

IVU Traffic Technologies AG

Consolidated report for the first nine months of the financial year 2016 in line with IFRS

Berlin, 16 November 2016

Key figures

	1/1 – 30/9/2016 in € thousand	1/1 – 30/9/2015 in € thousand	Change in € thousand
Revenues	37,292	33,453	3,839
Gross profit	27,398	24,173	3,225
Personnel expenses	20,613	18,130	+2,483
EBIT	-1,902	-66	-1,836
Consolidated loss	-2,854	-721	-2,133

Management report

Financial performance

At € 37,292 thousand (2015: € 33,453 thousand), revenue for the first nine months was 11% higher than in the previous year, while gross profit was up by as much as 13% at € 27,398 thousand (2015: € 24,173 thousand).

On the costs side, personnel expenditure climbed by 14% to € 20,613 thousand in the reporting period (2015: € 18,130 thousand), due primarily to the 12% increase in personnel capacity as planned.

Other operating expenses rose to € 7,582 thousand in the reporting period (2015: € 5,238 thousand), with a large portion attributable to one-off write-downs on two projects in Israel in the third quarter. One of these projects was unexpectedly cancelled, while the contract for the other project was terminated by the customer without justification in our opinion. We will take legal steps, but unfortunately their outcome is uncertain.

EBIT declined significantly year-on-year to € -1,902 thousand in the first nine months (2015: € -66 thousand).

The consolidated net loss of € -2,854 thousand (2015: € -721 thousand) is also influenced by deferred taxes on work in progress of € -772 thousand (2015: € -409 thousand).

Cash flow from operating activities improved by € 3,524 thousand compared to the previous year.

Key projects in the third quarter of 2016

Kayseri. IVU enters the Turkish market

In the future, IVU will also be active on the Turkish market. The Kayseri transport operator has commissioned us to deliver our standard solutions IVU.plan and IVU.crew to plan and deliver vehicles and personnel for the city's tram network. With around one million inhabitants, Kayseri is among the ten largest cities in Turkey and is one of the country's most important industrial and trade centres. Since the opening of the first line in 2009, the city has continued to expand its tram network, which now spans a length of more than 34 kilometres and comprises 55 stops. Kayseri is an innovative leader of public transport in Turkey. Last year the city won an award from UITP (International Association of Public Transport) for the financing of its local transport services.

Puebla. IVU awarded first contract in Mexico

In addition, IVU received its first order from Mexico. We will equip a number of train stations in the Mexican city of Puebla with real-time information systems. With a population of 1.5 million, Puebla is the fourth largest city in Mexico. In response to the increasing transport

demands of residents and tourists, Puebla is currently significantly expanding its local public transport system. The first BRT line opened in 2013 and a tram network is currently in the planning stages. In order to be able to provide passengers with up-to-date transport information and departure times at urban stations, Puebla's regional government decided to introduce a modern passenger information system. IVU will initially equip two stations with IVU.realtime, with three further stations expected to follow.

Berlin. Crowds of visitors at InnoTrans 2016

Once again, InnoTrans 2016 was a great success for IVU. IVU presented its solutions for digital mobility on an extended exhibition stand. Customer advisers from IVU had numerous talks with representatives of national and international transport companies, including many state railways. Innovations in IVU.suite such as IVU.pad, which allows completely digitalised work flows from planning to the drivers, were especially in demand. Together with representatives from Deutsche Bahn and other leading companies, IVU additionally discussed opportunities for digitalisation in the rail industry in the Dialogue Forum of the German Railway Industry Association. Over 100 executives from prominent transport companies also attended an exclusive reception in the Berlin PanAm Lounge to mark the occasion of the 40th anniversary of IVU's founding.

Stockholm. SJ starts planning with IVU.rail

SJ, the largest rail company in Sweden, is now using the standard system IVU.rail from Berlin-based IVU Traffic Technologies AG to optimise its run schedules and duty schedules. Phase 1 of the project implementation was completed within just twelve months. IVU.rail will replace multiple individual systems at SJ. Currently, SJ is using the system from IVU to create run schedules and duty schedules. Once the second milestone of the project has been completed next year, the company will also be able to create weekly schedules and use the automatic personnel dispatch (APD) from IVU.rail to optimise duty schedules in order to achieve fairer and more balanced working hours.

Berlin. Successful elections with IVU.elect

On 18 September 2016, the elections for the Abgeordnetenhaus (House of Representatives) and the Bezirksverordnetenversammlung (District Council Assembly) took place in Berlin. Our election software IVU.elect was used for this specific purpose for the first time. It ensured that the process of counting votes and publishing results occurred correctly. The Statistical Office in Berlin-Brandenburg had commissioned IVU with setting up a test version of the system in the run-up to the elections. On the weekend of the elections, the Berlin public authorities used IVU.elect to determine, prepare and publish the results.

Personnel

	2016	2015	Change
Number of employees as of 30 September	481	443	+9%
Personnel capacity * 1 January – 30 September (average)	388	347	+12%

* Equivalent number of full-time employees (FTE)

We have deliberately been strengthening our team since mid-2015, particularly in product development and international sales. As a result, personnel capacity increased by 12% year-on-year to 388 FTEs in the first nine months. In addition, we have invested in structured onboarding to enable new colleagues to be deployed productively quickly.

Changes in the Management Board

At the end of October, the Supervisory Board of IVU appointed Mr Matthias Rust as a new Management Board member starting from 1 November 2016. He will manage the technical and operational department as COO. Matthias Rust succeeds Dr Helmut Bergstein who has reached an agreement with the Supervisory Board of IVU Traffic Technologies AG to terminate his collaboration with the company.

Matthias Rust (48) has many years of experience with IT systems for public transport. The IT specialist has been a familiar figure in the company for quite a while: He first took on management responsibilities at IVU back in 1998. In 2005, he became management member responsible for the Logistics Division. He will manage IVU together with the Chairman of the Management Board, Martin Müller-Elschner (48), who will additionally take on the finance department.

Outlook

The fourth quarter will once again be the quarter of the year with the highest revenue, and working through the order backlog punctually will be one of the main challenges.

IVU will achieve the targets set for 2016 as a whole. Revenue is even expected to significantly exceed the planned € 55 million at around € 60 million, while we anticipate gross profit at the planned level of € 42 million. However, the net profit for the year is negatively impacted by non-recurring effects due in particular to write-downs on foreign projects as outlined above. For this reason, we currently anticipate a significant year-on-year decline in EBIT to around € 1 million (2015: € 4.9 million).

The outlook for financial year 2017 is positive: Demand for the standard products from the IVU.suite remains strong, resulting in a continued good order level, particularly with railways. The increased focus on reliable, high-margin foreign markets has already been initiated. We therefore expect to see a return to the good profit margins of the previous years in financial year 2017 already.

Risks

The risks are described on pages 20 and 21 of the Annual Report 2015. No new risks have arisen, but the risks relating to export business in several foreign projects, particularly in Israel, have materialised. Risk management was therefore stepped up in order to weight the particular risks of export business more strongly in the offer phase already and to monitor them more closely during project implementation.

Transactions with related individuals

In the period covered by this report, there were no transactions with related individuals.

Declaration in line with WpHG Section 37w, Para. 5 Sentence 6

This six-month report was not subjected to an auditor's inspection.

Consolidated income statement in line with IFRS for the period 1 January to 30 September 2016

	Q3 2015	Q3 2014	1st nine months 2016	1st nine months 2015
	€ thousand	€ thousand	€ thousand	€ thousand
Sales revenues	14,521	11,995	37,292	33,453
Other operating income	35	85	195	457
Cost of materials	-4,652	-3,581	-10,089	-9,737
Gross profit	9,904	8,499	27,398	24,173
Personnel expenses	-6,096	-5,410	-20,613	-18,130
Depreciation of non-current assets	-361	-290	-1,105	-871
Other operating expenses	-3,763	-1,951	-7,582	-5,238
Operating results (EBIT)	-316	848	-1,902	-66
Financial revenues	1	1	1	2
Financial expenses	-37	-49	-110	-183
Pre-tax profit (EBT)	-352	800	-2,011	-247
Income tax	-258	-335	-843	-474
Consolidated net profit/loss	-610	465	-2,854	-721

	€	€
Earnings per share (undiluted and diluted)	-0.16	-0.04
Average number of shares outstanding (in thousands)	17,719	17,719

Consolidated statement of comprehensive income for the period 1 January to 30 September 2016

	1st nine months 2016	1st nine months 2015
	€ thousand	€ thousand
Consolidated net profit/loss	-2,854	-721
Currency translations	12	-5
Other comprehensive income after taxes	12	-5
Consolidated total comprehensive income after taxes	-2,842	-726

Consolidated balance sheet in line with IFRS as at 30 September 2016

ASSETS	30/09/2016	31/12/2015
	€ thousand	€ thousand
A. Current assets		
1. Cash and cash equivalents	5,858	7,505
2. Current trade receivables	9,111	18,013
3. Current receivables from contract manufacturing	16,303	13,351
4. Inventories	3,416	3,226
5. Other current assets	3,719	3,685
Total current assets	38,407	45,780
B. Non-current assets		
1. Property, plant and equipment	1,765	1,681
2. Intangible assets	11,890	12,170
3. Non-current trade receivables	378	514
4. Deferred taxes	1,462	2,234
Total non-current assets	15,495	16,599
Total assets	53,902	62,379
LIABILITIES AND EQUITY	30/09/2016	31/12/2015
	€ thousand	€ thousand
A. Current liabilities		
1. Current trade payables	1,747	3,533
2. Liabilities from contract manufacturing	3,809	7,136
3. Provisions	475	484
4. Provisions for taxes	95	61
5. Other current liabilities	6,773	7,273
Total current liabilities	12,899	18,487
B. Non-current liabilities		
1. Provisions for pensions	4,595	4,557
2. Others	9	94
Total non-current liabilities	4,604	4,651
C. Equity		
1. Share capital	17,719	17,719
2. Capital reserves	1,991	1,991
3. Retained earnings	-935	-935
4. Unappropriated surplus	17,561	20,415
5. Foreign exchange reconciling item	63	51
Total equity	36,399	39,241
Total liabilities and equity	53,902	62,379

Consolidated statement of cash flows in line with IFRS for the period 1 January to 30 September 2016

	1st nine months 2016	1st nine months 2015
	€ thousand	€ thousand
1. Operating activities		
Group earnings before tax of the period	-2,011	-247
Depreciation and amortisation on non-current assets	1,105	871
Change in provisions	29	-5
Net interest income	109	181
Other non-cash expenses/income	12	-4
	-756	796
Change of items of working capital and borrowings und des Fremdkapitals		
Inventories	-190	-563
Receivables and other assets	6,052	39
Liabilities (without provisions)	-5,454	-3,917
	-348	-3,645
Interest paid	-110	-183
Income taxes paid	-71	-225
Cash flow from operating activities	-529	-4,053
2. Investing activities		
Outflows for investments in non-current assets	-1,119	-898
Interest received	1	2
Cash flow from investing activities	-1,118	-896
3. Financing activities		
Payment of dividends	0	-886
Cash flow from financing activities	0	-886
4. Cash and cash equivalents		
Change in cash and cash equivalents	-1,647	-5,835
Cash and cash equivalents at beginning of the period	7,505	14,667
Cash and cash equivalents at end of period	5,858	8,832

(+ = cash inflow / - = cash outflow)

Consolidated statement of changes in equity in line with IFRS for the period 1 January to 30 September 2016

	Share capital	Capital reserves	Retained earnings	Foreign exchange reconciling item	Unappro- priated surplus / cumulative loss	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
As at 1 January 2015	17,719	3,696	-1,272	47	15,995	36,185
Consolidated net income 2015	0	0	0	0	3,601	3,601
Other comprehensive income, net of tax	0	0	337	4	0	341
Payment of dividends (EUR 0.05 per share)	0	0	0	0	-886	-886
Offsetting	0	-1,705	0	0	1,705	0
Total consolidated profit/loss after taxes	0	-1,705	337	4	4,420	3,056
As at 31 December 2015	17,719	1,991	-935	51	20,415	39,241
As at 1 January 2016	17,719	1,991	-935	51	20,415	39,241
Consolidated loss 1 January - 30 September 2016	0	0	0	0	-2,854	-2,854
Other comprehensive income, net of tax	0	0	0	12	0	12
Consolidated recognised results after tax	0	0	0	12	-2,854	-2,842
As at 30 September 2016	17,719	1,991	-935	63	17,561	36,399

Explanatory Notes

(1) Interim financial statements in accordance with IAS 34

The condensed consolidated interim financial statements meet the requirements in IAS 34. The consolidated interim financial statements do not include all of the information and explanatory notes required for complete financial statements for year-end reporting purposes. They should be read in conjunction with the consolidated financial statements of the annual report 2015.

(2) Accounting and valuation principles

The accounting and valuation principles as applied in the consolidated interim financial statements correspond to those pertaining to the consolidated financial statements for the financial year 2015.

(3) Seasonality of business operations

The operative business dealings of the IVU Group, in particular in the Public Transport segment, are affected by seasonal effects. These relate both to the presentation of maintenance invoices in the first quarter and to the increased invoicing of project costs in the fourth quarter of the financial year.

Group segment reporting

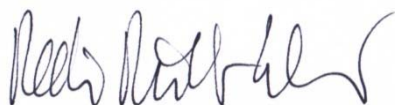
Operating segments	Public Transport		Logistics		Central services		Consolidated	
	1st nine months		1st nine months		1st nine months		1st nine months	
	2016	2015	2016	2015	2016	2015	2016	2015
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Total sales revenues	33,867	29,903	3,346	3,415	90	150	37,303	33,468
Inter-segment sales	-11	-11	0	-4	0	0	-11	-15
Sales to external customers	33,856	29,892	3,346	3,411	90	150	37,292	33,453
Segment gross profit	24,508	20,978	2,851	3,030	39	165	27,398	24,173
Expenses	-21,074	-15,173	-2,506	-2,354	-5,720	-6,712	-29,300	-24,239
EBIT	3,434	5,805	345	676	-5,681	-6,547	-1,902	-66
Financial expenses, net	0	0	0	0	-109	-181	-109	-181
EBT	3,434	5,805	345	676	-5,790	-6,728	-2,011	-247
Income tax	0	0	0	0	-843	-474	-843	-474
Consolidated net profit/loss	3,434	5,805	345	676	-6,633	-7,202	-2,854	-721
Segment assets	45,338	46,877	4,524	5,437	2,578	3,486	52,440	55,800
Investment expenditure	710	694	106	112	95	92	911	898
Impairments	864	673	133	109	113	89	1,110	871

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, in November 2016

The Executive Board

A handwritten signature in black ink, appearing to read 'Martin Müller-Elschner'.

Martin Müller-Elschner

A handwritten signature in black ink, appearing to read 'Matthias Rust'.

Matthias Rust

Financial calendar

21 November 2016	German Equity Forum, analyst conference, Frankfurt
21 March 2017	Annual Report 2016
30 May 2017	Three-months report as at 31 March
31 May 2017	Annual General Meeting
30 August 2017	Six-months report as at 30 June

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