

Quarterly statement Q1/2016

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

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

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

Group key figures according to IFRS

| EUR '000 | 2016 | 2015 | Change in % |
|---|---------|---------|-------------|
| Balance Sheet (31/03) | | | |
| Balance sheet total | 140,570 | 136,713 | 2.8 |
| Shareholders' equity | 68,002 | 71,050 | -4.3 |
| Subscribed capital | 10,040 | 10,040 | |
| Equity ratio (in %) | 48.4 | 52.0 | |
| Return on equity (in %) | 0.8 | 1.1 | |
| Non-current assets | 43,575 | 36,242 | 20.2 |
| Current assets | 96,995 | 100,471 | -3.5 |
| Income Statement (01/01 – 31/03) | | | |
| Revenues | 19,439 | 23,551 | -17.5 |
| Gross profit | 5,325 | 6,650 | -19.9 |
| EBIT | 899 | 1,181 | -23.9 |
| EBITDA | 1,776 | 1,931 | -8.0 |
| Consolidated net profit | 545 | 748 | -27.1 |
| Earnings per share (in EUR) | 0.06 | 0.08 | -20.9 |
| Dividend (in EUR) | | 0,20* | |
| Cash Flow | | | |
| Cash flow from operating activities | -1,168 | 3,301 | -136.1 |
| Share | | | |
| Issue price (in EUR) | 5.10 | 5.10 | |
| Peak share price (in EUR) | 18.40 | 23.76 | -22.6 |
| Bottom share price (in EUR) | 12.01 | 20.05 | -40.1 |

* dividend to be proposed to the AGM 2016.

General information about the quarterly statement of the init group

In the past the quarterly results were presented in a quarterly interim report. This is replaced by the following quarterly statement. In the future we will publish a

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

Important business transaction in the first quarter 2016

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

Orders

All in all, init managed to acquire new orders to the value of EUR 35.0m in the first quarter (Q1 2015: EUR 25.2m) which is in line with our planning. The main part of incoming orders consists of new ticketing projects and maintenance contracts.

We are well on our way to achieving our target for incoming orders of EUR 110m for 2016. However, this depends both on whether we win more of the large tenders in which we are currently participating and whether the resulting orders are placed this year.

Orders on hand as per 31 March 2016 stand at around EUR 97m and are therefore below the EUR 127m achieved on the previous year's balance-sheet date.

Earnings position

Revenues of EUR 19.4m (Q1 2015: EUR 23.6m) were generated in the first quarter of 2016 which is in line with our planning.

Breakdown of revenues by region for the first three months:

| in million EUR | 01/01-31/03/2016 | % | 01/01-31/03/2015 | % |
|----------------------------------|------------------|--------------|------------------|--------------|
| Germany | 6.2 | 32.0 | 5.4 | 22.9 |
| Rest of Europe | 3.4 | 17.5 | 5.0 | 21.0 |
| North America | 8.9 | 45.9 | 12.0 | 50.9 |
| Other countries (Australia, UAE) | 0.9 | 4.6 | 1.2 | 5.2 |
| Group total | 19.4 | 100.0 | 23.6 | 100.0 |

Revenues based on customer's location.

Earnings before interest and taxes (EBIT) decreased to EUR 0.9m compared with Q1 2015 (EUR 1.2m), but is still in line with our planning. **Foreign currency gains** due to positive effects when assessing the forward exchange transactions amounting to EUR 1.1m (Q1 2015: foreign currency losses of EUR 0.5m) in the first quarter 2016.

Gross profit stands at EUR 5.3m which is lower than in the previous year (EUR 6.7m). The reason for this is found in the decreased revenues.

Sales and administrative expenses came in at EUR 0.3m above the previous year's level. The added expenses are a result of the increase in the number of employees.

Research and development expenses are around EUR 0.5m above the previous year due to new development work.

Net interest income (balance of interest income and interest expenses) stands at EUR -101k (Q1 2015: EUR -113k). Interest expenses are incurred primarily from interest for real estate finance at the Karlsruhe site as well as from short-term euro loans.

Overall, **net profit** as at 31 March 2016 decreased to around EUR 0.5m compared with the prior-year period (Q1 2015: EUR 0.7m), which is due to the previous mentioned effects. This corresponds to earnings per share of EUR 0.06 (Q1 2015: EUR 0.08).

As a result of unrealised losses from currency translation of foreign companies (especially as a result of US dollar exchange rate devaluation) and due to lower net profit, **total comprehensive income** decreased to EUR -1.9m (Q1 2015: EUR 3.5m). This development is reflected in the change in **other reserves**.

Net assets and financial position

Operating cash flow stands at EUR -1.2m (Q1 2015: EUR 3.3m) and deteriorated compared with the previous year which was primarily due to decreasing other non-current liabilities as well as the change in shareholders' equity, which did not have any impact on income. This is offset by the reduction of future receivables from contract orders as well as the lower buildup of inventories. We expect operating cash flow to continue to rise over the further course of business as a result of payment receipts for major projects.

Cash flow from investment activities stands at EUR -1.2m (Q1 2015: EUR -2.5m) and results primarily from disbursements for the additional shares of iris-GmbH, for the new building in Kaeppelestrasse in Karlsruhe as well as from replacement and expansion investments.

Short and long-term liabilities to banks in the amount of EUR 21.9m (31/12/2015: EUR 19.6m) concern property financing as well as short-term euro loans taken out to stabilise liquidity which had been prompted by delayed payment receipts and payment plans for major projects that required a large degree of pre-financing.

Cash and cash equivalents, including short-term securities and bonds, stand at EUR 12.8m at the end of the reporting period (31/12/2015: EUR 14.1m).

Compared with 31 December 2015, **inventories** rose by EUR 1.5m to EUR 24.2m. The reason for this is imminent hardware deliveries, which will cause stock to fall again in the months to come.

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

In the first quarter 75,253 shares were repurchased at an average price of EUR 13.55. 14,250 shares were transferred to the incentive scheme for members of the Managing Board and managing directors with a five year lock up period. Consequently, **treasury stock** totalled 83,405 shares as at 31 March 2016. The average repurchase price was EUR 14.91 per share.

Personnel

The init group employed 543 staff as per 31 March 2016 (Q1 2015: 506) including temporary workers, research assistants and students doing thesis work.

Number of employees by region:

| | 31/03/2016 | 31/03/2015 |
|---------------------------------|------------|------------|
| Employees in Germany | 425 | 394 |
| Employees in the rest of Europe | 11 | 10 |
| Employees in North America | 87 | 85 |
| Employees in other countries | 20 | 17 |
| Total | 543 | 506 |

Opportunities and risks

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

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

In the US, init has won in 2016 two further ticketing projects in Tampa, Florida (in quarter 1) and Honolulu, Hawaii (in quarter 2). This provides init with references for further tenders in the ticketing business in North America, as there is considerable market potential for the next ten years.

Forecast and outlook

init innovation in traffic systems AG largely fulfilled our expectations in the first quarter 2016.

We are therefore adhering to our previous forecast for 2016. For the current year, we anticipate group revenues of around EUR 100m at slightly lower margins. This translates into an operating profit (EBIT) ranging of around EUR 8m.

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

With an high order backlog in excess of EUR 97m, we have already secured a major part of the planned revenues for 2016. If the projects continue to be completed on schedule and we succeed in winning the few, still outstanding orders soon, we will also succeed in reaching our targets for 2016.

Many international tenders for public transport infrastructure projects around the world, some of which extremely large, are currently in the decision-making phase. As a leading international provider of integrated planning, dispatching, telematics and ticketing systems for buses and trains, init's numerous references make it a hot contender.

We remain confident that we will be able to win several of these ongoing and pending tenders in the 2016 financial year.

For 2016, we expect incoming orders in the group of approximately EUR 110m. This plan is based on the assumption that tenders will not be delayed and that price competition will not continue to intensify. Actual figures could deviate significantly from the forecast if new risk factors arise or assumptions underlying the plan later prove to be false.

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

Consolidated Income Statement (IFRS)

from 1 January 2016 to 31 March 2016 (unaudited)

| EUR '000 | 01/01 to 31/03/2016 | 01/01 to 31/03/2015 |
|--|------------------------|------------------------|
| Revenues | 19,439 | 23,551 |
| Cost of revenues | -14,114 | -16,901 |
| Gross profit | 5,325 | 6,650 |
| Sales and marketing expenses | -2,879 | -2,759 |
| General administrative expenses | -1,845 | -1,676 |
| Research and development expenses | -1,266 | -759 |
| Other operating income | 415 | 494 |
| Other operating expenses | -77 | -337 |
| Foreign currency gains and losses | 1,103 | -539 |
| Income from associated companies | 123 | 107 |
| Earnings before interest and taxes (EBIT) | 899 | 1,181 |
| Interest income | 7 | 7 |
| Interest expenses | -108 | -120 |
| Earnings before taxes (EBT) | 798 | 1,068 |
| Income taxes | -253 | -320 |
| Net profit | 545 | 748 |
| thereof attributable to equity holders of parent company | 600 | 762 |
| thereof non-controlling interests | -55 | -14 |
| Net profit and diluted net profit per share in EUR | 0.06 | 0.08 |
| Average number of floating shares | 9,975,339 | 10,023,672 |

Consolidated Statement of Comprehensive Income (IFRS)

from 1 January 2016 to 31 March 2016 (unaudited)

| EUR '000 | 01/01 to 31/03/2016 | 01/01 to 31/03/2015 |
|--|------------------------|------------------------|
| Net profit | 545 | 748 |
| Items to be reclassified to the income statement | | |
| Changes on currency translation | -2,458 | 2,776 |
| Total Other comprehensive income | -2,458 | 2,776 |
| Total comprehensive income | -1,913 | 3,524 |
| thereof attributable to equity holders of the parent company | -1,858 | 3,538 |
| thereof non-controlling interests | -55 | -14 |

Consolidated Balance Sheet (IFRS)

as of 31 March 2016 (unaudited)

| EUR '000 | 31/03/2016 | 31/12/2015 |
|---|----------------|----------------|
| Cash and cash equivalents | 12,735 | 14,038 |
| Marketable securities and bonds | 29 | 30 |
| Trade accounts receivable | 18,059 | 23,467 |
| Future receivables from production orders ("Percentage-of-Completion-Method") | 38,714 | 39,158 |
| Inventories | 24,184 | 22,718 |
| Income tax receivable | 0 | 100 |
| Other current assets | 3,274 | 2,473 |
| Current assets, total | 96,995 | 101,984 |
| Tangible fixed assets | 21,016 | 21,240 |
| Investment property | 6,064 | 6,086 |
| Goodwill | 4,388 | 4,388 |
| Other intangible assets | 1,219 | 1,457 |
| Interest in associated companies | 3,227 | 2,341 |
| Deferred tax assets | 5,239 | 5,273 |
| Other assets | 2,422 | 2,313 |
| Non-current assets, total | 43,575 | 43,098 |
| Assets, total | 140,570 | 145,082 |
| Bank loans | 15,414 | 12,884 |
| Trade accounts payable | 10,584 | 10,968 |
| Accounts payable of "Percentage-of-Completion-Method" | 3,348 | 4,023 |
| Accounts payable due to related parties | 79 | 5 |
| Advance payments received | 672 | 525 |
| Income tax payable | 486 | 1,560 |
| Provisions | 10,197 | 10,337 |
| Other current liabilities | 12,197 | 14,032 |
| Current liabilities, total | 52,977 | 54,334 |
| Bank loans | 6,439 | 6,717 |
| Deferred tax liabilities | 5,261 | 5,143 |
| Pensions accrued and similar obligations | 7,681 | 7,496 |
| Other non-current liabilities | 210 | 212 |
| Non-current liabilities, total | 19,591 | 19,568 |
| Liabilities | 72,568 | 73,902 |
| Subscribed capital | 10,040 | 10,040 |
| Additional paid-in capital | 5,351 | 5,809 |
| Treasury stock | -1,243 | -436 |
| Surplus reserves and consolidated unappropriated profit | 52,881 | 52,281 |
| Other reserves | 869 | 3,327 |
| Attributable to equity holders of the parent company | 67,898 | 71,021 |
| Non-controlling interests | 104 | 159 |
| Shareholders' equity, total | 68,002 | 71,180 |
| Liabilities and shareholders' equity, total | 140,570 | 145,082 |

Consolidated Cash Flow Statement (IFRS)

from 1 January 2016 to 31 March 2016 (unaudited)

| EUR '000 | 01/01 to 31/03/2016 | 01/01 to 31/03/2015 |
|--|------------------------|------------------------|
| Cash flow from operating activities | | |
| Net income | 545 | 748 |
| Depreciation | 877 | 750 |
| Gains on the disposal of fixed assets | -21 | 24 |
| Change of provisions and accruals | 45 | 450 |
| Change of inventories | -1,466 | -2,623 |
| Change in trade accounts receivable and future receivables from production orders (PoC) | 5,852 | 691 |
| Change in other assets, not provided by / used in investing or financing activities | -810 | -917 |
| Change in trade accounts payable | -384 | 857 |
| Change in advanced payments received and liabilities from PoC method | -528 | 1,030 |
| Change in other liabilities, not provided by / used in investing or financing activities | -2,837 | -452 |
| Amount of other non-cash income and expenses | -2,441 | 2,743 |
| Net cash from operating activities | -1,168 | 3,301 |
| Cash flow from investing activities | | |
| Inflows from sales of tangible fixed assets | 392 | 32 |
| Investments in tangible fixed assets and other intangible assets | -867 | -2,567 |
| Investments in associated companies | -762 | 0 |
| Net cash flows used in investing activities | -1,237 | -2,535 |
| Cash flow from financing activities | | |
| Cash payments for the purchase of treasury stock | -1,019 | -233 |
| Payments received from bank loans incurred | 2,531 | 2,790 |
| Redemption of bank loans | -278 | -278 |
| Net cash flows used in financing activities | 1,234 | 2,279 |
| Net effects of currency translation and consolidation changes in cash and cash equivalents | -132 | 486 |
| Increase/reduction in cash and cash equivalents | -1,303 | 3,531 |
| Cash and cash equivalents at the beginning of the period | 14,038 | 9,213 |
| Cash and cash equivalents at the end of the period | 12,735 | 12,744 |

Financial calendar and imprint

| Date | Event |
|-----------------------|--|
| 21 July 2016 | Annual General Meeting 2016, Kongresszentrum / Konzerthaus Karlsruhe |
| 11 August 2016 | Publication Q2 Report 2016 |
| 11 November 2016 | Publication quarterly statement Q3/2016 |
| 21 – 23 November 2016 | Analyst conference, German Equity Forum, Frankfurt |

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