Overcoming challenges

Interim Report 1/2013

innovation in traffic systems AG

init at a glance

As worldwide leading supplier of telematics and electronic fare collection systems for busses and trains, init helps transport companies making public transport more attractive, faster and more efficient. Meanwhile, more than 400 customers around the globe rely on our sophisticated solutions and benefit from our unique understanding of the challenges faced by public transport providers.

More than 30 years of experience have resulted in an integrated product range that covers all key tasks of public transport companies and is strictly focused on their production processes. Customer-oriented services complement the portfolio consequently.

Group key figures
according to IFRS

EUR '000	**2013**	2012	Change in %
Balance Sheet (31/03)			
Balance sheet total	110,536	101,691	8.7
Shareholders' equity	60,132	57,634	4.3
Subscribed capital	10,040	10,040	0.0
Equity ratio (in %)	54.4	56.7	
Return on equity (in %)	1.2	3.2	
Non-current assets	28,343	19,819	43.0
Current assets	82,193	81,872	0.4
Income Statement (01/01 – 31/03)			
Revenues	16,993	19,632	–13.4
Gross profit	5,427	5,847	–7.2
EBIT	1,066	2,850	–62.6
EBITDA	1,700	3,454	–50.8
Consolidated net profit	705	1,821	–61.3
Earnings per share (in EUR)	0.08	0.20	–62.1
Dividend (in EUR)	0.80	0.80	0.0
Cash Flow			
Cash flow from operating activities	1,184	4,350	–72.8
Share			
Issue price (in EUR)	5.10	5.10	
Peak share price (in EUR)	26.89	19.14	40.5
Bottom share price (in EUR)	21.41	13.60	57.4

Corporate Bodies

Supervisory Board

- Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau, Meerbusch (Chairman)
  Consulting engineer specialising in local transportation
- Hans-Joachim Rühlig, B.A.M, Ostfildern (Vice-Chairman)
  Financial Managing Director, Ed. Züblin AG, Stuttgart
- Drs. Hans Rat, Schoonhoven
  Managing Director Beaux Jardins B. V., Schoonhoven

Managing Board

- Dr. Gottfried Greschner (Chairman), M.Sc.
  Business Development, Personnel, Legal, Purchasing, Logistics and *Production*
- Joachim Becker, M.Sc. in Information Science
  Business Division: Telematics Software and Services
- Wolfgang Degen, M.Sc.
  Business Division: Mobile Telematics and Fare Collection Systems
- Dr. Jürgen Greschner, B.A.M.
  Sales and Marketing
- Bernhard Smolka, B.A.M.
  Finance, Controlling and Investor Relations

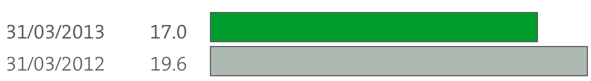
Directors' Holdings

Managing Board	Number of shares
Dr. Gottfried Greschner, CEO	3,487,550
Joachim Becker, COO	338,533
Wolfgang Degen, COO	60,070
Dr. Jürgen Greschner, CSO	93,550
Bernhard Smolka, CFO	27,550

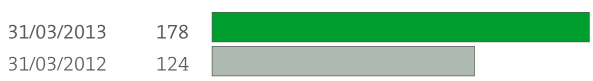
* thereof 3,450,000 shares held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG

Supervisory Board	Number of shares
Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	–
Hans-Joachim Rühlig	–
Drs. Hans Rat	–

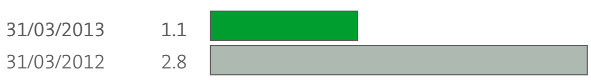
Revenues Q1
in million EUR



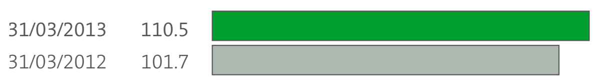
Order backlog
in million EUR



EBIT Q1
in million EUR



Balance sheet total
in million EUR



Letter to the Shareholders

Dear Ladies and Gentlemen, dear Shareholders,

Following on from a year of record-breaking share prices, 2013 will be a challenging time for init innovation in traffic systems AG. We do not want to limit ourselves to maintaining share prices at their current level, and, if possible, indeed, taking them higher: we also want to ensure that our group's success is built around our products and services.

At the upcoming UITP (International Association of Public Transport) World Congress to be held at the end of May in Geneva, we will be presenting the new functions in our integrated MOBILE system solution, with which init offers transport companies a self-contained IT solution that covers and optimises the entire value chain, from planning to control systems. Through automated data exchanges, the system compares real-time data with targets. This allows users to reduce costs whilst also creating more robust, streamlined operating processes that benefit transport companies and passengers alike.

We have also added a new on-demand service management function to our control system. Passengers can book travel online, on their mobile or using a smartphone. Our specialist software for on-demand services establishes the most efficient use of drivers and vehicles by creating optimised route plans, ensuring that every passenger is picked up from and arrives at the right place at the right time.

As companies often use taxis and minibuses with no on-board computer, we have developed a special app that provides all key information via the driver's smartphone. The app also allows the driver and control station to communicate and send data. init's simple, low-cost solution allows transport companies to expand their range of services whilst maintaining efficiency, particularly in rural areas.

These are just two examples of how we are trying to tap into new global growth markets. Another key challenge for the next few years will be expanding into new regional markets. We have identified significant long-term growth opportunities in the Asia-Pacific region. Initial responses suggest that within five years we could be generating higher revenues there than in North America, which is currently our largest market.

Even setting aside the continued upwards growth trend in our industry – UITP predicts that public transport networks will see passenger numbers double by 2025, which will also require considerable investment – we are confident that we are well placed to generate more value for you, our shareholders, in the coming years.

After nine years of consistent growth, init innovation in traffic systems AG has set itself the target of – for the first time – achieving revenues in excess of EUR 100m in 2013. We have already guaranteed the bulk of revenues for 2013 and 2014 with record-high order backlog volumes at EUR 178m. Although earnings for the first quarter of 2013 were slightly below expectations, we still anticipate that revenues will rise to EUR 105m with operating earnings (EBIT) coming in at EUR 18m. Although 2013 is set to be a tough year, we are expecting over EUR 105m in incoming orders, which will maintain long-term growth.

Given the outlook, we are proposing that the Annual General Meeting on 16 May 2013 should agree to maintain dividend payments at EUR 0.80 per dividend-bearing share, even though net profit in 2012 was down year-on-year. We do still want to pay a healthy dividend and hope to increase earnings in 2013, which will then allow us to boost dividend payments.

Thank you for the trust that you have placed in us.

For the Managing Board of
init innovation in traffic systems AG

Dr. Gottfried Greschner
Chairman of the Managing Board (CEO)

Share and Investor Relations

Profit-taking at new all-time high

In the first quarter of 2013, the init innovation in traffic systems AG share price (ISIN DE0005759807) followed up seamlessly on the most successful year since the company's initial public offering in July 2001. Buoyed by the long-term growth outlook resulting from a high order backlog of over one and a half times targeted annual revenues and the prospect of further successful tenders, the init share price continued its upward momentum at the start of the year. At the end of February, the share price hit a new record high of around EUR 26 partly as a result of successful Investor Relations efforts. Market uncertainties subsequently prompted a wave of profit-taking, but despite fluctuations the init share closed the first quarter at EUR 23.60, up slightly from 31 December 2012.

The share consequently performed roughly in line with the German share index (DAX). Having consistently underperformed the init share in the recent years, the index of leading German technology stocks, the TecDAX, recovered and posted healthy 9 per cent growth for the first time during the period under review.

Banks and analysts who constantly evaluate the performance of the init share are currently issuing hold and buy ratings with price targets of between EUR 24 and EUR 30. As a result of its positive price performance, the init share already meets the market capitalisation requirements for inclusion in the TecDAX. The share's liquidity on the Frankfurt stock exchange also continued to improve. At the end of March, the init share price ranked 38th in terms of the stock exchange trading volume of technology shares. For inclusion in the TexDAX shares are required to feature in the top 35.

Dividend to remain unchanged at EUR 0.80

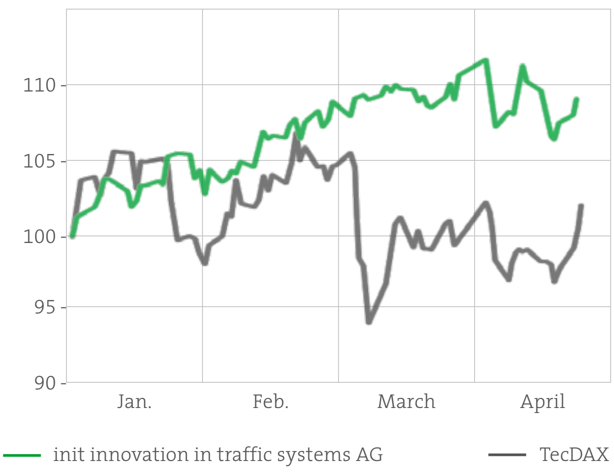
A key factor in init's corporate policy is the distribution of an appropriate share of annual profit to shareholders. As the group did not achieve further earnings growth in 2012 compared to the previous year, the init AG Managing Board and Supervisory Board will propose to the 2013 Annual General Meeting payment of an unchanged dividend of EUR 0.80 per dividend-bearing share. Consequently, EUR 8,015,984.00 will be distributed from the balance sheet profit of EUR 16,616,545.99 for the 2012 financial year. The balance will be carried forward.

The final decision will be taken at the init Annual General Meeting, which is due to be held on 16 May 2013 in the Concert House at the Karlsruhe Convention Centre.

Basic share information

Exchange	Frankfurt Stock Exchange
Index / Segment	Prime Standard, Regulated Market
Class	No-par bearer shares (at EUR 1 each)
ISIN	DE0005759807
WKN	575 980
Code	IXX
Designated sponsors	Commerzbank AG
Capital stock today	10,040,000 no-par bearer shares
Market capitalisation (as of 28 March 2013)	EUR 237.4m

Performance January to April 2013 (Xetra)
(indexed)



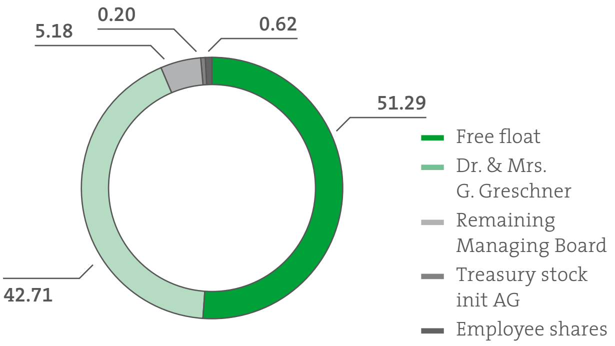
Shareholder structure

There were no significant changes to the init innovation in traffic systems AG shareholder structure during the period under review. The shareholding distribution is shown in the diagram as of 31 March 2013.

Up-to-date information about the init share and our Investor Relations services can be found on our website *www.initag.com*.

Shareholder structure as of 31 March 2013

(in %)



Number of Employees (annual average)
incl. temporary workers and students

	31/03/2013	31/03/2012
Employees in Germany	349	318
Employees in Europe	4	4
Employees in North America	66	68
Employees in other countries	15	14
Total	**434**	**404**

Group Status Report

Performance and situation

Economic and market conditions

The surprisingly strong weakening of global growth perspectives towards the end of 2012 influenced both the allocation and expectations of public-sector budgets as well as those of companies in the reporting period. Under pressure from the as yet unsolved banking and sovereign-debt crisis in the eurozone, in particular, and the resulting risks for the global economy, plans have been revised, expenditure has been cut and investors remain cautious for the time being. A long winter in central Europe and a spring low in the US also had a dampening effect on overall economic developments.

So it wasn't until progress was made to stem the European debt crisis, the “fiscal cliff” was overcome in the United States, more expansive monetary and fiscal policies were introduced in Japan, and investment in emerging and developing economies grew that the economic horizon brightened again towards the end of the reporting period. Expectations about future economic developments, which had initially been corrected downwards at the start of the year, gradually became more optimistic.

As a result, the latest Global Economic Outlook report (April 2013) by the International Monetary Fund (IMF) foresees a recovery by the global economy in 2013 and growth of more than 3 per cent, increasing to 4 per cent next year. This recovery continues to be driven primarily by emerging and developing nations, whose economic output is predicted to increase overall by more than 5 per cent, while countries like China and India can expect much greater growth rates of up to 8 per cent. This trend will increase further in 2014.

Economics say the US can expect growth of 1.9 per cent in 2013, though this should rise to 3 per cent by 2014. According to this, the massive cuts in public expenditure triggered by the “fiscal cliff” should not hinder the continuing growth of the US economy.

By contrast, the Organisation for Economic Cooperation and Development (OECD) and the IMF believe that Europe is lagging behind global economic developments because of the ongoing European debt crisis. This is also widening the economic divide between European nations. Whereas the German economy is growing, other European countries are falling further back, in some cases even into recession. The IMF even predicts an overall 0.3 per cent shrinkage of the economic output of the eurozone in 2013, although it expects growth of more than 1 per cent in the coming year. Economists forecast growth in Germany of 0.6 per cent this year and 1.5 per cent next year.

In an uncertain global economic environment, the market for telematics, planning, electronic fare collection systems for buses and trains is a sustainable growth market. According to a UITP prognosis, passenger numbers will double by 2025. Growing passenger numbers also make investments in local public transport absolutely essential. Last but not least, there are also ecological reasons in favour of an efficient local transport system because the more that passengers use local public transport, the lower the emission of particulate matter and carbon dioxide.

Sector-specific developments

Although the consolidation of public-sector budgets also affects the development of the transport infrastructure, the willingness of transport firms to invest and the availability of subsidies, we were unable to register any major negative effects thus far in our market. It is not currently possible to make a reliable estimate of the extent to which this will affect the business of the init group in the future. Substantial funds continue to be available in Europe, North America and Asia for the expansion of local public transport networks, which leads init too to expect a growing number of tenders in 2013. On the whole, init AG benefits from its position as a global leader in the provision of high-tech infrastructure solutions. International business in particular is a driver of our growth, with init constantly tapping into new markets.

General performance

The negative developments in the economic climate have not adversely affected the performance of init innovation in traffic systems AG. The init group continues to work on a number of international tenders for hardware and software products as well as telematics, planning and electronic fare collection systems. Billions will be invested in local public transport over the next few years, part of which will fall on the relevant division of init AG, thus securing the continuing growth of the init group in the long term.

init was unable to reach either its planned figures nor the expected revenue in the first quarter of 2013. This was due to project delays and a lack of hardware deliveries in the first quarter because our new major projects have not yet reached their roll out phase.

Orders

To date the init group has successfully completed more than 400 national and international projects. Thanks to its integrated telematics, planning and electronic fare collection systems, init is a partner of transport companies on four continents. This typically translates into long-term relationships with customers whose follow-up and maintenance contracts ensure that the group has a stable base from which to operate. There are currently many new calls for tender for international projects within our market. As such, the long-term growth perspectives for the transport telematics market remain intact. Nearly all countries are showing a growing willingness to expand their local public transport systems. Because the majority of init's business focuses on such long-term projects, we believe our company continues to have good growth prospects.

In the first quarter, init managed to secure new orders worth a total of EUR 15.9m (Q1 2012: EUR 14.9m). Of these, EUR 5.5m were in Germany, EUR 3.5m in the rest of Europe and EUR 6.3m in North America. Other countries accounted for orders worth EUR 0.6m. Of all the incoming orders, EUR 12.7m were in the "Telematics and Electronic Fare Collection Systems" segment, while EUR 3.2m were attributable to the "Other" segment.

As at 31 March 2013, the total order volume was about EUR 178m, an increase of about 43 per cent on the figure for the same time last year: EUR 124m.

Earnings position

A lack of hardware deliveries meant that init AG just failed to meet its first-quarter revenues and earnings expectations. In the first quarter of 2013, the group generated revenue of EUR 17.0m (Q1 2012: EUR 19.6m). EUR 15.8m of this is attributable to the "Telematics and Electronic Fare Collection Systems" segment. International business made up 78.1 per cent of this (Q1 2012: 79.5 per cent). North America accounted for EUR 8.6m (Q1 2012: EUR 9.8m). Turnover in Germany was EUR 3.7m (Q1 2012: EUR 4.0m). In the rest of Europe, revenue was EUR 2.7m (Q1 2012: EUR 2.9m), while that of all other countries fell to EUR 1.9m (Q1 2012: EUR 2.9m).

The "Telematics and Electronic Fare Collection Systems" segment generated EUR 15.8m (Q1 2012: EUR 18.2m) of the EUR 17.0m group-wide revenue (Q1 2012: EUR 19.6m), or 92.9 per cent of the total (Q1 2012: 92.9 per cent).

The segment "Other" which contains planning systems, driver dispatch systems and automotive generated sales of EUR 1.2m (Q1 2012: EUR 1.4m) with third parties. That is 7.1 per cent of overall group revenue (Q1 2012: 7.1 per cent).

Gross profits, at EUR 5.4m, were EUR 0.4m below the figure for the previous year (EUR 5.8m). However, in relative terms, the gross margin was about 2 percentage points higher than a year earlier in relation to revenue.

Operating and administrative costs were EUR 4.0m, i.e. about EUR 0.1m lower than those of last year (Q1 2012: EUR 4.1m). However, these will rise in the months ahead because of international trade fairs and an increasing number of complex tenders.

Earnings before interest and taxes (EBIT) fell to EUR 1.1m and were thus significantly lower than those of the first quarter of 2012 (EUR 2.8m). Of this, EUR 1.1m was generated by "Telematics and Electronic Fare Collection Systems" (Q1 2012: EUR 3.1m) and EUR -0.1m by the "Other" segment (Q1 2012: EUR -0.3m). Foreign-currency losses of EUR 0.2m were generated mainly from completed forward currency transactions and accounting-date valuations of accounts receivable in foreign currencies (Q1 2012: gains of EUR 1.6m).

In all, this cut group after-tax profits by EUR 1.1m to EUR 0.7m (Q1 2012: EUR 1.8m). This corresponds to earnings-per-share of EUR 0.08 (Q1 2012: EUR 0.20).

By contrast, group comprehensive income rose from EUR 0.8m to EUR 2.4m. This increase was due mainly to unrealised profits from currency conversion.

Net assets and financial position

init's net assets and financial position continue to be satisfactory. The balance sheet total increased marginally to EUR 110.5m, EUR 0.1m higher than that of the previous year (31.12.2012).

At the end of the reporting period, the operative cash flow was EUR 1.2m (Q1 2012: EUR 4.4m). This appears likely to improve as the year progresses.

Equity capital is at about EUR 60.1m and thus higher than the level this time last year (Q1 2012: EUR 57.6m).

Short-term bank liabilities of EUR 0.2m (31.12.2012: EUR 0.2m) relate mainly to the short-term part of the funding of the properties at Kaeppelestrasse 4, 8/8a and 10. Long-term bank loans of EUR 3.7m (31.12.2012: EUR 3.8m) relate to the long-term part of the funding of the properties at Kaeppelestrasse 4, 8/8a and 10. Investment in 2012 in Kaeppelestrasse 8/8a and 10 amounted to EUR 6.3m and is booked under "Investment property". These properties are intended to secure the location in the long term. However they are initially leased on a non-terminable basis until 31 December 2017.

The value of liquid assets, including short-term disposable securities and bonds, fell to EUR 20.4m in the reporting period and thus remain below the level of the previous year (31.12.2012: EUR 20.5m)

The available lines of sureties and working capital continue to secure the funding of business activities and their expansion. init also has EUR 1.0m in gold, which is booked under long-term assets.

EUR 1.2m was spent on investment in property and intangible assets (excluding software development) in the first three months of the year (Q1 2012: EUR 0.6m). This is mainly replacement and rationalisation investment as well as EUR 0.7m in advances for the new construction Kaeppelestrasse 4–6.

Production

The init group value-added chain comprises the development, production management, quality assurance, implementation, servicing and maintenance of integrated hardware and software solutions for all the key operations of transport companies.

The production of hardware is mainly outsourced to qualified producers as subcontractors who work closely with our init engineers. The quality we require is assured by having our own staff assist in each stage of the production process, from prototyping to the test series all the way to serial production.

In order to comply with "Buy America" requirements, init operates two production firms in the USA. The company SQM LLC assembles various devices and equips printed circuit boards from the init product range. TQA LLC produces cables for the American market.

init is not dependent on individual suppliers. This allows us to switch easily to alternative suppliers should one of our business partners be unavailable. For the 2013 business year, we were able to expand our supplier pool and negotiate new framework agreements.

Personnel

In view of the expected general shortage of qualified personnel in the coming years, binding employees to the company long term is one of init's most important personnel-related objectives. To this end, a number of voluntary measures and actions help involve employees directly in the company's success. As a result, all employees received a performance-related bonus of about EUR 6,000 in 2012 in addition to their regular pay. This took the form of cash payments and share transfers.

The size of the init workforce was again adapted moderately overall to ensure the timely completion of the available orders and also create new growth opportunities on the market. Because we expect further large orders in the months ahead, this trend will continue in the coming months.

On 31 March 2013, the init group employed 434 people (Q1 2012: 404), including temporary staff, scientific advisors and undergraduates. Another 19 employees are currently in apprenticeship.

More than 65 per cent of init's full-time employees have an academic qualification, primarily in computing, electrical engineering, HF technology, physics, mathematics and industrial engineering.

Environmental protection

Reducing carbon dioxide emissions and protecting natural resources are essential in order to prevent potential climatic disaster. Efficient public transport systems play an increasingly important part in this.

Since its establishment 30 years ago, init has had a special obligation to protect the environment and conserve resources. init's products have a long history of helping transport companies to provide faster, more competitive and energy-saving mobility, thus also reducing the environmental impact of particulate matter and exhaust fumes. init also actively implements fundamental ecological principles along its entire supply chain as well as in individual divisions, from procurement and production to operation. Furthermore, environmental protection and resource conservation are firmly anchored in init's corporate guidelines.

Research and development

In the first three months of 2013, init's hardware and software developers worked not only on developing existing products further but also on fundamental innovations.

In all, the init group spent EUR 0.7m (Q1 2012: EUR 1.0m) developing new products and on software development. EUR 0.5m of this is attributable to the "Telematics and Electronic Fare Collection Systems" segment.

In addition, customer-financed new and further development was carried out in the form of projects which accounted for approximately another five times the reported research and development expenditure.

Risks and risk management

The risks for the future development of the init group are largely determined by the risks to its operational subsidiaries. The group does not currently perceive any risks that could threaten its existence.

Nevertheless, a risk management system is integrated into our business processes and corporate decision-making. Before any fundamental decisions are taken about important measures, the matter is discussed thoroughly at regular board meetings under consideration of the inherent opportunities and risks. Looming risks are regularly reported on at Management Board and Supervisory Board meetings. Alternative measures are discussed with the Supervisory Board.

Project management is a decisive and critical factor in the success of the init group. Successful project management depends on precise calculation, the contractual framework, the size of the individual project, the timely processing of projects, the willingness of customers to provide constructive assistance, as well as country-specific laws and regulations. In addition to unforeseen technical and customer-specific problems, timely processing of projects partly depends on whether the company has enough qualified personnel available.

The global financial crisis also presents a high risk of debt default. More than 95 per cent of init's customers are publicly-financed transport companies. However the financial crisis has caused many countries – including Greece, Dubai and Ireland – to have difficulty paying their debts. As a result, debt default cannot be ruled out in the future. The threat of default in Dubai caused init corresponding impairment. By contrast, the scope of accounts receivable in days has increased, thus presenting risks in terms of liquidity and the ability to plan cash flows.

The high national debt of some countries as well as discussed rescue packages and austerity measures could result in significant cuts in investment in local public transport, and this could in turn adversely affect init's business.

Demands that we consider unjustifiable have been made of us within the framework of an international cooperation agreement. The reserves set aside for this in the 2011 fiscal year have therefore been maintained. Due to this international cooperation agreement our general contractor failed to pass on to us around EUR 2m received from the end customer. init has initiated legal action regarding this claim. There is a risk of default on accounts receivable. Therefore a risk provision in 2012 was created.

Measures are currently underway to improve the revenue and results of Bruchsal-based CarMedialab GmbH. However it is not certain whether these will have the desired effect. There is therefore a risk that this will pose a financial burden on the overall results.

Projects concluded in foreign currencies are subject to exchange rate risks that may affect revenue, procurement prices, the value of accounts receivable, currency reserves, liabilities and therefore profits. init hedges against this currency-exchange risk through active currency management. This involves the use of forward foreign exchange transactions and options. Because init wants to keep its options open in this respect and engage in active management, losses resulting from this cannot be excluded.

init may invest money in shares, bonds, fixed-interest securities and fixed-term deposits. Changes in exchange and interest rates may therefore affect the group's financial results. The group also holds 25 kg in gold to diversify its risk, though this too is subject to price fluctuations.

Opportunities

init is currently involved in many tenders, both at home and abroad. The new Rheinbahn project (operated jointly with Duisburger Verkehrsgesellschaft AG, Mülheimer Verkehrsgesellschaft mbH and Essener Verkehrs AG) as well as those in Luxembourg and Montreal are further major reference projects from 2012 that will underpin future tenders we participate in.

Additional potentials could also be realised by the start of active marketing in France and the Asia-Pacific region. The United States continues to have billions of dollars in earmarked funds available for the expansion of local public transport networks. As a result, we also expect to take part in many new tenders in the US in the current year. However, we also detect an increasing trend toward tenders in Germany, the rest of Europe and in the Asia-Pacific.

We also see a great advantage in the growing interest among transport companies in integrated systems. Thanks to its EVENDpc ticket printer with onboard computer function, init is perfectly equipped to combine ticketing and ITCS. Our international credentials are also beneficial since they send out a clear message to many new potential customers around the world from whom we could benefit when they invest further in infrastructure.

The long-term growth trends in the market for transport telematics and electronic payment systems continue unabated. Indeed they are being invigorated further by the need for investment in infrastructure that ensures affordable mobility. In times of economic hardship, intelligent solutions are particularly important as a way to cut energy costs and make better use of the available resources. Because this is precisely what init's products and services enable, we must assume that demand for them will grow.

Events after the reporting date

There have been no major developments since the cut-off date.

Related party transactions

Transactions with related companies and individuals are listed under "Other disclosures" on page 20.

Outlook and forward-looking statement

The statements about the future prospects of the init group made in this Outlook and Forward-looking Statement are based on the information available to us as well as assumptions about developments in the market and sector derived from this information and considered realistic by our Board. However, actual events may cause significant deviations from these expected future developments, if fundamental assumptions prove inapplicable or if new insecurity factors influence economic developments.

Over the course of the reporting period, expectations about future economic developments, which had initially been corrected downwards at the start of the year, have gradually become more optimistic again. As a result, the latest Global Economic Outlook report (April 2013) by the International Monetary Fund (IMF) foresees a recovery by the global economy in 2013 and growth of more than 3 per cent, increasing to 4 per cent next year. Nevertheless, the pace of growth will vary markedly from region to region.

This recovery continues to be driven primarily by emerging and developing nations, whose economic output is predicted to increase overall by more than 5 per cent, while countries like China and India can expect much greater growth rates of up to 8 per cent. Economists predict that the US can expect growth of about 1.9 per cent in 2013, though this should rise to 3 per cent by 2014. By contrast, the Organisation for Economic Cooperation and Development (OECD) and the IMF believe that Europe is lagging behind global economic developments because of the ongoing European debt crisis. The IMF even expects overall economic output in the eurozone to shrink by 0.3 per cent in 2013. Economists forecast growth in Germany of 0.6 per cent this year and 1.5 per cent next year.

In this uncertain global economic environment, the market for telematics, planning and fare collection systems for buses and trains remains a sustainable growth market. Although the consolidation of public-sector budgets also affects the development of the transport infrastructure, the willingness of transport firms to invest and the availability of subsidies, we were unable to register any major negative effects thus far in our market. It is not possible at the present time to predict how the cost-cutting measures adopted by industrialised nations will, via the transmission mechanism of dwindling budgets for local public transportation programmes, lead to a reduction in calls for tenders for projects in the market for transport telematics. However, it cannot be ruled out that funds for investment and state subsidies will be slashed.

Our reference projects and many new products and applications generally put us in a good position with regard to future tenders. We therefore continue to assume that we will be able to expand our market once more in 2013. Unforeseen surprises aside and any further projects delays, we should be able to reach our 2013 growth target of EUR 105m in revenues and earnings before interest and taxes (EBIT) of about EUR 18m. Since the tender process for our new building is almost finished we will be investing around EUR 10.0m in this in the next few months and creating space for new jobs.

Karlsruhe, 10 May 2013

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Wolfgang Degen

Dr. Jürgen Greschner

Bernhard Smolka

Consolidated Income Statement (IFRS)
from 1 January 2013 to 31 March 2013 (unaudited)

EUR '000	01/01 to 31/03/2013	01/01 to 31/03/2012
Revenues	16,993	19,632
Cost of revenues	–11,566	–13,785
Gross profit	**5,427**	**5,847**
Sales and marketing expenses	–2,611	–2,703
General administrative expenses	–1,381	–1,387
Research and development expenses	–723	–1,009
Other operating income	504	347
Other operating expenses	–50	–9
Foreign currency gains and losses	–181	1,631
Operating profit	**985**	**2,717**
Income from associated companies	65	65
Other income and expenses	16	68
Earnings before interest and taxes (EBIT)	**1,066**	**2,850**
Interest income	66	39
Interest expenses	–126	–87
Earnings before taxes (EBT)	**1,006**	**2,802**
Income taxes	–301	–981
Net profit	**705**	**1,821**
thereof attributable to equity holders of parent company	758	1,965
thereof minority interests	–53	–144
Undiluted net profit per share in EUR	0.08	0.20
Average number of floating shares	9,994,790	9,946,300

Consolidated Statement of Comprehensive Income (IFRS)
from 1 January 2013 to 31 March 2013 (unaudited)

EUR '000	01/01 to 31/03/2013	01/01 to 31/03/2012
Net profit	**705**	**1,821**
Net gains (+) / net losses (-) on currency translation	**1,693**	**–1,057**
Unrealised gains / losses	1,693	–1,057
Reclassification to the income statement	0	0
Actuarial losses on defined benefit obligations for pensions, recognised in the shareholders' equity	**0**	**0**
Net gain (+) / net losses (-) in available-for-sale financial assets	**0**	**0**
Unrealised gains / losses	0	0
Reclassification to the income statement	0	0
Other comprehensive income	**1,693**	**–1,057**
Total comprehensive income	**2,398**	**764**
thereof attributable to equity holders of the parent company	2,451	908
thereof minority interests	–53	–144

Consolidated Balance Sheet (IFRS)
as of 31 March 2013 (unaudited)

Assets

EUR '000	31/03/2013	31/12/2012
Current assets		
Cash and cash equivalents	20,311	20,329
Marketable securities and bonds	138	157
Trade accounts receivable	13,224	18,068
Future receivables from production orders ("Percentage-of-Completion-Method")	26,221	25,893
Accounts receivable from related parties	0	0
Inventories	17,573	15,021
Income tax receivable	534	23
Other current assets	4,192	3,358
Current assets, total	**82,193**	**82,849**
Non-current assets		
Tangible fixed assets	7,984	7,156
Investment property	6,318	6,340
Goodwill	4,388	4,388
Other intangible assets	3,401	3,574
Interest in associated companies	1,944	1,879
Accounts receivable from related parties	0	0
Deferred tax assets	2,209	2,122
Other assets	2,099	2,144
Non-current assets, total	**28,343**	**27,603**
Assets, total	**110,536**	**110,452**

Liabilities and shareholders' equity

EUR '000	31/03/2013	31/12/2012
Current liabilities		
Bank loans	224	240
Trade accounts payable	4,543	5,183
Accounts payable of "Percentage-of-Completion-Method"	7,505	5,999
Accounts payable due to related parties	81	102
Advance payments received	2,115	1,545
Income tax payable	2,630	3,964
Provisions	9,013	9,920
Other current liabilities	9,493	10,915
Current liabilities, total	35,604	37,868
Non-current liabilities		
Long-term debt less current portion	3,743	3,768
Deferred tax liabilities	4,131	4,087
Pensions accrued and similar obligations	5,962	5,884
Other non-current liabilities	964	1,088
Non-current liabilities, total	14,800	14,827
Shareholders' equity		
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,143	5,579
Treasury stock	–237	–650
Surplus reserves and consolidated unappropriated profit	45,476	44,718
Other reserves	–316	–2,009
	60,106	57,678
Minority interests	26	79
Shareholders' equity, total	60,132	57,757
Liabilities and shareholders' equity, total	**110,536**	**110,452**

Consolidated Cash Flow Statement (IFRS)
from 1 January 2013 to 31 March 2013 (unaudited)

EUR '000	01/01 to 31/03/2013	01/01 to 31/03/2012
Cash flow from operating activities		
Net income	705	1,821
Depreciation	634	604
Losses on the disposal of fixed assets	0	12
Change of provisions and accruals	–829	7
Change of inventories	–2,552	–1,758
Change in trade accounts receivable and future receivables from production orders (PoC)	4,516	14,948
Change in other assets, not provided by / used in investing or financing activities	–1,300	–1,210
Change in trade accounts payable	–640	–3,770
Change in advanced payments received and liabilities from PoC method	2,076	–1,955
Change in other liabilities, not provided by / used in investing or financing activities	–2,901	–3,692
Change in investment book value (not affecting cash flow)	–65	–64
Amount of other non-cash income and expenses	1,540	–593
Net cash from operating activities	**1,184**	4,350
Cash flow from investing activities		
Inflows from sales of tangible fixed assets	11	15
Investments in tangible fixed assets and other intangible assets	–1,224	–604
Investments in marketable securities as part of short-term cash management	0	–500
Net cash flows used in investing activities	**–1,213**	–1,089
Cash flow from financing activities		
Cash payments for the purchase of treasury stock	0	–32
Payments received from bank loans incurred	0	207
Redemption of bank loans	–41	0
Net cash flows used in financing activities	**–41**	175
Net effects of currency translation and consolidation changes in cash and cash equivalents	52	–114
Increase in cash and cash equivalents	**–18**	3,322
Cash and cash equivalents at the beginning of the period	20,329	23,524
Cash and cash equivalents at the end of the period	**20,311**	**26,846**

Selected Explanatory Notes for Q1 2013 (IFRS)

Notes to the Interim Financial Statements

The init group is an international system house for intelligent transportation systems (ITS). Business activities are divided into the telematics and electronic fare collection systems, planning systems, driver dispatch systems and automotive divisions.

The quarterly financial statements as at 31 March 2013 have been produced in accordance with the International Financial Reporting Standards (IFRS) and meet the requirements of IAS 34.

The consolidated interim financial statements are presented in euros. All figures have been rounded to the nearest thousand euros unless stated otherwise.

init AG is a listed company (ISIN: DE0005759807) and has been in the segment of the regulated market with further post-admission requirements (prime standard) since 1 January 2003.

The interim group status report and interim consolidated financial statements as at 31 March 2013 have not been audited.

The interim financial statements for the first quarter were submitted to the Supervisory Board on 30 April 2013.

Principles of Accounting and Valuation

The interim financial statements have been prepared using the same principles of accounting and valuation used to produce the consolidated financial statements as at 31 December 2012, which are described in detail in the notes to the consolidated financial statements.

Application of new accounting standards

New accounting standards applied for the first time in the first quarter of 2013 did not have any significant impact on our consolidated financial statements.

Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets

The amendment to IAS 12 was published in December 2010 and has to be applied in the first financial year that begins on or after 1 January 2013. The amended IAS 12 contains a simplification whereby, for the purpose of calculating deferred taxes on investment property, it is presumed that the fair value of an investment property will be recovered through sale. This presumption can be rebutted. A disposal should always be presumed for property that is not subject to wear and tear and is valued using the new valuation model.

IAS 19 Employee Benefits (revised in 2011)

The amendments to IAS 19 were published in June 2011 and have to be applied in the first financial year that begins on or after 1 January 2013. The amendments contain fundamental changes, such as how to calculate expected income from plan assets and the elimination of the corridor method (variations in pension gains and losses are distributed or smoothed out over time), but also include clarifications and revised wording.

Amendments to IAS 32 and IFRS 7 – Disclosures about Financial Instruments

The amendments to IAS 32 and IFRS 7 were published in December 2011 and have to be applied in the first financial year that begins on or after 1 January 2014 and 1 January 2013 respectively. The amendments are designed to eliminate inconsistencies by enhancing the existing disclosure requirements. The existing requirements on disclosures about financial instruments have, however, been preserved. The amendment defines additional disclosure requirements.

IFRS 13 Fair Value Measurement

IFRS 13 was published in May 2011 and has to be applied in the first financial year that begins on or after 1 January 2013. The standard sets out the rules for calculating fair value and defines comprehensive quantitative and qualitative inputs for measuring fair value. The standard does not govern when assets and liabilities can or should be measured at fair value. IFRS defines fair value as the price that a party would receive for selling an asset or would pay to transfer a liability in a standard market transaction at the measurement date.

Consolidated group

There were no changes to the consolidated group as at 31 December 2012.

Inventories

Inventory write-downs amounted to EUR 238k (31/03/2012: EUR 351k). The charge is included under cost of revenues in the income statement.

Marketable Securities and Bonds

Securities and bonds were written down by EUR 23k (31/03/2012: EUR 2k) due to a value impairment.

Receivables

Write-downs on receivables came to EUR 778k (31/03/2012: EUR 414k). EUR 17k was booked to the income statement for the first three months of 2013 (31/03/2012: EUR 238k).

Property, Plant, Equipment and intangible Assets

Property, plant and equipment essentially refer to the administration building at Kaeppelestrasse 4, two residential buildings, and office and technical equipment. Capital expenditure for replacement stood at EUR 499k (31/03/2012: EUR 513k). Sales of property, plant and equipment generated profit of EUR 11k (31/03/2012: EUR 15k).

Advance payments totalling EUR 657k (31/03/2012: EUR 361k) were made towards a planned new build (asset under construction).

The software activated within the context of the purchase price allocation of initperdis (financial year 2011) in the amount of EUR 3.3m will be amortised over five years. The scheduled depreciation was applied and is recognised under cost of revenues in the income statement.

Investment property

Investment property as defined in IAS 40 – property and buildings that are not used for commercial operations – refers to the acquisition of the neighbouring properties at Kaeppelestrasse 8/8a and 10 in 2012.

Rental income was EUR 80k as at 31 March 2013 (31/03/2012: EUR 0k). The corresponding depreciation was EUR 29k (31/03/2012: EUR 0k).

Liabilities

Liabilities are carried at amortised acquisition cost. The current liabilities to banks of EUR 0.2m (31/12/2012: EUR 0.2m) concern the short-term part of the real estate financing of Kaeppelestrasse 4, 8/8a and 10. The long-term liabilities to banks of EUR 3.7m (31/12/2012: EUR 3.8m) relate to the long-term part of the real estate financing.

Shareholders' Equity

Subscribed Capital

The capital stock consists of 10,040,000 no-par bearer shares with an imputed share in the capital stock of EUR 1 per share. The shares have been issued and are fully paid up.

Authorised Capital

The annual shareholders' meeting on 24 May 2011 passed a resolution to create authorised capital totalling EUR 5,020,000. Subject to approval by the Supervisory Board, the Managing Board is authorised to increase the company's capital stock by up to EUR 5,020,000 by 23 May 2016, through one or more issues of up to 5,020,000 bearer shares against contributions in cash or in kind. The new shares will be granted to credit institutions with an obligation to offer the shares to the shareholders for subscription. However, subject to approval by the Supervisory Board, the Managing Board is authorised to withdraw the subscription right in order to:

> issue up to 1,004,000 new shares at a price not substantially lower than the stock market price of the company shares when the issue price is determined

- to balance out peak amounts,
- to open up additional capital markets
- to acquire investments and to acquire or merge with other companies or parts of companies by way of a non-cash investment and
- to turn up to 250,000 new shares into employee shares.

Additional Paid-In Capital

As at 31 March 2013, additional paid-in capital was EUR 5,143k, comprising EUR 3,141k from the premium on shares sold in the IPO and the 2002 capital increase. A further EUR 1,924k was allocated for employee share scheme expenses for the years 2005 to 2012. EUR 436k was reversed following the share transfer to members of the Managing Board and key personnel in 2013. Additional paid-in capital was increased by EUR 514k through the sale of treasury stock in 2007.

Treasury Stock

As at 1 January 2013, treasury stock comprised 54,899 shares. In the first quarter of 2013, 34,879 shares were transferred to the incentive scheme for members of the Managing Board, managing directors and key personnel with a five-year lock up period. Consequently, treasury stock totalled 20,020 shares as at 31 March 2013.

Treasury stock is valued at acquisition cost (cost method) at EUR 237k (31/12/2012: EUR 650k) and deducted from shareholders' equity. The 20,020 shares have an imputed share in capital stock of EUR 20,020 (0.2%). The average repurchase price was EUR 11.84 per share. Treasury stock was purchased for use as a consideration in mergers and acquisitions of other companies or parts of companies, to gain access to new capital markets, or to be issued to staff or members of the Managing Board.

Paid and Proposed Dividends

EUR '000	
Dividend for 2011: 80 cents per share, distributed on 18 May 2012	7,976
Dividend on ordinary shares for 2012 proposed for approval at the 2013 shareholders' meeting: 80 cents per share	8,016

Contingent Liabilities/Assets

The init group had no contingent liabilities or assets as at 31 March 2013 or 31 December 2012.

Legal Disputes

init AG and other group companies are involved in legal disputes connected with ongoing business operations that may have an impact on the group's financial situation. Litigation involves a number of variables, and the outcome of individual lawsuits cannot be reliably predicted.

The affected group companies have recognised provisions in the balance sheet for events prior to the reporting date that are likely to result in a liability which can be estimated with reasonable accuracy.

We do not anticipate any other significant negative outcomes that would have a long-term effect on the assets, liabilities, financial position and earnings situation of the init group.

Segment Reporting

Segment reporting is provided on page 22 of the interim group report.

Other Disclosures

Related Party Transactions

The associated companies included in the consolidated financial statements are listed in the section entitled "Consolidated group" in the annual report.

Associated Companies

Payables totalling EUR 81k (31/12/2012: EUR 108k) refer to trade accounts payable to iris-GmbH with a residual term of less than one year. The item is recognised under current liabilities in the balance sheet.

Other Transactions with Related Parties

init AG began renting an office building in Karlsruhe from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG on 1 March 2013 (lease previously held by INIT GmbH). The monthly rent payments are approximately EUR 40k (total annual rent: EUR 475k). The rent is contractually fixed until 30 June 2026. A rental deposit of EUR 61k was provided in 2012. Total payments of EUR 35k made to family members of a Managing Board member were recognised under personnel expenses.

EUR '000	Associated companies		Other related parties and persons	
	31/03/2013	**31/03/2012**	**31/03/2013**	**31/03/2012**
Trade accounts receivable and other income	0	0	0	0
Trade accounts payable and other expenses	586	390	119	119
	31/03/2013	**31/12/2012**	**31/03/2013**	**31/12/2012**
Receivables	0	0	0	61
Payables	81	108	0	0

Terms and conditions of business transactions with related parties

Transactions (sales and acquisitions) with related parties are executed at market rates. No guarantees exist for receivables and payables in relation to related parties. As at 31 March 2013, the group had not set aside any valuation allowances for receivables from related parties.

Karlsruhe, 10 May 2013

The Managing Board

Dr. Gottfried Greschner | Joachim Becker | Wolfgang Degen

Dr. Jürgen Greschner | Bernhard Smolka

Segment Reporting

The corporate group has the following segments that are obliged to report:

1. The “Telematics and Electronic Fare Collection Systems” covers integrated systems for controlling personnel transport, fare collection systems, passenger information systems and passenger counting systems.
2. The category entitled “Other” encompasses planning systems (planning and data management systems), driver dispatch systems and automotive (analysis systems for the car industry).

1 January 2013 to 31 March 2013 EUR ‘000	Telematics and Electronic Fare Collection Sys.	Other	Eliminations and adjustments	Consolidated
Revenues				
With third parties	15,782	1,211	0	16,993
With other segments	158	555	–713	0
Total revenues	**15,940**	**1,766**	**–713**	**16,993**
EBIT	**1,112**	**–58**	**12**	**1,066**
Segment assets	103,709	10,926	–4,099	110,536
Segment liabilities	49,235	5,253	–4,084	50,404
Interest income	70	1	–5	66
Interest expenses	122	9	–5	126
Scheduled depreciation	415	219	0	634
Cost of revenues	11,111	1,168	–713	11,566
R & D costs	476	247	0	723
Foreign currency gains (+) and losses (-)	–615	12	422	–181
Share in profit of associated companies	65	0	0	65
Income tax	323	–22	0	301
Value impairments	214	0	0	214
Share in associated companies	1,944	0	0	1,944
Investments in tangible and intangible assets, and investement property	1,204	20	0	1,224
31/12/2012				
Segment assets	103,023	10,788	–3,359	110,452
Segment liabilities	51,496	4,538	–3,339	52,695
Share in associated companies	1,879	0	0	1,879

Based on the products and services offered by the segments and for the purpose of managing the corporation, the corporate group is subdivided into the following four divisions: “Telematics and Electronic Fare Collection Systems”, “Planning Systems”, “Driver Dispatch Systems” and “Automotive”. The “Planning Systems”, “Driver Dispatch Systems” and “Automotive” divisions have been subsumed under the segment entitled “Other”.

The management monitors the operating results separately for each division in order to make decisions on the distribution of resources and to estimate the profitability. The profitability is determined based on the operational result, which corresponds to the result indicated in the consolidated financial statements.

1 January 2012 to 31 March 2012 EUR ‘000	**Telematics and Electronic Fare Collection Sys.**	**Other**	**Eliminations and adjustments**	**Consolidated**
Revenues				
With third parties	18,253	1,379	0	19,632
With other segments	195	365	–560	0
Total revenues	**18,448**	**1,744**	**–560**	**19,632**
EBIT	**3,238**	**–348**	**–40**	**2,850**
Segment assets	100,288	8,058	–6,655	101,691
Segment liabilities	42,592	4,464	–2,999	44,057
Interest income	42	0	–3	39
Interest expenses	85	5	–3	87
Scheduled depreciation	389	215	0	604
Cost of revenues	12,976	1,237	–428	13,785
R & D costs	652	357	0	1,009
Foreign currency gains (+) and losses (-)	1,646	–15	0	1,631
Share in profit of associated companies	65	0	0	65
Income tax	981	0	0	981
Value impairments	525	0	0	525
Share in associated companies	1,682	0	0	1,682
Investments in tangible and intangible assets	562	42	0	604
31/12/2011				
Segment assets	102,516	10,733	–3,493	109,756
Segment liabilities	51,389	3,957	–2,528	52,818
Share in associated companies	1,618	0	0	1,618

Geographical Information

Revenues with external customers

EUR '000	01/01–31/03/2013	%	01/01–31/03/2012	%
Germany	3,720	21.9	4,021	20.5
Rest of Europe	2,736	16.1	2,921	14.9
North America	8,620	50.7	9,759	49.7
Other countries (Australia, UAE)	1,917	11.3	2,931	14.9
Group total	**16,993**	**100.0**	**19,632**	**100.0**

Revenues based on customer's location.

Non-current assets

EUR '000	31/03/2013	%	31/12/2012	%
Germany	17,334	88.2	17,132	90.4
Rest of Europe	191	1.0	215	1.1
North America	1,867	9.5	1,356	7.2
Other countries (Australia, UAE)	255	1.3	246	1.3
Group total	**19,647**	**100.0**	**18,949**	**100.0**

The long-term assets are composed of tangible fixed assets, investment property, other intangible assets, as well as interest in associated companies.

Consolidated Statement of Changes in Equity (IFRS)

as of 31 March 2013 (unaudited)

	Attributable to equity holders			
EUR '000	**Subscribed capital**	**Additional paid-in capital**	**Surplus reserves and Consolidated unappropriated profit**	**Treasury stock**
Status as of 31/12/2011	10,040	5,122	41,590	–1,196
Net profit			1,965	
Other comprehensive income				
Total comprehensive income			1,965	
Share-based payments		–434		398
Acquisition of treasury stock				–32
Status as of 31/03/2012	**10,040**	**4,688**	**43,555**	**–830**
Status as of 31/12/2012	10,040	5,579	44,718	–650
Net profit			758	
Other comprehensive income				
Total comprehensive income			758	
Share-based payments		–436		413
Status as of 31/03/2013	**10,040**	**5,143**	**45,476**	**–237**

of the parent company				Minority interest	Shareholders' equity total
Other reserves					
Difference from pension valuation	Difference from currency translation	Stock market valuation of securities	Total		
–229	1,300	0	56,627	311	56,938
			1,965	–144	1,821
0	–1,057	0	–1,057		–1,057
0	–1,057	0	908	–144	764
			–36		–36
			–32		–32
–229	**243**	**0**	**57,467**	**167**	**57,634**
–1,662	–347	0	57,678	79	57,757
			758	–53	705
	1,693	0	1,693		1,693
0	1,693	0	2,451	–53	2,398
			–23		–23
–1,662	**1,346**	**0**	**60,106**	**26**	**60,132**

Financial calendar and imprint

Date	Event
16 May 2013	Annual General Meeting 2013, Kongresszentrum / Konzerthaus Karlsruhe
8 August 2013	Publication Q2 Report 2013
8 November 2013	Publication Q3 Report 2013
11 – 13 November 2013	Analyst conference, German Equity Forum, Frankfurt

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Five-year financial summary of the init group
IFRS

EUR ‘000	2012	2011	2010	2009	2008
Balance Sheet (31/12)					
Balance sheet total	110,452	109,756	84,421	71,610	57,951
Shareholders’ equity	57,757	56,938	46,667	38,977	31,596
Subscribed capital	10,040	10,040	10,040	10,040	10,040
Equity ratio (in %)	52.3	51.9	55.3	54.4	54.5
Return on equity (in %)	18.8	26.4	21.5	21.3	18.7
Non-current assets	27,603	19,806	13,484	14,297	15,186
Current assets	82,849	89,950	70,937	57,313	42,765
Income Statement (01/01 – 31/12)					
Revenues	97,297	88,736	80,913	64,955	55,993
Gross profit	34,006	36,294	27,292	23,037	17,224
EBIT	17,318	20,430	15,085	11,754	8,597
EBITDA	19,895	22,891	17,592	14,157	10,169
Consolidated net profit	10,872	15,057	10,014	8,314	5,912
Earnings per share (in EUR)	1.11	1.51	1.00	0.84	0.60
Dividend (in EUR)	0.80	0.80	0.60	0.30	0.16
Cash Flow					
Cash flow from operating activities	11,332	17,433	14,615	5,570	7,146
Share					
Issue price (in EUR)	5.10	5.10	5.10	5.10	5.10
Peak share price (in EUR)	25.70	19.99	15.89	11.30	8.80
Bottom share price (in EUR)	13.60	13.06	9.15	4.75	4.45

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