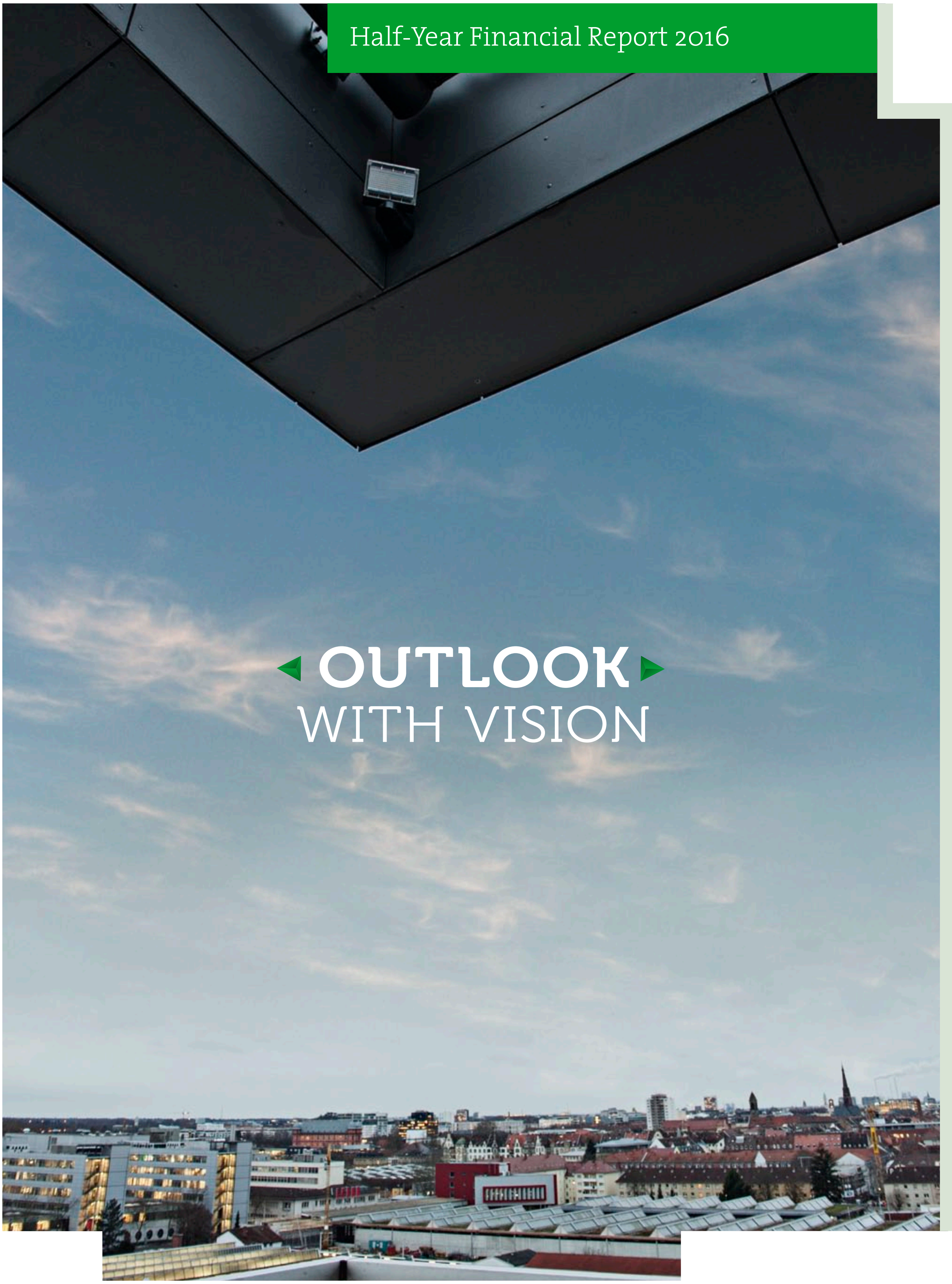
The Future of Mobility

Half-Year Financial Report 2016



Outlook with Vision

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 (30/06)			
Balance sheet total	156,959	136,786	14.7
Shareholders' equity	70,686	65,223	8.4
Subscribed capital	10,040	10,040	
Equity ratio (in %)	45.0	47.7	
Return on equity (in %)	1.7	3.7	
Non-current assets	45,356	38,009	19.3
Current assets	111,603	98,777	13.0
Income Statement (01/01 – 30/06)			
Revenues	41,834	47,143	–11.3
Gross profit	11,488	13,518	–15.0
EBIT	1,928	3,656	–47.3
EBITDA	3,693	5,216	–29.2
Consolidated net profit	1,187	2,398	–50.5
Earnings per share (in EUR)	0.12	0.23	–46.9
Dividend (in EUR)		0,20*	
Cash Flow			
Cash flow from operating activities	–571	305	–287.2
Share (01/04 – 30/06)			
Issue price (in EUR)	5.10	5.10	
Peak share price (in EUR)	15.31	25.62	–40.2
Bottom share price (in EUR)	12.60	20.05	–37.2

* Payment in 2016 for the financial year 2015

Corporate Bodies

Supervisory Board

- Dipl.-Kfm. Hans-Joachim Rühlig, Ostfildern, Germany
  (Chairman)
  Former Financial Managing Director,
  Ed. Züblin AG, Stuttgart, Germany
  Member and Vice-Chairman of the Supervisory Board
  of CG Gruppe AG, Berlin, Germany

- Drs. Hans Rat, Schoonhoven, Netherlands
  (Vice-Chairman)
  Honorary Secretary General of UITP
  Managing Director Beaux Jardins B. V.,
  Schoonhoven, Netherlands

- Dipl.-Ing. Ulrich Sieg, Jork, Germany
  Consulting engineer specialising in public transport
  Member of the Supervisory Board of SECURITAS
  Holding GmbH, Düsseldorf, Germany

Managing Board

- Dipl.-Ing. Dr. Gottfried Greschner
  (Chairman; CEO)
  Business Development, Strategy, Production and
  Purchasing, Administration

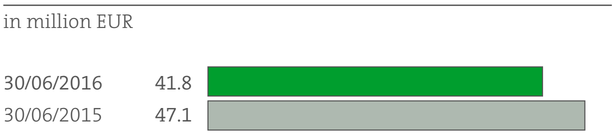
- Dipl.-Kfm. Dr. Jürgen Greschner (CSO)
  Sales and Marketing, Projects and System Design,
  Support and Operations

- Dipl.-Inform. Joachim Becker (COO)
  Real-Time Systems, Back-Office Operations, IT

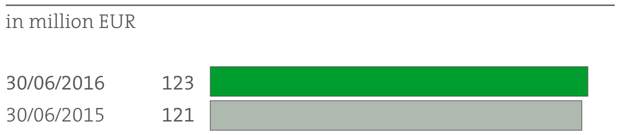
- Dipl.-Ing. (FH) Matthias Kühn (COO)
  Back-Office Ticketing, Telematic Devices,
  Maintenance and Services

- Dipl.-Kfm. Bernhard Smolka (CFO)
  Financial Services

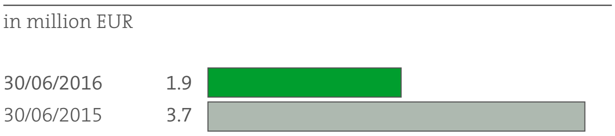
Revenues Q1–Q2



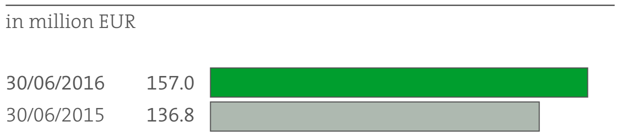
Order backlog



EBIT Q1–Q2



Balance sheet total



Letter to the Shareholders

Dear Ladies and Gentlemen,
dear Shareholders,

init innovation in traffic systems AG generates nearly three-quarters of its income outside Germany. In the first half of 2016 we posted incoming orders of EUR 80m, a new record.

The fact that init is today one of the world's leading providers of integrated telematics and electronic fare collection systems for buses and trains and is considered a global player is attributable to our international customer relationships, friends and business partners.

Business conditions at init are similar to those prevailing in the German economy: our economic success and our well-being as an employer and employee are based on a positive dialogue of understanding forged with people in other countries and from other cultures. This collaboration and cooperation give rise to our success.

This is why it is important for us as the Managing Board of a group with a workforce from 21 different countries who all work in the service of our customers and according to the same ethical guidelines and principles to take this opportunity to stress this fact. However, this requires that everyone accepts these ethical principles.

By focussing the international business we can compensate for any temporary weaknesses in some markets with growth in others. Our opinion is that the "BREXIT" vote in the UK to leave the European Union will not have any significant effect on init. With a subsidiary in Nottingham, init is incidentally also a British company.

In the current financial year, the main drivers of our sustainable growth will once again originate from abroad. In particular, init's multimodal fare management systems are in increasingly high demand all around the world and were the reason for our recent success in winning major tenders in the USA (Tampa, Florida, and Honolulu, Hawaii) and UK (Birmingham).

We have established a leading market position in this field and see great deal of potential here for our business growth to really take off from 2017 onwards. Major ticketing tenders are emerging on other continents as well. The first results from pilot projects in Asia are also highly promising, and could open up potential for further opportunities in the medium term.

init has increasingly evolved into a global player in recent years and will continue along this path in the future. Against this backdrop, the vote by the overwhelming majority of shareholders at the Annual General Meeting held in July in favour of transforming the company from a German AG into a European SE (Societas Europaea) represents a decisive step in the further development of our company. We would like to use this as the basis to continue our international expansion in the coming years – for the good of the company, our employees and you our shareholders.

We would be delighted to have your continued trust and support along the way. Thank you very much!

For the Managing Board of
init innovation in traffic systems AG

Dr. Gottfried Greschner
Chairman (CEO)

Share and Investor Relations

Price losses on German stock exchanges: init share also affected

The German and European stock markets had to contend with a high degree of uncertainty and some substantial losses in the first half of 2016. Indicators signalled slowing economic momentum in China, triggering a negative trend that was followed by the rekindling of the European banking crisis. The unexpected "BREXIT" vote at the end of June sent share prices tumbling across the board.

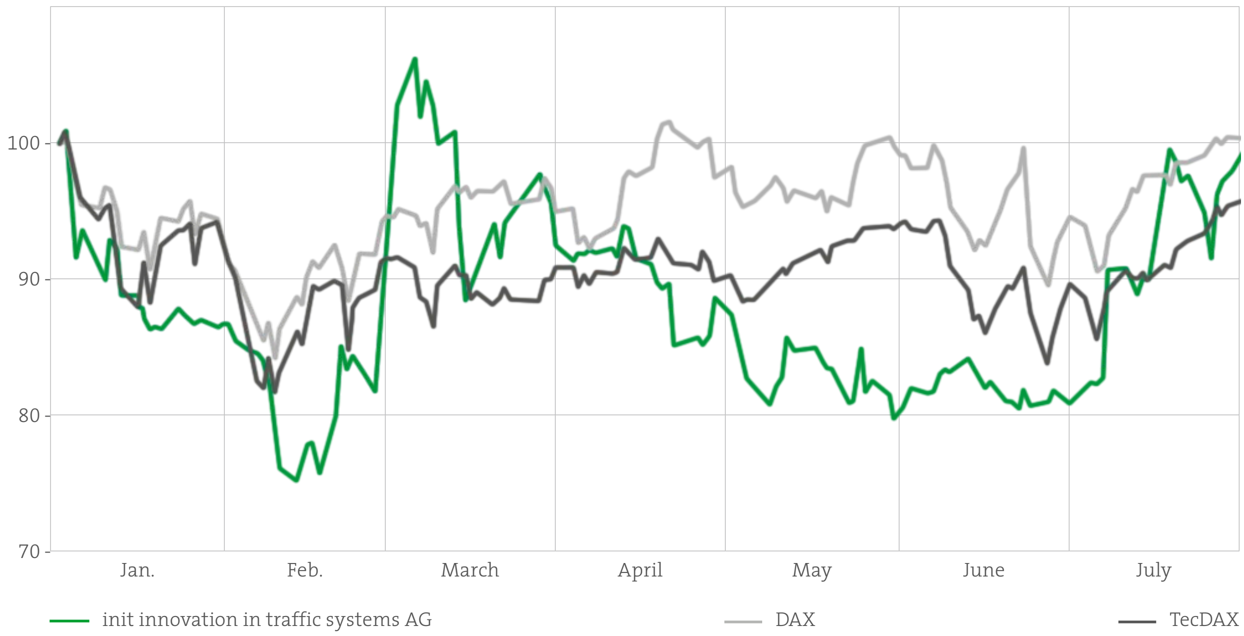
Against this backdrop, the DAX index of Germany's 30 leading companies lost about 10 per cent of its value in the first half of the year, with one in three DAX constituents losing ground of more than 20 per cent. The TecDAX index of technology companies dropped 14 per cent.

The price of the init share (ISIN DE0005759807) also suffered from these trends, hitting an annual low of EUR 12.15 in mid-February. The Managing Board of init innovation in traffic systems AG used this weak phase to purchase some of its own stock, exercising the authorisation granted to it by the Annual General Meeting of 13 May 2015 under agenda item 6 (pursuant to § 71, Section 1, No. 8 AktG). As such, between 21 January and 4 February 2016, it acquired a total of 50,000 init shares at an average price of EUR 14.01. Between 16 February and 31 March 2016, a further 50,000 treasury shares were accordingly to be repurchased at a maximum price of EUR 12.98 per share via the stock market. However, the share price rose dramatically thereafter, peaking at EUR 16.80, which meant that this resolution was not fully realised. init AG was able to buy a total of 25,253 shares at an average price of EUR 12.63.

As at the end of the first half-year, however, the init share had also lost 20 per cent of its value. After the end of the reporting period and in response to positive reports, the init share was back in higher demand and able to recover a large share of these losses by the end of July. Most equity analysts currently rate init innovation in traffic systems AG as "neutral" or as a "buy", with price targets of between EUR 16 and 22.

Performance January to July 2016 (Xetra)

(indexed



Annual General Meeting decides on conversion to a European corporation

As init has increasingly become a global player in recent years, the Managing Board and Supervisory Board decided that a decisive step in the further development of the company would be to convert the company init innovation in traffic systems AG under German law into a European corporation (Societas Europaea, SE). They consider the decision will give the company better chances of success on the European market and lead to its broader acceptance by international investors. These arguments also convinced init shareholders at the Annual General Meeting of 21 July 2016, who subsequently voted with an overwhelming majority in favour of the plan and of the new articles of incorporation. The new legal form of the company will not change anything for shareholders. The corporate structures, shareholdings and allocation of responsibilities between the Annual General Meeting, Managing Board and the Supervisory Board will remain unchanged. Karlsruhe will also remain the company's registered office.

In terms of the company's continued financing and to lend it more room to manoeuvre in international business, the Managing Board and the Supervisory Board recommended to the Annual General Meeting to grant restricted authorisation until 20 July 2021 to issue bonds with warrants attached and convertible bonds with a total nominal amount of up to EUR 100m and to create the associated conditional capital of up to EUR 5m. Shareholders also voted with a 93.1 per cent majority in favour of this recommendation.

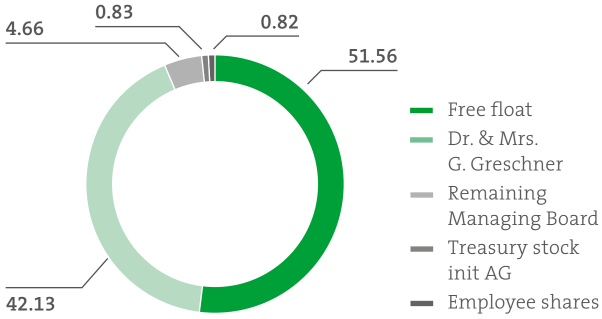
init AG closed the financial year 2015 with net profit of roughly EUR 12.9m, out of which a dividend of EUR 0.20 per dividend-bearing share was paid out on 22 July 2016. 98.9 per cent of the Annual General Meeting voted in favour of the related recommendation from the Managing Board and Supervisory Board.

The Annual General Meeting also confirmed the recommendation for the composition of the Supervisory Board. Hans-Joachim Rühlig, former General Secretary of the International Association of Public Transport (UITP), Hans Rat and Ulrich Sieg were all re-elected with an overwhelming majority. Previous to that, the Annual General Meeting discharged the Managing Board and the Supervisory Board by 98.2 and 97.6 per cent, respectively, for financial year 2015

Up-to-date information about the init share and our Investor Relations services can be found on our website *www.initag.com*.

Shareholder structure as of 30 June 2016

(in %)



Basic share information

Exchange	Frankfurt Stock Exchange
Index / Segment	Prime Standard, Regulated Market
Class	No-par bearer shares (at EUR 1 each)
ISIN	DE0005759807
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 June 2016)	EUR 131.2m

Consolidated Half-Year Management Report

Economic environment

The global economy initially continued on its course of recovery in the first half of 2016. Towards the end of the reporting period, however, the UK's vote to leave the European Union ("Brexit") led to a partial revision of the upbeat outlook for growth. The resultant uncertainties and the expected negative consequences of Brexit for the EU and the UK prompted experts to scale back their forecasts. Thus, the International Monetary Fund (IMF) lowered its forecast for global economic growth to 3.1 per cent (previously: 3.2 per cent) in 2016 and to 3.4 per cent (previously 3.5 per cent) in 2017 (IMF, World Economic Outlook of July 2016).

The forecast for the UK was adjusted the mostly sharply downwards by 0.2 and 0.9 percentage points, respectively. Even so, the IMF still projects economic growth of 1.7 (2016) and 1.3 (2017) per cent for the UK. Growth in Germany and the EU as a whole is expected to slow by 0.4 per cent and 0.2 per cent, respectively, from 2017. Accordingly, the German economy is expected to expand by 1.6 (2016) and 1.2 (2017) per cent, while the corresponding figures for the EU now stand at 1.6 (2016) and 1.4 (2017) per cent.

On the other hand, Brexit is unlikely to have much of an effect on the other markets of importance for init's business performance such as North America and Asia/Pacific. Regardless of this, economic conditions in North America (Canada and the USA) were weaker than expected, causing the IMF to marginally scale back its growth forecast for 2016 for this region as well. Even so, with growth rates of 1.4 and 2.2 per cent, respectively, in 2016 and of 2.1 and 2.5 per cent, respectively, in 2017, these two markets are expected to continue expanding.

According to the IMF's most recent Economic Outlook, the countries of the Asia/Pacific region will again grow the most sharply. With growth in demand of 4.8 (ASEAN countries in 2016) and 5.1 (2017) per cent and 6.4 and 6.3 per cent (Asian emerging markets), this region will again be the engine of growth of the global economy.

We assume that, with the exception of exchange rate risk, Brexit will not leave any material traces on init's business, which is primarily underpinned by public-sector spending and funding. We are currently participating in numerous tenders in the UK and expect our share of the UK market to grow over the coming years.

Sector-specific performance

Mobility is one of the key factors in the development of the economies and societies of the industrialised countries and emerging markets. The expansion and modernisation of public transport systems are at the core of all considerations as to how this can be achieved in the present and future. This is reflected in the growing global need for intelligent system solutions of the type developed, sold and implemented by init.

In addition to long-term trends such as demographic growth, mounting urbanisation and the need to make more sparing use of resources and reduce our environmental footprint, the digitalisation of our daily lives is spurring growth. With the resultant availability of real-time information almost anywhere and the possibilities of leveraging it for new mobility services, transport companies have major opportunities to render their services more efficient, reliable and attractive.

The emergence of new metropolitan areas and the growth of "smart cities" across the world mean that public transport systems can be planned "on the drawing board" and implemented from the ground up. On the other hand, the capacity of existing transport networks must be increased and technological bottlenecks overcome in booming metropolitan regions. At the same time, the growing technological possibilities are being accompanied by increasing expectations on the part of users of public transport systems, particularly in the industrialised nations. All this is resulting in a steadily rising number of ever larger tenders for traffic infrastructure components, especially in North America and Asia.

At the same time, three current developments are opening up additional potential for technology leaders such as init. For one thing, new smartphone apps are giving passengers more and more transparency, allowing them to plan their trips with maximum efficiency, a transparency that they also want to make use of. This calls for the greater interlinking of all transport providers, ranging from bicycles to buses and urban trains through to long-distance trains and aircraft, in combination with integrated real-time information systems.

In order to break down the barriers between the various types of transportation, smart ticketing solutions of the type that init has implemented in Luxembourg, for example, are also required alongside the requisite information and communications interfaces. At the same time, however, the use of these new functions requires powerful hardware and software installations at the operating centres, depots and stops as well as in the vehicles themselves. Europe in particular has some catching up to do in this respect. As it has been demonstrated that it is possible to improve economic efficiency and attract more passengers by means of extended functionality and new services, an ever increasing number of transportation service providers are investing in planning, management, telematics and ticketing systems.

With its numerous international references and the experience gained with over 400 customers, init innovation in traffic systems AG with its hardware and software components is one of the most sought-after technology partners.

Economic basis of the group

With effect from 29 January 2016, INIT GmbH acquired a further 6 per cent of iris-GmbH infrared & intelligent sensors in Berlin for a price of EUR 762k.

Report on earnings, assets and financial position

General performance

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

In the first six months of 2016, the init group's revenues were down roughly 11.3 per cent on the prior year. This decline in the first half of the year was in line with our planning. EBIT rose again in the second quarter, but was likewise down on the previous year at the end of the first half due to lower revenues. However, it was in line with our planning targets. Revenues and earnings should be well up in the third quarter.

Order situation

Historically, init records the greatest volume of incoming orders in the first half of the year. Incoming orders for the first half of the year totalled EUR 80.2m (Q1–Q2 2015: EUR 41.3m), thus exceeding our expectations.

All in all, init managed to acquire new orders totalling EUR 45.2m in the second quarter (Q2 2015: EUR 16.2m). In addition to maintenance contracts and follow-up orders, a large share of the incoming orders took the form of new projects. Notable new orders were received in the US (Honolulu, HI; Tampa, FL; Grand Rapids, MI) as well as in the UK (Birmingham). Following the acquisition of a further 31.5 per cent of the shares in iris-GmbH in Berlin (6 per cent on 29 January 2016 and 25.5 per cent on 7 July 2016), we were able to increase our incoming order target for 2016 from EUR 110m to EUR 116m. This is because iris-GmbH will be fully consolidated in the consolidated financial statements of init AG from the third quarter.

The order backlog as at 30 June 2016 stood at EUR 122.7m and is therefore above the EUR 121m achieved on the reporting date of the prior year period. Consequently, it is more than sufficient to cover our full-year revenue target.

Earnings position

Revenues of EUR 22.4m were generated in the second quarter of 2016 (Q2 2015: EUR 23.6m).

Breakdown of revenues by region for the first half-year:

in million EUR	01/01–30/06/2016	%	01/01–30/06/2015	%
Germany	14.0	33.4	12.6	26.8
Rest of Europe	7.9	18.9	9.9	21.0
North America	18.5	44.3	22.6	48.0
Other countries (Australia, UAE)	1.4	3.4	2.0	4.2
Group total	**41.8**	**100.0**	**47.1**	**100**

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

Revenues were in line with our planning for the first half of the year. **Gross profit** totalled EUR 11.5m and was thus down roughly EUR 2.0m on the previous year (Q1–Q2 2015: EUR 13.5m) due to lower revenues.

Sales and administrative expenses were approximately EUR 0.3m above the previous year's level due to a higher number of employees and additional external consulting costs.

Research and development expenses were EUR 0.8m up on the previous year, reflecting numerous new developments and improvements to existing hardware and software.

The **foreign currency gains** position stands at EUR 1.6m and includes both realised and unrealised foreign currency gains and losses from the valuation of receivables and liabilities, forward exchange transactions and payments already received from revenues and advance payments (Q1–Q2 2015: EUR 0.3m).

At EUR 1.9m, **earnings before interest and taxes** (EBIT) were significantly lower than in the first half of 2015 (EUR 3.7m) due to lower revenues and higher personnel and consulting costs, but nevertheless were in line with our planning targets.

Net interest income (balance of interest income and interest expenses) stands at EUR -209k (Q1–Q2 2015: EUR -231k.) Interest expenses are incurred primarily from interest for real estate finance at the Karlsruhe site as well as from the utilisation of euro loans.

As a result of the above-mentioned effects, overall **net profit** as at 30 June 2016 declined over the previous year to around EUR 1.2m (Q1–Q2 2015: EUR 2.4m). This corresponds to earnings per share of EUR 0.12 (Q1–Q2 2015: EUR 0.23).

Taking into account the increase in unrealised losses from currency translation, **total comprehensive income** as at 30 June 2016 declined to EUR 0.8m (Q1–Q2 2015: EUR 4.8m).

Net assets and financial position

The **balance sheet total** increased by EUR 11.9m to EUR 160m compared to 31 December 2015 and is therefore EUR 20.2m higher than it was last year as at 30 June.

Cash and cash equivalents, including **marketable securities and bonds**, stood at EUR 22.4m in the reporting period (31.12.2015: EUR 14.1m).

The decline in **future receivables from production orders** (percentage of completion method) to EUR 35.2m (31.12.2015: EUR 39.2m) is chiefly due to agreed milestone payments for projects.

Compared with 31 December 2015, **inventories** rose by EUR 3.8m to EUR 26.5m. The reason for this is imminent hardware deliveries, which will cause inventories to fall again in the months to come.

Current and non-current liabilities to banks of EUR 33.2m (31.12.2015: EUR 19.6m) primarily comprise real estate and acquisition finance as well as short-term euro loans to stabilise liquidity due to delayed payment receipts and the payment plans for major projects requiring a high amount of prefinancing.

The available **guarantee and credit lines** continue to provide a secure funding basis for business activities and their expansion.

Shareholders' equity totals EUR 70.7m and is thus higher than in the previous year (Q1–Q2 2015: EUR 65.2m). This translates into an **equity ratio** of 45.0 per cent (Q1–Q2 2015: 47.7 per cent).

Cash flow from operating activities stands at EUR -0.6m (Q1–Q2 2015: EUR 0.3m), thus down over the previous year primarily as a result of lower earnings, reduced provisions, an increase in inventories and lower accounts payable from POC. On the other hand, there was in particular a decline in future receivables from the percentage of completion method. We expect cash flow from operating activities to rise over the further course of business as a result of payment receipts for major projects.

Cash flow from investing activities stands at EUR -3.6m (Q1–Q2 2015: EUR -5.1m) primarily as a result of payments made for the construction of a new building in USA, replacement and expansion spending and the acquisition of 6 per cent of the shares in iris-GmbH, Berlin.

Cash flow from financing activities stands at EUR 12.6m (Q1–Q2 2015: EUR 3.4m) and has risen mainly due to the conclusion of new loans for real estate and acquisition finance. The dividend distribution is not included as it was not paid until the third quarter.

Personnel

The annual average number of employees at init group was 538 in the first half of 2016 (Q2 2015: 510) including temporary workers, research assistants and students doing thesis work. There are a further 17 (Q2 2015: 17) employees in apprenticeships.

Annual average number of employees by region:

	30/06/2016	30/06/2015
Employees in Germany	425	396
Employees in the rest of Europe	8	10
Employees in North America	87	86
Employees in other countries	18	18
Total	**538**	**510**

Opportunities and risks

The opportunities and risks described in the group management report 2015 (p. 51 et seq.) remain largely 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 credit 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 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 arbitration proceedings were concluded in init's favour and an enforceable title of the Dubai judgement was applied for. However, there is still a risk that these receivables still may not be recoverable. An appropriate provision for this risk has been set aside.

The UK's exit from the European Union ("Brexit") is not expected to have any material effect on the init group's net assets, financial or earnings position. We thus reaffirm our forecasts despite the uncertainty concerning the next few years.

With its recent order receipts, init has gained renowned new customers in the ticketing segment in particular. This is an important signal for future tenders and will improve the prospects for future growth. This provides init with references for further tenders in ticketing business in North America, where we see considerable market potential over the next ten years. We continue to expect our activities in the Asia/Pacific region to stimulate growth.

Events after the reporting date

With effect from 7 July 2016, INIT GmbH acquired a further 25.5 per cent of iris-GmbH in Berlin, as a result of which the share now stands at 74.5 per cent. In addition, a contract was entered into granting an option for the remaining 25.5 per cent to be exercised in 2020. The effects on our assets, financial and earnings position have been included in our revised forecast.

At the Annual General Meeting held on 21 July 2016, shareholders approved the transformation of the company init innovation in traffic systems AG under German law into a European corporation (Societas Europaea, SE).

Related party transactions

Transactions with related parties are set out in the Notes under "Other Disclosures" on page 20.

Forecast and outlook

The business development of init group during the first half of 2016 continued to reflect the modest volume of orders received in the previous year, but also the growth potential that is emerging globally in e-ticketing, as well as in the European and North American markets. Despite the decline compared with the previous year, the revenue and earnings targets were achieved. However, incoming orders, which materially underpin expected future growth, reached a historic high of more than EUR 80m in the first half of the year.

Accordingly, we are well on track to achieving our target of EUR 116m in incoming orders, which has been increased to include iris-GmbH for 2016. The current order backlog of EUR 122.7m is already more than enough to cover a full year's revenues.

Moreover, the acquisition of further shares in iris-GmbH at the beginning of July and the option for the remaining 25.5 per cent of the sensor specialist's capital to be exercised in 2020 will also have a positive impact on revenues and operating earnings. Accordingly, the Managing Board assumes that init will generate revenues of EUR 106m (previous forecast: EUR 100m) at group level in 2016, resulting in earnings before interest and taxes (EBIT) in excess of EUR 12m (previous forecast: EUR 8m).

Over the long term, the large number of international tenders that have been announced for transport infrastructure projects, telematics and ticketing systems also justify confidence in the outlook for init's future growth. As a leading international provider of appropriate solutions for buses and trains, init's numerous references make it a hot contender. In the medium term, we see major potential in Asia/Pacific in particular.

Karlsruhe, 11 August 2016

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Dr. Jürgen Greschner

Bernhard Smolka

Matthias Kühn

Responsibility Statement

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

Karlsruhe, 11 August 2016

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Dr. Jürgen Greschner

Bernhard Smolka

Matthias Kühn

Consolidated Income Statement (IFRS)
from 1 January 2016 to 30 June 2016 (unaudited)

EUR '000	01/04 to 30/06/2016	01/04 to 30/06/2015	01/01 to 30/06/2016	01/01 to 30/06/2015
Revenues	22,395	23,592	41,834	47,143
Cost of revenues	–16,232	–16,724	–30,346	–33,625
Gross profit	**6,163**	**6,868**	**11,488**	**13,518**
Sales and marketing expenses	–2,858	–2,931	–5,737	–5,690
General administrative expenses	–1,946	–1,880	–3,791	–3,556
Research and development expenses	–1,248	–908	–2,514	–1,667
Other operating income	333	473	748	967
Other operating expenses	–83	–80	–160	–417
Foreign currency gains and losses	545	879	1,648	340
Income from associated companies	123	54	246	161
Earnings before interest and taxes (EBIT)	**1,029**	**2,475**	**1,928**	**3,656**
Interest income	6	8	13	15
Interest expenses	–114	–126	–222	–246
Earnings before taxes (EBT)	**921**	**2,357**	**1,719**	**3,425**
Income taxes	–279	–707	–532	–1,027
Net profit	**642**	**1,650**	**1,187**	**2,398**
thereof attributable to equity holders of parent company	618	1,590	1,218	2,352
thereof non-controlling interests	24	60	–31	46
Net profit and diluted net profit per share in EUR	0.06	0.16	0.12	0.23
Average number of floating shares	9,987,080	10,031,354	9,966,065	10,031,641

Consolidated Statement of Comprehensive Income (IFRS)
from 1 January 2016 to 30 June 2016 (unaudited)

EUR '000	01/04 to 30/06/2016	01/04 to 30/06/2015	01/01 to 30/06/2016	01/01 to 30/06/2015
Net profit	**642**	**1,650**	**1,187**	**2,398**
Items to be reclassified to the income statement				
Changes on currency translation	2,036	–418	–423	2,358
Total Other comprehensive income	**2,036**	**–418**	**–423**	**2,358**
Total comprehensive income	**2,678**	**1,232**	**764**	**4,756**
thereof attributable to equity holders of the parent company	2,654	1,172	795	4,710
thereof non-controlling interests	24	60	–31	46

Consolidated Balance Sheet (IFRS)
as of 30 June 2016 (unaudited)

EUR '000	30/06/2016	31/12/2015
Cash and cash equivalents	22,351	14,038
Marketable securities and bonds	30	30
Trade accounts receivable	23,868	23,467
Future receivables from production orders ("Percentage-of-Completion-Method")	35,118	39,158
Accounts receivable from related parties	1	0
Inventories	26,545	22,718
Income tax receivable	397	100
Other current assets	3,293	2,473
Current assets, total	**111,603**	**101,984**
Tangible fixed assets	22,809	21,240
Investment property	6,043	6,086
Goodwill	4,388	4,388
Other intangible assets	1,024	1,457
Interest in associated companies	3,369	2,341
Deferred tax assets	5,204	5,273
Other assets	2,519	2,313
Non-current assets, total	**45,356**	**43,098**
Assets, total	**156,959**	**145,082**
Bank loans	22,599	12,884
Trade accounts payable	11,630	10,968
Accounts payable of "Percentage-of-Completion-Method"	3,310	4,023
Accounts payable due to related parties	66	5
Advance payments received	920	525
Income tax payable	0	1,560
Provisions	9,879	10,337
Other current liabilities	14,747	14,032
Current liabilities, total	**63,151**	**54,334**
Bank loans	10,625	6,717
Deferred tax liabilities	4,418	5,143
Pensions accrued and similar obligations	7,867	7,496
Other non-current liabilities	212	212
Non-current liabilities, total	**23,122**	**19,568**
Liabilities	**86,273**	**73,902**
Subscribed capital	10,040	10,040
Additional paid-in capital	5,351	5,809
Treasury stock	–1,236	–436
Surplus reserves and consolidated unappropriated profit	53,499	52,281
Other reserves	2,904	3,327
Attributable to equity holders of the parent company	70,558	71,021
Non-controlling interests	128	159
Shareholders' equity, total	**70,686**	**71,180**
Liabilities and shareholders' equity, total	**156,959**	**145,082**

Consolidated Statement of Changes in Equity (IFRS)

as of 30 June 2016 (unaudited)

	Attributable to equity holders of the parent company								Non-controlling interest	Shareholders' equity total
					Other reserves					
EUR '000	Subscribed capital	Additional paid-in capital	Treasury stock	Surplus reserves and Consolidated unappropriated profit	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities	Total		
Status as of 01/01/2015	10,040	5,947	−353	52,831	−2,575	1,817	−1	67,706	64	67,770
Net profit				2,352				2,352	46	2,398
Other comprehensive income						2,358		2,358		2,358
Total comprehensive income				2,352	0	2,358	0	4,710	46	4,756
Dividend paid out				−8,032				−8,032		−8,032
Share-based payments		386	576					962		962
Acquisition of treasury stock			−233					−233		−233
Status as of 30/06/2015	**10,040**	**6,333**	**−10**	**47,151**	**−2,575**	**4,175**	**−1**	**65,113**	**110**	**65,223**
Status as of 01/01/2016	10,040	5,809	−436	52,281	−1,232	4,560	−1	71,021	159	71,180
Net profit				1,218				1,218	−31	1,187
Other comprehensive income						−423		−423		−423
Total comprehensive income				1,218	0	−423	0	795	−31	764
Share-based payments		−458	219					−239		−239
Acquisition of treasury stock			−1,019					−1,019		−1,019
Status as of 30/06/2016	**10,040**	**5,351**	**−1,236**	**53,499**	**−1,232**	**4,137**	**−1**	**70,558**	**128**	**70,686**

Consolidated Cash Flow Statement (IFRS)

from 1 January 2016 to 30 June 2016 (unaudited)

EUR '000	01/01 to 30/06/2016	01/01 to 30/06/2015
Cash flow from operating activities		
Net income	1,187	2,398
Depreciation	1,765	1,560
Gains (-) / Losses (+) on the disposal of fixed assets	–54	6
Change of provisions and accruals	–87	724
Change of inventories	–3,827	–3,738
Change in trade accounts receivable and future receivables from production orders (PoC)	3,639	–1,316
Change in other assets, not provided by / used in investing or financing activities	–1,326	–647
Change in trade accounts payable	662	1,117
Change in advanced payments received and liabilities from PoC method	–319	937
Change in other liabilities, not provided by / used in investing or financing activities	–785	–3,663
Amount of other non-cash income and expenses	–1,426	2,927
Net cash from operating activities	**–571**	**305**
Cash flow from investing activities		
Inflows from sales of tangible fixed assets	490	76
Investments in tangible fixed assets and other intangible assets	–3,347	–5,156
Investments in associated companies	–762	0
Net cash flows used in investing activities	**–3,619**	**–5,080**
Cash flow from financing activities		
Dividend paid out	0	–8,032
Cash payments for the purchase of treasury stock	–1,019	–233
Payments received from bank loans incurred	14,230	12,293
Redemption of bank loans	–607	–596
Net cash flows used in financing activities	**12,604**	**3,432**
Net effects of currency translation and consolidation changes in cash and cash equivalents	–101	281
Decrease in cash and cash equivalents	**8,313**	**–1,062**
Cash and cash equivalents at the beginning of the period	14,038	9,213
Cash and cash equivalents at the end of the period	**22,351**	**8,151**

Notes to the Consolidated Half-Year Financial Statements 2016

Notes to the half-year financial statements

The init group is an international system house for intelligent transportation systems (ITS). init innovation in traffic systems AG, Karlsruhe is a listed company, ISIN DE0005759807, and has been in the regulated market (Prime Standard) since 1 January 2003.

The half-year financial statements as at 30 June 2016 have been produced in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU and meet the requirements of IAS 34. The consolidated half-year financial statements are presented in euros. All figures have been rounded to the nearest thousand euros unless stated otherwise. The half-year group status report and half-year consolidated financial statements as at 30 June 2016 have not been reviewed by the auditors. The half-year financial statements were submitted to the Supervisory Board on 4 August 2016.

Principles of accounting and valuation

The half-year financial statements have been prepared using the same principles of accounting and valuation used to produce the consolidated financial statements as at 31 December 2015, which are described in detail in the notes to the consolidated financial statements. The new accounting standards adopted in the first six months of 2016 did not have a material impact on the consolidated financial statements.

Because the business units are grown together, for the purpose of company management, now the group is shown as one segment “public transport”. The earning power is determined based on the result, which correspond to the stated result in the consolidated financials.

Consolidated group

With effect from 29 January 2016 INIT GmbH has acquired an additional 6 per cent of iris GmbH, Berlin. In addition, there were no changes to the consolidated group as at 31 December 2015.

Inventories

Inventory write-downs amounted to EUR 208k (30/06/2015: EUR 116k). The charge is included under cost of revenues in the income statement.

Marketable securities and bonds

The write-downs on securities and bonds amounted to EUR 3k (30/06/2015: EUR 0k).

Trade accounts receivable

Write-downs on receivables came to EUR 2,879k (30/06/2015: EUR 2,635k). EUR 147k was booked to the income statement in the current financial year (30/06/2015: EUR 226k).

Tangible fixed and intangible assets

Tangible fixed assets essentially refer to the administration buildings at Kaeppelestrasse 4 and 4a in Karlsruhe, one residential building leased to employees, and office and technical equipment. Capital expenditure for replacement stood at EUR 672k (30/06/2015: EUR 1,250k). Payments totalling EUR 1,134k were made towards the new building in USA during the first half-year 2016. Another EUR 1,235k was invested in land and buildings.

The scheduled depreciation totalled EUR 1,721k (30/06/2015: EUR 1,517k). Sales of tangible fixed assets generated profit of EUR 72k (30/06/2015: EUR 51k).

The software activated within the context of the purchase price allocation of initperdis GmbH, Hamburg (financial year 2011) in the amount of EUR 3.3m will be amortised over five years. The scheduled depreciation was made for first time in the first quarter 2012 and is recognised under cost of revenues in the income statement.

Investment property

Investment property as defined in IAS 40 – property and buildings that are not used for commercial operations – refers to the acquisition of the neighbouring properties at Kaeppelestrasse 8/8a and 10 in Karlsruhe in 2012. Rental income was EUR 129k as at 30 June 2016 (30/06/2015: EUR 137k). The scheduled depreciation was EUR 44k (30/06/2015: EUR 44k).

Liabilities

Liabilities are carried at amortised acquisition cost. The current liabilities to banks of EUR 22.6m (31/12/2015: EUR 12.9m) mainly concern the short-term part of the real estate financing of Kaeppelestrasse 4, 4a, 8/8a, 10 as well as short-term euro loans to stabilise the liquidity. The long-term liabilities to banks of EUR 10.6m (31/12/2015: EUR 6.7m) relate to the long-term part of the real estate financing as well as acquisition financing.

Shareholders' equity

Subscribed capital

The capital stock consists of 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 are fully paid up.

Contingent capital

The annual shareholders' meeting on 21 July 2016 passed a resolution creating contingent capital totalling EUR 5,000,000. The capital stock of the company may be increased by up to EUR 5,000,000 by issuing up to 5,000,000 new no-par bearer shares. The contingent capital increase serves to grant shares upon the exercise of warrants or conversion rights, or upon fulfilment of option or conversion obligations, to the holders of the warrants or convertible bonds in accordance with the authorisation issued by the annual shareholders' meeting on 21 July 2016.

Additional paid-in capital

As at 30 June 2016, additional paid-in capital was EUR 5,351k, comprising EUR 3,141k from the premium on shares sold in the IPO and the 2002 capital increase. A further EUR 2,154k was allocated for share scheme expenses for the years 2005 to 2015. EUR 458k was reversed following the share transfer to members of the Managing Board and key personnel in 2016. Additional paid-in capital was increased by EUR 514k through the sale of treasury stock in 2007.

Treasury stock

As at 1 January 2016, treasury stock comprised 22,402 shares. Based on a resolution passed at the shareholders' meeting of 13 May 2015, the company is authorised to purchase treasury shares. On 20 January 2016, a decision was made to repurchase up to 50,000 shares. 50,000 shares were repurchased from 21 January to 4 February at an average price of EUR 14.01. On 16 February 2016 a further decision was made to repurchase up to 50,000 shares. 25,253 shares were repurchased from 17 February to 31 March at an average price of EUR 12.63.

In the first half year of 2016, 14,750 shares were transferred to the incentive scheme for members of the Managing Board, managing directors and key personnel with a five-year lock up period. Consequently, treasury stock totalled 82,905 shares at 30 June 2016.

Treasury stock is valued at acquisition cost (cost method) at EUR 1,236k (31/12/2015: EUR 436k) and deducted from shareholders' equity. As at 30 June 2016 the 82,905 shares have an imputed share in capital stock of EUR 82,905 (0.83 per cent). The average repurchase price was EUR 14.91 per share. Treasury stock was purchased for use as a consideration in mergers and acquisitions of other companies or parts of companies, to gain access to new capital markets, or to be issued to staff or members of the Managing Board.

Paid and proposed dividends

EUR '000	
Dividend for 2015: proposed for approval at the 2016 shareholders' meeting: 20 cents per share	1,991
Dividend for 2014: 80 cents per share, distributed on 19 May 2015	8,032

The dividend for 2015 was approved at the shareholders' meeting on 21 July 2016 and distributed on 22 July 2016.

Contingent liabilities/assets

The init group had no contingent liabilities or assets as at 30 June 2016 or 31 December 2015.

Legal disputes

init AG and other group companies are involved in legal disputes connected with ongoing business operations that may have an impact on the group's financial situation. Litigation involves a number of variables, and the outcome of individual lawsuits cannot be reliably predicted. The affected group companies have recognised provisions in the balance sheet for events prior to the reporting date that are likely to result in a liability which can be estimated with reasonable accuracy. We do not anticipate any other significant negative outcomes that would have a long-term effect on the assets, liabilities, financial position and earnings situation of the init group. We also refer to the chapter "Opportunities and risks" in the consolidated half-year management report.

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 30 June 2016 compared to 31 December 2015 and shows their classification in appropriate measurement categories according to IAS 39.

EUR '000	30/06/2016	31/12/2015
ASSETS		
Loans and receivables	**81,916**	**77,725**
Cash and cash equivalents	22,351	14,038
Trade accounts receivable	23,868	23,467
Future receivables from production orders	35,118	39,158
Accounts receivable from related parties	1	0
Other assets (current)	167	817
Other assets (non-current)	411	245
Financial assets available for sale	**30**	**30**
Securities and bond issues	30	30
Financial assets reported at fair value through profit or loss	**157**	**6**
Derivative financial assets	157	6
LIABILITIES		
Financial liabilities recognised at cost	**47,550**	**33,201**
Bank loans (current and non-current)	33,224	19,601
Trade accounts payable	11,630	10,968
Liabilities to related parties	66	5
Other liabilities (current)	2,432	2,429
Other liabilities (non-current)	198	198
Financial liabilities reported at fair value through profit or loss	**102**	**571**
Derivative financial liabilities	102	571

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.

EUR '000	30/06/2016				31/12/2015			
		Level				Level		
	Total	**1**	**2**	**3**	**Total**	**1**	**2**	**3**
Financial assets available for sale								
Securities and bond issues	**30**	30			**30**	30		
Financial assets reported at fair value through profit or loss								
Derivative financial assets	**157**		157		**6**		6	
Financial liabilities reported at fair value through profit or loss								
Derivative financial liabilities	**102**		102		**571**		571	

In the reporting period ending 30 June 2016 and the reporting period ending 31 December 2015, there were neither 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.

Other disclosures

Related party transactions

The associated companies included in the consolidated financial statements are listed in the section entitled "Consolidated group" in the annual report 2015.

EUR '000	Associated companies		Other related parties and persons	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Trade accounts receivable and other income	0	0	0	0
Trade accounts payable and other expenses	491	1,780	278	260
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Receivables	1	0	0	341
Payables	66	5	0	372

Associated companies

Payables totalling EUR 66k (31/12/2015: EUR 5k) refer to trade accounts payable to iris-GmbH, Berlin with a residual term of less than one year. The item is recognised under current liabilities in the balance sheet.

Other transactions with related parties

init AG rents an office building in Karlsruhe with 67.39 per cent from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karslruhe 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 4k (30/06/2015: EUR 22k) made to family members of a Managing Board member were recognised under personnel expenses in the first six months.

Terms and conditions of business transactions with related parties

Transactions (sales and acquisitions) with related parties are executed at market rates. No guarantees exist for receivables and payables in relation to related parties. In the report period as at 30 June 2016, the group had not set aside any valuation allowances for receivables from related parties.

Geographical information

Non-current assets

EUR '000	30/06/2016	%	31/12/2015	%
Germany	28,199	84.8	28,288	90.9
Rest of Europe	331	1.0	404	1.3
North America	4,582	13.8	2,267	7.3
Other countries (Australia, UAE)	133	0.4	165	0.5
Group total	**33,245**	**100.0**	**31,124**	**100.0**

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

Notifications under Section 26 (1) of the German Securities Trading Act (WpHG)

On 27 January 2016 with a correction on 18 March 2016, BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium 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, Deutschland, have fallen below the 3 per cent threshold of the Voting Rights on 21 January 2016 and on that day amounted to 2.99 per cent (this corresponds to 300,313 Voting Rights).

On 27 January 2016 with a correction on 18 March 2016, BNP Paribas Investment Partners UK Ltd, London, United Kingdom 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, Deutschland, have fallen below the 3 per cent threshold of the Voting Rights on 21 January 2016 and on that day amounted to 2.99 per cent (this corresponds to 300,313 Voting Rights). 2.99 per cent of Voting Rights (this corresponds to 300,313 Voting Rights) are attributed to the company in accordance with Article 22 of the WpHG (German Securities Trading Act).

On 27 January 2016 with a correction on 18 March 2016, BNP Paribas Investment Partners S.A., Paris, France 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, Deutschland, have fallen below the 3 per cent threshold of the Voting Rights on 21 January 2016 and on that day amounted to 2.99 per cent (this corresponds to 300,313 Voting Rights). 2.99 per cent of Voting Rights (this corresponds to 300,313 Voting Rights) are attributed to the company in accordance with Article 22 of the WpHG (German Securities Trading Act).

Karlsruhe, 11 August 2016

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Dr. Jürgen Greschner

Bernhard Smolka

Matthias Kühn

Financial calendar and imprint

Date	Event
11 November 2016	Publication quarterly statement 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 '000	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
Cash Flow					
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

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