

## Quarterly statement Q3/2016

The name init stands for innovations in the optimisation of public transport through integrated planning, dispatching, telematics and ticketing systems. The company's systematic focus on international growth markets consistently reinforces its global leadership. init achieves this success by having a strategy that is purposefully aligned to customer requirements, a structure

that supports this strategy perfectly, and a corporate culture that creates space for employees to contribute their own ideas and enjoy their own success.

Thus, the company will continue to play its part to ensure that bus and rail transportation becomes more attractive, efficient, and the first choice for an increasing number of travellers.

### Group key figures according to IFRS

EUR '000	2016	2015	Change in %
<b>Balance Sheet (30/09)</b>			
Balance sheet total	173,120	138,135	25.3
Shareholders' equity	72,776	66,060	10.2
Subscribed capital	10,040	10,040	
Equity ratio (in %)	42.0	47.8	
Return on equity (in %)	8.1	6.1	
Non-current assets	62,035	39,555	56.8
Current assets	111,085	98,580	12.7
<b>Income Statement (01/01 – 30/09)</b>			
Revenues	69,542	73,242	-5.1
Gross profit	18,904	22,207	-14.9
EBIT	6,814	6,064	12.4
EBITDA	9,603	8,536	12.5
Consolidated net profit	5,917	4,043	46.4
Earnings per share (in EUR)	0.59	0.40	47.5
Dividend (in EUR)		0,20*	
<b>Cash Flow</b>			
Cash flow from operating activities	5,248	2,653	97.8
<b>Share (01/07 – 30/09)</b>			
Issue price (in EUR)	5.10	5.10	
Peak share price (in EUR)	16.90	27.99	-39.6
Bottom share price (in EUR)	13.00	20.20	-35.6

\* paid in 2016 for the financial year 2015

### General information about the quarterly statement of the init group

Until 2015 the quarterly results were presented in a quarterly interim report. This is replaced by the following quarterly statement. Starting in 2016 we publish a quarterly

statement for the first and the third quarter. The interim report for the first half of the year remains in the previous form.

## Important business transaction in the third quarter 2016

With effect from 7 July 2016, INIT GmbH acquired a further 25.5 per cent of iris-GmbH infrared & intelligent sensors in Berlin, as a result of which the share now stands at 74.5 per cent. In addition, a contract was entered into granting an option for the remaining 25.5 per cent to be exercised in June 2020. iris-GmbH will be fully consolidated in the consolidated financial statements of init AG beginning from the third quarter.

iris-GmbH in Berlin has three subsidiaries located in Atlanta (Georgia/USA), in Phoenix (Arizona/USA) and in Santiago de Chile (Chile), covering sales and services on site. Furthermore iris-GmbH holds a 48 per cent stake in maBinso software GmbH, Hamburg, Germany.

With effect from 12 July 2016 inola GmbH in Pasching (near Linz/Austria) was established. The company develops optimisation solutions, which can be used within the init group as well as to be sold to third parties.

The Annual General Meeting of init AG decided on 21 July 2016 the conversion into a SE (Societas Europaea). Once the registration has been effected the conversion is completed.

With effect from 1 September 2016 INIT Chesapeake acquired 26.44 per cent of Bytemark Inc. (New York, USA).

Furthermore with effect from 1 October 2016 HanseCom Public Transport Ticketing Solutions GmbH in Hamburg, Germany, is part of the init group.

### Orders

All in all, init managed to acquire new orders to the value of EUR 24.6m in the third quarter (Q3 2015: EUR 15.0m) which is in line with our planning. The main part of incoming orders consists of follow-up orders or hardware orders.

As at the end of September 2016 incoming orders of EUR 105m are already recorded. We therefore expect incoming orders of significantly more than EUR 120m for 2016 (previous forecast: EUR 110m). However, this depends both on whether we win more of the large tenders in which we are currently participating and whether the resulting orders are placed this year.

Order backlog as at 30 September 2016 stands at around EUR 121m and are therefore above the EUR 111m achieved on the previous year's balance-sheet date.

### Earnings position

Revenues of EUR 27.7m (Q3 2015: EUR 26.1m) were generated in the third quarter of 2016 which is in line with our planning.

#### Breakdown of revenues by region for the first nine months:

in million EUR	01/01-30/09/2016	%	01/01-30/09/2015	%
Germany	24.3	35.0	19.4	26.5
Rest of Europe	13.9	20.0	15.2	20.8
North America	27.9	40.1	35.5	48.4
Other countries (Australia, UAE)	3.4	4.9	3.1	4.3
<b>Group total</b>	<b>69.5</b>	<b>100.0</b>	<b>73.2</b>	<b>100.0</b>

Revenues based on customer's location.

**Earnings before interest and taxes (EBIT)** increased to EUR 6.8m compared with Q1-Q3 2015 (EUR 6.1m) and is still in line with our planning. The EBIT includes a special effect in the amount of EUR 4.7m related to the holding gain of the former shares of iris-GmbH.

**Foreign currency gains** due to positive effects when assessing the forward exchange transactions and due to valuation as of the balance sheet date amounting to EUR 1.2m (Q1-Q3 2015: foreign currency losses of EUR 1.2m) in the first quarter 2016.

**Gross profit** stands at EUR 18.9m which is lower than in the previous year (EUR 22.2m). The reasons for this are found in the decreased revenues and in the slightly increased cost of revenues.

**Sales and administrative expenses** came in at EUR 2.3m above the previous year's level. The added expenses are a result of the inclusion of iris-GmbH and inola, the consulting fees for acquisitions and the conversion into a SE and the increase in the number of employees.

**Research and development expenses** are around EUR 0.6m above the previous year due to new development work.

**Net interest income** (balance of interest income and interest expenses) stands at EUR -345k (Q1-Q3 2015: EUR -401k). Interest expenses are incurred primarily from interest for real estate finance at the Karlsruhe site as well as from short-term euro loans.

Overall, **net profit** as at 30 September 2016 increased to around EUR 5.9m compared with the prior-year period (Q1–Q3 2015: EUR 4.0m), which is due to the previous mentioned effects. This corresponds to earnings per share of EUR 0.59 (Q1–Q3 2015: EUR 0.40).

As a result of unrealised losses from currency translation of foreign companies (especially as a result of US dollar exchange rate devaluation), **total comprehensive income** decreased to EUR 4.9m (Q1–Q3 2015: EUR 5.8m). This development is reflected in the change in **other reserves**.

### Net assets and financial position

**Operating cash flow** stands at EUR 5.2m (Q1–Q3 2015: EUR 2.7m) and results primarily from the decrease of trade accounts receivable and future receivable from production orders as well as from the increase of liabilities. This is offset by the increase of inventories as well as by high prepaid taxes. We expect operating cash flow to continue to rise over the further course of business as a result of payment receipts for major projects.

**Cash flow from investment activities** stands at EUR -13.6m (Q1–Q3 2015: EUR -7.4m) and results primarily from disbursements for the acquisition of shares of Bytemark Inc. and of additional shares of iris-GmbH as well as for the new building in Chesapeake (VA), USA.

**Short and long-term liabilities** to banks in the amount of EUR 39.9m (31/12/2015: EUR 19.6m) concern property and acquisition financing as well as short-term loans taken out to stabilise liquidity which had been prompted by delayed payment receipts and payment plans for major projects that required a large degree of pre-financing.

**Cash and cash equivalents**, including short-term securities and bonds, stood at EUR 22.7m in the reporting period (31/12/2015: EUR 14.1m).

Compared with 31 December 2015, **inventories** rose by EUR 5.6m to EUR 28.4m. The reason for this is imminent hardware deliveries, which will cause stock to fall again in the months to come.

The available **guarantee and credit lines** continue to provide secure finance for business activities.

In the third quarter 3,441 shares were transferred to the incentive scheme for employees with a five year lock up period. Consequently, **treasury stock** totalled 79,464 shares as at 30 September 2016. The average repurchase price was EUR 14.91 per share.

### Personnel

The init group employed 649 staff as at 30 September 2016 (Q3 2015: 521) including temporary workers, research assistants and students doing thesis work.

The increase within Germany results primarily from the acquisition of iris-GmbH.

#### Number of employees by region:

	30/09/2016	30/09/2015
Employees in Germany	528	408
Employees in the rest of Europe	13	8
Employees in North America	90	88
Employees in other countries	18	17
<b>Total</b>	<b>649</b>	<b>521</b>

### Opportunities and risks

The opportunities and risks described in the group status report 2015 (p. 51 et seq.) apply unchanged. Appropriate provision has been made for all recognisable risks. In our opinion, there are no risks capable of jeopardising the continued existence of the company.

There are currently no significant clusters of default risks within the group, with the exception of the accounts receivable from Dubai. Our general contractor from the first Dubai project failed to pass on to us payments of approximately EUR 2m by the end customer to us. init took the matter to a court of arbitration to defend its claim. The ruling in the arbitration proceedings went in init's favour. Currently the arbitration award is being examined by the court for issuing an enforceable copy. The risk remains that these receivables will not be recovered, or only partially recovered. The risk of non-recovery has been calculated in with appropriate value adjustment.

### Forecast and outlook

We are therefore adhering to our forecast changed in August 2016. For the current year, we anticipate group revenues of around EUR 106m at slightly lower margins. This translates into an operating profit (EBIT) ranging of around EUR 12m.

We still foresee developments in the next few months as being influenced by major uncertainties in the general economic situation which could have an impact on how orders are placed in tenders.

With a high order backlog in excess of EUR 121m, we have already more than an annual turnover in the order backlog.

For 2016, we expect incoming orders in the group of significantly above EUR 120m. This plan is based on the assumption that tenders will not be delayed and that price competition will not continue to intensify. Actual figures could deviate from the forecast if new risk factors arise or assumptions underlying the plan later prove to be false.

However, innovative technologies, increasing demand for ticketing and integrated transport control systems in North America and Europe as well as a first pilot project in the Asian market provide init with further opportunities for sustainable growth.

## Consolidated Income Statement (IFRS)

from 1 January 2016 to 30 September 2016 (unaudited)

EUR '000	01/07 to 30/09/2016	01/07 to 30/09/2015	01/01 to 30/09/2016	01/01 to 30/09/2015
Revenues	27,708	26,099	69,542	73,242
Cost of revenues	-20,292	-17,410	-50,638	-51,035
<b>Gross profit</b>	<b>7,416</b>	<b>8,689</b>	<b>18,904</b>	<b>22,207</b>
Sales and marketing expenses	-3,344	-2,466	-9,081	-8,156
General administrative expenses	-2,670	-1,516	-6,461	-5,072
Research and development expenses	-1,016	-1,218	-3,530	-2,885
Other operating income	428	378	1,176	1,345
Other operating expenses	-170	-75	-330	-492
Foreign currency gains and losses	-447	-1,545	1,201	-1,205
Income from associated companies	0	161	246	322
Holding gain (aquisition iris-GmbH)	4,689	0	4,689	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>4,886</b>	<b>2,408</b>	<b>6,814</b>	<b>6,064</b>
Interest income	10	7	23	22
Interest expenses	-146	-177	-368	-423
<b>Earnings before taxes (EBT)</b>	<b>4,750</b>	<b>2,238</b>	<b>6,469</b>	<b>5,663</b>
Income taxes	-20	-593	-552	-1,620
<b>Net profit</b>	<b>4,730</b>	<b>1,645</b>	<b>5,917</b>	<b>4,043</b>
thereof attributable to equity holders of parent company	4,698	1,616	5,916	3,968
thereof non-controlling interests	32	29	1	75
Net profit and diluted net profit per share in EUR	0.47	0.16	0.59	0.40
Average number of floating shares	9,997,958	10,028,362	9,963,766	10,034,028

## Consolidated Statement of Comprehensive Income (IFRS)

from 1 January 2016 to 30 September 2016 (unaudited)

EUR '000	01/07 to 30/09/2016	01/07 to 30/09/2015	01/01 to 30/09/2016	01/01 to 30/09/2015
<b>Net profit</b>	<b>4,730</b>	<b>1,645</b>	<b>5,917</b>	<b>4,043</b>
<b>Items to be reclassified to the income statement</b>				
Changes on currency translation	-560	-605	-983	1,753
<b>Total Other comprehensive income</b>	<b>-560</b>	<b>-605</b>	<b>-983</b>	<b>1,753</b>
<b>Total comprehensive income</b>	<b>4,170</b>	<b>1,040</b>	<b>4,934</b>	<b>5,796</b>
thereof attributable to equity holders of the parent company	4,138	1,011	4,933	5,721
thereof non-controlling interests	32	29	1	75

## Consolidated Balance Sheet (IFRS)

as of 30 September 2016 (unaudited)

EUR '000	30/09/2016	31/12/2015
Cash and cash equivalents	22,648	14,038
Marketable securities and bonds	29	30
Trade accounts receivable	18,841	23,467
Future receivables from production orders ("Percentage-of-Completion-Method")	36,548	39,158
Accounts receivable from related parties	129	0
Inventories	28,367	22,718
Income tax receivable	1,237	100
Other current assets	3,286	2,473
<b>Current assets, total</b>	<b>111,085</b>	<b>101,984</b>
Tangible fixed assets	25,397	21,240
Investment property	6,035	6,086
Goodwill	8,607	4,388
Other intangible assets	8,529	1,457
Interest in associated companies	5,597	2,341
Deferred tax assets	5,221	5,273
Other assets	2,649	2,313
<b>Non-current assets, total</b>	<b>62,035</b>	<b>43,098</b>
<b>Assets, total</b>	<b>173,120</b>	<b>145,082</b>
Bank loans	26,687	12,884
Trade accounts payable	13,861	10,968
Accounts payable of "Percentage-of-Completion-Method"	3,721	4,023
Accounts payable due to related parties	0	5
Advance payments received	528	525
Income tax payable	0	1,560
Provisions	10,618	10,337
Other current liabilities	13,097	14,032
<b>Current liabilities, total</b>	<b>68,512</b>	<b>54,334</b>
Bank loans	13,191	6,717
Deferred tax liabilities	7,028	5,143
Pensions accrued and similar obligations	8,052	7,496
Other non-current liabilities	3,561	212
<b>Non-current liabilities, total</b>	<b>31,832</b>	<b>19,568</b>
<b>Liabilities</b>	<b>100,344</b>	<b>73,902</b>
Subscribed capital	10,040	10,040
Additional paid-in capital	5,528	5,809
Treasury stock	-1,185	-436
Surplus reserves and consolidated unappropriated profit	55,889	52,281
Other reserves	2,344	3,327
Attributable to equity holders of the parent company	72,616	71,021
Non-controlling interests	160	159
<b>Shareholders' equity, total</b>	<b>72,776</b>	<b>71,180</b>
<b>Liabilities and shareholders' equity, total</b>	<b>173,120</b>	<b>145,082</b>

## Consolidated Cash Flow Statement (IFRS)

from 1 January 2016 to 30 September 2016 (unaudited)

EUR '000	01/01 to 30/09/2016	01/01 to 30/09/2015
<b>Cash flow from operating activities</b>		
Net income	5,917	4,043
Holding gain (aquisition iris-GmbH)	-4,689	0
Depreciation/amortisation	2,789	2,472
Gains (-) / Losses (+) on the disposal of fixed assets	-119	-28
Change of balance sheets items	2,175	-5,995
Amount of other non-cash income and expenses	-825	2,161
<b>Net cash from operating activities</b>	<b>5,248</b>	<b>2,653</b>
<b>Cash flow from investing activities</b>		
Payments received on disposal of tangible fixed assets	649	133
Investments in tangible fixed assets and other intangible assets	-5,554	-7,568
Investments in associated companies	-5,557	0
Investment in iris-GmbH less acquired cash	-3,159	0
<b>Net cash flows used in investing activities</b>	<b>-13,621</b>	<b>-7,435</b>
<b>Cash flow from financing activities</b>		
Dividend paid out	-1,991	-8,032
Cash payments for the purchase of treasury stock	-1,019	-436
Payments received from bank loans incurred	22,385	13,023
Redemption of bank loans	-2,154	-870
<b>Net cash flows used in financing activities</b>	<b>17,221</b>	<b>3,685</b>
<b>Changes in cash fund effects of exchange rate changes</b>	<b>-238</b>	<b>174</b>
<b>Increase/reduction in cash and cash equivalents</b>	<b>8,610</b>	<b>-923</b>
Cash and cash equivalents at the beginning of the period	14,038	9,213
<b>Cash and cash equivalents at the end of the period</b>	<b>22,648</b>	<b>8,290</b>

## Financial calendar and imprint

Date	Event
21 – 22 November 2016	Analyst conference, German Equity Forum, Frankfurt
29 March 2017	Publication Annual Report 2016 / Press Conference Frankfurt
12 May 2017	Publication quarterly statement Q1/2017

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