



Overcoming challenges

Interim Report 3/2013

init

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 (30/09)			
Balance sheet total	111,098	106,282	4.5
Shareholders' equity	55,094	56,462	-2.4
Subscribed capital	10,040	10,040	0.0
Equity ratio (in %)	49.6	53.1	
Return on equity (in %)	9.2	12.7	
Non-current assets	29,027	27,251	6.5
Current assets	82,071	79,031	3.8
Income Statement (01/01 – 30/09)			
Revenues	61,068	64,448	-5.2
Gross profit	22,347	22,711	-1.6
EBIT	7,456	10,739	-30.6
EBITDA	9,479	12,598	-24.8
Net profit	5,087	7,190	-29.2
Earnings per share (in EUR)	0.51	0.74	-31.1
Dividend (in EUR)	0.80	0.80	0.0
Cash Flow			
Cash flow from operating activities	7,401	9,632	-23.2
Share			
Issue price (in EUR)	5.10	5.10	
Peak share price (in EUR)	26.89	23.25	15.7
Bottom share price (in EUR)	21.15	13.60	55.5

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	Supervisory Board	Number of shares
Dr. Gottfried Greschner, CEO	3,487,550*	Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	–
Joachim Becker, COO	338,533	Hans-Joachim Rühlig	–
Wolfgang Degen, COO	54,579	Drs. Hans Rat	–
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

Revenues Q1–Q3

in million EUR

30/09/2013	61.1	
30/09/2012	64.5	

Order backlog

in million EUR

30/09/2013	163	
30/09/2012	185	

EBIT Q1–Q3

in million EUR

30/09/2013	7.5	
30/09/2012	10.7	

Balance sheet total

in million EUR

30/09/2013	111.1	
30/09/2012	106.3	

Letter to the Shareholders

Dear Ladies and Gentlemen,
dear Shareholders,

The general economic climate turned cloudy once again in the third quarter. Economists have lowered their growth expectations for the global economy, and many companies have been forced to revise down their forecasts for 2013. Against this backdrop, init has not escaped unscathed from occasional negative developments and has experienced delays in some projects. Nevertheless, there have also been surprising success stories – for example, winning orders in countries where init has never done business before.

The company's nine-month figures reflect these short-term risks and long-term opportunities. Bottom-line figures show a slight increase in revenues and earnings at init, although these were below the company's expectations at the end of September. Irrespective of this, the medium to long-term growth outlook for our company remains intact. One indication of this is that the current order backlog is more than one and a half times annual revenue and extends well into 2015.

We do not, however, intend to rest on our laurels. It is vital for our business and for the lasting success of init that we constantly work on new developments and pursue a long-term strategy in all our activities. This point is illustrated very well by two new projects that we won recently:

For years, France has been more than simply a geographically close market for us; just recently, our company was given the opportunity to strategically develop this market. After establishing the necessary competencies in the country, we achieved success in October: init was commissioned to deliver and install a new control system (ITCS) for the transport company Transport en Commun de la Région d'Avignon (TCRA), a subsidiary of the TRANSDEV Group, and to equip over 250 vehicles with the necessary hardware and software. A successful conclusion to this project – which still starts in 2013 – will open up new options for the future.

We also carefully prepared our entry into the Finnish market, and met with success: init is to develop a control and ticketing system and supply the appropriate hardware and software for local public transport in the port city of Turku.

Finland's most state-of-the-art local public transport system is currently under development in the country's third-largest conurbation. The transport authorities have decided to expand the geographic bus network with several new lines, a far-reaching project might include new tram lines as well. The project is part of a concept spanning all the area's transport companies, designed to improve mobility within the conurbation while at the same time cutting carbon dioxide emissions. The authorities have therefore chosen the most state-of-the-art solution currently available to control their local public transport and connect it to other transport guidance systems: an integrated telematics, passenger information and electronic fare collection system from init.

This project is part of a complete mobility concept which is set to be completed in 2030. Turku's transport authority has set the standard with this sustainable approach – and we, too, have the opportunity to achieve this with our solution.

Projects such as Turku make clear that in our market there is more at play than short-term success. Working sustainably and taking a long-term view are what counts.

For our company, this means we will, in the words of an analyst, "put the pedal to the metal" in order to achieve our 2013 revenue and earnings targets. In addition, we are continuing to invest in products that help our customers to meet the needs of their passengers in a better, more efficient and more reliable manner. And we will continue to exploit opportunities in new markets such as Asia.

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

New impulses from new markets and major orders

The price of the init innovation in traffic systems AG (ISIN DE0005759807) share posted fluctuations of over ten per cent in the third quarter of 2013. The reasons for this were twofold: first, profit taking as the share price reached a historic high, and second, a fresh round of successive purchases by investors who used weaker phases to take out positions in the share.

After the announcement of the company's semi-annual results, investors waited for news and signs of impulses for a renewed price recovery. Against this backdrop, the trend was less pronounced towards the end of the reporting period. As news emerged of init's successful move into new markets such as Finland and France coupled with corresponding major orders, the init share price gained new momentum from the middle of October and regained ground lost over the third quarter.

For analysts and investors, init has remained interesting due to its sustained growth prospects and order backlog

of more than one-and-a-half-times its annual revenues. Institutions and analysts that constantly monitor the init share see further upside, with targets of between EUR 24 and EUR 30 in spite of the fact that valuations fell slightly after the semi-annual results.

Stable shareholder structure

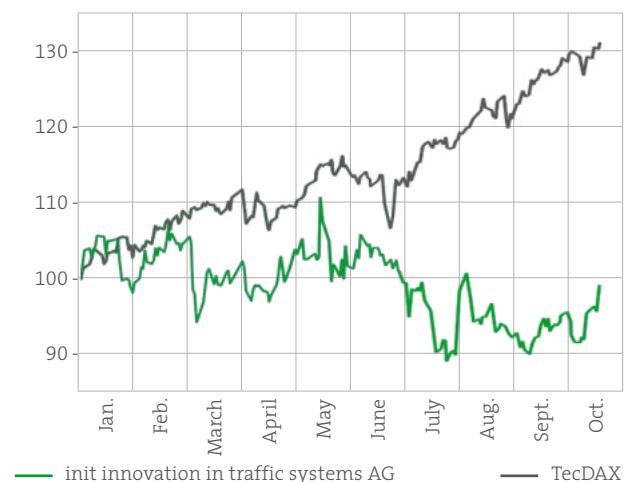
A plus point for the init stock for analysts is its very stable shareholder structure. In founder Dr. Gottfried Greschner and his family, init has an anchor investor keen to ensure the company's sustainable development. In the reporting period, there were no substantial changes in shareholder structure.

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 Close Brother Seydler Bank AG
Capital stock today	10,040,000 no-par bearer shares
Market capitalisation (as of 30 September 2013)	EUR 234.8m

Performance January to October 2013 (Xetra)

(indexed)

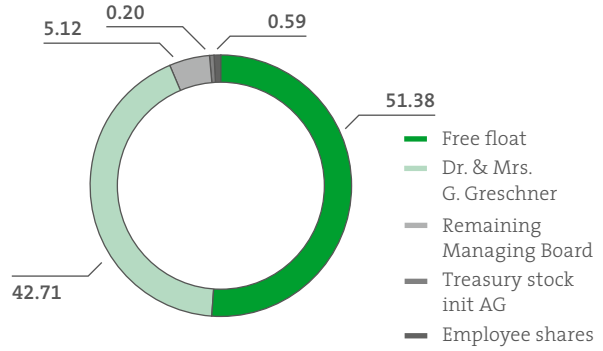


The shareholding distribution is shown in the diagram as of 30 September 2013.

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 30 September 2013

(in %)



By definition of the German Stock Exchange the free float of init AG is 55.61 per cent.

Group Status Report

Economic environment

The global economy lost traction in the third quarter and prospects for what have been growth drivers up to now have deteriorated considerably in emerging economies. In its most recent Global Economic Outlook (October 2013), for instance, the International Monetary Fund (IMF) further trimmed its forecasts for growth for both the current year and next year. Accordingly, global economic output will increase by only around 2.9 per cent (previously: over 3 per cent) in 2013 and by a moderate 3.6 per cent (previously: 3.8 per cent) in 2014.

For the Eurozone, the IMF continues to expect global economic output to shrink by around 0.4 per cent this year and anticipates only a slight increase of around 1 per cent next year. Overall though, the situation has stabilised and risk management has made progress. In neighbouring Mediterranean states, the recession has been considerably deeper, whilst for Germany and France, growth forecasts were again raised at a low level. The German economy is expected to grow by 0.5 per cent in 2013 and by 1.4 per cent in 2014.

Economists now view the economic performance of the US somewhat more negatively with budget risks and political disputes surrounding the necessary consolidation measures having increased. In 2013, growth in the US is therefore expected to come in at only 1.5 per cent (previously: 1.7 per cent) and to accelerate to a maximum of 2.5 per cent in 2014 (previously: 2.7 per cent).

In Asia, a market which will become increasingly important for init going forward, IMF experts continue to see substantially higher growth rates in the order of 5 per cent and more. However, expectations were trimmed here too.

Sector-specific performance

Population growth, increasing urbanisation, the looming collapse of individual transport and higher fuel prices are leading to a rising demand for public transport. In order to cope with the rapidly growing demand for mobility and, at the same time, to avoid environmental burdens, billion euro investments in smart transport systems are necessary. Accordingly, in many countries and regions, readiness is increasing, in particular to expand the public transport network. A further current trend is the replacement of hardware and the modernisation of software in ageing telematics systems.

On the other hand, there is pressure to consolidate public budgets, meaning that the provision of finance for the expansion of necessary infrastructure is not or no longer available in certain countries due to the weak economic situation and there may be a reduction in subsidies. By

and large, no significant negative consequences of budget reductions have been recorded up to now. There were individual postponements to certain existing tenders, though this was generally offset by new tenders in other regions.

Economic basis of the group

The economic basis of the group as stated in the 2012 Group Status Report remains unchanged.

Report on earnings, assets and financial position

General performance

The distribution of revenues within the init group is traditionally uneven over the course of the financial year: the early quarters are usually the weaker and the fourth quarter is the strongest in terms of revenues.

In the third quarter of 2013, the init group managed to raise revenues and earnings compared to the previous year, though both came in below target. Project delays and negative exchange rate fluctuations from the US dollar are responsible for this. The init group continues to work with its customers to make up for these delays. We also continue to take part in a range of new international tenders for hardware and software products and telematics, planning and electronic fare collection systems.

Orders

In the third quarter, init acquired new orders worth a total of EUR 11.4m (Q3 2012: EUR 90.7m). The high order intake in the previous year resulted from the major projects Rheinbahn and Montreal. The order backlog as per 30 September 2013 stands at around EUR 163m and is therefore below the prior-year value of EUR 185m. However, the order level thus continues to stand at more than one-and-a-half-times annual revenue. It should also be taken into account that as up to mid-October, two new projects in Finland and France were won with a total volume of over EUR 8m.

Of the incoming orders, EUR 10.7m (Q3 2012: EUR 89.2m) is accounted by the "Telematics and Electronic Fare Collection Systems" segment and EUR 0.7m (Q3 2012: EUR 1.5m) by the "Other" segment. The order backlog at CarMedialab GmbH ("Other" segment) had to be reduced by EUR 1.0m as a result of the termination of a frame contract. However, in the fourth quarter, we expect to receive a new commission of the contract as a substitute. The newest version of the telematics box offered by CML will be ordered.

Overall, the figure for incoming orders up to 30 September 2013 stands at EUR 46.7m (Q1–Q3 2012: EUR 119.7m). Our 2013 target for incoming orders of EUR 95m is achievable. This will, however, depend on whether we win one of the large tenders in which we are currently taking part and whether the resulting order is actually made this year.

Earnings position

Revenues of EUR 24.0m (Q3 2012: EUR 22.4m) were generated in the third quarter of 2013.

Breakdown of revenues by region for the first nine months:

in million EUR	01/01–30/09/2013	%	01/01–30/09/2012	%
Germany	14.5	23.6	15.1	23.5
Rest of Europe	13.0	21.3	9.1	14.0
North America	28.0	45.9	29.8	46.3
Other countries (Australia, UAE)	5.6	9.2	10.4	16.2
Group total	61.1	100	64.4	100

Revenues based on customer's location.

Of the group revenues of EUR 61.1m (Q1–Q3 2012: EUR 64.4m) during the first nine months of the year, the “Telematics and Electronic Fare Collection Systems” segment accounted for EUR 57.2m (Q1–Q3 2012: EUR 60.9m), which represents about 93.6 per cent (Q1–Q3 2012: about 94.5 per cent). Group revenues thus come 16 per cent in below plan as per the end of September, which can be attributed to project delays and negative exchange rate fluctuations. Some major projects were still in the specification phase in the third quarter. However, the first vehicle installations were begun, which will result in higher revenues in the fourth quarter.

The “Other” segment, which includes planning systems, driver dispatch systems and automotive, generated revenues with third parties to the value of EUR 3.9m (Q1–Q3 2012: EUR 3.5m). This translates to 6.4 per cent (Q1–Q3 2012: around 5.5 per cent) of group revenues.

Sales and administrative expenses came in slightly above the level from the previous year due to increased salaries and increased marketing costs and rose by EUR 0.2m to EUR 12.6m.

Research and development costs have risen by EUR 0.4m to EUR 3.1m due to ticketing activities in the US (Smartcard) and developments in the VDV core application.

Earnings before interest and tax (EBIT), at EUR 7.5m, were much lower compared to Q1–Q3 2012 (EUR 10.7m) and due

to the lower revenues are similarly below plan. The “Telematics and Electronic Fare Collection Systems” segment accounts for EUR 7.9m (Q1–Q3 2012: EUR 11.2m) and the “Other” segment for EUR -0.4m (Q1–Q3 2012: EUR -0.4m). Foreign exchange losses to the value of EUR 0.8m are for the most part due to the reporting date valuation of foreign exchange receivables, in particular from the USD (Q1–Q3 2012: exchange rate gains of EUR 1.6m).

Net interest income is EUR -189k (Q1–Q3 2012: EUR -104k). The interest expenses are for the most part due to interest on back tax payments and real estate financing at the Karlsruhe location.

Consolidated net profit stands at EUR 5.1m as per 30 September (Q1–Q3 2012: EUR 7.2m). This equates to earnings per share of EUR 0.51 (Q1–Q3 2012: EUR 0.74).

The total comprehensive income is EUR 4.7m (Q1–Q3 2012: EUR 6.6m) and includes EUR 0.4m in unrealised losses from currency translation.

Net assets and financial position

The **balance sheet total** rose relative to 31 December 2012 by EUR 0.6m to EUR 111.1m and thus comes in slightly above the level from the previous year.

Operating cash flow improved significantly in the third quarter compared to the second quarter due to project payments. It came in at EUR 7.4m (Q1–Q3 2012: EUR 9.6m) at the end of the reporting period and is expected to improve in future with further payment inflows from major projects.

Cash flow from investing activities stands at EUR -3.5m (Q1–Q3 2012: EUR -9.2m) and results largely from disbursements for replacement and expansion.

Total equity stands at EUR 55.1m and is thus somewhat below the value from the previous year (Q3 2012: EUR 56.5m), though still at a high level.

The **equity ratio** is 49.6 per cent (Q3 2012: 53.1 per cent).

Short and long-term liabilities to banks in the amount of EUR 4.2m (31/12/2012: EUR 4.0m) mainly relate to real estate loans. In the fourth quarter init will receive EUR 6.5m from a loan disbursement to finance the new-build project.

Cash and cash equivalents, including marketable short-term securities and loans, amount to EUR 16.3m in the reporting period (31/12/2012: EUR 20.5m), are thus short of the figure for the previous year, but significantly higher

than in the previous quarter and will improve further going forward. The contraction compared to the prior year is largely due to the increase in inventories and investments in tangible fixed assets.

Payments received from major projects resulted in a rise in **liabilities resulting from PoC method** in the amount of around EUR 6m to EUR 12.1m and offset the increase in inventories and investments in tangible fixed assets.

Inventories have risen by EUR 4.7m compared to 31 December 2012 to EUR 19.7m due to imminent hardware shipments in the fourth quarter.

The available **guarantees and credit lines** continue to secure financing of business activities and their expansion. The credit line from banks was increased by EUR 12m to EUR 75m in 2013.

Personnel

As of 30 September 2013, the init group employed 448 staff (Q3 2012: 416) including temporary staff, academic assistants and students. Another 18 (Q3 2012: 16) employees are currently in apprenticeship.

Annual average number of employees by region:

	30/09/2013	30/09/2012
Employees in Germany	355	328
Employees in the rest of Europe	4	4
Employees in North America	73	68
Employees in other countries	16	16
Total	448	416

Opportunities and risks

The opportunities and risks described in the 2012 Annual Report (p. 59 et seq.) remain unchanged. Provisions have been made for all identifiable risks. We do not consider there to be any risks jeopardising the continued existence of the company.

Demands were made of us under an international co-operation agreement that we do not regard as justified. The provision formed for this purpose in the 2011 financial year was retained. Our general contractor has failed to transfer to us payments from the end-user in the amount of EUR 2.0m arising under this co-operation agreement. The claim is being legally pursued by the init group. There is a risk of default on accounts receivable. A corresponding risk provision was formed for this purpose in 2012.

Activities are currently being run to improve the sales situation and earnings of CarMedialab GmbH, Bruchsal. However, it is not guaranteed that these measures will be effective. To this extent, there is a risk that financial charges from this will impact on consolidated net profit.

Due to radio segment-related technical difficulties in an American project, init is close to solve the problems co-operating with the subcontractor. However, it cannot be ruled out that the solution will lead to additional costs which will have a negative impact on the contribution margin.

Recent tender successes in France and Finland, two countries in which init has not been active up to now, have a signal effect for future tenders in these countries and improve growth prospects there. Furthermore, we expect growth impulses due to our activities in the Asia-Pacific region.

Events after the reporting date

There have been no significant events subsequent to the reporting date.

Related party transactions

Transactions with related parties are listed under "Other Disclosures" on page 19.

Forecast and outlook

Despite the slight improvement in the third quarter, revenues and earnings recorded by the init group fell short of target by around 16 per cent. Although the fourth quarter is traditionally the strongest over the annual cycle, there have been significant project delays in major projects. Furthermore exchange rate fluctuations also weigh negatively on the result. Currently we expect to largely achieve our target for 2013 with revenues of EUR 105m and operating earnings (EBIT) of EUR 18m. It is key here that for various major projects revenues from production, delivery and installation of hardware can be generated. Furthermore, the annual result significantly depends on the development of exchange rates.

Over the medium term, init remains on a promising growth path. The order level remains very encouraging at one-and-a-half-times annual revenue and spans into 2015. The fact that we have been able to tap into new markets in countries in which we have not been active up to now is also pleasing. Recently, for instance, tenders with huge

signal effect and long-term potential have been won in Finland and France.

We have also seen the first positive signals from Asia. Currently init participates in first tenders in this region. In light of these prospects, the good order backlog and potential new major orders, we are confident of being able to post above-average growth in 2014.

Now that the drafting of the contract for our new construction project is completed and construction work has

started, we will invest about EUR 10m by the end of 2014 to enable us to realise further growth and to create space for new jobs in Karlsruhe.

The company founder and Chairman of the Managing Board, Dr. Gottfried Greschner, plans to leave the Managing Board and move into the Supervisory Board. This could be already after the next Annual General Meeting in May 2014. His successor as Chairman of the Managing Board is to be the long-term Chief Sales Officer Dr. Jürgen Greschner.

Karlsruhe, 8 November 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 30 September 2013 (unaudited)

EUR '000	01/07 to 30/09/2013	01/07 to 30/09/2012	01/01 to 30/09/2013	01/01 to 30/09/2012
Revenues	24,011	22,398	61,068	64,448
Cost of revenues	-15,723	-14,233	-38,721	-41,737
Gross profit	8,288	8,165	22,347	22,711
Sales and marketing expenses	-2,465	-2,507	-8,015	-7,897
General administrative expenses	-1,531	-1,623	-4,613	-4,498
Research and development expenses	-1,207	-762	-3,067	-2,667
Other operating income	568	718	1,693	1,361
Other operating expenses	-48	-82	-373	-183
Foreign currency gains and losses	-447	-852	-787	1,591
Operating profit	3,158	3,057	7,185	10,418
Income from associated companies	97	86	226	258
Other income and expenses	44	25	45	63
Earnings before interest and taxes (EBIT)	3,299	3,168	7,456	10,739
Interest income	8	55	78	182
Interest expenses	-42	-98	-267	-286
Earnings before taxes (EBT)	3,265	3,125	7,267	10,635
Income taxes	-979	-890	-2,180	-3,445
Net profit	2,286	2,235	5,087	7,190
thereof attributable to equity holders of parent company	2,230	2,268	5,105	7,405
thereof minority interests	56	-33	-18	-215
Undiluted net profit per share in EUR	0.22	0.23	0.51	0.74
Average number of floating shares	10,019,980	9,969,858	10,011,675	9,962,035

Consolidated Statement of Comprehensive Income (IFRS)

from 1 January 2013 to 30 September 2013 (unaudited)

EUR '000	01/07 to 30/09/2013	01/07 to 30/09/2012	01/01 to 30/09/2013	01/01 to 30/09/2012
Net profit	2,286	2,235	5,087	7,190
Net gains (+) / net losses (-) on currency translation	-1,069	-134	-424	-548
Unrealised gains / losses	-1,069	-134	-424	-548
Reclassification to the income statement	0	0	0	0
Net gain (+) / net losses (-) in available-for-sale financial assets	0	4	0	6
Unrealised gains / losses	0	4	0	6
Reclassification to the income statement	0	0	0	0
Other comprehensive income	-1,069	-130	-424	-542
Total comprehensive income	1,217	2,105	4,663	6,648
thereof attributable to equity holders of the parent company	1,806	2,138	4,681	6,863
thereof minority interests	56	-33	-18	-215

Consolidated Balance Sheet (IFRS)

as of 30 September 2013 (unaudited)

Assets		
EUR '000	30/09/2013	31/12/2012
Current assets		
Cash and cash equivalents	16,191	20,329
Marketable securities and bonds	130	157
Trade accounts receivable	16,673	18,068
Future receivables from production orders ("Percentage-of-Completion-Method")	25,344	25,893
Inventories	19,713	15,021
Income tax receivable	1,712	23
Other current assets	2,308	3,358
Current assets, total	82,071	82,849
Non-current assets		
Tangible fixed assets	9,028	7,156
Investment property	6,279	6,340
Goodwill	4,388	4,388
Other intangible assets	3,063	3,574
Interest in associated companies	2,105	1,879
Deferred tax assets	2,225	2,122
Other assets	1,939	2,144
Non-current assets, total	29,027	27,603
Assets, total	111,098	110,452

Liabilities and shareholders' equity

EUR '000	30/09/2013	31/12/2012
Current liabilities		
Bank loans	609	240
Trade accounts payable	5,282	5,183
Accounts payable of "Percentage-of-Completion-Method"	12,088	5,999
Accounts payable due to related parties	78	102
Advance payments received	4,061	1,545
Income tax payable	369	3,964
Provisions	8,617	9,920
Other current liabilities	9,595	10,915
Current liabilities, total	40,699	37,868
Non-current liabilities		
Long-term debt less current portion	3,620	3,768
Deferred tax liabilities	4,854	4,087
Pensions accrued and similar obligations	6,118	5,884
Other non-current liabilities	713	1,088
Non-current liabilities, total	15,305	14,827
Shareholders' equity		
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,856	5,579
Treasury stock	-237	-650
Surplus reserves and consolidated unappropriated profit	41,807	44,718
Other reserves	-2,433	-2,009
	55,033	57,678
Minority interests	61	79
Shareholders' equity, total	55,094	57,757
Liabilities and shareholders' equity, total	111,098	110,452

Consolidated Cash Flow Statement (IFRS)

from 1 January 2013 to 30 September 2013 (unaudited)

EUR '000	01/01 to 30/09/2013	01/01 to 30/09/2012
Cash flow from operating activities		
Net income	5,087	7,190
Depreciation	2,023	1,859
Gains (-) and Losses (+) on the disposal of fixed assets	120	-43
Change of provisions and accruals	-1,069	-560
Change of inventories	-4,692	-2,384
Change in trade accounts receivable and future receivables from production orders (PoC)	1,944	11,134
Change in other assets, not provided by / used in investing or financing activities	-434	-968
Change in trade accounts payable	99	-2,244
Change in advanced payments received and liabilities from PoC method	8,605	249
Change in other liabilities, not provided by / used in investing or financing activities	-5,314	-4,678
Change in investment book value (not affecting cash flow)	-226	-258
Amount of other non-cash income and expenses	1,258	335
Net cash from operating activities	7,401	9,632
Cash flow from investing activities		
Inflows from sales of tangible fixed assets	11	15
Investments in tangible fixed assets and other intangible assets	-3,488	-2,336
Investment property	-4	-6,338
Investments in marketable securities as part of short-term cash management	-18	-500
Net cash flows used in investing activities	-3,499	-9,159
Cash flow from financing activities		
Dividend paid out	-8,016	-7,976
Cash payments for the purchase of treasury stock	0	-32
Payments received from bank loans incurred	370	3,899
Redemption of bank loans	-167	0
Net cash flows used in financing activities	-7,813	-4,109
Net effects of currency translation and consolidation changes in cash and cash equivalents	-227	166
Increase in cash and cash equivalents	-4,138	-3,470
Cash and cash equivalents at the beginning of the period	20,329	23,524
Cash and cash equivalents at the end of period	16,191	20,054

Selected Explanatory Notes for Q3 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 30 September 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 30 September 2013 have not been audited.

The interim financial statements for the third quarter were submitted to the Supervisory Board on 5/6 November 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 nine months 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 13 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

Within the consolidated group as at 31 December 2012 the following change resulted:

Backdated to 1 January 2013 INIT Inc., Chesapeake, Virginia/US acquired in the second quarter the remaining 14.3 per cent of the shares of SQM LLC., Chesapeake, Virginia/US. The purchase price amounted to USD 100k.

Inventories

Inventory write-downs amounted to EUR 748k (30/09/2012: EUR 694k). The charge is included under cost of revenues in the income statement.

Marketable Securities and Bonds

Securities and bonds were written down by EUR 45k (30/09/2012: EUR 11k) due to a value impairment.

Receivables

Write-downs on receivables came to EUR 855k (30/09/2012: EUR 262k). EUR 94k was booked to the income statement for the first nine months of 2013 (30/09/2012: EUR 86k).

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 1,434k (30/09/2012: EUR 1,298k). Further EUR 1,083k were invested in plant and machinery. Sales of property, plant and equipment generated profit of EUR 56k (30/09/2012: EUR 15k).

Advance payments totalling EUR 1,101k (31/12/2012: EUR 361k) were made towards the planned new building (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 made 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 240k as at 30 September 2013 (30/09/2012: EUR 0k). The corresponding depreciation was EUR 65k (30/09/2012: EUR 0k).

Liabilities

Liabilities are carried at amortised acquisition cost. The current liabilities to banks of EUR 0.6m (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 3.6m (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
- > to turn up to 250,000 new shares into employee shares.

Additional Paid-in Capital

As at 30 September 2013, additional paid-in capital was EUR 5,856k, 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 and EUR 713k in 2013. 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 30 September 2013.

Treasury stock is valued at acquisition cost (cost method) at EUR 237k (31/12/2012: EUR 650k) and deducted from shareholders' equity. As at 30 September 2013 the 20,020 shares have an imputed share in capital stock of EUR 20,020 (0.2 per cent). 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 Dividends

EUR '000	
Dividend for 2011: 80 cents per share, distributed on 18 May 2012	7,976
Dividend for 2012: 80 cents per share, distributed on 17 May 2013	8,016

Contingent Liabilities/Assets

The init group had no contingent liabilities or assets as at 30 September 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.

We also refer to the chapter "Opportunities and risks" in the group status report.

Financial instruments

Classification and Fair Values

The following table states the book values and fair values of the financial instruments of the group reported in the balance sheet on 30 September 2013 compared to 31 December 2012.

The fair value of the listed securities and bond issues (available for sale) was determined using their respective market value. The fair value of the derivative financial instruments and the loans was calculated by way of discounting the expected future cash flow using the prevailing market interest rates. Given the short maturities of the cash and cash equivalents, trade accounts receivable, other assets, trade accounts payable, and other liabilities, it is assumed that their fair value is equal to the book value.

EUR '000	30/09/2013		31/12/2012	
	book value	fair value	book value	fair value
ASSETS				
Loans and receivables	58,672	58,672	64,913	64,913
Cash and cash equivalents	16,191	16,191	20,329	20,329
Trade accounts receivable	16,673	16,673	18,068	18,068
Future receivables from production orders	25,344	25,344	25,893	25,893
Receivables from related parties	0	0	0	0
Other assets (current)	295	295	430	430
Other assets (non-current)	169	169	193	193
Financial assets available for sale	130	130	157	157
Securities and bond issues	130	130	157	157
Financial assets reported at fair value through profit or loss	1,062	1,062	810	810
Derivative financial assets without a hedging relationship	1,062	1,062	810	810
LIABILITIES				
Financial liabilities recognised at cost	11,656	11,656	11,873	11,873
Bank loans (current and non-current)	4,229	4,229	4,008	4,008
Trade accounts payable	5,282	5,282	5,183	5,183
Liabilities to related parties	78	78	102	102
Other liabilities (current)	1,355	1,355	1,868	1,868
Other liabilities (non-current)	712	712	712	712
Financial liabilities reported at fair value through profit or loss	0	0	218	218
Derivative financial liabilities without a hedging relationship	0	0	218	218

Hierarchy of Fair Values

The group uses the following hierarchy to determine and report the fair value for a financial instrument for each valuation technique:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2: Techniques in which all input parameters with a material impact on the calculated fair value are directly or indirectly observable.

Level 3: Techniques using input parameters that have a material impact on the calculated fair value but which are not based on observable market data.

EUR '000	30/09/2013				31/12/2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets available for sale								
Securities and bond issues	130	130			157	157		
Financial assets reported at fair value through profit or loss								
Derivative financial assets without a hedging relationship	1,062		1,062		810		810	
Financial liabilities reported at fair value through profit or loss								
Derivative financial liabilities without a hedging relationship	0		0		-218		-218	

In the reporting period ending 30 September 2013 and the reporting period ending 31 December 2012, there were neither reclassifications between the fair value categories of Level 1 and Level 2 nor any reclassifications into or out of the fair value category of Level 3.

Segment Reporting

Segment reporting is provided on page 20 of the interim group report.

Other Disclosures

Related Party Transactions

For further information about the associated companies included in the consolidated financial statements please see chapter "Consolidated group" and the annual report 2012.

EUR '000	Associated companies		Other related parties and persons	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Trade accounts receivable and other income	0	12	0	0
Trade accounts payable and other expenses	1,690	1,806	356	356
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
Receivables	0	0	0	61
Payables	78	108	0	0

Associated Companies

Payables totalling EUR 78k (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 46k (30/09/2012: EUR 72k) made to family members of a Managing Board member were recognised under personnel expenses in the first nine months.

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 30 September 2013, the group had not set aside any valuation allowances for receivables from related parties.

Karlsruhe, 8 November 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 30 September 2013	Telematics and Electronic Fare Collection Sys.	Other	Eliminations and adjustments	Consolidated
EUR '000				
Revenues				
With third parties	57,180	3,888	0	61,068
With other segments	575	1,717	-2,292	0
Total revenues	57,755	5,605	-2,292	61,068
EBIT	7,880	-431	7	7,456
Segment assets	103,705	8,083	-690	111,098
Segment liabilities	53,843	5,342	-3,181	56,004
Interest income	90	2	-14	78
Interest expenses	256	25	-14	267
Scheduled depreciation	1,366	659	-2	2,023
Cost of revenues	36,609	4,118	-2,006	38,721
Research and development expenses	2,121	946	0	3,067
Foreign currency gains (+) and losses (-)	-413	-24	-350	-787
Share in profit of associated companies	226	0	0	226
Income tax	2,178	2	0	2,180
Value impairments	669	0	0	669
Share in associated companies	2,105	0	0	2,105
Investments in tangible and intangible assets, and investment property	3,418	74	0	3,492
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 30 September 2012	Telematics and Electronic Fare Collection Sys.	Other	Eliminations and adjustments	Consolidated
EUR '000				
Revenues				
With third parties	60,870	3,578	0	64,448
With other segments	651	1,898	-2,549	0
Total revenues	61,521	5,476	-2,549	64,448
EBIT	11,243	-375	-129	10,739
Segment assets	103,684	7,940	-5,342	106,282
Segment liabilities	47,273	4,251	-1,704	49,820
Interest income	190	3	-11	182
Interest expenses	281	16	-11	286
Scheduled depreciation	1,312	577	-30	1,859
Cost of revenues	40,708	3,495	-2,466	41,737
Research and development expenses	1,759	908	0	2,667
Foreign currency gains (+) and losses (-)	1,589	2	0	1,591
Share in profit of associated companies	258	0	0	258
Income tax	3,445	0	0	3,445
Value impairments	559	0	0	559
Share in associated companies	1,876	0	0	1,876
Investments in tangible and intangible assets, and investment property	8,523	151	0	8,674
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

Non-current assets

EUR '000	30/09/2013	%	31/12/2012	%
Germany	18,023	88.0	17,132	90.4
Rest of Europe	282	1.4	215	1.1
North America	1,971	9.6	1,356	7.2
Other countries (Australia, UAE)	199	1.0	246	1.3
Group total	20,475	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 30 September 2013 (unaudited)

EUR '000	Attributable to equity holders			
	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			7,405	
Other comprehensive income				
Total comprehensive income			7,405	
Dividend paid out			-7,976	
Share-based payments		486		398
Acquisition of treasury stock				-32
Rounding difference			-1	
Status as of 30/09/2012	10,040	5,608	41,018	-830
Status as of 31/12/2012	10,040	5,579	44,718	-650
Net profit			5,105	
Other comprehensive income				
Total comprehensive income			5,105	
Dividend paid out			-8,016	
Share-based payments		277		413
Status as of 30/09/2013	10,040	5,856	41,807	-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	
			7,405	-215	7,190	
	-548	6	-542		-542	
	-548	6	6,863	-215	6,648	
			-7,976		-7,976	
			884		884	
			-32		-32	
				1	0	
-229	752	6	56,365	97	56,462	
-1,662	-347	0	57,678	79	57,757	
			5,105	-18	5,087	
	-424		-424		-424	
	-424		4,681	-18	4,663	
			-8,016		-8,016	
			690		690	
-1,662	-771	0	55,033	61	55,094	

Financial Calendar and Imprint

Date	Event
12 – 13 November 2013	Analyst conference, German Equity Forum, Frankfurt
27 March 2014	Publication Annual Report 2013 / Press Conference Frankfurt
9 May 2014	Publication Q1 Report 2014
15 May 2014	General Annual Meeting 2014, Karlsruhe
12 August 2014	Publication Q2 Report 2014
13 November 2014	Publication Q3 Report 2014

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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

