



## IMPORTANT BUSINESS TRANSACTIONS IN THE FIRST QUARTER 2019

On 4 December 2018, it was announced that Mr. Joachim Becker will leave the Managing Board as Chief Operating Officer (COO) at his own request upon expiration of his contract on 31 March 2019. In the future, his responsibilities on the Managing Board will be assumed by his colleague Dipl. Ing. (FH) Matthias Kühn. The Managing Board of init innovation in traffic systems SE will in future consist of only four persons.

With effect from 1 January 2019, one of our suppliers TQ Systems USA Inc., USA, holds a 25 per cent share in our American production company SQM LLC., USA, by subscribing to a capital increase of USD 333k.

### Orders

Overall, init acquired new orders of EUR 69.2m in the first quarter (Q1 2018: EUR 28.5m). Incoming orders are at a record level for the first quarter.

In addition to several smaller and medium-sized projects, the highlights were the major Metropolitan Transit System (MTS) project and the medium-sized project in the United Arab Emirates.

MTS assigned init with the implementation of an account-based fare management system in San Diego, USA. The total contract value amounted to more than USD 30m including the option for operation and maintenance.

In the Abu Dhabi metropolitan area, init was commissioned to supply, install, expand and maintain the AVM system together with the operator. The contract has a total volume of more than EUR 15m including maintenance services. Other transport companies in the Eastern and Western regions of the Emirate of Abu Dhabi are soon expected to be concluding additional contracts with init.

We are on the right track to achieve our target of EUR 150m to EUR 160m for incoming orders in 2019. However, this depends on whether we win further major tenders in which we are currently involved and whether the resulting contracts are awarded this year.

As of 31 March 2019, the order backlog is around EUR 178m. Due to the high level of incoming orders, it is significantly above the previous year's level of around EUR 111m.

### Net assets, financial position and results of operations

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

Revenues of EUR 35.3m (Q1 2018: EUR 29.5m) were generated in the first quarter of 2019. In the first three months 2019, revenues of the init group were roughly 20 per cent higher than the figure from the previous year and corresponded to our expectations.

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

in Million EUR	01/01-31/03/2019		01/01-31/03/2018	
		%		%
Germany	9.1	25.8	8.5	28.8
Rest of Europe	8.8	24.9	5.2	17.6
North America	13.9	39.4	10.6	36.0
Other countries (Australia, UAE)	3.5	9.9	5.2	17.6
<b>Total</b>	<b>35.3</b>	<b>100.0</b>	<b>29.5</b>	<b>100.0</b>

Revenues based on customer's location.

The **gross profit** is EUR 10.6m and therefore above the previous year (Q1 2018: EUR 8.4m). The gross margin increased slightly to 29.9 per cent (Q1 2018: 28.5 per cent).

**Sales and administrative expenses** increased by EUR 0.2m to EUR 7.0m compared to the previous year. This is attributable to a general cost increase of 3 per cent.

**Research and development expenses** increased by EUR 1.6m to EUR 2.9m. The increase is mainly due to numerous new developments and the growth rates from the previous year.

In the first quarter of the year **foreign currency gains** of EUR 0.1m were generated from the valuation of receivables and liabilities (Q1 2018: foreign currency losses of EUR 0.1m).

**Earnings before interest and taxes (EBIT)** of EUR 1.1m (Q1 2018: EUR 0.4m) are according to our planning. The variance results from the abovementioned effects.

**Net interest result** (balance of interest income and interest expenses) amounted to EUR -0.2m (Q1 2018: EUR -0.1m). The main changes are in interest expenses resulted from the application of the new IFRS 16 standard for leases (increase in interest expenses by EUR 22k).

The **net profit** as of 31 March 2019 amounted to EUR 0.7m and was significantly higher than the prior-year figure of EUR 0.2m for Q1 2018.

Due to unrealised gains from the currency translation of foreign companies (in particular due to the stronger USD and CAD to EUR exchange rates as of 31 March 2019), the **total comprehensive income** amounted to EUR 1.3m (Q1 2018: EUR -0.9 m).

As a result of the application of the new IFRS 16 standard for leases, mainly rented buildings were capitalised. In total EUR 8.3m "Rights of use leased assets" were capitalised as of 31 March 2019. Parallel, lease liabilities of EUR 2.0m (short-term) and EUR 6.3m (long-term) were recognised as liabilities. The effect of this balance sheet extension on the equity ratio is approximately 2 percentage points.

The **cash flow from operating activities** amounts to EUR 1.8m (Q1 2018: EUR 1.0m) and has improved significantly compared to the previous year. **Adjusted** by the effects from the application of IFRS 16, cash flow from operating activities amounted to EUR 1.3m and was significantly above the previous year's level.

**Cash flow from investing activities** was EUR -0.9m (Q1 2018: EUR -0.6m) and mainly results of payments for replacement and expansion investments.

The **equity ratio** was 44.1 per cent (previous year: 45.0 per cent) and lies slightly below the previous year's level. **Adjusted** by the effects of the application of IFRS 16, the equity ratio was 46.3 per cent, slightly above the previous year's level.

## Personnel

On average the init group counted in the first three month of 2019 838 employees (Q1 2018: 756) including temporary workers, research assistants and students doing thesis work.

### Number of employees by region:

	01/01-31/03/2019	01/01-31/03/2018
Germany	667	607
Rest of Europe	36	27
North America	115	105
Other countries	20	17
<b>Total</b>	<b>838</b>	<b>756</b>

## Opportunities and risks

The opportunities and risks which can have a crucial impact on the asset, financial and earnings position of the group are set out in our Annual Report 2018 on page 35 et seq.

The opportunities and risks described in the Annual Report 2018 remain largely unchanged.

All identifiable risks are regularly analysed and appropriate measures initiated or precautions taken. In our opinion, there are no risks capable of jeopardising the continued existence of the company.

## Forecast and outlook

After the first three months of the 2019 financial year, the init group is well on its way to achieve the targets set for the year as a whole. The key figures achieved for the first quarter correspond to the expectations of the Managing Board. For this reason, we are sticking to the current forecast regarding **revenues of around EUR 145m** and Earnings before interest and taxes (**EBIT**) **of around EUR 7.5m**.

This also applies to the order situation: at the end of March 2019, a new record was set for incoming orders. Incoming orders amount to EUR 69.2m (Q1 2018: EUR 28.5m). We therefore assume that we will achieve our previous target of **incoming orders between EUR 150m and EUR 160m** for 2019.

### Compare EBIT forecast 2019 to actual EBIT 2018:

Comparing EBIT 2018 (EUR 6.4m) adjusted for the negative effects from the share losses (EUR -0.8m) and the impairment write-down of the Bytemark investment (EUR -1.4m) as well as the one-off positive exceptional effects from the change in the write-down rates for inventories (EUR +1.1m) and the adjustment of the assumptions used to determine the warranty provision (EUR +0.8m), **EBIT is expected to increase by 12 per cent** in 2019.

## Additional information

This quarterly statement and the information contained are unaudited.

Overall, we still see major uncertainties in the development of the economy over the next few months, which could have a particular impact on the awarding of contracts in tenders.

The incoming orders planning is based on assumptions that the tenders will not be delayed, that they can be won according to the planned scope and that price pressure will not be intensified. The actual results in terms of revenue, EBIT and incoming orders may differ substantially from the forecast numbers if new risk factors occur or assumptions upon planning become retrospectively incorrect.

# Consolidated INCOME STATEMENT

*from 1 January 2019 to 31 March 2019 (IFRS) with comparable figures (unaudited)*

EUR '000	01/01 to 31/03/2019	01/01 to 31/03/2018
Revenues	35,346	29,459
Cost of sales	-24,778	-21,060
<b>Gross profit</b>	<b>10,568</b>	<b>8,399</b>
Sales and marketing expenses	-3,921	-4,266
General administrative expense	-3,063	-2,485
Research and development expenses	-2,946	-1,310
Other operating income	599	393
Other operating expenses	-35	-43
Foreign currency gains and losses	101	-51
Expenses from associated companies	-163	-192
<b>Earnings before interest and taxes (EBIT)</b>	<b>1,140</b>	<b>445</b>
Interest income	14	29
Interest expenses	-170	-174
<b>Earnings before taxes (EBT)</b>	<b>984</b>	<b>300</b>
Income taxes	-305	-93
<b>Net profit</b>	<b>679</b>	<b>207</b>
thereof attributable to equity holders of parent company	714	207
thereof non-controlling interests	-35	0
Earnings per share (in EUR)	0.07	0.02
Average number of floating shares	10,011,687	9,988,505

# Consolidated STATEMENT OF COMPREHENSIVE INCOME

*from 1 January 2019 to 31 March 2019 (IFRS) with comparable figures (unaudited)*

EUR '000	01/01 to 31/03/2019	01/01 to 31/03/2018
<b>Net profit</b>	<b>679</b>	<b>207</b>
<b>Items to be reclassified to the income statement:</b>		
Net gains (+) / net losses (-) on currency translation	661	-1,096
<b>Total other comprehensive income</b>	<b>661</b>	<b>-1,096</b>
<b>Total comprehensive income</b>	<b>1,340</b>	<b>-889</b>
thereof attributable to equity holders of the parent company	1,375	-889
thereof non-controlling interests	-35	0

# Consolidated BALANCE SHEET

*as of 31 March 2019 (IFRS) with comparable figures (unaudited)*

EUR '000	31/03/2019	31/12/2018
Cash and cash equivalents	20,307	20,620
Marketable securities and bonds	30	28
Trade accounts receivable	23,127	26,120
Contract assets	28,761	26,215
Receivables from related parties	179	95
Inventories	29,141	27,909
Income tax receivable	654	2,212
Other current assets	3,110	3,153
<b>Current assets, total</b>	<b>105,309</b>	<b>106,352</b>
Property, plant and equipment	35,993	35,643
Right of use leased assets	8,269	0
Investment property	1,895	1,898
Goodwill	9,035	9,035
Other intangible assets	9,505	9,772
Interests in associated companies	595	749
Deferred tax assets	1,755	2,242
Other non-current assets	2,809	2,770
<b>Non-current assets, total</b>	<b>69,856</b>	<b>62,109</b>
<b>Assets, total</b>	<b>175,165</b>	<b>168,461</b>
Bank loans	18,520	18,390
Trade accounts payable	7,558	9,417
Contract liabilities	5,250	6,188
Liabilities due to related parties	23	10
Advance payments received	1,170	1,430
Income tax payable	0	1,056
Provisions	10,314	9,042
Other current liabilities	12,806	12,184
Lease liabilities	1,979	0
<b>Current liabilities, total</b>	<b>57,620</b>	<b>57,717</b>
Bank loans	16,519	17,442
Deferred tax liabilities	2,351	2,579
Pensions accrued and similar obligations	9,701	9,505
Provisions	1,700	1,566
Other non-current liabilities	3,742	3,890
Lease liabilities	6,296	0
<b>Non-current liabilities, total</b>	<b>40,309</b>	<b>34,982</b>
<b>Liabilities, total</b>	<b>97,929</b>	<b>92,699</b>
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,262	5,262
Treasury stock	-391	-510
Surplus reserves and consolidated unappropriated profit	61,209	60,479
Other reserves	987	326
	<b>77,107</b>	<b>75,597</b>
Non-controlling interests	130	165
<b>Shareholders' equity, total</b>	<b>77,237</b>	<b>75,762</b>
<b>Liabilities and shareholders' equity, total</b>	<b>175,165</b>	<b>168,461</b>

# Consolidated CASHFLOW STATEMENT

from 1 January 2019 to 31 March 2019 (unaudited) IFRS

EUR '000	01/01 to 31/03/2019	01/01 to 31/03/2018
<b>Cash flow from operating activities</b>		
Net income	679	207
Amortisation and depreciation	1,710	1,080
Gains on the disposal of fixed assets	-24	-6
Change in provisions and accruals	1,493	-734
Change in inventories	-1,035	1,110
Change in trade accounts receivable and future receivables from contract assets	1,456	6,428
Change in other assets, not provided by / used in investing or financing activities	1,621	1,519
Change in trade accounts payable	-2,467	-2,448
Change in advanced payments received and contract liabilities	-1,256	-944
Change in other liabilities, not provided by / used in investing or financing activities	-943	-4,382
Amount of other non-cash income and expenses	553	-1,557
Adjustment IFRS 15 modified retrospective method	0	757
<b>Net cash from operating activities</b>	<b>1,787</b>	<b>1,030</b>
<b>Cash flow from investing activities</b>		
Payments received on disposal of property, plant and equipment	28	74
Investments in property, plant, equipment and other intangible assets	-957	-468
Investment in subsidiaries less acquired cash	0	-248
<b>Net cash flows used in investing activities</b>	<b>-929</b>	<b>-642</b>
<b>Cash flow from financing activities</b>		
Payments received from bank loans incurred	5,838	6,939
Redemption of bank loans	-6,633	-10,248
Change in short and long-term lease liabilities	-557	0
<b>Net cash flows used in financing activities</b>	<b>-1,352</b>	<b>-3,309</b>
Net effects of currency translation and consolidation changes in cash and cash equivalents	181	-309
<b>Changes in cash and cash equivalents</b>	<b>-313</b>	<b>-3,230</b>
Cash and cash equivalents at the beginning of the period	20,620	19,763
<b>Cash and cash equivalents at the end of the period</b>	<b>20,307</b>	<b>16,533</b>

# FINANCIAL CALENDAR 2019

**Q2**

**15** May

Annual General Meeting 2019  
Congress Centre Karlsruhe

**Q3**

**8** August

Publication  
Half-Year Financial Report 2019

**Q4**

**7** November

Publication Quarterly Statement 3/2019

**25-27** November

Equity Forum in Frankfurt am Main

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