ensure further growth.

The sale of our 49% stake in Croatia to the majority shareholder is independent on the quality of the production site, which will continue to be a major supplier for InTiCom Systems.

The resolution of the AGM on 18 May 2006 to increase the share capital of EUR 1,429,000 from the company's own resources through the conversion of a part of the capital reserve of EUR 2,858,000 yields a new share capital of EUR 4,287,000. New bonus shares with a ratio of 1:2 were allocated to the shareholders. Individually this means that each shareholder now owns three times more shares.

As the adjusted share price only amounts to a third of the previous value, the value of each portfolio of shares as well as of InTiCom Systems AG itself has remained the same.

As of the end of the nine month period (30 September 2006), the Group's equity was considerably higher at EUR 24.1 million, or 90% over the figure for the previous year of EUR 12.8 million (2005 year end: EUR 13.5 million). This resulted in a strengthened and rock-solid equity ratio of 70% (31 December 2005: just under 55%).

Passau, November 2006

InTiCom Systems AG
The Management Board

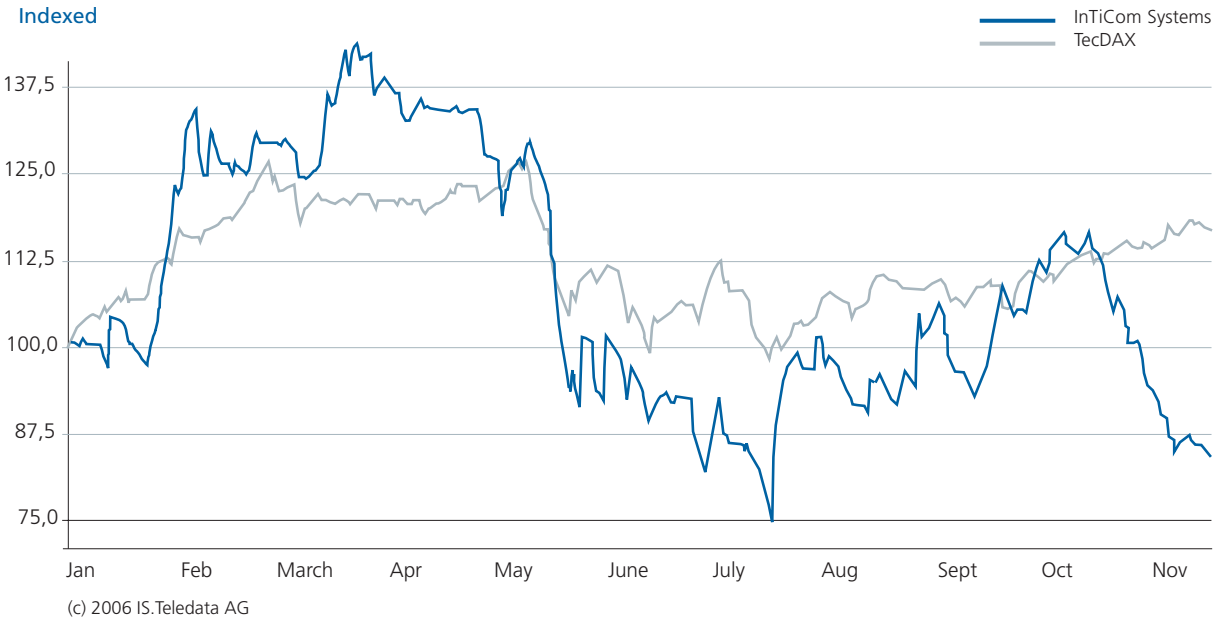
Maria Grohs
Management Board

Dr. Paul Grohs
Management Board

Dieter Schopf
Management Board

Management report

InTiCom Systems – 2006 share price performance



InTiCom Systems – 2006 share price performance

The issue of bonus shares resulting from the capital increase from company funds at a rate of 1:2 after the Annual General Meeting on 18 May this year caused the share price to a purely calculative drop to one third of its prior value. This means that the share price of the InTiCom Systems shares had to be adjusted in the historical data accordingly.

The market's positive expectations of continuing sales and earnings growth for the company were reflected in the movement of the share price in the first four months of the year 2006. Compared to its 2005 year

end price of EUR 20.08, the share went up by more than 38% to EUR 27.77 at the end of the first quarter (31 March 2006). From early May 2006 the capital markets were softer, which also affected technology stocks and resulted in a very volatile downward trend to EUR 16.19 at the close of the half year (30 June 2006). The company's shares then moved largely parallel to the TecDAX index, resulting in a great deal of volatility. At the beginning of August, following a strong comeback, the share was once again trading at its opening price for the year 2006, closing the nine-month period (30 September 2006) again slightly better than the TecDAX.

The company's Annual General Meeting took place this year on 18 May in Passau, with over 150 shareholders taking the opportunity to engage in lively discussions with the Management Board. Around 24% of share capital was represented, including shares held by members of the company's boards. All items of the agenda were passed with majorities approaching 100%. In the subsequent constituent meeting of the Supervisory Board, Dr Wulfdieter Braun was elected as new Chairman and Karl Kindl as Vice Chairman of the Supervisory Board.

The Management Board and Supervisory Board have no stock option rights according to Sec. 160 (1) No. 2 and 5 German Stock Corporation Act (AktG).

Keyshare data for InTiCom Systems

ISIN	DE0005874846
Ticker	IS7
Market segment	Prime Standard
Key industrie	Technology
Industry Group	Communications Technology
Indices	Prime All Share, Tec All Share, CDAX, GEX
Designated Sponsor	Concord Effekten AG
Capital stock	EUR 4.287.000
Share class	no-par common shares

Shareholdings subject to reporting requirements

Share of capital stock as of 30 September 2006	no. of shares	in %
Board of Management <i>(incl. reporting persons)</i>		
Maria Grohs and Dr. Paul Grohs combined	120,000	2.8
Dieter Schopf	120,000	2.8
Supervisory Board <i>(incl. reporting persons)</i>		
Karl Kindl	150,264	3.5
Dr. Wulfdieter Braun	6,015	0.1
Harald Nöth	3,486	0.1

Sales increase in the first nine months of almost 17%, despite the first ever drop in sales in the third quarter resulting from major delays to the VDSL network roll-out in Germany.

In the third quarter of 2006, InTiCom Systems recorded sales of around EUR 8.1 million and was therefore below the comparable figure for the previous year (i.e. EUR 9.3 million) for the first time ever. Cumulative sales for the first nine months of 2006 grew by almost 17% to around EUR 28.7 million (previous year EUR 24.5 million). The main sales drivers were still DSL splitters for subscribers and national telecommunication companies, with most of the growth com-

ing from abroad, as well as early sales from the automotive electronics sector.

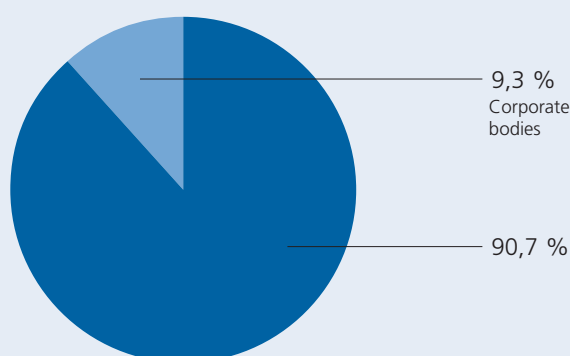
Improved earnings in the third quarter 2006 compared to the previous quarter – cumulative earnings after the first three quarters of 2006 below the figure for the previous year due to start-up costs of serial production and spare VDSL production capacity

Significantly lower sales than planned in the DSL and VDSL technology sectors resulted in an underutilisation of production capacity which had been created specifically at the request of a customer. Higher material and staff costs to ensure a smooth start to serial

production in the automotive electronics business at the new production site in Prachatice (Czech Republic) depressed operating profit (EBIT). The figure of EUR 0.6 million for the third quarter 2006, which is well below comparable quarterly earnings for last year of EUR 1.0 million, was largely responsible for the drop in cumulative nine-monthly earnings to EUR 2.0 million (previous year EUR 2.6 million).

All earnings figures for the third quarter 2006 were well above the comparable figures for the previous quarter of this year (Q2) and are once again trending upwards. Earnings per share in the third quarter 2006 were 9 euro cents compared to 7 euro cents in the second quarter of the year.

InTiCom Systems AG shareholder structure



Free Float of which:

UBS Fund Management (Switzerland) AG 7,6 %
KST Beteiligungs AG 5,1 %

Employee trend still characterised by the start of serial production in the Czech Republic

	30 Sep 2006	31 Dec 2005	30 Sep 2005
Group employees	138	102	97
Thereof in Germany	39	33	28
Thereof abroad	99	69	69

Still assuming a tax rate of around 38 %, this results in net income for the period after nine months of EUR 1.2 million (previous year EUR 1.6 million). InTiCom Systems thus generated cumulative earnings per share of EUR 0.29 (previous year EUR 0.38).

Cost of materials ratio down compared to previous quarter as a result of productivity improvements

The cost of materials ratio went up slightly in the first nine months of 2006 (due to the start of serial production at the new automotive electronics site in the Czech Republic) to 79.5% (previous year 77.5%), but is below the figure for the previous quarter of 80.2% and shows the company's continuing focus on earnings.

Staff expense ratio up slightly due to spare capacity in DSL/VDSL sector

The staff expense ratio rose at the end of the first three quarters of 2006 to 10.7% (previous year 9.1%), due to early recruitment to ensure a successful start to serial production for automotive electronics in the Czech Republic, spare capacity in the DSL and VDSL sector, and further investment for the future thanks to a doubling of development capacity.

Research and development opens up new product sectors in automotive electronics

Research and development expenses after the first nine months of 2006 amounted to EUR 1.3 million (previous year EUR 0.7 million). The increase was largely due to development expenses reported for the first time for the new site in Austria set up at the end of April 2005 to develop and manufacture our own production technology, and to new recruitment for DSL development and development work for the automotive electronics sector at the Passau site.

Particularly in the field of RFID applications, additional customer-specific developments in access systems and driving rights systems as well as in tyre pressure monitor systems are being implemented and additional developments for hybrid technology and for new customers have begun.

Capital expenditure to establish serial production in automotive electronics

Capital expenditure amounted to around EUR 5.8 million in the first nine months of 2006 (previous year EUR 3.4 million) and served further to establish serial production for automotive electronics at the modern and highly automated production site

in the Czech Republic. Production started there from mid May this year to complete existing serial orders for components for keyless go and tyre pressure monitor systems, immobiliser modules and filter applications from multiple systems suppliers and automobile manufacturers from Asia and Germany.

High cash balance despite increased capital expenditure due to capital increase

Cash and cash equivalents amounted to EUR 15.2 million as of 30 September 2006 (previous year EUR 9.6 million) compared to EUR 10.7 million as of the reporting date 2005. The high cash inflow in the first quarter from the capital increase, amounting to EUR 9.4 million, and stringent working capital management ensured a high cash balance despite increased capital expenditure.

DSL order coverage increases to around four months

As of 30 September 2006, InTiCom Systems had outstanding orders of around EUR 12.6 million (previous year EUR 9.3 million), well above the figure for the previous year. Given the volume of expected sales for 2006, this is equivalent to a slight increase in order coverage to around four months.

Outlook

The year 2006 will be marked by the decision of the German government on whether or not to regulate the VDSL network in Germany. The speed with which this innovative communications technology is rolled out in Germany in future is very largely dependent on the outcome of this decision. The growth potential for this market of the future remains a crucial driver of further growth in InTiCom Systems' DSL business in the coming years, however – independ-

ently of when the federal government makes its decision.

Increased demand in the telecommunications sector is visible in the fourth quarter, which will in all likelihood lead to a clear increase in sales in the coming months. We do not anticipate being able to make good all the foregone sales this year, however.

The current challenge consists of consolidating the successful production launch and expanding serial production of our own product develop-

ments for the automotive industry with the quality and reliability of process and supply that our customers demand.

InTiCom Systems continues to expect moderate sales growth for 2006 compared to the previous year and earnings somewhat below the figure for last year. Full order books and a positive full year effect from the automotive sector will only take effect from 2007.

Interim report according to IFRS

The interim report per 30 September 2006 was prepared according to International Financial Reporting Standards (IFRS).

This consolidated interim report includes all necessary accruals and, in the opinion of the Management Board, gives a true and fair view of the earnings and financial position and the assets of the company.

Consolidated Financial Statements of InTiCom Systems AG for the nine month period

from 1 January 2006
through 30 September 2006.

Consolidated statement of income

of InTiCom Systems according to IFRS/IAS

	01.07.2006 -30.09.2006 EUR (000)	01.07.2005 -30.09.2005 EUR (000)	01.01.2006 -30.09.2006 EUR (000)	01.01.2005 -30.09.2005 EUR (000)	Change 2006 to 2005 in %
Sales	8,122	9,313	28,663	24,532	16.8
Other income	31	251	253	291	-13.1
Change in finished/unfinished goods	68	-163	-168	-132	-
Other capitalised company-produced services	449	104	1,349	602	124.1
Raw materials and supplies	6,313	7,110	22,780	19,012	19.8
Personnel expenses	1,116	947	3,064	2,232	37.3
Depreciation	235	160	702	462	52.0
Other expenditures	396	274	1,563	1,040	50.3
Operating profit (EBIT)	610	1,014	1,988	2,547	-22.0
Financial expenses	39	3	134	8	-
Other financial income	10	7	158	64	146.9
Earnings before taxes	581	1,018	2,012	2,603	-22.7
Income taxes	209	413	765	989	-22.7
Net Profit from ordinary activities	372	605	1,247	1,614	-22.7
Net income of the period	372	605	1,247	1,614	-22.7

Consolidated cash flow statement

of InTiCom Systems

	01.01.2006 - 30.09.2006 EUR (000)	01.01.2005 - 30.09.2005 EUR (000)
Net income of the period	1,247	1,614
+ Depreciation of fixed assets	702	462
- Decreases in provisions	-36	1,266
- Increase/ + decrease in current assets and other assets		
Inventory	37	715
Trade receivables	-134	-987
Other assets	-195	-952
+ Increase /- decrease in liabilities and other liabilities		
Accounts payable	-1,143	-1,688
Other liabilities	698	262
Cash flow from operating activities	1,176	692
- Payments for investments in intangible assets	-1,160	-169
- Payments for investments in fixed assets	-4,652	-3,254
+ Proceeds from divestments of financial assets	33	0
- Increase in financial assets in the scope of the short-term liquidity planning	-4,868	0
Cash flow for investing activities	-10,647	-3,423
+ Proceeds from the intake of loans and finance leases	1,250	1,993
- Payments for the amortisation of loans and finance leases	-1,559	0
+ Proceeds from capital increase	9,435	0
Cash flow from financing activities	9,126	1,993
Cash flow total	-345	-738
Cash and cash equivalents at the beginning of the period	1,529	10,335
Cash and cash equivalents at the end of the period	1,184	9,597

Consolidated balance sheet

of InTiCom Systems according to IFRS/IAS

Assets	30.09.2006 EUR (000)	31.12.2005 EUR (000)
Long-term assets		
Intangible assets	2,215	1,180
Property, plant and equipment	10,374	6,299
Financial assets	0	33
Deferred tax assets	524	412
Total long-term assets	13,113	7,924
Current assets		
Securities	14,024	9,156
Inventory	593	630
Trade receivables	3,098	2,964
Other current receivables	2,395	2,312
Cash and cash equivalents	1,184	1,546
Total current assets	21,294	16,608
Total assets	34,407	24,532

Consolidated balance sheet

of InTiCom Systems according to IFRS/IAS

Equity and Liabilities	30.09.2006 EUR (000)	31.12.2005 EUR (000)
Equity		
Subscribed capital	4,287	1,300
Capital reserve	15,088	8,640
Revenue reserve	4,641	3,394
Currency translation reserve	87	146
Total equity	24,103	13,480
Long-term liabilities		
Long term interest-bearing debt	1,250	0
Other long-term liabilities	2,537	3,134
Deferred tax liabilities	1,294	776
Total long-term liabilities	5,081	3,910
Short-term liabilities		
Other short-term provisions	100	136
Tax liabilities	682	1,045
Short-term interest-bearing debt	1,038	2,017
Trade payables	1,692	2,835
Other short-term liabilities	1,711	1,109
Total short-term liabilities	5,223	7,142
Total equity and liabilities	34,407	24,532

Statement of changes in shareholders' equity

of InTiCom Systems according to IFRS/IAS

	Subscribed capital EUR (000)	Outstanding contributions EUR (000)	Capital reserve EUR (000)	Revenue reserve EUR (000)	Currency translation reserve EUR (000)	Total equity EUR (000)
As of 01.01.2005	1,300	0	8,640	1,199	0	11,139
Allocation to revenue reserve						0
Capital increase from company funds						0
Currency translation reserve					146	146
Net income 2005				2,195		2,195
As of 31.12.2005	1,300	0	8,640	3,394	146	13,480
Allocation to revenue reserve						0
Capital increase	129		9,306			9,435
Capital increase from company funds	2,858		-2,858			
Currency translation reserve					-59	-59
Net income of the period 01.01.-30.09.2006				1,247		1,247
As of 30.09.2006	4,287	0	15,088	4,641	87	24,103

Financial calendar

30 Nov 2006

Release of the nine-month report 2006

24 May 2007

Annual General Meeting for 2006, Passau

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