

# Three-month report of InTiCom Systems AG 2006

unaudited according to IFRS 1 January 2006 – 31 March 2006

Capital increase secures  
future capacity expansion

Future by Innovations



# Foreword



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

Dear shareholders, customers and business partners!

InTiCom Systems particularly profits from the fact that the actual market development is continuously exceeding the already very positive forecasts and expectations in the constantly growing DSL business within telecommunications technology. The additional DSL orders and enquiries from abroad in particular strengthen this effect. In order to satisfy the strong demand, we invested considerably more in the expansion of our production capacities in the past 2005 fiscal year than was originally planned.

The positive success of the additional, fully-automated production capacities in Greece documents the continuously stronger rising earnings before taxes in relation to sales growth. The lower number of employees in production and the cost and efficiency advantages associated therewith underscore our focus on earnings and profitability growth as the key indicators for additional expansion of the operating business.

As was already announced in the past year, we have also managed to successfully advance our second main pillar, automotive electronics. Our

company develops and markets products and applications for this field which are based on RFID technology. The continuous expansion of this field takes high priority at our company.

The transfer of additionally created production capacities to serial production of our RFID products for the automotive sector is proceeding according to plan at our new, likewise highly automated production location in the Czech Republic (only an hour by car from our development department in Passau). The start of serial production there, which meets the highest quality standards of the auto-

motive industry and from which the first keyless go and tyre pressure monitor systems for already five systems suppliers and automobile manufacturers from Asia and Germany are manufactured, got underway in mid-May of this year.

The early financing of these investments through additional equity was a good example of safeguarding the additional expansion of the automo-

tive business of InTiCom Systems early on through start-up investments far exceeding the capital expenditures already planned for 2006 and 2007. This also enables us high flexibility with upcoming investment decisions in the future. InTiCom Systems AG received cash proceeds of EUR 9.4 million in Q1 2006 from the placement of a multiply oversubscribed capital increase of 129,000 shares. The Group's equity rose at the end of

the quarter (31 March 2006) to EUR 23.4 million (2005 year end: EUR 13.5 million) and resulted in a strengthened and solid equity ratio of more than 67 % (31 Dec 2005: nearly 55 %).

Passau, May 2006

InTiCom Systems AG  
The Management Board



**Maria Grohs**  
Management Board



**Dr. Paul Grohs**  
Management Board



**Dieter Schopf**  
Management Board

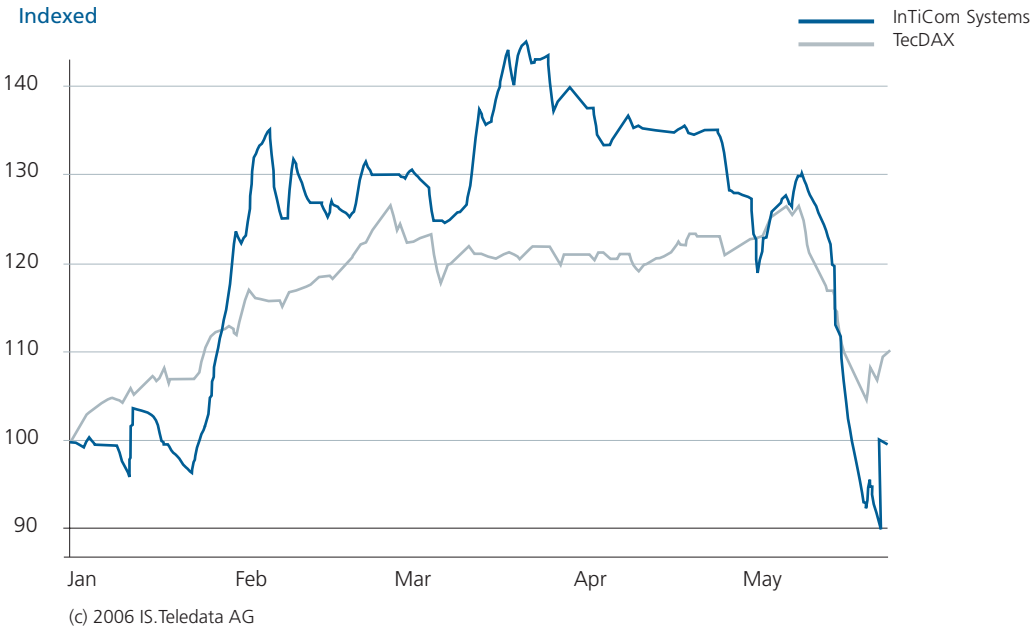
# InTiCom Systems in Q1 2006

The Group	Q1 2004 EUR (000)	Q1 2005 EUR (000)	Q1 2006 EUR (000)	Change in %
Sales	3,166	9,152	10,211	11.6
Return on sales (net income)	3.0 %	5.5 %	5.5 %	
EBITDA	214	881	1,102	25.1
EBIT	144	747	868	16.2
EBT	141	776	915	17.9
Net income of the quarter	96	505	559	10.7
Earnings per share (EUR based on 1,429,000 shares)	0.07	0.35	0.39	11.4
Earnings per share (undiluted in EUR)	0.19	0.39	0.43	10.3
Cash flow from operating activities per share (EUR)	-0.37	0.76	0.99	30.3
Cash flow from operating activities	-532	1,084	1,416	30.6
Capital expenditures	91	878	1,790	103.9
	31 Dec 2004 in TEUR	31 Dec 2005 in TEUR	31 Mar 2006 in TEUR	Change in %
Balance sheet total	16,417	24,532	34,735	41.6
Liquidity*)	10,335	10,702	18,532	73.2
Equity	11,139	13,480	23,413	73.7
Equity ratio	68 %	55 %	67 %	
Employees	65	102	133	30.4
	2004 XETRA in EUR	2005 XETRA in EUR	(up to 31 Mar) 2006 XETRA in EUR	
Year end share price	19.90	60.25	83.30	
Year high	21.15	67.60	91.00	
Year low	18.08	18.00	58.20	
Market capitalisation at year end (in million EUR)	25.9	78.3	119.0	
Number of shares	1,300,000	1,300,000	1,429,000	

\*) Liquidity comprises the sum of the two balance sheet items securities and cash and cash equivalents.

# Management report

## InTiCom Systems – 2006 share price performance



### InTiCom Systems – share 2006

The positive expectations of the market in terms of the company's continuous sales and earnings growth is also reflected in the share price performance of the first four months of 2006. Compared to the 2005 year end price of EUR 60.25, the share has increased by more than 38 % to EUR 83.30 as of the end of the quarter (31 March 2006). The deteriorating performance of the capital market since the beginning of May 2006 has also affected technology stocks including the InTiCom Systems share. On 26 May 2006 the share was trading at a price of EUR 61.00 despite unchanged perspectives in the operating business.

The Management Board and Supervisory Board possess no stock option rights according to Sect. 160 (1) No. 2 and 5 Stock Corporation Act (AktG). The Supervisory Board remains in unchanged form.

### Q1 sales increase by more than 11 % despite production ramp-up in the Czech Republic

InTiCom Systems achieved a sales growth of more than 11 % to EUR 10.2 million (previous year EUR 9.2 million) in the first three months of the 2006 fiscal year. DSL splitters for subscribers and national telecommunication companies remained the main sales driver with growth particularly generated outside of Germany once again.

### Earnings increase stronger than sales despite production and personnel expansion in automotive electronics

The profit from ordinary activities (EBT) increased by some 18 % to EUR 0.9 million in Q1 2006 (previous year EUR 0.8 million). This equals a rise in gross return on sales to 9.0 % (previous year 8.5 %) despite the expansion of capacities. Net income of EUR 0.6 million in the quarter only slightly exceeded the previous year's figure of EUR 0.5 million - under the continuously constant assumption of a tax rate of around 38 %. InTiCom Systems thus achieved earnings per share of EUR 0.39 in Q1 2006 (previous year EUR 0.35).

## 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
<b>Capital stock</b>	<b>EUR 1.429.000</b>
Share class	no-par common shares

## Shareholdings subject to reporting requirements

Share of capital stock as at 31 March 2006	no. of shares	in %
<b>Board of Management</b> <i>(incl immediate family)</i>		
Maria Grohs and Dr. Paul Grohs combined	42.500	3,0
Dieter Schopf	40.000	2,8
<b>Supervisory Board</b> <i>(incl immediate family)</i>		
Karl Kindl	50.088	3,5
Dr. Wulfdieter Braun	2.005	0,1
Harald Nöth	1.162	0,1

**Continuously under-proportionate increase in costs confirms the focus on profitability**

A lower material cost ratio in Q1 2006 – despite the production establishment and the test and start-up phase of the new automotive applications plant in the Czech Republic – of 78.9 % compared to 80.8 % in the same period of the previous year documents the company's consistent focus on profitability.

**Research and development open up new product fields in automotive applications**

Development expenses after three months of the 2006 fiscal year amounted to EUR 350 thousand (previous year EUR 218 thousand). The increase is primarily the result of the

development expenses included from the production site newly established for the first time at the end of April 2005 in Austria for the development and manufacture of the company's own production technologies.

Particularly in the case of RFID expenses, 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 expenditures for the establishment of serial production in automotive applications**

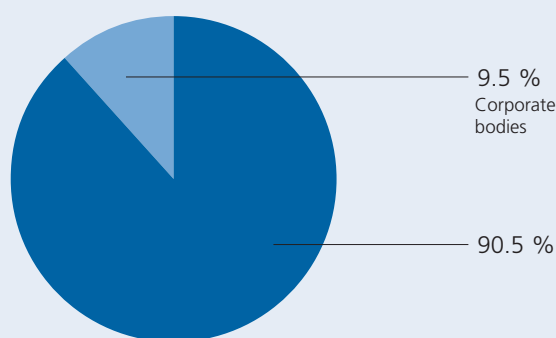
Capital expenditures in Q1 2006 came out to EUR 1.8 million (previous

year EUR 0.9 million) and provided the basis for the establishment of serial production for automotive electronics at the modern and highly automated production location in the Czech Republic. There production will be started for the service of already existing serial orders for keyless go and tyre pressure monitor systems, immobiliser modules and filter applications by multiple systems suppliers and automobile manufacturers from Asia and Germany as of May 2006.

**Considerable increase in liquid funds due to the capital increase**

Liquid funds as of 31 March 2006 amounted to EUR 18.5 million (previous year EUR 10.5 million) compared to EUR 10.7 million as of the balance

**InTiCom Systems AG shareholder structure**



Free Float of which:

- UBS Fund Management (Switzerland) AG 7.6 %
- KST Beteiligungs AG 5.1 %

**Employee trend characterised by ramp up of serial production in Czech Republic**

	31 Mar 2006	31 Dec 2005	31 Mar 2005
Group	133	102	83
Thereof in Germany	35	33	23
Thereof abroad	98	69	60

sheet date 2005. The strong rise in liquid funds was primarily the result of the cash proceeds from the capital increase in Q1 totalling some EUR 9.4 million as well as a stringent working capital management.

### **DSL order coverage remains constant at around 3 months**

As of 31 March 2006, the order backlog of InTiCom Systems amounted to some EUR 12.3 million (previous year EUR 9.4 million) and therewith exceeded the previous year's figure considerably. In light of the 2005 sales volume, coverage remains constant with a period of around three months. It should be noted here that the orders from the automotive

industry are not yet included in the order backlog, as these will first lead to sales as of mid 2006 due to their start-up times.

### **Outlook**

The year 2006 will be strongly affected by the preparations and intensifications in development, production and last but not least organisation in order to position the company for additional growth impulses in the coming years. The current challenge lies in the transfer of the company's own developed products for the automotive industry to serial production with the quality, process and delivery guarantee demanded by customers.

InTiCom Systems expects to see moderate sales and earnings growth for 2006 compared to the past fiscal year. The full year effect from the automotive sector will first become noticeable in 2007.

### **Interim report according to IFRS**

The interim report from 31 March 2006 was prepared according to the International Financial Reporting Standards (IFRS).

The Group's interim report includes all necessary accruals, and draws a picture of the actual earnings, financial and asset situation according to the Management Board.



# Consolidated Financial Statements for InTiCom Systems AG in Q1 2006

from 1 January 2006 through  
31 March 2006.

# Consolidated balance sheet

of InTiCom Systems according to IFRS/IAS

## ASSETS

	31 Mar 2006 EUR (000)	31 Dec 2005 EUR (000)
<b>Long-term assets</b>		
Intangible assets		
Other intangible assets	1,426	1,180
Property, plant and equipment	7,609	6,299
Financial assets	33	33
Deferred tax assets	524	412
<b>Total long-term assets</b>	<b>9,592</b>	<b>7,924</b>
<b>Current assets</b>		
Securities	13,168	9,156
Inventory	544	630
Trade receivables	3.144	2.964
Other current receivables	2,923	2,312
Cash and cash equivalents	5,364	1,546
<b>Total current assets</b>	<b>25,143</b>	<b>16,608</b>
<b>Total assets</b>	<b>34,735</b>	<b>24,532</b>

# Consolidated balance sheet

of InTiCom Systems according to IFRS/IAS

## EQUITY AND LIABILITIES

	31 Mar 2006 EUR (000)	31 Dec 2005 EUR (000)
<b>Equity</b>		
Subscribed capital	1,429	1,300
Capital reserve	17,946	8,640
Revenue reserve	3,953	3,394
Currency translation reserve	85	146
<b>Total equity</b>	<b>23,413</b>	<b>13,480</b>
<b>Long-term liabilities</b>		
Other long-term liabilities	2,920	3,134
Deferred tax liabilities	807	776
<b>Total long-term liabilities</b>	<b>3,727</b>	<b>3,910</b>
<b>Short-term liabilities</b>		
Other short-term provisions	131	136
Tax liabilities	1,339	1,045
Short-term interest-bearing debt	1,000	2,017
Trade payables	3,895	2,835
Other short-term liabilities	1,230	1,109
<b>Total short-term liabilities</b>	<b>7,595</b>	<b>7,142</b>
<b>Total equity and liabilities</b>	<b>34,735</b>	<b>24,532</b>

# 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 1.1.2005	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
<b>As of 31.12.2005</b>	<b>1,300</b>	<b>0</b>	<b>8,640</b>	<b>3,394</b>	<b>146</b>	<b>13,480</b>
Allocation to revenue reserve						0
Capital increase from company funds	129		9,306			9,435
Currency translation reserve					-61	-61
Net income of the quarter 01.01.-31.03.2006				559		559
<b>As of 31.03.2006</b>	<b>1,429</b>	<b>0</b>	<b>17,946</b>	<b>3,953</b>	<b>85</b>	<b>23,413</b>

# Consolidated cash flow statement

## of InTiCom Systems

	01.01.2006 -31.03.2006 EUR (000)	01.01.2005 -31.03.2005 EUR (000)
<b>Net income</b>	<b>559</b>	<b>505</b>
+ Depreciation of fixed assets	234	134
- Write-ups on financial assets	0	0
- Decreases in provisions	-5	250
- Increase/ + decrease in current assets and other assets		
Inventory	86	972
Trade receivables	-180	-1,574
Other assets	-723	-50
+ Increase/ - decrease in liabilities and other liabilities		
Accounts payable	1,060	831
Other liabilities	385	16
<b>Cash flow from operating activities</b>	<b>1,416</b>	<b>1,084</b>
- Payments for investments in intangible assets	-287	-105
- Payments for investments in fixed assets	-1,503	-773
- Increase in financial assets in the scope of the short-term liquidity planning	-4,012	
<b>Cash flow from investing activities</b>	<b>-5,802</b>	<b>-878</b>
+ Proceeds from the intake of loans and finance leases	0	0
- Payments for the amortisation of loans and finance leases	-1,214	-10
+ Proceeds from capital increase	9,435	0
<b>Cash flow from financing activities</b>	<b>8,221</b>	<b>-10</b>
<b>Cash flow total</b>	<b>3,835</b>	<b>196</b>
Cash and cash equivalents at the beginning of the period	1,529	10,335
<b>Cash and cash equivalents at the end of the period</b>	<b>5,364</b>	<b>10,531</b>

# Consolidated statement of income

of InTiCom Systems according to IFRS/IAS

	Q1 2006 EUR (000)	Q1 2005 EUR (000)	Change 2006 to 2005 in %
<b>Sales</b>	10,211	9,152	12
Other income	64	20	220
Change in finished/unfinished goods	-87	0	
Other capitalised company-produced services	286	85	236
Raw materials and supplies	8,062	7,398	9
Personnel expenses	832	604	38
Depreciation	234	134	75
Other expenditures	478	374	28
<b>Operating profit</b>	<b>868</b>	<b>747</b>	<b>16</b>
Financial expenses	42	3	1300
Other financial income	89	32	178
<b>Earnings before taxes</b>	<b>915</b>	<b>776</b>	<b>18</b>
Income taxes	356	271	31
<b>Profit from ordinary activities</b>	<b>559</b>	<b>505</b>	<b>11</b>
<b>Net income of the quarter</b>	<b>559</b>	<b>505</b>	<b>11</b>

# Financial calendar

30 May 2006	Release of the 3-month figures
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30 Aug 2006	Release of the 3-month figures
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30 Nov 2006	Release of the 3-month figures
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