The Future of Mobility

Interim Report 1/2015

In line with the market
What drives init

In line with the market – what drives init

The name init stands for innovations in the optimisation of public transport through intelligent telematics, planning, dispatching and ticketing solutions. The company's systematic focus on international growth markets consistently reinforces its global leadership.
init achieves this success by having a strategy that is purposefully aligned to customer requirements, a structure that supports this strategy perfectly, and a corporate culture that creates space for employees to contribute their own ideas and enjoy their own success.
Thus, the company will continue to play its part to ensure that bus and rail transportation becomes more attractive, efficient, and the first choice for an increasing number of travellers.

Group key figures
according to IFRS

EUR '000	2015	2014	Change in %
Balance Sheet (31/03)			
Balance sheet total	136,713	118,553	15.3
Shareholders' equity	71,050	62,151	14.3
Subscribed capital	10,040	10,040	0.0
Equity ratio (in %)	52.0	52.4	
Return on equity (in %)	1.1	0.3	
Non-current assets	36,242	28,526	27.0
Current assets	100,471	90,027	11.6
Income Statement (01/01 – 31/03)			
Revenues	23,551	19,024	23.8
Gross profit	6,650	4,912	35.4
EBIT	1,181	316	273.7
EBITDA	1,931	1,022	88.9
Consolidated net profit	748	161	364.6
Earnings per share (in EUR)	0.08	0.02	280.1
Dividend (in EUR)	0.80	0.80	0.0
Cash Flow			
Cash flow from operating activities	3,301	475	594.9
Share			
Issue price (in EUR)	5.10	5.10	
Peak share price (in EUR)	23.76	25.80	–7.9
Bottom share price (in EUR)	20.05	22.27	–10.0

Corporate Bodies

Supervisory Board

- Hans-Joachim Rühlig, B.A.M, Ostfildern, Germany
  (Chairman)
  Former Financial Managing Director,
  Ed. Züblin AG, Stuttgart, Germany

- Drs. Hans Rat, Schoonhoven, Netherlands
  (Vice-Chairman)
  Honorary Secretary General of UITP
  Managing Director Beaux Jardins B. V.,
  Schoonhoven, Netherlands

- Dipl.-Ing. Ulrich Sieg, Jork, Germany
  Consulting engineer specialising in public transport
  Member of the Supervisory Board of SECURITAS
  Holding GmbH, Düsseldorf, Germany

Managing Board

- Dr. Gottfried Greschner, M.Sc. (Chairman; CEO)
  Business Division: Mobile Telematics and Fare
  Collection Systems
  Business Development, Personnel, Legal,
  Purchasing, Logistics and Production

- Joachim Becker, M.Sc. in Information Science (COO)
  Business Division: Telematics Software and Services

- Dr. Jürgen Greschner, B.A.M. (CSO)
  Sales and Marketing

- Bernhard Smolka, B.A.M. (CFO)
  Finance, Controlling and Investor Relations

Directors' Holdings

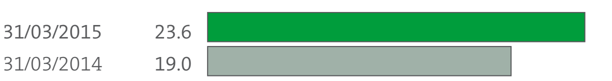
Managing Board	Number of shares
Dr. Gottfried Greschner, CEO	3,374,800*
Joachim Becker, COO	345,783
Dr. Jürgen Greschner, CSO	98,800
Bernhard Smolka, CFO	29,800

* 3,330,000 of which are held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe. At this company, Dr. Gottfried Greschner holds 74.2 per cent.

Supervisory Board	Number of shares
Hans-Joachim Rühlig	–
Drs. Hans Rat	–
Ulrich Sieg	–

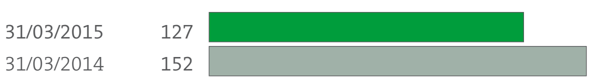
Revenues Q1

in million EUR



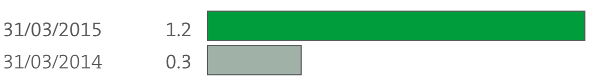
Order backlog

in million EUR



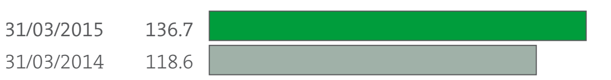
EBIT Q1

in million EUR



Balance sheet total

in million EUR



Letter to the Shareholders

Dear Ladies and Gentlemen,
dear Shareholders,

We got 2015 off to a great start and succeeded in increasing both first-quarter revenues and earnings over the previous year's level. Revenues climbed by more than 23 per cent to EUR 23.6 m and operating profit (EBIT) actually quadrupled from EUR 0.3m to 1.2m . The same also holds true for both net profit and earnings per share (up from EUR 0.02 to EUR 0.08).

This is undoubtedly a positive trend. Nevertheless, we are refraining from attaching too much value to this quarterly comparison. What counts is our ability to sustain this trend over the coming months.

To do that, the incoming orders trend and – over the long term – the number of open tenders from transport companies, our customers, will be pivotal. We are therefore proud of the fact that our sales staff succeeded in winning more contracts during the first quarter than we completed during that period. Because that is the key indicator for our future performance.

After winning numerous new orders and due to a favourable currency development, namely the US dollar's growing strength against the euro, our order backlog rose by more than EUR 5m to over EUR 127m during the first three months of 2015. Yet to reach our growth targets for this year while simultaneously laying the foundation for the years to come, we have to continue winning new orders during the upcoming quarters as well.

Many tenders for public transport infrastructure projects, some of which international mayor ones, are currently in the decision-making phase. As a leading international provider of telematics, planning and electronic fare collection systems for buses and trams with numerous references, init is a hot contender. But the more important the tender, the tougher the competition.

Innovative technologies, increasing demand for ticketing and integrated transport control systems in North America and Europe as well as a first pilot project in the Asian market provide us with further opportunities for sustainable growth. We will be able to seize these opportunities, too, if our employees continue to display such enormous commitment, outstanding expertise and maximum flexibility as they serve our customers.

We are happy to pay our employees a share of the profit for their successful "co-entrepreneurship" and will also be creating an ideal setting for them from June onward at our new head office, the "init tower" in Karlsruhe.

This represents an investment in init's future which will put us in a position to continue our successful trajectory after more than ten consecutive years of growth.

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

Good start to new bull phase

Not only did init innovation in traffic systems AG have a good start to the new year in operational terms, but the price of the init share (ISIN DE0005759807) picked up again, offering investors double-digit growth in value in the first quarter. This took place in a market environment marked by a flood of liquidity due to the European Central Bank's accommodative monetary policy. The still unresolved sovereign debt crisis in Europe, the scenario of a Greek exit from the European Union and tensions between Russia and the West only played an occasional part in the markets' calculations.

Instead, capital once again flowed into the German stock markets, primarily from foreign investors. Demand was particularly strong for securities that are represented in the key stock exchange indices because of their liquidity. Thus, the DAX reached a new all-time high, as did TecDAX, the leading technology stock index. The DAX gained 22 per cent in the first quarter of 2015 and the TecDAX 17.8 per cent.

By contrast, the price of the init share gained 12 per cent as at the end of March, temporarily catching up on the DAX and TecDAX following share recommendations in April, and even testing its all-time high with a peak of EUR 25.62 in mid-month.

Equity analysts continue to view the outlook for init innovation in traffic systems AG as positive. Three out of five equity analysts recommend buying the equity, while the others recommend at least holding it at the current level. The price targets range from EUR 24.00 to EUR 28.80.

Dividend unchanged

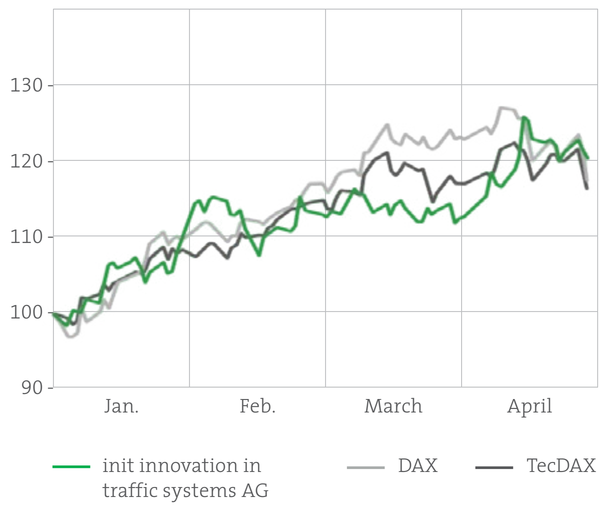
One of the pillars of init's corporate policy is maintaining the balance between having a shareholder-friendly dividend policy and increasing the company's net asset value for future growth. This means that once again this year some of the company's net profit will be kept in the company to guarantee the financial strength needed for upcoming investments.

Therefore, the Board of Management and the Supervisory Board of init innovation in traffic systems AG will propose to the Annual General Meeting that the distribution of EUR 0.80 per dividend-bearing share be maintained. A decision on this will be taken by the Annual General Meeting of init shareholders on 13 May 2015 in the Concert House of the Convention Center in Karlsruhe.

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, Oddo Seydler Bank AG
Capital stock today	10,040,000 no-par bearer shares
Market capitalisation (as of 31 March 2015)	EUR 228.5m

Performance init-share January to April 2015 (Xetra)
(indexed)



Share buy-back in March and share notifications

The Board of Management of init innovation in traffic systems AG decided on 2 March 2015 to acquire up to 10,000 treasury shares (in accordance with Section 71 (1) (8) of the German Stock Corporation Act (AktG)) in exercise of the authorisation granted to it by the Annual General Meeting on 12 May 2010 under agenda item 6. The purchase price of the shares was not to exceed EUR 23.50 (excluding incidental costs) per share.

This share buy-back took place from 2 March up to and including 13 March 2015. A total of 10,000 shares were acquired via the stock market (XETRA trading) at an average rate of EUR 23.24 (excluding incidental costs) by Commerzbank AG, the lending institution mandated by init innovation in traffic systems AG. The number of repurchased shares corresponds to a share of 0.1 per cent of the capital stock of init innovation in traffic systems AG.

Repurchased shares have been used for the incentive scheme for members of the Managing Board, managing directors and key personnel.

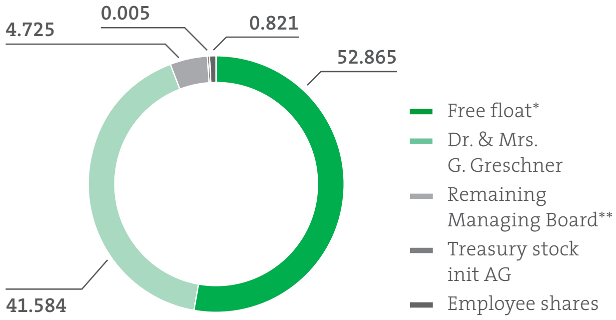
Zürcher Kantonalbank, Zurich, Switzerland, announced on 27 March 2015 in accordance with § 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in init innovation in traffic systems AG had passed the 3 per cent threshold and on that date amounted to 4.31 per cent (corresponding to 432,382 voting rights). 4.24 per cent of the voting rights (i.e. 425,626 voting rights) are held via Swisscanto Holding AG

Shareholdings as at 31 March 2015 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*.

Shareholder structure as of 31 March 2015

(in %)



* By definiton of the German Stock Exchange the free float of init AG is 57.00 %

** thereof 4.13 % are included in the free float

Group Status Report

Economic environment

The global economic outlook brightened slightly during the first three months of 2015, at least for a short time, despite ongoing risks and unresolved crises. In its latest economic outlook at the start of April, the International Monetary Fund (IMF) upgraded its global economic growth forecast to 3.5 per cent for 2015 and 3.8 per cent in 2016. This increase was justified by the low price of oil and low interest rates along with an expansive monetary policy, particularly in western industrial countries and Asia.

The weak euro allowed eurozone countries, in particular, to benefit from this development, especially export-oriented countries like Germany. As a result, eurozone products become cheaper on key markets like North America and even Asia. That, in turn, improves sales prospects on the global market.

The IMF has therefore raised its 2015 forecast for the eurozone by 0.3 percentage points and expects growth of 1.5 per cent this year and 1.6 per cent in the year to come. The economy in Europe grew just 0.9 per cent in 2014 and the currency zone was still gripped by a recession the year before that.

Germany boasts one of the top growth rates which are predicted to reach 1.6 per cent this year and 1.7 per cent next year. The IMF's forecasts for the local economy are now estimated at 0.3 and 0.2 percentage points higher than they had been in January's forecast. Even for eurozone countries such as Greece, Spain, France and Italy, the IMF anticipates GDP growth in 2015 and 2016. For the United Kingdom, which is also a vital market for init systems, the IMF's expected growth rates to remain unchanged at 2.7 per cent this year and 2.3 per cent next year.

Over the long term, however, the IMF has lowered its growth projections for Europe due to the fact that many eurozone countries and public budgets are still struggling with their heavy burden of debt. Added to this are uncertainties stemming from crises such as those found in Russia and Ukraine or the debt-related dispute with Greece.

The IMF is already seeing a reduction in investments by these companies as a result. To compensate for this, the IMF is calling for increased public infrastructure investments, among other things, to magnify growth potential in Europe.

The projection of IMF economic experts, however, remains positive for init's expected main growth markets of North America and Asia. The IMF now anticipates robust growth of 3.1 per cent in the US in 2015 and 2016 whereas the forecast for Canada was scaled back to 2.2 per cent and 2.0 per cent, respectively.

Growth rates in excess of 5 per cent continue to be predicted for the Asia/Pacific region. Here, however, China is expected to give up its position as growth engine to India where growth rates of 7.5 per cent are forecast while China's growth is expected to slow down to 6.8 per cent and 6.3 per cent, respectively.

In general, the IWF forecasts predict that the developed economies from which init receives the vast majority of its orders will grow much more strongly than expected in the months to come while economic performance in the emerging markets will deteriorate.

Sector-specific performance

Population growth, increasing urbanisation and impending traffic gridlock are leading to rising demand for local public transport. Globally, transport infrastructure is experiencing an increased demand for expansion and modernisation. More than one half of the world's population now lives in metropolitan areas that are of crucial importance to their countries' economy. The necessary mobility can only be guaranteed there by upgrading and modernising public transport systems. This demands massive investment in intelligent transport infrastructure solutions, as offered by init.

This contrasts with the pressure to consolidate public finances, which means that funds to expand the necessary infrastructure are not or are no longer available in certain countries due to their weak economic position. Accordingly, this may also lead to cuts in funding. By and large though, the effects of budget cuts have been no more significant than this so far. In individual cases, tenders which have already been announced have been postponed. Several tenders have also been cancelled, some of which are to be reissued, however. We are expecting the volume of new tenders to increase in 2015.

Economic basis of the group

The principles set down in the Group Status Report 2014 continue to apply 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 quarters are usually weaker and the fourth the strongest.

In the first three months of 2015, the init group managed to increase revenues by around 23.8 per cent year-over-year and more than triple earnings (EBIT). The rise in revenues was primarily the result of work completed in major projects. The absolute improvement in earnings is mainly the result of increased revenues as well as the result of decreased cost of sales which were negatively impacted by currency effects and increased personnel expenses.

Orders

All in all, init managed to acquire new orders to the value of EUR 25.2m in the first quarter (Q1 2014: EUR 29.4m) which is in line with our planning. The main part of incoming orders consists of maintenance contracts and a significant purchase order. Furthermore init managed to win several smaller tenders. Of incoming orders, EUR 19.8m (Q1 2014: EUR 26.1m) is attributable to the Telematics and Electronic Fare Collection Systems segment and EUR 5.4m (Q1 2014: EUR 3.3m) to the “Other” segment, which comprises the Planning Systems, Driver Dispatch Systems and Automotive business segments.

We believe our target for incoming orders of EUR 112m for 2015 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.

Orders on hand as per 31 March 2015 stand at around EUR 127m and are therefore below the EUR 152m achieved on the previous year’s balance-sheet date. However, it continues to be at a high level and covers more than the annual revenues.

Earnings position

Revenues of EUR 23.6m (Q1 2014: EUR 19.0m) were generated in the first quarter of 2015.

Breakdown of revenues by region for the first three months:

in million EUR	01/01–31/03/2015	%	01/01–31/03/2014	%
Germany	5.4	22.9	5.5	29.0
Rest of Europe	5.0	21.0	4.3	22.8
North America	12.0	50.9	8.3	43.5
Other countries (Australia, UAE)	1.2	5.2	0.9	4.7
Group total	**23.6**	**100.0**	**19.0**	**100.0**

Revenues based on customer’s location.

Group revenues came in at EUR 23.6m in the first three months of the year (Q1 2014: EUR 19.0m). Of this, EUR 22.1m was contributed by the Telematics and Electronic Fare Collection Systems segment (Q1 2014: EUR 17.7m). That corresponds to around 94 per cent (Q1 2014: around 93 per cent). The "Other" segment generated revenues with third parties amounting to EUR 1.5m (Q1 2014: EUR 1.3m). This equates to 6 per cent (Q1 2014: around 7 per cent) of group revenues. As per end of March 2015, consolidated revenues were therefore slightly above expectations for the first quarter. The increase in revenues is largely accounted for by work completed in major projects, especially in North America.

Earnings before interest and taxes (EBIT) increased to EUR 1.2m compared with Q1 2014 (EUR 0.3m) yet still fell short of the planned increase, a development that is mainly attributable to currency losses, increased material input due to high third party service parts as well as increased personnel expenses. The Telematics and Electronic Fare Collection Systems segment contributed EUR 1.1m (Q1 2014: EUR 0.6m) and by the Other segment contributed EUR 0.1m (Q1 2014: EUR -0.3m).

Gross profit stands at EUR 6.7m, which is considerably higher than in the previous year (EUR 4.9m). The reason for this is found in the increased revenues. The ratio of manufacturing costs to revenues declined by around 2.4 percentage points, primarily due to increased revenues based on currency effects.

Sales and administrative expenses came in at EUR 0.4m above the previous year’s level. The added expenses came as a result of an increase in the number of employees.

Research and development expenses are around EUR 0.1m below the previous year’s level and should increase again in the course of the year due to new development work.

Foreign currency losses amounting to EUR 0.5m are primarily the result of currency hedging activities, particularly from the US dollar and the CAN dollar (Q1 2014: foreign currency gains of EUR 28k).

Net interest income (balance of interest income and interest expenses) stands at EUR -113k (Q1 2014: EUR -86k). Interest expenses are incurred primarily from interest for real estate finance at the Karlsruhe site as well as from overdraft and euro loans.

Overall, **net profit** as at 31 March 2015 increased to around EUR 0.7m compared with the prior-year period (Q1 2014: EUR 0.2m), which is due to the previous mentioned effects. This corresponds to earnings per share of EUR 0.08 (Q1 2014: EUR 0.02).

As a result of higher gains from currency translation (as a result of US dollar and Arabian dirham exchange rate appreciation) and due to higher net profit, **total comprehensive income** rose to EUR 3.5m (Q1 2014: EUR 0.2m).

Net assets and financial position

The **balance sheet total** increased by EUR 7.9m to EUR 136.7m compared to 31 December 2014 and is therefore EUR 18.1m higher than it was last year as at 31 March.

Operating cash flow stands at EUR 3.3m (Q1 2014: EUR 0.5m), an improvement over the previous year which was primarily achieved by increasing trade accounts payable, advanced payments received as well as the change in shareholders' equity, which did not have any impact on income . This is offset by a lower reduction of receivables and future receivables from contract orders as well as the reduction in income tax liabilities. We expect cash flow to continue to rise over the further course of business as a result of payment receipts for major projects.

Cash flow from investment activities stands at EUR -2.5m (Q1 2014: EUR -0.8m) and results primarily from disbursements for the new building in Kaeppelestrasse in Karlsruhe as well as from replacement and expansion investments.

Total equity stands at EUR 71.1m and is thus higher than in the previous year (Q1 2014: EUR 62.2m). The **equity ratio** is therefore 52.0 per cent (Q1 2014: 52.4 per cent).

Short and long-term liabilities to banks in the amount of EUR 11.6m (31/12/2014: EUR 9.1m) mainly concern property financing as well as short-term loans taken out to stabilise liquidity which had been prompted by delayed payment receipts and unfavourable payment plans for major projects.

Cash and cash equivalents, including short-term securities and bonds, stood at EUR 12.8m in the reporting period (31/12/2014: EUR 9.2m). Cash and cash equivalents will rise again toward the end of the year.

The rise in **future receivables from production orders** to EUR 47.8m (31/12/2014: EUR 43.8m) is primarily the result of agreed milestone payments in the projects and should be reduced by the year end through invoicing.

Compared with 31 December 2014, **inventories** rose by EUR 2.6m to EUR 22.4m. The reason for this is imminent hardware deliveries, which will cause stock to fall again in the months to come.

The available **guarantee and credit lines** continue to provide secure finance for business activities and their expansion.

Personnel

The init group employed 506 staff as per 31 March 2015 (Q1 2014: 454) including temporary workers, research assistants and students doing thesis work. There are a further 17 (Q1 2014: 19) employees in apprenticeships.

Number of employees by region:

	31/03/2015	31/03/2014
Employees in Germany	394	357
Employees in the rest of Europe	10	6
Employees in North America	85	71
Employees in other countries	17	20
Total	**506**	**454**

Opportunities and risks

The opportunities and risks described in the group status report 2014 (p. 45 et seq.) apply unchanged. Appropriate provision has been made for all recognisable risks. In our opinion, there are no risks capable of jeopardising the continued existence of the company.

There are currently no significant clusters of default risks within the group, with the exception of the accounts receivable from Dubai. Our general contractor from the first Dubai project did not forward approximately EUR 2m of payments by the end customer to us. init took the matter to a court of arbitration to defend its claim. The ruling in the arbitration proceedings went in init's favour, although the risk that these receivables will still not be recovered remains. An appropriate risk provision has been created.

The projects in France and Finland as well as the ticketing project in Portland, Oregon, USA, send a signal for future tenders in these countries and improve growth prospects there. We still expect our activities in the Asia/Pacific region to stimulate growth.

In the US, we have won our second ticketing project with Portland in 2014. This provides init with references for further tenders in the ticketing business in North America, as we see considerable market potential here over the next ten years.

Events after the reporting date

There have been no significant events after the balance-sheet date.

Related party transactions

Transactions with related parties are set down in Notes under "Other Disclosures" on page 18.

Forecast and outlook

init innovation in traffic systems AG got off to a good start in 2015 and largely fulfilled our expectations. Revenues even exceeded our forecast. This will not move us to change our previous forecast, however. We still foresee developments in the next few months as being influenced by major uncertainties in the general economic situation which could have an impact on how orders are placed in tenders.

We are therefore adhering to our previous growth forecast for 2015. For the current year, we anticipate group revenues of between EUR 104m and EUR 110m at nearly unchanged margins. This translates into an operating profit (EBIT) ranging between EUR 17m and EUR 19m.

With an high order backlog in excess of EUR 127m, we have already secured a major part of the planned revenues for 2015. If the projects continue to be completed on schedule and we succeed in winning the few, still outstanding orders soon, we will also succeed in reaching our targets for 2015.

Many international tenders for public transport infrastructure projects around the world, some of which extremely large, are currently in the decision-making phase. As a leading international provider of telematics, planning and electronic fare collection systems for buses and trains, init's numerous references make it a hot contender.

We remain confident that we will be able to win a large portion of these ongoing and pending tenders in the 2015 financial year.

For 2015, we expect incoming orders in the group of approximately EUR 112m. This plan is based on the assumption that tenders will not be delayed and that price competition will not continue to intensify. Actual figures could deviate significantly from the forecast if new risk factors arise or assumptions underlying the plan later prove to be false.

However, innovative technologies, increasing demand for ticketing and integrated transport control systems in North America and Europe as well as a first pilot project in the Asian market provide init with further opportunities for sustainable growth.

Karlsruhe, 8 May 2015

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Dr. Jürgen Greschner

Bernhard Smolka

Consolidated Income Statement (IFRS)

from 1 January 2015 to 31 March 2015 (unaudited)

EUR '000	01/01 to 31/03/2015	01/01 to 31/03/2014
Revenues	23,551	19,024
Cost of revenues	–16,901	–14,112
Gross profit	**6,650**	**4,912**
Sales and marketing expenses	–2,759	–2,624
General administrative expenses	–1,676	–1,406
Research and development expenses	–759	–899
Other operating income	494	372
Other operating expenses	–337	–99
Foreign currency gains and losses	–539	28
Income from associated companies	107	32
Earnings before interest and taxes (EBIT)	**1,181**	**316**
Interest income	7	11
Interest expenses	–120	–97
Earnings before taxes (EBT)	**1,068**	**230**
Income taxes	–320	–69
Net profit	**748**	**161**
thereof attributable to equity holders of parent company	762	192
thereof non-controlling interests	–14	–31
Net profit and diluted net profit per share in EUR	0.08	0.02
Average number of floating shares	10,023,672	10,004,179

Consolidated Statement of Comprehensive Income (IFRS)

from 1 January 2015 to 31 March 2015 (unaudited)

EUR '000	01/01 to 31/03/2015	01/01 to 31/03/2014
Net profit	**748**	**161**
Items to be reclassified to the income statement		
Changes on currency translation	2,776	5
Total Other comprehensive income	**2,776**	**5**
Total comprehensive income	**3,524**	**166**
thereof attributable to equity holders of the parent company	3,538	197
thereof non-controlling interests	–14	–31

Consolidated Balance Sheet (IFRS)
as of 31 March 2015 (unaudited)

Assets

EUR '000	31/03/2015	31/12/2014
Current assets		
Cash and cash equivalents	12,744	9,213
Marketable securities and bonds	29	30
Trade accounts receivable	14,890	19,606
Future receivables from production orders ("Percentage-of-Completion-Method")	47,783	43,758
Inventories	22,398	19,775
Income tax receivable	200	0
Other current assets	2,427	1,855
Current assets, total	100,471	94,237
Non-current assets		
Tangible fixed assets	17,259	15,034
Investment property	6,152	6,173
Goodwill	4,388	4,388
Other intangible assets	1,756	1,925
Interest in associated companies	2,130	2,023
Deferred tax assets	2,275	2,857
Other assets	2,282	2,137
Non-current assets, total	36,242	34,537
Assets, total	**136,713**	**128,774**

Liabilities and shareholders' equity

EUR '000	31/03/2015	31/12/2014
Current liabilities		
Bank loans	3,990	1,197
Trade accounts payable	11,751	10,894
Accounts payable of "Percentage-of-Completion-Method"	2,842	2,950
Accounts payable due to related parties	1,034	888
Advance payments received	1,913	775
Income tax payable	0	2,015
Provisions	8,544	8,212
Other current liabilities	12,921	11,505
Current liabilities, total	42,995	38,436
Non-current liabilities		
Bank loans	7,622	7,900
Deferred tax liabilities	6,224	5,965
Pensions accrued and similar obligations	8,421	8,303
Other non-current liabilities	401	400
Non-current liabilities, total	22,668	22,568
Shareholders' equity		
Attributable to equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	5,360	5,947
Treasury stock	–10	–353
Surplus reserves and consolidated unappropriated profit	53,593	52,831
Other reserves	2,017	–759
	71,000	67,706
Non-controlling interests	50	64
Shareholders' equity, total	71,050	67,770
Liabilities and shareholders' equity, total	**136,713**	**128,774**

Consolidated Cash Flow Statement (IFRS)
from 1 January 2015 to 31 March 2015 (unaudited)

EUR '000	01/01 to 31/03/2015	01/01 to 31/03/2014
Cash flow from operating activities		
Net income	748	161
Depreciation	750	706
Gains on the disposal of fixed assets	24	–16
Change of provisions and accruals	450	432
Change of inventories	–2,623	–2,960
Change in trade accounts receivable and future receivables from production orders (PoC)	691	3,218
Change in other assets, not provided by / used in investing or financing activities	–917	–511
Change in trade accounts payable	857	–1,323
Change in advanced payments received and liabilities from PoC method	1,030	–925
Change in other liabilities, not provided by / used in investing or financing activities	–452	1,880
Amount of other non-cash income and expenses	2,743	–187
Net cash from operating activities	**3,301**	**475**
Cash flow from investing activities		
Inflows from sales of tangible fixed assets	32	35
Investments in tangible fixed assets and other intangible assets	–2,567	–877
Investment property	0	–4
Net cash flows used in investing activities	**–2,535**	**–846**
Cash flow from financing activities		
Cash payments for the purchase of treasury stock	–233	0
Payments received from bank loans incurred	2,790	368
Redemption of bank loans	–278	–278
Net cash flows used in financing activities	**2,279**	**90**
Net effects of currency translation and consolidation changes in cash and cash equivalents	486	10
Decrease in cash and cash equivalents	**3,531**	**–271**
Cash and cash equivalents at the beginning of the period	9,213	25,446
Cash and cash equivalents at the end of the period	**12,744**	**25,175**

Selected Explanatory Notes for Q1 2015 (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 innovation in traffic systems AG, Karlsruhe 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 2015 have been produced in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU 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 2015 have not been reviewed by the auditors. The interim financial statements for the first quarter were submitted to the Supervisory Board on 30 April 2015.

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 2014, which are described in detail in the notes to the consolidated financial statements. The new accounting standards adopted in the first three months of 2015 did not have a material impact on the consolidated financial statements.

Consolidated group

There were no changes to the consolidated group as at 31 December 2014.

Inventories

Inventory write-downs amounted to EUR 227k (31/03/2014: EUR 103k). The charge is included under cost of revenues in the income statement.

Marketable Securities and Bonds

Securities and bonds were written down by EUR 1k (31/03/2014: EUR 0k) due to a value impairment.

Receivables

Write-downs on receivables came to EUR 2,754k (31/03/2014: EUR 953k). EUR 250k was booked to the income statement in the current financial year (31/03/2014: EUR 59k).

Property, Plant, Equipment and Intangible Assets

Property, plant and equipment essentially refer to the administration building at Kaeppelestrasse 4 in Karlsruhe, two residential buildings leased to employees, and office and technical equipment. Capital expenditure for replacement stood at EUR 538k (31/03/2014: EUR 285k). The scheduled depreciation totalled EUR 729k (31/03/2014: EUR 684k). Sales of property, plant and equipment generated profit of EUR 32k (31/03/2014: EUR 17k). Advance payments totalling EUR 1,777k (31/03/2014: EUR 468k) were made towards the new building (asset under construction) during the first quarter 2015.

The software activated within the context of the purchase price allocation of initperdis GmbH, Hamburg (financial year 2011) in the amount of EUR 3.3m will be amortised over five years. The scheduled depreciation was made for first time in the first quarter 2012 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 Karlsruhe in 2012. Rental income was EUR 51k as at 31 March 2015 (31/03/2014: EUR 80k). The scheduled depreciation was EUR 22k (31/03/2014: EUR 22k).

Meanwhile there is a new leaseholder for the free space starting from middle of April.

Liabilities

Liabilities are carried at amortised acquisition cost. The current liabilities to banks of EUR 4.0m (31/12/2014: EUR 1.2m) mainly concern the short-term part of the real estate financing of Kaeppelestrasse 4, 8/8a, 10 and of the new-build project in Karlsruhe as well as short-term loans to stabilise the liquidity due to delayed payments and bad payment schedules in big projects. The long-term liabilities to banks of EUR 7.6m (31/12/2014: EUR 7.9m) 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 2015, additional paid-in capital was EUR 5,360k, comprising EUR 3.141k from the premium on shares sold in the IPO and the 2002 capital increase. A further EUR 2,292k was allocated for employee share scheme expenses for the years 2005 to 2014. EUR 587k was reversed following the share transfer to members of the Managing Board and key personnel in 2015. Additional paid-in capital was increased by EUR 514k through the sale of treasury stock in 2007.

Treasury Stock

As at 1 January 2015, treasury stock comprised 16.904 shares.

Based on a resolution passed at the shareholders' meeting of 12 May 2010, the company is authorised to purchase treasury shares. On 2 March 2015, a decision was made to repurchase up to 10,000 shares. 10,000 shares were repurchased from 2 to 13 March at an average price of EUR 23.29.

In the first quarter of 2015, 26,426 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 478 shares as at 31 March 2015.

Treasury stock is valued at acquisition cost (cost method) at EUR 10k (31/12/2014: EUR 353k) and deducted from shareholders' equity. As at 31 March 2015 the 478 shares have an imputed share in capital stock of EUR 478 (0.005 per cent). The average repurchase price was EUR 21.78 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 2014 proposed for approval at the 2015 shareholders' meeting: 80 cents per share	8,032
Dividend for 2013: 80 cents per share, distributed on 19 May 2014	8,022

Contingent Liabilities/Assets

The init group had no contingent liabilities or assets as at 31 March 2015 or 31 December 2014.

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 2015 compared to 31 December 2014 and shows their classification in appropriate measurement categories according to IAS 39.

EUR '000	31/03/2015	31/12/2014
ASSETS		
Loans and receivables	**76,051**	**75,521**
Cash and cash equivalents	12,744	9,213
Trade accounts receivable	14,890	19,606
Future receivables from production orders	47,783	43,758
Other assets (current)	324	569
Other assets (non-current)	310	375
Financial assets available for sale	**29**	**30**
Securities and bond issues	29	30
LIABILITIES		
Financial liabilities recognised at cost	**26,910**	**22,826**
Bank loans (current and non-current)	11,612	9,097
Trade accounts payable	11,751	10,894
Liabilities to related parties	1,034	888
Other liabilities (current)	2,128	1,561
Other liabilities (non-current)	385	385
Financial liabilities reported at fair value through profit or loss	**1,848**	**726**
Derivative financial liabilities	1,848	726

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	31/03/2015				31/12/2014			
		Level				Level		
	Total	1	2	3	Total	1	2	3
Financial assets available for sale								
Securities and bond issues	**29**	29			**30**	30		
Financial liabilities reported at fair value through profit or loss								
Derivative financial liabilities	**1,848**		1,848		**726**		726	

In the reporting period ending 31 March 2015 and the reporting period ending 31 December 2014, 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 2014.

EUR '000	Associated companies		Other related parties and persons	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
Trade accounts receivable and other income	0	0	0	0
Trade accounts payable and other expenses	1,306	415	133	137
	31/03/2015	31/12/2014	31/03/2015	31/12/2014
Receivables	0	0	0	0
Payables	1,034	888	0	0

Associated Companies

Payables totalling EUR 1,034k (31/12/2014: EUR 888k) refer to trade accounts payable to iris-GmbH, Berlin 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

Since November 2014 init AG rents an office building in Karlsruhe with 67.39 per cent from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karslruhe and with 32.61 per cent from Eila Greschner (previously renting 100 per cent from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe). 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 14k (31/03/2014: EUR 18k) 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. In the report period as at 31 March 2015, the group had not set aside any valuation allowances for receivables from related parties.

Notifications under Section 26 (1) of the German Securities Trading Act (WpHG)

Under Section 21 (1) of the German Securities Trading Act (WpHG), init AG was notified as follows:

On 27 March 2015, Swisscanto Holding AG, Bern, Switzerland has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on init innovation in traffic systems AG, Karlsruhe, Deutschland, have exceeded the 3 per cent threshold of the Voting Rights on 25 March 2015 and on that day amounted to 4.24 per cent (this corresponds to 425,626 Voting Rights). 4.24 per cent of Voting Rights (this corresponds to 425,626 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act).

On 27 March 2015, Züricher Kantonalbank,Zurich, Switzerland has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on init innovation in traffic systems AG, Karlsruhe, Deutschland, have deceeded the 3 per cent threshold of the Voting Rights on 25 March 2015 and on that day amounted to 4.31 per cent (this corresponds to 432,382 Voting Rights). 4.24 per cent of Voting Rights (this corresponds to 425,626 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following shareholders, whose share of the Voting Rights in init innovation in traffic systems AG amounts to 3 per cent or more: Swisscanto Holding AG.

Karlsruhe, 8 May 2015

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Dr. Jürgen Greschner

Bernhard Smolka

Geographical Information

Non-current assets

EUR '000	31/03/2015	%	31/12/2014	%
Germany	24,634	90.2	22,750	90.4
Rest of Europe	254	0.9	230	0.9
North America	2,228	8.2	2,000	8.0
Other countries (Australia, UAE)	181	0.7	175	0.7
Group total	**27,297**	**100.0**	**25,155**	**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 2015 (unaudited)

	Attributable to equity holders of the parent company								Non-controlling interest	Shareholders' equity total
					Other reserves					
EUR '000	Subscribed capital	Additional paid-in capital	Treasury stock	Surplus reserves and Consolidated unappropriated profit	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities	Total		
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**	**0**	**62,118**	**33**	**62,151**
Status as of 01/01/2015	10,040	5,947	–353	52,831	–2,575	1,817	–1	67,706	64	67,770
Net profit				762				762	–14	748
Other comprehensive income						2,776	0	2,776		2,776
Total comprehensive income				762	0	2,776	0	3,538	–14	3,524
Share-based payments		–587	576					–11		–11
Purchase of treasury stock			–233					–233		–233
Status as of 31/03/2015	**10,040**	**5,360**	**–10**	**53,593**	**–2,575**	**4,593**	**–1**	**71,000**	**50**	**71,050**

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 2015 to 31 March 2015 EUR '000	**Telematics and Electronic Fare Collection Sys.**	**Other**	**Eliminations**	**Consolidated**
Revenues				
With third parties	22,077	1,474	0	23,551
With other segments	160	614	–774	0
Total revenues	**22,237**	**2,088**	**–774**	**23,551**
EBIT	**1,069**	**117**	**–5**	**1,181**
Segment assets	130,894	8,467	–2,648	136,713
Segment liabilities	64,730	3,557	–2,624	65,663
Interest income	12	0	–5	7
Interest expenses	118	7	–5	120
Scheduled depreciation	549	201	0	750
Cost of revenues	16,352	1,335	–786	16,901
R & D costs	454	305	0	759
Foreign currency gains (+) and losses (-)	–624	85	0	–539
Share in profit of associated companies	107	0	0	107
Income tax	262	58	0	320
Value impairments	1,086	10	0	1,096
Share in associated companies	2,130	0	0	2,130
Investments in tangible and intangible assets, and investement property	2,567	21	0	2,588
31/12/2014				
Segment assets	122,752	8,436	–2,414	128,774
Segment liabilities	59,714	3,685	–2,395	61,004
Share in associated companies	2,023	0	0	2,023

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 2014 to 31 March 2014 EUR '000	**Telematics and Electronic Fare Collection Sys.**	**Other**	**Eliminations**	**Consolidated**
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 investement 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

Financial calendar and imprint

Date	Event
13 May 2015	Annual General Meeting 2015, Kongresszentrum / Konzerthaus Karlsruhe
11 August 2015	Publication Q2 Report 2015
11 November 2015	Publication Q3 Report 2015
23 – 25 November 2015	Analyst conference, German Equity Forum, Frankfurt

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Five-year financial summary of the init group

IFRS

EUR '000	2014	2013	2012	2011	2010
Balance Sheet (31/12)					
Balance sheet total	128,774	118,313	110,452	109,756	84,421
Shareholders' equity	67,770	62,092	57,757	56,938	46,667
Subscribed capital	10,040	10,040	10,040	10,040	10,040
Equity ratio (in %)	52.6	52.5	52.3	51.9	55.3
Return on equity (in %)	17.8	19.4	18.8	26.4	21.5
Non-current assets	34,537	28,198	27,603	19,806	13,484
Current assets	94,237	90,115	82,849	89,950	70,937
Income Statement (01/01–31/12)					
Revenues	102,993	100,120	97,297	88,736	80,913
Gross profit	36,581	37,456	34,006	36,294	27,292
EBIT	18,685	17,725	17,318	20,430	15,085
EBITDA	21,690	20,501	19,895	22,891	17,592
Consolidated net profit	12,067	12,068	10,872	15,057	10,014
Earnings per share (in EUR)	1.20	1.21	1.11	1.51	1.00
Dividend (in EUR)	0.80	0.80	0.80	0.80	0.60
Cash Flow					
Cash flow from operating activities	502	11,435	11,332	17,433	14,615
Share					
Issue price (in EUR)	5.10	5.10	5.10	5.10	5.10
Peak share price (in EUR)	25.80	26.89	25.70	19.99	15.89
Bottom share price (in EUR)	18.50	21.15	13.60	13.06	9.15

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