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PRESSRELEASE

InTiCa Systems AG publishes interim report for the first nine months of 2018

Development of sales and earnings below expectations

Forecast for FY 2018 reduced

Strong operating cash flow as basis for high investments

Orders on hand at very high level

Restructuring plan launched to improve results

Passau, November 22, 2018 – InTiCa Systems AG (Prime Standard, ISIN DE0005874846, ticker IS7) today published the report for the first nine months of 2018. As published in advance via an ad hoc announcement, the development of sales and earnings in the third quarter of 2018 was well below expectations, so that the forecast for FY 2018 had to be reduced:

“The negative development in the third quarter is attributable to several reasons. Firstly, the nervousness in the automotive industry increased further, with the result that a major European customer has significantly reduced its order volumes. In addition, the approvals required by customers have led to delays in the planned third series product and we have not yet been able to start manufacturing this series in Mexico. On the earnings side, profitability was held back by global shortages of relevant raw materials, combined with supply bottlenecks and higher material costs, and by the significant worsening of the availability of staff in the Czech Republic“, comments Dr. Gregor Wasle, CEO of InTiCa Systems AG on the business development in the first nine months of 2018.

Earnings, asset and financial position

Compared with the first nine months of 2017, Group sales were 1.8% lower at EUR 36.6 million (9M 2017: EUR 37.3 million). The Automotive Technology segment generated sales of EUR 28.5 million (9M 2017: EUR 29.1 million) and the Industrial Electronics segment generated sales of EUR 8.1 million (9M 2017: EUR 8.2 million). Due to a reduction/postponement of order volumes by a major European customer for hybrid technology, plus delays in serial production of a major new product of significance for the Mexico site, the Automotive Technology segment, in particular, was not able to achieve the planned sales growth. In the Industrial Electronics segment, sales are exposed to a degree of fluctuation due to project business. While the high demand for inverters registered in the previous quarters weakened recently, the positive trend in EMC filter technology continued.

The ratio of material costs to total output was reduced to 53.7% in the reporting period (9M 2017: 54.9%). At the same time, the personnel expense ratio increased from 23.0% to 24.7% due to a considerable rise in wages. Other expenses increased year-on-year from EUR 4.9 million to EUR 5.7 million. The increase is due to the rise in expenses for agency staff at the production sites in Prachatice and Silao to EUR 1.2 million (9M 2017: EUR 0.5 million), which are included in this item.

EBITDA (earnings before interest, taxes, depreciation and amortization) was considerably lower than in the prior-year period at EUR 3.2 million (9M 2017: EUR 4.3 million). The EBITDA margin therefore declined from 11.6% to 8.8%. EBIT (earnings before interest and taxes) declined to EUR 13 thousand (9M 2017: EUR 1.1 million). At segment level, EBIT dropped to minus EUR 0.3 million in the Automotive Technology segment (9M 2017: EUR 0.8 million), while the Industrial Electronics segment was able to hold EBIT constant at EUR 0.3 million (9M 2017: EUR 0.3 million).

As in the previous year, the financial result was minus EUR 0.3 million in the first nine months of 2018 (9M 2017: minus EUR 0.3 million) and tax expense was EUR 0.2 million (9M 2017: EUR 0.2 million). The result for the period was therefore minus EUR 0.5 million (9M 2017: EUR 0.5 million). Earnings per share were minus EUR 0.11 (9M 2017: EUR 0.12).

Due to high investment in the third production line in Mexico and expansion of the production facilities for hybrid technology and e-mobility at the plant in the Czech Republic, the total cash flow was negative at minus EUR 3.0 million (9M 2017: cash inflow of EUR 1.2 million). By contrast, the operating cash flow was EUR 3.8 million, almost three times the level recorded in the prior-year period (9M 2017: EUR 1.3 million). The equity ratio decreased to 36% (December 31, 2017: 42%).

Outlook

Despite the present negative factors, the positive overall development of the company remains intact. Orders on hand were at a very high level of EUR 83 million at the end of the third quarter (September 30, 2017: EUR 57 million). 84% of orders were for the Automotive Technology segment (30 September 2017: 84%). A significant proportion of those orders are already for new products for hybrid technology and e-mobility. Moreover, to improve the earnings situation, InTiCa Systems has drawn up and started to implement a restructuring plan, comprising extensive measures to optimize costs and raise the efficiency of the corporate organization:

“As well as removing expensive, low-margin small-scale series from our product portfolio, we see further scope for optimization of our organization and internal workflows. One example is systematically reducing fixed costs. To counter labour shortages and rising wage costs in the Czech Republic, we are investing to optimize and automate production. In addition, we are considering manufacturing certain products in Mexico in the future. In the medium term, we expect these measures to stabilize the situation considerably, putting us in a better position to cushion fluctuations in sales and the availability of personnel. The key to a short-term improvement in the sales and earnings position, however, is start-up of the third serial production line in Mexico, which we now expect to take place at the end of Q1 2019 and which will then be ramped up in the following months“, comments Günther Kneidinger, Member of the Management Board.

Based on business performance to date and the expectations for the fourth quarter, the Board of Directors has been reducing its forecast for 2018 as a whole. Instead of sales of around EUR 53 million and an EBIT margin of 3.0%, the Board of Directors now expects Group sales to come in at between EUR 47 million and EUR 49 million, with negative EBIT of up to minus EUR 1.0 million.

The complete interim report for the first nine months of 2018 is available for download from the Investor Relations section of InTiCa Systems' website at www.intica-systems.com.

InTiCa Systems AG

The Board of Directors

About 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 Technology segments and has more than 650 employees at its sites in Passau (Germany), Prachatice (Czech Republic) and Silao (Mexico).

The Automotive Technology segment focuses on innovative products that raise the comfort and safety of cars, improve the performance of electric and hybrid vehicles and reduce carbon emissions. InTiCa Systems' Industrial Electronics segment develops and manufactures mechatronic assemblies for the solar industry and other industrial applications.

Forward-looking statements and predictions