



INNOVATIVE TICKETING

In many places, buying a ticket is still something of a barrier in public transport. However, init offers innovative solutions that can greatly simplify the entire ticketing process.

INNOVATIONS BY RESEARCH AND DEVELOPMENT

By taking part in a number of research projects, init helps to shape the mobility trends of the future.

DIGITISATION

Mobile devices are being used ever more frequently in public transport. init develops mobile apps for all target groups, be it passengers or transport company staff.

INTERNATIONAL FOCUS

With the conversion into an SE init has adopted a new legal form. By doing so, the company is further emphasising its clear international focus.

IMPORTANT BUSINESS TRANSACTIONS IN THE THIRD QUARTER 2017

Orders

All in all, init managed to acquire new orders to the value of EUR 21.5m in the third quarter (Q3 2016: EUR 24.6m). The volume of the incoming orders is thus slightly below the previous year. The main part of incoming orders consists of new ITCS projects, additional deliveries and maintenance contracts.

Incoming orders totaled EUR 105.8m as of 30 September 2017 (30 September 2016: EUR 104.8m). We are well on our way to achieving our target for incoming orders of between EUR 120m and EUR 130m for 2017. However, this depends on whether we win more large tenders in which we are currently participating and whether the resulting orders are placed this year.

Order backlog as of 30 September 2017 stand at around EUR 120m and is thus at the level achieved on the previous year's balance-sheet date.

Earnings position

The distribution of revenues within the init group is traditionally uneven over the course of the financial year, with the first three quarters usually weaker, and the fourth quarter the strongest.

Revenues of EUR 31.3m (Q3 2016: EUR 27.7m) were generated in the third quarter of 2017. In the first nine months 2017, revenues of the init group stood at EUR 89.6m, roughly 29 per cent higher than the figure from the previous year (EUR 69.5m). Of the absolute difference, EUR 13.5m are attributable to acquisitions and our core business grew by EUR 6.6m. Revenues as of 30 September 2017 without acquisitions stood at EUR 76.1m. Compared with the same previous year figure (EUR 67.0m) this is an increase by EUR 9.1m or 13.6 per cent. Revenues for the first nine months were in line with our planning.

Breakdown of revenues by region for the first nine months:

in million EUR	01/01- 30/09/2017	%	01/01- 30/09/2016	%
Germany	27.0	30.1	24.3	35.0
Rest of Europe	22.9	25.6	13.9	20.0
North America	33.4	37.3	27.9	40.1
Other countries (Australia, UAE)	6.3	7.0	3.4	4.9
Total	89.6	100.0	69.5	100.0

Revenues based on customer's location.

The operating result improved considerably in the third quarter and is on track for the target of 30 September 2017. The most meaningful earnings benchmark for init is earnings before interest, taxes, depreciation and amortisation (EBITDA). The figure for the first nine months 2017 stands at EUR 8.3m adjusted for acquisitions (Q1-Q3 2016: EUR 4.6m). This means an increase of EUR 3.7m or 80.0 per cent.

A similar picture is also seen as regards to the EBIT, which decreased to EUR 4.7m (previous year: EUR 6.8m). Adjusted for acquisitions, however, EBIT stood at EUR 6.1m and thus improved by EUR 4.0m on the previous year EBIT (EUR 2.1m) adjusted by the holding gain (acquisition iris-GmbH). After adjusting for FX effects, earnings growth is in fact higher, due to foreign currency gains decreased from EUR 1.2m in the previous year to EUR 0.2m.

The earnings contribution from new acquisitions (Bytemark, iris, HanseCom, inola and INIT Dunedin) stands at EUR -1.4m in total. The largest contribution here comes from Bytemark. Bytemark is a start-up company in the smart ticketing sector.

Cash flow from operations stood at EUR -8.8m (Q1-Q3 2016: EUR 5.2m). The strong decrease compared to previous year is primarily due to the expansion of inventories and high back tax payments and due to higher trade accounts receivable. The significant rise in inventories results from anticipated hardware deliveries in major projects as well as from the securing of electronic components and elements in corresponding quantities with subcontractors. We expect the operating cash flow to improve over the further course of business as a result of agreed payment receipts for major projects.

The cash flow from investing activities stood at EUR -9.3m (Q1-Q3 2016: EUR -13.6m) and results mostly from the investments in the new building in the US in the current financial year.

Now that HanseCom PTTS has all the valuation relevant facts and circumstances at the time of purchase, the preliminary purchase price allocation was finally adjusted in the third quarter of 2017. The main changes relate to the items customer base and provisions previously classified as provisional. Lower values resulted in each case, whereby the goodwill now amounts to EUR 0.4m and thus EUR 0.3m below the provisional purchase price allocation. There were no significant effects on the results of operations.

Personnel

On average the init group counted in the first nine month of 2017 733 employees (Q3 2016: 649) including temporary workers, research assistants and students doing thesis work. The increase is mainly due to the acquisitions made in the fourth quarter of 2016.

Number of employees by region:

	30/09/2017	30/09/2016
Germany	600	528
Rest of Europe	17	13
North America	99	90
Other countries	17	18
Total	733	649

Opportunities and risks

The opportunities and risks which can have a crucial impact on the asset, financial and earnings position of the group are set out in our Annual Report 2016 on page 54 et seq. The opportunities and risks described in the Annual Report 2016 remain largely unchanged. Since publication of the Annual Report 2016, the assessment of the opportunities and risks has changed in the following points.

Given the international nature of the business of the init group, there is a relatively high FX risk. The pressure from pre-financing in the init group also increased compared to the end of the year so that further loans were drawn upon. Furthermore, start-up companies such as our US minority shareholding

naturally have a considerably higher need for capital due to their strong growth; however, they also entail a greater risk. All foreseeable risks are regularly analysed and corresponding measures initiated. In our opinion, there are no risks capable of jeopardizing the continued existence of the company.

Forecast and outlook

After the first nine months of the 2017 financial year, the init group is well on its way to achieving the targets set for the year as a whole. Both in terms of revenues and earnings, the positive development continued in the third quarter of 2017. The key figures achieved largely correspond to the expectations of the Management Board. For this reason, we are sticking to the current forecast regarding revenues (EUR 120m) and EBIT (between EUR 5 and 7 m).

EUR 120m

are the anticipated group revenues in 2017

This also applies to the order situation. Order inflow at the end of September 2017 was approximately EUR 106m. As a result, init is very likely to reach the target of between EUR 120m and EUR 130m of incoming new orders for 2017 despite the persistent global economic uncertainties.

EUR 130m

the target for incoming orders in 2017 is between EUR 120m and EUR 130m

From 2018 on we expect growth to accelerate particularly in ticketing business relating to a clear improvement in earnings. With current trends such as digitisation, electromobility, the autonomous driving, the networking of traffic systems and the security of data communication, init plays worldwide a leading role with its solutions for public transport.

One specific growth driver is the so-called "Smart Ticketing", which not only provides passengers with substantial relief, but above all opens up new efficiency potential for transport companies. init not only provides system solutions for this, but also increasingly handles billing and management functions for public transport companies. This suggests above-average growth rates and a strong expansion of the business unit ticketing.

But also in the case of taking over the entire technical operation of systems, init is becoming increasingly important as a partner for transport companies. This opens up additional growth opportunities and results in a significantly increased customer retention.

In the long-term, init as full service provider will benefit disproportionately high from global growth trends such as the worldwide observed expansion of mass transit systems, climate protection and the global advancing urbanisation. After the first successful pilot projects, we also see good opportunities in the long-term for the Asian market.

Consolidated INCOME STATEMENT (IFRS)

from 1 January 2017 to 30 September 2017 (unaudited)

EUR'000	01/07 to 30/09/2017	01/07 to 30/09/2016	01/01 to 30/09/2017			01/01 to 30/09/2016
			init group current	init group without acquisitions	only Bytemark, iris, HanseCom, inola	
Revenues	31,304	27,708	89,623	76,130	13,493	69,542
Cost of sales	-21,762	-20,292	-60,910	-51,052	-9,858	-50,638
Gross profit	9,542	7,416	28,713	25,078	3,635	18,904
Sales and marketing expenses	-3,803	-3,344	-11,733	-9,698	-2,035	-9,081
General administrative expense	-2,563	-2,670	-7,626	-6,607	-1,019	-6,461
Research and development expenses	-1,591	-1,016	-5,019	-4,104	-915	-3,530
Other operating income	518	428	1,310	1,157	153	1,176
Other operating expenses	-47	-170	-104	-92	-12	-330
Foreign currency gains and losses	643	-447	225	355	-130	1,201
Income from associated companies	-285	0	-1,045	0	-1,045	246
Holding gain (acquisition iris-GmbH)	0	4,689	0	0	0	4,689
Earnings before interest and taxes (EBIT)	2,414	4,886	4,721	6,089	-1,368	6,814
Interest income	147	10	186	185	1	23
Interest expenses	-196	-146	-452	-407	-45	-368
Earnings before taxes (EBT)	2,365	4,750	4,455	5,867	-1,412	6,469
Income taxes	-659	-20	-1,381	-989	-392	-552
Net profit	1,706	4,730	3,074	4,878	-1,804	5,917
thereof attributable to equity holders of parent company	1,711	4,698	3,096	4,900	-1,804	5,916
thereof non-controlling interests	-5	32	-22	-22	0	1
Earnings and diluted earnings per share in EUR	0.17	0.47	0.31	0.49	-0.18	0.59
Average number of floating shares	9,995,804	9,997,958	9,964,091	9,964,091	9,964,091	9,963,766

Consolidated STATEMENT OF COMPREHENSIVE INCOME (IFRS)

from 1 January 2017 to 30 September 2017 (unaudited)

EUR'000	01/07 to 30/09/2017	01/07 to 30/09/2016	01/01 to 30/09/2017	01/01/ bis 30/09/2016
Net profit	1,706	4,730	3,074	5,917
Items to be reclassified to the income statement:				
Changes from currency translation	-1,030	-560	-3,689	-983
Total Other comprehensive income	-1,030	-560	-3,689	-983
Total comprehensive income	676	4,170	-615	4,934
Thereof attributable to equity holders of the parent company	681	4,137	-593	4,933
Thereof non-controlling interests	-5	33	-22	1

Consolidated BALANCE SHEET (IFRS)

as of 30 September 2017 (unaudited)

EUR'000	30/09/2017	31/12/2016
Cash and cash equivalents	12,559	23,920
Marketable securities and bonds	29	30
Trade accounts receivable	28,887	25,908
Future receivables from production orders (Percentage of completion method)	34,286	38,180
Receivables from related companies	189	120
Inventories	32,087	27,006
Income tax receivable	2,340	1,870
Other current assets	3,157	2,522
Current assets, total	113,534	119,556
Property, plant and equipment	36,787	31,742
Investment property	1,311	1,323
Goodwill	8,987	8,987
Other intangible assets	9,563	10,274
Interests in associated companies	4,528	5,453
Deferred tax assets	5,844	5,207
Other non-current assets	2,588	2,590
Non-current assets, total	69,608	65,576
Assets, total	183,142	185,132
Bank loans	25,158	19,669
Trade accounts payable	14,730	16,641
Accounts payable from "Percentage of completion method"	6,697	8,053
Advance payments received	840	806
Income tax payable	0	3,514
Provisions	11,871	12,448
Other current liabilities	12,642	15,411
Current liabilities, total	71,938	76,542
Bank loans	19,403	15,680
Deferred tax liabilities	5,289	4,489
Pensions accrued and similar obligations	9,170	8,637
Other non-current liabilities	3,581	3,382
Non-current liabilities, total	37,443	32,188
Liabilities, total	109,381	108,730
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,143	5,289
Treasury stock	-569	-889
Surplus reserves and consolidated unappropriated profit	59,658	58,763
Other reserves	-671	3,017
	73,601	76,220
Non-controlling interests	160	182
Shareholders' equity, total	73,761	76,402
Liabilities and shareholders' equity, total	183,142	185,132

Consolidated CASHFLOW STATEMENT

from 1 January 2017 to 30 September 2017 (unaudited)

EUR '000	01/01 to 30/09/2017	01/01 to 30/09/2016
Cash flow from operating activities		
Net income	3,074	5,917
Holding gain (acquisition iris-GmbH)	0	-4,689
Depreciation	3,068	2,789
Gains on the disposal of fixed assets	-65	-119
Change in provisions and accruals	326	-696
Change in inventories	-5,947	-2,802
Change in trade accounts receivable and future receivables from production orders	-3,152	9,319
Change in other assets, not provided by / used in investing or financing activities	-1,348	-1,834
Change in trade accounts payable	78	1,843
Change in advanced payments received and liabilities from PoC method	-741	-148
Change in other liabilities, not provided by / used in investing or financing activities	-5,285	-3,507
Amount of other non-cash income and expenses	1,220	-825
Net cash from operating activities	-8,772	5,248
Cash flow from investing activities		
Payments received on disposal of tangible fixed assets	133	649
Investments in property, plant, equipment and other intangible assets	-8,832	-5,554
Investment in associated companies	-638	-5,557
Investment in subsidiaries less acquired cash	0	-3,159
Net cash flows used in investing activities	-9,337	-13,621
Cash flow from financing activities		
Dividend paid out	-2,200	-1,991
Cash payments for purchase of treasury stock	0	-1,019
Payments received from bank loans incurred	14,762	22,385
Redemption of bank loans	-4,946	-2,154
Net cash flows used in financing activities	7,616	17,221
Net effects of currency translation and consolidation changes in cash and cash equivalents	-868	-238
Decrease / increase in cash and cash equivalents	-11,361	8,610
Cash and cash equivalents at the beginning of the period	23,920	14,038
Cash and cash equivalents at the end of the period	12,559	22,648

Financial calendar

2017

Q4

27-29 November

Equity Forum
in Frankfurt am Main

2018

Q1

22 March

Publication Annual Report 2017 /
Press and Analyst Conference
in Frankfurt am Main

Q2

9 May

Publication Quarterly
Statement 1/2018

16 May

Annual General Meeting
2018

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