



WITH THE   
FUTURE IN MIND

Interim Report 3/2012

**init**

Innovation in traffic systems AG

## INIT AT A GLANCE

Municipal and regional passenger transportation should be comfortable, fast, and attractive. The systems supplied by init innovation in traffic systems AG ensure that buses and trams are able to meet these requirements, while at the same time increasing the efficiency of transportation companies.

init is the leader in innovative telematics and fare management systems that offer a suite of integrated solutions for all type of needs related to public transportation. init products are operational in over 300 transportation companies worldwide.

## GROUP KEY FIGURES

according to IFRS

EUR '000	30/09/2012	30/09/2011	Change in %
<b>Balance Sheet</b>			
Balance sheet total	106,282	94,159	12.9
Shareholders' equity	56,462	49,234	14.7
Subscribed capital	10,040	10,040	
Equity ratio (in %)	53.1	52.3	
Return on equity (in %)	12.7	16.8	
Non-current assets	27,251	13,216	106.2
Current assets	79,031	80,943	-2.4
<b>Income Statement</b>			
	01/01 to 30/09/2012	01/01 to 30/09/2011	
Revenues	64,448	55,228	16.7
Gross profit	22,711	23,159	-1.9
EBIT	10,739	11,354	-5.4
EBITDA	12,598	13,095	-3.8
Net profit	7,190	8,275	-13.1
Earnings per share (in EUR)	0.74	0.83	-10.4
Dividend (in EUR)	0.80	0.60	33.3
<b>Cash Flow</b>			
Cash flow from operating activities	9,632	16,801	-42.7
<b>Share</b>			
Issue price (in EUR)	5.10	5.10	
Peak share price (in EUR)	23.25	19.99	16.3
Bottom share price (in EUR)	13.60	13.06	4.1

## CORPORATE BODIES

### SUPERVISORY BOARD

- > Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau, Meerbusch  
(Chairman)  
Consulting engineer specialising in local transportation,  
member of the Advisory Board of PTM, master's degree  
at the University of Duisburg/Essen
- > Hans-Joachim Rühlig, B.A.M, Ostfildern  
(Vice-Chairman)  
Financial Managing Director, Ed. Züblin AG
- > Fariborz Khavand, Wuppertal (until 29/02/2012)  
Self-employed business consultant,  
Managing Director Elco Motores GmbH, Hagen
- > Drs. Hans Rat, Schoonhoven (since 01/03/2012)  
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	3,484,000*	Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	–
Joachim Becker, COO	334,983	Dipl.-Kfm. Hans-Joachim Rühlig	–
Wolfgang Degen, COO	69,500	Fariborz Khavand	–
Dr. Jürgen Greschner, CSO	97,864	Drs. Hans Rat	–
Bernhard Smolka, CFO	24,000		

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

#### Revenues Q1–Q3

(in million EUR)

2012	64.4	
2011	55.2	

#### Order backlog

(in million EUR)

30/09/2012	185	
30/09/2011	124	

#### EBIT Q1–Q3

(in million EUR)

2012	10.7	
2011	11.4	

#### Balance sheet total

(in million EUR)

30/09/2012	106.3	
30/09/2011	94.2	



## LETTER TO THE SHAREHOLDERS

DEAR LADIES AND GENTLEMEN,  
DEAR SHAREHOLDERS,

init innovation in traffic systems AG needs two to three “mega orders” per year for its sustainable growth. We received two of these in the third quarter of 2012 alone. The supervisory board of the transport company STM from Montréal (Canada) resolved in September to award the contract for the so-called IBUS project to INIT Innovations en Transport (Canada Est Inc.), a wholly owned subsidiary of init AG. The IBUS project comprises the delivery of a control and passenger information system for STM and, in connection with this, the probable equipping of 2,000 vehicles with hardware and software. It is the largest order in init’s company history.

Two months earlier, in July, init received the order as general contractor of a joint tender under the lead management of Rheinbahn AG Duesseldorf (together with Duisburger Verkehrsgesellschaft AG, Muelheimer Verkehrsgesellschaft mbH und Essener Verkehrs AG) to develop a digital trunked radio system according to the TETRA standard and to install a new operating control system (Intermodal Transport Control System, ITCS) for four transport companies in the Rhein-Ruhr region. This is one of the largest telematic projects ever realised for the public transport in Germany. Besides the operating centre, over 1,000 vehicles (buses, trams) will also be equipped by init with the necessary hardware and software (on-board computer, ITCS, dynamic passenger information). Until Montréal came along, this was the single largest order in the group’s history.

Incoming orders in the third quarter of 2012 achieved the record value of over EUR 90m due above all to these two large projects. At the end of September the init group thus had orders on hand of around EUR 185m, meaning about double the expected annual revenue.

Without a doubt, these are very pleasing figures. They underscore above all the fact that we are well equipped with our innovative products, individual customer solutions and a number of global project references to continue to stand our ground in the market for transport telematics and to benefit from a sustainable growth trend. There is increasing global need for the development and modernisation of public transport systems. There are many new tenders and other announcements of tenders for large infrastructure projects. This need creates sustained growth prospects for init as a supplier of systems and components which are essential for qualitative and quantitative improvements in the transport sector.

On the other hand, we must not underestimate the increased economic risks. The euro crisis, which at heart is a state debt crisis, engenders uncertainty worldwide along with a reduction in economic development. In this environment, leeway in the public sector for investments is generally severely restricted. The extent to which austerity programs in industrial countries, resulting in declining subsidies for public transport programs, will lead to a reduction in project tenders in the market for transport telematics can currently not be foreseen. In addition, it was evident in the economic crisis of 2008–2009 that governments wish to meet economic downswings with subsidy programs and targeted investments in integrated traffic systems.

Particularly in times of economic crisis, intelligent solutions are in demand in the traffic sector in order to lower energy costs and to better exploit existing resources. init’s products and services make precisely this possible. For this reason we are looking to the future with confidence despite the increased risks in the market environment.

This is also why we are setting ourselves the challenge of tapping into new markets if we meet with substantiated interest on the part of potential customers. This is now also the case in Asia. We have therefore established a subsidiary in Singapore in order to be present locally and to opportunely forge the necessary customer contacts. This subsidiary will commence operations in November and participate in upcoming tenders.

This is the first but certainly not the last step that init will take to tap into new, sustainable growth potential in Asia. Despite all the global economic risks, we therefore see init continuing on a course of growth.

As shown by init’s share price, which in October achieved a new all-time high with prices above EUR 25, you, our shareholders, have the same view.

Thank you very much for your trust.

For the Managing Board of  
init innovation in traffic systems AG



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

## SHARE AND INVESTOR RELATIONS

### INIT SHARE REACH NEW ALL-TIME HIGH

The share of init innovation in traffic systems AG (ISIN DE0005759807) continued to peak to new all-time high several times in the third quarter, despite growing risks in the capital markets. Supported by the positive business results and the profit announcements for two major projects, the init share hit an all-time high of EUR 23.25 at the end of the reporting period. This was again exceeded in the first days of October, however, with prices of up to EUR 25.79.

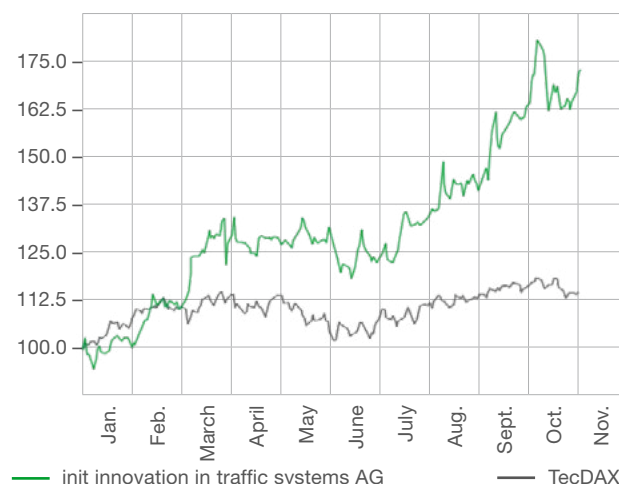
Altogether the init share increased in value by over 63 per cent in the first nine months of 2012. Thus, the share once again out-performed indices such as the Deutsche Aktienindex (DAX) and the leading technology stocks index, the TecDAX, which gained 22.3 per cent and 18.2 per cent respectively in the same time period.

As of the end of September, the market capitalisation of meanwhile over EUR 230m puts init innovation in traffic systems AG in the category of the 35 technology stocks with the highest capitalisation, and already fulfils the requirements in this respect for inclusion in the TecDAX. The stock also improved further in terms of stock market turnover and now holds the 43rd place in this category.

Analysts see further growth potential for the init share despite the high price level it has already achieved, and continue to rate the stock as a “buy” or “hold” position.

The performance of init innovation in traffic systems AG also awakened further interest on the part of investors. During the reporting period the Investor Relations Team was thus given the opportunity to present the company and its

Performance January to November 2012 (Xetra)  
(indexed)



prospects at road shows in London, Zurich and in Brussels as well. init will also participate in the German Equity Forum of the Deutsche Börse in Frankfurt in November.

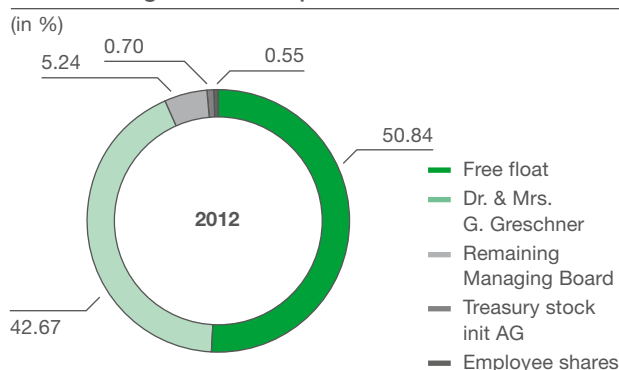
There were no significant changes in the shareholder structure of init innovation in traffic systems AG during the reporting period. As of 30 September 2012 the shareholding was distributed as indicated in the diagram below.

Current information on the init share and on our Investor Relations services is available on the Internet at [www.initag.com](http://www.initag.com).

### 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 biw Bank für Investments und Wertpapiere AG
Capital stock today	10,040,000 no-par bearer shares
Market capitalisation (as of 28 September 2012)	EUR 233.4m

### Shareholdings as of 30 September 2012



## NUMBER OF EMPLOYEES (ANNUAL AVERAGE)

*incl. temporary workers and students*

	30/09/2012	30/09/2011
Employees in Germany	328	294
Employees in North America	68	64
Employees in other countries	20	14
<b>Total</b>	<b>416</b>	<b>372</b>

# GROUP STATUS REPORT

## BUSINESS TREND AND SITUATION

### Economic and market environment

Economic expectations for the last quarter of 2012 and the year 2013 have deteriorated in the reporting period. Despite a few advances in the struggle against the euro crisis, growth risks have continued to grow in the estimation of leading economic researchers. In addition to the existing weaknesses in Europe and the US, increasingly repercussions are also showing up in the economies of emerging countries and former growth engines, such as the BRIC states (Brazil, Russia, India and China). Institutions such as the International Monetary Fund (IMF), the European Central Bank and the Bundesbank have reduced their forecasts accordingly. The IMF thus only expects growth of 3.3 per cent for 2012 and 3.6 per cent in 2013 for the global economy.

The development in the eurozone appears to be especially disturbing. Here the crisis countries of Greece, Portugal and Spain are falling further and further behind despite massive support programs and have already slid deeply into recession. Increasingly this is also radiating out to the remaining euro countries. Although the economy in Germany and in northern neighbouring states was able to grow again in the third quarter supported by exports and robust domestic demand, a decline in economic performance is expected for the fourth quarter. Europe as a whole is thus threatening to fall into a recession.

Consequently, the leading economic research institutes have already halved their growth expectations for Germany and are only counting on economic growth of less than one per cent in the coming year, after 0.8 per cent in 2012.

No substantial impetus is expected to come from the US for the global economy either. The IMF sees massive budget risks here, such that growth of 2.1 per cent could be achieved at most for 2013.

In the US as well as in most European countries and in Japan, further measures to consolidate state budgets are unavoidable since this is the only way that trust in the stability of the currency can again be generated among consumers and producers. Over and beyond this, however, it is necessary to stimulate economic activity through targeted subsidy programs and investments in infrastructure, particularly in the transport sector, in order to counteract a sharpening of the recession. While the general economic prospects currently tend to be seen as negative, the further development of the market for intelligent transport infrastructure solutions, such as those offered by init, appears to be relatively positive.

### General business trend

Due to the leading position of init in the market for transport telematics and its broad international diversification, the negative developments in the market environment have not had an adverse effect on the business situation of init innovation in traffic systems AG in the reporting period. Instead, the init group in Montréal was able to win the largest order in the company's history and may count on further large international tenders for hardware and software products and telematic, planning and electronic fare collection systems both in Europe as well as in America and Australia. Investments worth billions are expected on these continents in the coming years in public transport. Part of these investments will fall within the business area of init AG, such that the further growth of the init group is assured for the long term. At the same time, the market is evolving further – not only in terms of technology. Two trends are becoming increasingly important: the networking of telematic systems in local and long-distance transport and the convergence of ticketing and telematic systems. init identified both trends early on and, together with its customers, implemented them in tried and tested solutions.

In the third quarter init was not able to achieve its budgeted figures either in revenues or in profit. Project delays and technical realisations in projects that proved to be more difficult than originally assumed were the cause of this. But we are expecting that we will still be able to reach our original targets in revenues and profit as at the end of the year.

In the first nine months of the year, revenues reached a new high with EUR 64.4m (prior year: EUR 55.2m). Due to dropping contribution margins, earnings before interest and taxes dropped from EUR 11.4m to EUR 10.7m. In the past, revenues have been distributed unevenly in the init group, with the first quarter usually recording the lowest revenues and the fourth quarter the highest.

### Order situation

The init group has successfully realised more than 400 national and international projects and is a partner for transport companies on four continents with its integrated solutions for telematic, planning and electronic fare collection systems. These have given rise to long-term customer relationships that secure init a stable business platform as a result of subsequent orders and maintenance agreements. Our market is currently characterised by many new international tenders for projects. The long-term growth perspectives in the market for transport telematics thus remain intact. The willingness to develop public transport systems is growing in almost all countries. The

bulk of init's business is in comparatively long-term projects, which is why we still see good growth opportunities for our company in the long run.

This was shown particularly in the third quarter of 2012 when it was possible to achieve a record value in incoming orders due to the Rheinbahn and Montréal orders.

The Rheinbahn project (Rheinbahn AG Duesseldorf, together with Duisburger Verkehrsgesellschaft AG, Muelheimer Verkehrsgesellschaft mbH und Essener Verkehrs AG) is one of the largest telematic projects for the public transport system in Germany. More than 1,000 buses and streetcars are to be equipped with init's technology, and a radio system for more than 2,000 participants is to be developed.

In Montréal init will install a control system and real-time passenger information system. In addition, a radio system will be delivered and the traffic light systems will be equipped with traffic signal priority and around 2,000 buses will be furnished with init technology.

In total, init acquired new orders to the value of EUR 90.7m (same quarter last year: EUR 6.4m) in the third quarter. EUR 39.2m came from Germany, EUR 3.5m from the rest of Europe and EUR 47.6m from North America as well as EUR 0.4m from other countries.

The order volume as at 30 September 2012, is thus around EUR 185m and exceeds the previous year's high figure (EUR 124m) by around 50 per cent.

### Earnings position

In the third quarter init AG was not able to completely achieve its revenues and earnings expectations due to project delays. Furthermore, considerably higher technical realisation expenditure was required for individual projects than was originally expected. Corresponding loss provisions were created for this. In the third quarter of 2012, it was possible to generate revenues of EUR 22.4m (Q3 2011: EUR 23.7m). Quarterly revenues lie around 5.5 per cent below the previous year.

From a nine-month perspective, revenues amounted to EUR 64.4m (Q1–Q3 2011: EUR 55.2m). 76.5 per cent of this amount (Q1–Q3 2011: 63.5 per cent) was posted in international business. EUR 29.8m was attributed to North America (Q1–Q3 2011: EUR 21.5m). In Germany, revenues amounted to EUR 15.1m (Q1–Q3 2011: EUR 20.2m). In the rest of Europe, revenues amounted to EUR 9.1m (Q1–Q3 2011: EUR 11.5m), whilst an increase in revenues to EUR 10.4m (Q1–Q3 2011: EUR 2.0m) was recorded in other countries. This is due in particular to the completion of orders in Abu Dhabi and Brisbane.

Out of the group revenues of EUR 64.4m (Q1–Q3 2011: EUR 55.2m), EUR 60.9m (Q1–Q3 2011: EUR 52.4m) was attributable to the “Telematics and electronic fare collection systems” segment, which corresponds to 94.5 per cent (Q1–Q3 2011: 94.9 per cent) of total revenues.

The “Planning systems, automotive and driver dispatch systems” segment generated revenues with third parties of EUR 3.5m (Q1–Q3 2011: EUR 2.8m). This is 5.5 per cent (Q1–Q3 2011: 5.1 per cent) of group revenues. This absolute increase is a result of the driver dispatch system added in 2012 through the acquisition of the remaining shares in initperdis GmbH (formerly id systeme GmbH) in Hamburg in the previous year.

Gross profit on revenues at EUR 22.7m is lower than the previous year (EUR 23.2m) by EUR 0.5m. In relative terms, the gross margin in relation to sales is approx. 6.7 per cent below the previous year, which is due on the one hand to the special effect of the reversal of the risk provision for Dubai in the first quarter of 2011 and on the other to the lower contribution margins of new projects in 2012. The gross margin should still improve during the course of the remainder of the financial year, however.

As a result of the further internationalisation of our distribution, the development of new markets and the increasing number of complex international public tenders, the founding of new subsidiaries and the related changes in personnel, distribution and administration costs increased to EUR 12.4m (Q1–Q3 2011: EUR 10.6m).

The earnings before interest and taxes (EBIT) of EUR 10.7m after nine months thus remained slightly below the level of 2011 (EUR 11.4m).

Of that, EUR 11.1m came from the “Telematics and electronic fare collection systems” segment (Q1–Q3 2011: EUR 11.5m) and EUR -0.4m was down to the “Planning systems, automotive and driver dispatch systems” segment (Q1–Q3 2011: EUR -0.1m). In other items of the income statement, foreign currency gains of EUR 1.6m (Q1–Q3 2011: EUR 0.1m) are offset by amounts in foreign currency that ultimately balance each other out.

In total, group earnings after taxes amount to EUR 7.2m (Q1–Q3 2011: EUR 8.3m). In the first nine months of 2012 the tax ratio rose by around 5 percentage points year-on-year. The reason for this was the reversal of the risk provision for the projects in Dubai in the prior year and the increase in the proportion of revenue generated in North America in the current year. Furthermore, most of the tax-free income in the Middle East will not be recognised until the fourth quarter. Earnings per share thus amount to EUR 0.74 (Q1–Q3 2011: EUR 0.83).



## Financial and asset position

init's financial and earnings position remains very strong and has improved in some important aspects in the reporting period. The balance sheet total dropped compared to the previous year (31/12/2011) by EUR 3.4m to EUR 106.3m, which had a positive effect on the equity ratio. The reduction on the asset side of the balance sheet is a result of the decrease in trade receivables. On the liabilities side, the reduction is mainly reflected in a decrease in trade accounts payable and income tax liabilities.

Operating cash flow at the end of the reporting period amounts to EUR 9.6m (Q1–Q3 2011: EUR 16.8m) and will presumably improve in the further course of business.

Equity at around EUR 56.5m is almost at the previous year level (31/12/2011: EUR 56.9m) despite the high dividend payment in May 2012 of around EUR 8m. Compared to 31/12/2011, the equity ratio increased from 51.9 per cent to 53.1 per cent.

The current liabilities to banks of EUR 1.2m (31/12/2011: EUR 0.1m) essentially involve a current account loan with the American subsidiary INIT Inc., Chesapeake, as well as the short-term part of the real estate financing of Kaeppelestrasse 4, 8/8a and 10. The non-current liabilities to banks of EUR 3.8m (31/12/2011: EUR 1.0m) relate to the long-term part of the real estate financing of Kaeppelestrasse 4, 8/8a and 10.

Liquid funds, including short-term marketable securities and bonds, decreased in the reporting period to EUR 20.7m (31/12/2011: EUR 23.7m), which was due to the dividend payment of approx. EUR 8m in May and the acquisition of properties at Kaeppelestrasse 8/8a and 10. This investment amounted to EUR 6.3m and is recognised under the position "Investment property". The real estate is to serve the long-term securing of the location, but for now is to be let with a non-terminable lease up to 31 December 2017.

The existing guarantee and credit lines also continue to protect the financing of business activities and their expansion. In addition, init holds gold in the value of approx. EUR 1m that is recognised under non-current assets.

EUR 2.3m (Q1–Q3 2011: EUR 1.7m) was used for investments in tangible and intangible assets (excluding software development) in the first nine months. These were mainly replacement and rationalisation investments.

## Production

Value creation in the init group comprises the development, production management, quality assurance, implementa-

tion, service and maintenance of integrated hardware and software solutions for all the important tasks of transport companies.

The production of hardware is mainly outsourced to qualified producers that work closely with init's engineers as an extended workbench. To guarantee the quality required by us, init employees assist in all phases of the production process, from the production of prototypes to sample series all the way up to series production.

Together with one of its manufacturers, init founded a production company (SQM LLC.) in the US in the previous year in order to meet "Buy America" requirements. The company assembles various devices and fits circuit boards from init's product family. A few years ago, a cable production company (TQA LLC.) was set up together with a supplier for the same reasons. This company now successfully sells cable on the American market.

There are no dependencies on individual suppliers. This means we can flexibly switch to other producers if one business partner is no longer available. We expanded our list of suppliers for financial year 2012 and have negotiated new framework agreements.

## Personnel

Ensuring that qualified staff remain loyal to the company in the long term is one of the key objectives of init in terms of its personnel policy, given the expected general shortage of skilled workers in the coming years. A large number of fringe benefits and measures are used to give employees a direct share in the company's success. Each employee thus received a profit-dependent payment of approx. EUR 8k in addition to their regular salary in 2011. These amounts are paid in cash and share transfers.

Further moderate adjustments were made to the number of personnel in the init group to ensure that existing orders were completed on time and to also be able to exploit new growth opportunities in the market. Since we expect other large contracts in the coming months, this trend is set to continue in the months to come.

As of 30 September 2012, the init group employed 416 staff (Q3 2011: 372) including temporary workers, research assistants and diploma candidates. In addition, 16 employees are in apprenticeships.

Over 65 per cent of permanent members of staff at init have academic training primarily in the areas of information technology, e-technology, HF technology, physics, mathematics and industrial engineering.

## Environmental protection

The reduction of carbon dioxide emissions and the preservation of natural resources are essential to prevent an imminent climatic disaster. Efficient public transportation systems are making an increasingly important contribution.

Since its establishment almost 30 years ago, init is in particular dedicated to the topic of environmental and natural resource protection. init's products help transport companies to provide faster, more competitive and energy-saving mobility, thus also reducing the environmental impact of fine dust and exhaust gases. init actively implements these basic ecological principles along the entire value-added chain and in the individual corporate divisions, starting from procurement and production through to distribution. The init group therefore invested in many energy-saving measures in past years and strives to continuously improve its environmental performance. Two electric cars were purchased for this purpose, which are used for short journeys. Protection of the environment and natural resources is in addition an integral part of init's corporate guidelines.

## Research and development

init's hardware and software developers worked on both the further development of existing products and on fundamental innovations in the first nine months of 2012.

In total EUR 2.7m (previous year: EUR 2.2m) was spent on developing new products and in software development in the init group in the first nine months. Depreciation on capitalised software dropped to EUR 0.2m (previous year: EUR 0.7m). Capitalised software was completely depreciated as at 30 September 2012.

In addition, customer-funded new and further developments were carried out within the scope of projects, adding up to around five times the reported research and development expenditure again.

## Risks and risk management

The risks for the future development of the init group are essentially determined by the risks in the operational group companies. At present, no risks exist within the init group that might endanger the company's existence.

A risk management system is an integral part of our business processes and corporate decisions. Before fundamental decisions are taken on important measures, they are discussed in detail at regular Managing Board meetings and the opportunities and risks are weighed up. Imminent

risks are reported on a regular basis at Managing Board and Supervisory Board meetings. Alternative measures are discussed with the Supervisory Board.

A crucial success factor for the init group is project management. The successful handling of projects depends on an exact calculation, the contractual terms, the size of each individual project, their completion as scheduled, the readiness of the customer to be constructively involved in the project implementation as well as specific national laws and regulations. Apart from unforeseeable technical and customer-specific difficulties, the punctual completion of projects also depends on whether the company has sufficiently qualified personnel available.

As a result of the global financial crisis there is also a higher risk of bad debt losses. More than 95 per cent of init's customers are state-subsidised transport companies. However, due to the financial crisis various countries have displayed payment difficulties (such as Greece, Dubai and Ireland), so that bad debt losses cannot be ruled out in the future. init has taken account of the risk on receivables in Dubai with corresponding value reductions for interest lost. The risk has decreased due to the payments received in 2011 and 2012. On the other hand, the days payable outstanding has increased, so there are risks arising from cash flow predictability and liquidity risks.

The high level of public debt of some countries as well as the rescue packages and austerity measures under discussion could lead to investments being sharply reduced in the area of public transport, which could affect init's business.

Claims were asserted against us as part of an international cooperation agreement that we did not regard as being justified. The provision created for these claims was retained in financial year 2011.

Contracts concluded in a foreign currency involve exchange risks that can affect sales, purchase prices, the measurement of receivables, currency reserves, liabilities and hence the result. init is tackling these exchange risks with active foreign exchange management, making use of forward exchange dealings and currency options. Since init also tries to keep its options open here and focus on active currency management, it may consequently incur losses.

The investments of init include stocks, bonds, fixed-interest securities and fixed-term deposits. Share price and interest rate fluctuations could therefore influence the financial result of the group. Furthermore, the group holds 25 kg in gold for the purposes of risk diversification, which is subject to market price fluctuations.

## Opportunities

The long-term growth trends in the market for traffic telematics and electronic fare collection systems continue to be intact. With the apparent necessity for infrastructure investments to guarantee affordable mobility, they are actually gaining in momentum. Particularly in times of economic crisis, intelligent solutions are in demand in order to lower energy costs and to better exploit existing resources. init's products and services make precisely this possible, such that we can expect rising demand.

init is currently involved in numerous tenders in Germany and abroad. Furthermore, several large tenders have already been announced for the coming months. With the new Rheinbahn (Rheinbahn AG Duesseldorf, together with Duisburger Verkehrsgesellschaft AG, Muelheimer Verkehrsgesellschaft mbH und Essener Verkehrs AG) and Montréal projects, we have also gained two additional large reference projects that will solidify our competence for future tenders.

As before, billions have already been approved in the US for the development of its public transport system. As a result, we are still expecting a large number of new public tenders in the US in the current financial year. In Germany and the rest of Europe as well as in the Asia-Pacific region we are able to identify a rising trend for new tenders.

The tenders won in 2010 in ticketing in the US and for a control and passenger information system in Brisbane, Australia, are currently in the realisation phase. These projects are of significant strategic importance for init, since only control system orders in the US and ticketing orders in Australia have so far been implemented. init has therefore obtained two important references, which leads us to expect that further orders will be generated in these areas in the future.

Additional potential could also arise from the start of our active market cultivation in France as well as in the Asia-Pacific region. Additional staff have been deployed in the area of sales here. At the end of September we founded another subsidiary, INIT Asia-Pacific Pte. Ltd. in Singapore, which will take up its activity shortly and is to participate in outstanding tenders.

We also see a great advantage in the growing interest of transport companies in integrated systems. In this case, init is ideally equipped with its electronic ticket printer with on-board computer function EVENDpc for combining ticketing and ITCS. In this connection, we will benefit from our international references, which have a signal effect for many new potential customers from all over the world and should be an advantage when it comes to additional infrastructure investments.

## EVENTS AFTER THE REPORTING DATE

No significant events took place after the balance sheet date.

## RELATED PARTY TRANSACTIONS

Related party transactions are shown in the notes under "Other Disclosures", see page 20.

## PROSPECTS REPORT AND OUTLOOK

The statements made in this prospects report and outlook on the future business development of the init group are based on information available to us and assumptions derived from this information on the development of markets and industries that are assessed as realistic by the Managing Board. Actual results can differ considerably from these expectations of probable developments, however, if underlying assumptions turn out to be inaccurate or new uncertainties characterise the macroeconomic development.

Currently, the euro crisis, which at heart is a state debt crisis, in particular engenders uncertainty worldwide along with a reduction in economic development. Up to now it has not been possible for the political sphere to sustainably re-establish trust in the euro. Even the most recent news has not contributed to building trust, but instead is inciting additional fear of inflationary tendencies due to deficit financing through the printing of bank notes.

In this environment, leeway in the public sector for investments is generally severely restricted. The extent to which austerity programs in the industrial countries, resulting in declining subsidies for public transport programs, will lead to a reduction in project tenders in the market for transport telematics can currently not be foreseen. In general, it is apparent for 2012 and subsequent years that the industrial countries in Europe and North America in particular will intensify their budget consolidation measures. Funding cuts for investments and state subsidies cannot be excluded in this connection.

On the other hand, there are also signs that governments are sustainably using resources better and that they intend to meet threatening economic downswings through subsidy programs and targeted investments in integrated transport systems. At the moment, we are not yet registering any indications that savings and budgetary cuts due to the euro crisis will have a negative impact on init's growth opportunities. Rather the announcements of tenders for large infrastructure projects are currently indicating the opposite.

Independent of this, against the backdrop of the newly won and large-scale Rheinbahn and Montréal orders, init is already well prepared to achieve further growth for the coming financial year. For the future we are also expecting positive impulses from Asian countries. We have established a subsidiary in Singapore in order to be present locally and to opportunely forge the necessary customer contacts. This subsidiary will commence operations shortly and participate in outstanding tenders.

An increasing need exists for the development and modernisation of public transport systems, particularly in Asia but also around the world. This need creates sustained growth prospects for init as a supplier of systems and components which are essential for qualitative and quantitative improvements in the transport sector.

With our innovative products, tailor-made customer solutions and a number of global project references, init is well positioned to continue to assert itself in the market for transport telematics and to benefit from this sustainable growth trend. Unless any unexpected events occur and provided that the project delays occurring in the third quarter can be caught up and the technical feasibility improved, we should achieve our growth target for 2012 with revenues of around EUR 95m and an operating result (EBIT) of EUR 19m. According to current information, 2013 also appears likely to be a continuation of the growth course, when revenues could exceed the mark of EUR 100m for the first time.

Karlsruhe, 9 November 2012

The Managing Board



Dr. Gottfried Greschner



Joachim Becker



Wolfgang Degen



Dr. Jürgen Greschner



Bernhard Smolka



## CONSOLIDATED INCOME STATEMENT (IFRS)

from 1 January 2012 to 30 September 2012 (unaudited)

EUR '000	01/07 to 30/09/2012	01/07 to 30/09/2011	01/01 to 30/09/2012	01/01 to 30/09/2011
Revenues	22,398	23,673	64,448	55,228
Cost of revenues	-14,233	-13,955	-41,737	-32,069
<b>Gross profit</b>	<b>8,165</b>	<b>9,718</b>	<b>22,711</b>	<b>23,159</b>
Sales and marketing expenses	-2,507	-2,268	-7,897	-6,999
General administrative expenses	-1,623	-1,240	-4,498	-3,606
Research and development expenses	-762	-792	-2,667	-2,192
Other operating income	718	129	1,361	611
Other operating expenses	-82	59	-183	-67
Foreign currency gains and losses	-852	-676	1,591	86
<b>Operating profit</b>	<b>3,057</b>	<b>4,930</b>	<b>10,418</b>	<b>10,992</b>
Income from associated companies	86	112	258	236
Other income and expenses	25	30	63	126
<b>Earnings before interest and taxes (EBIT)</b>	<b>3,168</b>	<b>5,072</b>	<b>10,739</b>	<b>11,354</b>
Interest income	55	54	182	155
Interest expenses	-98	-53	-286	-188
<b>Earnings before taxes (EBT)</b>	<b>3,125</b>	<b>5,073</b>	<b>10,635</b>	<b>11,321</b>
Income taxes	-890	-1,739	-3,445	-3,046
<b>Net profit</b>	<b>2,235</b>	<b>3,334</b>	<b>7,190</b>	<b>8,275</b>
thereof attributable to equity holders of parent company	2,268	3,310	7,405	8,253
thereof minority interests	-33	24	-215	22
Net profit and diluted net profit per share in EUR	0.23	0.33	0.74	0.83
Average number of floating shares (undiluted)	9,969,858	9,979,844	9,962,035	9,970,825
Average number of floating shares (diluted)	9,969,858	9,979,844	9,962,035	9,970,825

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

from 1 January 2012 to 30 September 2012 (unaudited)

EUR '000	01/07 to 30/09/2012	01/07 to 30/09/2011	01/01 to 30/09/2012	01/01 to 30/09/2011
<b>Net profit</b>	<b>2,235</b>	<b>3,334</b>	<b>7,190</b>	<b>8,275</b>
<b>Net gains (+)/net losses (-) on currency translation</b>	<b>-134</b>	<b>1,190</b>	<b>-548</b>	<b>529</b>
Unrealised gains/losses	-134	1,190	-548	529
<b>Net gain (+)/net losses (-) in available-for-sale financial assets</b>	<b>4</b>	<b>-87</b>	<b>6</b>	<b>-167</b>
Unrealised gains/losses	4	-87	6	-129
Reclassification to the income statement	0	0	0	-38
<b>Other comprehensive income</b>	<b>-130</b>	<b>1,103</b>	<b>-542</b>	<b>362</b>
<b>Total comprehensive income</b>	<b>2,105</b>	<b>4,437</b>	<b>6,648</b>	<b>8,637</b>
thereof attributable to equity holders of the parent company	2,138	4,413	6,863	8,615
thereof minority interests	-33	24	-215	22

## CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2012 (IFRS) (unaudited)

## ASSETS

EUR '000	30/09/2012	31/12/2011
<b>Current assets</b>		
Cash and cash equivalents	20,054	23,524
Marketable securities and bonds	646	154
Trade accounts receivable	11,749	29,015
Future receivables from production orders ("Percentage-of-Completion-Method")	26,722	20,590
Accounts receivable from related parties	2	2
Inventories	17,234	14,850
Income tax receivable	360	105
Other current assets	2,264	1,710
<b>Current assets, total</b>	<b>79,031</b>	<b>89,950</b>
<b>Non-current assets</b>		
Tangible fixed assets	7,003	5,925
Investment properties	6,338	0
Goodwill	4,388	4,388
Other intangible assets	3,722	4,259
Interest in associated companies	1,876	1,618
Accounts receivable from related parties	68	68
Deferred tax assets	1,494	1,345
Other assets	2,362	2,203
<b>Non-current assets, total</b>	<b>27,251</b>	<b>19,806</b>
<b>Assets, total</b>	<b>106,282</b>	<b>109,756</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

EUR '000	30/09/2012	31/12/2011
<b>Current liabilities</b>		
Bank loans	1,155	71
Trade accounts payable	5,338	7,582
Accounts payable of "Percentage-of-Completion-Method"	8,881	8,939
Accounts payable due to related parties	64	280
Advance payments received	971	664
Income tax payable	3,246	6,723
Provisions	8,469	9,535
Other current liabilities	8,285	9,212
<b>Current liabilities, total</b>	<b>36,409</b>	<b>43,006</b>
<b>Non-current liabilities</b>		
Long-term debt less current portion	3,803	988
Deferred tax liabilities	4,035	3,699
Pensions accrued and similar obligations	4,260	3,754
Other non-current liabilities	1,313	1,371
<b>Non-current liabilities, total</b>	<b>13,411</b>	<b>9,812</b>
<b>Shareholders' equity</b>		
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,608	5,122
Treasury stock	-830	-1,196
Surplus reserves and consolidated unappropriated profit	41,018	41,590
Other reserves	529	1,071
	<b>56,365</b>	<b>56,627</b>
Minority interests	97	311
<b>Shareholders' equity, total</b>	<b>56,462</b>	<b>56,938</b>
<b>Liabilities and shareholders' equity, total</b>	<b>106,282</b>	<b>109,756</b>

## CONSOLIDATED CASH FLOW STATEMENT (IFRS)

from 1 January 2012 to 30 September 2012 (unaudited)

EUR '000	01/01 to 30/09/2012	01/01 to 30/09/2011
<b>Cash flow from operating activities</b>		
Net income	7,190	8,275
Depreciation	1,859	1,741
Gains (-)/Losses (+) on the disposal of fixed assets	-43	11
Change of provisions and accruals	-560	2,176
Change of inventories	-2,384	123
Change in trade accounts receivable and future receivables from production orders (POC)	11,134	-970
Change in other assets, not provided by/used in investing or financing activities	-968	-212
Change in trade accounts payable	-2,244	761
Change in advanced payments received and liabilities from POC method	249	2,697
Change in other liabilities, not provided by/used in investing or financing activities	-4,678	510
Change in investment book value (not affecting cash flow)	-258	-236
Amount of other non-cash income and expenses	335	1,925
<b>Net cash from operating activities</b>	<b>9,632</b>	<b>16,801</b>
<b>Cash flow from investing activities</b>		
Inflows from sales of tangible fixed assets	15	7
Investments in tangible fixed assets and other intangible assets	-2,336	-1,733
Investment properties	-6,338	0
Inflows from associated companies and loans receivable	0	217
Investments in marketable securities as part of short-term cash management	-500	-82
<b>Net cash flows used in investing activities</b>	<b>-9,159</b>	<b>-1,591</b>
<b>Cash flow from financing activities</b>		
Dividend paid out	-7,976	-5,990
Cash payments for the purchase of treasury stock	-32	-418
Proceeds of bank loans	3,899	128
<b>Net cash flows used in financing activities</b>	<b>-4,109</b>	<b>-6,280</b>
Net effects of currency translation and consolidation changes in cash and cash equivalents	166	-115
<b>Increase in cash and cash equivalents</b>	<b>-3,470</b>	<b>8,815</b>
Cash and cash equivalents at the beginning of the period	23,524	18,380
<b>Cash and cash equivalents at the end of the period</b>	<b>20,054</b>	<b>27,195</b>



## SELECTED EXPLANATORY NOTES FOR Q3 2012 (IFRS)

### NOTES TO THE INTERIM FINANCIAL STATEMENTS

The init group is an internationally active traffic telematics solution provider (telecommunications and IT, also known internationally as *Intelligent Transportation Systems* or *ITS*). The company's divisions are *Telematics and Electronic Fare Collection Systems*, *Planning Systems*, *Automotive* and *Driver Dispatch Systems*.

The quarterly financial statements for the period ending 30 September 2012 were prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements conform with IAS 34. The interim consolidated financial statements are denominated in euros. Unless otherwise indicated, all figures are rounded up to a full thousand (EUR k).

init AG is a publicly listed company (ISIN DE0005759807) whose shares have traded on the Regulated Market, subject to heightened requirements (Prime Standard) since 1 January 2003.

The interim group management report and consolidated financial statements dated 30 September 2012 were not audited. The interim financial statements for the third quarter were submitted to the Supervisory Board on 31 October 2012.

#### Principles of Accounting and Valuation

The interim financial report was prepared taking into account the same accounting policies that were also the basis of the consolidated financial statements as of 31 December 2011 and are explained in detail in its notes.

Also the regulations of IAS 40 were applied for the first time due to the purchase of the real estate at Kaeppelestrasse 8/8a and 10 with effect from 19 September 2012. The land and buildings that serve to generate rental income from third parties will be treated as investment property. The valuation is done by applying the cost method. Financial investments are depreciated on a straight line basis in accordance with their actual course of usage. Scheduled depreciation is basically undertaken on a straight line basis over a useful life of a maximum of 50 years and is contained in the position "Other operating expenses".

#### Group as lessor:

Leases where essentially not all opportunities and risks associated with the property are transferred from the group to the lessee are classified as an operating lease.

The rental relationships of the real estate named above represent operating leases.

Revenues are reported on a straight line basis over the term of the leases and are contained in the position "Other operating income". Direct costs that accrue during the negotiations and the conclusion of an operating lease are added to the carrying amount of the lease object and reported as expense over the lease term corresponding to the rental revenues.

#### Application of new accounting standards

The accounting standards to be used for the first time in the first nine months of 2012 had no material influence on our consolidated financial statements.

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

The amendment to IAS 12 means simplification of accounting procedures. It (refutably) assumes that the book value realised in full by its sale is always decisive for the measurement of deferred tax relating to investment property reported at the current market value. The standard applies for the first time to financial years commencing after 1 January 2012.

#### Amendment to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The standard applies for the first time to financial years commencing after 1 July 2011. The amendment removes the fixed adoption dates for derecognition of financial assets and liabilities. In addition, the amendment also clarifies how presentation of financial statements should be resumed in accordance with IFRS after a period in which the company was unable to comply fully with IFRS due to severe hyperinflation of its functional currency.

#### Amendment to IFRS 7 – Disclosures of the Transfer of Financial Assets

The revision outlines extensive new qualitative and quantitative requirements for transfers of financial assets that have not been derecognised, and for residual exposure as of the reporting date for transferred financial assets. The standard is applicable for the first time in the financial year starting after 1 July 2011.

## CONSOLIDATED GROUP

Name	Registered office	Share 30/09/2012	Share 31/12/2011
INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH ("INIT GmbH")	Karlsruhe	100 %	100 %
INIT Innovations in Transportation Inc. ("INIT Inc.")	Chesapeake/Virginia, USA	100 %	100 %
INIT Innovations in Transportation (Eastern Canada) Inc./INIT Innovations en Transport (Canada Est) Inc. ("Eastern Canada Inc.")	Montréal, Canada	100 %	100 %
INIT Innovations in Transportation (Western Canada) Inc. ("Western Canada Inc.")	Vancouver, Canada	100 %	100 %
INIT PTY LTD ("INIT PTY")	Brisbane/Queensland, Australia	100 %	100 %
Init Innovation in Traffic Systems FZE ("Init FZE")	Dubai, United Arab Emirates	100 %	100 %
initplan GmbH ("initplan")	Karlsruhe	100 %	100 %
INIT Innovations in Transportation Oy ("INIT Oy")	Helsinki, Finland	100 %	100 %
INIT Innovations in Transportation Limited ("INIT Ltd.")	Nottingham, Great Britain	100 %	100 %
INIT Swiss AG ("INIT Swiss")	Neuhausen, Switzerland	100 %	100 %
initperdis GmbH ("initperdis")*	Hamburg	100 %	100 %
INIT Asia-Pacific Pte. Ltd. („INIT Pte.“)	Singapore	100 %	–
CarMedialab GmbH ("CML")	Bruchsal	58.1 %	58.1 %
CarMedialab Corp. ("CML Corp.")	Marina del Rey/California, USA	58.1 % via CML	58.1 % via CML
TQA Total Quality Assembly LLC ("TQA")	Chesapeake/Virginia, USA	60 % via INIT Inc.	60 % via INIT Inc.
SQM Superior Quality Manufacturing LLC ("SQM")	Chesapeake/Virginia, USA	85.7 % via INIT Inc.	85.7 % via INIT Inc.
iris-GmbH infrared & intelligent sensors ("iris")	Berlin	43 % via INIT GmbH	43 % via INIT GmbH

\* id systeme GmbH was renamed initperdis GmbH in June 2012.

INIT Asia-Pacific Pte. Ltd. was founded on 29 September 2012, in Singapore. The cost of purchase will fall in the fourth quarter of 2012 and will amount to about SGD 200k (Singapore dollars). init AG is entitled to 100 per cent of the shares.

## INVENTORIES

Inventories were written down by EUR 694k (30/09/2011: impairment of EUR 320k). The expense is included under "Cost of revenues" on the income statement.

## MARKETABLE SECURITIES AND BONDS

Securities and bonds were written down by a total of EUR 11k, due to a lasting impairment (30/09/2011: EUR 62k).

## RECEIVABLES

Write-downs exist on the receivables in the amount of EUR 262k (30/09/2011: EUR 134k). Of this EUR 86k was charged against income in the first nine months (30/09/2011: EUR 58k).

## PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment consist mainly of the administration building at Kaeppelestrasse 4, two residential buildings, and office and technical equipment. Capital expenditures for replacement were made in the amount of EUR 1,298k (31/12/2011: EUR 1,543k). Sales of property, plant and equipment generated income of EUR 15k (30/09/2011: EUR 7k).

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 depreciated over a period of five years. The depreciation was undertaken the first time and as scheduled in the first quarter of 2012 and is contained under the cost of revenues, sales and marketing expenses and general administration expenses on the income statement.

## INVESTMENT PROPERTY

The property and buildings not used for operations within the meaning of IAS 40 "Investment property" are the newly acquired neighbouring properties at Kaeppelestrasse 8/8a and 10. The real estate has been let with a non-terminable lease until 31 December 2017. Investment property is valued at its acquisition costs plus incidental costs and is reported in the balance sheet with a carrying amount of EUR 6.3m.

Depreciation of the buildings occurs on a straight line basis over 50 years. The fair value in the amount of EUR 6.3m corresponds to the carrying amount, since the purchase price was only determined in the second half of the year and this was supported by an external expert opinion. The expert opinion on the market value was prepared on the basis of the income capitalisation approach.

There is no rental income from the real estate as at 30 September 2012, since the rental period did not begin until the end of the third quarter. Annual rental income of around EUR 320k will be generated as of January 2013.

There are no restrictions on the group with regard to the salability of the investment property and no contractual obligations to buy, create or develop investment properties. There are no contractual obligations beyond the legal obligations for repairs, maintenance and improvements.

## LIABILITIES

Liabilities are carried at amortised acquisition costs. The current liabilities to banks of EUR 1.2m essentially concern a current account loan with the American subsidiary INIT Inc., Chesapeake, as well as the short-term part of the real estate financing of Kaeppelestrasse 4, 8/8a and 10. The long-term liabilities to banks of EUR 3.8m (31/12/2011: EUR 1.0m) relate to the long-term part of the real estate financing of Kaeppelestrasse 4, 8/8a and 10. Liabilities to related parties totalled EUR 64k (31/12/2011: EUR 280k), representing trade payables to iris.

## SHAREHOLDERS' EQUITY

### Subscribed Capital

The capital stock consists of 10,040,000 no-par bearer shares with an imputed nominal value of EUR 1.00 per share. The shares have been issued and are fully paid up.

### Authorised Capital

At the annual shareholders' meeting on 24 May 2011, a resolution was passed to create capital to the amount of EUR 5,020,000. With the approval of 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 a single or repeated issuing of up to 5,020,000 ordinary shares against contributions in cash or in kind. The new shares are to be taken over by credit institutions that are obliged to offer them to investors for sale. However, with the approval of the Supervisory Board, the Managing Board is authorised to withdraw the pre-emptive rights to

- > issue up to 1,004,000 new shares at a price not substantially lower than the stock market value of the company shares at the time the issue price is specified,
- > balance out peak amounts,
- > enter additional capital markets,
- > acquire investments and acquire or merge with other companies or parts of companies by way of contribution as an investment in kind, and
- > transform up to 250,000 new shares into employee stock.

### Additional Paid-In Capital

On 30 September 2012 additional paid-in capital totalled EUR 5,608k, EUR 3,141k of which results from the premium on shares sold in the IPO share offering and capital increase conducted in financial year 2002. EUR 1,467k was allocated for share-based remuneration expenses recorded for the years 2005 to 2011 and EUR 924k for 2012. Upon transfer of shares for Managing Board members, EUR 438k was reversed from additional paid-in capital in 2012. Additional paid-in capital increased by EUR 514k through the sale of treasury stock in 2007.

### Treasury Stock

The treasury stock as of 1 Jan. 2012 totalled 101,537 shares.

Based on the resolution passed at the annual shareholders' meeting on 12 May 2010, the company is authorised to purchase treasury stock. The share buyback resolution for up to 20,000 shares was passed on 1 February 2012. In Q1 2012 2,200 shares were purchased at an average price of EUR 14.4955. The share buyback programme ended on 30 March 2012. In the course of the motivation scheme for directors, managing directors and high achievers, 32,592 shares with a qualifying period of five years were transferred in the first quarter of 2012. A further 1,000 shares were issued to employees within the scope of a bonus agreement without qualifying period. Furthermore, in the third quarter additional 11 shares were transferred to a qualifying period of two years. The treasury stock therefore totalled 70,134 shares as of 30 September 2012.

Treasury shares are carried at acquisition cost (cost method), at EUR 830k (31/12/2011: EUR 1,196k), and deducted from equity. Of the 70,134 shares with an imputed share in capital stock of EUR 70,134 (0.70%) held on 30 September 2012, 1,139 shares stemmed from the share offering in 2002, and 68,995 were purchased in stock buyback programmes. The shares were repurchased at an average price of EUR 11.84. The treasury stock was repurchased for use as consideration within the scope of mergers with companies or to acquire other companies or parts of companies or participations or, where required, to open up additional capital markets or to issue them to employees and / or members of the Managing Board.

## PAID DIVIDENDS

EUR '000

Dividend for 2010: 60 cents per share, distributed on 26 May 2011	5,990
Dividend for 2011: 80 cents per share, distributed on 18 May 2012	7,976

## CONTINGENT LIABILITIES/ASSETS

On 30 September 2012 the init group had no contingent liabilities or assets, as was the case on 31 December 2011.

## 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 is subject to many uncertainties, and the outcome of individual lawsuits cannot be reliably predicted.

The respective group companies have recognised provisions on the balance sheet for risks connected with litigation where events occurring prior to the balance sheet date are concerned that probably will result in a liability, the amount of which can be estimated with sufficient reliability.

Based on our assessment, no other negative impact is to be expected that would have a sustained effect on the init group's balance sheet or earnings.

## 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".



EUR '000	Associated companies		Other related parties and persons	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Trade accounts receivable and other income	12	0	0	0
Trade accounts payable and other expenses	1,806	983	356	302
	<b>30/09/2012</b>	<b>31/12/2011</b>	<b>30/09/2012</b>	<b>31/12/2011</b>
Receivables	70	70	61	61
Payables	64	280	0	0

### Associated Companies

Amounts owed by related parties include loans totalling EUR 68k (31/12/2011: EUR 68k) to iris. These are reported on the balance sheet as non-current assets.

The other amount of EUR 2k concerns trade receivables from iris (31/12/2011: EUR 2k). As these are due in less than one year, they are reported as current assets on the balance sheet.

Amounts owed to related parties represent trade payables and are due in less than one year. The amount of EUR 64k concerns iris (31/12/2011: EUR 280k). These are reported on the balance sheet as current liabilities.

### Other Transactions with Related Parties

INIT GmbH rents its office building in Karlsruhe from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG. Monthly rent payments total approximately

EUR 40k (annual payments of EUR 475k). The rent amount is contractually fixed until 30 June 2026. Up to 30 June 2011 the annual rent amount was EUR 366k. A security deposit of EUR 61k has also been provided for the office building in Karlsruhe. Remuneration of EUR 72k for family members of a Managing Board member was recorded as personnel expenses.

### Pricing in Transactions with Related Parties

Sales to and purchases from related parties are transacted at market prices. No guarantees are in place for receivables from or liabilities to related parties. For the year ended 30 September 2012 the group recognised no valuation allowances for receivables from related parties.

Karlsruhe, 9 November 2012

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), automotive (analysis systems for the car industry) and driver dispatch systems.

1 January 2012 to 30 September 2012	Telematics and Electronic Fare Collection Sys.	Other	Eliminations and adjustments	Consolidated
EUR '000				
<b>Revenues</b>				
With third parties	60,870	3,578	0	64,448
With other segments	651	1,898	-2,549	0
<b>Total revenues</b>	<b>61,521</b>	<b>5,476</b>	<b>-2,549</b>	<b>64,448</b>
<b>EBIT</b>	<b>11,243</b>	<b>-375</b>	<b>-129</b>	<b>10,739</b>
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
R&D costs	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 properties*	8,523	151	0	8,674
<b>31/12/2011</b>				
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

\* Investment properties are held since Q3/2013 due to protection of our location.

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”, “Automotive” and “Driver Dispatch Systems”. The “Planning Systems”, “Automotive” and “Driver Dispatch Systems” 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 2011 to 30 September 2011	Telematics and Electronic Fare Collection Sys.	Other	Eliminations and adjustments	Consolidated
EUR '000				
<b>Revenues</b>				
With third parties	52,377	2,851	0	55,228
With other segments	1,187	1,098	-2,285	0
<b>Total revenues</b>	<b>53,564</b>	<b>3,949</b>	<b>-2,285</b>	<b>55,228</b>
<b>EBIT</b>	<b>11,399</b>	<b>112</b>	<b>-157</b>	<b>11,354</b>
Segment assets	93,530	3,854	-3,225	94,159
Segment liabilities	44,494	2,365	-1,934	44,925
Interest income	158	2	-5	155
Interest expenses	168	15	5	188
Scheduled depreciation	1,633	108	0	1,741
Cost of revenues	31,749	2,303	-1,983	32,069
R&D costs	1,351	841	0	2,192
Foreign currency gains (+) and losses (-)	107	-21	0	86
Share in profit of associated companies	236	0	0	236
Income tax	3,051	-5	0	3,046
Value impairments	453	0	0	453
Share in associated companies	2,241	0	0	2,241
Investments in tangible and intangible assets	1,519	214	0	1,733
<b>31/12/2010</b>				
Segment assets	83,355	3,586	-2,520	84,421
Segment liabilities	37,224	2,006	-1,476	37,754
Share in associated companies	2,221	0	0	2,221

## GEOGRAPHICAL INFORMATION

### Revenues with external customers

EUR '000	01/01–30/09/2012	%	01/01–30/09/2011	%
Germany	15,112	23.5	20,158	36.5
Rest of Europe	9,050	14.0	11,509	20.8
North America	29,844	46.3	21,529	39.0
Other countries (Australia, UAE)	10,442	16.2	2,032	3.7
<b>Group total</b>	<b>64,448</b>	<b>100.0</b>	<b>55,228</b>	<b>100.0</b>

Revenues based on customer's location.

### Non-current assets

EUR '000	30/09/2012	%	31/12/2011	%
Germany	24,403	92.6	10,406	88.2
Rest of Europe	237	0.9	196	1.6
North America	1,361	5.4	1,084	9.2
Other countries (Australia, UAE)	276	1.1	116	1.0
<b>Group total</b>	<b>25,277</b>	<b>100.0</b>	<b>11,802</b>	<b>100.0</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS) as of 30 September 2012 (unaudited)

EUR '000	Attributable to equity holders			
	Subscribed capital	Additional paid-in capital	Surplus reserves and Consolidated unappropriated profit	Treasury stock
<b>Status as of 31/12/2010</b>	10,040	4,793	32,565	-660
Net profit			8,253	
Other comprehensive income				
<b>Total comprehensive income</b>			8,253	
Dividend paid out			-5,990	
Share-based payments		71		268
Acquisition of treasury stock				-418
Rounding difference				
<b>Status as of 30/09/2011</b>	<b>10,040</b>	<b>4,864</b>	<b>34,828</b>	<b>-810</b>
<b>Status as of 31/12/2011</b>	10,040	5,122	41,590	-1,196
Net profit			7,405	
Other comprehensive income				
<b>Total comprehensive income</b>			7,405	
Dividend paid out			-7,976	
Share-based payments		486		398
Acquisition of treasury stock				-32
Rounding difference			-1	
<b>Status as of 30/09/2012</b>	<b>10,040</b>	<b>5,608</b>	<b>41,018</b>	<b>-830</b>

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			
-146	-233	38	46,397		270	46,667
			8,253		22	8,275
	529	-167	362			362
	529	-167	8,615		22	8,637
			-5,990			-5,990
			339			339
			-418			-418
					-1	-1
-146	296	-129	48,943		291	49,234
-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		1	0
-229	752	6	56,365		97	56,462

## FINANCIAL CALENDAR AND IMPRINT

Date	Event
13 November 2012	Analyst Conference in Frankfurt
28 March 2013	Publication Annual Report 2012 and Press Conference in Frankfurt
16 Mai 2013	General Annual Meeting 2013, Karlsruhe

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Avenue Images (Cover)

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## FIVE-YEAR FINANCIAL SUMMARY OF THE INIT GROUP

### IFRS

EUR '000	2011	2010	2009	2008	2007
<b>Balance Sheet</b>					
Balance sheet total	109,756	84,421	71,610	57,951	44,475
Shareholders' equity	56,938	46,667	38,977	31,596	26,688
Subscribed capital	10,040	10,040	10,040	10,040	10,040
Equity ratio (in %)	51.9	55.3	54.4	54.5	60.0
Return on equity (in %)	26.4	21.5	21.3	18.7	20.0
Non-current assets	19,806	13,484	14,297	15,186	13,424
Current assets	89,950	70,937	57,313	42,765	31,051
<b>Income Statement</b>					
Revenues	88,736	80,913	64,955	55,993	46,767
Gross profit	36,294	27,292	23,037	17,224	16,542
EBIT	20,430	15,085	11,754	8,597	7,228
EBITDA	22,891	17,592	14,157	10,169	8,543
Net profit	15,057	10,014	8,314	5,912	5,326
Earnings per share (in EUR)	1.51	1.00	0.84	0.60	0.54
Dividend (in EUR)	0.80	0.60	0.30	0.16	0.14
<b>Cash Flow</b>					
Cash flow from operating activities	17,433	14,615	5,570	7,146	-2,617
<b>Share</b>					
Issue price (in EUR)	5.10	5.10	5.10	5.10	5.10
Peak share price (in EUR)	19.99	15.89	11.30	8.80	9.40
Bottom share price (in EUR)	13.06	9.15	4.75	4.45	6.83

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