

init

The Future of Mobility



◀ **OUTLOOK** ▶
WITH VISION

Annual Report 2015

GROUP KEY FIGURES

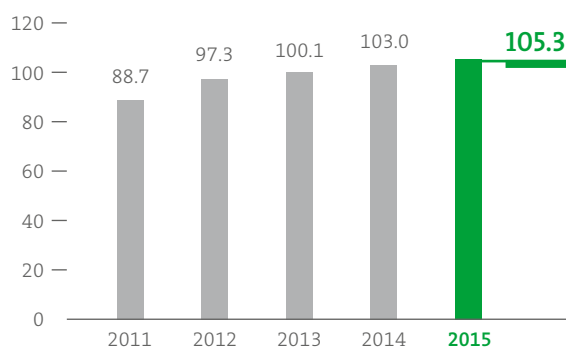
IFRS

| EUR 'ooo | 2015 | 2014 | Change in % |
|---------------------------------------|---------|---------|-------------|
| Balance Sheet (31/12) | | | |
| Balance sheet total | 145,082 | 128,774 | 12.7 |
| Shareholders' equity | 71,180 | 67,770 | 5.0 |
| Subscribed capital | 10,040 | 10,040 | 0.0 |
| Equity ration (in %) | 49.1 | 52.6 | |
| Return on equity (in %) | 10.6 | 17.8 | |
| Non-current assets | 43,098 | 34,537 | 24.8 |
| Current assets | 101,984 | 94,237 | 8.2 |
| Income Statement (01/01-31/12) | | | |
| Revenues | 105,293 | 102,993 | 2.2 |
| Gross profit | 31,839 | 36,581 | -13.0 |
| EBIT | 10,756 | 18,685 | -42.4 |
| EBITDA | 14,117 | 21,690 | -34.9 |
| Consolidated net profit | 7,577 | 12,067 | -37.2 |
| Earnings per share (in EUR) | 0.75 | 1.20 | -38.1 |
| Dividend (in EUR) | 0.20 * | 0.80 | -75.0 |
| Cash Flow | | | |
| Cash flow from operating activities | 11,478 | 502 | 2,186.5 |
| Share | | | |
| Issue price (in EUR) | 5.10 | 5.10 | 0.0 |
| Peak share price (in EUR) | 27.99 | 25.80 | 8.5 |
| Bottom share price (in EUR) | 14.08 | 18.50 | -23.9 |

* dividend to be proposed to the AGM 2016

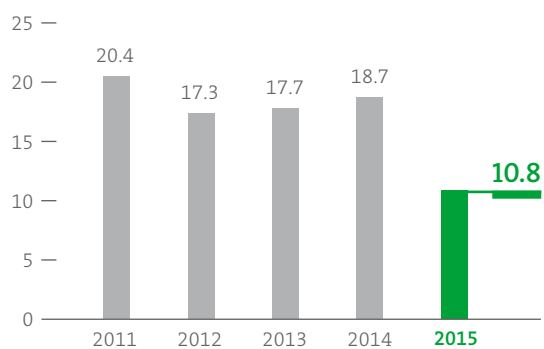
Revenue development

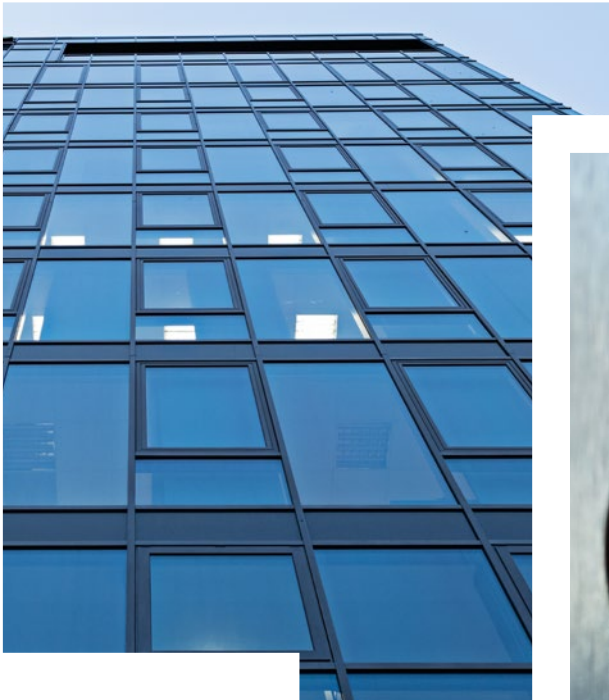
(in million EUR)



EBIT development

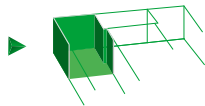
(in million EUR)





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DEAR SIR OR MADAM, DEAR SHAREHOLDERS,

2015 was a turbulent year. A year full of historic turning points: A new Cold War between Russia and the West, countries on the verge of collapse, a new mass migration of refugees from war zones.

These factors aggravated the economic crises that have persisted for years, such as the sovereign debt problems that in many cases are yet to be resolved and the associated upheavals on the financial markets. The faltering of the Chinese economy, which has driven growth in recent years, the economic collapse in countries dependent on commodity and oil exports and the add-on effects of these also caused massive uncertainty in all markets. Characteristic was the development in the equity markets, which fell into a slump after highs in the first half of the year.

In the AGE of globalisation no company can escape these developments. Our company too – with more than 400 customers worldwide a global player as it were – was not spared.

After a good start, the init group was also affected by the consequences of its customers' uncertainty in the second half of 2015. Tenders were postponed or re-issued, projects were delayed because the customer's financing was suddenly in question.

Reaching the revenue target and even setting a new record of EUR 105m in this difficult environment was no small feat and is owed to the tremendous commitment of our employees. We would like to take this opportunity to express our extreme gratitude for this!

Several factors led to 2015 not producing another new record result. The most serious one: Canada which is a very important market for init with an ongoing large-scale project in Montreal and other tenders. That country, like other commodity exporters, suffered from a massive depreciation of its currency's value. The direct consequence for our company was that we had to revise our earnings forecast for 2015 downwards.

Also an indispensable investment in the sustainable growth of our company in the form of the gradual development of the Asian market cost us time and money in 2015. init is there currently in the pilot phase of the project and hopes for more orders in 2016. It is a hard and rocky road to success in Asia and for the time being there are no considerable revenues to offset the costs. If everything goes as planned, we expect a dynamic development similar to the one in North America, where our revenues have multiplied within a few years.



The Managing Board from left to right:
Dr. Jürgen Greschner, CSO; Dr. Gottfried Greschner, CEO;
Joachim Becker, COO; Bernhard Smolka, CFO



North America is and remains an important growth market for us, even if the hopes for a spurt in growth from new tenders had not yet materialised in 2015. Looking ahead, we are already investing in a new central headquarters for our three US subsidiaries in Chesapeake, Virginia as well as in the creation of new jobs in order to be ready for the growth we expect in 2017.

On the face of it this increases personnel expenses and has a negative impact on results; but we are convinced that this will lay the foundations allowing us to continue to assert our position as a leading international provider of integrated planning, dispatching, telematics and ticketing systems for buses and trains.

In order to achieve this we must continue to place ourselves at the forefront of technological developments and shape the upheaval in our market characterised by digitisation and networking, in order to respond optimally to the new needs of our customers.

E-ticketing is becoming increasingly important. We have already established a leading market position in this field in Germany, Europe and North America and have completed pioneering projects. In North America we have acquired new customers in the past year and expect further orders. Large ticketing tenders are also being published in other continents because transport companies have recognised across the board how this benefits them. If we also succeed in pushing forward the idea of integrated systems, i.e. operation control systems combined with ticketing, a new growth potential will open up for us.

An important part of e-ticketing is mastering the highly complex financial clearing and settlement processes it involves. We have been able to demonstrate this expertise in large-scale projects with Bavarian bus companies of Deutsche Bahn as well as in Turku, Finland in everyday use. We have now created a software base that is technologically very advanced.

The development of apps for our customers is becoming increasingly important. To this end, we have launched our own development team. Apps are primarily deployed in on-demand bus services, where tablets or smartphones can serve as on-board computers. This is an important cost advantage for smaller bus or transport companies in particular. We provide them with their own control system in our init-“cloud” that they can make full use of, the costs of which, however, are distributed across all the connected enterprises. The next step is to offer transport companies the entire technical operation, i.e. provide replacements and service for the hardware or ticket vending machines. The first customers have already been secured.

There has also been an increasing demand from our customers for networking with other transport systems such as long-distance and private transport. We are able to provide the interfaces for this. For public transport users in Luxembourg, for instance, we have added the use of rental bicycles at certain stations and integrated the process into the control system.

All these developments contribute to the continued dynamic growth of our market. This, however, also attracts new, local and regional competitors and increases pressure on prices and margins in economically uncertain times.

We are not likely to be spared turbulence this year either. To the extent possible, we have taken the necessary steps to ensure that init is well prepared and able to return to a stable growth path.

To that end, we ask you for your trust and support!

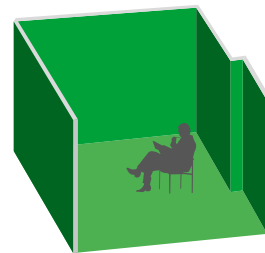


For the Managing Board
Dr. Gottfried Greschner, CEO
init innovation in traffic systems AG

OUTLOOK WITH VISION

The name init stands for innovations for the optimisation of public transport through intelligent planning, dispatching, telematics and ticketing solutions. Consistent focus on international growth markets enabled the company to achieve global market leadership.

At the same time, init is closely connected to Karlsruhe. This is proven by the new building at the company's headquarters, which represents a clear commitment to the location. It stands for the sustainable development of init and affords the company good prospects for the future. The company will further contribute to making public transport more attractive, more efficient and the first choice for an ever-increasing number of passengers around the globe.

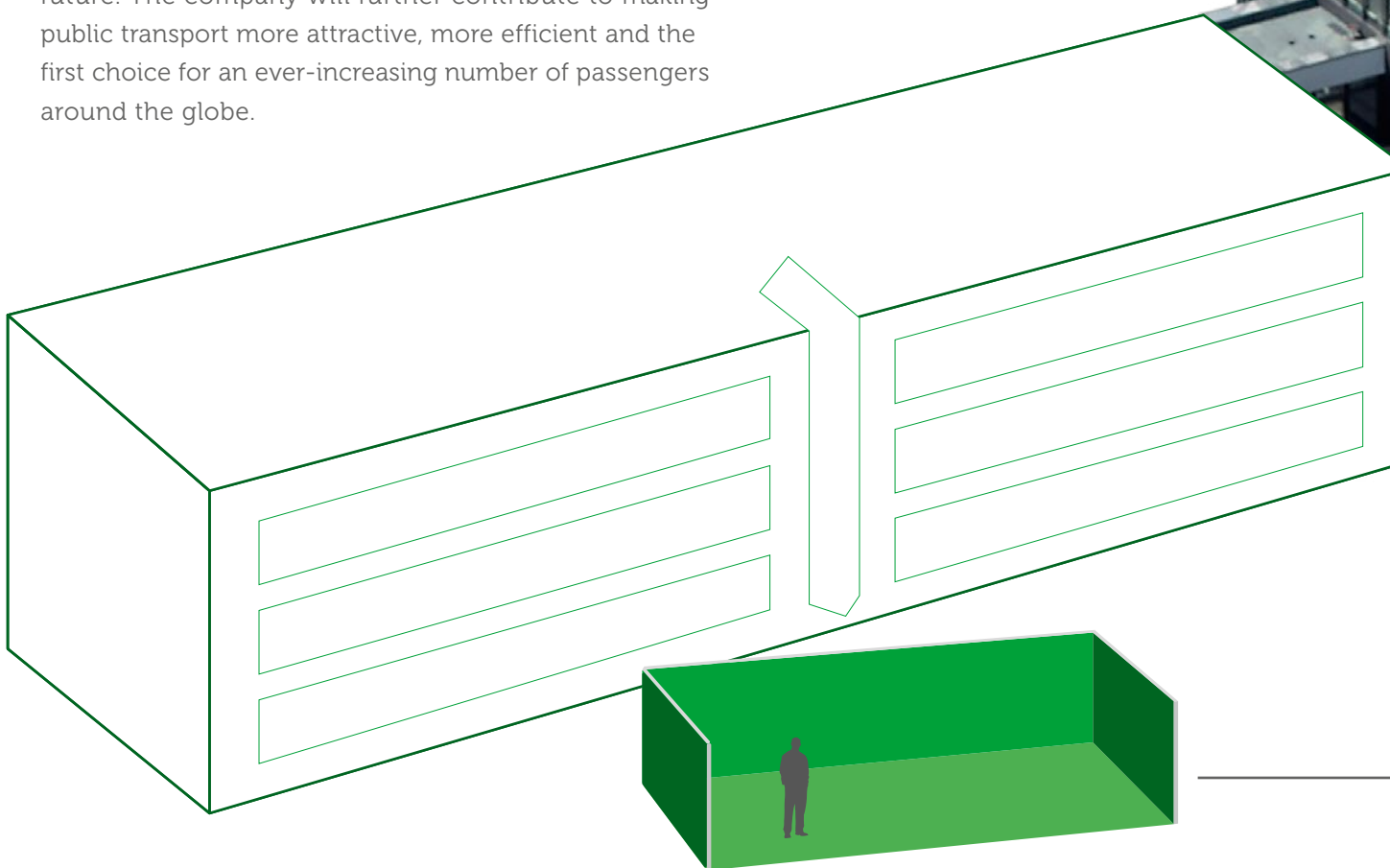


8TH FLOOR: AT THE OFFICE

REGIONALISM



Dr. Gottfried Greschner
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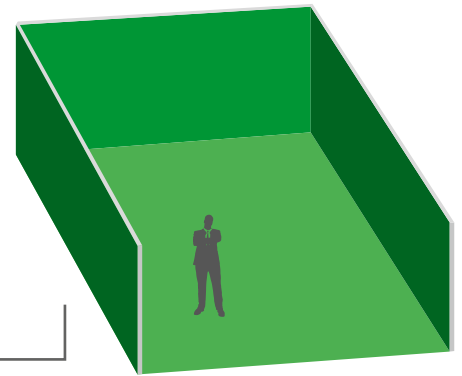


GROUND FLOOR: AT THE STAFF ROOM

SUSTAINABILITY

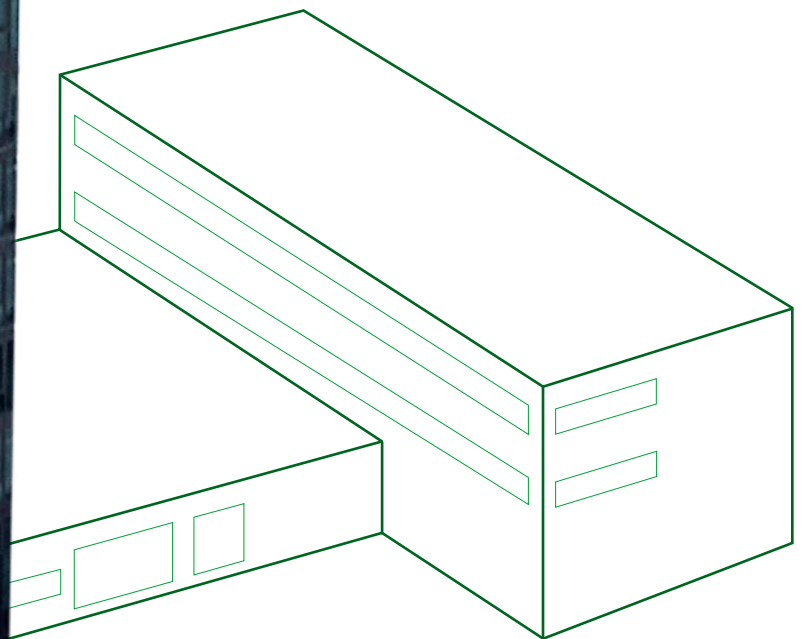


Bernhard Smolka
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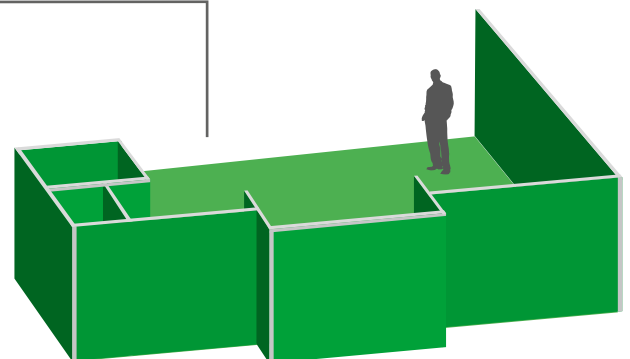
9TH FLOOR: AT THE CONFERENCE ROOM
INTERNATIONALISATION

▼
Dr. Jürgen Greschner
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▲
**ORIGINS AND
FUTURE**

The new building, which was opened in 2015, is a commitment to Karlsruhe.



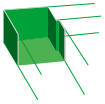
GROUND FLOOR: AT THE FOYER
INNOVATION

▼
Joachim Becker
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Karlsruhe – one of the top IT locations in Europe

Dr. Gottfried Greschner looks back proudly on the company's successful history



8TH FLOOR: AT THE OFFICE

AT THE HEART OF MOBILITY

ON THE EIGHTH FLOOR OF THE COMPANY HEADQUARTERS, WITH A COMMANDING VIEW OF THE FAN-SHAPED CITY, THE CHIEF EXECUTIVE OFFICER TALKS ABOUT THE ROOTS OF INIT, THE YEAR 2015 AND THE COMPANY'S COMMITMENT. AN INTERVIEW WITH DR. GOTTFRIED GRESCHNER

Dr. Greschner, what goes through your mind when you look at Karlsruhe from up here on the eighth floor?

If you look around, you'll see the A5 motorway, as well as a railway line and a Karlsruhe tram line right in front of us. So we are at the heart of mobility – that's a great match for init!

What was the decisive idea behind setting up the company?

I always wanted to create something of my own, even as a schoolboy. During my doctoral studies, I worked intensively on technological transport issues and started my own business with my professor at the time. By collaborating on research projects – including on-demand bus services that were very innovative at the time and one of the first navigation systems in the world – we created the expertise and the foundation for today's init.

Could you have ever imagined that one day init would be developing solutions for public transport all over the world?

In the beginning, we focused entirely on the German market and built up a customer base here first.

When our research projects gradually turned into customer orders, we ventured abroad, out of the advanced German market. Looking at init today, it is clear: That was the right decision.

Does Asia pose a challenge similar to when you entered into the US market in the year 1999?

Yes, you could say that. When it comes to our market positioning, I expect the Asian market to open up significant growth opportunities for init. Financially and considering the time factor in entering the market, there is a similar challenge. Back then, we needed several years in the US to establish ourselves and to operate profitably. The crucial difference is that init has now a much more solid financial footing. We have already had some initial success with a pilot project. From our own experience we know that once the first real projects start, the market will open up very quickly.

init is becoming increasingly international and now manages projects on several continents. How deeply rooted is init in the region and how is this reflected in the company?

One way you can notice is that almost all development tasks are performed here in Karlsruhe. The region provides an excellent environment for that. Here you'll find the Karlsruhe Institute of Technology (KIT), the Karlsruhe University of Applied Sciences and the Baden-Württemberg Cooperative State University which represents a good mix of theoretical and practical knowledge. The new headquarters, where we are now, demonstrates a strong and visible commitment to Karlsruhe. We express the feeling for our regional identity in our support for many local clubs and organisations such as the local Karlsruher Sport Club football team.

Do you regularly attend matches in the Wildpark stadium?

I take a keen interest in the club and take in an occasional game at the stadium. init has supported the Karlsruher Sport Club for many years.



Speaking of civic engagement: init also supports social projects. Where are your priorities in this area?

If you look at the US, you will find that companies getting involved in the community is much more common than here. At init we have embraced the American idea with enthusiasm and, as a successful company, we want to get involved in a lot of ways. “Engineers Without Borders – KIT” is a very interesting example: Students from Karlsruhe, including engineering students, are building crucial infrastructure in the poorest regions of the world – a great idea we love supporting. Regionally we also support sport for the disabled, voluntary or cultural institutions such as the theatre and a large open-air festival and, looking further afield, the German-Finnish Community, to name just a few examples.

You have been a member of the Managing Board at init for several years. What do you like best about your job? And how has it changed over the years?

These days I have to focus on having a good overview so I can't dedicate myself so much to the details any more. Solving technical challenges has always been something I've enjoyed. Today, I enjoy leveraging my experience to get something started

and then watch it take off. One area that we will step up our efforts in is apps that you e.g. can equip with user-friendly augmented reality features. I really enjoy collaborating in such new developments.

Let's take a look at the past year: How would you describe it?

All in all 2015 was a mixed year. Although init secured a lot of projects, we were not satisfied with incoming orders. The results were hit hard by major foreign exchange losses in connection with the sharp depreciation of the Canadian dollar. On the other hand, we have become strong in ticketing, which is a huge success. More than 15 cities in Germany – both new and existing customers – have been equipped with our solutions. Also the tender won in Portland, Oregon has shaped the year in a positive way.

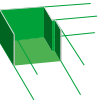
Where do you see the greatest potential for the future?

We already have years of experience with integrated systems that can be used to control buses and trams from a central computer. In my view, innovative e-ticketing solutions like the system we have installed in Nottingham hold the greatest potential for init: There you can purchase a smart card with credit on it and tap it on a passenger terminal to check

in. You pay five pounds for the maximum distance. If you only travel three stations, you simply check out with your card at the terminal and three pounds will be credited to the card AGain. This is a very successful system that has been implemented in all buses and trams in the region. In this way, you'll never pay more than the price of a day ticket in some of our customers' systems. You can imagine the ticketing systems of the future being either like that or as ID-based ticketing. Due to their ease of handling, these provide good arguments for travellers to switch from private to public transport – a development that can be observed at some transport companies that are experiencing a surge of passengers that have never used public transport before.

init is not only innovative itself; it has been awarding an innovation prize for several years now ...

... in cooperation with the Cyber Forum in Karlsruhe, a network of high-tech entrepreneurs. My goal is to evaluate the participants based mainly on their level of innovation and independently of the financial



The mural of a local ceramics manufacturer pays tribute to Karlsruhe



With the goal in sight: maintaining the technological edge

concept. If you ask me, the innovation prize has helped the start-ups in all categories to become more innovative and it promotes more ideas that really move us all forward – something that init demands of itself as well.

What is your greatest wish for init?

I would like for init to maintain its innovative pioneering spirit and its technological advantage. Herein lies also the biggest challenge: We need to understand the rapid advances in technology and make them available for public transport; we need to build on our strengths in software, without neglecting the hardware; and we must remain focused on our customers. And when we say customers at init, we are not only referring to transport companies, but ultimately the passengers, too.

Thank you for the interview!

DR.-ING. GOTTFRIED GRESCHNER



- > Chairman of the Managing Board (CEO)
- > Born 1946
- > Managing Board member since 2001

Vita

- > Studies in electrical engineering at the University of Stuttgart. Research work in the field of fleet management systems as an academic assistant at the University of Karlsruhe.
- > 1983 Doctorate at the University of Karlsruhe to gain qualification of Dr.-Ing. (Doctor of Engineering).
- > 1983 founder and Managing Director of INIT GmbH, Karlsruhe.

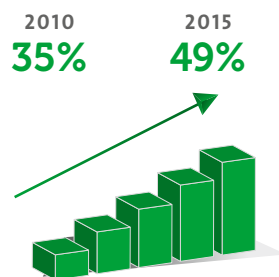
Awards

- > 1989 innovation award from the federal state of Baden-Wuerttemberg "Dr. Rudolf Eberle Preis".
- > 2002 "Entrepreneur of the Year", awarded by Ernst & Young
- > 2014 Special Career Service Award as part of the "Talent in Mobility Awards 2014" in Paris.

9TH FLOOR: AT THE CONFERENCE ROOM

GLOBALLY MOBILE

DR. JÜRGEN GRESCHNER ON INTERNATIONALISATION



REVENUE

North America's revenue share has continuously increased.

As our new headquarters in Karlsruhe impressively demonstrates, init is a company with international ambitions that maintains close ties to its regional and mid-market roots. Our cutting-edge technologies allow our customers around the world to work more efficiently and attract increasing numbers of passengers to use public transport. This international success is the result of our consistent work, which began with the successful expansion into the US market at the end of the 1990s and the consequent systematic development of further markets.

We continued to push ahead with interesting projects abroad in 2015: Portland in the US, Neuchâtel in

Switzerland and our subsidiary INIT Dubai's first maritime public transport project in the United Arab Emirates spring to mind. Both at home and abroad, init tailors its offerings precisely to its customers' requirements, with its integrated, modular

product range, innovative solutions, such as ID-based ticketing, and ever better service.

TAKING TO THE WATER IN THE MIDDLE EAST

Over the course of a long-standing partnership, customers frequently approach us with new challenges that can be optimally solved through our established, trust-based collaboration. For instance, the road and transport authority, RTA Dubai, decided to integrate their marine



Dr. Jürgen Greschner has his sights firmly set on the market of the future

transport services in Dubai Marina into the existing operation control system, benefiting from the init group's experience in this field. A total of 15 vessels were being equipped with the necessary hardware and integrated into RTA's Intermodal Transport Control System. This allows our customer to track their vessels in the operation control centre and communicate with the drivers at any time. Operations are further improved by a comprehensive statistical and reporting tool.

STRENGTHENED MARKET PRESENCE IN FRANCE

There is also a great deal of potential in the public transport market in our neighbouring country of France, where init continued to pursue growth in 2015. The

"We further internationalised our company in 2015. Our numerous sales offices demonstrate our commitment to being as close as possible to our customers."



QUOTE

Dr. Jürgen Greschner



init also demonstrates pioneering spirit when tapping new markets



INTERNATIONAL EXCHANGE

init regularly takes part in national and international trade fairs and conferences in order to exchange information about new developments in public transport with experts in the sector and make contacts with potential customers. For instance, in 2015 we presented some of our new products at the UITP World Congress in Milan.

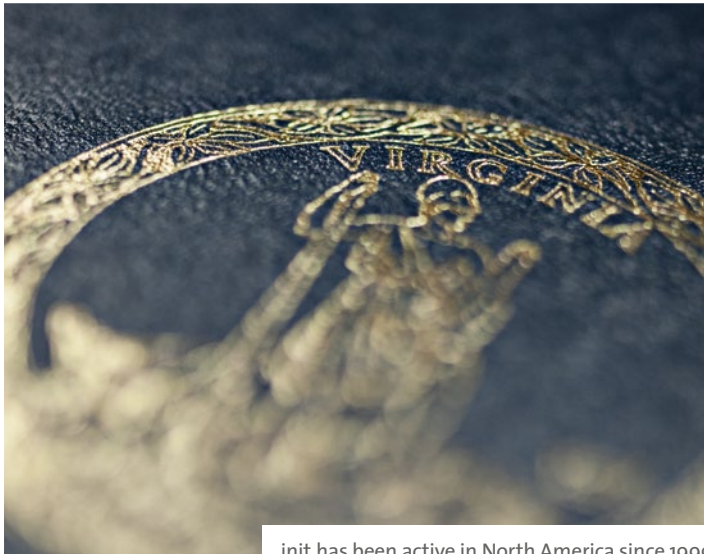
acquisition of assets in LC Consultant, the provider of Webus, the software widely spread in France for duty rostering and driver dispatching, further

strengthened our presence in the country. In addition, the acquisition of the company's French-speaking team represents a major gain in terms of expertise for init. The team will in future be supported by initperdis GmbH in Hamburg, which has over 30 years of experience in dispatching drivers and vehicles.

FOR THE FIRST TIME IN SWITZERLAND: MOBILE-ITCS

Neuchâtel is a city with a long history – and particular challenges when it comes to public transport. The transport company transN is the

result of the merger in 2012 of two independent companies that used two incompatible transport control systems, which have now been replaced by init's MOBILE-ITCS. The new Intermodal Transport Control System covers the entire fleet and encompasses real-time passenger information. The changes will benefit both the transport company's employees and its passengers, who will arrive at their destinations more punctually and better informed, thanks to real-time intermodal information.



init has been active in North America since 1999

"Our solutions allow transport companies from Scandinavia to New Zealand set standards with their public transport service."



QUOTE

Dr. Jürgen Greschner

WHERE NEXT?

init's sustainable growth strategy is also expressed in its consistent international market development. As a mid-sized company we have always concentrated on promising markets and progressively conquered them. Our numerous sales offices around the world now give us proximity to our customers and a detailed understanding of regional requirements. In 2016, we will continue to tap into the Asia-Pacific market. The favourable feedback we have received from potential customers is very encouraging and let us expect a successful market entry.

DIPL.-KFM. DR. JÜRGEN GRESCHNER



- > Managing Board member, Sales (CSO)
- > Born 1961
- > Managing Board member since 2004

Vita

- > Studies in technically oriented business management at the University of Stuttgart. Project manager in a special research area at the Deutsche Forschungsgemeinschaft (DFG – German Research Foundation).
- > 1996 Doctorate to gain qualification of Dr. rer. pol. (Doctor in Economic and Social Science) at the University of Stuttgart.
- > 1996 joined INIT GmbH Karlsruhe as commercial director.
- > 1999 Founding and President / CEO of INIT Innovations in Transportation Inc., Chesapeake / VA, US.

GROUND FLOOR: AT THE FOYER

MOVING PUBLIC TRANSPORT FORWARD

JOACHIM BECKER ON INNOVATION



TRAVELLING SMART

Smartphones are increasingly being used in public transport, both by passengers and transport provider staff. This is why we have been developing mobile applications for these two user groups, and successfully so: the smartphone app for public transport in Luxembourg developed in cooperation with HighQ was awarded the Best m-Government Service Award in 2015.

To the extent that mobility becomes more and more important, the significance of public transport increases. Transport companies need solutions that help them establish bus and train services as key links in the mobility chain and that offer the best possible support to their operational processes. It is AGainst this backdrop that init has successfully established its position as a key innovator. For more than 30 years, we have been developing products that enable our customers to increase the efficiency of their operations and to render public transport more attractive.

TICKET 2.0

Improving and simplifying the ticket purchasing process is one of our core technological competencies. Today's passengers expect public transport to offer a similar level of convenience as the one they are

accustomed to from other services and products. We help transport companies to deliver this level of service and meet their passengers' increasing demands, as init's modern e-ticketing systems allow transport services and sales systems of different transport providers to be interlinked with products like the



PROXmobil3 passenger terminal, updated in 2015, supporting quick and easy payment processes.

In 2014 and 2015, we introduced an ideal-case – the nationwide ticketing solution in Luxembourg in collaboration with the public transport association and the Ministry of Sustainable Development and Infrastructure. With the mKaart, passengers can now travel throughout the entire Grand Duchy using the buses and trains of all transport providers. In Portland, Oregon, too, we are bringing payment systems up to the latest technological standard and installing an ID-based ticketing system for the public transport provider TriMet. Passengers will soon be able to pay for their fares in cash, by smartcard, by credit card or



An important aim of Joachim Becker: recognising trends early and standing out with innovative solutions



init's success story is based on innovation

by using their smartphones. The project is pioneering, not least because tickets are also valid on the Portland Streetcar and in Vancouver, in the neighbouring state of Washington, thanks to a partnership with the local transit Agency, C-TRAN.

INNOVATIVE IDEAS FOR GREATER MOBILITY

As a company with a university background, we continue to maintain close communication with the renowned universities of Karlsruhe. For example, init has been sponsoring both – a professorship which focuses on public transport, as well as a Bachelor and Master's degree course in "Transport System Management" at the University of Applied Sciences

in Karlsruhe since its inception in 2012. This allows us to foster a relationship with successive generations of students and offer them an opportunity to apply their acquired knowledge within national and international projects.

By participating in pioneering research projects in the area of local public transport, we have the ability to help shape future trends and develop our products further. One example of such a project is InREAKT, which focuses on developing an innovative self-learning system that will make public transport even safer. We also support aim4it, a project working on a comprehensive travel assistance system for passengers with disabilities.

DIPL.-INFORM. JOACHIM BECKER



- > Managing Board member, Telematics Software and Services (COO)
- > Born 1956
- > Managing Board member since 2001

Vita

- > Studies in information technology at the Institute of Technology in Karlsruhe.
- > Joined INIT GmbH in 1983. Head of the technical operating division since 1989.
- > 1996 management member and departmental head Monitoring Systems.

GROUND FLOOR: AT THE STAFF ROOM

FOCUSED ON THE FUTURE

BERNHARD SMOLKA ON SUSTAINABILITY



Environmentally friendly mobility is also promoted within the company



"Our products play a significant role in protecting the environment: the more people switch from private to public transport, the greater the effect and the reduction in emissions."



QUOTE
Bernhard Smolka

Sustainability, a stable business development and a long-term vision characterise init and benefit our employees, clients, suppliers and shareholders alike. The init tower,

which was completed in 2015, also forms part of our approach to sustainability. Not only does this new, modern building offer additional 150 workspaces, it also enhances the Karlsruhe cityscape. The decision not to construct the building on a green-field site was a deliberate one, so that the amount of space used was kept to a bare minimum. The building boasts an exemplary environmental footprint – for example with photovoltaic elements on its roof and southern facade.

ATTRACTING AND SUPPORTING EMPLOYEES

For us, sustainability also means finding competent employees and

fostering loyalty to init through our attractive working conditions and corporate culture. This is a key issue for the success of our company. It ensures that technical expertise and accumulated knowledge remain within the company. This approach ultimately benefits our clients. Because, dealing with the same people in long-term relationships enables a sustainable development of their projects.

Flat hierarchies and the opportunity to further develop in a company that is continually expanding give our employees plenty of opportunities to implement their own ideas. With flexible working-time models, childcare subsidies, profit



Bernhard Smolka promotes sustainability in a range of areas

sharing and an occupational pension scheme, we offer particularly attractive working conditions. This demonstrates that we take the needs of our approximately 500 employees seriously and want to support them as best we can. Our family-friendly policies and our commitment to being a progressive employer have already gained us multiple awards, such as the BFamily-Award in 2015, which is bestowed on companies that make it possible for employees to balance their careers with their family lives.

A further example of the sustainable business policy is the continuity in management. Since the IPO in 2001, init's Board of Management has remained almost unchanged. Plus, many other managers have helped to successfully shape our company over the course of ten, twenty or even thirty years.

DIPL.-KFM. BERNHARD SMOLKA



- > *Managing Board member, Finance (CFO)*
- > *Born 1961*
- > *Managing Board member since 2001*

Vita

- > *Studies in business management at the University of Mannheim.*
- > *1989–2000 investment controlling at Gebrüder Kömmerling Kunststoffwerke GmbH, Pirmasens. Head of the department responsible for group accounting, controlling and finance. Member of the extended management team.*
- > *2000 project manager at M&A Consultants AG, Mannheim.*

DEAR SIR OR MADAM,

In this report, my colleagues and I would like to inform you about our activities, particularly about the monitoring and advising of the Managing Board for which the Supervisory Board is responsible pursuant to the articles of incorporation and the German Stock Corporation Act, and to make the deliberations and decisions made by the Supervisory Board in the 2015 financial year transparent for you.

The 2015 financial year was another successful year for init AG, despite the worsening of conditions in our markets. The financial crisis affecting numerous states led to the postponement of investments, which also had an impact on our business activities. At the same time new markets were opened up and development capacities expanded. As a result, the 2015 earnings before interest and taxes were below the previous year's level. Nonetheless, the return can be described as satisfactory. The Supervisory Board sees considerable potential for the future, thanks to the expertise of our employees and the high quality of our products. It expects that init will share in this development due to its global positioning. To do so will, however, require a bolstering of the sales organisation and the adaptation of processes. init's customers continue to be price-sensitive.

Last year, the Supervisory Board of init innovation in traffic systems AG obtained regular, timely and comprehensive information from the Managing Board in order to fulfil its duty to advise the Managing Board and monitor its management. The briefings and discussions at the Supervisory Board meetings involved all the important issues and measures pertaining to the company and business operations. The Supervisory Board did not form any committees due to the size of the company and the size of the Supervisory Board (three members). In its first Supervisory Board meeting of 2016, it subjected itself to a self-evaluation of its efficiency in the previous financial year. This focussed on organisational issues, information for the Supervisory Board and human resources matters. The Supervisory Board took part in training measures.

Where statutory provisions or the articles of incorporation required the approval of the Supervisory Board for measures to be taken, these were deliberated in detail and presented for a resolution. The Chairman of the Supervisory Board and, for individual issues, the other members of the Supervisory Board, kept in constant, close contact with the Managing Board throughout the financial year. In addition, transactions relevant to reporting were disclosed on an ad-hoc basis. Between meetings, the Chairman of the Supervisory Board informed the members of the Supervisory Board in a timely manner, orally and in writing, of any discussions with the Managing Board. The members of the Supervisory Board were present at all five meetings.



DIPL.-KFM. HANS-JOACHIM RÜHLIG

- ▶ > Chairman of the Supervisory Board
- > Ostfildern, Germany
- > Born 1948
- > Supervisory Board member since 2011 / Chairman since 2014
- > Elected until AGM 2016

Function / profession

- > Independent financial expert within the meaning of § 100 para 5 AktG
- > Since 1994 at Ed. Züblin AG, from 2007 to 2013 in the Managing Board as CFO

Other Supervisory Boards or Advisory Boards

- > Member of the Supervisory Board and Deputy Chairman of CG Group AG, Berlin, Germany

- > Deputy Chairman of the Supervisory Board
- > Schoonhoven, Netherlands
- > Born 1945
- > Supervisory Board member since 2012 / Deputy Chairman since 2014
- > Elected until AGM 2016

Function / profession

- > From 1998 to 2012 Secretary General of the International Association of Public Transport (UITP)
- > Honorary Secretary General of UITP
- > Managing Director of Beaux Jardins B.V., Schoonhoven, Netherlands

Other Supervisory Boards or Advisory Boards

- > none

DRS. HANS RAT



- ▶ > Member of the Supervisory Board
- > Jork, Germany
- > Born 1949
- > Supervisory Board member since 2014
- > Elected until AGM 2016

Function / profession

- > Since 1978 at Hamburger Hochbahn AG, from 1999 to 2014 in the Managing Board for bus and metro
- > Technical consultant for the public transport journal "Nahverkehrspraxis"
- > Consulting engineer specialising in public transport

Other Supervisory Boards or Advisory Boards

- > Member of the Supervisory Board of SECURITAS Holding GmbH, Duesseldorf, Germany



DIPL.-ING. ULRICH SIEG

- ▶ > Member of the Supervisory Board
- > Jork, Germany
- > Born 1949
- > Supervisory Board member since 2014
- > Elected until AGM 2016

Function / profession

- > Since 1978 at Hamburger Hochbahn AG, from 1999 to 2014 in the Managing Board for bus and metro
- > Technical consultant for the public transport journal "Nahverkehrspraxis"
- > Consulting engineer specialising in public transport

Other Supervisory Boards or Advisory Boards

- > Member of the Supervisory Board of SECURITAS Holding GmbH, Duesseldorf, Germany

Focal points of the Supervisory Board meetings

The Supervisory Board monitored the group's development at its four ordinary meetings and one extraordinary meeting in 2015. The Managing Board provided detailed information on the company's situation and its business performance. Based on the reports by the Managing Board, the following areas in particular were discussed: the economic situation including business and liquidity planning; new orders; order backlog; potential risks; compliance issues; legal disputes; key business processes; projects of particular importance; critical subsidiaries; and medium- and long-term corporate strategy, including organisational issues and human resources planning / development. Furthermore, the quarterly financial statements and half-year report were discussed with the Managing Board.

Alongside the aforementioned matters, the following specific issues were discussed with the Managing Board at the four ordinary and one extraordinary Supervisory Board meetings.

At the meeting on 18 March 2015, we looked at the consolidated financial statements of init AG and the annual financial statements of the main group companies, all dated 31 December 2014, as well as the dependent company report for 2014. We had the results of the audits explained to us in detail by the auditor. The auditor was questioned by the Supervisory Board about the audit and additional topics, including key accounting and valuation principles, accounting in accordance with the German Commercial Code (HGB) and IFRS, early risk detection, specific audit procedures in the subsidiaries, prevention of irregularities, in particular with respect to anti-corruption-related measures, and individual matters in the Management Letter. Other topics at this meeting included the proposal to pay a dividend, the AGenda for the Annual General Meeting taking place on 13 May 2015, Managing Board matters, and the proposal to approve the acquisition of assets in the company LC Consultant by the init AG subsidiary initperdis GmbH.

Issues discussed at the extraordinary meeting on 28 April 2015 were the revised business plan for 2015, market trends and the order situation and the Managing Board's envisaged management systems in the areas of Sales and Project Management.

At the meeting on 12 May 2015, in addition to the ongoing issues such as business development, cash planning and status of the major projects, also discussed was the procedure at the Annual General Meeting to be held the following day. In addition, the performance of the subsidiaries was discussed and evaluated. The investment plan was also approved, the management systems in the areas of quality management, risk management and research and development were explained and the relationship between Management Board salaries and staff pay was examined.

At the meeting on 29 September 2015, the Managing Board reported on business performance in the first half of 2015 and in the current third quarter of 2015 and discussed the issues involved with the Supervisory Board. Furthermore, a target objective for women in the Managing Board and Supervisory Board was decided upon and potential acquisition targets and a possible change in legal form to a European limited company (Societas Europaea – SE) were discussed. In addition, resolutions were passed on setting up a subsidiary in the US, on the newly established subsidiary acquiring a site in the US, on the sale of a house in Nottingham owned by init AG, and on the approval of an employee loan.



At the final meeting of the 2015 financial year, on 15 December 2015, in addition to routine issues, the business plan for 2016, the status of the planned new building in the US, the status of the planned change in legal form, internal management events and the status of the planned corporate acquisitions were discussed. Furthermore, the Supervisory Board approved the draft resolution on the Managing Board share bonus and signed the Declaration on the German Corporate Governance Code pursuant to the version of 5 May 2015.

Audit of annual and consolidated financial statements

The annual financial statements and the combined management report of init innovation in traffic systems AG as of 31 December 2015 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2015 were prepared according to Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS) as adopted by the EU.

All these documents have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, appointed by the Annual General Meeting as auditor of init innovation in traffic systems AG and group auditor. They all received an unqualified audit opinion. The annual financial statements and combined management report, consolidated financial statements, as well as the auditor's audit reports, were provided to all members of the Supervisory Board.

The annual financial statements and combined management report, consolidated financial statements, as well as the auditor's audit reports, were discussed in detail with the Managing Board and the auditor at the Supervisory Board meeting of 15 March 2016. The responsible auditors reported on the key results of their audit, in particular on the internal control and risk management system in relation to the reporting process. The auditors also provided information on the services rendered in addition to the audit and on their independence as defined in commercial law. Detailed answers were given to questions raised by the members of the Supervisory Board. Based on this evidence and its own audit, the Supervisory Board came to the conclusion that the applied auditing procedures were reasonable and appropriate and that the figures and computations contained in the financial statements had been adequately tested and are consistent.

The Managing Board has presented its proposal to the Supervisory Board on the appropriation of profits. Under the proposal, the following appropriation of retained earnings in the amount of EUR 12,875,315.77 will be recommended at the Annual General Meeting on 21 July 2016: Distribution of a sum total of 20 cents per dividend-bearing share. The remaining profit is to be carried forward. The Supervisory Board endorsed this proposal.

We conclusively examined the annual financial statements, the combined management report, the proposal for the appropriation of profit, and the consolidated financial statements on 15 March 2016. No objections were raised. We therefore agree with the results of the audit. The financial statements of init innovation in traffic systems AG and the consolidated financial statements were approved; the financial statements of init innovation in traffic systems AG were therefore approved.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as the auditor also audited the report on the relationships with affiliated companies ("dependent company report") prepared by the Managing Board under Section 312 of the German Stock Corporation Act (AktG). The auditor issued the following audit opinion concerning the result:

“Based on the audit and assessment performed in accordance with our professional duties, we hereby confirm that

- › the factual statements contained in the report are correct,
- › payments of the company for the legal transactions referred to in the report were not inappropriately high, and
- › in connection with the measures listed in the report there was nothing to imply an assessment substantially different from that of the Managing Board.”

The Supervisory Board took note of the Managing Board’s report on the relationships with affiliated companies and the results of the audit of the report by the auditor, examined both reports, and discussed both results with the Managing Board and the auditor. The Supervisory Board endorsed the results of the audit of the dependent company report by the auditor. After the final results of the discussions and its examination of the dependent company report, the Supervisory Board is of the opinion that the Managing Board’s findings are relevant and it therefore raises no objections to the Managing Board’s declaration at the end of the report.

The Supervisory Board also adopted the Supervisory Board’s report at its meeting on 15 March 2016.

Corporate Governance Code

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. In this context, the amendments to the German Corporate Governance Code of 5 May 2015 were taken into consideration. On 15 December 2015, the Managing Board and the Supervisory Board jointly issued an updated Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the company’s website.

Pursuant to Section 3.10 of the German Corporate Governance Code, the Managing Board also reports on behalf of the Supervisory Board on corporate governance at init innovation in traffic systems AG in this annual report.

Should any changes be made to this Compliance Statement during the financial year, we, together with the Managing Board, will immediately update this information and make it available to all shareholders on the homepage of init innovation in traffic systems AG.

The Supervisory Board thanks all employees and the Managing Board for their dedication and hard work in 2015. Our thanks also go to our shareholders, customers and business partners for their trust.

Karlsruhe, March 2016



For the Supervisory Board
Dipl.-Kfm. Hans-Joachim Rühlig
Chairman



CORPORATE GOVERNANCE REPORT

Under the present principles of the Code in Germany (GCGC – German Corporate Governance Code), corporate governance spans the entire corporate management and monitoring system. The Code aims to enhance the trust of national and international investors, customers, employees and the public in the management and control of German listed corporations. Efficient cooperation between the Managing Board and the Supervisory Board, respecting the interests of shareholders, openness and transparency in company communication are thus key aspects of good corporate governance.

In the following, we aim to provide a transparent and clear picture of the rules and regulations applicable in Germany and describe how they are internalised at init.

Declaration of Compliance with the German Corporate Governance Code as amended on 5 May 2015

In compliance with the Section 161 of the German Stock Corporation Act (AktG), the Managing Board and the Supervisory Board of a listed corporation are required to declare compliance with the recommendations of the “Government Commission on the German Corporate Governance Code” published by the Federal Ministry of Justice in the official section of the Federal Official Gazette each year, and to disclose any deviation from these recommendations. The Declaration of Compliance with the Code must be accessible on the company’s website for a period of five years.

The German Corporate Governance Code contains recommendations and suggestions. A company may deviate from the recommendations of the Code, but is required to disclose any such deviations in its annual Declaration of Compliance. Deviations from the suggestions of the Code do not require disclosure.

The Managing Board and the Supervisory Board of init innovation in traffic systems AG have issued on 15 December 2015 the final Declaration of Compliance in accordance with Section 161 of the AktG. The following declaration refers to the recommendations of the Code in the version of 5 May 2015, which was published on 12 June 2015, in the Federal Official Gazette.

Management and Supervisory Board of init innovation in traffic systems AG declare to comply, as in the past, to the recommendations of the “Government Commission of the German Corporate Governance Code” with the following exceptions:

Interaction between the Managing Board and the Supervisory Board

- › The D&O insurance does not provide for an excess payable by members of the Supervisory Board (item 3.8 para. 3 of the Code):

init innovation in traffic systems AG does not believe that agreeing to an excess would encourage the performance and motivation of the members of the Supervisory Board and the willingness to hold this office.

Managing Board

- › A quantitative limit on the variable compensation elements is defined as follows (item 4.2.3 para. 2 of the Code):

The variable compensation in cash is limited to 33.3 per cent of the base salary. In addition, there is a stock bonus, which is limited to a maximum number of shares.

- › The individualised disclosure of the remuneration for the Management Board can be omitted if the Annual General Meeting decides so by a three-quarters majority (item 4.2.4 of the Code):

The Annual General Meeting on 24 May 2011 decided with a three-quarters majority not to report the individualised disclosure of the remuneration for Management Board members for a period of five years.

- › An AGE limit is not specified for members of the Managing Board (item 5.1.2 para. 2 of the Code):

Age limits for members of the Managing Board are not considered by init innovation in traffic systems AG to be in the company's interest in a market that requires flexibility and special expertise.

Supervisory Board

- › The Supervisory Board has not formed any committees (item 5.3.1 of the Code), an audit committee (item 5.3.2 of the Code) or a nomination committee (item 5.3.3 of the Code) since the specific conditions do not exist and init considers this impractical due to the size of both the company and the Supervisory Board (three members).

- › No AGE limit or time limit for membership has been specified for members of the Supervisory Board. The Supervisory Board has not given any specific goals for its composition (item 5.4.1 para. 2 of the Code):

In proposing future candidates at the Annual General Meeting, the Supervisory Board will take account of the legal requirements and focus exclusively on the professional and personal qualifications of the person.



Details of Corporate Governance practices and of the Managing Board's and Supervisory Board's working principles

Shareholders and the Annual General Meeting

At the Annual General Meeting, the shareholders exercise their rights, including their right to vote. The meeting decides on all matters assigned to it by law, such as the election of members of the Supervisory Board, the discharge of the Managing Board, the appropriation of profits and amendments to the articles of incorporation. At the Annual General Meeting, shareholders have the opportunity to address the meeting on any items on the AGenda, to raise relevant questions and to file motions. Shareholders can exercise their voting rights at the Annual General Meeting either in person, through a duly authorised representative or by a proxy of init innovation in traffic systems AG subject to instructions. Each share carries one vote.

The Annual General Meeting of init innovation in traffic systems AG is held within the first eight months of the fiscal year. The Annual General Meeting is chaired by the Chairman of the Supervisory Board.

Supervisory Board

The Supervisory Board acts in an advisory capacity to the Managing Board and monitors its affairs. It is also responsible for appointing members of the Managing Board and defining their number. Aspects of the diversity are taken into account in the selection.

Women are currently neither in the Managing Board nor in the Supervisory Board of init innovation in traffic systems AG represented, thus is the objective "zero" legally possible. With regard to a strived representation of women at all executive levels, however, a representation of women on the Managing Boards is not possible until 30 June 2017. The Supervisory Board aims no representation of women as members of the Supervisory Board at the next Supervisory Board election at the Annual General Meeting in 2016 or at a become necessary appointment by court, since no suitable female candidate has been available. For periods after 30 June 2017 the Supervisory Board will from now on put a focus on its activities to identify qualified women in order to achieve and set an objective of a quota of woman for the Managing Board as well as for the Supervisory Board.

The Supervisory Board of init innovation in traffic systems AG comprises, in accordance with the Articles of Association, three members who bring additional expertise to the management of the company thanks to their many years of experience in executive roles. The Supervisory Board considers itself to be independent according to its own assessment.

Managing Board

The Managing Board is the management body of the stock corporation. It manages the affairs of the company and is bound by the German Stock Corporation Act to uphold the interests and business policies of the company. The Managing Board provides the Supervisory Board with regular, timely and comprehensive information about any key issues relating to the company's business development, risks and corporate strategy.

Aspects of the diversity are taken into account when filling management positions within the company. The proportion of women with regard to the first management level below the Management Board is currently 100 per cent. The Management Board therefore seeks not to fall below a female share of 30 per cent until 30 June 2017. With regard to the second management level below the Management Board, a proportion of women is also currently given by 100 per cent. Therefore, the Management Board also strives here, until 30 June 2017 not to fall below a female share of 30 per cent. This objective has been set to have sufficient flexibility in recruiting suitable persons.

The Managing Board of init innovation in traffic systems AG currently comprises four members. Unlike with other companies, each member is very actively involved in the day-to-day operations of their respective company units, which they also manage. In keeping with the practices of responsible business management, they are therefore very close to the key reference groups of a company, its customers, suppliers, employees and shareholders. This makes it possible for them to react quickly to new situations.

The ethical guidelines of init innovation in traffic systems AG play a key role in the decisions on how to implement the corporate vision and mission. They serve as a basis for everything the company does, creating trust, credibility and transparency. They are a key factor in the success of our company. The ethical guidelines are published on init website under "Company /Philosophy".

Transparency

Consistent, comprehensive and timely information are a fundamental principle at init innovation in traffic systems AG. The results and business situation of the company are reported in the annual, half year and quarterly reports as well as in ad-hoc and current press releases which are accessible after publication in German and English on the init website under the Investor Relations section.

In addition, shareholders and the public will find on the website information about the organisational structure of init AG, about the members of the Management Board and the Supervisory Board. Also dates for regular financial reporting are summarised in the financial calendar.

Accounting and auditing

The consolidated financial statements are prepared in compliance with the principles of the IFRS. Following their preparation by the Managing Board, the consolidated financial statements are audited by the auditor and approved by the Supervisory Board. They are disclosed within 90 days after the end of the fiscal year. Within the scope of the audit, the auditor immediately advises the Chairman of the Supervisory Board of all key issues and events which may arise during the audit. The Supervisory Board monitors the independence of the auditor and proposes to the Annual General Meeting an auditor for election.



The annual general meeting of the init innovation in traffic systems AG has decided on 13 May 2015, following a proposal of the Supervisory Board, to choose Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as auditors and group auditors for the fiscal year 2015. Responsible auditors at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are Mr. Grathwol (since fiscal year 2013) and Mr. Hällmeyer (since fiscal year 2011).

Working principles of the Managing Board and Supervisory Board

The Managing Board and Supervisory Board of init innovation in traffic systems AG work in close cooperation for the good of the company and its shareholders. The Managing Board provides the Supervisory Board with timely and comprehensive information about all relevant issues of corporate governance and business development, the risk situation and risk management. In addition, the Chairman of the Managing Board is required both verbally and – if necessary – in writing to advise the Chairman of the Supervisory Board regularly about business development and the situation of the company including its affiliated companies. All members of the Managing Board must support their Chairman in the performance of this duty. The Chairman of the Supervisory Board informs the other members of the Supervisory Board.

Motions for resolutions and detailed written documents are provided to the Supervisory Board at least one week prior to its meeting.

The areas of responsibility of members of the Managing Board are based on the organisational chart. Irrespective of their allocation of duties, however, each member of the Managing Board is responsible for the overall management of the company. Measures and transactions affecting one or more business areas must be agreed with the appropriate board members involved. Extraordinary business or transactions involving a high economic risk require the approval of the entire Managing Board. Certain transactions, such as the acquisition of companies or participating interests, require the consent of the Supervisory Board.

The Managing Board convenes in regular meetings and, unless otherwise stipulated, passes decisions based on a simple majority of the votes cast.

Shareholdings of the Managing Board and the Supervisory Board

In total, the Boards directly or indirectly hold 3,857,607 shares in the company as of 31 December 2015, which corresponds to 38.4 per cent of the shares. The Supervisory Board of init innovation in traffic systems AG does not hold any shares.

An individual disclosure of the shares held by the Managing Board is included in the Notes on the Consolidated Financial Statements.

Securities transactions of Managing Board and Supervisory Board members or people closely connected to them must be published immediately. The disclosure requirement includes any acquisition or sale exceeding EUR 5,000 per calendar year. init innovation in traffic systems AG publishes these transactions immediately. A list of the reported Directors' Dealings in the 2015 fiscal year is available at www.unternehmensregister.de

INVESTOR RELATIONS

Volatile markets: init share volatile following all-time high

2015 was a turbulent year on the international capital markets. New crisis factors were added to those that have persisted for years, such as the sovereign debt problems that in many cases are yet to be resolved and the associated upheavals on the financial markets. The aggravation of geopolitical tensions, war and terror in the Middle East and Africa and the subsequent refugee flows have given rise to fear and new uncertainties. After a first half year in which many shares reached historic highs, worries about the faltering of the Chinese economy, which has driven growth in recent years, the economic collapse in countries dependent on commodity and oil exports, and the knock-on effects of this for global investment and demand led to huge falls in almost all equity markets in the second half of 2015.

These developments were also reflected on the German stock market. The German share index DAX initially reached a new all-time high, rising more than 20 per cent to well in excess of 12,000 points as a result of the European Central Bank's loose monetary policy. This was, however, followed by a rapid fall, caused by the crisis in Greece, worries about growth in the emerging economies, speculation about a turnaround in interest rates in the USA and growing geopolitical tensions. The DAX reached a low of around 9,400 points before recovering in mid October. At the year end, the index of the 30 most important German equities was at 10,743 points, around 10 per cent above the previous year.

The 30 technology stocks that make up the TecDAX pursued a more differentiated and, in general, more positive course, starting the year at a low of 1,167 points, rising by mid July to over 1,500 points, only to fall to just over 1,300 points by the end of August. For the remainder of the year, the technology stocks were in greater demand than the DAX and reached their high point of 1,564 at the beginning of December, finishing the year at 1,528 points, more than 30 per cent up over the year.

The init innovation in traffic systems AG share price was also subject to unusually sharp volatility in 2015. In a positive market environment, the init share price (ISIN DE0005759807) kept on rising, hitting several all-time highs, most recently in July at EUR 27.99. From then on, the stock price was also afflicted by the global turbulence. The slight downward trend that ensued on the back of this accelerated in

Performance of the init share (ten-year-summary)

(indexed)





August after the publication of the semi-annual results and in November after the revision of the earnings forecast for 2015, reaching a low for the year of EUR 14.08 in mid December, and then recovering to EUR 16.50 by the end of the year, due in part to a share-buyback programme. Over the year as a whole, this represents a fall of around 20 per cent in the share price, not taking into account the dividend payment of EUR 0.80 per share.

However, init shareholders can look back on a tripling in the value of their investment over 10 years, which is considerably better than the 30 most important German shares, whose value doubled. The technology stocks that form the TecDAX could barely keep pace with the development of the init share over this period.

Analyst valuations and investor relations

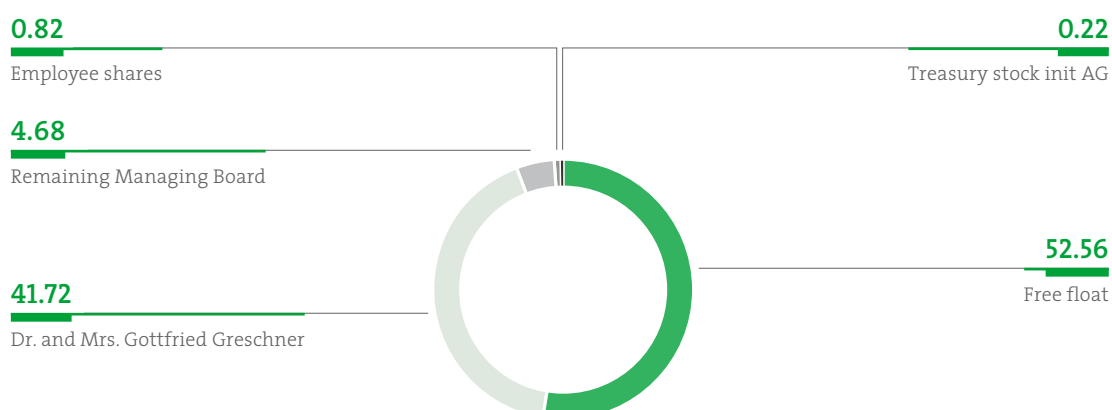
init group's long-term growth trend has also prompted the securities specialists, who are continually monitoring the init share, to come to an overwhelmingly positive evaluation. Three out of five analysts recommend buying the equity, while the others either regard it as "neutral" or recommend at least holding it at the current level. Based on the current situation, their confirmed price targets range from EUR 15 to EUR 25.

init's growth prospects were also a key focus in the company's investor relations activities. In numerous roadshows and capital market conferences attended by the team, but above all in a multitude of individual meetings, the IR team sought dialogue with market participants to enhance their overwhelmingly positive view of the init share. Transparent, objective and ongoing capital market communication forms part of the corporate philosophy of init innovation in traffic systems AG. Interested parties can register for a specific IR service on the homepage at www.initag.de.

FREEFLOAT OF
INIT AG
▼
52.56%

Shareholder structure as of 31/12/2015

(in %)



Downturns used for share buybacks

In 2015 the Board of Management used the repeated downturns in the stock price to buy back their own shares. A total of 10,000 shares were acquired in this way in the period from 2 March to 13 March 2015 via the stock market (XETRA trading) at an average rate of EUR 23.24 (excluding incidental costs) by Commerzbank AG, the lending institution mandated by init innovation in traffic systems AG.

On 14 September 2015 the Board of Management passed a resolution to acquire up to 20,000 of its own shares (pursuant to § 71 Section 1 No. 8 AktG), thereby taking advantage of the authorisation granted to it by the Annual General Meeting on 13 May 2015 under AGenda item 6. By 7 October 2015 a total of 20,000 shares had been acquired at an average price of EUR 20.75 (excluding incidental costs).

A decision was reached on 11 November 2015 to repurchase a total of 20,000 shares of treasury stock by 19 November 2015 at an average price of EUR 18.15 (excluding incidental costs).

Repurchased shares are to be used for current and future stock ownership plans, for incentive programs for senior management or as a purchasing currency and/or to be sold to third parties in return for cash.

On 31 December 2015 init innovation in traffic systems AG held 22,402 treasury shares, representing 0.22 per cent of voting shares.

Stable shareholder structure with high free float

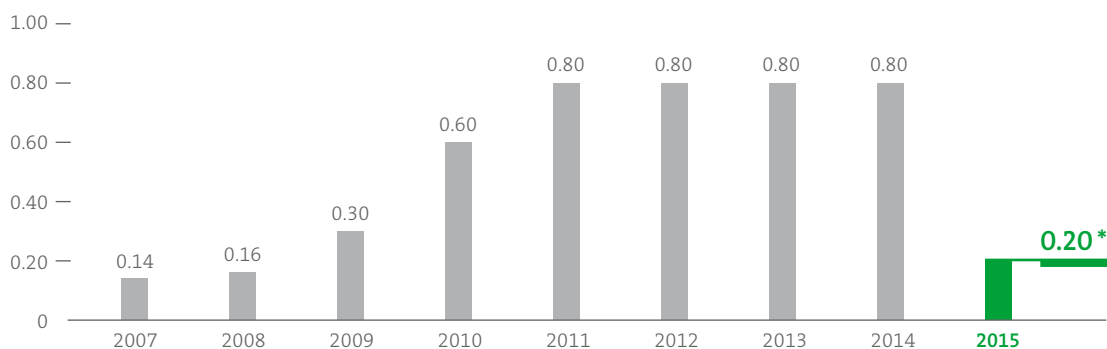
There were no significant changes to the shareholder structure of init innovation in traffic systems AG during the reporting period.

Zürcher Kantonalbank, Zurich, Switzerland, announced on 27 March 2015 in accordance with § 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in init innovation in traffic systems AG had passed the 3 per cent threshold and on that date amounted to 4.31 per cent (corresponding to 432,382 voting rights). 4.24 per cent of the voting rights (i.e. 425,626 voting rights) are held via Swisscanto Holding AG.

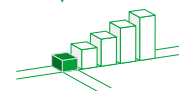
The majority of the shares of init innovation in traffic systems AG remain in free float, the proportion of which remained almost unchanged at 52.56 per cent.

Dividend development

(in EUR)



*dividend proposed to the Annual General Meeting 2016



Annual General Meeting

The init innovation in traffic systems AG shareholders at the Annual General Meeting held on 13 May 2015 were satisfied with the dividends and the corporate strategy. The Managing Board and Supervisory Board were thus discharged, achieving majority votes of 97.054 and 99.995 per cent respectively. Around 70 per cent of the capital stock of init AG was represented at the Annual General Meeting.

At 99.999 per cent, there was also overwhelming approval for the dividends proposed by the Managing Board and Supervisory Board. Accordingly, shareholders received an unchanged dividend of EUR 0.80 per dividend-bearing share.

As proposed by the Managing Board and Supervisory Board, the Annual General Meeting also renewed the authorisation to purchase own shares. Accordingly, the company can now acquire a maximum of 1,004,000 shares with an imputed share in the capital stock of up to EUR 1,004,000 by 12 May 2020. This is a maximum of 10 per cent of the capital stock.

**DIVIDEND YIELD
OVER THE PAST
5 YEARS**

▼
3.77%

Proposed dividend aligned to earnings performance

One of the most pressing objectives for the Board of Management of init innovation in traffic systems AG is to achieve a balance between having a shareholder-friendly dividend policy and increasing the company's net asset value for future growth. As company profits as well as liquidity in 2015 were down year-on-year and due to upcoming investments in North America, the Board of Management and the Supervisory Board of init innovation in traffic systems AG recognise the need to reduce the dividend payment accordingly.

They will therefore propose to the Annual General Meeting that a dividend of EUR 0.20 (previous year: EUR 0.80) be paid per dividend-bearing share for financial year 2015. The decision on this will be taken by the Annual General Meeting of init shareholders, which has been convened for 21 July 2016 in the Concert House of the Convention Centre in Karlsruhe.

Basic share information:

| | |
|--|---------------------------------------|
| Exchange | Frankfurt Stock Exchange |
| Index / Segment | PrimeStandard, Regulated Market |
| Class | no-par bearer shares (at EUR 1 each) |
| ISIN | DE 0005759807 |
| WKN | 575 980 |
| Code | IXX |
| Designated sponsors | Commerzbank AG / ODDO SEYDLER BANK AG |
| Capital stock today | 10,040,000 no-par bearer shares |
| Market capitalisation (as of 30 December 2015) | EUR 165.66m |

COMBINED MANAGEMENT REPORT

init innovation in traffic systems AG, Karlsruhe



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56 Internal control and risk management system pertaining to the group's financial reporting process

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- 57 Remuneration system for the Managing Board
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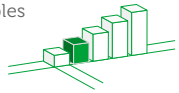
58 Reporting in accordance with § 315 paragraph 4 HGB

- 58 Particulars of shareholders' equity
- 58 Statutory requirements and provisions of the articles on the appointment and dismissal of members of the Managing Board and on amendments to the articles of incorporation
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59 Corporate management declaration

59 Responsibility statement by the legal representatives





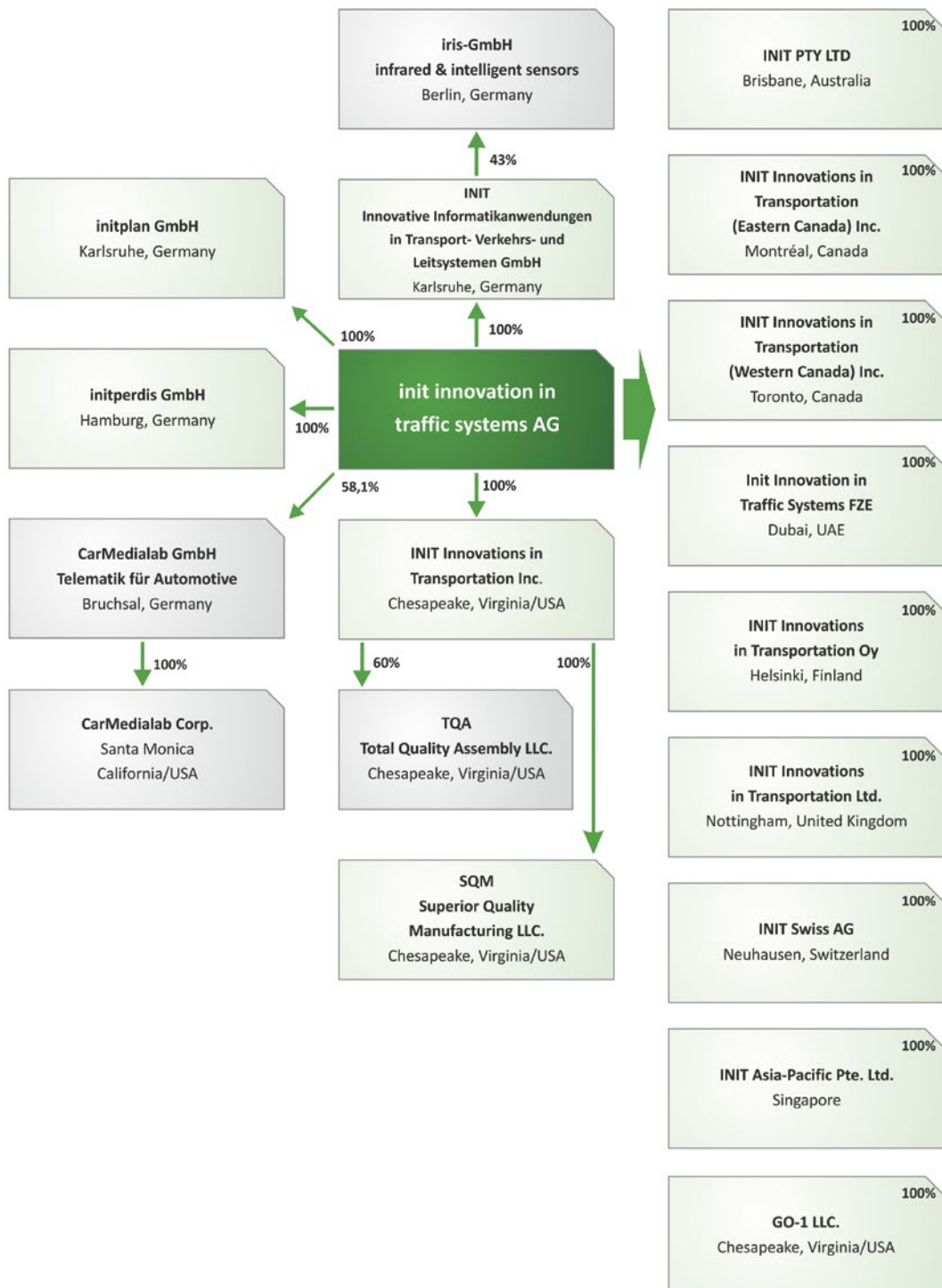
GROUP PRINCIPLES

Group Business Model

Organisational structure of the group

The init group is a leading international system house for telematics, planning, dispatching and electronic fare collection systems. Our solutions optimise the use

of buses and trains deployed in public transport and increase their attractiveness in the eyes of passengers.



By providing these products and services, init contributes towards improving the quality of transport services in terms of customer orientation, punctuality, convenience, service, safety and shorter travel times. init also enables transport companies to reduce their costs and/or boost their economic efficiency.

Moreover, these measures reduce carbon dioxide emissions that are harmful to the climate, lessen environmental damage and conserve resources. init's system solutions can put transport companies in a better position to meet society's growing mobility requirements and assert themselves in a competitive environment characterised by rationalisation and liberalisation.

In a complete value-added chain, init develops, produces, integrates, installs and maintains software and hardware products for the planning, management and optimisation of transport companies to help them meet their daily requirements.

The following segments subject to reporting requirements will be included in the consolidated financial statements: Telematics and Electronic Fare Collection Systems (integrated systems for managing local public transport, electronic fare collection systems, passenger information and passenger counting systems) and Other (Planning Systems, Driver Dispatch Systems and Automotive).

In addition, based on the products and services offered by the segments and for the purpose of corporate management, the corporate group is subdivided into the following four business segments: Telematics and Electronic Fare Collection Systems, Planning Systems, Driver Dispatch Systems and Automotive. The Planning Systems, Driver Dispatch Systems and Automotive segments have been summarised in the reportable segment "Other". To date, the Managing Board has monitored the operating results separately for each business segment in order to make decisions on the distribution of resources and to estimate the profitability.

The segments and business segments listed above have now grown closer together. The products and services are now offered almost exclusively as integrated overall solutions. Therefore, the segmentation

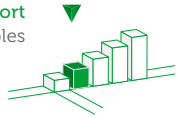
used before was used for the last time for the 2015 financial year. From the 2016 financial year, reporting will be conducted exclusively for the "Public Transport" segment, comprising the previous segments "Telematics and Electronic Fare Collection Systems" and "Other". As a result, the internal reporting to the Managing Board and the Corporate Management will be changed from 1 January 2016 so that the monitoring of the operating results for the distribution of resources and the estimate of profitability will be summarized in "Public Transport". This means that in future the profitability will be determined based on the result, which corresponds to the result indicated in the consolidated financial statements.

This year the init management report was combined for the first time with the management report of the init innovation in traffic systems Aktiengesellschaft, Karlsruhe ("init AG") pursuant to Section 315 (3) HGB (German Commercial Code) in connection with Section 298 (2) HGB. The management report is therefore hereinafter referred to as the combined management report. The annual financial statements of init AG, which are drawn up in line with the provisions of the HGB, and the combined management report are simultaneously published in the online edition of the German Federal Gazette (Bundesanzeiger).

The Managing Board of init AG want to propose to the shareholders at the Annual General Meeting 2016 the conversion and the change of legal form of init AG into a European Company (Societas Europaea, SE). The conversion into an SE also creates a legal form for the group holding domiciled in Germany that is recognised all over Europe and serves as a basis for further international expansion. init AG will maintain its seat and corporate administration in Karlsruhe, Germany, following the change of the legal form to an SE.

Business processes

The value-added chain in the init group essentially includes the development, production management, quality assurance, implementation, servicing and maintenance of integrated hardware and software solutions for all key tasks within transportation companies. Hardware manufacturing is outsourced to qualified producers who work closely as



subcontractors with our init engineers. The quality we require is assured by having our own staff assist in each stage of the production process, from prototyping to the test series all the way to serial production.

In order to meet the “Buy America” requirements in the US business, init runs two production companies in the USA. The company Superior Quality Manufacturing LLC., Chesapeake, Virginia/USA (“SQM”) assembles various devices from the init product family and acts as a contract manufacturer of INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH, Karlsruhe (“INIT GmbH”). With Total Quality Assembly LLC., Chesapeake, Virginia/USA (“TQA”) init has built up a cable production company in partnership with a supplier.

It is one of our top management priorities to optimise production processes and reduce manufacturing costs while maintaining quality demands at a consistently high level. In order to keep production costs as low as possible, init concentrates on core development competences.

There are no dependencies on individual manufacturers or service providers. This allows init to switch suppliers quickly should a business partner be unavailable.

Key markets and competitive position

Our integrated solutions for telematics, planning, dispatching and electronic fare collection systems make us a partner to transport companies on four continents. init has successfully realised numerous projects for more than 400 international customers during a corporate history that spans more than 30 years. To this end, init operates a global network of subsidiaries that deliver local support for projects and look after customers.

The most significant operative units with a total of approximately 381 employees are located at the Karlsruhe site. Not only are software and hardware developed here and new technologies implemented, but this is also where the group's strategy is defined. The biggest group companies outside Germany are in North America, with a total of 87 employees, and in Dubai, UAE, with 14 employees.

The core sales markets are Europe, North America and the Arab world. At the same time, the regional distribution of sales volume is heavily contingent on large-scale projects and varies accordingly.

INIT GmbH holds a 43 per cent stake in iris-GmbH infrared & intelligent sensors, Berlin (“iris”). With effect from 29 January 2016, INIT GmbH has acquired an additional 6 per cent of iris. iris is a developer and manufacturer of sensor components and products for automatic passenger counting. The company develops, produces and supplies optoelectronic sensors for integration into various systems.

In the Automotive division (“Other” segment), init AG holds a 58.1 per cent stake in CarMedialab GmbH, Bruchsal (“CML”). CML develops on-board units (intelligent broadcasting and telematics units) for vehicles, plus the associated software, and operates back-end systems as a telematics service provider. Key services include telediagnosis and smart charging of electric vehicles. In addition, CML works with init on the MOBILE-ECO² platform. This platform provides public transport with vehicle monitoring and supports economical driving. init has an option to acquire additional shares in CML.

init's modular product concept allows both an individual combination of single modules and integration with other systems via standardised interfaces. As a result, init stands out from its competitors due to a more comprehensive, efficient and flexible product offering. This range covers all operative tasks within transport companies: from planning and dispatching, through operations management and passenger information and electronic fare management, to the analysis and optimisation of operations.

init has thus assumed a leading position in the telematics, planning, dispatching and electronic fare collection systems market in public transport. init systems currently manage fleets comprising more than fifty thousand vehicles around the world.

External influencing factors

User-friendly ticketing systems, reliable customer information and fast transport links help transport companies to enhance the attractiveness of their passenger services, and therefore ensure rising passenger numbers. In the end, increased acceptance and use of public transport also results in a reduction of carbon dioxide and particulate matter emissions. In this way, the init group makes a direct contribution to environmental protection.

Population growth, increasing urbanisation and impending traffic gridlock are leading to growing public transport passenger numbers. Willingness to expand public transport is therefore growing in many countries and regions. In order to cope with the rapidly growing demand for mobility and simultaneously avoid pollution, billions must be invested in intelligent traffic systems. Another current trend is hardware substitution and software modernisation of ageing telematics systems.

Over 90 per cent of our customers are public or state-subsidised transport companies. For this reason, tenders for new projects are often only held when the corresponding state funding is available. Funding cuts and public budget consolidation measures thus indirectly have a great influence on the init group's business development.

Corporate objectives

Financial objectives

Over the next few years, the init group's strategic objective is to continue increasing its revenues with integrated systems. The majority of this growth is to be organic. With the large number of existing and anticipated tenders, significant sales growth of approximately 10 per cent should be achieved from 2017 again, in line with our long-term average growth target.

Non-financial objectives

Customer satisfaction

Customer satisfaction is of pivotal importance at init. We achieve this through trust-based collaboration

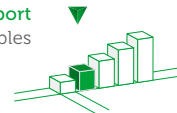
with our business partners and strict compliance with our quality principles: the technological advantage, cost-effectiveness and reliability of our products and systems. We also set great store by delivery reliability and a commitment to service. We have set down the principles of our business dealings in our ethical guidelines. These provide us with a framework for our day-to-day activities. An annual customer survey is carried out to check that these objectives are being met. During the reporting year our customers gave us an average rating of "good" (previous year: "good"). We see the need for improvement since the average rating was slightly lower than the previous year.

Employee qualification and know-how

Well trained and entrepreneurial employees are the key to business success. For this reason, it is part of init's corporate philosophy to ensure that every individual receives training, continuing professional development and a share in the company's success. In total, around 350 employees took part in internal and external continuing training measures in 2015.

Some 65 per cent of init's permanent employees have a university degree, particularly in the fields of information technology, e-technology, HF technology, physics, mathematics and industrial engineering. init maintains very close contact with the Karlsruhe Institute of Technology (KIT) and the universities of applied sciences in the Karlsruhe area in order to keep track of the latest technological developments and be able to identify technical changes early on. In this connection, we provide students with practical work in part-time positions and supervise theses at the bachelor's and master's levels as well as dissertations.

New employees at the subsidiaries undergo on-site training at the group's headquarters in Germany to ensure that customers' high demands on our technology can also be met locally. Conversely, employees from Germany also spend several weeks a year at the subsidiaries, either within the scope of their training or in connection with ongoing projects, as a means of promoting communication and cooperation while simultaneously ensuring that the expertise flowing into individual projects, technologies and products is maintained at the same high level around the globe.



Control systems and control parameters

init AG has a dual management system, consisting of a Managing Board and a Supervisory Board. The Managing Board of init AG consists of four members, who simultaneously perform and manage key operational roles (Marketing, Distribution, Product Development, Purchasing, Human Resources and Finance). As the company leading the group, init AG defines the corporate strategy and assumes the roles of top-level management, resource allocation, financing and communication with the important target groups in the corporate environment, in particular with the capital market and the shareholders.

The init group is managed via annual planning for revenues, earnings before interest and taxes (EBIT) and incoming orders, which are reviewed on a rolling basis using plan/actual analyses. The insights revealed by these analyses are then used to prepare forecasts and develop an action plan if necessary.

Competitive strategy

As a full-service provider, init develops, produces, integrates, installs and maintains integrated hardware and software solutions for all important tasks within transport companies. In doing so, init aims at innovative mobility concepts that secure a technical advantage for forward-looking transport companies, in order to make their services more attractive, more efficient and faster.

Significant factors here are:

- Innovation: Using the know-how that we have gathered over many years and with our great dedication to development, we convert new technologies into practical applications.
- Thinking in systems: Deployed autonomously or built into systems – our modular total solutions offer a maximum degree of flexibility during planning and operation.
- Investment security: When it comes to technologies, interfaces and software, we are guided by international standards that will continue to hold true tomorrow. In many cases, init has itself set standards through customised, tailored solutions.

- Customer proximity: init is where its customers are. This applies to our sites just as much as to our thinking and actions. Customers thus become partners whom we join to get things moving, and with whom we create new offerings in long-standing partnerships.
- Internationality: init has been in the market for more than 30 years, about 25 of these internationally. Our active participation in pioneering projects on four continents today ensures contact with ultra-modern development standards and a focus on international solutions. This is technology transfer that takes our customers forward and thus secures init a unique competitive position.

Research and Development

The Research and Development department plays a key role at init. On the one hand, technical innovations and developments on the market have to be observed in order to turn these into innovative products at an early stage. On the other, the challenge lies in bringing technical innovations onto the market at the right time. Our employees' high standard of qualification in research and development, combined with collaboration with universities and research institutes, ensures that we react quickly to new technological developments and changing market requirements and that we are flexible in catering to our customers' constantly changing needs.

In financial year 2015, approximately 250 hardware and software developers at init (of whom approx. 40 are in the "Other" segment) worked at the Karlsruhe, Brunswick, Bruchsal and Hamburg locations on both new products and the continuing development of existing ones. In addition, numerous new customised software developments and interfaces were realised.

In 2015, the init group spent a total of EUR 4.1m (previous year: EUR 3.0m) on the basic development of new products independently of customers. Of this, EUR 2.5m was accounted for by the "Telematics and Electronic Fare Collection Systems" segment and around EUR 1.6m by the "Other" segment. This is 3.9 per cent (previous year: 2.9 per cent) of revenue. In addition, the group accomplished customer-funded, project-based new and further developments adding up to around five times that amount again. As in the previous year, no development costs were capitalised.

One new hardware product is the PROXmobil3 passenger terminal that supports numerous forms of e-ticketing. Here, the 4.75-inch display has been optimised in the 16:9 format. The terminal allows passengers to select the appropriate ticket with intuitive handling, book tickets on smart cards, purchase tickets using Open Payment and validate barcode tickets. A successor model for the successful PC-based on-board computer was provided with the development of the EVENDpc2 that boasts an integrated ticket printer, faster processor and more RAM.

Systems were improved and expanded in planning and driver dispatching ("Others" segment).

init is currently involved in several research projects. InREAKT aims to automate the identification of safety-critical situations and emergencies in public transport through the use of a combined video and sound detection system. The task of identifying a safety-critical situation or emergency is transferred to an event management system in the transport company's control centre which provides guidance for staff.

Aim4it is an EU-funded research project that is developing an individual travel assistance system for passengers with special mobility needs. init is also currently involved in two research projects: EBSF2 (European Bus System of the Future) and MENDEL.

In the MENDEL research project optimisation algorithms are being used in many areas to create the foundation for being able to provide a cost-efficient charging infrastructure that takes into account the special requirements electric buses present and, at the same time, ensures a uniform load in the energy grid when introducing electric mobility in public transport. The EBSF2 project deals with standardised communication between ITCS and public transport vehicles.

ECONOMIC REPORT

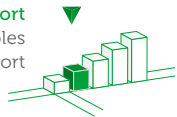
General economic and sector-specific conditions

The global economic environment for internationally operating technology companies such as init has deteriorated significantly during the reporting period. New crisis factors were added to those that have persisted for years, such as the sovereign debt problems that in many cases are yet to be resolved and the associated upheavals on the financial markets. The aggravation of geopolitical tensions, war and terror in the Middle East and Africa and the associated refugee flows have given rise to fear and new uncertainties.

On a purely economic level worries about the faltering of the Chinese economy, which has driven growth in recent years, the economic collapse in countries dependent on commodity and oil exports and the knock-on effects of this for global investment and demand increasingly dominated events. As a consequence, broad-scale revisions of expectations were necessary and forecasts had to be reduced. The International Monetary Fund (IMF) even felt compelled to warn of a "derailment of growth" (World Economic Outlook, January 2016), if challenges such as the transformation of the Chinese economy, the distancing of the USA from an extremely relaxed monetary policy and the economic weakness in the oil-exporting emerging economies are not dealt with successfully.

Since the growth rate of 3.1 per cent in 2015 meant the forecast for the global economy made by economic experts did not materialise again due to increased risks, the IMF is more cautious in its estimates for developments in 2016 and 2017. Though a moderate acceleration of growth to 3.4 or 3.6 per cent is still being assumed, this means a further reduction of the forecast of roughly 0.2 percentage points. This is the third within a year.

The largest downward corrections had to be made for oil and commodity-exporting economies such as Brazil, Russia and Saudi Arabia due to the sharp drop in prices, but they were also necessary for Africa, Latin America and the countries of the Middle East. Estimates made by economic experts for the growth



engines of China and India still remained unchanged despite growing question marks. However, a gradual slowdown in growth of 6.9 per cent in 2015 to 6.0 per cent in 2017 is forecast for the Chinese economy, while production in India is expected to increase up to 7.5 per cent.

The IMF continues to forecast above-average growth rates of 4.8 to 6.3 per cent for the other emerging Asian economies. This is a market that init services with a subsidiary in Singapore, participating from this location in large tenders in the region.

The assessment made by economic experts for the init group's current main markets varies widely. For North America, i.e., Canada and the US, the IMF has further reduced its expectations. In 2016 and 2017 economic growth in these countries is only expected to reach 1.7 per cent (Canada) and 2.6 per cent (USA) (2015: 1.2 and 2.5 per cent). A year ago, growth rates of over 3 per cent were expected here.

The IMF, however, has a more optimistic estimate of performance in the eurozone than before. Here economists even revised the growth forecast for 2016 and 2017 upwards slightly to 1.7 per cent (1.5 per cent in 2015). The robust state of the German economy with growth rates that are completely in sync with the eurozone played a role along with the recovery in Spain (2015: 3.2 per cent). This is supported, however, primarily from consumer demand, while the propensity to invest was more adversely affected in view of the deflationary price trend in world markets.

For the UK, a market that init has been very successful in with its systems in recent years, the IMF predicts a largely stable economic performance with growth rates of 2.2 per cent in the current year and next year (2015 was also 2.2 per cent).

There are still some question marks regarding the recovery predicted for 2016 and 2017. This forecast is based on a stabilisation of the situation in Russia, Brazil and the Middle East. The IMF sees the greatest risks to growth in the further slowdown in China, which is already attested to by a lower level of activity in production and investments, monetary tightening in the United States, accompanied by a strong dollar, and

in an escalation of geopolitical tensions. Consequently, the uncertainties emanating from these risks may have a negative impact on the willingness of public transport companies to invest as well as on their infrastructure purchases.

However, against the backdrop of these general economic risks, industry-specific conditions point towards long-term growth potential for the init group. Economic researchers recommend first and foremost investments in public infrastructure along with a persistently expansive monetary policy to deal with potential weak growth. Intelligent mobility solutions like those offered and made possible by init rank highest because the mobility of people and goods is of crucial importance for sustained economic development in the industrialised countries as well as in emerging markets. Experts have calculated that the economic impact of such an investment is three to four times higher than the investment's original amount. What's more, compared to investments in other sectors, these result in the creation of twice as many jobs as well as increased productivity throughout the economy.

Urbanisation is a global megatrend that rapidly increases the demands placed on public transport systems. More than half of the world's population now lives in metropolitan areas (referred to as mega cities, mega regions or mega corridors). In industrialised countries, urban cores (such as London or Munich) increasingly spread into their surrounding areas and assimilate more and more suburbs. Plus, in emerging markets, particularly China, India and Southeast Asia, new urban agglomerations will arise. More than 1,000 cities worldwide with more than 500,000 inhabitants are facing major mobility problems that can only be solved by expanding public transport in an intelligent way.

"Smart Cities" should emerge where transport systems are coordinated in a way that allows people to reach their destinations efficiently and in an ecologically-friendly way using real-time information for various means of transport. The investments required for this alone run in hundreds of billions.

There are now ecological growth drivers for the transport telematics market in addition to economic and social growth drivers. In addition to the threat of gridlock, air pollution and the emission of particulate matter and greenhouse gases is a pressing problem in developed and emerging markets alike. One of the results of the World Climate Conference in Paris in December 2015 is that new investment programmes running in the billions are being launched for climate protection worldwide. Germany, for example, is set to adopt an adequately funded "Climate Protection Plan 2050" as early as 2016.

Transport management and information systems make a significant contribution to improving the quality of life in metropolitan areas. The demand for transport telematics is increasing substantial worldwide and double-digit growth rates are forecast for the next five years.

Intermodal (individual, local and long distance integrating) planning and monitoring systems, like the ones init has implemented for years will have the strongest growth. Intermodal transport control systems that can react to disruptions or accidents immediately and adequately, or that can make them predictable and therefore preventable with special analysis tools will drive growth. This is where the research project InREAKT in which init is involved in a significant way comes into play. The project was presented at the IT-TRANS, the international conference and trade fair for IT Solutions for public transport, in early March 2016 in Karlsruhe. This event management system automatically detects critical, safety-related situations and initiates appropriate action.

According to the market research institute TechSci Research, automatic passenger counting and smart ticketing are other areas of growth, particularly in North America, the region with the largest share of government programmes and tenders for improving transport management. The United States has the most ambitious investment programme in this field. After the United States, market researchers consider the Asia-Pacific region to be the market with the greatest growth potential due to high population growth and rapid "urbanisation trends" underway there.

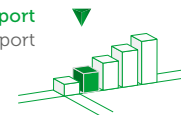
init is well positioned in these markets thanks to its international references in recent years and expects to fare well in tenders as a result.

Business trend

The distribution of revenues within the init group is traditionally uneven over the course of the financial year: the first quarter is usually the weakest and the fourth the strongest. This was once more confirmed in the financial year just ended.

Thus the first quarter, with sales of just under EUR 23.6m (previous year: EUR 19m) exceeded our expectations. EBIT was EUR 1.2m and was therefore EUR 0.9m above the previous year's figure. Incoming orders in the first quarter amounted to around EUR 25.2m. In the second quarter, with revenues of EUR 23.6m, the group was around EUR 1.2m below the previous year's total, with EBIT at EUR 2.5m considerably below the previous year's level of EUR 6.1m. Incoming orders in the second quarter amounted to EUR 16.2m, some EUR 2m over the previous year's level. In the third quarter, revenues saw a year on year increase of EUR 0.4m to EUR 26.1m, with EBIT, at EUR 2.4m, once again below the previous year's (EUR 3.7m). At EUR 15.0m, incoming orders in the third quarter may have exceeded those of the previous year (EUR 12.1m) yet they still fell considerably short of our expectations.

In the fourth quarter of 2015, with sales revenue of EUR 32.1m (previous year: 33.5m) init group generated operating profit before interest and taxes (EBIT) of EUR 4.7m (previous year: EUR 8.6m). Incoming orders in the fourth quarter (EUR 10.8m) and for the year as whole at roughly EUR 67.2m, however, lagged considerably behind our estimate (EUR 112m). The reason that we retained our estimate of the original incoming orders target after the end of the third quarter was that we believed several larger tenders would go to init in 2015 and the resulting contracts would be awarded by the end of 2015. The decisions we expected in the tender processes were, however, postponed to the 2016 financial year.



Position

Earnings position

For the year as a whole, the init group achieved a new revenue record at EUR 105m (previous year: EUR 103m), was still within the originally planned range of EUR 104-110m. This corresponds to growth of 2.2 per cent, putting it substantially lower than the long-term average growth. Due to the large number of tenders, we are confident we will achieve higher growth rates in 2017 again. The return on revenues within the group was 7.2 per cent (previous year: 11.7 per cent).

In terms of revenues, the Telematics and Electronic Fare Collection Systems segment accounted for EUR 98.7m (previous year: EUR 97.6m) and by the "Other" segment EUR 6.6m (previous year: EUR 5.4m).

Revenues within the segments are largely in line with the planned revenues.

73.6 per cent of total revenue was generated outside Germany (previous year: 72.1 per cent). As in previous years, the strongest foreign market in the reporting period was North America. Here, revenues increased to EUR 51.8m (previous year: EUR 45.3m) due to several large-scale projects.

In the remaining countries (Australia and UAE), a decline in revenues was recorded compared with the previous year. Here, revenues fell from EUR 5.2m in 2014 to EUR 4.3m in 2015 due to lower order volumes.

In Europe (except Germany), too, revenues declined to EUR 21.3m (previous year: EUR 23.8m). Essentially this is due to the good progress made in completing ongoing major projects in the UK, France and Finland. In addition, not enough new orders were secured to compensate.

In Germany revenues were also slightly down, falling to EUR 27.8m (previous year: EUR 28.7m). A large portion of the revenue were generated through the large-scale Rheinbahn project.

At EUR 10.8m EBIT was significantly below the previous year's (EUR 18.7m), despite increased revenues. The decline was mainly caused by the depreciation of the Canadian dollar, higher labour costs and in part by lower margins. The lower margins are essentially due to project delays and expenses incurred by new developments in ongoing projects. EBIT is significantly below our original expectation of EUR 17-19m, but within our revised forecast of EUR 10-12m. The EBIT margin stood at 10.2 per cent (previous year: 18.1 per cent).

EBIT was distributed across the individual segments as follows: "Telematics and Electronic Fare Collection Systems" EUR 10.8m (previous year: EUR 19.2m), "Other" segment EUR 0m (previous year: EUR -0.5m). The trend within the "Other" segment shows an increase in EBIT compared with the previous year due to the increased revenues and the turnaround at CML. The original target of EUR 0.1m to EUR 0.5m in the "Other" segment was nearly reached. For the reasons cited above, "Telematics and Electronic Fare Collection Systems" was roughly EUR 7m short of the target.

Gross profit decreased EUR 4.7m to EUR 31.8m (previous year: EUR 36.6m), which corresponds to a reduction of approximately 13 per cent (previous year: reduction of 2.4 per cent). The decrease in the fourth quarter was primarily due to currency effects and project delays. The cost of revenue increased from 64.5 to 69.7 per cent of revenues as a result of relatively higher purchased services and material expenses of 1.4 per cent, increases in personnel expenses of EUR 1.3m as well as currency effects and lower margins on new projects. Sales and administration expenses increased mainly due to higher travel costs and office rents, amounting to EUR 17.7m (previous year: EUR 17.1m).

Other operating income increased from EUR 1.4m to EUR 1.9m. The increase was mainly due to cost allocations to an external tenant arising from renovation costs. Foreign currency losses of EUR 1.6m (previous year: foreign currency gains EUR 0.9m) relate largely to negative effects from realised losses from payments received in a foreign currency (particularly Canadian dollars) and non-realised losses from forward currency transactions in US dollars. The Canadian dollar, for

instance, depreciated by around 7 per cent compared to the euro. Since init generates almost 50 per cent of its revenues in North America, receivables are correspondingly high, which has led to additional negative effects from currency conversion.

The **net interest income** (balance of interest income and interest expenses) totalled EUR -538k (previous year: EUR -452k) and results principally from the property financing in Karlsruhe, the share of interest on the pension provisions and the euro loans taken up over the year.

At EUR 7.6m, **net profit** decreased significantly over the previous year (previous year EUR 12.1m). The reason for this is found in the currency losses and lower gross profit. That led to earnings per share of EUR 0.75 (previous year: EUR 1.20). At 25.8 per cent (previous year: 33.8 per cent) the tax rate is below last year's rate and is largely attributable to the change in deferred taxes arising from valuation differences in inventories in the tax statement. The EBIT margin stood at 10.6 per cent (previous year: 17.8 per cent) and return on total capital at 5.2 per cent (previous year: 9.4 per cent).

Group comprehensive income dropped from EUR 13.3m to EUR 11.7m. This reduction is the result of the balance of the decreased net profit and unrealised currency gains in the amount of EUR 2.7m (previous year: gain of EUR 2.6m) and actuarial gains of EUR 1.3m (previous year: loss of EUR 1.4m) due to the increase in the interest rate from 1.96 per cent to 2.53 per cent in calculating the pension accruals. Regarding the development, please refer to our statement of comprehensive income.

Incoming orders

Incoming orders failed to meet our expectations and was below the previous year in financial year 2015. This was due to certain tenders not being decided in our favour and also to delays in the tender procedures. The group management had planned incoming orders of EUR 112m in 2015. Of this, according to plan, around EUR 106m was accounted for by the "Telematics and Electronic Fare Collection Systems"

segment. All told, incoming orders totalled EUR 67.2m in the year under review (previous year: EUR 78.1m). Of this, EUR 57.1m was accounted for by the "Telematics and Electronic Fare Collection Systems" segment and EUR 10.1m by the "Other" segment. The increase over the projection of approximately EUR 4m in the "Other" segment is largely attributable to increased incoming orders at CML and a larger order in driver dispatching in the USA. Around 30.3 per cent of orders were generated in the North American market. Of the other incoming orders, 37.0 per cent were from Germany, 28.5 per cent from Europe and 4.2 per cent from other countries.

In 2015 a number of new orders in the single-digit million range were received and an increasing number of Ticketing orders was recorded.

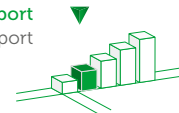
The German market was characterised by numerous smaller tenders, a majority of which init was able to secure. init was able to secure, among other, tenders in Aalen, Reutlingen, Herne, Osnabrück, KÖR (Eastern Ruhr district Co-operation) and Wuppertal.

In Europe there were a larger re-ordering for more bus equipment in Oslo that is worthy of mention. In addition, init was able to secure its first ITCS contract in Switzerland. A total roughly 140 buses and 11 rail vehicles are set to be equipped with init hardware and software.

In other countries init secured several follow-up orders in Dubai, UAE and in Wellington, New Zealand.

In North America follow-up orders, mainly from existing customers, amounting to approximately EUR 20m mainly were secured.

The order backlog at year's end amounted to approximately EUR 81m (previous year: EUR 122m). EUR 80m of the order backlog is accounted for by the "Telematics and Electronic Fare Collection Systems" segment and EUR 1.0m by the "Other" segment. The order backlog covers roughly 80 per cent of the forecast for 2016.



Internationally, our market is still characterised by a large number of new public tenders. Our long-term customer relationships with over 400 business partners around the world secure a stable business base for init, as they normally lead to follow-up orders and maintenance contracts. We have booked incoming orders of more than EUR 40m as a result of additional deliveries, maintenance contracts and order extensions alone.

For 2016, we expect incoming orders in the group of approximately EUR 110m.

Multi-period overview of earnings position

| Financial year EUR m | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------|------|------|-------|-------|-------|
| Revenues | 88.7 | 97.3 | 100.1 | 103.0 | 105.3 |
| Gross profit | 36.3 | 34.0 | 37.5 | 36.6 | 31.8 |
| EBIT | 20.4 | 17.3 | 17.7 | 18.7 | 10.8 |
| Net profit | 15.1 | 10.9 | 12.1 | 12.1 | 7.6 |

Financial position

The init group's financial position can be described as solid in financial year 2015.

Capital structure

Liabilities to banks as at 31 December 2015 amounted to EUR 19.6m (previous year: EUR 9.1m) and is mainly attributable to the utilisation of euro loans. The euro loans were taken to cover liquidity peaks that arose from payment schedules that had an adverse impact on init and project delays. The long-term component of the financing ("Telematics and Electronic Fare Collection Systems" segment) results from the properties at Kaeppelestrasse. 4, 4a, 8/8a and 10 and totals EUR 6.7m (previous year: EUR 7.9m).

The Kaeppelestr. 4 property was financed by a bank loan of EUR 1.2m. The balance outstanding on this loan is EUR 0.8m and the capital repayment on the loan is EUR 71k per annum. The interest rate is 3.7 per cent with a term of 20 years and a fixed interest rate period of ten years.

The properties at Kaeppelestrasse 8/8a and 10 were financed in the amount of EUR 3.0m at a variable rate based on 1-month Euribor. The interest rate as at 31 December 2015 was 0.8 per cent. The capital repayment on the loan is EUR 150k per annum.

The new building in Kaeppelestrasse 4a is financed by a bank loan of EUR 6.5m based on 3-month Euribor. The interest rate including margin as at 31 December 2015 was 0.559 per cent. The capital repayment on the loan is EUR 963k per annum. Loans are expressed in Euros and are fully mortgage-backed.

Overall, non-current liabilities decreased by EUR 3.0m. This is particularly due to the reduction of pension provisions and the repayment of the long-term credits.

Current liabilities increased from EUR 38.4m to EUR 54.3m. This change is made up of an increase in bank loans of EUR 11.7m, an increase in accounts payable from PoC in the amount of EUR 1.1m as well as an increase in provisions of EUR 2.1m. Furthermore, other liabilities increased by 2.5m which, resulting from the significantly higher invoicing of our subcontractors for project-specific services.

The group's debt-equity ratio (debt capital/equity capital *100) is 104 per cent (previous year: 90 per cent and has risen significantly due the effects cited above.

Investments

The investments amounting to EUR 8.9m (previous year: EUR 7.3m): essentially relate to advance payments for the administration building in Kaeppelestrasse 4a ("Telematics and Electronic Fare Collection Systems" segment) and replacement and expansion investments.

96 per cent of investments in tangible assets, intangible assets and investment property is accounted for by the "Telematics and Electronic Fare Collection Systems" segment: (previous year: 99.4 per cent).

Effective 1 October 2015, initperdis ("Other" segment) acquired the business operations of LC Consultant SARL, Saint Cloud in France. LC Consultant was a French company that developed and distributed WE-BUS software for duty rostering and driver dispatching in public transport for over ten years. Taking over the customer base allows init to continue to strengthen its market presence in the French market.

Liquidity

Operating cash flow amounted to EUR 11.5m (previous year: EUR 0.5m) and is therefore significantly above that of the previous year. This is particularly due to the reduction of future receivables from production orders.

Net working capital (=current assets less liquid funds less trade accounts payable) came to EUR 72.4m (previous year: EUR 69.5m). Cash flow from investing activities amounted to EUR -8.3m (previous year: EUR -6.7m) and essentially relates to investments in tangible fixed assets and investments in the new development in Kaeppelestraße 4a.

Cash flow from financing activities totalled EUR 1.5m (previous year: EUR -10.4m) and is mainly attributable to the utilisation of euro loans. This is offset by the dividend payment, the purchase of own shares and the redemption of long-term bank liabilities.

Cash, including short-term securities, came to EUR 14.1m at the end of December 2015 (previous year: EUR 9.2m). The increase is attributable to the utilisation of euro loans. The euro loans had to be utilised due to delays in incoming payments for large-scale projects and payment schedules with an adverse impact on init which lead to high advance financing. The init group is able to meet all its payment obligations and its stable earnings performance in the financial year 2015 means the company has a solid financing structure. In addition, the init group has guarantee and credit lines available in the amount of around EUR 103.5m. On the balance sheet date, 56.2 per cent of

these were being utilised. Additionally, in the USA init has a bond line of around USD 75.0m (EUR 68.6m) at its disposal, which can also be used in Canada. Around EUR 51.5m had been used as of the balance-sheet date.

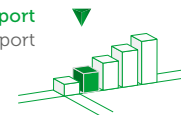
Parent company guarantees of EUR 18.3m were in place.

Asset position

The init group's asset position can be described as solid in financial year 2015.

The balance sheet total had risen as at 31 December 2015 by approximately EUR 16.3m compared with the previous year and amounts to EUR 145.1m (previous year: EUR 128.8m). In addition to the financing of the new building, this is due to increased liquid assets and an increase in bank loans. Accounts receivable and future receivables increased in total EUR 0.7m. Inventories increased approximately EUR 2.9m due to an increase in inventories. Equity had risen to EUR 71.2m at the year end (previous year: EUR 67.8m) and is therefore about 5.0 per cent above the previous year's figure. The equity ratio is therefore 49.1 per cent (previous year: 52.6 per cent) and is therefore beneath last year's ratio due to increased debt financing.

Approximately EUR 136.5m of segment assets (previous year: EUR 120.3m) is accounted for by the "Tele-matics and Electronic Fare Collection Systems" segment and approximately EUR 8.6m (previous year: EUR 8.4m) by the "Other" segment.



Multi-period overview of financial and asset position of the init group

| Financial year EUR m | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------|-------|-------|-------|-------|-------|
| Equity | 56.9 | 57.8 | 62.1 | 67.8 | 71.2 |
| Debt capital | 52.9 | 52.7 | 56.2 | 61.0 | 73.9 |
| Cash | 23.5 | 20.3 | 25.4 | 9.2 | 14.0 |
| Balance sheet total | 109.8 | 110.5 | 118.3 | 128.8 | 145.1 |
| Operating cash flow | 17.4 | 11.3 | 11.4 | 0.5 | 11.5 |

Summary of init AG in accordance with HGB

General information

In addition to the init group report the following also summarises the performance of init AG .

init AG is the management holding company of the init group and, as such, does not carry out any operating activities. It manages the operational companies of the group and is responsible for strategic planning and risk management. init AG handles the areas of accounting, controlling, legal and human resources of INIT GmbH, initplan and INIT Nottingham.

init AG 's annual financial statements are produced in line with the German Commercial Code (HGB). The consolidated financial statements follow the International Financial Reporting Standards (IFRS). This results in some differences with regard to recognition and measurement methods. These covered, in particular, securities and pension obligations.

Earnings position

init AG is controlled using annual projections for revenues and earnings from ordinary activities.

The revenues of init AG amounted to EUR 6,077k (previous year: EUR 5,743k) and were generated largely through services provided for INIT GmbH, initplan and INIT Nottingham. At EUR 0.1m, revenues exceed projections and are largely attributable to passing on cost increases. Net income from ordinary activities amounted to EUR 6,830k (previous year: EUR 9,159k). Due to profit transfer agreements, the profits of INIT GmbH and initplan are included in the earnings

from ordinary activities. Due to the weaker earnings at INIT GmbH, the planned result from ordinary activities fell short by approximately EUR 8m.

Net assets and financial position

Other financial indicators of relevance to init AG are liquidity and the equity ratio, and these are discussed in the following. On the balance sheet date, liquid funds including securities (not incl. treasury stock) totalled EUR 306k (previous year: EUR 493k). The change in liquid funds is mainly attributable to payments for the administrative building in Kaeppelestraße 4a in Karlsruhe amounting to EUR 5,183k as well as interest and capital payments on real estate financing. In contrast, profit transfers from INIT GmbH and the increased liabilities to INIT GmbH had a positive effect on liquid funds. The liquid funds and existing credit lines, which can be used jointly by INIT GmbH, are sufficient to meet all known payment obligations arising in the 2016 financial year.

The assets mainly comprise financial assets, land and buildings, and liquid funds. A list of financial assets can be found in the notes.

The balance sheet total of init AG ran to EUR 52,691k (previous year: EUR 53,260k), while the equity ratio was 65.9 per cent (previous year: 74.0 per cent).

The earnings, asset and financial position of init AG can be regarded as solid.

Non-financial performance indicators

The annual average number of employees at init AG was 40 (previous year: 41). Of these, 21 on average were full-time staff (previous year: 22).

In total, 20 employees took part in internal and external continuing training measures in 2015.

Opportunities and threats to future performance

Here reference is made to the paragraph (Forecast, opportunities and risks) of the group.

Internal control and risk management system pertaining to the financial reporting process

Here reference is made to the paragraph (Internal control and risk management system pertaining to the group's financial reporting process) of the group.

Expected business development and forecast

Moderate revenue growth of EUR 6.0m was the forecast for 2015. With revenues of EUR 6.1m it was slightly above the forecast. In addition, profit from ordinary activities amounting to EUR 14–16m (of that INIT GmbH: EUR 13–15m) was projected. INIT GmbH could not achieve its forecast (EUR 4.2m) due to delays in the acceptance of two large-scale projects and currency losses, which is why init AG was also significantly below the planning.

The development of init AG is largely dependent on the performance of its operating subsidiaries. The largest of these, INIT GmbH, is expected to generate profits from ordinary activities of around EUR 16–18m in 2016. On this basis, init AG is projecting a result from ordinary activities of EUR 18–20m. These projections do not include profit distributions from subsidiaries. That said, init AG is expecting to increase revenues to around EUR 6.3m by passing on cost increases.

Closing statement to the dependent company report

Under Section 312 of the German Stock Corporation Act (AktG), the Managing Board is required to prepare a report on the company's relationships with its affiliated companies ("dependent company report"), which is then verified by the company's auditors. The dependent company report prepared by the Managing Board closes with the following declaration:

"We hereby declare that, according to the circumstances known to us at the time when the legal transactions and measures were undertaken, the company received a commensurate consideration in the financial year under review for all the transactions and measures listed in the report on our relationships with affiliated

companies ("dependent company report"), and that the company suffered no adverse effects as a result of measures and acts either undertaken or omitted."

Principles and objectives of financial management

Securing the liquidity of the init group has top priority. In addition, we aim to maintain and optimise the group's financing capabilities. Financial risks, particularly currency risks, are reduced by the use of financial instruments. To spread risk, init holds its financial resources in more than five different currencies. The group also holds 25kg of gold. The init group is classed by its main banks as "investment grade".

Personnel

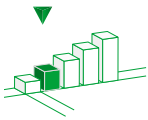
In order to complete ongoing projects on time and secure continued growth, init moderately increased its workforce in 2015. With this added capacity, init is well equipped to master its order backlog and the positive trend expected, so that only minor additions to the workforce will be needed in 2016 as well.

Employee profit-sharing

init's business success depends to a large degree on the employees, who drive it forward with their experience and motivation. The Managing Board therefore decided on 13 April 2015 to allow employees to participate in the company's profits, depending on its operating results. The target was not met and in the 2015 financial year only 50 shares in the company were transferred to each employee under an asset sharing plan (there may be deviations from this regulation for individual subsidiaries). These shares are subject to a lock-up period of two years and were issued to staff in December.

Employee figures

The average annual total of staff employed by the init group was 538 staff (previous year: 492) including temporary workers, research assistants and diploma



candidates. This includes 58 part-time employees. Of the total number of employees, 458 are accounted for by the “Telematics and Electronic Fare Collection Systems” segment.

19 employees were pursuing apprenticeships as IT specialists, IT systems electrical engineers, warehousing specialists, industrial clerks or office clerks or graduated from the University of Cooperative Education in electrical engineering, mechatronics, industrial engineering and business studies.

Social benefits and family support

It is absolutely essential to retain our employees' expertise within the company in order to sustain its success. In addition to a number of fringe benefits, e.g. covering the cost of daycare, we also offer our personnel flexible working hours so that family and working life can be reconciled. init has already won a number of awards for being a family-friendly company. A further priority in our company is the health of employees. We therefore regularly organise health check-ups in collaboration with health insurance companies, bear the costs of flu vaccinations, and have taken out additional travel health insurance for every employee.

Ethical guidelines

We have set down the principles of our business dealings in our ethical guidelines. They represent the basis of init's corporate culture and shape daily actions and decisions on every level, beyond national borders and in every part of our group.

For example, all employees with the appropriate qualifications have equal access to management positions. With the internationalisation of our business, we therefore now enjoy greater diversity at our top management levels.

General statement on the economic situation

The Managing Board assesses the development of the business in 2015 as satisfactory overall, although the planned incoming orders of EUR 112m were not achieved. Revenues and EBIT are in line with our revised forecast (revenues between EUR 104m and 107m, EBIT between EUR 10m and 12m), although EBIT was significantly below our original projection of EUR 17m

to EUR 19m. The decline was mainly caused by the depreciation of the Canadian dollar, higher labour costs and in part by lower margins. The lower margins are essentially due to project delays and expenses incurred by new developments in ongoing projects. With the existing order backlog of EUR 81m, the basis for the 2016 financial year has been set. The init group's stable earnings performance in the 2015 financial year means the company has a solid financing structure and will be able to finance most of its growth targets in 2017. Operating cash flow stands at EUR 11.5m. In light of init's first order from Asia and the ticketing project in Portland, init will have the references it needs to generate additional orders from Asia and ticketing orders in the USA. Revenues and return on equity remain above average. However, a trend towards greater price sensitivity has also been observed in tenders.

EVENTS AFTER THE REPORTING DATE

No events of special note that had a significant effect on the asset, earnings and financial position of the company occurred after the reporting date.

FORECAST, OPPORTUNITIES AND RISKS

Risk and opportunities management system

A global technology-oriented company such as init is faced with a number of risks that could affect its asset, financial and earnings position. Along with general economic and cyclical risks, which are beyond the company's control, there are operating and technical risk factors that may impact our future sales and earnings performance. All risks are continuously analysed and evaluated by the management of init AG and its subsidiaries to ensure a rapid response if required and be able to minimise potentially detrimental effects. Opportunities are identified and managed at Managing Board meetings.

The main risks for init are divided into the following categories:

1. Contract risks
2. Project risks
3. Financial risks
4. Other risks

The other risks include the core areas production, development, purchasing/logistics, personnel, sales, business planning and IT.

Risks are recorded, analysed and evaluated and adequate risk prevention measures derived in a risk management system that covers all business processes and corporate decisions. Both the Managing Board and Supervisory Board are kept informed of imminent risks. Before decisions are made, these risks are discussed in detail by the appropriate bodies and the opportunities and risks weighed up.

The init group examines the risks at all associated companies. No significant changes to the risk management system compared with the previous year have occurred.

Inherent operating risks, such as project delays, quality-related or human resources risks, are recorded and monitored by way of monthly reports. The incoming order situation, financial risks, supply delays and the liquidity situation are analysed weekly to ensure that appropriate measures can be immediately initiated, where necessary. Market, development and strategic risks are examined on a quarterly basis. Risks concerning legal aspects and contracts are worked on and examined by our in-house lawyers, where necessary with the support of outside expert counsel.

Individual risks

Contract risks

The profit margins that can be obtained from fixed price contracts could diverge from the original estimates due to changes in costs or unexpected technical difficulties. If contractual requirements are not met, it can result in substantial contractual penalties, claims for compensation, refusal to pay or termination of the

contract. To prevent this from happening, the risks in projects will be reported on a quarterly basis, an assessment made and countermeasures initiated.

Project and product risks

A crucial success factor for the init group is project management. For each major project, init implements a project plan for constant progress monitoring. A controlling system enables the company to identify any deviations from the specified time and costs, the deliveries and the hours worked and, in cases of deviations from the target, initiate the appropriate countermeasures. Calculations, the order situation and the project progress are regularly examined for the purpose of a target/performance analysis.

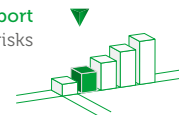
Vehicles can only be equipped successfully if the necessary hardware is made available at the right time and in the right quantity and quality. Poor quality or hidden faults may otherwise require cost-intensive rectifications or replacements that will affect the margin. Delivery dates and quality will therefore be constantly monitored. Quality control is conducted at the supplier's premises, upon receipt of goods as well as during installation of hardware in the project.

Currently, init has no claims against it on grounds of product defects or based on warranty which have had a considerable impact on the asset, financial and earnings position of the group. Future claims, however, cannot completely be ruled out, since init is also dependent on its suppliers and sub-contractors in terms of quality, schedule effectiveness and price.

Financial risks

The init group's financial risks are a central component of the risk management system and deal with the risks relating to the use of financial instruments.

The group concludes transactions exclusively with recognised, creditworthy third parties. All customers requesting credit-based transactions with the group are subjected to credit checks. In addition, accounts



receivable are constantly monitored. Recognisable risks of default are taken into account as value adjustments. In view of the latest economic developments, the high levels of public debt in the USA and Europe and the potential impact of measures to consolidate public budgets, considerable uncertainty is attached to our assessments of the general economic situation and of our market. In addition to the threat of insolvency in individual countries, there is also a high risk of bad debt losses. While a large number of init's customers are state-subsidised or public transport companies, it is still not unlikely that we will face bad debt losses in the future. In addition, contractually established payment terms could change to our disadvantage, with the result that we could encounter cash flow predictability risks and liquidity risks. In the past, an increasing number of payment plans for large-scale projects needed to be accepted that required a large degree of pre-financing. 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.

Contracts concluded in foreign currencies involve exchange rate risks that can affect sales, purchase prices, the valuation of accounts receivable, currency reserves and liabilities and therefore profit as well. init meets these foreign exchange risks with active exchange rate management, making use of forward exchange dealings and currency options. Since init also tries to keep its options open here and focus on active currency management, losses cannot be ruled out. Owing to our risk policy, however, we consider this risk of loss to be minimal. A sensitivity analysis on this subject is provided in Note 30.

init's investments include stocks, bonds, fixed-interest securities and fixed-term deposits. Exchange and interest rate risks can therefore affect the group's financial result. To spread risk, init purchased 25kg of gold, which is subject to market price fluctuations. The interest rate risk arising from the two variable-rate loans to finance the properties at Kaeppelestraße 4a, 8/8a and 10 currently has no significant influence on our earnings, financial and asset position.

There are only tax risks to the extent that the financial authorities assess tax-relevant issues differently than init. To minimise the risk to the largest extent possible, we have external tax consultants examine any contentious issues.

Other risks

Economic risks

As an internationally operating company, init is subject to the cyclical trends of the global economy and to the specific economic circumstances of the countries in which its individual projects are implemented. The government debt crises and resulting public spending cuts thus also pose a potential risk to init's business development.

The market for transport services, in which init's customers are primarily involved, is essentially dependent on the political will to improve the infrastructure and the funds made available for it. Delays and the postponement or cancellation of publicly funded investment projects and development funding due to a poor budgetary position can therefore adversely affect the init group's growth. Based on our current assessment and if and when the most recent political declarations of intent are implemented, many of init's key markets should, however, still see increased state investment. Government subsidies could, however, be considerably reduced in the future to combat sovereign debt. Our customers' financing options could deteriorate as a consequence, with the result that intentions to buy our products and services could change, be postponed or even be cancelled. Prices could also fall significantly as a result of the unfavourable market situation.

On the other hand, a number of government aid programmes have been implemented in the industrialised nations to counteract this crisis and stimulate economic activity through investments worth billions. The infrastructure sector in particular, which includes local public transport, is a focal point of these investments. This will bring with it additional business opportunities for init.

Market risks

Hardware and software as developed and marketed by init are subject to rapid changes and constant innovations. In order to limit the development risk, we must, on the one hand, keep up with technological advances. On the other, new products must be launched at the right time. Therefore, the requirements and changes of the market must be constantly monitored. init therefore factors suggestions and requests from customers into its product development on an ongoing basis. Nevertheless, the development of new products can incur costs without necessarily resulting in the desired success.

Competitors (including players from outside the industry) continuously try to break into the market on the basis of price and thus gain market shares at init's expense. However, in most cases these new competitors only remain in the market for a short period of time, as they are unable to meet the technological and customer-specific demands adequately due to a lack of experience and technology. Owing to the increase in the number of competitors, however, init is faced with the risk of decreasing prices and margins as well as the loss of tenders.

Market risks are also incurred through political conflicts, e.g. in the Middle East, which could have an adverse effect on the init group's further business development.

Human resources risks

The experience and qualifications of employees are the key to the success of the init group. The successful handling of projects depends on their completion as scheduled, the scope of each individual project, the enforceability of contractual terms, support from the customer and specific national laws and regulations.

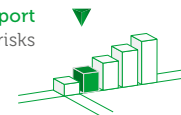
Apart from unforeseeable technical and customer-specific difficulties, timely completion of projects also depends on the availability of sufficiently qualified personnel. init takes account of this by operating a long-term personnel policy which includes the involvement of employees in the success of the company.

Nevertheless, the possibility cannot be ruled out that experts or key individuals will leave the company or that vacancies cannot be filled with appropriately qualified staff. In the event of a pandemic, a sufficient number of home offices are available to ensure that the majority of init's employees are able to access the company's servers using secure VPN connections and perform necessary work from home. The company pays a share of the employees' Internet costs.

Opportunities

The market for init systems is in a technological upheaval characterised by digitisation and networking. This results in new requirements on the customer side and sustained growth potential. E-ticketing is becoming increasingly important and init is in a leading market position in Germany, Europe and North America. In particular in North America we can anticipate further orders if the transport companies' reluctance to invest caused by the presidential election and fiscal constraints in the US is dissolved. Major ticketing tenders are also expected on other continents. In order to achieve additional growth potential, it is init's priority objective to push forward idea of integrated systems, i.e. operation control systems combined with e-ticketing.

The development of apps for customers is becoming increasingly important. To this end, init has launched its own development team. Apps are primarily deployed in demand-driven bus services used where tablets or smartphones can serve as a on-board computers. This is an important cost advantage for smaller bus or transport companies in particular. init provides them with their own control system in a "cloud" that they can make full use of, the costs of which, however, are distributed across all the connected enterprises. The next step is to offer transport companies the entire technical operation and the first customers



have already been secured. There has also been an increasing demand from init customers for networking with other transport systems such as long-distance and private transport. init provides the interfaces for this. All these new developments can contribute to more dynamic growth at init than currently expected.

Additional opportunities may also arise from the continued development of the Asian market.

Forecast

The global economic environment for internationally operating technology companies such as init has deteriorated significantly in the recent past. New crisis factors were added to those that have persisted for years, such as the sovereign debt problems that in many cases are yet to be resolved and the associated upheavals. The intensification of geopolitical tensions, the faltering of the Chinese economy, which has driven growth in recent years, the economic collapse in countries dependent on commodity and oil exports and the knock-on effects this has continue to cause massive uncertainty in all markets.

After a good start in 2015, the init group was also affected by the consequences of its customers' uncertainty in the first half of 2015. Tenders were postponed or re-issued, projects were delayed.

As explained above, the init group was able to achieve its revised targets for revenues and profit in this difficult environment for the financial year just ended. In terms of incoming orders, on the other hand, the group fell considerably short of expectations. We are currently involved in numerous tenders worldwide. We are confident that we will be able to win a large portion of these ongoing and pending tenders in the 2016 financial year so that we can soon close the gap that developed in incoming orders. We believe the largest growth potential is in the USA where budget increases in 2016 should create space for new tenders.

With an order backlog totalling EUR 81m, init has already secured more than half of the planned revenues for 2016. Furthermore, the first tenders were secured in the period while the consolidated financial statements were being prepared. The tender from Tampa, Florida, is particularly worthy of mention here.

Given the deterioration in global economic conditions and expected further political and economic turmoil in many countries, we remain conservative in our planning. We therefore expect revenues of about EUR 100m with a slight decline in margins for 2016. This corresponds to an operating profit (EBIT) of approximately EUR 8m. In terms of volume, we expect approximately EUR 110m in incoming orders.

Actual earnings could deviate significantly from the forecast if new uncertainties occur or key parameters for assumptions change. This applies in particular to exchange rates, the realisable prices for new projects, the awarding of ongoing tenders and the timing of the new orders.

New technological developments contribute to the continued dynamic growth of our market. This also attracts new, local and regional competitors and increases pressure on prices and margins in economically uncertain times.

With forward-looking investments we have created the foundations that will allow us to continue to assert our position as a leading international provider of telematics, planning, dispatching and electronic fare collection systems for buses and trains and return init to a stable growth path in the middle term.

In addition, our intention for financial year 2016 is to achieve "good" customer satisfaction once again, ensure the high professional qualifications of our employees and shape the upheaval in our market marked by digitisation and networking in order to respond optimally to the new needs of our customers in the 2016 financial year.

Assessment of the overall risk position

The Managing Board's view is that, overall, the risks to which the init group is exposed are at present comparatively low, based on the group's solid earnings, financial and asset position and the continued predominantly positive business forecast.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM PERTAINING TO THE GROUP'S FINANCIAL REPORTING PROCESS

The primary objective of init AG's internal accounting-related control and risk management system is to secure the regularity of financial reporting, i.e. to make sure that the consolidated financial statements and the combined management report comply with all relevant rules and regulations.

The internal control and risk management system pertaining to the financial reporting process is not defined by law. We understand internal control and risk management to be a comprehensive system and follow the definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors) in Duesseldorf, Germany, on the internal control system pertaining to the financial reporting process and the risk management system. According to this definition, an internal control system is understood to mean the principles, processes and measures introduced by the management of a company which are focused on the organisational implementation of decisions passed by the management to ensure:

- › the efficiency and cost-effectiveness of operations (this includes the protection of assets including the prevention and identification of economic impairment),
- › the truth and reliability of internal and external accounting, and
- › compliance with the legal requirements relevant to the company.

The risk management system comprises the totality of all organisational regulations and measures established to identify and handle risks relating to the business activities of the company.

The following structures and processes have been implemented in the group with regard to the financial reporting processes of our consolidated companies:

The Managing Board has overall responsibility for the internal control and risk management system

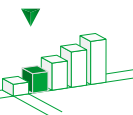
pertaining to the group's financial reporting process.

The closing information reported by init AG and its subsidiaries, which itself is based on entries made in the various entities, forms the underlying data base for the preparation of the consolidated financial statements. The parent company in Karlsruhe, the subsidiary concerned, or external regional accounting companies are responsible for preparing the closing information of the subsidiaries. In the case of subjects requiring special expertise, we sometimes call on external providers for assistance, e.g. to value pension liabilities. The consolidated financial statements are then prepared on the basis of the reported closing information. The stages in the process to prepare the consolidated financial statements are carried out in accordance with the peer-review principle.

The principles, the operational and organisational structure, and the processes of the accounting-related internal control and risk management system are laid down in a manual and in organisation instructions. These are reviewed and revised regularly in line with current external and internal developments.

With respect to the financial reporting processes of our consolidated companies and the group's financial reporting process, we consider features of the internal control and risk management system essential which may significantly affect the group accounting and the overall view presented by the consolidated financial statements including the combined management report. These include the following elements in particular:

- › Identification of key areas of risk and control relevant to the financial reporting process.
- › Controls designed to monitor the financial reporting process and its results at management level in regular board meetings.
- › Preventive control measures for the group's accounting and finance and in operating and performance-related corporate processes that generate essential information for the preparation of the consolidated financial statements including the combined management report, including a separation of functions and pre-defined authorisation processes in relevant areas.



- > Uniform accounting is primarily ensured through a group accounting manual.
 - > Accounting data are regularly spot checked for completeness and accuracy.
 - > The subsidiaries provide the parent company with monthly reports on their business trend and submit monthly accounts. Ongoing projects are reported on a quarterly basis. Major foreign companies in the group are visited once or twice a year. Particular focus is placed here on a discussion of special issues and an examination of these companies' figures and projects.
 - > Measures exist to ensure proper IT-based processing of accounting-related facts and figures.
 - > The group has also implemented a risk management system for the group-wide financial accounting process which includes measures to identify and assess material risks along with appropriate risk-reducing measures to ensure adequacy of the consolidated financial statements.
2. A variable component linked to the consolidated earnings before taxes and after deduction of all management bonuses and employee shares and applicable as a percentage from an operating profit before taxes of EUR 10.0m upwards. The management bonus is limited to 25 per cent of the total compensation package excluding the restricted shares under item 3. The variable component of the Board members' salaries in 2015 totalled EUR 124k (previous year: EUR 243k.)
 3. An additional management bonus for 2015 in the form of 2,500 shares, if net profit before tax and after deduction of all management bonuses exceeds EUR 10m. In this case, each member of the Board receives 150 shares for each EUR 1m of excess profit. For two Board members, the number of shares is limited to 10,000 and for two Board members to 6,000. These shares are subject to a vesting period of five years. The income tax on the non-cash benefit of the share transfer is borne by the company. The fair value of this salary including income tax payable on it totalled EUR 296k for the fiscal year just ended (previous year: EUR 625k.)

BASIC FEATURES OF THE REMUNERATION SYSTEM IN ACCORDANCE WITH § 315 PARAGRAPH 2 NO. 4 HGB (GERMAN COMMERCIAL CODE)

Remuneration system for the Managing Board

The salaries for members of the Managing Board are set by the Supervisory Board. The remuneration is determined by the size of the company, its economic and financial situation, the amount and structure of remuneration at comparable companies as well as its relationship to the salaries paid to staff. The salary system for Managing Board members at init innovation in traffic systems AG – including in their capacity as managing directors of subsidiaries – provides for the following:

1. A fixed salary component payable on a pro rata basis in 13 monthly instalments. The fixed component of the Board members' salaries in 2015 totalled EUR 1,355k (previous year: EUR 1,448k).
2. A variable component linked to the consolidated earnings before taxes and after deduction of all management bonuses and employee shares and applicable as a percentage from an operating profit before taxes of EUR 10.0m upwards. The management bonus is limited to 25 per cent of the total compensation package excluding the restricted shares under item 3. The variable component of the Board members' salaries in 2015 totalled EUR 124k (previous year: EUR 243k.)
3. An additional management bonus for 2015 in the form of 2,500 shares, if net profit before tax and after deduction of all management bonuses exceeds EUR 10m. In this case, each member of the Board receives 150 shares for each EUR 1m of excess profit. For two Board members, the number of shares is limited to 10,000 and for two Board members to 6,000. These shares are subject to a vesting period of five years. The income tax on the non-cash benefit of the share transfer is borne by the company. The fair value of this salary including income tax payable on it totalled EUR 296k for the fiscal year just ended (previous year: EUR 625k.)
4. Based on the aforementioned remuneration system, remuneration of EUR 257k (previous year: EUR 153k) was paid to a former board member who is also Managing Director of INIT GmbH.
5. Pension commitments exist for two of the four members of the Managing Board as well as for the Board member who resigned in 2014. The reduction of the pension accruals (DBO) for these three persons was EUR 190k in 2015 (previous year: increase of EUR 975k). The decrease results from the increased calculatory interest rate.
6. A defined contribution plan instead of a direct pension commitment exists for two members of the Managing Board. The expenses for this amounted to EUR 10k in 2015 (previous year: EUR 9k.)
7. An additional commitment for a defined contribution plan exists for three members of the Managing Board as well as the Board member who resigned in 2014. In 2015, expenditure for this item amounted to EUR 76k (previous year: EUR 86k).

In compliance with Section 315a (1) HGB (German Commercial Code) in conjunction with Section 314 (1) no. 6a sentences 5 to 8 HGB, the individualised disclosure of the Managing Board members' salaries can be withheld for a period of five years (Section 314 (2) sentence 2 in conjunction with Section 286 (5) HGB), which the shareholders' meeting on 24 May 2011 resolved to do.

No benefits payable to members leaving the Managing Board have been agreed. However, a termination bonus may be specified in an individual termination agreement. This was not the case in 2015.

Remuneration system for the Supervisory Board

The applicable salaries of the Supervisory Board were decided at the shareholders' meeting of 24 May 2011, based on a proposal put forward by the Managing Board and the Supervisory Board. The articles of incorporation of init innovation in traffic systems AG were amended accordingly.

In addition to the reimbursement of expenditure, the annual salary of members of the Supervisory Board comprises a fixed and a variable component. The fixed component totals EUR 18k p.a. for the members and EUR 36k p.a. for the Chairman. The variable component depends in equal amounts on the share price and the net profit before tax. The variable salary is limited to 200 per cent of the fixed salary and is calculated using the following formula:

$$V = ((0.5 * \text{price} / 10 + 0.5 * \text{net profit before tax} / 10\text{m}) - 1) * \text{fixed component}$$

Where V (variable salary) is less than zero, the variable component does not apply and only the fixed component of the salary is payable.

The following is a breakdown of the remuneration of the Supervisory Board in the 2015 financial year:

| Name | Fixed component in EUR '000 | Variable component in EUR '000 |
|---------------------|--------------------------------|-----------------------------------|
| Hans-Joachim Rühlig | 36 | 22 |
| Drs. Hans Rat | 18 | 11 |
| Ulrich Sieg | 18 | 11 |

REPORTING IN ACCORDANCE WITH § 315 PARAGRAPH 4 HGB

Particulars of shareholders' equity

init AG has a capital stock of EUR 10,040,000, divided into 10,040,000 no-par bearer shares with an imputed share in the capital stock of EUR 1 per share. The shares have been issued and fully paid up. For the rights and obligations related to the shares, please refer to Sections 118 ff. AktG. (German Stock Corporation Act).

The Managing Board is not aware of any restrictions relating to the voting rights or the transfer of shares.

Dr. Gottfried Greschner, Karlsruhe, directly or indirectly holds 3,387,738 shares in init AG. This is approximately 33.7 per cent of the capital stock. init AG held a total of 22,402 treasury shares as at 31 December 2015 (as at 31 December 2014: 16,904 shares).

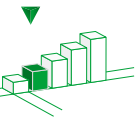
There are no shares with special rights.

No voting control exists for shares held by employees.

Please refer to Note 42 for notifications pursuant to Section 21 (1) of the WpHG (German Securities Trading Act).

Statutory requirements and provisions of the articles on the appointment and dismissal of members of the Managing Board and on amendments to the articles of incorporation

For the appointment and dismissal of members of the Managing Board, please refer to Sections 84, 85 AktG



(German Stock Corporation Act). Amendments to the articles of incorporation are subject to the legal control of Sections 133 and 179 AktG.

Authority of the Managing Board to issue and repurchase stock

At the annual shareholders' meeting on 24 May 2011, a resolution to create authorised capital of EUR 5,020,000 was passed. With the approval of the Supervisory Board, the Managing Board is authorised to increase the company's capital stock by up to EUR 5,020,000 by 23 May 2016 through a single or repeated issuing of up to 5,020,000 ordinary shares in return for cash or contributions in kind. The new shares are to be taken over by credit institutions that are obliged to offer them to the shareholders for subscription. However, with the approval of the Supervisory Board, the Managing Board is authorised to withdraw the subscription right, so that up to 1,004,000 new shares are issued at a price not substantially lower than the stock market value of the company shares at the time the issue price is specified. The aim is to balance peak amounts, to open up additional capital markets, to acquire equity holdings and to acquire or merge with other companies or parts of companies by way of contribution as investment in kind, and to turn up to 250,000 new shares into employee stocks. The resolution passed at the annual shareholders' meeting on 12 May 2010 and 13 May 2015 authorised the company to purchase treasury stock.

CORPORATE MANAGEMENT DECLARATION

With regard to the required declaration by the management, please refer to the version in the Corporate Governance Report in the 2015 Annual Report which is available on the Internet at

► http://www.initag.de/en/investor_relations/corporate_governance.php

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report which is combined with the status report of the init AG, and includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year.

Karlsruhe, 15 March 2016

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Dr. Jürgen Greschner

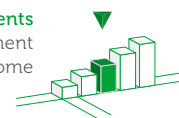
Bernhard Smolka

CONSOLIDATED FINANCIAL STATEMENTS

init innovation in traffic systems AG, Karlsruhe

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CONSOLIDATED INCOME STATEMENT

for 2015 (IFRS)

| EUR 'ooo | Notes No. | 1/1 to 31/12/2015 | 1/1 to 31/12/2014 |
|--|-----------|----------------------|----------------------|
| Revenues | 4, 35 | 105,293 | 102,993 |
| Cost of revenues | 5 | -73,454 | -66,412 |
| Gross profit | | 31,839 | 36,581 |
| Sales and marketing expenses | | -10,890 | -10,813 |
| General administrative expenses | | -6,820 | -6,238 |
| Research and development expenses | 6, 21 | -4,066 | -2,964 |
| Other operating income | 7 | 1,855 | 1,352 |
| Other operating expenses | | -200 | -757 |
| Foreign currency gains and losses | 8 | -1,646 | 916 |
| Income from associated companies | 22 | 684 | 608 |
| Earnings before interest and taxes (EBIT) | | 10,756 | 18,685 |
| Interest income | | 30 | 54 |
| Interest expenses | | -568 | -506 |
| Earnings before taxes (EBT) | | 10,218 | 18,233 |
| Income taxes | 9, 23 | -2,641 | -6,166 |
| Net profit | | 7,577 | 12,067 |
| thereof attributable to equity holders of parent company | | 7,482 | 12,067 |
| thereof non-controlling interests | | 95 | 0 |
| Net profit and diluted net profit per share in EUR | 11 | 0.75 | 1.20 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 2015 (IFRS)

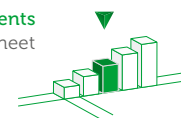
| EUR 'ooo | 1/1 to 31/12/2015 | 1/1 to 31/12/2014 |
|---|----------------------|----------------------|
| Net profit | 7,577 | 12,067 |
| Items to be reclassified to the income statement: | | |
| Net gains (+) / net losses (-) on currency translation | 2,743 | 2,672 |
| Net gains (+) / net losses (-) in available-for-sale financial assets | 0 | -1 |
| Items not to be reclassified to the income statement: | | |
| Actuarial losses on defined benefit obligations for pensions | 1,343 | -1,434 |
| Total Other comprehensive income | 4,086 | 1,237 |
| Total comprehensive income | 11,663 | 13,304 |
| thereof attributable to equity holders of the parent company | 11,568 | 13,304 |
| thereof non-controlling interests | 95 | 0 |

CONSOLIDATED BALANCE SHEET

as of 31 December 2015 (IFRS)

Assets

| EUR 'ooo | Notes No. | 31/12/2015 | 31/12/2014 |
|--|-----------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 14, 31 | 14,038 | 9,213 |
| Marketable securities and bonds | 15, 31 | 30 | 30 |
| Trade accounts receivable | 16, 31 | 23,467 | 19,606 |
| Future receivables from production orders (Percentage of completion method) | 16, 31 | 39,158 | 43,758 |
| Inventories | 17 | 22,718 | 19,775 |
| Income tax receivable | | 100 | 0 |
| Other current assets | 18 | 2,473 | 1,855 |
| Current assets, total | | 101,984 | 94,237 |
| Non-current assets | | | |
| Tangible fixed assets | 19 | 21,240 | 15,034 |
| Investment property | 20 | 6,086 | 6,173 |
| Goodwill | 21 | 4,388 | 4,388 |
| Other intangible assets | 21 | 1,457 | 1,925 |
| Interest in associated companies | 22 | 2,341 | 2,023 |
| Deferred tax assets | 23 | 5,273 | 2,857 |
| Other assets | 24 | 2,313 | 2,137 |
| Non-current assets, total | | 43,098 | 34,537 |
| Assets, total | | 145,082 | 128,774 |



Liabilities and shareholders' equity

| EUR 'ooo | Notes No. | 31/12/2015 | 31/12/2014 |
|---|-----------|----------------|----------------|
| Current liabilities | | | |
| Bank loans | 25, 31 | 12,884 | 1,197 |
| Trade accounts payable | 25, 31 | 10,968 | 10,894 |
| Accounts payable of "Percentage of completion method" | 16, 25 | 4,023 | 2,950 |
| Accounts payable due to related parties | 25, 34 | 5 | 888 |
| Advance payments received | 25 | 525 | 775 |
| Income tax payable | 25 | 1,560 | 2,015 |
| Provisions | 27 | 10,337 | 8,212 |
| Other current liabilities | 26 | 14,032 | 11,505 |
| Current liabilities, total | | 54,334 | 38,436 |
| Non-current liabilities | | | |
| Bank loans | 25, 31 | 6,717 | 7,900 |
| Deffered tax liabilities | 23 | 5,143 | 5,965 |
| Pensions accrued and similar obligations | 28 | 7,496 | 8,303 |
| Other non-current liabilities | 26 | 212 | 400 |
| Non-current liabilities, total | | 19,568 | 22,568 |
| Shareholders' equity | | | |
| Attributable to equity holders of the parent company | | | |
| Subscribed capital | 29 | 10,040 | 10,040 |
| Additional paid-in capital | 29 | 5,809 | 5,947 |
| Treasury stock | 29 | -436 | -353 |
| Surplus reserves and consolidated unappropriated profit | | 52,281 | 52,831 |
| Other reserves | 29 | 3,327 | -759 |
| | | 71,021 | 67,706 |
| Non-controlling interests | | 159 | 64 |
| Shareholders' equity, total | | 71,180 | 67,770 |
| Liabilities and shareholders' equity, total | | | |
| | | 145,082 | 128,774 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2015 (IFRS)

| Notes No. | Attributable to equity holders of | | |
|-----------------------------------|-----------------------------------|----------------------------|----------------|
| | 29 | 29 | 29 |
| EUR 'ooo | Subscribed capital | Additional paid-in capital | Treasury stock |
| Status as of 31/12/2013 | 10,040 | 5,962 | -763 |
| Net profit | | | |
| Other comprehensive income | | | |
| Total comprehensive income | | | |
| Dividend paid out | | | |
| Share-based payments | | -15 | 852 |
| Acquisition of treasury stock | | | -442 |
| Status as of 31/12/2014 | 10,040 | 5,947 | -353 |
| Status as of 31/12/2014 | 10,040 | 5,947 | -353 |
| Net profit | | | |
| Other comprehensive income | | | |
| Total comprehensive income | | | |
| Dividend paid out | | | |
| Share-based payments | | -138 | 928 |
| Acquisition of treasury stock | | | -1,011 |
| Status as of 31/12/2015 | 10,040 | 5,809 | -436 |



| the parent company | | Other reserves | | | Total | Non-controlling interest | Shareholders' equity total |
|---|--------|-----------------------------------|--------------------------------------|--------------------------------------|-------|--------------------------|----------------------------|
| 29 | 28 | Difference from pension valuation | Difference from currency translation | Stock market valuation of securities | | | |
| Surplus reserves and consolidated unappropriated profit | | | | | | | |
| 48,785 | -1,141 | -855 | 0 | 62,028 | 64 | 62,092 | |
| 12,067 | | | | 12,067 | | 12,067 | |
| | -1,434 | 2,672 | -1 | 1,237 | | 1,237 | |
| 12,067 | -1,434 | 2,672 | -1 | 13,304 | 0 | 13,304 | |
| -8,021 | | | | -8,021 | | -8,021 | |
| | | | | 837 | | 837 | |
| | | | | -442 | | -442 | |
| 52,831 | -2,575 | 1,817 | -1 | 67,706 | 64 | 67,770 | |
| 52,831 | -2,575 | 1,817 | -1 | 67,706 | 64 | 67,770 | |
| 7,482 | | | | 7,482 | 95 | 7,577 | |
| | 1,343 | 2,743 | | 4,086 | | 4,086 | |
| 7,482 | 1,343 | 2,743 | 0 | 11,568 | 95 | 11,663 | |
| -8,032 | | | | -8,032 | | -8,032 | |
| | | | | 790 | | 790 | |
| | | | | -1,011 | | -1,011 | |
| 52,281 | -1,232 | 4,560 | -1 | 71,021 | 159 | 71,180 | |

CONSOLIDATED CASH FLOW STATEMENT

for 2015 (IFRS)

| EUR '000 | 01/01 to 31/12/2015 | 01/01 to 31/12/2014 |
|--|------------------------|------------------------|
| Cash flow from operating activities | | |
| Net income | 7,577 | 12,067 |
| Depreciation | 3,361 | 3,005 |
| Gains on the disposal of fixed assets | -53 | -41 |
| Change of provisions and accruals | 1,318 | 2,786 |
| Change of inventories | -2,943 | -7,177 |
| Change in trade accounts receivable and future receivables from production orders | 739 | -14,261 |
| Change in other assets, not provided by / used in investing or financing activities | -894 | 652 |
| Change in trade accounts payable | 74 | 1,946 |
| Change in advanced payments received and liabilities from PoC method | 823 | -2,901 |
| Change in other liabilities, not provided by / used in investing or financing activities | 1,001 | 3,874 |
| Amount of other non-cash income and expenses | 475 | 552 |
| Net cash from operating activities | 11,478 | 502 |
| Cash flow from investing activities | | |
| Payments received on disposal of tangible fixed assets | 225 | 75 |
| Investments in tangible fixed assets and other intangible assets | -8,684 | -7,330 |
| Investment property | 0 | -4 |
| Investment for acquisition of assets of LC Consultant SARL | -251 | 0 |
| Inflows from associated companies and loans receivable | 366 | 473 |
| Inflows from sales of marketable securities as part of short-term cash management | 0 | 107 |
| Net cash flows used in investing activities | -8,344 | -6,679 |
| Cash flow from financing activities | | |
| Dividend paid out | -8,032 | -8,022 |
| Cash payments for the purchase of treasury stock | -1,011 | -442 |
| Payments received from bank loans incurred | 11,685 | 0 |
| Redemption of bank loans | -1,184 | -1,895 |
| Net cash flows used in financing activities | 1,458 | -10,359 |
| Net effects of currency translation and consolidation changes in cash and cash equivalents | 233 | 303 |
| Increase / reduction in cash and cash equivalents | 4,825 | -16,233 |
| Cash and cash equivalents as the beginning of the period | 9,213 | 25,446 |
| Cash and cash equivalents at the end of the period | 14,038 | 9,213 |

Additional information regarding the cash flow statement can be found in Note 33.

NOTES 2015

init innovation in traffic systems AG, Karlsruhe

| | | | |
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| 82 | Trade accounts receivable and future receivables from production orders | | |
| 84 | Inventories | | |
| 84 | Other current assets | | |
| 85 | Tangible fixed assets | | |
| 86 | Investment property | | |
| 87 | Goodwill and other intangible assets | | |
| 90 | Interests in associated companies | | |
| 90 | Deferred taxes | | |

1. Information about init

init innovation in traffic systems Aktiengesellschaft, Kaeppelestrasse 4–6, Karlsruhe, Germany (“init AG”) was established on 18 August 2000 as the holding company of the init group and is entered in the Commercial Register of the Mannheim District Court (Germany) under HRB 109120. The init group is an internationally operating system supplier of transportation telematics (telecommunications and information technology, globally also called Intelligent Transportation Systems – ITS).

init AG is a listed company, ISIN DE0005759807, and has been in the regulated market (Prime Standard) since 1 January 2003.

2. Accounting principles

The consolidated financial statements and the comparative prior-year figures were prepared in compliance with the International Financial Reporting Standards (IFRS). The consolidated financial statements of init AG and its subsidiaries are consistent with the IFRS applicable in the EU. The consolidated financial statements comply with the requirement of § 315a HGB.

The consolidated financial statements were prepared in Euro. Unless otherwise indicated, all figures are rounded to a full thousand (EUR k).

The financial year of all included companies ends on 31 December.

For the sake of clarity of the statement, individual items in the balance sheet and the consolidated income statement have been combined; these are shown and explained separately in the notes. The consolidated income statement was prepared on the basis of the cost-of-sales format.

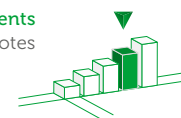
In principle, the accounting practices and valuation methods applied are consistent with the methods applied in the previous year.

The following standards are applied for the financial year 2015, however there is no impact on the financial, assets and earnings positions of the init group.

| Standard | Title |
|---------------------------------------|--------|
| IFRIC 21 | Levies |
| Annual improvements (2011–2013 cycle) | |

EU endorsement received:

The IASB has published the following standards and interpretations, which have already been introduced into European law in the context of a comitology procedure, but which were not mandatory as yet for the 2015 financial year. The group did not opt for an early application of these standards and interpretations.



| Standard | Title | Application |
|---------------------------------------|--|-----------------|
| Amendment to IAS 19 | Defined benefit plans: Employee contributions | 1 February 2015 |
| Amendments to IAS 16 and IAS 41 | Bearer plants | 1 January 2016 |
| Amendment to IFRS 11 | Joint arrangements – Accounting for acquisitions of interests | 1 January 2016 |
| Amendments to IAS 16 und IAS 38 | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to IAS 1 | Disclosure initiative | 1 January 2016 |
| Amendments to IAS 27 | Equity method in separate financial statements | 1 January 2016 |
| Annual improvements (2010–2012 cycle) | | 1 February 2015 |
| Annual improvements (2012–2014 cycle) | | 1 January 2016 |

No significant effects on the init group are expected from the amendments to the above mentioned standards.

EU endorsement outstanding:

The IASB has published the following list of standards and interpretations whose application was not yet mandatory during the 2015 financial year. These standards and interpretations have not yet been adopted into EU law and were not applied by the group.

| Standard | Title | Publication by IASB |
|---|--|---------------------|
| IFRS 9 | Financial Instruments | July 2014 |
| IFRS 15 | Revenue from Contracts with Customers | May 2014 |
| IFRS 16 | Leases | January 2016 |
| Amendments to IFRS 10 and IAS 28 | Sales or contributions of assets between an investor and its associate / joint venture | September 2014 |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception | December 2014 |
| Amendments to IAS 12 | Recognition of deferred tax assets for unrealised losses | January 2016 |

Due to the amendments or implementation of the above mentioned standards no significant effects on the init group are expected – with exception of IFRS 15 and IFRS 16.

The group is currently evaluating especially the impact on the revenue and profit recognition of the IFRS 15 included reorganisation of the point of time- or period-based changeover of the authority to dispose. The extent of the notes is expected to increase significantly (effective for annual periods beginning on or after 1 January 2018).

The impact of the application of IFRS 16 is currently under review (effective for annual periods beginning on or after 1 January 2019).

The standards and interpretations listed above will be applied when they take effect within the European Union. There are no plans to apply the new standards in the init group beforehand.

3. Principles of valuation and consolidation

Consolidated group

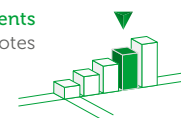
| Name | Registered seat | Share 2015 | Share 2014 |
|--|----------------------------------|------------|------------|
| Fully consolidated companies | | | |
| INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH ("INIT GmbH")* | Karlsruhe | 100% | 100% |
| INIT Innovations in Transportation Inc. ("INIT Chesapeake") | Chesapeake / Virginia, USA | 100% | 100% |
| INIT Innovations in Transportation (Eastern Canada) Inc. / INIT Innovations en Transport (Canada Est) Inc. ("INIT Montreal") | Montreal, Canada | 100% | 100% |
| INIT Innovations in Transportation (Western Canada) Inc. ("INIT Toronto") | Toronto, Canada | 100% | 100% |
| INIT PTY LTD ("INIT Brisbane") | Brisbane / Queensland, Australia | 100% | 100% |
| Init Innovation in Traffic Systems FZE ("INIT Dubai") | Dubai, United Arab Emirates | 100% | 100% |
| initplan GmbH ("initplan")* | Karlsruhe | 100% | 100% |
| INIT Innovations in Transportation Oy ("INIT Helsinki") | Helsinki, Finland | 100% | 100% |
| INIT Innovations in Transportation Limited ("INIT Nottingham") | Nottingham, Great Britain | 100% | 100% |
| INIT Swiss AG ("INIT Neuhausen") | Neuhausen, Switzerland | 100% | 100% |
| initperdis GmbH ("initperdis") | Hamburg | 100% | 100% |
| INIT Asia-Pacific Pte. Ltd. ("INIT Singapore") | Singapore | 100% | 100% |
| CarMedialab Corp. ("CML Corp.") | Bruchsal | 58.1% | 58.1% |
| CarMedialab Corp. („CML Corp.“) | Santa Monica / California, USA | 58.1% | 58.1% |
| TQA Total Quality Assembly LLC ("TQA") | Chesapeake / Virginia, USA | 60% | 60% |
| SQM Superior Quality Manufacturing LLC ("SQM") | Chesapeake / Virginia, USA | 100% | 100% |
| GO-1 LLC ("GO-1") | Chesapeake / Virginia, USA | 100% | --- |
| Associated companies (at-equity) | | | |
| iris-GmbH infrared & intelligent sensors ("iris") | Berlin | 43% | 43% |

* exempted pursuant to Section 264 Paragraph 3 of the German Commercial Code (HGB)

Company formations in 2015 and 2014

Within the consolidated group as at 31 December 2014 the following change resulted:

On 23 September 2015, init AG established the subsidiary GO-1 LLC in Chesapeake / VA in the US. The purpose of this company is to set up and lease premises for the operational US subsidiaries (INIT Chesapeake, TQA and SQM). The payment of the subscribed capital in the amount of USD 10k was realised on 20 November 2015.



Business combinations in 2015 and 2014

With effect as of 1 October 2015 initperdis acquired the business operations of LC Consultant SARL, Saint Cloud in France, for a purchase price of EUR 251k. LC Consultant was a French company that has developed and maintained a rostering and dispatching software for public transport companies, called Webus, for over 10 years. Through the acquisition of customers init can strengthen its market presence in the French market.

As part of the purchase price allocation no other assets and liabilities in addition to the customer base were identified. The fair value at the acquisition date corresponds to the purchase price. Therefore no goodwill incurred.

The customer base is included in the balance sheet under “Other intangible assets” and is amortised over a term of 5 years (section 21). The expenses (2015: EUR 13k) are included in the consolidated income statement under “Cost of revenues”.

The total amount of incidental acquisition costs is EUR 44k and is included in the consolidated income statement under “Administrative expenses”.

Revenues and EBIT of the business operations of LC Consultant, both for the entire 2015 financial year and since the date of acquisition of secondary importance for the init group.

Cash outflow on the acquisition:

| EUR 'ooo | |
|--|-----|
| Transaction costs (included in cash flow from operating activities): | 44 |
| The business cash acquired: | 0 |
| Purchase price (in cash flows from investing activities): | 251 |
| Net cash outflow on acquisition: | 295 |

With effect from 29 January 2016 INIT GmbH acquired further 6 per cent of iris.

There were no business combinations within the meaning of IFRS 3 in 2014.

Consolidation method

The annual financial statements of the fully consolidated companies are prepared according to the standard accounting and valuation principles of the group in line with the IFRS on the same reporting date as the financial statements of the parent company. Where required, any financial statements prepared in accordance with national accounting regulations are adjusted accordingly.

Company mergers are reported using the purchase method. The acquisition costs for the company acquired are measured on the basis of the transferred consideration stated at the fair value at the time of acquisition. Any costs incurred in the context of the merger are reported as expenses and recognised as administrative expenses. For gradual company acquisitions, the equity share previously held by the buyer in the acquired company is redetermined at its fair value at the time of acquisition and the resulting profit or loss reported in the consolidated income statement.

The agreed contingent consideration is reported at the fair value at the time of acquisition. In agreement with IAS 39, subsequent changes to the fair value of a contingent consideration constituting an asset or liability are reported in the consolidated income statement or other earnings. A contingent consideration classed as equity is not revalued. Its subsequent payment is reported in the shareholders' capital.

Where a contingent consideration does not fall under the scope of IAS 39, it is valued in agreement with the relevant IFRS.

The capital is consolidated by offsetting the acquisition cost against the group share in the revalued shareholders' capital of the consolidated subsidiaries at the time when control was acquired. The recognisable assets, liabilities and contingent claims and liabilities of the subsidiaries are recognised at their full market value irrespective of the amount of the non-controlling interests. Intangible assets are reported separately from the goodwill if they are separable from the company or result from a contractual or other right. All positive differences (goodwill) arising from the initial consolidation are capitalised and subjected to an impairment test in line with IFRS 3 "Business Combinations" / IAS 36 "Impairment of Assets". Negative differences are recognised in the profit and loss immediately after the acquisition. In case of de-consolidations, the remaining book values of the positive differences are taken into account proportionally when calculating the disposal result. The valuation using the equity method is based on the same principles, with goodwill being reported in the investments.

Both the receivables and payables, and the expenses and income between consolidated companies are offset against each other. Assets from intragroup services are adjusted by intermediate results. Deferred taxes are valued such as to reflect temporary valuation differences from consolidation processes.

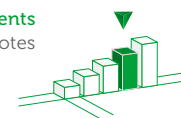
Conversion of foreign currency

The financial statements of the subsidiaries of the init AG are prepared in their functional currency according to IAS 21 "The Effects of Changes in Foreign Exchange Rates". The functional currency of INIT Chesapeake, TQA, INIT Montreal, INIT Toronto, INIT Brisbane, INIT Dubai, INIT Nottingham, SQM, INIT Neuhausen, CML Corp., INIT Singapore and GO-1 corresponds to its national currency. When converting financial statements in a foreign currency to the currency of the init group (euro), the assets and liabilities are converted using the current rate on the reporting date, whereas the shareholders' equity is converted using the historic exchange rate. Items of the consolidated income statement are converted taking as the basis the average currency exchange rate of the year. The resulting conversion differences are shown cumulatively in a separate item in the shareholders' equity (Other comprehensive income).

Estimates and assumptions

To a certain degree, the preparation of the consolidated financial statements requires estimates and assumptions to be made by the Managing Board that affect the amount of the assets and liabilities reported on the balance sheet, the specification of contingent liabilities as on the reporting date, and the statement of income and expenditure during the period under review. The actual amounts may deviate from these estimates.

The most important forward-looking assumptions and any other significant sources of uncertainty in the estimations that exist on the reporting date which could give rise to the risk of having to adjust the book value of assets and liabilities in the next financial year are explained below.



Goodwill

Goodwill from a business combination is valued at acquisition cost on initial recognition, measured as transferred consideration excess above the share of the group in the fair value of the acquired, identifiable assets, liabilities and contingent claims and liabilities. After initial recognition, the goodwill is reported at acquisition cost less cumulated impairment losses. Goodwill is examined for impairment loss at least once a year or when facts or changes in circumstances indicate that its book value may have decreased. This check requires an estimation of the use value of the cash-generating units to which the goodwill is allocated. To this end, the corporate management must estimate the foreseeable future cash flows of the cash-generating units and, in addition, must also select an appropriate discount rate in order to calculate the cash value of these cash flows. For further information, please refer to section 21 in this text.

Pensions and other post-employment benefits

The expenditure from defined benefit plans is calculated using actuarial methods, made on the basis of assumptions relating to discount rates, future wage and salary increases, mortality and future pension increases. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainties. For further information, please refer to section 28 in this text.

Development costs

Development costs are capitalised as per the accounting principles and valuation methods presented. To calculate the values to be capitalised, the corporate management must make assumptions on the amount of cash flow expected in future from assets, on the interest rates to be applied and on the time frame for the influx of expected future cash flows generated by assets. Research and development costs are entered as expenses as incurred. In certain cases, development costs are capitalised (please refer to the explanations on other intangible assets).

Assumptions and estimations are also necessary for reporting and valuing future receivables from long-term order completion, for value adjustments on doubtful receivables and for contingent liabilities and other provisions. They are also needed when determining the fair value of non-current tangible and intangible assets and when applying deferred taxes to tax losses carried forward.

Realisation of income

Income is realised if it is probable that the economic benefit will flow to the corporation and the amount of income can be measured with reliability. In addition, the following recognition criteria must be met to allow income to be realised:

Income from system contracts is recorded using the Percentage-of-Completion method. The percentage of completion of orders in progress and such not yet invoiced at the reporting date is determined by the ratio of costs accrued to the total costs ("cost-to-cost" method).

Income from product sales is realised upon transfer of the key risks and opportunities to the customer. Where the installation at the customer's place of business is an important prerequisite for the commissioning, the revenues are not realised until the installation has been completed.

Income from operating leases for investment property is reported evenly over the entire term of the lease in other operating income.

Interest income is realised where interest has accrued.

Income from dividends is reported once the group has a legitimate claim for payment.

Public subsidies and European Union subsidies

Public subsidies and subsidies from the European Union are recorded if it has been established with reasonable certainty that the subsidies will be granted and the company meets the relevant requirements. The expense-related subsidies are recorded as income as planned over the period required to offset them against the appropriate expenses which they are to compensate.

Cash and cash equivalents

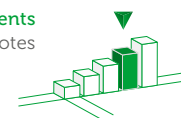
The cash and cash equivalents comprise short-term, highly liquid funds with original maturities of less than three months from the date of acquisition.

Financial investments and other financial assets

Financial assets as defined by IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial assets reported at their fair value and recognised as income or expenses, as loans and receivables, as held-to-maturity investments, or as available-for-sale financial assets. On initial recognition of the financial assets, these are reported at their fair value. Financial investments other than those reported at their fair value and recognised as income or expenses are also taken into account with transaction costs attributable directly to the acquisition of the asset. The group specifies the classification of its financial assets on initial recognition and is required to review the allocation at the end of each financial year, where permissible and appropriate.

The purchase and sale of financial assets as customary in the market is reported on the trading day, i.e. the day on which the company has made a firm commitment to purchase the asset. Purchases and sales as customary in the market are purchases and sales of financial assets which prescribe the provision of the assets within a period specified by market regulations or conventions.

The fair value of financial investments traded in organised markets is determined using the current price (buying rate) quoted on the reporting date. The fair value of financial investments without an active market is determined using valuation methods. These valuation methods include the use of recent business transactions between competent and independent business partners willing to enter into a contract, the comparison with the fair value of another, basically identical, financial instrument, the analysis of discounted cash flows, and the use of other valuation models.



Securities and bonds

Until their final maturity, securities are classified as financial assets available for sale. Following their initial recognition, financial assets available for sale are reported at their fair value (exchange or market price), with gains or losses recognised as a separate item in the shareholder's equity. Once the financial investment is derecognised or its value found to be impaired, the cumulated gain or loss previously recognised in the equity capital is reported through profit or loss.

Trade accounts receivable and future receivables from production orders

Receivables are non-derivative financial assets with fixed or estimable payments not listed in an active market. After initial inclusion, the receivables are reported at the net book value less impairment. Profits and losses are entered in the operating result related to the accounting period if the receivables are charged off or impaired. The future receivables from production orders correspond to the balance of costs incurred plus the profits of projects not invoiced and advance payment invoices issued.

Derivative financial instruments and hedge accounting

The group uses derivative financial instruments such as forward exchange contracts, currency options and swap transactions to hedge against currency risks. These derivative financial instruments are reported at their fair value at the time of conclusion of the contract and, in the following periods, are measured at their fair value. Derivative financial instruments are reported as assets if their fair value is positive and as liabilities if their fair value is negative.

Profits or losses from changes in the current prices of derivative financial instruments not meeting the hedge accounting criteria are immediately recognised as income or expenses. In contrast, the adjustment of order values to the current prices on the reporting dates for projects invoiced in a foreign currency always has a counter-effect on the net income realisation.

The current price of forward exchange contracts is determined with reference to the current forward exchange rates for contracts with similar maturity structures.

The group currently abstains from presenting this as hedge accounting because it does not meet the requirements, and takes changes in market values relating to forward exchange transactions into account in the net earnings.

Inventories

Inventories are valued at their acquisition and production costs or the lower net sales price realisable on the reporting date at the time of their addition. If the net sales price of inventories previously written down has increased, their value is increased appropriately. The production costs comprise both direct costs and the manufacturing and material overheads incurred in production, any depreciation and other production-related expenses. Cost of debt is reported as an expense in the period in which the debts were accrued. Impairment losses are recognised where necessary.

Tangible fixed assets

Tangible fixed assets are valued at acquisition cost less scheduled depreciation. The depreciation of the historical acquisition cost follows the straight-line method over the average useful life.

The average useful lives are as follows:

| | |
|------------------------------|-------------|
| Buildings | 25-50 years |
| Plant and machinery | 3-5 years |
| Factory and office equipment | 3-10 years |

Investment property

The property and land serving to generate rentals from third parties is treated as investment property. The value is determined using the cost method. The depreciation of the financial investments follows the straight-line method over their actual useful life, which is 50 years.

Group as lessor

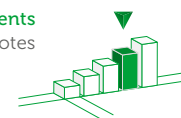
Leases under which all the opportunities and risks inherent in the property are not substantially transferred by the group to the lessee are classified as operating leases.

Other intangible assets

Purchased intangible assets are valued at acquisition cost and depreciated in a straight-line method over their useful life of three to ten years.

In accordance with IAS 38 "Intangible Assets", the company capitalises software development costs that accrue once it has been proven that the software is intended for own use or for sale and generates future economic benefit, that the resources required for completion of the asset are available, that the costs attributable to the development can be determined reliably, and the software has become technically feasible. Based on the product development process, software is deemed technically feasible upon completion of the detailed program and product design. Prior to this, the corresponding costs are recorded as periodic expenses. Once technical feasibility has been achieved, the corresponding costs are capitalised until the software is marketed and offered for sale. No software was capitalised in 2015 and in 2014 because the conditions were not met.

After initial recognition of the development costs, the cost method is used according to which the asset is reported at acquisition cost less cumulated amortisation and cumulated impairment losses. Software development costs were amortised per product using straight-line depreciation over a maximum period of three years. The depreciation and amortisation commences at the time of sale to the customer. Furthermore, capitalised software development costs are checked for impairment of value if events or changes have occurred which suggest that the net book value of an asset could have decreased.



Irrespective of this, these costs are subjected to an impairment test at least once a year until the time of sale to the customers.

Interests in associated companies

The interests in associated companies comprise investments in companies included at equity. These are valued taking into account the proportionate result of the company, the profit distributions effected and any impairment losses of goodwill.

Impairment of assets

Durable and intangible assets including goodwill are checked yearly for impairment of value or if events or changes have occurred which suggest that the net book value of an asset can no longer be realised (impairment test). Where the facts and circumstances indicate that an impairment of value has occurred, the net book values of the assets are compared with their prospective future income. If necessary, their lower of cost or market value is depreciated accordingly.

Deferred tax assets and deferred tax liabilities

The company determines its deferred income taxes using the balance sheet-oriented approach. Accordingly, deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 “Income Taxes” to account for the tax consequences of differences between the balance sheet valuations of the assets and liabilities and the corresponding tax assessment bases, and tax losses carried forward. The deferred tax assets and deferred tax liabilities are calculated on the basis of the prevailing tax rates for the taxable profit in the year in which the differences are expected to be levelled. The effect of changes in the tax rates on deferred tax assets and deferred tax liabilities is accounted for in the period in which the amendment of the law takes effect. The income tax rate taken as the basis was 31.0 per cent (2014: 30.0 per cent). Deferred tax assets for the unused tax losses carried forward of a subsidiary are recorded to the extent that taxable income is likely to be available for these, so that the loss carried forward can actually be used.

Other non-current assets

The company holds 25kg gold to minimise the euro risk. The gold stock is valued at fair value.

Liabilities

Liabilities are carried at net book value.

Pensions accrued and similar obligations

The pension accruals are calculated using the projected unit credit method for defined benefit plans, taking into account any future remuneration and pension adjustments. Actuarial gains and losses are reported in the equity capital without affecting the operating result. The service cost and the past service cost are recorded immediately affecting net income.

Provisions

The provisions are taken into account where a past event has led to a current liability, their utilisation is more likely than unlikely, and the amount of the liability can be estimated reliably. Provisions are valued at their settlement amount and not balanced with positive profit contributions. Provisions are only set up for legal or factual liabilities vis-à-vis third parties. Long-term provisions are discounted.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

4. Revenues

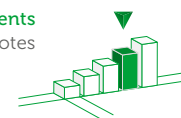
The revenues are composed of the following amounts:

| EUR 'ooo | 2015 | 2014 |
|--|----------------|----------------|
| Revenues resulting from the application of the Percentage-of-Completion method | 73,268 | 74,522 |
| Revenues from maintenance contracts | 16,484 | 13,948 |
| Revenues from additional and replacement deliveries | 15,541 | 14,523 |
| Total revenues | 105,293 | 102,993 |

5. Cost of revenues

The costs of revenues are composed as follows:

| EUR 'ooo | 2015 | 2014 |
|---|---------------|---------------|
| Cost of materials and purchased services | 37,577 | 35,263 |
| Personnel expenses | 21,977 | 20,768 |
| Depreciation | 2,547 | 2,286 |
| Rental expenses | 2,501 | 2,073 |
| Travel and entertainment costs | 1,855 | 1,760 |
| Valuation adjustments on inventories | 164 | 812 |
| Valuation adjustments on accounts receivables | 92 | 538 |
| Other | 6,741 | 2,912 |
| Total | 73,454 | 66,412 |



Other costs of revenues primarily include the increase of warranty obligations (EUR 1.1m). Due to projects with negative contribution margins provisions for anticipated losses increased by EUR 0.8m. In addition as in the previous year, other costs of revenues include vehicle costs as well as repair and maintenance expenses.

6. Research and development costs

| EUR 'ooo | 2015 | 2014 |
|--------------|--------------|--------------|
| Software | 2,882 | 1,986 |
| Hardware | 1,184 | 978 |
| Total | 4,066 | 2,964 |

7. Other operating income

The other operating income primarily includes basically allocated benefits in kind, rental income as well as renovation and reconstruction measures for a new tenant at Kaeppelestrasse 8/8a and 10 in Karlsruhe in the amount of EUR 480k (2014: EUR 0k). Additionally EUR 181k (2014: EUR 146k) result from public subsidies and subsidies from the European Union. The income from operating leases for the investment properties at Kaeppelestrasse 8/8a and 10 amounted to EUR 288k (2014: EUR 212k).

8. Foreign currency gains and losses

| EUR 'ooo | 2015 | 2014 |
|---|---------------|------------|
| Balance of unrealised currency gains / losses | 810 | -97 |
| Balance of realised currency gains / losses | -2,915 | 884 |
| Currency gains / losses from consolidation transactions | 459 | 129 |
| Total | -1,646 | 916 |

9. Income tax

| EUR 'ooo | 2015 | 2014 |
|---------------------|--------------|--------------|
| Current income tax | 5,235 | 5,825 |
| Deferred income tax | -2,594 | 341 |
| Total | 2,641 | 6,166 |

The deferred tax income mainly results from an adjustment of the valuation of inventories in the tax base.

The tax expenditure resulting from the application of the tax rate of init AG changes to income tax expenditure as shown in the following table. The tax rate of the German companies is made up of corporation

tax of 15.0 per cent (2014: 15.0 per cent) plus 5.5 per cent solidarity surcharge thereon, and trade tax of 15.05 per cent (2014: 14.35 per cent). For other countries the tax rate varies between 0 and 38 per cent. The average comes up to a rounded theoretical tax rate in the amount of 31.0 per cent (2014: 30.0 per cent).

| EUR '000 | 2015 | 2014 |
|--|--------------|--------------|
| Profit before income tax | 10,218 | 18,233 |
| Theoretical income tax expenditure at 31.0% (30.0%) | 3,168 | 5,470 |
| Tax rate differences for foreign subsidiaries | 202 | 782 |
| Tax effect of non-deductible / taxed expenses / income | -86 | 72 |
| Tax effects of tax-free increases in net worth | 6 | 17 |
| Taxes unrelated to accounting period | -557 | 0 |
| Tax effects from results of associated companies | -212 | -182 |
| Other | 120 | 7 |
| Effective income tax expenditure | 2,641 | 6,166 |
| Effective tax expenditure in % | 25.9 | 33.8 |

The change from the deferred tax assets and deferred tax liabilities to the deferred taxes reported in the consolidated income statement is composed of the following:

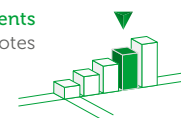
| EUR '000 | 2015 | 2014 |
|--|---------------|------------|
| Changes to deferred tax assets | -2,416 | -1,309 |
| Changes to deferred tax liabilities | -822 | 973 |
| Settled and recognised in equity | 561 | 615 |
| Currency adjustments | 83 | 62 |
| Deferred tax expense (+)/income (-) | -2,594 | 341 |

The effects recognised in equity refer to the reported actuarial gains / losses from defined benefit pension commitments.

10. Net earnings and losses from financial instruments

The net earnings from the other financial assets and liabilities are as follows:

| EUR '000 | 2015 | 2014 |
|--|---------------|------------|
| Loans and receivables | -2,338 | 2,124 |
| Financial assets available for sale | -3 | -7 |
| Financial liabilities recognised at cost | -59 | -92 |
| Financial assets and liabilities reported at fair value through profit or loss | 161 | -1,460 |
| Total | -2,239 | 565 |



In addition to impairments and reinstatements of original values, the net earnings from the loans and receivables also include foreign currency effects.

The net profit and loss of the financial assets and liabilities reported at their fair value through profit or loss essentially include the results from changes in the market value.

11. Net profit per share

The net profit per share is calculated by dividing the consolidated net profit due to the shareholders of the parent company by the weighted number of shares issued (issued capital less treasury shares). Since init AG had not issued any stock options by the reporting dates, there was no diluted net profit per share to be calculated.

| | 2015 | 2014 |
|---|------------|------------|
| Net profit (shareholders of the parent company) in EUR '000 | 7,577 | 12,067 |
| Weighted average number of shares issued | 10,028,934 | 10,016,115 |
| Undiluted net profit per share in EUR | 0.75 | 1.20 |

12. Paid and proposed dividends

| EUR '000 | 2015 | 2014 |
|---|-------|-------|
| Ordinary dividends declared and paid during the financial year | 8,032 | 8,021 |
| Ordinary dividends proposed at the shareholders' meeting for approval (on 31 December, not reported as liability) Dividend for 2015: 20 cents per share (2014: 80 cents per share) | 2,004 | 8,018 |

13. Personnel expenses

The personnel expenses totalled EUR 36,812k (2014: EUR 34,437k).

NOTES ON THE CONSOLIDATED BALANCE SHEET

14. Cash and cash equivalents

| EUR '000 | Fair values 2015 | Fair values 2014 |
|--|---------------------|---------------------|
| Deposits with credit institutions (current accounts) | 13,985 | 8,960 |
| Short-term deposits (fixed-term deposits / call money) | 53 | 253 |
| Total | 14,038 | 9,213 |

15. Securities and bond issues

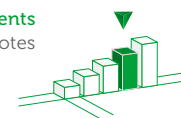
This item refers to securities and bond issues with a total fair value of EUR 30k (2014: EUR 30k). Due to the assumption of a permanent impairment, the fair value (market value on the reporting date) of the securities and bond issues was reduced by EUR 3k (2014: EUR 7k), and this impairment was recognised as an expense. The fair value of the Greek bonds amounted to EUR 19k at the reporting date (2014: EUR 16k). In 2015 no sales of securities occurred (2014: EUR 115k).

16. Trade accounts receivable and future receivables from production orders

| EUR '000 | 2015 | 2014 |
|---|---------------|---------------|
| Gross trade receivables | 26,199 | 22,015 |
| Less cumulative value adjustments | -2,732 | -2,409 |
| Subtotal | 23,467 | 19,606 |
| Future receivables from production orders | 39,158 | 43,758 |
| Total | 62,625 | 63,364 |

The value adjustments for trade accounts receivable developed as follows:

| EUR '000 | 2015 | 2014 |
|-------------------------|--------------|--------------|
| As of 01/01 | 2,409 | 894 |
| Transfer to expenditure | 502 | 1,517 |
| Drawdown | -9 | -9 |
| Release | -403 | -79 |
| Currency effects | 233 | 86 |
| As of 31/12 | 2,732 | 2,409 |



The expenses from transfer and the income from release are included in the income statement under “Cost of revenues”.

On 31 December, the age structure of trade accounts receivable was as follows:

| EUR 'ooo | 2015 | 2014 |
|-----------------------------------|--------|--------|
| Book value | 62,625 | 63,364 |
| Adjusted gross receivables | 3,790 | 3,490 |
| Neither delinquent nor impaired | 55,476 | 59,108 |
| Delinquent but not value-impaired | | |
| < 30 days | 3,804 | 884 |
| 30–60 days | 1,013 | 744 |
| 60–90 days | 287 | 550 |
| 90–180 days | 115 | 274 |
| > 180 days | 872 | 723 |

The delinquent accounts receivable amount to EUR 9.9m (2014: EUR 6.7m), whereby the projects in Dubai account for EUR 3.7m of this (2014: EUR 3.4m). Of the delinquent accounts receivable in Dubai, around EUR 2.2m (2014: EUR 2.0m) was written down. The general contractor for the first Dubai project did not pass payments from the end customer worth AED 12.1m on to us. init has gone to court to obtain the payment. The arbitral procedure was decided in favour of init. Currently the court reviews the arbitration in order to obtain an official copy. However, there is still the risk of default on these claims.

For future receivables from production orders value-impairing factors are continuously being considered in the context of the concurrently running project calculations.

At the reporting date, there were no indications to suggest that the debtors of the receivables not subject to value impairment would not meet their financial obligations.

Production orders

The production orders valued on the reporting date using the Percentage-of-Completion method but not yet invoiced are as follows:

| EUR 'ooo | 2015 | 2014 |
|---|---------------|---------------|
| Costs accrued plus profits from projects not yet invoiced | 234,772 | 193,259 |
| Less payments received | -199,637 | -152,451 |
| Balance | 35,135 | 40,808 |
| Of which: future receivables from production orders | 39,158 | 43,758 |
| Of which: liabilities from Percentage-of-Completion (see Liabilities) | 4,023 | 2,950 |

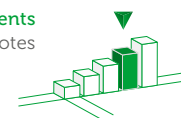
17. Inventories

| EUR 'ooo | 2015 | 2014 |
|--|---------------|---------------|
| Raw materials and supplies | 1,386 | 1,219 |
| Goods (valued at net realisable value) | 18,271 | 16,919 |
| Deposits paid | 3,061 | 1,637 |
| Total | 22,718 | 19,775 |

18. Other current assets

| EUR 'ooo | 2015 | 2014 |
|----------------------------------|--------------|--------------|
| Derivative financial instruments | 6 | 0 |
| Accruals | 727 | 560 |
| Other tax refund claims | 853 | 528 |
| Due from personnel | 137 | 157 |
| Other | 750 | 610 |
| Total | 2,473 | 1,855 |

On the reporting date, there were no indications to suggest that the value of the other assets was impaired.



19. Tangible fixed assets

| EUR 'ooo | Land and buildings | Plant and machinery | Factory and office equipment | Facilities under construction |
|--|--------------------|---------------------|------------------------------|-------------------------------|
| Acquisition and production costs | | | | |
| As of 01/01/2015 | 4,806 | 1,776 | 8,963 | 7,457 |
| Additions in current financial year | 894 | 77 | 2,483 | 4,960 |
| Disposals in current financial year | 3 | 2 | 2,203 | 0 |
| Reclassification in current financial year | 12,144 | -15 | 15 | -12,144 |
| Currency differences | 99 | 200 | 200 | 0 |
| As of 31/12/2015 | 17,940 | 2,036 | 9,458 | 273 |
| Depreciation | | | | |
| As of 01/01/2015 | 1,180 | 638 | 6,150 | 0 |
| Additions in current financial year | 333 | 212 | 1,756 | 0 |
| Disposals in current financial year | 3 | 1 | 2,047 | 0 |
| Reclassification in current financial year | 0 | -9 | 9 | 0 |
| Currency differences | 34 | 71 | 144 | 0 |
| As of 31/12/2015 | 1,544 | 911 | 6,012 | 0 |
| Book value as of 31/12/2015 | 16,396 | 1,125 | 3,446 | 273 |

| EUR 'ooo | Land and buildings | Plant and machinery | Factory and office equipment | Facilities under construction |
|---|--------------------|---------------------|------------------------------|-------------------------------|
| Acquisition and production costs | | | | |
| As of 01/01/2014 | 4,567 | 1,504 | 8,184 | 1,584 |
| Additions in current financial year | 137 | 72 | 1,119 | 5,873 |
| Disposals in current financial year | 0 | 0 | 545 | 0 |
| Currency differences | 102 | 200 | 205 | 0 |
| As of 31/12/2014 | 4,806 | 1,776 | 8,963 | 7,457 |
| Depreciation | | | | |
| As of 01/01/2014 | 938 | 426 | 5,005 | 0 |
| Additions in current financial year | 208 | 155 | 1,532 | 0 |
| Disposals in current financial year | 0 | 0 | 511 | 0 |
| Currency differences | 34 | 57 | 124 | 0 |
| As of 31/12/2014 | 1,180 | 638 | 6,150 | 0 |
| Book value as of 31/12/2014 | 3,626 | 1,138 | 2,813 | 7,457 |

The tangible fixed assets essentially concern the administration buildings at Kaeppelestrasse 4 and 4a in Karlsruhe, two residential buildings leased to employees, office equipment and technical installations. The depreciation follows the straight-line method over the average useful life of the asset. The scheduled

depreciation in 2015 totalled EUR 2,301k (2014: EUR 1,895k) and is included in the consolidated income statement under “Cost of revenues”, “Sales and marketing expenses” and “Administrative expenses”.

In the current financial year the administration building at Kaeppelestrasse 4a (new building) was completed and reclassified from “facilities under construction” in “land and buildings”. The scheduled depreciation was taken for the first time in the second half of 2015.

In the previous year the facilities under construction refer to payments made totalling EUR 7,457k for the new building. No depreciation on the facilities under construction was reported in 2014.

Currently there are no restrictions on the right of disposal. The loans for financing the two administration buildings are fully secured by land charges in the amount of EUR 7.7m (2014: EUR 7.7m).

20. Investment property

| EUR '000 | 2015 | 2014 |
|-------------------------------------|--------------|--------------|
| Acquisition costs as of 01/01 | 6,377 | 6,373 |
| Additions in current financial year | 0 | 4 |
| Acquisition costs as of 31/12 | 6,377 | 6,377 |
| Depreciation as 01/01 | 203 | 116 |
| Additions in current financial year | 88 | 87 |
| Depreciation as of 31/12 | 291 | 203 |
| Book value as of 31/12 | 6,086 | 6,173 |

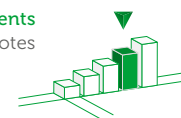
Composition of earnings from investment property during the period under review:

| EUR '000 | 2015 | 2014 |
|---|------|------|
| Rental income from investment property | 288 | 212 |
| Operating expenditure* used to generate rental income | 97 | 87 |

* including maintenance and repairs

The group does not face any restrictions on the disposal of investment property, nor does it have any contractual commitments to purchase, build or develop any investment property.

The land and property not operated for commercial purposes within the meaning of IAS 40 “Investment Property” concern the neighbouring properties Kaeppelestrasse 8, 8a and 10 in Karlsruhe acquired in 2012. Since April 2015 the three properties are fully leased to a new tenant for a period of 5 years and may not be terminated prior to this date.



The investment property is valued at amortised cost plus incidental costs and recognised on the balance sheet at a book value of EUR 6.1m (2014: EUR 6.2m). The buildings are depreciated on a straight-line basis over a useful life of 50 years.

The fair value at the end of the reporting period amounts to EUR 6.1m. The fair value was determined using the discounted cash flow method. The valuation of investment property is dependent upon the assumptions used to calculate future cash flows. Changes in the interest rate, the expected price developments and market conditions affect the future cash flows and, in consequence, the amount of the fair value. The valuation was done internally because of the principle of materiality and the expected immaterial difference between fair value and book value.

The operation, maintenance and care of the land and buildings are handled by the tenants, who also bear the related costs. In 2015, in addition to scheduled depreciation, brokering fee in amount of EUR 10k (2014: EUR 0k) were recorded.

21. Goodwill and other intangible assets

| EUR '000 | Goodwill | Internally gener- ated software | Licences and others |
|---|--------------|------------------------------------|------------------------|
| Acquisition and production costs | | | |
| As of 01/01/2015 | 4,388 | 9,102 | 5,807 |
| Additions in current financial year | 0 | 0 | 521 |
| Disposals in current financial year | 0 | 619 | 310 |
| Currency differences | 0 | 0 | 14 |
| As of 31/12/2015 | 4,388 | 8,483 | 6,032 |
| Depreciation | | | |
| As of 01/01/2015 | 0 | 9,102 | 3,882 |
| Additions in current financial year | 0 | 0 | 973 |
| Disposals in current financial year | 0 | 619 | 295 |
| Currency differences | 0 | 0 | 15 |
| As of 31/12/2015 | 0 | 8,483 | 4,575 |
| Book value as of 31/12/2015 | 4,388 | 0 | 1,457 |

| EUR 'ooo | Goodwill | Internally generated software | Licences |
|---|--------------|-------------------------------|--------------|
| Acquisition and production costs | | | |
| As of 01/01/2014 | 4,388 | 9,102 | 5,702 |
| Additions in current financial year | 0 | 0 | 129 |
| Disposals in current financial year | 0 | 0 | 38 |
| Currency differences | 0 | 0 | 14 |
| As of 31/12/2014 | 4,388 | 9,102 | 5,807 |
| Depreciation | | | |
| As of 01/01/2014 | 0 | 9,102 | 2,884 |
| Additions in current financial year | 0 | 0 | 1,022 |
| Disposals in current financial year | 0 | 0 | 38 |
| Currency differences | 0 | 0 | 14 |
| As of 31/12/2014 | 0 | 9,102 | 3,882 |
| Book value as of 31/12/2014 | 4,388 | 0 | 1,925 |

Impairment test of goodwill

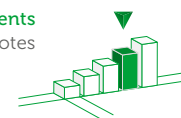
To check for impairment of value, the goodwill was allocated to following the cash-generating units: "Telematics and Electronic Fare Collection Systems", "Driver Dispatch Systems" and "Automotive". Meanwhile, the above-mentioned business units are grown together. The products and services are now almost offered as integrated solutions. From fiscal year 2016, the impairment test of goodwill will be done exclusively at the level of the cash-generating unit "public transport", which includes the recent cash-generating units "Telematics and Electronic Fare Collection Systems", "Driver Dispatch Systems" and "Automotive". We refer in this context to the statements on segment reporting (note 35).

The book value of the goodwill:

| EUR 'ooo | 2015 | 2014 |
|---|--------------|--------------|
| Telematics and Electronic Fare Collection Systems | 1,877 | 1,877 |
| Driver Dispatch Systems | 2,308 | 2,308 |
| Automotive | 203 | 203 |
| Total | 4,388 | 4,388 |

So far no impairment of goodwill was necessary.

The recoverable amount of the above cash-generating units is determined on the basis of the calculation of the economic benefit of using cash flow projections based on budgetary accounting approved by the Managing Board for a period of three years. Steady cash flows were shown for the following period. The interest rate applied for the discounting is 8.77 per cent before taxes (2014: 8.0 per cent).



The following assumptions taken as a basis for the calculation of the economic benefit involve forecast uncertainties:

- > Revenues
- > Free Cashflow
- > Discount rate

Revenues: Revenues are planned on the basis of the order backlog, the open and announced tenders, offers made and experiences from the past.

Free Cashflow: Free Cashflow appears from the planned EBIT minus notional taxes, investments and changes of the Net Working Capital as well as the addition of depreciations. Past experience supports the basis of this determination.

Discount rate: The discount rate reflects the estimate of the company management in regard to the risks relating to the cash-generating units. A uniform interest rate of 6.05 per cent (2014: 5.6 per cent) after taxes was applied. Cash flows arising after the period of three years are determined using a growth discount of 1.0 per cent (2014: 1.0 per cent).

Sensitivity analysis on the assumptions

With an increase in the interest rate of 5 per cent, the fair value of the cash-generating unit Driver Dispatch Systems would equal the book value.

A reduction in planned revenues and free cash flows about 7 per cent for each year and the perpetual annuity for the cash-generating units Driver Dispatch Systems and Automotive means that the fair value equals the book value.

Without the above mentioned changes the fair value as of 31 December, 2015 exceeds the book value of the cash-generating unit Driver Dispatch Systems by EUR 3,652k and the book value of Automotive by EUR 2,814k.

Other intangible assets

Internally generated software:

In the second half of the year a reduction of internally generated software was recorded in the amount of EUR 619k (2014: EUR 0k). These relate to three products which could have been replaced by new technologies.

Licences and others:

The licences include external software costs as well as programming and consulting in the amount of EUR 1,219k (2014: EUR 1,925k). The scheduled amortisation amounts to EUR 960k (2014: 1,022k) and is included in the consolidated income statement under "Cost of revenues". The capitalised customer base created by the acquisition of the assets of LC Consultant SARL in 2015 is EUR 238k. The scheduled amortisation amounts to EUR 13k (2014: EUR 0k) and is included in the consolidated income statement under "Cost of revenues".

22. Interests in associated companies

The associated company iris is not publicly listed. The business of iris is the development, production and sale of sensors, and sensor and information processing systems. The earnings before taxes amounted to EUR 2,396k (2014: EUR 1,876k). The net profit corresponds to the comprehensive income and amounted to EUR 1,591k (2014: EUR 1,414k).

In 2015, the pro-rata result for init group amounted to EUR 684k (2014: EUR 608k). A distribution was made in the 2015 financial year of EUR 366k (2014: EUR 473k). Depreciation of investments in associated companies were not required.

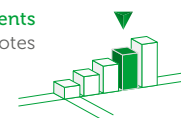
23. Deferred taxes

The deferred tax assets and liabilities are as follows:

| EUR '000 | 2015 | 2014 |
|---|--------------|--------------|
| Deferred tax assets | | |
| Inventories | 2,194 | 410 |
| Other assets | 4 | 1 |
| Provisions | 1,089 | 1,045 |
| Pensions accrued and similar obligations | 1,986 | 1,401 |
| Total deferred tax assets | 5,273 | 2,857 |
| Deferred tax liabilities | | |
| Future receivables from production orders | 4,379 | 5,039 |
| Other assets | 0 | 3 |
| Tangible fixed assets | 499 | 451 |
| Goodwill | 45 | 43 |
| Other intangible assets | 211 | 423 |
| Other liabilities | 9 | 6 |
| Total deferred tax liabilities | 5,143 | 5,965 |

No deferred tax assets were accrued in 2014 and 2015 for previously unused tax losses carried forward. On 31 December 2015, the unused corporate tax loss carried forward was EUR 468k (2014: EUR 668k).

On 31 December 2015, there were no deferred tax liabilities on retained earnings of subsidiaries on the grounds that appropriate distributions are not planned for the foreseeable future. If such distributions were made, the tax burden would be insignificant for the group. The temporary differences in connection with shares in subsidiaries totalled EUR 25.2m (2014: EUR 21.6m).



24. Other non-current assets

| EUR 'ooo | 2015 | 2014 |
|--|--------------|--------------|
| Asset value of pension liability insurance | 1,100 | 1,001 |
| Security deposits | 347 | 278 |
| Loans | 16 | 15 |
| Gold stock | 787 | 788 |
| Other | 63 | 55 |
| Total | 2,313 | 2,137 |

On the reporting date, there were no indications to suggest that the value of the other assets was impaired.

25. Liabilities

| EUR 'ooo | 31/12/2015 | | | 31/12/2014 | | |
|--|----------------|----------|-----------|----------------|----------|-----------|
| | Remaining term | | | Remaining term | | |
| | Total | < 1 year | > 5 years | Total | < 1 year | > 5 years |
| Bank loans | 19,601 | 12,884 | 2,223 | 9,097 | 1,197 | 3,166 |
| Trade accounts payable | 10,968 | 10,968 | 0 | 10,894 | 10,894 | 0 |
| Accounts payable from percentage of completion | 4,023 | 4,023 | 0 | 2,950 | 2,950 | 0 |
| Accounts payable to related parties | 5 | 5 | 0 | 888 | 888 | 0 |
| Advance payments received | 525 | 525 | 0 | 775 | 775 | 0 |
| Income tax liabilities | 1,560 | 1,560 | 0 | 2,015 | 2,015 | 0 |
| Other liabilities | 14,244 | 14,032 | 0 | 11,905 | 11,505 | 0 |

Terms relating to the above financial liabilities:

The bank loans of EUR 19,601k (2014: EUR 9,097k) relate to long-term loans of EUR 6,717k (2014: EUR 7,900k) for financing the buildings at Kaeppelestrasse 4, 4a, 8/8a and 10 which are fully secured by a land charge and the resultant short-term share of EUR 1,184k (2014: EUR 1,184k). They also include euro loans amounting to EUR 11,700k (2014: EUR 13k).

The following credit and guarantee lines exist:

| EUR 'ooo | | Overall line | Of which, cash line | Of which, guarantee | Cash or guarantee |
|------------------------------|------|--------------|------------------------|------------------------|----------------------|
| Banks | 2015 | 81,468 | 2,862 | 55,500 | 23,106 |
| Credit insurance companies | 2015 | 22,045 | 0 | 22,045 | 0 |
| Bond line for USA and Canada | 2015 | 68,642 | 0 | 0 | 0 |
| Banks | 2014 | 80,695 | 2,589 | 65,000 | 13,106 |
| Credit insurance companies | 2014 | 22,045 | 0 | 22,045 | 0 |
| Bond line for USA and Canada | 2014 | 61,700 | 0 | 0 | 0 |

The credit and guarantee lines are as far as possible sufficient to finance the further growth of the company. On 31 December 2015, the cash line drawdown totalled EUR 11,500k (2014: EUR 0k), the guarantee lines EUR 43,664k (2014: EUR 45,657k), and the bond line EUR 51,518k (2014: EUR 51,870k).

No interest is charged on the trade accounts payable.

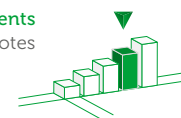
For the terms and conditions relating to the accounts payable to related parties, please refer to item 34 of the notes.

For the terms and conditions relating to the liabilities from derivative financial instruments included in the other liabilities, please refer to item 30 of the notes.

26. Other liabilities (long-term and short-term)

| EUR 'ooo | 31/12/2015 | | | 31/12/2014 | | |
|--|----------------|---------------|-----------|----------------|---------------|-----------|
| | Remaining term | | | Remaining term | | |
| | Total | < 1 year | > 5 years | Total | < 1 year | > 5 years |
| Tax liabilities | 2,012 | 2,012 | 0 | 927 | 927 | 0 |
| Due to personnel | 3,166 | 3,166 | 0 | 4,843 | 4,843 | 0 |
| Derivative financial instruments | 571 | 571 | 0 | 726 | 726 | 0 |
| Social security liabilities | 137 | 137 | 0 | 116 | 116 | 0 |
| Future liabilities for services not invoiced by subcontractors | 5,262 | 5,262 | 0 | 3,314 | 3,314 | 0 |
| Others | 3,096 | 2,884 | 0 | 1,979 | 1,579 | 0 |
| Total | 14,244 | 14,032 | 0 | 11,905 | 11,505 | 0 |

The position "Others" mainly contain deferred revenues from warranty contracts in the amount of EUR 883k (2014: EUR 432k).



27. Provisions

| EUR 'ooo | As of 01/01/2015 | Currency differences | Usage | Release | Transfer | As of 31/12/2015 |
|--|---------------------|-------------------------|------------|--------------|--------------|---------------------|
| Provisions for warranties | 3,530 | 224 | 77 | 421 | 1,366 | 4,622 |
| Provisions for insufficient production costs | 4,087 | 121 | 356 | 413 | 1,124 | 4,563 |
| Provisions for anticipated losses related to projects | 49 | 0 | 0 | 0 | 756 | 805 |
| Other provisions | 546 | 0 | 218 | 202 | 221 | 347 |
| Total | 8,212 | 345 | 651 | 1,036 | 3,467 | 10,337 |

All provisions are expected to mature within one year.

The provisions for warranties were calculated as a lump sum using a rate of average sales in the past two years determined from empirical figures in the past.

The provisions for insufficient production costs essentially concern work still outstanding in invoiced orders.

The provisions for anticipated losses related to projects was set up on grounds of the significant technological requirements and various new developments within one project and was determined in concurrently running project calculations.

28. Pensions accrued and similar obligations

For the employees of init AG, INIT GmbH, initplan and initperdis there are both benefit plans and defined contribution pension plans. The liabilities include obligations from current pensions and for pension entitlements of future retirees. Pension liabilities are calculated using the projected unit credit method. These pension commitments grant employees an old-age pension (independent of salary) after attaining the age of 63 (Dr. Gottfried Greschner 65). Risks of defined benefit plans are affected by the capital markets and demographic change. In order to mitigate these risks only defined contribution plans have been offered for several years.

The following parameters were taken into consideration:

| | |
|--|--|
| Actuarial interest rate in per cent (2014) | 2.53 (1.96) |
| Biometric bases | Klaus Heubeck's "Richttafeln G" (Actuarial Tables) of 2005 |

The values of the commitments were calculated as on the individual reporting dates based on personnel data as on the respective reporting dates.

The company's pension accruals as on the reporting dates developed as follows:

| EUR 'ooo | 2015 | 2014 |
|---|--------------|--------------|
| Pensions accrued at the beginning of the year (Defined Benefit Obligation – DBO) | 8,419 | 6,098 |
| Service cost | 99 | 67 |
| Interest cost | 163 | 221 |
| Financial actuarial gains (-) / losses (+) | -783 | 2,048 |
| Pension payments | -34 | -15 |
| Pensions accrued (DBO) at the end of the year | 7,864 | 8,419 |
| Plan assets | -368 | -116 |
| Pensions accrued | 7,496 | 8,303 |

The plan assets contain the asset value of pension liability insurances as well as deposited amounts on a pledged account and have developed as of the balance sheet date as follows:

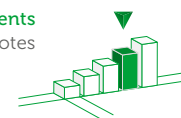
| EUR 'ooo | 2015 | 2014 |
|---|------------|------------|
| Fair Value of the plan assets on 1 / 1 | 116 | 667 |
| Payment from the plan | 0 | -575 |
| Interest income from plan assets | 10 | 14 |
| Financial actuarial gains (+) / losses (-) | 1 | -1 |
| Contributions to plan assets by the group | 241 | 11 |
| Fair value of the plan assets on 31/12 | 368 | 116 |

With regard to the defined benefit plans, the expenses for pension payments consist of the following:

| EUR 'ooo | 2015 | 2014 |
|--------------------------------------|------------|------------|
| Service cost | 99 | 67 |
| Interest cost | 163 | 221 |
| Expenses for pension payments | 262 | 288 |

In the consolidated income statement, the service cost is included in the cost of revenues (EUR 25k), the sales and marketing expenses (EUR 35k) and the administrative expenses (EUR 39k), and the interest paid is reported in the item of the same name.

| EUR 'ooo | 2015 | 2014 |
|---|--------|-------|
| Cumulated amount of the financial actuarial gains (-) and losses (+) included in the shareholders' equity, after deducting deferred taxes | -1,232 | 2,575 |



| EUR 'ooo | 2015 | 2014 |
|--|-------|-------|
| Defined benefit obligation (DBO) on 31/12 | 7,864 | 8,419 |
| Adjustments to the DBO based on experience | -31 | 44 |

The pension accruals attributable to persons in key management positions totalled EUR 3,916k (2014: EUR 4,106k). Of this EUR 180k (2014: EUR 194k) apply to a former Board member.

| EUR 'ooo | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------|-------|-------|-------|-------|-------|
| DBO | 4,315 | 6,499 | 6,098 | 8,419 | 7,864 |

Sensitivities of the principal actuarial assumptions:

The interest rate as well as the life expectancy has been identified as principal actuarial assumptions. Changes would have the following implications:

| Implications for the DBO in EUR 'ooo | +0,5% actuarial interest rate | -0,5% actuarial interest rate | +1 year life expectancy | -1 year life expectancy |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| 2015 | -610 | 689 | 342 | -340 |
| 2014 | -704 | 800 | 367 | -367 |

The same method was applied in the calculation of the sensitivity of the DBO as for the calculation of the defined benefit obligation.

Asset / Liability Matching Strategy

Reinsurance contracts in the amount of EUR 126k (2014: EUR 116k) have been entered into to compensate risks. Further EUR 242k (2014: EUR 0k) are deposited on a pledged bank account. The excess obligations are financed from current cash flows due to the small amount.

Future cash flows

Expected pension payments (EUR'ooo):

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021-2025 |
|------|------|------|------|------|-----------|
| 206 | 214 | 221 | 238 | 256 | 1,645 |

The weighted average maturity of the DBO of the defined benefit plans is 17 years (2014: 18 years).

Defined contribution plans

In the 2002 financial year, init changed its pension scheme regulations for new commitments. Accordingly, the company will no longer make any new, direct commitments. The amount recorded as expenses for contribution-based plans totalled EUR 456k (2014: EUR 346k), of which EUR 91k (2014: EUR 98k) are allocated to persons in key management positions.

29. Shareholders' equity

Subscribed capital

The capital stock is divided into 10,040,000 no-par bearer shares each accounting for EUR 1.00 of the capital stock. The shares have been issued and fully paid up.

| Floating shares: | 2015 | 2014 |
|--|-------------------|-------------------|
| As of 01/01 | 10,023,096 | 10,000,082 |
| Acquisition of treasury stock | -50,000 | -20,000 |
| Issue of stock to Managing Board, managing directors and key personnel | 26,428 | 26,340 |
| Issue of stock to employees | 18,074 | 16,674 |
| As of 31/12 | 10,017,598 | 10,023,096 |

Shares of init AG held by members of the Managing Board and the Supervisory Board:

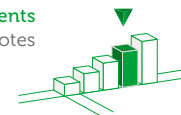
| Managing Board | Number of shares | Supervisory Board | Number of shares |
|-------------------------------|------------------|---------------------|------------------|
| Dr. Gottfried Greschner, CEO* | 3,387,738 | Hans-Joachim Rühlig | 0 |
| Joachim Becker, COO | 345,783 | Drs. Hans Rat | 0 |
| Dr. Jürgen Greschner, CSO | 98,800 | Ulrich Sieg | 0 |
| Bernhard Smolka, CFO | 25,286 | | |

* 3,342,738 of which are held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe.
At this company, Dr. Gottfried Greschner holds 74.2 per cent.

Concerning the information provided pursuant to § 26 para 1 WpHG we refer to note 42.

Authorised capital

At the annual shareholders' meeting on 24 May 2011, a resolution to create authorised capital of EUR 5,020,000 was passed. With the approval of the Supervisory Board, the Managing Board is authorised to increase the company's capital stock by up to EUR 5,020,000 by 23 May 2016 through a single or repeated issuing of up to 5,020,000 ordinary shares in return for cash or contributions in kind.



Additional paid-in capital

The additional paid-in capital on 31 December 2015 amounted to EUR 5,809k, of which EUR 3,141k resulted from the premium of the shares sold at the time of the initial public offering. Due to the sale of treasury stock in 2007, the additional paid-in capital increased by EUR 514k. EUR 2,292k was transferred from 2005 to 2014 as part of the recognised expenses from the share-based remuneration (see item 36). In 2015 EUR 138k were dissolved.

Treasury stock

The treasury stock as on 1 January 2015 totalled 16,904 shares. The resolution passed at the annual shareholders' meeting on 12 May 2010 authorised the company to purchase treasury shares. On 2 March 2015, a decision was made to repurchase up to 10,000 shares. 10,000 shares were repurchased from 2 to 13 March at an average price of EUR 23.29. Based on a resolution passed at the shareholders' meeting of 13 May 2015, the company is authorised to purchase treasury shares. On 14 September 2015 a decision was made to repurchase up to 20,000 shares. 20,000 shares were repurchased from 15 September to 07 October at an average price of EUR 20.75. On 11 November 2015 another decision was made to repurchase up to 20,000 shares. 20,000 shares were repurchased from 11 to 19 November at an average price of EUR 18.15. As part of an employee stock ownership plan, shares of init AG were offered to the employees of init group as profit sharing. 18,074 shares were transferred to employees in December 2015. Within the scope of the incentive scheme for members of the Managing Board, managing directors and key personnel in the first quarter of 2015, a total of 26,428 shares were transferred with a vesting period of five years. 38,927 shares of the total 44,502 shares transferred are sold to subsidiaries for transfer to their employees. On 31 December 2015, there were consequently 22,402 shares of treasury stock.

The company's treasury stock was valued at acquisition cost at EUR 436k (2014: EUR 353k) and openly deducted from the equity capital. The total of 22,402 shares as of 31 December 2015 corresponds to an imputed share of EUR 22,402 (0.22 per cent) of the capital stock. The shares were repurchased at an average price of EUR 19.48 per share. The treasury stock was repurchased for use as consideration within the scope of business combinations and to acquire other companies or parts of companies or participations, or, where required, to open up additional capital markets or to issue them to employees and members of the Managing Board.

Surplus reserves and consolidated unappropriated profit

The surplus reserves and consolidated unappropriated profit in the amount of EUR 52,281k (2014: 52,831k) includes the retained earnings of init AG and since group affiliation generated results of init AG and the consolidated subsidiaries.

Other reserves

Difference from pension valuation: The actuarial gains and losses are recorded in this item without affecting the operating result.

Difference from currency conversion: This reserve is used to record differences due to converting the financial statements from foreign currencies into the reporting currency.

Market valuation of securities: In this reserve changes in fair value of available-for-sale investments are recognised.

Capital management

The objective of capital management is to ensure financial flexibility for long-term business continuity and to secure strategic activities. Here, the init group focuses on securing liquidity, limit the financial risks and maintain the high equity ratio. The group shows a consistently high equity ratio over the last years. At the annual shareholders' meeting 2011, a resolution to create authorised capital of EUR 5,020,000 was passed.

30. Objectives and methods of financial risk management

The main financial instruments used by the company – with the exception of derivative financial instruments – include cash, securities and loans. The purpose of the securities and bonds is the investment of the funds of the group. The group has a number of other financial assets and liabilities, including trade accounts receivable and payable, which accrue directly within the scope of its business activities.

Furthermore, the group also enters into derivative transactions. These predominantly include forward exchange transactions and currency options. The purpose of these derivative financial instruments is the management of currency risks resulting from the business activities of the group.

The group has always pursued the policy of refraining from dealings in financial instruments. However, since init also tries to keep its options open in regard to the exchange rate development, it may incur losses.

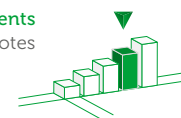
In addition, init holds 25kg of gold to minimise the euro risk. Its value is subject to fluctuations because of valuation at its market price on the reporting date. The changes in value are reported in the income statement. There were no changes to the objectives or methods of financial risk management.

The main risks of the group in regard to financial instruments include foreign currency risks and risks of default. The Management regularly reviews and monitors each of these risks, which are described in the following.

Foreign currency risk

Due to foreign revenues, the change in the exchange rates constitutes a substantial risk. To eliminate this rate change risk, the group uses forward exchange transactions for all major business transactions if payment follows much later than the firm purchase or sale commitment. The hedges must be in the same currency as the underlying secured transaction. The group usually only enters into hedging transactions once a firm commitment has been made.

IFRS 7 provides that disclosures of market risks require sensitivity analyses that show the effects of hypothetical changes in risk variables on the operating result and the equity. init is primarily exposed to a currency risk. The effects are determined by relating the hypothetical changes in the risk variables to the amount of financial assets and liabilities at the reporting date.



If the value of the euro relative to the foreign currencies relevant for init on 31 December 2015 had appreciated by 10 per cent, the operating result would have been EUR 1,181k less. The resulting appreciation of forward exchange transactions would have totalled EUR 1,325k. As a counter-effect, it would also have resulted in expenses of EUR 2,506k owing to cash in banks, accounts receivable and liabilities. If, however, the value of the euro relative to all foreign currencies relevant for init on 31 December 2015 had depreciated by 10 per cent, the operating result would have been EUR 1,169k higher. This breaks down as follows: EUR 1,337k to forward exchange transactions, compensated by appreciation of cash in banks, accounts receivable and liabilities at EUR 2,506k.

If the value of the euro relative to the foreign currencies relevant for init on 31 December 2014 had appreciated by 10 per cent, the operating result would have been EUR 647k less. The resulting appreciation of forward exchange transactions would have totalled EUR 1,374k. As a counter-effect, it would also have resulted in expenses of EUR 2,021k owing to cash in banks, accounts receivable and liabilities. If, however, the value of the euro relative to all foreign currencies relevant for init on 31 December 2014 had depreciated by 10 per cent, the operating result would have been EUR 774k higher. This breaks down as follows: EUR 1,247k to forward exchange transactions, compensated by appreciation of cash in banks, accounts receivable and liabilities at EUR 2,021k.

Risk of default

The group does not have any material risk of default concentrations with the exception of the receivables from the first Dubai project, for which an appropriate provision for risks was set up. This is due, on the one hand, to the fact that over 90 per cent of the orders are publicly subsidised and, on the other, to the fact that the orders are usually paid on account or billed on the basis of predefined performance progress. Furthermore, the accounts receivable are checked and / or dunned every fortnight for receipt of payment. Allowance for individual receivables is recognised when it is probable that the demands made will not be satisfied. The write-off a receivable against the already recognised impairment will be executed, when all possibilities for collecting the receivables are exhausted and these are considered as uncollectible. The losses of receivables outstanding for the 2015 financial year totalled EUR 9k (2014: EUR 9k).

All customers requesting transactions with the init group based on credit are subjected to a credit investigation. Since the group concludes transactions only with recognised, creditworthy third parties, it does not require collateral.

The other financial assets of the group, which comprise cash, financial assets available for sale and specific derivative financial instruments, involve a maximum risk of default to the amount of the book value of the respective instruments in case of default of the contracting party.

Interest change risk

The interest change risk to which the group is exposed mainly relates to the variable interest rate borrowings to finance the properties at Kaeppelestrasse 4a, 8/8a and 10 in Karlsruhe and to short-term euro loans. Further risks can arise from interest rate changes for financial assets. At present the interest change risk does not have any significant impact on the asset, financial and earnings position of the init group.

Liquidity risk

On 31 December 2015, the financial liabilities of the group had the following maturities. The particulars are based on contractual, non-discounted payments plus agreed or anticipated interest expenses (cash flows).

In order to curb liquidity risks, the liquidity of the init group is controlled by the corporate headquarters. The main aim is to ensure a minimum liquidity of each company to ensure the solvency at all times. Our current projects provide the largest source of liquidity. In addition to these current revenues, the init group ensures its liquidity risk through appropriate lines of credit that can be drawn upon as needed.

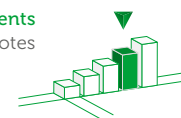
| EUR '000 | Book value | 2016 | 2017 | 2018-2020 | > 2020 |
|---|------------|---------------|--------------|--------------|--------------|
| Non-derivative financial liabilities | | | | | |
| Other financial liabilities | 33,201 | 25,967 | 1,462 | 3,476 | 2,386 |
| Derivative financial liabilities and assets without a hedging relationship | | | | | |
| Derivative financial liabilities | 571 | 571 | 0 | 0 | 0 |
| Derivative financial assets | -6 | -6 | 0 | 0 | 0 |
| Total | | 26,532 | 1,462 | 3,476 | 2,386 |

The derivative financial liabilities result in payments totalling EUR 13,223k and payments receivable totalling EUR 12,658k.

As on 31 December 2014, the future cash flows from the financial liabilities were as follows:

| EUR '000 | Book value | 2015 | 2016 | 2017-2019 | > 2019 |
|---|------------|---------------|--------------|--------------|--------------|
| Non-derivative financial liabilities | | | | | |
| Other financial liabilities | 22,825 | 14,540 | 1,464 | 3,952 | 3,371 |
| Derivative financial liabilities and assets without a hedging relationship | | | | | |
| Derivative financial liabilities | 726 | 726 | 0 | 0 | 0 |
| Total | | 15,266 | 1,464 | 3,952 | 3,371 |

The derivative financial liabilities result in payments totalling EUR 14,707k and payments receivable totalling EUR 13,981k.



31. Explanatory notes on the financial instruments

Classification and fair values

The following table states the book values of the financial instruments of the group reported in the balance sheet on 31 December 2015 compared to 31 December 2014 and shows their classification in appropriate measurement categories according to IAS 39.

| EUR 'ooo | 2015 | 2014 |
|--|---------------|---------------|
| Assets | | |
| Loans and receivables | 77,761 | 73,521 |
| Cash and cash equivalents | 14,038 | 9,213 |
| Trade accounts receivable | 23,467 | 19,606 |
| Future receivables from production orders | 39,158 | 43,758 |
| Other assets (current) | 817 | 569 |
| Other assets (non-current) | 245 | 375 |
| Financial assets available for sale | 30 | 30 |
| Marketable securities and bond issues | 30 | 30 |
| Financial assets reported at fair value through profit or loss | 6 | 0 |
| Derivative financial assets | 6 | 0 |
| Liabilities | | |
| Financial liabilities recognised at cost | 33,201 | 22,825 |
| Bank loans (current and non-current) | 19,601 | 9,097 |
| Trade accounts payable | 10,968 | 10,894 |
| Accounts payable due to related parties | 5 | 888 |
| Other liabilities (current) | 2,429 | 1,561 |
| Other liabilities (non-current) | 198 | 385 |
| Financial liabilities reported at fair value through profit or loss | 571 | 726 |
| Derivative financial liabilities | 571 | 726 |

The fair value of the listed securities and bond issues (available for sale) was determined using their respective market value. The fair value of the derivative financial instruments and the loans was calculated by way of discounting the expected future cash flow using the prevailing market interest rates. Given the short maturities of the cash and cash equivalents, trade accounts receivable, other assets, trade accounts payable, and other liabilities, it is assumed that their fair value is equal to the book value.

Hierarchy of fair values to IFRS 13

The group uses the following hierarchy to determine and report the fair value:

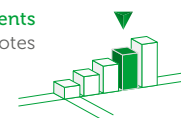
- Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2: Techniques in which all input parameters with a material impact on the calculated fair value are directly or indirectly observable.
- Level 3: Techniques using input parameters that have a material impact on the calculated fair value but which are not based on observable market data.

The following table shows the fair values of assets and liabilities, with the exception of those with book values are reasonable approximations of fair values:

| EUR 'ooo | Fair value as of 31/12/2015 | Level 1 | Level 2 | Level 3 |
|--|--------------------------------|---------|---------|---------|
| Assets for which fair values are disclosed | | | | |
| Investment property | 6,075 | | | 6,075 |
| Financial assets reported at fair value through profit or loss | | | | |
| Derivative financial assets | 6 | | 6 | |
| Financial assets available for sale | | | | |
| Marketable securities and bond issues | 30 | 30 | | |
| Financial liabilities reported at fair value through profit or loss | | | | |
| Derivative financial liabilities | 571 | | 571 | |

| EUR 'ooo | Fair value as of 31/12/2014 | Level 1 | Level 2 | Level 3 |
|--|--------------------------------|---------|---------|---------|
| Assets for which fair values are disclosed | | | | |
| Investment property | 6,555 | | | 6,555 |
| Financial assets available for sale | | | | |
| Marketable securities and bond issues | 30 | 30 | | |
| Financial liabilities reported at fair value through profit or loss | | | | |
| Derivative financial liabilities | 726 | | 726 | |

In the reporting period ending 31 December 2015 and the reporting period ending 31 December 2014, there were no reclassifications between the fair value categories of Level 1 and Level 2 nor any reclassifications into or out of the fair value category of Level 3.



Through a review of the classification (based on the lowest level input that is significant to the fair value measurement as a whole) of the acquired assets and liabilities is determined whether transfers between the levels have occurred at the end of each reporting period.

The measurement of fair value at Level 2 in the current financial year and the prior year is as follows: derivative financial instruments are determined by discounting the expected future cash flows over the remaining term of the contract at the closing rate.

The measurement of fair value at Level 3 in the current financial year is as follows: The fair value was determined using the discounted cash flow method, taking into account the following parameters: price developments, discount rate and sales value of the property.

Hedging transactions

The derivative financial instruments used to hedge future cash flows relate exclusively to foreign exchange risks in regard to the expected monies received predominantly in Arabian dirham, US dollars, Canadian dollars and Great Britain pound from firm commitments. The following derivative financial instruments were concluded:

| EUR 'ooo | Nominal value | | Market values | |
|-------------------------------|---------------|------------|---------------|------------|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Forward exchange transactions | 12,658 | 13,981 | -565 | -726 |

32. Contingencies and other liabilities

Operating lease liabilities – group as lessor

The group has entered into leasing agreements to let out its investment property for commercial usage. The investment property is comprised of office space and production halls not used by the group itself.

On 31 December, the following receivables existed for future minimum rental payments related to the non-terminable operating leases:

| EUR 'ooo | 2015 | 2014 |
|---|------------|-----------|
| Up to one year | 275 | 68 |
| Longer than one year and up to five years | 680 | 0 |
| Total | 955 | 68 |

Operating leases

The group has entered into leasing agreements for vehicles and other business and operating equipment. These leases have an average term of between three and four years and do not include extension options. The annual rental liabilities of the init group totalled EUR 2,087k, of which EUR 547k is attributable to the renting of the office building in Karlsruhe (the lease running until 2026). No obligations were imposed on the lessee upon conclusion of these leasing agreements. The expenses of operating leases in the current financial year amount to EUR 2.2m (2014: EUR 1.7m). The future minimum payments under these agreements extend to the year 2026 and amount to:

| EUR '000 | 31/12/2015 | 31/12/2014 |
|--------------|--------------|--------------|
| < 1 year | 2,351 | 2,113 |
| 1-5 years | 3,070 | 3,143 |
| > 5 years | 3,832 | 3,328 |
| Total | 9,253 | 8,584 |

Contingent liabilities

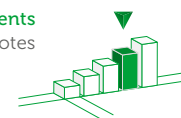
As in the previous year, there were no contingent liabilities on 31 December 2015.

Legal disputes

Within the scope of current business, init AG along with other group companies is involved in legal disputes that could have an impact on the financial situation of the group. Legal disputes are subject to many uncertainties, and the outcome of individual actions cannot be predicted with any certainty.

To hedge against risks arising from such disputes, the relevant group companies have set up appropriate provisions in their balance sheets where the dispute concerns an event before the reporting date and where a liability is likely and its amount can be determined with sufficient accuracy.

Over and above this, these disputes are not, in our estimation, expected to have any significant sustained effect on the assets, liabilities, financial position and earnings situation of the init group.



OTHER DISCLOSURES

33. Additional notes on the Cash Flow Statement

The following incoming and outgoing payments are included in the cash flow from operating activities:

| EUR 'ooo | 2015 | 2014 |
|---------------------|--------|--------|
| Interest expenses | -207 | -168 |
| Interest income | 30 | 72 |
| Income tax payments | -4,818 | -4,340 |
| Income tax receipts | 23 | 24 |

The cash flows for investments in tangible fixed assets mainly relate to the maintenance of capacities and expansion investments.

Inflows from dividend distributions amounted to EUR 366k (2014: EUR 473k). Outflows for dividends totalled EUR 8,032k (2014: EUR 8,021k).

34. Related party transactions

The companies included in the consolidated financial statement and the associated companies are listed in the section on the consolidated group.

| EUR 'ooo | Associated companies | | Other related parties and persons | |
|--|----------------------|-------|-----------------------------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| Trade accounts receivable and other income | 0 | 0 | 286 | 0 |
| Trade accounts payable and other expenses | 2,713 | 4,321 | 874 | 540 |
| Receivables on 31/12 | 0 | 0 | 341 | 0 |
| Payables on 31/12 | 5 | 888 | 372 | 0 |

Associated companies

The amounts due to related parties and persons relate to trade accounts payable against iris and have a remaining maturity of less than one year. The amounts are shown in the balance sheet under current liabilities.

Other related party transactions

init AG rents an office building in building in Kaeppelstrasse 6 in Karlsruhe with 67.39 per cent from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe and with 32.61 per cent from Eila Greschner. The monthly rent payments are approximately EUR 46k (total annual rent: EUR 547k). The rent is contractually fixed until 30 June 2026. Total payments of EUR 30k (2014: EUR 65k) made to family members of a Board member were recognised under personnel expenses.

Terms and conditions of business transactions with related parties and persons

Sales to, and purchases from, related parties and persons are made under generally accepted market terms. There are no guarantees at all for accounts receivable or payable in regard to related parties and persons. The group did not accrue any cumulative value adjustments for accounts receivable from related parties and persons for the financial year to 31 December 2015 (2014: EUR ok).

Remuneration of persons in key management positions

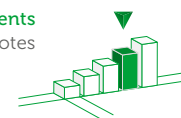
The members of the Managing Board of init AG and the Managing Directors of INIT GmbH are seen as persons in key management positions. For details on their remuneration, please refer to item 39 of the notes.

35. Segment reporting

Until now, the group was divided into following segments that are obliged to report: "Telematics and Electronic Fare Collection Systems" (integrated systems for controlling local transport, electronic fare collection systems, passenger information systems and passenger counting systems) and "Other" (planning systems, driver dispatch systems and automotive).

Furthermore, for the purpose of company management, the group was divided into four business segments ("Telematics and Electronic Fare Collection Systems", "Planning Systems", "Driver Dispatch Systems" and "Automotive") based on the products and services offered by the segments. The planning systems, driver dispatch systems and automotive were combined in the reportable segment "Other". The management was monitoring the operating results separately to decide on the allocation of resources and to estimate the profitability.

Meanwhile, the above-mentioned business units are grown together. The products and services are now almost offered as integrated solutions. Therefore, the previous segmentation has been prepared for the last time in 2015. From financial year 2016, exclusively at the level of the segment "public transport", which includes the segments "Telematics and Electronic Fare Collection Systems" and "Other" will be reported. Furthermore, the management will also change its internal reporting from 1 January 2016.



The monitoring of operating results in order to decide on the allocation of resources and to estimate the profitability will be summarised at the level of "public transport". The earning power is determined based on the result, which correspond to the stated result in the consolidated financials.

1 January to 31 December 2015

| EUR 'ooo | Telematics and Electronic Fare Collection Systems | Other | Eliminations | Consolidated |
|--|--|--------------|---------------|----------------|
| Revenues | | | | |
| With third parties | 98,712 | 6,581 | 0 | 105,293 |
| With other segments | 1,035 | 3,264 | -4,299 | 0 |
| Total revenues | 99,747 | 9,845 | -4,299 | 105,293 |
| EBIT | 10,788 | -39 | 7 | 10,756 |
| Segment assets | 139,169 | 8,628 | -2,715 | 145,082 |
| Segment liabilities | 73,010 | 3,595 | -2,703 | 73,902 |
| Interest income | 47 | 1 | -18 | 30 |
| Interest expenses | 540 | 46 | -18 | 568 |
| Scheduled depreciation | 2,539 | 882 | 0 | 3,421 |
| Cost of revenues | 71,306 | 6,472 | -4,324 | 73,454 |
| Research and development costs | 2,451 | 1,615 | 0 | 4,066 |
| Foreign currency gains (+) and losses (-) | -1,705 | 59 | 0 | -1,646 |
| Share in profit of associated companies | 684 | 0 | 0 | 684 |
| Income tax | 2,842 | -201 | 0 | 2,641 |
| Value impairment | 184 | 75 | 0 | 259 |
| Interest in associated companies | 2,341 | 0 | 0 | 2,341 |
| Investments in tangible and intangible assets, and investment properties | 8,580 | 355 | 0 | 8,935 |

In the Telematics and Electronic Fare Collection Systems segment, around 15 per cent of the entire revenue was generated with one customer in 2015.

| 1 January to 31 December 2014 | Telematics and Electronic Fare Collection Systems | Other | Eliminations | Consolidated |
|--|--|--------------|---------------|----------------|
| in TEuro | | | | |
| Revenues | | | | |
| With third parties | 97,607 | 5,386 | 0 | 102,993 |
| With other segments | 761 | 3,436 | -4,197 | 0 |
| Total revenues | 98,368 | 8,822 | -4,197 | 102,993 |
| EBIT | 19,148 | -474 | 11 | 18,685 |
| Segment assets | 122,752 | 8,436 | -2,414 | 128,774 |
| Segment liabilities | 59,714 | 3,685 | -2,395 | 61,004 |
| Interest income | 66 | 6 | -18 | 54 |
| Interest expenses | 467 | 57 | -18 | 506 |
| Scheduled depreciation | 2,149 | 856 | 0 | 3,005 |
| Cost of revenues | 64,533 | 6,501 | -4,246 | 66,788 |
| Research and development costs | 1,898 | 1,066 | 0 | 2,964 |
| Foreign currency gains (+) and losses (-) | 907 | 25 | -16 | 916 |
| Share in profit of associated companies | 608 | 0 | 0 | 608 |
| Income tax | 6,354 | -188 | 0 | 6,166 |
| Value impairment | 2,821 | 51 | 0 | 2,872 |
| Interest in associated companies | 2,023 | 0 | 0 | 2,023 |
| Investments in tangible and intangible assets, and investment properties | 7,289 | 45 | 0 | 7,334 |

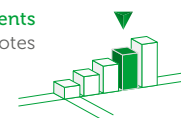
In the Telematics and Electronic Fare Collection Systems segment, around 10.2 per cent of the entire revenue was generated with one customer in 2014.

Geographical information

In the consolidated financial statements, the following amounts can be allocated to the regions specified. In addition to Germany, the regions in which revenues were generated mainly include the rest of Europe (predominantly Sweden, Great Britain, Norway) and North America (USA and Canada).

| Revenues 01/01-31/12 EUR 'ooo | 2015 | % | 2014 | % |
|----------------------------------|----------------|--------------|----------------|--------------|
| Germany | 27,832 | 26.4 | 28,746 | 27.9 |
| Rest of Europe | 21,344 | 20.3 | 23,773 | 23.1 |
| North America | 51,773 | 49.2 | 45,284 | 44.0 |
| Other countries (Australia, UAE) | 4,344 | 4.1 | 5,190 | 5.0 |
| Group total | 105,293 | 100.0 | 102,993 | 100.0 |

The revenue information given above is based on the location of the customer.



| Non-current assets 31/12 EUR 'ooo | 2015 | % | 2014 | % |
|--------------------------------------|---------------|--------------|---------------|--------------|
| Germany | 28,288 | 90.9 | 22,750 | 90.4 |
| Rest of Europe | 404 | 1.3 | 230 | 0.9 |
| North America | 2,267 | 7.3 | 2,000 | 8.0 |
| Other countries (Australia, UAE) | 165 | 0.5 | 175 | 0.7 |
| Group total | 31,124 | 100.0 | 25,155 | 100.0 |

The non-current assets consist of tangible assets, investment property, intangible assets and interests in associated companies.

36. Share-based remuneration

Employee shares

Based on the resolution of the Managing Board of 13 April 2015, published on 4 Mai 2015 (2014: 7 July 2014), shares of the company were offered as a form of profit sharing (for certain subsidiaries this regulation could be different). In December 2015, the employees entitled to subscribe (excluding e.g. the Managing Board, temporary staff and trainees) each received 50 shares (December 2014: 50 shares) at a price of EUR 14.56 (December 2014: EUR 20.75) per share at the time of the issuance. The profit-sharing scheme was granted on a pro-rata basis to part-time employees and employees with less than one year at the company. To qualify, employees needed to be in permanent employment as of 31 December 2015. The shares are subject to a vesting period of two years from the time of transfer. A total of 18,074 shares were transferred (2014: 16,674).

At the date of publication of the Managing Board resolution, the fair value based on the market price of the equity instruments issued was EUR 430k (2014: EUR 359k). This amount was recorded as expenses.

Management bonuses in the form of stock

A further management bonus in the form of stock was granted to the members of the Managing Board, beginning from net profit exceeding EUR 10m before taxes and after deduction of all management bonuses and employee shares.

Where this amount is reached, each of the individuals above receives 2,500 shares. Each is granted a further 150 shares for every EUR 1m of additional profit. The number of bonus shares is limited to 6,000 or 10,000 shares per beneficiary. These shares are subject to a lock-up period of five years. The taxes relating to the share transfer are borne by the company. No legal claim may be made to payment of this bonus in the form of shares, even where paid in previous years. The bonus is revised and agreed each year by the Supervisory Board.

In addition, key personnel and the managing directors of subsidiaries of the company are paid a bonus in the form of shares, the amount of which depends on the level of incoming orders and revenues. On the whole, 26,428 shares (2014: 26,340) with a lock-up period of five years were granted to the managing directors and to key personnel. The taxes relating to the share transfer are borne by the group.

On 31 December 2015, the valuation was based on 20,542 shares. At the time of approval, the fair value based on the market price of the equity instruments issued amounted to EUR 182k (EUR 14.45 per share) for the Managing Board and to EUR 189k (EUR 23.85 per share) for key personnel; these amounts were recorded as expenses in 2015.

37. Events after the balance-sheet date

With effect from 29 January 2016 INIT GmbH acquired further 6 per cent of iris. The purchase price for this 6 per cent amounts to EUR 762k.

There were no further events after the balance-sheet date that had any significant effect on the asset, financial and earnings position.

38. Employees, Managing Board and Supervisory Board

Employees

The annual average number of employees was as follows:

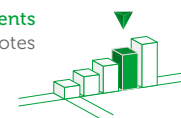
| | 2015 | 2014 |
|---------------------------|------------|------------|
| Employees Germany | 405 | 368 |
| Employees rest of Europe | 9 | 9 |
| Employees North America | 87 | 78 |
| Employees other countries | 18 | 18 |
| Total | 519 | 473 |

Managing Board

The following members make up the Managing Board of init AG:

| | |
|------------------------------------|-------------------------|
| Dr. Gottfried Greschner, Karlsruhe | Chief Executive Officer |
| Joachim Becker, Karlsruhe | Chief Operating Officer |
| Dr. Jürgen Greschner, Pfinztal | Chief Sales Officer |
| Bernhard Smolka, Mannheim | Chief Financial Officer |

Dr. Gottfried Greschner is also a member of the advisory board of Stadtmarketing Karlsruhe GmbH, Karlsruhe as well as a member of the foundation board of Majolika-Stiftung für Kunst- und Kulturförderung, Karlsruhe.



Supervisory Board

The members of the Supervisory Board of init AG are:

| | |
|--|---|
| Dipl.-Kfm. Hans-Joachim Rühlig, Ostfildern, Chairman | Former Financial Managing Director of Ed. Züblin AG, Stuttgart, member of Supervisory Board of CG Gruppe AG, Berlin |
| Drs. Hans Rat, Schoonhoven, Deputy Chairman | Managing Director of Beaux Jardins B.V., Schoonhoven, Netherlands |
| Dipl.-Ing. Ulrich Sieg, Jork, Member | Consulting engineer specialising in public transportation, Member of Supervisory Board of SECURITAS Holding GmbH, Duesseldorf |

39. Particulars of board member salaries

The members of the Managing Board received total remuneration of EUR 1,775k in the 2015 financial year (2014: EUR 2,316k). This total includes fixed salaries of EUR 1,355k (2014: EUR 1,448k), variable remuneration in the form of management bonuses of EUR 124k (2014: EUR 243k), and EUR 296k (2014: EUR 625k) in the form of shares, including the income tax payable for them. The managing directors of INIT GmbH, who are not members of the Managing Board of init AG, received total remuneration of EUR 691k (2014: EUR 476k). This total includes fixed salaries of EUR 655k (2014: EUR 406k), variable remuneration in the form of management bonuses of EUR 0k (2014: EUR 8k) and EUR 36k (2014: EUR 62k) in the form of shares. EUR 257k (2014: EUR 153k) of the total of EUR 691k applied to a former board member of init AG. In compliance with Section 315a (1) HGB (German Commercial Code) in conjunction with Section 314 (1) no. 6a sentences 5 to 8 HGB, the individualised disclosure of the Managing Board members' salaries can be withheld for a period of five years (Section 314 (2) sentence 2 in conjunction with Section 286 (5) HGB), which the shareholders' meeting on 24 May 2011 resolved to do.

The total remuneration of the Supervisory Board members for 2015 amounted to EUR 116k (2014: EUR 144k). This includes a variable share of EUR 44k (2014: EUR 72k) and is distributed as follows:

| EUR '000 | Fixed | Variable |
|--------------------------------|-------|----------|
| Dipl.-Kfm. Hans-Joachim Rühlig | 36 | 22 |
| Drs. Hans Rat | 18 | 11 |
| Dipl.-Ing. Ulrich Sieg | 18 | 11 |

In the 2015 financial year, the members of the Supervisory Board received EUR 0k (2014: EUR 0k) for consulting activities.

40. Auditing firm

The auditing firm Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Mannheim, received compensation for audits to the amount of EUR 169k (2014: EUR 174k), which was recorded as expenses. Expenditure for tax consulting services amounted to EUR 14k (2014: EUR 5k). Other appraisal services incurred costs of EUR 2k (2014: EUR 6k), and other services, of EUR 14k (2014: EUR 21k).

41. Declaration of compliance with the German Corporate Governance Code

The declaration of compliance for init AG was made by the Managing Board and the Supervisory Board on 15 December 2015, and was made available to the shareholders on our website at www.initag.com.

42. Notification under Section 26 (1) of the German Securities Trading Act (WpHG)

On 27 March 2015, Swisscanto Holding AG, Bern, Switzerland has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on init innovation in traffic systems AG, Karlsruhe, Germany, have exceeded the 3 per cent threshold of the Voting Rights on 25 March 2015 and on that day amounted to 4.24 per cent (this corresponds to 425,626 Voting Rights). 4.24 per cent of Voting Rights (this corresponds to 425,626 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act).

On 27 March 2015, Zürcher Kantonalbank, Zurich, Switzerland has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on init innovation in traffic systems AG, Karlsruhe, Germany, have exceeded the 3 per cent threshold of the Voting Rights on 25 March 2015 and on that day amounted to 4.31 per cent (this corresponds to 432,382 Voting Rights). 4.24 per cent of Voting Rights (this corresponds to 425,626 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in init innovation in traffic systems AG amounts to 3 per cent or more: Swisscanto Holding AG.

43. Approval of consolidated financial statements

In the board meeting on 29 February 2016, the consolidated financial statements and the group status report of init AG drawn up by the Managing Board on 31 December 2015 were approved for forwarding to the Supervisory Board.

Karlsruhe, 15 March 2016

The Managing Board



Dr. Gottfried Greschner



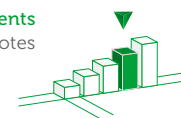
Joachim Becker



Dr. Jürgen Greschner



Bernhard Smolka



AUDIT OPINION

This is a translation from German language. The audit opinion issued in German language refers to the consolidated financial statements and the combined management report originally prepared in German language and not to the English translation of the consolidated financial statements and group management report.

We have issued the following opinion on the consolidated financial statements and the combined management report:

“We have audited the consolidated financial statements prepared by the the init innovation in traffic systems Aktiengesellschaft, Karlsruhe, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: “German Commercial Code”] and supplementary provisions of articles of incorporation and bylaws are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and supplementary articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.”

Mannheim, March 15, 2016

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft

Grathwol
Wirtschaftsprüfer

Hällmeyer
Wirtschaftsprüfer

ANNUAL FINANCIAL STATEMENT

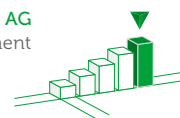
der init innovation in traffic systems AG, Karlsruhe

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The full annual financial statements of init AG are available on our website at www.initag.com or send an email to ir@initag.de.



INCOME STATEMENT

for 2015 (HGB)

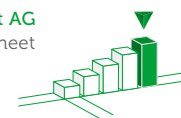
| EUR 'ooo | 01/01 to 31/12/2015 | 01/01 to 31/12/2014 |
|--|------------------------|------------------------|
| 1. Revenues | 6,077 | 5,743 |
| 2. Other operating income thereof from currency translations EUR 4k (2014: EUR 53k) | 2,177 | 1,153 |
| | 8,254 | 6,896 |
| 3. Personnel expenses | | |
| a) Salaries | 1,945 | 2,027 |
| b) Social security and expenditures for pensions and other benefits thereof for retirement benefits EUR 74k (2014: EUR 30k) | 375 | 319 |
| 4. Depreciation on tangible fixed assets | 226 | 124 |
| 5. Other operating expenses thereof expenses for currency translation EUR 4k (2014: EUR 4k) | 3,300 | 2,809 |
| | 5,846 | 5,279 |
| 6. Income from investments thereof from affiliated companies | 4,571 | 7,655 |
| 7. Other interest and similar income thereof from affiliated companies EUR 35k (2014: EUR 35k) | 35 | 43 |
| 8. Depreciation on marketable securities and bonds | 3 | 8 |
| 9. Expenses from profit and loss transfer agreements | 0 | 27 |
| 10. Interest and similar expenses thereof expenses from discounting EUR 7k (2014: EUR 7k) | 181 | 121 |
| | 4,422 | 7,542 |
| 11. Profit from ordinary activities | 6,830 | 9,159 |
| 12. Income taxes | 3,302 | 3,069 |
| 13. Other taxes | 30 | 30 |
| | 3,332 | 3,099 |
| 14. Net profit | 3,498 | 6,060 |
| 15. Profit carried forward | 9,381 | 11,353 |
| 16. Balance sheet profit | 12,879 | 17,413 |

BALANCE SHEET

as of 31 December 2015 (HGB)

Assets

| EUR 'ooo | 31/12/2015 | 31/12/2014 |
|---|---------------|---------------|
| A. Non-current assets | | |
| I. Tangible fixed assets | | |
| 1. Land, land rights and buildings including buildings on third-party land | 20,813 | 8,552 |
| 2. Deposits paid and facilities under construction | 153 | 7,457 |
| | 20,966 | 16,009 |
| II. Financial assets | | |
| 1. Interests in affiliated companies | 26,504 | 26,495 |
| 2. Loans to affiliated companies | 601 | 601 |
| | 27,105 | 27,096 |
| | 48,071 | 43,105 |
| B. Current assets | | |
| I. Receivables and other assets | | |
| 1. Receivables from affiliated companies | 3,739 | 9,252 |
| 2. Other assets | 131 | 344 |
| | 3,870 | 9,596 |
| II. Securities | | |
| Other securities | 30 | 30 |
| III. Cash and cash equivalents, central bank balances, bank balances and cheques | 306 | 463 |
| | 4,206 | 10,089 |
| C. Prepaid expenses | 73 | 66 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Assets, total | 52,350 | 53,260 |



Liabilities

| EUR 'ooo | 31/12/2015 | 31/12/2014 |
|--|---------------|---------------|
| A. Shareholders' equity | | |
| I. Subscribed capital | 10,040 | 10,040 |
| ./. Treasury shares | -22 | -17 |
| | 10,018 | 10,023 |
| II. Additional paid-in capital | 10,953 | 10,927 |
| III. Surplus reserve | | |
| Other surplus reserve | 871 | 1,031 |
| IV. Balance sheet profit | 12,879 | 17,413 |
| | 34,721 | 39,394 |
| B. Provisions | | |
| 1. Provisions for pensions and similar obligations | 174 | 148 |
| 2. Tax provisions | 1,383 | 1,272 |
| 3. Other provisions | 1,218 | 1,325 |
| | 2,775 | 2,745 |
| C. Liabilities | | |
| 1. Bank loans | 7,900 | 9,084 |
| 2. Trade accounts payable | 502 | 366 |
| 3. Liabilities to affiliated companies | 5,281 | 1,205 |
| 4. Other liabilities thereof taxes EUR 34k (2014: EUR 40k) thereof for social security EUR 0k (2014: EUR 0k) | 1,171 | 466 |
| | 14,854 | 11,121 |
| Liabilities, total | 52,350 | 53,260 |

FINANCIAL CALENDAR

| Date | Event |
|---------------------|---|
| 23 March 2016 | Publication of 2015 annual report and press / analyst conference in Frankfurt |
| 12 May 2016 | Publication of Q1 / 2016 |
| 21 July 2016 | Annual General Meeting 2016, Congress Centre / Konzerthaus Karlsruhe |
| 11 August 2016 | Publication of Q2 / 2016 |
| 11 November 2016 | Publication of Q3 / 2016 |
| 21–23 November 2016 | Analyst conference, German Equity Forum, Frankfurt |

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FIVE-YEAR FINANCIAL SUMMARY OF THE INIT GROUP

(IFRS)

| EUR 'ooo | 2015 | 2014 | 2013 | 2012 | 2011 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Balance Sheet (31/12) | | | | | |
| Balance sheet total | 145,082 | 128,774 | 118,313 | 110,452 | 109,756 |
| Shareholders' equity | 71,180 | 67,770 | 62,092 | 57,757 | 56,938 |
| Subscribed capital | 10,040 | 10,040 | 10,040 | 10,040 | 10,040 |
| Equity ratio (in %) | 49.1 | 52.6 | 52.5 | 52.3 | 51.9 |
| Return on equity (in %) | 10.6 | 17.8 | 19.4 | 18.8 | 26.4 |
| Non-current assets | 43,098 | 34,537 | 28,198 | 27,603 | 19,806 |
| Current assets | 101,984 | 94,237 | 90,115 | 82,849 | 89,950 |
| Income Statement (01/01-31/12) | | | | | |
| Revenues | 105,293 | 102,993 | 100,120 | 97,297 | 88,736 |
| Gross profit | 31,839 | 36,581 | 37,456 | 34,006 | 36,294 |
| EBIT | 10,756 | 18,685 | 17,725 | 17,318 | 20,430 |
| EBITDA | 14,117 | 21,690 | 20,501 | 19,895 | 22,891 |
| Consolidated net profit | 7,577 | 12,067 | 12,068 | 10,872 | 15,057 |
| Earnings per share (in EUR) | 0.75 | 1.20 | 1.21 | 1.11 | 1.51 |
| Dividend (in EUR) | 0.20* | 0.80 | 0.80 | 0.80 | 0.80 |
| Cashflow | | | | | |
| Cash flow from operating activities | 11,478 | 502 | 11,435 | 11,332 | 17,433 |
| Share | | | | | |
| Issue price (in EUR) | 5.10 | 5.10 | 5.10 | 5.10 | 5.10 |
| Peak share price (in EUR) | 27.99 | 25.80 | 26.89 | 25.70 | 19.99 |
| Bottom share price (in EUR) | 14.08 | 18.50 | 21.15 | 13.60 | 13.06 |

* dividend to be proposed to the AGM 2016

init

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