



IMPORTANT BUSINESS TRANSACTIONS IN THE FIRST QUARTER 2020

We all currently feeling the challenges by an unprecedented situation. According to the OECD (Organisation for Economic Cooperation and Development) of 2 March 2020, it concludes that the pandemic spread of the Covid-19 virus (Coronavirus SARS-CoV-2) is the greatest risk to the world economy since the global financial crisis of 2008. Up to now, direct effects of this crisis on the revenue and earnings planning for 2020 have been not discernible or only to a limited extent.

init is monitoring the current development very closely. Our overriding objective is to take all necessary steps to minimise risks to our employees, customers and business partners. Furthermore, we do everything possible to avoid any damages.

Within init, we have installed a company-wide crisis management system that advises necessary steps at

management level, initiates them, and monitors their observance. We ensure that negative effects on business operations, the supply chain, ongoing projects and maintenance work can be limited as far as possible. Nevertheless, effects from this crisis can still not currently be eliminated.

Orders

Overall, init acquired new orders in the first quarter amounting to EUR 44.0m (Q1 2019: EUR 69.2m). The previous year's amount included the major project Metropolitan Transit System (MTS) of USD 30m and a medium-sized project in the United Arab Emirates. The Q1 2020 incoming orders include several small and medium-sized projects.

The current incoming orders are in line with our expectations. We expect to achieve our target of

EUR 180m to 190m in incoming orders in 2020. However, this depends on whether we are able to win further major tenders where we are currently involved and whether the resulting orders will be awarded this year.

The order backlog as of 31 March 2020 is around EUR 156m and, partly due to the high level of new orders in the first quarter of 2019, is below the prior-year level of around EUR 178m.

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 40.3m (Q1 2019: EUR 35.3m) were generated in the first quarter of 2020. Revenues were around 14 per cent higher than in the previous year and in line with our expectations.

Breakdown of revenues by region for the first three months:

in million EUR	01/01-31/03/2020	%	01/01-31/03/2019	%
Germany	9.7	24.1	9.1	25.8
Rest of Europe	8.2	20.3	8.8	24.9
North America	17.8	44.2	13.9	39.4
Other countries (Australia, UAE)	4.6	11.4	3.5	9.9
Total	40.3	100.0	35.3	100.0

Revenues based on customer's location.

The **gross profit** amounted to EUR 14.3m and was thus higher than in the previous year (Q1 2019: EUR 10.6m). The gross margin increased by 5 percentage points to around 35 per cent (Q1 2019: 30 per cent). The comparison with the prior-year quarter is not representative. The cost savings and efficiency improvements started during 2019 and have led to improved earnings with the second quarter of 2019.

Sales and administrative expenses increased by EUR 0.7m to EUR 7.7m compared to the previous year.

Research and development expenses decreased by EUR 0.2m to EUR 2.7m compared to the previous year.

Foreign currency losses of EUR 1.0m were generated in the first quarter of 2020. They mainly resulted from unrealised exchange rate gains and losses from the valuation of receivables and liabilities in foreign currencies, especially CAD (Q1 2019: foreign exchange gains of EUR 0.1m).

Earnings before interest and taxes (EBIT) increased compared to the previous year to EUR 3.4m (Q1 2019: EUR 1.1m) and are in line with our expectations. The change is mainly due to the aforementioned effects.

Net interest result (balance of interest income and interest expense) was EUR -0.3m (Q1 2019: EUR -0.2m).

Net profit as of 31 March 2020 increased significantly and amounted to EUR 2.2m. This corresponds to an increase of EUR 1.5m compared with the previous year of EUR 0.7m. Accordingly, earnings per share are EUR 0.22 (Q1 2019: EUR 0.07).

The **total comprehensive income** increased to EUR 2.3m (Q1 2019: EUR 1.3m) due to unrealised gains from the currency translation of the foreign companies, especially due to the currency CAD and USD.

The **cash flow from operating activities** amounts to EUR 6.5m (Q1 2019: EUR 1.8m) and has improved significantly compared to the previous year. Mainly due to the strong net profit, the decrease in trade receivables and the increase in trade payables. The increase in inventories has a counterbalancing effect. This increase was necessary due to the corona situation in order to continue to be able to deliver.

Cash flow from investing activities amounts to EUR -1.1m (Q1 2019: EUR -0.9m) and mainly results of replacement and expansion investments.

The **equity ratio** amounts to 44.2 per cent (Q1 2019: 44.1 per cent) and remains at the prior-year level.

Personnel

On average the init group counted in the first three month of 2020 910 employees (Q1 2019: 838) including temporary workers, research assistants and students doing thesis work.

Number of employees by region:

	31/03/2020	31/03/2019
Germany	694	667
Rest of Europe	47	36
North America	140	115
Other countries	29	20
Total	910	838

Opportunities and risks

The opportunities and risks which can have a crucial impact on the assets, financial and earnings positions of the Group are set out in our Annual Report 2019 on page 35 et seq.

The opportunities and risks described in the Annual Report 2019 remain largely unchanged. In our opinion, there are no risks capable of jeopardizing the continued existence of the company.

Forecast and outlook

After the first three months of the 2020 financial year, the init group is well on its way to achieve the targets set for the entire year. The key figures achieved in the first quarter correspond to the expectations of the Managing Board. For this reason, we are sticking to our current forecast regarding **revenues of around EUR 180m** and earnings before interest and taxes (**EBIT**) **of around EUR 18-20m**. The revenue and earnings planning for 2020 considers the full consolidation of the DResearch Fahrzeugelektronik Group (DVS/DFE) from April 2020.

We continue to forecast an increase in the order situation: the incoming orders achieved at the end of March 2020 are in line with our expectations. Incoming orders amount to EUR 44.0m (Q1 2019: EUR 69.2 m). We therefore expect to achieve our target of **EUR 180m to 190m in incoming orders** (including incoming orders from new acquisitions) for 2020.

Additional information

On 28 April 2020, iris-GmbH, Berlin acquired 51 per cent of the shares of the DResearch Fahrzeugelektronik Group (DVS/DFE) retrospectively as of 1 January 2020. The DResearch Fahrzeugelektronik Group, consisting of DResearch Fahrzeugelektronik (DFE) as the development and production unit and Derovis GmbH (DVS) as the marketing and sales unit for electronic on-board vehicle systems, is active in the growth market of video recording and transmission systems in public transport. DFE and DVS, both like the Berlin-based iris-GmbH, already occupy a leading position in this market. The remaining 49 per cent of the shares are to be acquired with effect from 1 January 2022. 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 (IFRS)

from 1 January 2020 to 31 March 2020 (unaudited)

EUR '000	01/01 to 31/03/2020	01/01 to 31/03/2019
Revenues	40,308	35,346
Cost of sales	-26,045	-24,778
Gross profit	14,263	10,568
Sales and marketing expenses	-4,268	-3,921
General administrative expense	-3,383	-3,063
Research and development expenses	-2,710	-2,946
Other operating income	570	599
Other operating expenses	-65	-35
Foreign currency gains and losses	-975	101
Expenses from associated companies	0	-163
Earnings before interest and taxes (EBIT)	3,432	1,140
Interest income	11	14
Interest expenses	-283	-170
Earnings before taxes (EBT)	3,160	984
Income taxes	-980	-305
Net profit	2,180	679
thereof attributable to equity holders of parent company	2,186	714
thereof non-controlling interests	-6	-35
Earnings per share in EUR	0.22	0.07
Average number of floating shares	10,000,215	10,011,687

Consolidated STATEMENT OF COMPREHENSIVE INCOME (IFRS)

from 1 January 2020 to 31 March 2020 (unaudited)

EUR '000	01/01 to 31/03/2020	01/01/ bis 31/03/2019
Net profit	2,180	679
Items to be reclassified to the income statement:		
Changes on currency translation	145	661
Total other comprehensive income	145	661
Total comprehensive income	2,325	1,340
Thereof attributable to equity holders of the parent company	2,331	1,375
Thereof non-controlling interests	-6	-35

Consolidated BALANCE SHEET (IFRS)

as of 31 March 2020 (unaudited)

EUR '000	31/03/2020	31/12/2019
Cash and cash equivalents	28,576	26,174
Marketable securities and bonds	37	37
Trade accounts receivable	30,441	43,025
Contract assets	25,196	22,099
Receivables from related parties	74	52
Inventories	31,505	27,783
Income tax receivable	896	810
Other current assets	4,182	3,734
Current assets, total	120,907	123,714
Property, plant and equipment	50,287	50,805
Investment property	1,462	1,480
Goodwill	9,035	9,035
Other intangible assets	9,033	8,765
Interests in associated companies	390	390
Deferred tax assets	3,048	3,017
Other non-current assets	3,336	3,192
Non-current assets, total	76,591	76,684
Assets, total	197,498	200,398
Bank loans	14,431	17,842
Trade accounts payable	9,861	8,560
Contract liabilities	13,619	16,435
Advance payments received	1,990	747
Income tax payable	0	3,040
Provisions	10,647	10,263
Other current liabilities	19,106	20,697
Current liabilities, total	69,654	77,584
Bank loans	14,231	12,228
Deferred tax liabilities	3,754	2,619
Pensions accrued and similar obligations	11,158	11,149
Provisions	1,623	1,204
Lease liabilities	9,740	10,067
Non-current liabilities, total	40,506	37,267
Liabilities, total	110,160	114,851
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,688	5,688
Treasury stock	-1,066	-582
Surplus reserves and consolidated unappropriated profit	72,640	70,505
Other reserves	-127	-272
	87,175	85,379
Non-controlling interests	163	168
Shareholders' equity, total	87,338	85,547
Liabilities and shareholders' equity, total	197,498	200,398

Consolidated CASHFLOW STATEMENT

from 1 January 2020 to 31 March 2020 (unaudited)

EUR '000	01/01 to 31/03/2020	01/01 to 31/03/2019
Cash flow from operating activities		
Net income	2,180	679
Amortisation and depreciation	1,921	1,710
Losses on the disposal of fixed assets	-2	-24
Change in provisions and accruals	847	1,493
Change in inventories	-3,581	-1,035
Change in trade accounts receivable and contract assets	9,627	1,456
Change in other assets, not provided by / used in investing or financing activities	-667	1,621
Change in trade accounts payable	1,570	-2,467
Change in advanced payments received and contract liabilities	-1,743	-1,256
Change in other liabilities, not provided by / used in investing or financing activities	-4,759	-943
Amount of other non-cash income and expenses	1,138	553
Net cash from operating activities	6,531	1,787
Cash flow from investing activities		
Payments received on disposal of property, plant and equipment	3	28
Investments in property, plant, equipment and other intangible assets	-1,154	-957
Net cash flows used in investing activities	-1,151	-929
Cash flow from financing activities		
Cash payments for the purchase of treasury stock	-807	0
Payments received from bank loans incurred	4,101	5,838
Redemption of bank loans	-5,510	-6,633
Change in current and non-current lease liabilities	-734	-557
Net cash flows used in financing activities	-2,950	-1,352
Net effects of currency translation and consolidation changes in cash and cash equivalents	-28	-181
Changes in cash and cash equivalents	2,402	-313
Cash and cash equivalents at the beginning of the period	26,174	20,620
Cash and cash equivalents at the end of the period	28,576	20,307

FINANCIAL CALENDER 2020

Q2

26 June

Virtual Shareholders' Meeting 2020

Q3

11 August

Publication Half-Year Financial Report 2020

Q4

12 November

Publication Quarterly Statement 3/2020

16/17 November

Equity Forum

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