



2016 Quarterly Statement



CORPORATE DIARY

2016 Quarterly Statement		13/05/2016
Annual General Meeting	Hanover	25/05/2016
2016 Half-year Report		11/08/2016
2016 Nine-month Statement		14/11/2016
Analysts' conference		21/11/2016

Foreword

Thomas Dibbern //
Vorstand und CEO
METRIC mobility solutions AG



Foreword of the Board of Management on the 2016 Quarterly Statement

Dear Readers,

The start to the year 2016 was attended by successful new product presentations within the scope of trade fair appearances by the METRIC Group. The “trade fair season” opened at the end of February with the EuroCIS in Dusseldorf, the leading trade fair for retail technology.

At the EuroCIS, the METRIC Group presented itself for the very first time with a new trade fair booth concept and its new Corporate Identity introduced in May 2015. In addition to the product innovations “metric.mobile POS” and “metric.allegro LSi” presented in 2015, the “metric.smart PC” made its debut at this event. The “metric.smart PC” is a fully fledged PC in smartphone format powered by the operating system Windows 10. It facilitates a change from a conventional desktop application in the workplace to a touch-only application on a mobile terminal without users having to interrupt their work (referred to as “Continuum”). The “metric.smart PC” can be deployed in many and various fields – from a mobile data capture device and mobile cash desk within the scope of retail & logistics all the way through to an inspector device in the field of public transport.

Only a week later, early in March, did METRIC present the very latest solutions for the public transport division at the IT-TRANS trade fair in Karlsruhe. Apart from the new ticketing terminal “metric.station” introduced in 2015, which has meanwhile already been installed in Germany and France, the premiere of the new electronic ticket machine (ETM) “metric.smart QUBE” and the new ticket validator “metric.smart FARE” were the centre of attraction at this trade fair. This completely newly developed generation of vehicle systems follows a consistent module strategy and allows a standard tablet computer to be used as a driver display. This concept offers full-scale driver unit flexibility with regard to the installation position and selection of screen sizes, processors and operating systems. For the operating life of vehicle systems, which frequently exceeds 10 years, the use of a standard tablet computer as a driver display provides a simple and cost-optimised upgrade of computer units and operating systems while the actual passenger unit continues to be kept in use. Accordingly, the “metric.smart QUBE” provides maximum investment protection.

To complete the “triple” for METRIC, the Intertraffic trade fair in Amsterdam followed at the beginning of April. At the world’s biggest parking trade fair held only every other year, METRIC presented its revolutionary innovation “metric.sprite”. Not only does our new ticketing terminal consistently feature a modular structure; it also offers an optimised shape factor that reduces the size of the device by over

30 per cent compared with the “metric.elite” product generation. This optimised shape factor is particularly important for all those markets in which fare ticketing terminals are predominantly in use on pavements in inner-city locations and where the space available is restricted.

Moreover, an essential element of the “metric.sprite” concept is the first-time use of a carry-over-part strategy in combination with products of other METRIC fields of business: for instance, the computer unit in “metric.sprite” parking terminals will likewise be deployed in the very latest generation of fare ticket printers (“metric.smart QUBE”) and ticketing terminals (“metric.station”). This carry-over-part strategy of METRIC is thus based on the platform and module construction kit strategy known in the automotive industry. The carry-over-part strategy is an inherent component of the “design-to-cost” approach with the objective of reinforcing the company’s profitability in a sustainable manner with new products and reduced material costs.

On the whole, the trade fair appearances were attended by high visitor frequency and a high level of acceptance of METRIC product innovations and the underlying technical concepts, both amongst portfolio customers as well as potential new prospects. This significant interest instils confidence regarding the reinforced competitiveness of METRIC as a basis for the planned growth in revenue and earnings in the coming years.

The continued measures to bring about a further reduction in material costs were another focal point in the first quarter of 2016. Through consistent market processing, optimised procurement volumes as well as arrangements with key suppliers, it was possible already to achieve annualised material cost savings in the seven-digit euro range in the first several months of 2016 year-on-year. These savings, together with careful management of personnel costs and, not least, thanks to a now competitive product range, are the guarantors for METRIC’s further successful development.

Business development in the first quarter on the whole is within the self-imposed expectations. The Parking Systems business unit remains characterised by high stability. In the Retail & Logistics division, development in the first quarter is assessed as highly positive as a further important new customer from the international retail sector was acquired for the mobile data capture device “metric.allegro LSi”. Sales and the order intake in the cyclical project business Public Transport at the beginning of the year remained substantially behind expectations, however. Yet current demand, especially for ticketing terminals, remains very high, so this may mean a trend reversal as early as the medium term. The operating result (EBIT) in the first quarter of 2016 was still considerably lower than expected. This deviation is primarily attributable to shifts in development resources, resulting in a lower capitalisation of product development activities. As the year 2016 progresses, however, we expect a gradual compensation to set in. Furthermore, the operating result was impacted by an expenditure item in the lower six-digit euro range for advisory services in connection with the successfully launched activities for further material cost reductions and by accruals. Personnel costs as a key cost factor are at their planned level.

In March 2016, METRIC mobility solutions AG prolonged a merchandise credit facility early that was originally limited until the end of December 2016 with its main supplier Zollner Elektronik AG with a volume of up to € 12.0 million. From the effective date 1 January 2017, the existing merchandise credit facility will continue to be kept as an interest-bearing loan subject to the usual terms and conditions prevailing on the market. The loan amount is repayable as of 2017 in annual instalments amounting to 25 per cent of the respective EBITDA of METRIC mobility solutions AG – at least in the amount of EUR 2.0 million, however. The early agreed conversion of the merchandise credit facility into a loan documents the trust and confidence of the long-standing supplier Zollner Elektronik AG in the positive corporate development of METRIC mobility solutions AG.

Dear Readers, our entire team is working with a high level of motivation and immense dedication on the success for the year 2016 and beyond. This motivation and team spirit of METRIC is also expressed in the participation in a company run: some 25 per cent of the employees at the location

have signed up for the event scheduled to be held in Hanover on 31 May 2016. This is more than double the participation level of the previous year. We are proud of this cohesion within the workforce, because the people, their know-how and high expertise represent the actual capital of our company and the basis for long-term success and satisfaction of our customers.

Hanover, May 2016

The Board of Management

Foundations of the quarterly statement as at 31 March 2016

This quarterly statement as at 31 March 2016 for the METRIC mobility solutions AG Group was prepared according to the accounting methods of the International Financial Report Standards (IFRS) in line with the consolidated financial statements for the 2015 financial year. The quarterly statement should be read in conjunction with the 2015 consolidated financial statements since, due to the reduced scale, not all information is contained in accordance with the requirements applicable to preparing an annual report.

The preparation of this quarterly statement relies for guidance on the statutory requirements as well as the general minimum requirements published by Deutsche Börse AG. In interim report in accordance with IAS 34 is not planned to be made as part of the 2015 half-year report.

Asset, financial and earnings position

Sales developed as expected in the first quarter of 2016. In the METRIC DE segment, sales declined substantially as budgeted in relation to the previous year quarter (in the lower seven-digit range) since a key maintenance & service agreement expired in the 2015 financial year; in addition, the first quarter of 2015 was characterised by particularly extensive IAS11 sales revenues for the large-scale project of Deutsche Bahn (German Rail) completely delivered last year. Within the Group the first quarter of 2016, adjusted for currency translation, exceeded the level planned. In the Retail & Logistics segment, sales revenue plans for the first quarter of 2016 were exceeded. This is where the product innovations launched on the market in 2015 reflect positive impacts. By acquiring a further important new customer from the international retail sector for the mobile data capture device “metric.allegro LSi”, we expect this positive sales trend to continue in the Retail & Logistics segment as the financial year progresses. The weakness of the British pound sterling in the first quarter of 2016 led to a negative sales revenue consolidation effect of the METRIC UK segment (reporting in GBP) as part of the consolidated financial statements for the first quarter of 2016 of the METRIC Group (in euros) in the middle six-digit euro range. In operational terms, the Parking Systems business unit delivered a very stable performance. Sales at METRIC UK adjusted for currency effects are nearly at the level budgeted.

The **operating result (EBIT)** of the METRIC Group in the first quarter of 2016 still remains substantially below expectations. This is primarily attributable to a lower capitalisation of product development activities – in relation to the plan. In the first quarter, development resources were increasingly deployed for project-specific tasks. However, in the course of the 2016 financial year, we expect a gradual compensation to occur in this regard. Unplanned Accruals set up on the first quarter of 2016 in the middle six-digit euro range impacted EBIT as did the unbudgeted commissioning of a consultancy firm in connection with the successfully launched activities to achieve a further material cost reduction. The measures initiated to reduce the material costs through further optimisations in Procurement are beginning to show initial positive effects. The targets concerning the gross margin (in %, adjusted for non-recurring effects) were achieved. Personnel costs, a substantial cost factor, are at the planned level. In contrast, savings in the lower six-digit euro range had a positive influence on the financial result in terms of interest expenditure and, therefore, also on **EBT** in the first quarter.

The **cash flow** from current operations was substantially higher than in the previous year quarter. Taking account of the cash flow from investing activities and the cash flow from financing activities, the change in cash & cash equivalents is roughly equivalent to the level of the previous year quarter. Cash & cash equivalents at the end of the period were reduced by a low six-digit amount in comparison with the level prevailing as at 31 December 2015.

Research and product development

In addition to developing new and optimising existing, customer-specific systems, we are working on the further extension of our product portfolio. Our aim is to increase the share of hardware and software systems that meet the needs of larger customer groups. In the first quarter of 2016, METRIC capitalised an amount in the lower single-digit million range for development of additional new products and for the further development of existing products. A substantial volume of further development services were booked under expenditure.

Workforce

As at 31 March 2016, a slight reduction in personnel was implemented – both in comparison with the previous year quarter as well as with the end of the 2015 financial year.

Key events and transactions

On 18 March 2016, METRIC mobility solutions AG prolonged a merchandise credit facility early that was originally limited until 31 December 2016 with its main supplier Zollner Elektronik AG with a volume of up to EUR 12.0 million. From the effective date (1 January 2017), the existing merchandise credit facility will continue to be kept as an interest-bearing loan subject to the usual terms and conditions prevailing on the market. The loan amount is repayable as of 2017 in annual instalments amounting to 25 per cent of the respective EBITDA of METRIC mobility solutions AG – at least in the amount of EUR 2.0 million, however. Accordingly, the loan has a maximum term until 30 September 2022.

Outlook change report

METRIC is also focused in 2016 on the consistent new development of additional products as well as the intensive marketing of the solutions newly rolled out in 2015. The trade fairs held at the beginning of 2016 have confirmed the immense interest in the products and solutions from METRIC, and the past successful marketing efforts show that we are on the right track. Accordingly, we are confident that we will be able to reach our planned sales revenues for 2016 and to achieve further sales revenue growth in the years to come. As at the effective date, therefore there are no changes compared with the sales revenue information stated in the forecast report of the 2015 Annual Report. Also with regard to the operating result (EBIT), based on the positive business development forecast and the planned increase in the coming quarters, there is no change in relation to the forecast made in the 2015 Annual Report.

The risk structure of the company as at the reporting date (31 March 2016) and the expectations for the coming nine months of 2016 have not changed materially compared with the presentation in the consolidated financial statements as at 31 December 2015. For further particulars, please refer to our consolidated management report in the 2015 Annual Report.

PUBLISHING INFORMATION

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