



FOREWORD

Ladies and Gentlemen,
Dear Shareholders,

As you may have noticed, there is a new face on the Managing Board of init innovation in traffic systems SE. This is the first time I present a quarterly statement to you in my role as Chief Financial Officer, so I would like briefly to introduce myself. My name is Jennifer Bodenseh and not only am I the first woman to sit on the Managing Board, I am also “home-grown” at init.

Back when I was studying at Baden-Wuerttemberg Cooperative State University, init provided me with my first experience of working life. Then, when the opportunity arose in October 2009 to start my career as a commercial employee at this family-based, innovative and internationally successful group, I did not hesitate – and I have remained at init.

At that time init was just embarking upon a new chapter in its growth story and in the first nine months had notched up revenues of EUR 44.3m – a new record. By way of comparison, I can report to you today that our company has sold products and services to the value of EUR 95.6m as at the end of September 2018 – likewise a new record.

Another interesting fact is this: in September 2009 init had just won the largest US contract in the group’s history with a value of USD 35m – from TriMet, a local public transport provider in the north-west of the United States. And a few days ago the local public transport provider Sound Transit, Seattle in the north-west of the United States awarded us a four-year contract worth around USD 50m along with a further eleven one-year options for operation and maintenance. The final total value of the contract thus amounts to over USD 90m – the largest contract in our group’s history.

As you can see, a lot has changed at init in the last nine years, yet there are some underlying constants. These include the ongoing, innovative development of products and systems, the swift response to evolving customer requirements and the integration of new technologies. Just as in 2009 init was a “driver of the future of mobility”, and that remains the case in 2018.

This continuity in constant change, in growing to meet the requirements of the market and of customers and in the continual tapping of new potential for value creation – as can be seen, for example, in our latest project in the production of fixed ticketing machines – it is this that makes init what it is and has been the basis for its long-standing success.

The employees of our company are the drivers of this success. At init they have the opportunity to be successful themselves and to grow personally with init. There are many examples of this: from IT staff member to international project manager, from sales staff to head of a foreign subsidiary. These career paths as well as my own also show that at init equality and equal opportunities likewise belong among the constants that make it successful.

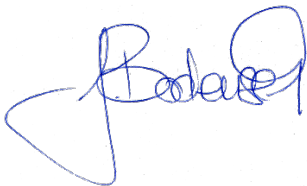
Just as init has offered to us varied opportunities for growth, we also wish to offer you, our shareholders, new earnings opportunities.

I would like to highlight the objective we are pursuing in this by reminiscing for a moment about September 2009: at that time init’s shares were reaching towards their all-time high – at a price of EUR 9.50.

Our motivation – and in particular my personal ambition as CFO – is to move init’s shares to a price level at which we once again have an all-time high in our sights.

Thank you for the trust you have placed in us!

On behalf of the Managing Board:



Jennifer Bodenseh, CFO

init innovation in traffic systems SE

IMPORTANT BUSINESS TRANSACTIONS IN THE THIRD QUARTER 2018

Orders

All in all, init managed to acquire new orders of the value of EUR 64.2m in the third quarter (Q3 2017: EUR 21.5m). Thus, the volume of the incoming orders is significantly above the previous year. The main part of the incoming orders consists of the newly won order from the Central Puget Sound Regional Transit Authority (Sound Transit), follow-up and maintenance orders.

init was assigned a four-year contract valued at approximately USD 50m and eleven years operation and maintenance from Sound Transit. The final order value amounts to USD 90m and is therefore init's largest order in the company history.

Incoming orders totaled EUR 137.0m as of 30 September 2018 (30 September 2017: EUR 105.8m). We are well on our way to achieving our target or we will even be above our target for incoming orders of EUR 140m to EUR 150m in 2018.

Order backlog as of 30 September 2018 stands at around EUR 157m and is thus significantly above the level achieved on the previous year's balance-sheet date (EUR 120m) due to high incoming orders.

Earnings position

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

Revenues of EUR 36.3m (Q3 2017: EUR 31.3m) were generated in the third quarter of 2018. In the first nine months of 2018, revenues of the init group stood at EUR 95.6m, roughly 7 per cent higher than the figure from the previous year (EUR 89.6m). Revenues for the first nine months were in line with our expectations.

Breakdown of revenues by region for the first nine months:

in million EUR	01/01-30/09/2018	%	01/01-30/09/2017	%
Germany	26.6	27.8	27.0	30.1
Rest of Europe	20.7	21.7	22.9	25.6
North America	37.1	38.8	33.4	37.3
Other countries (Australia, UAE)	11.2	11.7	6.3	7.0
Total	95.6	100.0	89.6	100.0

Revenues based on customer's location.

The operating result is within our plan as of 30 September 2018. EBIT decreased to EUR 3.5m compared to the previous year (EUR 4.7m). The effect essentially arises from significantly higher research and development expenses as well as a rise in sales and administrative expenses resulting from the purchase of Mattersoft.

Cash flow from operating activities amounts to EUR 2.2m (Q3 2017: EUR -8.8m) and primarily increased through a strong decline in trade accounts receivable and due to a lower expansion of inventories. This was offset by a reduction in trade accounts payable and a lower consolidated net income.

The cash flow from investing activities stood at EUR -1.8m (Q3 2017: EUR -9.3m) and results mostly from replacement and expansion investments as well as expenses for the purchase of subsidiaries in the current financial year. In the previous year, the cash flow from investing activities mainly included investments in the new building in the USA.

The cash flow from financing activities amounts to EUR -4.3m (Q3 2017: EUR 7.6m). The development compared to the previous year mainly results from the repayment of short- and long-term loans, which reduces the interest burden.

The equity ratio improved from 40.3 per cent from the same period last year to currently 44.3 per cent.

Personnel

On average the init group counted in the first nine months of 2018 785 employees (Q3 2017: 733) including temporary workers, research assistants, and students doing thesis work. The increase is mainly due to the acquisitions and formations of new subsidiaries for the expansion of development capacities which took place in the first half of 2018.

Number of employees by region:

	30/09/2018	30/09/2017
Germany	627	600
Rest of Europe	31	17
North America	109	99
Other countries	18	17
Total	785	733

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 2017 on page 35 et seq. The opportunities and risks described in the Annual Report 2017 remain largely unchanged.

All recognisable risks are analysed regularly and according measures are taken. There are no risks capable of jeopardizing the continued existence of the company.

Forecast and outlook

After the first nine months of the financial year 2018, the init group is well on its way to achieving the targets set for the year as a whole. Both in terms of revenues and earnings, the positive development continued in the third quarter of 2018. The key figures achieved correspond to the expectations of the Managing Board. For this reason, we are sticking to the current forecast regarding revenues (EUR 135m to 145m) and EBIT (between EUR 10m and 12m).

Order income at the end of September 2018 was approximately EUR 137m. As a result, init is very likely to reach or will even be above the target of EUR 140m to EUR 150m of new incoming orders for 2018.

In the short and medium term, init innovation in traffic systems SE has further opportunities to accelerate in revenues according to the Managing Board. Particularly in the ticketing business high growth potential emerges. Evidence thereof are won tenders in the third quarter. init gained a strategically important new order for stationary ticketing machines from the customer Metrolink in Los Angeles, USA, as well as an order from Turku, Finland, for the first time integration of the credit and bank card standard EMV as payment method for public transport in Scandinavia.

Leading the way, however, is the largest project of the group's history to date: the Central Puget Sound Regional Transit Authority (Sound Transit), Seattle, USA, awarded init an order at the end of September for the delivery and operation of a ticketing system of the next generation. This project contract comprises a volume of USD 50m over four years. Additionally further eleven one-year options for the operation and maintenance were ordered. Hence, the total order value amounts to USD 90m and secures init calculated and recurring revenues over multiple years.

In the long term, init has been established as system partner and full-service provider for the takeover of fare and payment transaction management which leads to a significantly higher customer loyalty. This can lead to taking over the entire technical operation of our products for public transport companies and opens up additional, sustainable growth potential in this field. Further trends such as electromobility, the offer "mobility as a service" (MaaS), autonomous driving, and cyber security will positively effect the demand for integrated init system solutions in the medium and long term.

CONSOLIDATED INCOME STATEMENT

from 1 January 2018 to 30 September 2018 (unaudited) IFRS

EUR'000	01/07 to 30/09/2018	01/07 to 30/09/2017	01/01 to 30/09/2018	01/01 to 30/09/2017
Revenues	36,273	31,304	95,590	89,623
Cost of sales	-23,420	-21,762	-63,980	-60,910
Gross profit	12,853	9,542	31,610	28,713
Sales and marketing expenses	-4,207	-3,803	-12,374	-11,733
General administrative expense	-3,271	-2,563	-8,627	-7,626
Research and development expenses	-3,638	-1,591	-8,156	-5,019
Other operating income	475	518	1,356	1,310
Other operating expenses	-37	-47	-166	-104
Foreign currency gains	486	643	375	225
Expenses from associated companies	-250	-285	-521	-1,045
Earnings before interest and taxes (EBIT)	2,411	2,414	3,497	4,721
Interest income	18	147	41	186
Interest expenses	-187	-196	-659	-452
Earnings before taxes (EBT)	2,242	2,365	2,879	4,455
Income taxes	-695	-659	-893	-1,381
Net profit	1,547	1,706	1,986	3,074
thereof attributable to equity holders of parent company	1,571	1,711	2,011	3,096
thereof non-controlling interests	-24	-5	-24	-22
Earnings and diluted earnings per share in EUR	0.15	0.17	0.20	0.31
Average number of floating shares	9,997,886	9,995,804	10,011,127	9,964,091

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

from 1 January 2018 to 30 September 2018 (unaudited) IFRS

EUR'000	01/07 to 30/09/2018	01/07 to 30/09/2017	01/01 to 30/09/2018	01/01 to 30/09/2017
Net profit	1,547	1,706	1,986	3,074
Items to be reclassified to the income statement:				
Changes from currency translation	195	-1,030	785	-3,689
Total Other comprehensive income	195	-1,030	785	-3,689
Total comprehensive income	1,742	676	2,771	-615
thereof attributable to equity holders of the parent company	1,766	681	2,795	-593
thereof non-controlling interests	-24	-5	-24	-22

CONSOLIDATED BALANCE SHEET

as of 30 September 2018 (unaudited) IFRS

EUR'000	30/09/2018	31/12/2017
Cash and cash equivalents	15,861	19,763
Marketable securities and bonds	28	27
Trade accounts receivable	23,608	34,472
Future receivables from production orders (Percentage of completion method)	33,106	27,417
Receivables from related companies	242	168
Inventories	26,647	25,953
Income tax receivable	1,153	1,677
Other current assets	3,271	3,137
Current assets, total	103,916	112,614
Property, plant and equipment	35,351	35,817
Investment property	1,902	1,918
Goodwill	9,035	8,987
Other intangible assets	9,998	9,681
Interests in associated companies	2,330	2,783
Deferred tax assets	3,450	2,410
Other non-current assets	2,690	2,595
Non-current assets, total	64,756	64,191
Assets, total	168,672	176,805
Bank loans	21,451	24,599
Trade accounts payable	7,253	11,030
Accounts payable from "Percentage of completion method"	4,744	7,115
Accounts payable due to related parties	10	0
Advance payments received	596	1,431
Income tax payable	0	958
Provisions	10,501	11,211
Other current liabilities	14,428	14,127
Current liabilities, total	58,983	70,471
Bank loans	18,958	17,559
Deferred tax liabilities	2,410	2,277
Pensions accrued and similar obligations	9,845	9,390
Other non-current liabilities	3,734	3,799
Non-current liabilities, total	34,947	33,025
Liabilities, total	93,930	103,496
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,116	5,397
Treasury stock	-525	-926
Surplus reserves and consolidated unappropriated profit	60,422	59,869
Other reserves	-452	-1,237
	74,601	73,143
Non-controlling interests	141	166
Shareholders' equity, total	74,742	73,309
Liabilities and shareholders' equity, total	168,672	176,805

CONSOLIDATED CASHFLOW STATEMENT

from 1 January 2018 to 30 September 2018 (unaudited) IFRS

EUR '000	01/01 to 30/09/2018	01/01 to 30/09/2017
Cash flow from operating activities		
Net income	1,986	3,074
Depreciation	3,363	3,068
Losses on the disposal of fixed assets	-50	-65
Change in provisions and accruals	-340	326
Change in inventories	-388	-5,947
Change in trade accounts receivable and future receivables from production orders	6,351	-3,152
Change in other assets, not provided by / used in investing or financing activities	385	-1,348
Change in trade accounts payable	-4,126	78
Change in advanced payments received and liabilities from PoC method	-3,328	-741
Change in other liabilities, not provided by / used in investing or financing activities	-1,575	-5,285
Amount of other non-cash income and expenses	-819	1,220
Adjustment IFRS 15 modified retrospective method	757	0
Net cash from operating activities	2,216	-8,772
Cash flow from investing activities		
Payments received on disposal of tangible fixed assets	224	133
Investments in property, plant, equipment and other intangible assets	-1,671	-8,832
Investment in associated companies	0	-638
Investment in subsidiaries less acquired cash	-356	0
Net cash flows used in investing activities	-1,803	-9,337
Cash flow from financing activities		
Dividend paid out	-2,208	-2,200
Cash payments for purchase of treasury stock	-500	0
Payments received from bank loans incurred	15,695	14,762
Redemption of bank loans	-17,243	-4,946
Net cash flows used in financing activities	-4,256	7,616
Net effects of currency translation and consolidation changes in cash and cash equivalents	-59	-868
Decrease in cash and cash equivalents	-3,902	-11,361
Cash and cash equivalents at the beginning of the period	19,763	23,920
Cash and cash equivalents at the end of the period	15,861	12,559

FINANCIAL CALENDAR

2018
Q4

2019
Q1

Q2

26-27 November

Equity Forum
in Frankfurt am Main

25 March

Publication Annual Report 2018 /
Press and Analyst Conference
in Frankfurt am Main

9 May

Publication
Quarterly Statement 1/2019

15 May

Annual General Meeting 2019

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