



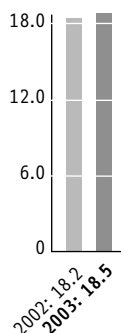
init

innovation in traffic systems AG

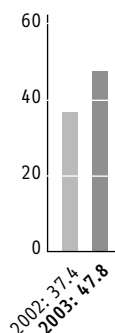


Q3 2003 Report

Sales Q1-Q3
in million €



Orders on hand Q1-Q3
in million €



EBIT Q1-Q3
in million €



Earnings per share
Q1-Q3 2002 -0.04 €
Q1-Q3 2003 -0.03 €

init at a Glance

Municipal and regional passenger transportation should be comfortable, fast, and attractive. The systems supplied by init innovation in traffic systems AG ensure that buses and trams are able to meet these requirements today, while at the same time increasing the efficiency of transportation companies. init is the leader in innovative telematics and fare management systems that offers a suite of integrated solutions for all type of needs related to public transportation. init products are operational in over 200 transportation companies worldwide.

Directors Holdings

Management Board	Number of shares
Dr. Gottfried Greschner, CEO	3,853,000
Joachim Becker, COO	466,983
Wolfgang Degen, COO	138,364
Bernhard Smolka, CFO	9,600

Supervisory Board	Number of shares
Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	-
Bernd Koch	-
Fariborz Khavand	-

Company calendar 2004

Wk. 14/2004	Disclosure Annual Report 2003
May 13, 2004	General Meeting in Karlsruhe
Wk. 20/2004	Disclosure Q1 2004 Report
Wk. 33/2004	Disclosure Q2 2004 Report

Statutory bodies of the Company

Supervisory Board

- > Prof. Dr. Dr. h.d. Günter Girnau (Chairman)
Honorary member and former Managing Director of the Association of German Transport Enterprises (VDV),
Honorary Vice President of the International Association for Public Transport (UITP).
- > Bernd Koch (Vice-chairman)
Self-employed business consultant for strategy and organisation,
Member of the advisory council of the Center of Education of the Chamber of Commerce Karlsruhe.
- > Fariborz Khavand
Self-employed entrepreneur, Managing Director,
Member of the supervisory board of Rhön Residence GmbH & Co. Management KG.

Management Board

- > Dr. Gottfried Greschner (Chairman), M.Sc.
Business Development, Sales and Personnel
- > Joachim Becker, M.Sc. in Information Science
Business Division: Telematics Software and Services
- > Wolfgang Degen, M.Sc.
Business Division: Mobile Telematics and Fare Management Systems
- > Bernhard Smolka, B.A.M.
Finance, Controlling and Investor Relations

Report of the Managing Board

Ladies and Gentlemen,

At the end of the first nine months of the year, init innovation in traffic systems AG continues to be on course for a successful conclusion of the 2003 financial year. More and more, init products find appreciation on the international markets for telematics and fare management systems, having prevailed against competitors in major bids even in the third quarter. Thus, by the end of September our incoming orders and orders on hand had reached new record levels.

Sizeable backlog of orders for further growth

Though slight, another increase in the nine-month figures of init was recorded in sales and profit, the allocation of sales to each quarter still characterized by project business which can lead to fluctuations each quarter. Thus, while the first six months of the year were marked by a somewhat rapid upward trend, the third quarter experienced a lull in sales growth. This was caused by the pronounced caution over new investments on the part of local public transport companies in Germany due to the persistent financial weakness of public authorities. Contrary to the two previous quarters, sales in this segment from July to September fell by around 50% as compared to the previous year. This unexpected slump could partly be made up by a further increase in foreign sales. On the whole, sales in the third quarter decreased by around 35% as compared to the same period of the previous year, recording 6.2 million Euro (2002: 9.5 million Euro).

However, with a backlog of orders of 47.8 million Euro – corresponding to around one and a half times the 2002 annual sales result and an increase by more than 10 million Euro as compared to the previous year (37.4 million Euro) – init is well set for further growth in the coming months.

Continually strong sales growth in Europe and overseas

In the first nine months of 2003, init gained a good 52% in foreign business, reporting 9.7 million Euro (2002: 6.3 million Euro). Here, Europe (excluding Germany) outstripped North America as the number

one growth market with an increase exceeding 146%, contributing to sales with a share of 4.5 million Euro (2002: 1.8 million Euro). Overseas, init generated 5.2 million Euro in the period from January to September (2002: 4.5 million Euro), the sales trend curbed by around 15% since the beginning of the year due to the weak dollar. Compared with the previous year (2002: 11.8 million Euro), init recorded a decrease in sales on the domestic market in Germany of 25.5% to 8.8 million Euro in the nine months ending September 30 2003, occasioned by the poor third quarter. All in all, init attained a sales revenue of 18.5 million Euro as of the end of September, a slight increase compared with the previous year (18.2 million Euro). This figure may be at the tail end of our target range, but it must be taken into account here that 50% of init sales are, as a rule, recorded in the last quarter.

EBIT growth of 33.6 per cent satisfactory

At the end of the first nine months of the current financial year, init recorded a satisfactory operating result. The earnings before interest and taxes (EBIT) as of the end of September increased by 33.6% to around -0.5 million Euro compared to the previous year (2002: -0.8 million Euro). For the whole nine-month period, the consolidated earnings of the company improved by approximately 20% as compared to the previous year, to -0.3 million Euro (2002: -0.4 million Euro). As a result, the earnings per share rose to -0.03 Euro (2002: -0.04 Euro).

New peak for orders on hand

In international business, particularly in Europe, init is gaining a larger share of the market. Even in the third quarter, the company succeeded in securing a new major contract here: for approximately 6 million Euro, init will provide METROLINE Plc. with a Service Quality Control System to manage its bus fleet in London and also equip more than 1,000 vehicles with hardware and software. Furthermore, as a subcontractor, init was awarded a contract worth more than one million Euro for the installation of an electronic fare management system at the MVG Märkische Verkehrsgesellschaft in Lüdenscheid.

Thanks to these additions in the third quarter, our incoming orders amounting to 33.4 million Euro in the nine-month period, exceeded even the peak of

the previous year (33.2 million Euro). With 47.8 million Euro as of September 30, our orders on hand reached a new record, being 27.8% higher than at the same time last year (September 30, 2002: 37.4 million Euro).

International business development forced

The contracts awarded and the current large-scale projects necessitate outlays and higher expenditures particularly in the initial stages, the income of which will not, for the most part, flow until the end of each project. Though not unusual for init business, this fact affected the cash flow and led to a changed accounts receivable (trade debtors) item in the balance sheet, which, compared with the previous year, increased further from 9.8 to 10.7 million Euro. At the same time, the current liabilities (such as accounts payable and other liabilities) were reduced by a total of 3.2 million Euro. Therefore, on balance, the operating cash flow in the first nine months of 2003 fell from 1.7 million Euro in the last year to the current 0.7 million Euro.

Prospects

Due to the success of the company in international business and the continuing long-term growth trends on the telematics and fare management systems market, init can look ahead to positive business development in the next few months. We even anticipate investments of the railway companies in Germany to increase again. Based on our existing record level of orders on hand and further imminent contract awards, we expect to see both our sales and profit grow in the next few quarters. The US dollar remains to be a risk factor, however. Since the continuing substantial decline in its rate to the Euro cannot be fully passed on by way of higher prices, lower margins need to be reckoned with here in the future.

init share with clear price gain

In the third quarter of 2003, the share of init innovation in traffic systems AG continued its highly satisfactory upward trend. By the end of September, it had once again gained by in excess of 32%, thus coming off clearly better than the German stock exchange indices and its benchmark index, Prime Technology Performance Index (+21.35%). Following the announcement of the new major contract from London and the subsequent analyst recommendations,

the init share even reached a new annual peak of 6.55 Euro at the beginning of September. As of the cutoff date, the gain for the current year amounted to 94%. Thus the share from Karlsruhe outdistanced the Prime Technology Performance Index in its development by more than 70%. Accordingly, init shareholders gained by more than 100% over the whole year. In the opinion of the analysts, the init share is valued fairly at this level, though further positive news of contract awards could open up further upward potential.

Karlsruhe, November 10, 2003

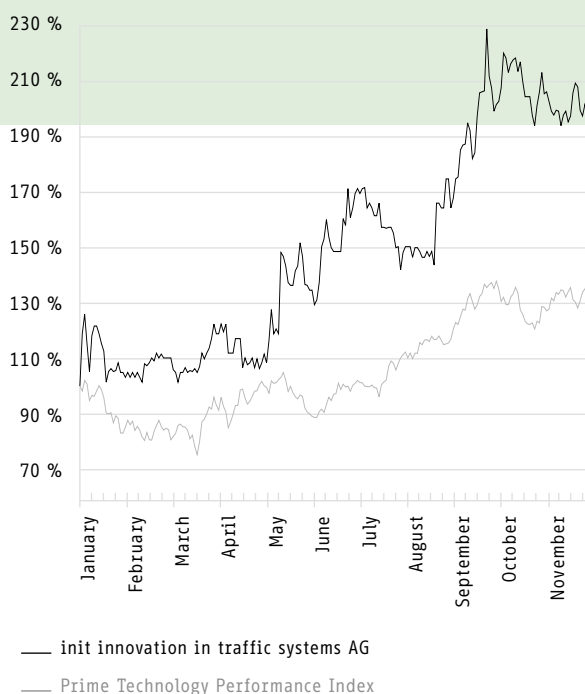
On behalf of the Managing Board



Dr. Gottfried Greschner

Chairman of the Managing Board

Performance 2003



— init innovation in traffic systems AG
— Prime Technology Performance Index

Your contact for Investor Relations

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Explanatory notes to the interim accounts

The financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles (US GAAP). The accounting and valuation methods remained unchanged. The interim report complies with DRS 6 of the German Accounting Standards Committee.

The consolidated group of init AG comprises INIT GmbH and INIT Inc., USA, both with a share of 100% each. INIT GmbH holds 43% of the shares of iris GmbH in Berlin and init AG holds 44% of the shares of id Systeme GmbH in Hamburg, which are consolidated "at equity". On September 11, 2002, the Managing Board resolved to repurchase up to 40,000 shares that are to be issued to employees and trainees of the company and its subsidiary as asset sharing in the 2003 financial year.

On February 28, 2003, the Managing Board passed a resolution to that effect, giving employees a share in the 2002 consolidated earnings. Per allottee, the participation consists of 100 shares of init AG at a fixed price of 2.90 Euro per share plus a bonus of 150 Euro. Employees not interested in shares will receive a bonus of 300 Euro. A total of 10,485 shares were transferred to employees. On January 17, 2003, an additional 20,000 shares were repurchased, and the repurchase of yet another 80,000 shares was decided on February 25, 2003.

The stock held in treasury is valued at cost of acquisition (cost method) at EUR 499,000 and openly separated from equity. Of the present treasury stock of 130,989 shares, 5,474 shares are derived from the capital increase and 125,515 from the share repurchase program. The repurchase was effected at an average price of 3.76 Euro per share.

Number of Employees

(permanent, without back staff, temporary staff, trainees and apprentices) at the end of period

	30.09.2003	30.09.2002
Germany	175	167
USA	31	22
Total	206	189

Consolidated balance sheet at September 30, 2003

(US-GAAP)

Assets	30.09.2003	30.09.2002	31.12.2002
	T€	T€	T€
Current assets			
Cash and cash equivalents	2,603	1,856	1,898
Marketable securities	1,995	4,586	3,523
Trade accounts receivable, net	10,716	9,828	10,177
Accounts receivable from related parties	52	42	47
Inventories	3,752	4,821	5,058
Deferred tax asset	1,495	2,182	751
Prepaid expenses and other current assets	1,605	1,282	1,592
Current assets, total	22,218	24,597	23,046
Non-current assets			
Tangible fixed assets, net	1,585	1,635	1,532
Internally generated software and other intangible assets, net	5,396	5,066	5,078
Goodwill, net	1,877	1,877	1,877
Financial investments	965	713	811
Loans	68	117	68
Deferred tax asset	25	29	25
Other assets	357	273	296
Non-current assets, total	10,273	9,710	9,687
 Assets, total	 32,491	 34,307	 32,733

Liabilities and shareholders' equity	30.09.2003	30.09.2002	31.12.2002
	T€	T€	T€
Current liabilities			
Short-term debt and current portion of long-term debt	1,337	728	691
Trade accounts payable	1,301	1,552	3,807
Accounts payable due to related parties and persons	34	333	13
Advance payments received	4,849	5,552	3,307
Accrued expenses	1,305	2,305	1,424
Deferred tax liabilities	1,290	1,633	1,397
Prepaid expenses and other current liabilities	2,475	3,660	2,143
Current liabilities, total	12,591	15,763	12,782
Non-current liabilities			
Long-term debt after deduction of current portion	0	18	2
Deferred tax liabilities	1,804	1,507	1,345
Dormant partners capital	450	511	511
Pension accrued and similar obligations	836	741	752
Non-current liabilities, total	3,090	2,777	2,610
Shareholders' equity			
Subscribed capital (shares without nominal value)			
Allowed: 14,000,000 shares			
Issued and floating: 10,040,000 shares			
(previous year 10,000,000 shares)	10,040	10,040	10,040
Additional paid-in capital	3,141	3,141	3,141
Treasury stock	-499	-144	-219
Consolidated unappropriated profit	4,234	2,801	4,548
Other comprehensive income	-106	-71	-169
Shareholders' equity, total	16,810	15,767	17,341
Liabilities and shareholders' equity, total	32,491	34,307	32,733

Consolidated statement of operations

(US-GAAP)

	Q3 2003 01.07.2003- 30.09.2003 T€	Q3 2002 01.07.2002- 30.09.2002 T€	Q1-Q3 2003 01.01.2003- 30.09.2003 T€	Q1-Q3 2002 01.01.2002- 30.09.2002 T€
Revenues	6,188	9,517	18,473	18,184
Cost of revenues	4,456	7,356	13,964	15,070
Gross profit	1,732	2,161	4,509	3,114
Sales and marketing expenses	875	728	2,655	2,325
General administrative expenses	488	579	1,597	1,721
Research and development expenses	579	126	1,250	642
Other operating income and expenses	46	-46	223	349
Foreign currency exchange gains/losses	-482	-294	-122	206
Operating income	-646	388	-892	-1,019
Interest income and expenses	-84	23	-65	50
Income from investments accounted for by the equity method	61	28	154	190
Other income/expenses	162	15	202	22
Income before income tax	-507	454	-601	-757
Income tax	-221	167	-287	-363
Net income	-286	287	-314	-394
Earnings per share (undiluted) in €	-0.03	0.03	-0.03	-0.04
Earnings per share (diluted) in €	-0.03	0.03	-0.03	-0.04
Average number of floating shares (undiluted)	9,917,629	10,036,444	9,931,683	10,012,148
Average number of floating shares (diluted)	9,917,629	10,036,444	9,931,683	10,012,148

Cash flow statement for the consolidated financial statements

(US-GAAP)

	Q1-Q3 2003 01.01.2003- 30.09.2003 T€	Q1-Q3 2002 01.01.2002- 30.09.2002 T€
Cash flow from operating activities		
1. Net income	-314	-394
2. Depreciation and amortization	1,505	1,177
3. Gains (-) / Losses (+) on the disposal of fixed assets	-10	-3
4. Increase (+) / Decrease (-) in provisions and accruals	-21	1,202
5. Change in inventories, trade accounts receivable and other assets, not provided by/used in investing or financing activities	679	-4,239
6. Change in trade accounts payable and other liabilities, not provided by/used in investing or financing activities	-625	4,503
7. Other non-cash income	-154	-190
8. Change in deferred taxes	-392	-375
Net cash used in/provided by operating activities	668	1,681
Cash flow from investment activities		
1. Proceeds from sales of tangible fixed assets	10	0
2. Investments in tangible fixed assets and other intangible assets	-937	-897
3. Investments in software development	-929	-1,051
4. Investments in financial assets	0	-311
5. Inflows from the sale of fixed interest-bearing securities as part of short-term cash management	1,572	0
6. Investments in fixed interest-bearing securities as part of short-term cash management	-44	-2,026
Net cash used in investment activities	-328	-4,285
Cash flow from financing activities		
1. Cash payments for the purchase of treasury stock	-280	-144
2. Cash repayments of dormant partners' capital	-61	0
3. Proceeds from issuance of share capital	0	240
4. Proceeds from taking up loans	644	568
5. Other adjustments made directly to shareholders' equity	142	-46
Net cash provided by financing activities	445	618
Net effect of currency translation in cash and cash equivalents	-80	-46
Decrease in cash and cash equivalents	705	-2,032
Cash and cash equivalents at the beginning of period	1,898	3,888
Cash and cash equivalents at the end of period	2,603	1,856

Consolidated statements of changes in shareholders' equity

(US-GAAP)

	Ordinary shares Amount	Subs- cribed capital T€	Additional paid-in capital T€	Ordinary unappropri- ated profit T€
Status by December 31, 2001	10,000,000	10,000	2,941	3,195
1. Issuance of shares for cash contribution	40,000	40	200	
2. Purchase of treasury stock				
3. Net income Q1-Q3 2002				-394
4. Adjustment item for currency translation after deduction of TEuro 0 tax				
5. Change in value of the marketable securities (available for sale) after deduction of TEuro 26 tax				
Status by September 30, 2002	10,040,000	10,040	3,141	2,801
Status by December 31, 2002	10,040,000	10,040	3,141	4,548
1. Purchase of treasury stock Q1-Q3 2003				
2. Net income Q1-Q3 2003				-314
3. Adjustment item for currency translation Q1-Q3 2003 after deduction of TEuro 0 tax				
4. Change in value of the marketable securities Q1-Q3 2003 (available for sale) after deduction of TEuro 11 tax				
Status by September 30, 2003	10,040,000	10,040	3,141	4,234

Division reporting

(US-GAAP)

	Q3 2003 01.07.2003- 30.09.2003 T€ %		Q3 2002 01.07.2002- 30.09.2002 T€ %		Q1-Q3 2003 01.01.2003- 30.09.2003 T€ %		Q1-Q3 2002 01.01.2002- 30.09.2002 T€ %	
Revenues								
Mobile Telematics and Fare Management Systems	4,406	71.2	6,378	67.0	12,634	68.4	10,009	55.0
Telematics Software and Services	1,782	28.8	3,139	33.0	5,839	31.6	8,175	45.0
Total	6,188	100.0	9,517	100.0	18,473	100.0	18,184	100.0
Operating profit/loss								
Mobile Telematics and Fare Management Systems	306	-47.4	51	13.1	571	-64.0	-1,958	192.1
Telematics Software and Services	-952	147.4	337	86.9	-1,463	164.0	939	-92.1
Total	-646	100.0	388	100.0	-892	100.0	-1,019	100.0
Amortization								
Mobile Telematics and Fare Management Systems	158	30.8	114	31.4	439	29.2	391	33.2
Telematics Software and Services	355	69.2	249	68.6	1,066	70.8	786	66.8
Total	513	100.0	363	100.0	1,505	100.0	1,177	100.0
Tangible fixed assets								
Mobile Telematics and Fare Management Systems	866	54.6	889	54.4	866	54.6	889	54.4
Telematics Software and Services	719	45.4	746	45.6	719	45.4	746	45.6
Total	1,585	100.0	1,635	100.0	1,585	100.0	1,635	100.0
Investments in tangible fixed assets and intangible assets exclusive software development								
Mobile Telematics and Fare Management Systems	388	56.8	270	54.4	527	56.2	488	54.4
Telematics Software and Services	295	43.2	226	45.6	410	43.8	409	45.6
Total	683	100.0	496	100.0	937	100.0	897	100.0

Other changes in Shareholders' Equity without effects on profit					
Difference from pension evaluation	Difference from currency translation	Stock market valuation of securities	Treasury stock at cost	Total	
T€	T€	T€	T€	T€	
-45	52	14	0	16,157	
				240	
			-144	-144	
				-394	
	-132			-132	
		40		40	
-45	-80	54	-144	15,767	
-38	-169	38	-219	17,341	
			-280	-280	
				-314	
	80			80	
		-17		-17	
-38	-89	21	-499	16,810	

Geographical arrangement

	Q3 2003		Q3 2002		Q1-Q3 2003		Q1-Q3 2002	
	01.07.2003-		01.07.2002-		01.01.2003-		01.01.2002-	
	30.09.2003		30.09.2002		30.09.2003		30.09.2002	
	T€	%	T€	%	T€	%	T€	%
Revenues								
Germany	2,531	40.9	6,111	64.2	8,822	47.8	11,849	65.2
Europe	1,977	31.9	77	0.8	4,458	24.1	1,811	10.0
Northamerica	1,680	27.1	3,329	35.0	5,193	28.1	4,524	24.9
Total	6,188	100.0	9,517	100.0	18,473	100.0	18,184	100.0
Tangible fixed assets								
Germany	1,210	76.3	1,373	84.0	1,210	76.3	1,373	84.0
Northamerica	375	23.7	262	16.0	375	23.7	262	16.0
Total	1,585	100.0	1,635	100.0	1,585	100.0	1,635	100.0



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