

- S11** Europaplatz - Leopoldshafen
Hochstetten
- S2** Europaplatz - Yorckstraße
Entenfang - Rheinstrandsiedl.
Rheinstetten
- S5** Europaplatz - Entenfang
Knielingen - Wörth
- 1** Europaplatz - Europahalle
Oberreut
- 3** Europaplatz - Städt. Klinikum
Siemensallee
- 4** Europaplatz - Hauptbahnhof



Lüthi Berchberg
Siemensallee
Oberreut
Hauptbahnhof

In 7min
17

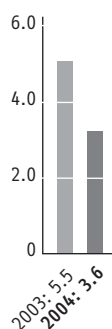


Q1 2004 Report

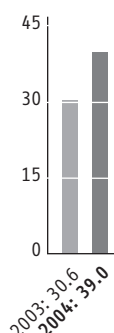
init

innovation in traffic systems AG

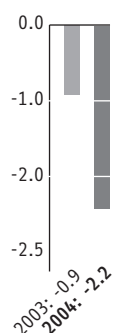
Sales Q1
in million €



Orders on hand Q1
in million €



EBIT Q1
in million €



Earnings per share

Q1 2003 -0.05 €

Q1 2004 -0.14 €

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	3,850,000
Joachim Becker, COO	420,983
Wolfgang Degen, COO	138,364
Dr. Jürgen Greschner, CSO	107,364
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

May 13, 2004	General meeting in Karlsruhe
Wk. 20/2004	Disclosure Q1 2004 Report
Wk. 33/2004	Disclosure Q2 2004 Report
Wk. 46/2004	Disclosure Q3 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 Board of the IHK (German Chamber of Industry and Commerce) Training Centre in Karlsruhe.

- > Fariborz Khavand
Self-employed business consultant, Managing Director, Member of the supervisory board of Rhön Residence GmbH & Co. Management KG.

Management Board

- > Dr. Gottfried Greschner (Chairman), M.Sc.
Business Development, Personnel, Purchasing and Supply Management
- > 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
- > Dr. Jürgen Greschner, B.A.M.
Sales
- > Bernhard Smolka, B.A.M.
Finance, Controlling and Investor Relations

Report of the Managing Board

Ladies and Gentlemen,

init innovation in traffic systems AG started the new 2004 financial year with both joy and sorrow. The highlights were provided by our international business in the form of major, pioneering projects secured in Europe. For example, the passengers of WIENER LINIEN will be counted by init hardware and software in the future. The contract awarded at the end of January includes equipping approximately 100 vehicles with our IRMA automatic passenger counting system. In February, init was commissioned with the installation of a comprehensive telematics system for the local public transportation in Oslo, a contract worth well over 2 million Euro. On the whole, init recorded incoming orders totaling approximately 6.4 million Euro through the end of March, exceeding the figure for the comparative prior-year period (2003: 3.7 million Euro) by more than 70%. Thus, by the end of March, our already comfortable backlog of orders had increased to 39.0 million Euro. This corresponds to an improvement of 27.5% as compared to the previous year (30.6 million Euro).

On account of this, the growth prospects for init in the medium to long term continue to be promising, all the more since we are still in the running for further global contracts with a volume well above 100 million Euro.

Quarterly sales in target range

The drawback is that this growth potential is not yet evident in the sales and earnings figures for the first quarter. On the whole, init recorded sales to the amount of 3.6 million Euro in the first quarter. Compared with the previous year (2003: 5.5 Mio. Euro), this is a decline of 34.7%. However, this trend is in keeping with the usual distribution of sales over the whole year.

Due to the character of project business in the local public transportation sector, init is faced with considerable sales fluctuations between the quarters. For many years, only around 10% of the total annual sales have been attributable to the first quarter. Thus, the sales figure for the first quarter of 2004

is well within the target range of the projected estimate of 33 million Euro for the overall year 2004.

As expected, in view of the continuing financial weakness of the public authorities and the resulting reluctance of the local public transportation companies in Germany, we did not see any evidence of a recovery. While we could still see some backlog effects in these areas in the previous year, they failed to materialize in the first quarter of 2004. Despite individual positive signals and the excellent success of the init MOBILE-PLAN planning and scheduling system on the market, business in Germany remained at rather a low level, recording 0.9 million Euro (2003: 2.7 million Euro). The Managing Board therefore reacted by introducing a number of savings measures, the implementation of which commenced in the first quarter. These measures include the closure of our branch offices in Berlin and Essen as well as a downsizing of our workforce. These cost savings are expected to have an effect in the fourth quarter.

USA become most important market for init

init is responding to the formative trend in Germany in the 2003 financial year by way of a successful internationalization strategy. This is evident, not only in the orders position, but also in the regional sales distribution for the first quarter of 2004. In Europe (excluding Germany), the company attained sales in the amount of 1.3 million Euro (2003: 1.5 million Euro), the decline being due to the balance sheet date. A number of large-scale projects involved but a very insignificant share of hardware deliveries in the first quarter. This will change in the next few months when the number of on-board computers supplied for vehicles increases. Accordingly sales will increase with the scheduled progress, particularly of the projects in Stockholm and Oslo.

Despite the weakening of the dollar by around 12% as compared to the prior-year quarter, init was able to record a slight increase to 1.3 million Euro in its business with North America. Here, too, the company anticipates an improvement in sales in the next few months on account of increasing hardware deliveries such as for the large-scale project in Houston. Thus, the USA are progressively becoming the most important market for init.

Next to the dollar, unforeseeable project delays prevented even higher US sales in the first quarter. However, in the course of the year, init anticipates sales to rise in North America. This is due, on the one hand, to backlog effects from the delayed projects, and, on the other, to the scheduled progress of the large-scale project in Houston. In addition, init expects further growth impulses for the future from the currently still pending tender volume of more than 100 million US dollar.

Limited hardware share burdens result as of balance sheet date

In sales, the forced internationalization strategy led to an increase in expenditure and thus also to over-proportionately rising production costs. At the same time, the share of hardware supplied in the majority of the large-scale projects currently in progress turned out to be less in this time period.

Therefore, the operating result as of the balance sheet date was burdened more greatly than in the previous year. The earnings before interest and taxes (EBIT) as of the end of March stood at -2.2 million Euro (2003: -0.9 million Euro). The consolidated deficit reached -1.4 million Euro, compared to -0.5 million Euro in the comparative prior-year period. The net earnings per share in the first quarter amounted to -0.14 Euro (2003: -0.05 Euro).

The expenditure for research and development of 0.31 million Euro (2003: 0.48 million Euro) mainly relates to hardware developments and the further development of our MOBILE-PLAN software.

In spite of that, the cash flow from the operating activity in the first quarter of 2004 saw a slight improvement to -0.8 million Euro as compared to the previous year. In essence, this can be attributed to a lower inventory and an increase in the payments on account.

Effective January 1, 2004, Dr. Jürgen Greschner was appointed Chief Sales Officer of init AG. With this new position at management level, init AG takes into account the successful trend of its international business.

Prospect

Based on the high level of orders on hand, we anticipate a positive business trend over the next few months and are confident that we will reach our growth targets set for 2004. For the whole year this signifies an increase of 10% to sales exceeding 33 million Euro.

Due to a number of savings measures, such as more favorable basic contracts in purchase, we intend to ease the burden on the cost side quite noticeably to ensure that the operating result will improve over-proportionately. We are hopeful of gain of at least 30% to well over 1 million Euro (EBIT).

One of the risk factors remains to be the US dollar. The majority of the incoming payments to be expected in 2004 is secured by way of forward exchange transactions. However, we have to be prepared for lower margins in future projects in the USA since the unfavorable Euro exchange rate can be passed on only partly by way of higher prices.

Karlsruhe, May 7, 2004

On behalf of the Managing Board



Dr. Gottfried Greschner
Chairman of the Managing Board

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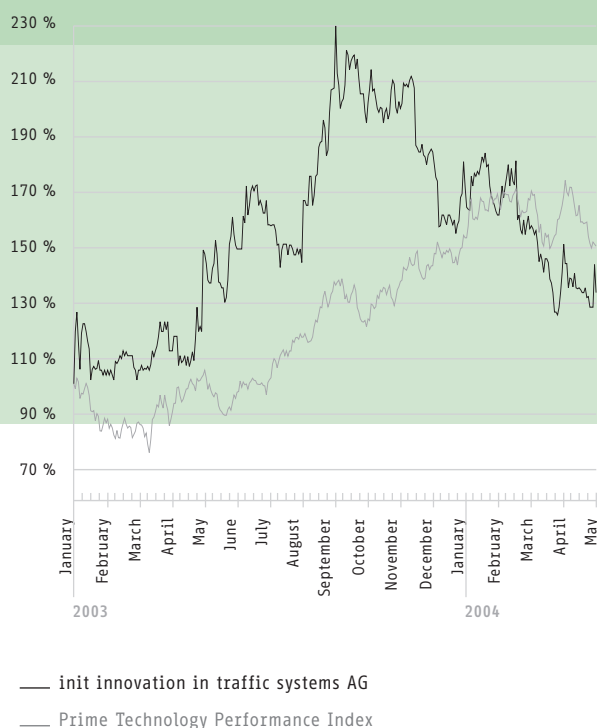
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init share facing turnaround

At the beginning of the year, the share of init innovation in traffic systems AG initially still managed to gain. The announcement of the business figures for 2003, however, triggered a decline in the price that lasted until the end of the period under review. At the end of March, the init share stood at 3.81 Euro. In the course of the year, this meant a decline of 26%. Due to the ongoing progress of the current large-scale projects and the continuing positive trend of incoming orders we anticipate a turnaround in the next few months here and see the price gaining again.

Performance



Number of Employees

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

	31.03.2004	31.03.2003
Germany	177	169
USA	35	23
Total	212	192

Notes to the interim accounts

The financial statements were prepared in accordance with the US-American Generally Accepted Accounting Principles (US-GAAP). The accounting and valuation methods have remained the same. The interim report is 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 in iris GmbH in Berlin, while init AG holds 44% of the shares in id systeme GmbH in Hamburg. Both shareholdings are included at equity in the consolidated financial statements.

Based on the resolution passed at the general meeting on May 15, 2002, replaced by the resolution of May 15, 2003, the company is authorized to purchase treasury stock. On September 11, 2002, the Managing Board of init AG decided on a stock repurchase of up to 40,000 shares that will be issued to the employees and trainees of the company and its subsidiaries as employee stocks in spring 2003 as part of an employee capital sharing scheme. On February 28, 2003, the Managing Board passed a resolution to that effect, which included the employees in the 2002 consolidated result. On the whole, 11,302 shares with an imputed share of 11,302 Euro (0.1%) in the capital stock were transferred to employees. Further stock repurchases were decided on January 17, 2003 in the amount of 20,000 shares, on February 25, 2003 in the amount of 80,000 shares, and on December 23, 2003 in the amount of 60,000. The company's treasury stock was valued at cost at 560 TEuro (2003: 442 TEuro) and openly deducted from the equity capital. Of the current treasury stock of 143,172 shares with an imputed share of 143,172 Euro (1.4%) in the capital stock, 4,474 shares resulted from the capital increase and 138,698 shares from the company's stock repurchasing program.

The repurchase was effected at an average price of 3.86 Euro per share.

Consolidated balance sheet at March 31, 2004

(US-GAAP)

Assets	31.03.2004	31.03.2003	31.12.2003
	T€	T€	T€
Current assets			
1. Cash and cash equivalents	2,591	1,557	2,261
2. Marketable securities	981	3,054	1,980
3. Trade accounts receivable, net	10,207	10,165	12,111
4. Accounts receivable from related parties	50	12	47
5. Inventories	3,278	3,616	2,948
6. Deferred tax asset	1,357	1,101	689
7. Prepaid expenses and other current assets	1,747	1,600	2,263
Current assets, total	20,211	21,105	22,299
Non-current assets			
1. Tangible fixed assets, net	1,426	1,478	1,466
2. Internally generated software and other intangible assets, net	5,767	4,968	5,736
3. Goodwill, net	1,877	1,877	1,877
4. Financial investments	971	865	943
5. Loans	68	68	68
6. Deferred tax asset	61	25	61
7. Other assets	342	319	333
Non-current assets, total	10,512	9,600	10,484
Assets total	30,723	30,705	32,783

Liabilities and shareholders' equity	31.03.2004	31.03.2003	31.12.2003
	T€	T€	T€
Current liabilities			
1. Short-term debt and current portion of long-term debt	2,148	1,209	1,547
2. Dormant partners capital	50	0	50
3. Trade accounts payable	2,248	2,335	4,264
4. Accounts payable due to related parties and persons	113	19	2
5. Advance payments received	2,980	1,546	2,021
6. Accrued expenses	886	1,834	945
7. Deferred tax liabilities	1,401	1,335	1,419
8. Prepaid expenses and other current liabilities	2,168	3,162	2,418
Current liabilities, total	11,994	11,440	12,666
Non-current liabilities			
1. Deferred tax liabilities	1,448	1,412	1,571
2. Dormant partners capital	400	511	400
3. Pension accrued and similar obligations	973	780	945
Non-current liabilities, total	2,821	2,703	2,916
Shareholders' equity			
1. Subscribed capital (shares without nominal value)			
Allowed: 3,960,000 shares			
Issued and floating:			
10,040,000 shares (previous year 10,040,000 shares)	10,040	10,040	10,040
2. Additional paid-in capital	3,141	3,141	3,141
3. Treasury stock	-560	-442	-561
4. Consolidated unappropriated profit	3,597	4,006	4,952
5. Other comprehensive income	-310	-183	-371
Shareholders' equity, total	15,908	16,562	17,201
Liabilities and shareholders' equity, total	30,723	30,705	32,783

Consolidated statement of operations at January 1, 2004 to March 31, 2004
(US-GAAP)

	Q1 2004 01.01.2004- 31.03.2004 T€	Q1 2003 01.01.2003- 31.03.2003 T€
1. Revenues	3,575	5,473
2. Cost of revenues	-3,931	-4,865
Gross profit/loss	-356	608
3. Sales and marketing expenses	-1,049	-835
4. General administrative expenses	-551	-507
5. Research and development expenses	-314	-477
6. Other operating income and expenses	-14	21
7. Foreign currency exchange gains/losses	62	214
Operating income/loss	-2,222	-976
8. Interest income and expenses	-14	12
9. Income from investments accounted for by the equity method	28	55
10. Other income/expenses	10	15
Loss before income tax	-2,198	-894
11. Income tax	-843	-352
Net income	-1,355	-542
Earnings per share (undiluted) in €	-0.14	-0.05
Earnings per share (diluted) in €	-0.14	-0.05
Average number of floating shares (undiluted)	9,896,828	9,975,996
Average number of floating shares (diluted)	9,896,828	9,975,996

**Cash flow statement for the consolidated financial statement
from January, 1 2004 to March 31, 2004
(US-GAAP)**

	Q1 2004 01.01.2004- 31.03.2004 T€	Q1 2003 01.01.2003- 31.03.2003 T€
Cash flow from operating activities		
1. Net income	-1,355	-542
2. Depreciation and amortization	570	489
3. Gains (-) / Losses (+) on the disposal of fixed assets	0	-4
4. Changes in accrued liabilities and cumulative value adjustments	-31	633
5. Change in inventories, trade accounts receivable and other assets, not provided by/used in investing or financing activities	2,078	1,455
6. Change in trade accounts payable and other liabilities, not provided by/used in investing or financing activities	-1,196	-2,404
7. Other non-cash income	-28	-85
8. Change in deferred taxes	-809	-345
Net cash used in operating activities	-771	-803
Cash flow from investment activities		
1. Proceeds from sales of tangible fixed assets	22	4
2. Investments in tangible fixed assets and other intangible assets	-204	-126
3. Investments in software development	-348	-195
4. Inflows from the sale of fixed interest-bearing securities as part of short-term cash management	999	500
Net cash used in investment activities	469	183
Cash flow from financing activities		
1. Cash payments for the purchase of treasury stock	0	-223
2. Proceeds from taking up loans	601	516
3. Other adjustments made directly to shareholders' equity	39	-5
Net cash provided by financing activities	640	288
Net effect of currency translation in cash and cash equivalents	-8	-9
Increase/decrease in cash and cash equivalents	330	-341
Cash and cash equivalents at the beginning of period	2,261	1,898
Cash and cash equivalents at the end of period	2,591	1,557

Consolidated statements of changes in shareholders' equity

(US-GAAP)

	Ordinary shares Amount	Sub- scribed capital T€	Additional paid-in capital T€	Ordinary unappropri- ated profit T€
Status by December 31, 2002	10,040,000	10,040	3,141	4,548
1. Net income Q1 2003				-542
2. Purchase of treasury stock				
3. Adjustment item for currency translation after deduction of TEuro 0 tax				
4. Change in value of the marketable securities Q1 2003 (available for sale) after deduction of TEuro 13 tax				
Status by March 31, 2003	10,040,000	10,040	3,141	4,006
Status by December 31, 2003	10,040,000	10,040	3,141	4,952
1. Change in value of treasury stock by exchange rate differences				
2. Net income Q1 2004				-1,355
3. Adjustment item for currency translation Q1 2004 after deduction of TEuro 0 tax				
4. Change in value of the marketable securities Q1 2004 (available for sale) after deduction of TEuro 0 tax				
Status by March 31, 2004	10,040,000	10,040	3,141	3,597

Division reporting

(US-GAAP)

	Q1 2004 01.01.2004- 31.03.2004		Q1 2003 01.01.2003- 31.03.2003	
	T€	%	T€	%
Revenues				
Mobile Telematics and Fare Management Systems	2,084	58.3	3,170	57.9
Telematics Software and Services	1,491	41.7	2,303	42.1
Total	3,575	100.0	5,473	100.0
Operating loss				
Mobile Telematics and Fare Management Systems	-1,081	48.6	-507	51.9
Telematics Software and Services	-1,141	51.4	-469	48.1
Total	-2,222	100.0	-976	100.0
Amortization				
Mobile Telematics and Fare Management Systems	186	32.6	148	30.3
Telematics Software and Services	384	67.4	341	69.7
Total	570	100.0	489	100.0
Tangible fixed assets				
Mobile Telematics and Fare Management Systems	758	53.2	798	54.0
Telematics Software and Services	668	46.8	680	46.0
Total	1,426	100.0	1,478	100.0
Investments in tangible fixes assets and intangible assets exklusive software development				
Mobile Telematics and Fare Management Systems	113	55.4	69	54.8
Telematics Software and Services	91	44.6	57	45.2
Total	204	100.0	126	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€
-38	-169	38	-219	17,341
				-542
			-223	-223
	-33			-33
		19		19
-38	-202	57	-442	16,562
-95	-287	11	-561	17,201
			1	1
				-1,355
	60			60
		1		1
-95	-227	12	-560	15,908

Geographical arrangement

	Q1 2004		Q1 2003	
	01.01.2004- 31.03.2004		01.01.2003- 31.03.2003	
	T€	%	T€	%
Revenues				
Germany	921	25.8	2,728	49.8
Europe	1,308	36.6	1,460	26.7
North America	1,346	37.7	1,285	23.5
Total	3,575	100.0	5,473	100.0
Tangible fixed assets				
Germany	1,016	71.2	1,229	83.2
North America	410	28.8	249	16.8
Total	1,426	100.0	1,478	100.0

init
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