

Interim Report 1/2014

init
The Future of Mobility

Points of contact Discover technology



Creating points of contact

To experience modern technologies and discover how they make life easier is possible at all points of contact where people get in touch with technology. init's intelligent solutions ensure that these points of contact are optimally designed. Passengers benefit from easy ticketing and real-time information on different media. State-of-the-art

on-board computers facilitate the work of drivers while operators can optimally manage buses and trains and deploy capacity precisely. This is why init's integrated systems stand for what public transport companies around the world today strive to achieve: service and efficiency.

Group key figures according to IFRS

EUR '000	2014	2013	Change in %
Balance Sheet (31/03)			
Balance sheet total	118,553	110,536	7.3
Shareholders' equity	62,151	60,132	3.4
Subscribed capital	10,040	10,040	0.0
Equity ratio (in %)	52.4	54.4	
Return on equity (in %)	0.3	1.2	
Non-current assets	28,526	28,343	0.6
Current assets	90,027	82,193	9.5
Income Statement (01/01 – 31/03)			
Revenues	19,024	16,993	12.0
Gross profit	4,912	5,427	-9.5
EBIT	316	1,066	-70.4
EBITDA	1,022	1,700	-39.9
Consolidated net profit	161	705	-77.2
Earnings per share (in EUR)	0.02	0.08	-76.0
Dividend (in EUR)	0.80	0.80	0.0
Cash Flow			
Cash flow from operating activities	475	1,184	-59.9
Share			
Issue price (in EUR)	5.10	5.10	
Peak share price (in EUR)	25.80	26.89	-4.1
Bottom share price (in EUR)	22.27	21.41	4.0

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)
Former 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	3,371,100*	Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	–
Joachim Becker, COO	342,083	Hans-Joachim Rühlig	–
Wolfgang Degen, COO	46,600	Drs. Hans Rat	–
Dr. Jürgen Greschner, CSO	97,100		
Bernhard Smolka, CFO	29,600		

* thereof 3,330,000 shares held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG

Revenues Q1

in million EUR

31/03/2014	19.0	
31/03/2013	17.0	

Order backlog

in million EUR

31/03/2014	152	
31/03/2013	178	

EBIT Q1

in million EUR

31/03/2014	0.3	
31/03/2013	1.1	

Balance sheet total

in million EUR

31/03/2014	118,6	
31/03/2013	110,5	

Letter to the Shareholders

**Dear Ladies and Gentlemen,
dear Shareholders,**

The recent eruption of the crisis in Crimea has once again made clear just how quickly parameters and framework conditions for the global economy can change. As present, nobody is able, or has even tried, to quantify the precise impact of this conflict on our economic lives. Yet one thing is clear: risk potential for the global economy has increased again.

In this environment, only very few companies are in a position to make exact projections with confidence. Capital market experts constantly remind us of this, but are also critical – as we have recently seen in the analysis of DAX companies' annual reports – when projections turn out to be incorrect.

We, the Managing Board of init innovation in traffic systems AG, must also act in this environment and have to solve this dilemma as best we can. We do so usually with more, but occasionally with less, success – as we, too, are as yet unable to predict future events.

However, in projecting the future performance of our business, we have two crucial advantages over other companies. The first is that the share of maintenance and service orders from long-standing customer relationships is rising and today accounts for around a quarter of total revenues. The second is that the order backlog stretches to over a year. In fact, at present it spans 1.5 years. This means business performance and prospects can also be planned over an equivalent period.

Accordingly, we can say today, after the first quarter of 2014, that init is preparing for further growth even after the record revenues of EUR 100 million in 2013.

At over EUR 29 million as at the end of March, incoming orders are again considerably higher than revenues, and with the major ticketing project in Portland (US), we again have a reference project for a new market segment in North America. As a result, we have already achieved a significant proportion of projected new orders (EUR 105 million) for 2014.

Quarterly revenues, which are above forecasts, have been accompanied by lower-than-expected earnings. This is caused by the structure of the projects invoiced. Thus strengthened revenues were generated with projects, which have lower margins due to third-party interest.

However, as things normalise, we currently expect to be able to make this up over the further course of the year and therefore also expect to achieve our 2014 targets.

Taking account of the uncertainties set out above, we believe it appropriate to specify a target corridor: we anticipate revenues of between EUR 103 and 107 million and operating profit (EBIT) of between EUR 17 and 19 million.

As a leading provider of integrated solutions for transport telematics, we of course also wish to continue to participate over the long term in the continued growth trend evident in our market. We see particular opportunities for further growth over the next few years in existing catch-up demand for new technologies in public transport as well as in Asia.

You, as our shareholders, should also continue to benefit from these prospects with an attractive dividend and corresponding price performance by the init stock. Rest assured, we will do all within our power to achieve this.

Thank you for the trust 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

Waiting for momentum

The init innovation in traffic systems AG (ISIN DE0005759807) share moved broadly in line with the German stock market in the first quarter of 2014. After a promising start, with price gains testing the all-time high, sentiment deteriorated. This was due to political uncertainty resulting from the Crimea crisis and to the strong euro with its consequences for German exports. The result was that the share price remained flat, and even dipped slightly in March. It was not until the end of the reporting period that prices began to rise across the board.

Compared with year-end 2013, the init share was trading marginally higher at EUR 23.42 at the end of March 2014. The German stock index (DAX) also rose by barely 1 per cent over this period, whilst the leading German technology stock index, the TecDAX, climbed around 7 per cent over the reporting period due to catch-up effects.

Over the reporting period, analysts permanently covering the company rated the init share as a Buy on account of its growth prospects. The current price targets are between EUR 24 and EUR 30.

Dividend of EUR 0.80 proposed once again

In view of this outlook, the init Managing Board wishes to continue with its current dividend policy and again allow shareholders to participate appropriately in the year's performance. For the financial year ended, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 15 May that the distribution of EUR 0.80 per dividend-bearing share be maintained.

To this end, EUR 8,021,137.60 will be distributed from the balance sheet profit of EUR 19,374,145.81 in 2013, with the remainder carried forward.

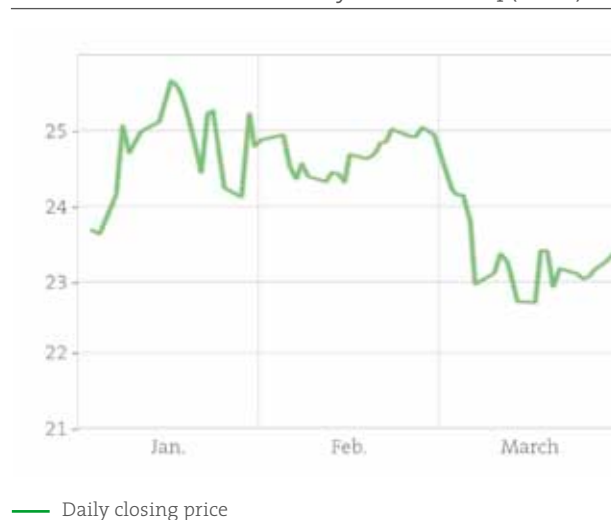
Changes in the Supervisory Board

After 13 very successful years of service, the long-standing Chairman of the Supervisory Board Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau will retire from his position on 30 June 2014 of his own volition. Dr. Gottfried Greschner had previously been elected at the Annual General Meeting of 2011 to succeed Prof. Dr. Girnau on the Supervisory Board. However, since Dr. Greschner has chosen to remain on the

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 31 March 2014)	EUR 235.1m

Performance init-share January to March 2014 (Xetra)

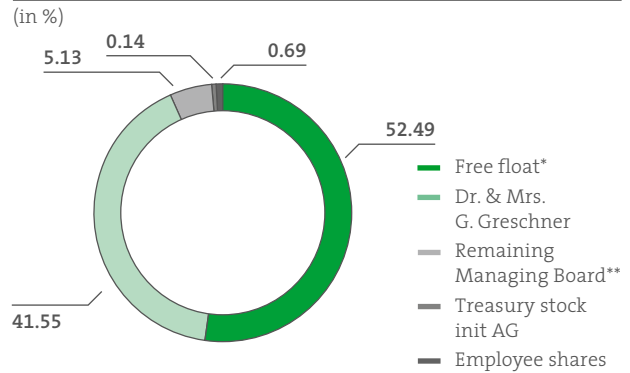


Managing Board, he is unable to sit on the Supervisory Board. Accordingly, a new member of the Supervisory Board is to be elected at the Annual General Meeting on 15 May 2014 to take up office from 1 July 2014.

The Supervisory Board now proposes that Dipl. Ing. Ulrich Sieg, until 30 June 2014 a member of the Managing Board of Hamburger Hochbahn AG, be appointed as a new member of the Supervisory Board. If elected, he will take up his position on the Supervisory Board of init innovation in traffic systems AG on 1 July 2014.

Hans-Joachim Rühlig intends to stand as candidate for Chairman of the Supervisory Board of init innovation in traffic systems AG. The election of the new Chairman of the Supervisory Board will take place on 1 July 2014.

Shareholder structure as of 31 March 2014



* By definition of the German Stock Exchange the free float of init AG is 56.79%

** thereof 4.30% are included in the Free float

Greater liquidity in the share

In order to create greater liquidity for the share, major shareholder Dr. Gottfried Greschner sold 70,000 init shares in mid-January. Apart from this, there were no notable changes in shareholder structure for init innovation in traffic systems AG over the reporting period. Shareholdings as at 31 March 2014 are as shown in the diagram.

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

Group Status Report

Economic environment

The conflict between Russia, Ukraine and Western industrialised nations is weighing on global economic growth prospects. In its most recent economic outlook (April 2014), the International Monetary Fund (IMF) forecast robust growth for the global economy, though also warned of “new geopolitical risks” from the conflict. According to the report, further escalation could have a considerably negative impact on the region as well as on the flow of financial transactions and trade with the West.

Although the acute risks from the sovereign debt and financial crisis have diminished, IMF experts still believe the state of the global economy to be fragile. In principle, the IMF expects the rebound in the global economy to strengthen in 2014-2015. Further, it expects global economic output to grow by 3.6 per cent in 2014 (2013: 3.0 per cent). It then anticipates growth of 3.9 per cent in 2015.

The IMF views the US and the emerging Asian economies, two key markets for the growth prospects of init, as motors for this expansion. It expects the US economy to grow by 2.8 per cent in 2014 and by 3.0 per cent in 2015.

The economic recovery in Asia will also gain momentum this year and next, according to the IMF, triggered by increased exports and stable domestic demand. For the region of China, Hong Kong, South Korea and Taiwan, the IMF expects average annualised growth of 6.8 per cent for 2014 and 6.7 per cent for the next year.

Sector-specific performance

Population growth, increasing urbanisation, impending traffic gridlocks and higher petrol costs are leading to rising demand for public transport services. In order to cope with the rapidly growing demand for mobility and minimise the impact on the environment, investments of billions in intelligent traffic systems are required. There is a growing willingness to expand public transport in many countries and regions. Another current trend is the replacement of hardware and the upgrading of software in telematics systems that are now rather old.

However, many countries are also under pressure to consolidate their public finances, so that funding for the expansion of infrastructure is not or is no longer available in certain countries due to their weak economic position. This may also lead to funding being cut. By and large, though, there have been no major negative effects due to budget cuts. In individual cases, tenders which have already been announced have been postponed, though this has generally been compensated by new tenders in other regions.

Economic basis of the group

The economic basis of the group as stated in the Group Status Report 2013 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 first three quarters are usually weaker and the fourth the strongest.

In the first quarter of 2014, the init group increased revenues by around 12 per cent year-over-year. However, earnings fell short of plan. While revenues exceeded our planning, earnings were well below what we budgeted. This is attributable to the increased completion of low-margin projects and projects with a high share of third-party contractors. The profit margin should, however, improve over the following quarters as a result of incoming orders.

Orders

Overall, init had incoming orders of EUR 29.4m in the first quarter (Q1 2013: EUR 15.9m). The high number of incoming orders was primarily attributable to the newly acquired ticketing project in Portland and from maintenance contracts.

The ticketing project in Portland comprises the delivery of an account-based fare management system which supports both Closed Loop Cards and Open Payments. It includes a comprehensive central processing module, more than 1,100 on-board and platform validators combined; 90 mobile inspection devices, and approximately 100 retail POS units. init will also provide customer web portals and an initial 1,300,000 contactless smart cards.

The order backlog as of 31 March 2014 was approximately EUR 152m, below the EUR 178m for the same date one year ago. The order backlog is around one and a half times annual revenues.

Of the incoming orders, EUR 26.1m (Q1 2013: EUR 12.7m) is attributable to the “Telematics and Electronic Fare Collection Systems” segment and EUR 3.3m (Q1 2013: EUR 3.2m) to the “Other” segment.

We believe our target of EUR 105m for incoming orders in 2014 is attainable. However, this depends both on whether we win more of the large tenders in which we

are currently participating and whether the resulting orders are placed this year.

Earnings position

Revenues of EUR 19m (Q1 2013: EUR 17m) were generated in the first quarter of 2014.

Breakdown of revenues by region for the first three months:

in million EUR	01/01-31/03/2014	%	01/01-31/03/2013	%
Germany	5.5	29.0	3.7	21.9
Rest of Europe	4.3	22.8	2.8	16.1
North America	8.3	43.5	8.6	50.7
Other countries (Australia, UAE)	0.9	4.7	1.9	11.3
Group total	19.0	100.0	17.0	100.0

Revenues based on customer's location.

Group revenues came in at EUR 19m in the first three months of the year (Q1 2013: EUR 17m). Of this, EUR 17.7m was contributed by the "Telematics and Electronic Fair Collection Systems" segment (Q1 2013: EUR 15.8m), which corresponds to around 93 per cent (Q1 2013: around 93 per cent). The "Other" segment, which includes Planning Systems, Driver Dispatch Systems and Automotive, generated revenues with third parties in the amount of EUR 1.3m (Q1 2013: EUR 1.2m). This is 7 per cent (Q1 2013: around 7 per cent) of group revenues. Group revenues were therefore modestly above our plan as of the end of March.

At EUR 0.3m, **earnings before interest and taxes (EBIT)** were considerably lower compared to the first quarter of 2013 (EUR 1.1m) and fell short of our expectation due to lower profit margins and projects with higher share of third-party contractors as well as the effects explained below.

The "Telematics and Electronic Fare Collection Systems" segment contributed EUR 0.6m (Q1 2013: EUR 1.1m) and the "Other segment" contributed EUR -0.3m (Q1 2013: EUR -0.1m).

The **gross profit** is EUR 4.9m and therefore EUR 0.5m lower than in the previous year (EUR 5.4m). The reason for this is the rise in the production cost of revenues resulting from a change to the mix of projects invoiced. The first quarter of 2014 contained more projects with lower contribution margins due to higher share of third-party contractors.

Sales and administrative expenses were slightly below the prior-year level at EUR 38k.

Research and development costs increased by EUR 0.2m year-over-year to EUR 0.9m as a result of activities in ticketing and the development of a stationary vending machine.

Foreign currency gains of EUR 28k resulted primarily from the revaluation of accounts receivable on the balance sheet date, in particular from the US dollar (Q1 2013: losses of EUR 0.2m).

Net interest income (balance of interest income and interest expenses) is EUR -86k (Q1 2013: EUR -65k). Interest expenses are incurred primarily from interest on real estate financing at the Karlsruhe location as well as from overdraft loans taken by the subsidiaries.

Net profit as of 31 March 2014 was EUR 0.2m (Q1 2013: EUR 0.7m), representing earnings per share of EUR 0.02 (Q1 2013: EUR 0.08).

Total comprehensive income as of 31 March 2014 was EUR 0.2m (Q1 2013: EUR 2.4m). In addition to lower consolidated earnings, the total comprehensive income includes considerably diminished gains from currency translation in comparison to the previous year. This is essentially accounted for by exchange rate devaluations for the US dollar.

Net assets and financial position

Balance sheet total increased by EUR 0.3m compared to 31 December 2013 to EUR 118.6m and is therefore slightly higher than it was last year.

Operating cash flow deteriorated in the first quarter compared to the previous year mainly due to the reduction of advance payments received and trade accounts payable as well as the decline of other non-cash expenses and income. This was offset by a reduction of receivables and the structure of other liabilities not attributable to investing or financing activities and an increase in provisions. At the end of the reporting period the operating cash flow stood at EUR 0.5m (Q1 2013: EUR 1.2m) and is expected to increase over the next months as a result of payment receipts for major projects.

Cash flow from investment activities is EUR -0.8m (Q1 2013: EUR -1.2m) and results primarily from payments for the new building project in Kaepfelstrasse as well as from replacement and expansion investments.

Total equity is EUR 62.2m and is thus higher than in the previous year (Q1 2013: EUR 60.1m). The **equity ratio** is therefore 52.4 per cent (Q1 2013: 54.4 per cent).

Short and long-term liabilities to banks are EUR 11.1m (31 December 2013: EUR 11.0m) and mainly relate to real estate financing.

Liquid assets, including short-term securities and bonds, amount to EUR 25.4m in the reporting period (31 December 2013: EUR 25.6m) and are thus just slightly below the previous year. Over the further course of business, this item will fall considerably due to expenditures for the new building and the dividend payment.

As a result of impending hardware deliveries in the second quarter, **inventories** have risen by EUR 3m compared to 31 December 2013 to EUR 15.6m.

Available **guarantees and credit lines** continue to provide secure financing for business activities and their expansion.

Personnel

The init group employed 454 staff as of 31 March 2014 (Q1 2013: 434) including temporary workers, research assistants and students. Another 19 (Q1 2013: 19) are in apprenticeship.

Annual average number of employees by region:

	<u>31/03/2014</u>	<u>31/03/2013</u>
Employees in Germany	357	349
Employees in the rest of Europe	6	4
Employees in North America	71	66
Employees in other countries	20	15
Total	454	434

Opportunities and risks

The opportunities and risks described in the Annual Report 2013 (p. 41 et seq) remain unchanged. Appropriate provision has been made for all recognisable risks. In our opinion, there are no risks jeopardising the continued existence of the company.

Demands were made of us under an international cooperation agreement. We do not believe these demands are justified. The provision formed for this purpose in the 2011 financial year was retained. Our general contractor has

failed to transfer to us approximately EUR 2m of payments by an end-user arising under this cooperation agreement. The claim is being legally pursued by init. There is a risk that claims may have to be forfeited. Corresponding risk provisions were established for this purpose in 2012.

Activities are currently underway to improve the revenue and profit of CarMedialab GmbH, Bruchsal. However, the effectiveness of these measures cannot be guaranteed in the future. If the planned growth is not achieved, an impairment of goodwill amounting to EUR 0.2m will have to be recognised. Further losses cannot be excluded.

Projects in France and Finland have a signal effect for future tenders in these countries and improve growth prospects there. We still expect our activities in the Asia-Pacific region to spark further growth.

In the United States, we have won our second ticketing project with Portland. This provides us with references for further tenders in the ticketing business in North America. Over the next 10 years, we see considerable market potential here.

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 18.

Forecast and outlook

After recording record revenues of over EUR 100m in 2013, init is now preparing for further growth. The order backlog of EUR 152m as of the end of March 2014 stretches to around 1.5 years.

Now that the first quarter is over, we believe our incoming orders target of EUR 105m for 2014 is attainable. However, this depends on whether, after Portland, we win more of the large tenders in which we are currently participating and whether the resulting order is placed this year.

Based on this premise, and assuming that the orders can be processed as planned and that exchange rates do not decrease significantly, init should also conclude the 2014 financial year successfully.

For 2014, we anticipate revenues of between EUR 103m and EUR 107m with an operating profit (EBIT) between EUR 17m and EUR 19m. Insofar as further major orders can be acquired, init should be able to continue on this growth course in 2015 as well.

We see particular opportunities for further growth over the next few years in existing pent-up demand for new technologies in public transport and in Asia. The Asian markets are now opening up for international tenders, and at the same time higher requirements for technology provide new growth opportunities in public transport. As a leading provider of integrated solutions for transport telematics, init wants to participate in this growth over the long term.

Karlsruhe, 9 May 2014


The Managing Board



Dr. Gottfried Greschner



Joachim Becker



Wolfgang Degen



Dr. Jürgen Greschner



Bernhard Smolka

Consolidated Income Statement (IFRS)

from 1 January 2014 to 31 March 2014 (unaudited)

EUR '000	01/01 to 31/03/2014	01/01 to 31/03/2013
Revenues	19,024	16,993
Cost of revenues	-14,112	-11,566
Gross profit	4,912	5,427
Sales and marketing expenses	-2,624	-2,611
General administrative expenses	-1,406	-1,381
Research and development expenses	-899	-723
Other operating income	372	504
Other operating expenses	-99	-50
Foreign currency gains and losses	28	-181
Income from associated companies	32	65
Other income and expenses	0	16
Earnings before interest and taxes (EBIT)	316	1,066
Interest income	11	66
Interest expenses	-97	-126
Earnings before taxes (EBT)	230	1,006
Income taxes	-69	-301
Net profit	161	705
thereof attributable to equity holders of parent company	192	758
thereof non-controlling interests	-31	-53
Net profit and diluted net profit per share in EUR	0.02	0.08
Average number of floating shares	10,004,179	9,994,790

Consolidated Statement of Comprehensive Income (IFRS)

from 1 January 2014 to 31 March 2014 (unaudited)

EUR '000	01/01 to 31/03/2014	01/01 to 31/03/2013
Net profit	161	705
Items to be reclassified to the income statement		
Changes on currency translation	5	1,693
Total Other comprehensive income	5	1,693
Total comprehensive income	166	2,398
thereof attributable to equity holders of the parent company	197	2,451
thereof non-controlling interests	-31	-53

Consolidated Balance Sheet (IFRS)

as of 31 March 2014 (unaudited)

Assets

EUR '000	31/03/2014	31/12/2013
Current assets		
Cash and cash equivalents	25,175	25,446
Marketable securities and bonds	177	153
Trade accounts receivable	13,429	17,170
Future receivables from production orders ("Percentage-of-Completion-Method")	32,456	31,933
Inventories	15,558	12,598
Income tax receivable	1,144	97
Other current assets	2,088	2,718
Current assets, total	90,027	90,115
Non-current assets		
Tangible fixed assets	9,884	9,470
Investment property	6,239	6,257
Goodwill	4,388	4,388
Other intangible assets	2,585	2,818
Interest in associated companies	1,920	1,888
Deferred tax assets	1,587	1,548
Other assets	1,923	1,829
Non-current assets, total	28,526	28,198
Assets, total	118,553	118,313

Liabilities and shareholders' equity

EUR '000	31/03/2014	31/12/2013
Current liabilities		
Bank loans	2,310	1,942
Trade accounts payable	7,625	8,948
Accounts payable of "Percentage-of-Completion-Method"	4,674	5,339
Accounts payable due to related parties	180	55
Advance payments received	1,027	1,287
Income tax payable	370	380
Provisions	8,305	8,298
Other current liabilities	11,588	9,823
Current liabilities, total	36,079	36,072
Non-current liabilities		
Bank loans	8,772	9,050
Deferred tax liabilities	5,019	4,992
Pensions accrued and similar obligations	5,856	5,431
Other non-current liabilities	676	676
Non-current liabilities, total	20,323	20,149
Shareholders' equity		
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,352	5,962
Treasury stock	-260	-763
Surplus reserves and consolidated unappropriated profit	48,977	48,785
Other reserves	-1,991	-1,996
	62,118	62,028
Non-controlling interests	33	64
Shareholders' equity, total	62,151	62,092
Liabilities and shareholders' equity, total	118,553	118,313

Consolidated Cash Flow Statement (IFRS)

from 1 January 2014 to 31 March 2014 (unaudited)

EUR '000	01/01 to 31/03/2014	01/01 to 31/03/2013
Cash flow from operating activities		
Net income	161	705
Depreciation	706	634
Gains on the disposal of fixed assets	-16	0
Change of provisions and accruals	432	-829
Change of inventories	-2,960	-2,552
Change in trade accounts receivable and future receivables from production orders (PoC)	3,218	4,516
Change in other assets, not provided by / used in investing or financing activities	-511	-1,300
Change in trade accounts payable	-1,323	-640
Change in advanced payments received and liabilities from PoC method	-925	2,076
Change in other liabilities, not provided by / used in investing or financing activities	1,880	-2,901
Amount of other non-cash income and expenses	-187	1,475
Net cash from operating activities	475	1,184
Cash flow from investing activities		
Inflows from sales of tangible fixed assets	35	11
Investments in tangible fixed assets and other intangible assets	-877	-1,224
Investment property	-4	0
Net cash flows used in investing activities	-846	-1,213
Cash flow from financing activities		
Payments received from bank loans incurred	368	0
Redemption of bank loans	-278	-41
Net cash flows used in financing activities	90	-41
Net effects of currency translation and consolidation changes in cash and cash equivalents	10	52
Decrease in cash and cash equivalents	-271	-18
Cash and cash equivalents at the beginning of the period	25,446	20,329
Cash and cash equivalents at the end of the period	25,175	20,311

Selected Explanatory Notes for Q1 2014 (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. init AG is a listed company, ISIN DE0005759807, and has been in the regulated market (Prime Standard) since 1 January 2003.

The interim financial statements as at 31 March 2014 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. The interim group status report and interim consolidated financial statements as at 31 March 2014 have not been audited. The interim financial statements for the first quarter were submitted to the Supervisory Board on 30 April 2014.

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 2013, 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 2014 did not have any significant impact on our consolidated financial statements.

Standard	Title
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendment to IFRS 10, IFRS 11 and IFRS 12	Transitional provisions
Amendment to IFRS 10, IFRS 12 und IAS 27	Investment companies
IAS 27	Separate Financial Statements (revised 2011)
IAS 28	Investments in Associates and Joint Ventures (revised 2011)
Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

Consolidated group

There were no changes to the consolidated group as at 31 December 2013.

Inventories

Inventory write-downs amounted to EUR 103k (31/03/2013: EUR 238k). The charge is included under cost of revenues in the income statement.

Marketable Securities and Bonds

Securities and bonds were written down by EUR 0k (31/03/2013: EUR 23k) due to a value impairment.

Receivables

Write-downs on receivables came to EUR 953k (31/03/2013: EUR 778k). EUR 59k was booked to the income statement in the current financial year (31/03/2013: EUR 17k).

Property, Plant, Equipment and Intangible Assets

Property, plant and equipment essentially refer to the administration building at Kaeppelestrasse 4, two residential buildings leased to employees, and office and technical equipment. Capital expenditure for replacement stood at EUR 285k (31/03/2013: EUR 499k). The scheduled depreciation totalled EUR 684k (31/03/2013: EUR 612k). Sales of property, plant and equipment generated profit of EUR 17k (31/03/2013: EUR 11k). Advance payments totalling EUR 468k (31/12/2013: EUR 657k) were made towards the 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 80k as at 31 March 2014 (31/03/2013: EUR 80k). The corresponding depreciation was EUR 22k (31/03/2013: EUR 29k).

Liabilities

Liabilities are carried at amortised acquisition cost. The current liabilities to banks of EUR 2.3m (31/12/2013: EUR 1.9m) mainly 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 8.8m (31/12/2013: EUR 9.1m) relate to the long-term part of the real estate financing.

Shareholders' Equity

Subscribed Capital

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

Authorised Capital

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

- > issue up to 1,004,000 new shares at a price not substantially lower than the stock market price of the company shares when the issue price is determined
- > to balance out peak amounts,
- > to open up additional capital markets
- > to acquire investments and to acquire or merge with other companies or parts of companies by way of a non-cash investment and
- > to turn up to 250,000 new shares into employee shares.

Additional Paid-In Capital

As at 31 March 2014, additional paid-in capital was EUR 5,352k, comprising EUR 3,141k from the premium on shares sold in the IPO and the 2002 capital increase. A further EUR 2,307k was allocated for employee share scheme expenses for the years 2005 to 2013. EUR 610k was reversed following the share transfer to members of the Managing Board and key personnel in 2014. Additional paid-in capital was increased by EUR 514k through the sale of treasury stock in 2007.

Treasury Stock

As at 1 January 2014, treasury stock comprised 39,918 shares. In the first quarter of 2014, 26,340 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 13,578 shares as at 31 March 2014.

Treasury stock is valued at acquisition cost (cost method) at EUR 260k (31/12/2013: EUR 763k) and deducted from shareholders' equity. As at 31 March 2014 the 13,578 shares have an imputed share in capital stock of EUR 13,578 (0.13 per cent). The average repurchase price was EUR 19.13 per share. Treasury stock was purchased for use as a consideration in mergers and acquisitions of other companies or parts of companies, to gain access to new capital markets, or to be issued to staff or members of the Managing Board.

Paid and Proposed Dividends

EUR '000	
Dividend for 2012: 80 cents per share, distributed on 17 May 2013	8,016
Dividend on ordinary shares for 2013 proposed for approval at the 2014 shareholders' meeting: 80 cents per share	8,021

Contingent Liabilities/Assets

The init group had no contingent liabilities or assets as at 31 March 2014 or 31 December 2013.

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 of the financial instruments of the group reported in the balance sheet on 31 March 2014 compared to 31 December 2013 and shows their classification in appropriate measurement categories according to IAS 39.

EUR '000	31/03/2014	31/12/2013
ASSETS		
Loans and receivables	71,638	75,062
Cash and cash equivalents	25,175	25,446
Trade accounts receivable	13,429	17,170
Future receivables from production orders	32,456	31,933
Other assets (current)	376	376
Other assets (non-current)	202	137
Financial assets available for sale	177	153
Securities and bond issues	177	153
Financial assets reported at fair value through profit or loss	425	875
Derivative financial assets	425	875
LIABILITIES		
Financial liabilities recognised at cost	20,883	20,824
Bank loans (current and non-current)	11,082	10,992
Trade accounts payable	7,625	8,948
Liabilities to related parties	180	55
Other liabilities (current)	1,320	153
Other liabilities (non-current)	676	676
Financial liabilities reported at fair value through profit or loss	65	68
Derivative financial liabilities	65	68

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.

Hierarchy of Fair Values to IFRS 13

The group uses the following hierarchy to determine and report the fair value:

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	31/03/2014			31/12/2013				
	Total	1	2	3	Total	1	2	3
Financial assets available for sale								
Securities and bond issues	177	177			153	153		
Financial assets reported at fair value through profit or loss								
Derivative financial assets	425		425		875		875	
Financial liabilities reported at fair value through profit or loss								
Derivative financial liabilities	-65		-65		-68		-68	

In the reporting period ending 31 March 2014 and the reporting period ending 31 December 2013, 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.

Through a review of the classification (based on the lowest level input that is significant to the fair value measurement as a whole) of the acquired assets and liabilities is determined whether transfers between the levels have occurred at the end of each reporting period.

The measurement of fair value at Level 2 in the current financial year and the prior year is as follows: derivative financial instruments are determined by discounting the expected future cash flows over the remaining term of the contract at the closing rate.

Segment Reporting

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

Other Disclosures

Related Party Transactions

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

EUR '000	Associated companies		Other related parties and persons	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
Trade accounts receivable and other income	0	0	0	0
Trade accounts payable and other expenses	415	586	119	119
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Receivables	0	0	0	0
Payables	180	55	0	40

Associated Companies

Payables totalling EUR 180k (31/12/2013: EUR 55k) refer to trade accounts payable to iris 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. Total payments of EUR 18k (31/03/2013: EUR 35k) made to family members of a Managing Board member were recognised under personnel expenses in the first three 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 31 March 2014, the group had not set aside any valuation allowances for receivables from related parties.

Changes in the Managing Board of init AG

Wolfgang Degen, COO of init AG, will resign on 30 June 2014 at his own request from the Managing Board. However, he remains consultant as a Managing Director of INIT GmbH until 31 March 2016. The Chairman of the Managing Board, Dr. Gottfried Greschner, will take over the management of the technical scope of Wolfgang Degen at board level.

Changes in the Supervisory Board of init AG

The Chairman of the Supervisory Board of init AG Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau will retire from his position on 30 June 2014. Dr. Gottfried Greschner had previously been elected at the Annual General Meeting of 2011 to succeed Prof. Dr. Girnau on the Supervisory Board. However, since Dr. Greschner has chosen to remain on the Managing Board, he is unable to sit on the Supervisory Board. Accordingly, a new member of the Supervisory Board is to be elected at the Annual General Meeting on 15 May 2014 to take up office from 1 July 2014.

The Supervisory Board now proposes that Dipl. Ing. Ulrich Sieg, residing in Jork, be appointed as a new member of the Supervisory Board as of 1 July 2014. Hans-Joachim Rühlig intends to stand as candidate for the election of the new Chairman of the Supervisory Board which will take place on 1 July 2014.

Karlsruhe, 9 May 2014

The Managing Board



Dr. Gottfried Greschner



Joachim Becker



Wolfgang Degen



Dr. Jürgen Greschner



Bernhard Smolka

Geographical Information

Non-current assets

EUR '000	31/03/2014	%	31/12/2013	%
Germany	18,260	88.5	18,032	88.2
Rest of Europe	309	1.5	322	1.6
North America	1,863	9.0	1,892	9.3
Other countries (Australia, UAE)	196	1.0	187	0.9
Group total	20,628	100.0	20,433	100.0

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

Consolidated Statement of Changes in Equity (IFRS) as of 31 March 2014 (unaudited)

EUR '000	Attributable to equity holders of the parent company						Total	Non-controlling interest	Shareholders' equity total
	Subscribed capital	Additional paid-in capital	Treasury stock	Surplus reserves and Consolidated unappropriated profit	Other reserves				
					Difference from pension valuation	Difference from currency translation			
Status as of 01/01/2013	10,040	5,579	-650	44,718	-1,662	-347	57,678	79	57,757
Net profit				758			758	-53	705
Other comprehensive income						1,693	1,693		1,693
Total comprehensive income				758		1,693	2,451	-53	2,398
Share-based payments		-436	413				-23		-23
Status as of 31/03/2013	10,040	5,143	-237	45,476	-1,662	1,346	60,106	26	60,132
Status as of 01/01/2014	10,040	5,962	-763	48,785	-1,141	-855	62,028	64	62,092
Net profit				192			192	-31	161
Other comprehensive income						5	5		5
Total comprehensive income				192		5	197	-31	166
Share-based payments		-610	503				-107		-107
Status as of 31/03/2014	10,040	5,352	-260	48,977	-1,141	-850	62,118	33	62,151

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 2014 to 31 March 2014	Telematics and Electronic Fare Collection Sys.	Other	Eliminations	Consolidated
EUR '000				
Revenues				
With third parties	17,705	1,319	0	19,024
With other segments	153	263	-416	0
Total revenues	17,858	1,582	-416	19,024
EBIT	617	-299	-2	316
Segment assets	112,159	10,747	-4,353	118,553
Segment liabilities	54,932	5,791	-4,321	56,402
Interest income	15	1	-5	11
Interest expenses	95	7	-5	97
Scheduled depreciation	492	214	0	706
Cost of revenues	13,400	1,249	-537	14,112
R & D costs	603	296	0	899
Foreign currency gains (+) and losses (-)	44	-16	0	28
Share in profit of associated companies	32	0	0	32
Income tax	69	0	0	69
Value impairments	144	18	0	162
Share in associated companies	1,920	0	0	1,920
Investments in tangible and intangible assets, and investment property	859	22	0	881
31/12/2013				
Segment assets	110,833	10,760	-3,280	118,313
Segment liabilities	54,769	4,711	-3,259	56,221
Share in associated companies	1,888	0	0	1,888

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

Financial calendar and imprint

Date	Event
15 May 2014	Annual General Meeting 2014, Kongresszentrum / Konzerthaus Karlsruhe
12 August 2014	Publication Q2 Report 2014
13 November 2014	Publication Q3 Report 2014
24 – 26 November 2014	Analyst conference, German Equity Forum, Frankfurt

Picture credits:

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photo San Francisco: Golden Gate Bridge,
Highway & Transportation District

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Five-year financial summary of the init group

IFRS

EUR '000	2013	2012	2011	2010	2009
Balance Sheet (31/12)					
Balance sheet total	118,313	110,452	109,756	84,421	71,610
Shareholders' equity	62,092	57,757	56,938	46,667	38,977
Subscribed capital	10,040	10,040	10,040	10,040	10,040
Equity ratio (in %)	52.5	52.3	51.9	55.3	54.4
Return on equity (in %)	19.4	18.8	26.4	21.5	21.3
Non-current assets	28,198	27,603	19,806	13,484	14,297
Current assets	90,115	82,849	89,950	70,937	57,313
Income Statement (01/01–31/12)					
Revenues	100,120	97,297	88,736	80,913	64,955
Gross profit	37,456	34,006	36,294	27,292	23,037
EBIT	17,725	17,318	20,430	15,085	11,754
EBITDA	20,501	19,895	22,891	17,592	14,157
Consolidated net profit	12,068	10,872	15,057	10,014	8,314
Earnings per share (in EUR)	1.21	1.11	1.51	1.00	0.84
Dividend (in EUR)	0.80	0.80	0.80	0.60	0.30
Cash Flow					
Cash flow from operating activities	11,435	11,332	17,433	14,615	5,570
Share					
Issue price (in EUR)	5.10	5.10	5.10	5.10	5.10
Peak share price (in EUR)	26.89	25.70	19.99	15.89	11.30
Bottom share price (in EUR)	21.15	13.60	13.06	9.15	4.75

