innovation in
traffic systems AG

Q1 Report 2010

init at a Glance

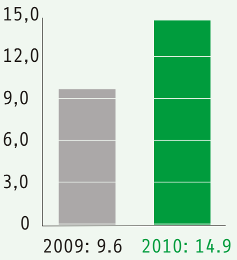
Municipal and regional passenger transportation should be comfortable, fast, and attractive. The systems supplied by init innovation in traffic systems AG ensure that buses and trams are able to meet these requirements today, while at the same time increasing the efficiency of transportation companies.

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

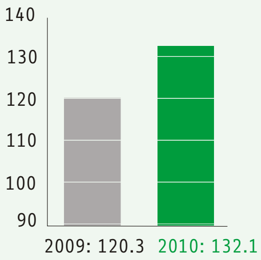
Key Figures of init Group (according to IFRS)

	31/03/2010		31/03/2009	
Balance sheet				
Balance sheet total	EUR	79,105k	EUR	58,167k
Shareholders' equity	EUR	40,373k	EUR	32,420k
Subsribed capital	EUR	10,040k	EUR	10,040k
Equity ratio	%	51.0	%	55.7
Return on equity	%	3.29	%	1.43
Non-current assets	EUR	14,028k	EUR	15,131k
Current assets	EUR	65,077k	EUR	43,036k
Income Statement				
Revenues	EUR	14,949k	EUR	9,648k
Gross profit	EUR	4,496k	EUR	2,846k
EBIT	EUR	2,471k	EUR	867k
EBITDA	EUR	3,140k	EUR	1,368k
Net profit	EUR	1,328k	EUR	465k
Earnings per share	EUR	0.14	EUR	0.05
Dividend	EUR	0.30	EUR	0.16
Cash Flow				
Cash flow from operating activities	EUR	3,825k	EUR	40k
Share				
Issue price	EUR	5.10	EUR	5.10
Peak share price	EUR	13.10	EUR	6.12
Bottom share price	EUR	9.15	EUR	4.75

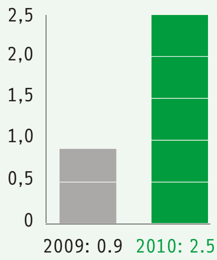
Revenues Q1 in million EUR



Order backlog Q1 in million EUR



EBIT Q1 in million EUR



Earnings per share

Q1 2009: EUR 0.05
Q1 2010: EUR 0.14

Statutory bodies of the Company

Supervisory Board

> Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau (Chairman)

Consulting engineer specializing in local public transportation (Chairman), member of the Supervisory Board of BT Berlin Transport GmbH, Berlin, member of the Advisory Board of PTM, master's degree at the University of Duisburg/Essen.

> Bernd Koch (Vice-Chairman)

Self-employed business consultant, 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 Elco Motores GmbH, Hagen.

Managing Board

> Dr. Gottfried Greschner (Chairman), M.Sc.
Business Development, Personnel, Purchasing, Logistics and Production

> Joachim Becker, M.Sc. in Information Science
Business Division: Telematics Software and Services

> Wolfgang Degen, M.Sc.
Business Division: Mobile Telematics and Fare Management Systems

> Dr. Jürgen Greschner, B.A.M.
Sales and Marketing

> Bernhard Smolka, B.A.M.
Finance, Controlling and Investor Relations

Director's Holdings

Managing Board	Number of shares
Dr. Gottfried Greschner, CEO*	3,530,000
Joachim Becker, COO	325,983
Wolfgang Degen, COO	94,000
Dr. Jürgen Greschner, CSO	97,364
Bernhard Smolka, CFO	24,000

* thereof 3,485,000 shares held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG

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

Company calendar 2010

May 12, 2010	Annual General Meeting, Karlsruhe
August 13, 2010	Publication of Q2 2010 Report
Sept. 15, 2010	Small and Mid Cap Conference of Baader Wertpapierhandelsbank, Unterschleißheim
Nov. 2010	German Equity Forum, Frankfurt - Analyst Conference
Nov. 12, 2010	Publication of Q3 2010 Report

Letter to the Shareholders

Ladies and Gentlemen,
dear Shareholders,

After our fifth record year in a row and the highly dynamic growth which init innovation in traffic systems AG has shown particularly against the background of the general economic crisis, we have often been asked over the past few years whether this can last?

Today, as we present our first quarterly report for 2010, we can say this much: yes, it can and it will. Our company has started the new financial year with strong growth. Sales and earnings in the first quarter increased above average, the prior-year reference figures and the company's targets could once again be exceeded.

In terms of figures, it means that by the end of March 2010, we generated revenues of EUR 14.9m, up by 55 per cent on the previous year (EUR 9.6m). Compared to the prior-year period, our earnings before interest and taxes (EBIT) in the first quarter rose to EUR 2.5m and thus more than doubled on 2009 (EUR 0.9m). This produced a consolidated net income of EUR 1.3m (2009: EUR 0.5m), which corresponds to earnings per share of EUR 0.14 (2009: EUR 0.05).

Quarterly profit and significant cash inflow

We need to remind you at this point that the first quarter for init traditionally has the lowest sales figures. Typically, we can expect losses rather than gains in this period, as projects will only have started and engineering services will be required at this stage which will not be reflected in sales and earnings until later. It is therefore all the more remarkable to see such good results in this quarter. Favourable exchange rates specifically from US Dollar and the Arab Dirham did us a good turn here.

But the first quarter of 2010 also stands out for another reason: never before has init seen such cash inflow from current business in the first three months of a year. Our operating cash flow as at the end of March totalled EUR 3.8m (2009: EUR 0m). This will continue to improve significantly over the course of the year, as we expect to receive some sizeable payments from various major projects. Our cash and cash equivalents are thus set to improve.

Higher dividends and new all-time high

The increase in dividend from EUR 0.16 to EUR 0.30 per share proposed by the Managing Board and the Supervisory Board at the shareholders' meeting on 12 May 2010 can be financed from the cash flow. This step not only respects the requirement of our shareholders for appropriate involvement in the company's success. It also creates new incentives for institutional investors to buy into the init share.

In this respect, the first few months of 2010 also proved highly exceptional for init. Never before have so many potential investors sought contact with us; never before has there been such demand for our shares. As a result, we were pleased to see that share dealings jumped to new highs and the share price, as a consequence, reached the new all-time peak of EUR 15. Even better in this context is the fact that external specialists believe init's share has not yet reached its climax.

From our own point of view, we also see many indications that init has not yet exhausted its full potential whether in our sales markets or on the stock exchange.

Growth potential not yet exhausted

Our business trend continued to be highly resistant to the effects of the crisis. In the first quarter of 2010, we were able to add orders worth around EUR 11.0m to our books. The volume of orders as at the end of March thus rose to around EUR 132m (31 March 2009: EUR 120m). Over the next few months, we expect to see further additions here, as init is currently involved in global tenders of over EUR 100m.

Operations at init continue to be based on sustainable growth factors:

1. The demand for intelligent telematics, planning and fare collection systems for buses and trains is growing in the long term.
2. Intelligent infrastructures such as developed, produced and sold by init help transport companies increase their efficiency and provide a more attractive service. As a result, investments in appropriate init solutions quickly pay off.
3. At the same time, telematics systems for local public transport actively contribute to climate protection and the reduction of carbon dioxide emissions while providing mobility in conurbations. This is why the modernisation or development of local public transport systems worldwide now features large in state aid programmes initiated to improve the infrastructures and boost the economy.
4. One of the crucial challenges facing the future of mobility is the requirement to network different local public transport systems with long-distance rail transport and other transport operators. init's integrated telematics and fare collection system is already a marketable commodity.

5. Funds for infrastructure investments made available worldwide through economic aid programmes range in the three-digit billions. The majority of these funds is allocated to local public transport systems.

Over and above this, init constantly makes efforts to increase its potential. In terms of territory, this happens when we break into new markets, as recently in New Zeeland and the United Arab Emirates. From the point of technology, we constantly aim to find innovative solutions to new problems.

E-ticketing could spur further growth

A major issue for transport companies in Germany and indeed worldwide currently is sale of electronic tickets using a chip card, the Internet or a mobile phone known also as e-ticketing. This is an area in which init has been involved since 1994. In 2005, we then installed BOB (German abbreviation for “cashless payment“), a best-price e-ticketing system, throughout Bremen. This was followed in 2007 by the contactless check-in/check-out system for the English transport operator Trent Barton, the most modern system of its type.

In 2010, init will set up a ticketing system using 2D bar code technology (e.g. on mobile phones) for VAG Nuremberg and for VVO Dresden.

E-ticketing is shown to have helped transport companies gain new customers and in many cases replaces conventional high-maintenance systems. The e-ticketing solutions from init thus pay off very quickly and contribute considerably to making local public transport an attractive and cost-effective alternative. This technology should spur further growth which is likely to benefit init over the next few years through global tenders. And it is not the only one in which init as a technology driver takes a leading role.

We are therefore confident that our company still has some rather lucrative and gainful stages ahead of it on its road to long-term growth. Thank you kindly for your trust placed in us.

For the Managing Board:

Dr. Gottfried Greschner

Chairman

Number of Employees (annual average)
(incl. temporary workers and students)

	31/03/2010	31/03/2009
Germany	233	215
North America	53	52
Other Countries	12	5
Total	**298**	**272**

Share and Investor Relations

init share headed for next all-time peak

The performance of init's share (ISIN DE0005759807) over the first quarter of 2010 continued to rise. While the optimism registered on the stock markets was dampened by increasing concerns over the potential bankruptcy of such industrialised nations as Greece and Portugal, init innovation in traffic systems AG remained in consistent demand among investors.

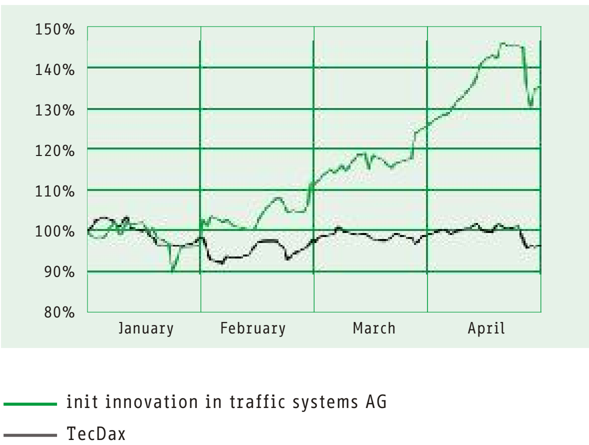
Interest in init's share even went so far as to take on a new dimension-both nationally and internationally. Never before have there been so many requests for individual talks with potential investors and IR road show dates. As a consequence, share dealings rose significantly and the price of stock continued to improve.

While the technology index, TecDax, saw slight losses in the reporting period, and the German stock index, DAX, gained a mere 3.3 per cent, init's share broke away from the general trend and, due to excellent company figures, improved by 25 percent at the end of March. Early in April, it then climbed to a new absolute all-time high of EUR 15.30.

After the best year to date for shareholders of init innovation in traffic systems AG, all signs point to further gain. According to analysts, init's share still has “room left to improve“, predicting an upside target of as much as EUR 20.

Due to record profit for 2009, and with continuing growth prospects intact and dividend payments increasing in importance amongst potential investors, the Managing Board and the Supervisory Board will propose an increase in dividend to EUR 0.30 per share (2009: EUR 0.16) at the Annual General Meeting scheduled for 12 May 2010.

Performance January - April 2010

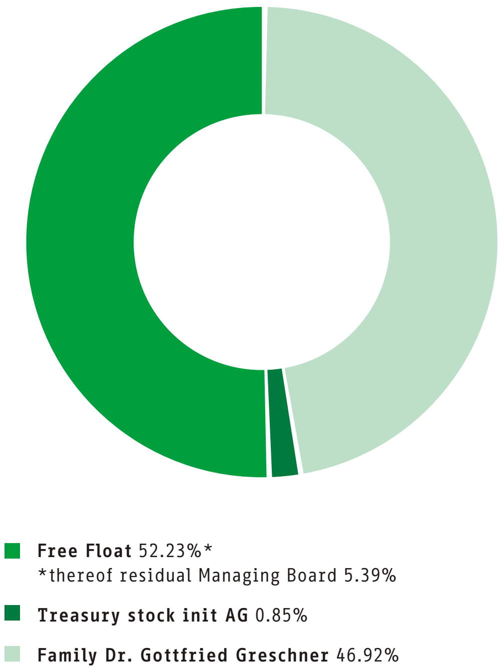


Basic share information

Exchange:	Frankfurt Stock Exchange
Index / segment:	Prime Standard, Regulated Market, GEX (German Entrepreneurial Index)
Class:	No-par bearer shares (at EUR 1 each)
ISIN:	DE 0005759807
WKN:	575 980
Code:	IXX
Designated sponsors:	Commerzbank AG Close Brothers Seydler AG
Capital stock today:	10,040,000 no-par bearer shares
Market capitalisation (as of March 31, 2010):	EUR 130,5m

Shareholder structure as of March 31, 2010

The shareholder structure of init innovation in traffic systems AG did not change significantly in the reporting period. Shares are held as follows:



Group Status Report

General business trend

Early in fiscal 2010, the German economy finally managed to find its feet again. With production slightly up in the producing sector, Germany's export trade once again proved the driving force behind this cautious rebound. Economic experts, however, believe the general crisis is not yet over; there are still doubts as to the sustainability of this improvement.

Many companies may find that 2010 will be an even harder financial year than 2009, as equity and liquidity reserves dwindle while credit facilities granted by banks are reduced or even cancelled altogether.

Currently, the leading research institutes predict that economic growth in Germany will range around 1.4 per cent throughout 2010.

The global economy is estimated to grow by around 4.2 per cent, according to the International Monetary Fund (IMF). At 8.7 per cent, growth here is likely to be driven primarily by emerging markets and developing nations. In contrast, industrial nations are not expected to grow more than 2.3 per cent.

To date, the business trend in the init group has proven highly resistant to the effects of the crisis. In the first quarter of 2010, sales and earnings once again rose above average. The prior-year reference figures and the company's targets could be exceeded. This means, init is well on its way to writing yet another record year.

The distribution of sales over the course of the financial year is traditionally uneven for the init group, with the first quarter normally having the lowest sales figures and the fourth quarter delivering the strongest sales.

Order situation

Over the first three months of 2010, the inflow of orders placed with the init group was due primarily to follow-up and maintenance contracts. On the whole, we were able to add orders worth around EUR 11.0m to our books, of which EUR 3.6m came from Germany, EUR 3.3m from Europe, EUR 4.0m from North America, and EUR 0.1m from other countries.

In the first quarter, init was able to secure a follow-up contract from the transport operator Grand River Transit (GRT) in Waterloo, Ontario. The existing init system will be further extended here and an additional 114 vehicles is due to be equipped. Our client KCM in Seattle ordered MOBILE-STOPinfo displays for passenger information. Both contracts total well over 3 million US Dollars.

In Germany, the intake of new orders was split between maintenance contracts on the one hand and various smaller contracts, on the other. In Europe, the most significant order in the first quarter came from England.

On the whole, init is currently involved in global tenders of well over EUR 100m.

The current order volume totals around EUR 132m (2009: EUR 120m) and remains at the high level experienced in late 2009 thanks to favourable exchange rates.

Earnings position

In the first quarter of 2010, growth in sales accelerated in the init group. At EUR 14.9m, our revenues were up on the prior-year period (EUR 9.6m) by over 55 per cent.

Around 66.8 per cent (2009: 70.8 per cent) was down to foreign sales. Germany and North America were virtually level-pegging at around EUR 5m each (2009: North America EUR 2.2m; Germany EUR 2.8m). In Europe, sales totalled EUR 2.8m (2009: EUR 2.1m), whereas business in the other countries declined by EUR 0.3m to EUR 2.2m (previous year EUR 2.5m), down to EUR 1.5m. This was due primarily to the advanced completion of the major projects in Dubai.

Gross profit on sales amounting to EUR 4.5m as at the end of March was considerably above the prior-year figure (EUR 2.8m). In relative terms, the gross margin related to sales increases by around 0.5 percentage points. The gross margin will, however, significantly improve in the further course of fiscal 2010. A further favourable factor for init was the exchange rates specifically from US Dollar and the Arab Dirham, to the effect that exchange gains totalled around EUR 0.8m (2009: EUR 0.2m). Compared to the prior-year period, our earnings before interest and taxes (EBIT) rose to EUR 2.5m in the first quarter of 2010 (2009: EUR 0.9m). This produces a result for the period of EUR 1.3m (2009: EUR 0.5m), which corresponds to earnings per share of EUR 0.14 (2009: EUR 0.05).

Financial and net worth position

Total assets rose by EUR 20.9m to EUR 79.1m in the reporting period compared with the previous year (31 March 2009). On the assets side of the balance sheet, this increase results primarily from the rise in receivables and inventories. On the liabilities side, the increase is for the most part reflected in the rise in deferred tax liabilities, the liabilities arising from the "Percentage of Completion" method, and the rise in equity capital.

Operating cash flow in the first three months of 2010 increased to EUR 3.8m (2009: EUR 0m). The cash flow will continue to improve significantly over the course of the year, as we expect to receive some sizeable payments from various major projects.

Equity rose by around EUR 8m to EUR 40.4m as at 31 March 2010 (2009: EUR 32.4m). Due to the significant increase in total assets, the equity ratio, however, decreased from 55.7 per cent in the previous year to 51.0 per cent.

Current liabilities to banks amounted to EUR 0.4m as at the end of March (2009: EUR 0.6m) and primarily relate to our subsidiary CarMedialab GmbH. The non-current bank liabilities amounting to EUR 1.1m (2009: EUR 1.2m) concern a loan for the extension of the Karlsruhe location.

Liquid resources including short-term securities amounted to EUR 12.5m (2009: EUR 6.0m) and will continue to increase over the next few months due to sizeable payments from various major projects. The existing guarantee and credit lines continue to secure the financing of our business activities and their expansion.

In the first three months of 2010, EUR 0.2m (2009: EUR 0.2m) were used for capital expenditure and intangible assets (not including software development). These were essentially replacement and rationalisation investments.

Production

init has no production facilities of its own, concentrating instead on production management and quality assurance.

We are not dependent on individual suppliers. This allows us to switch suppliers should one of our business partners be unavailable. For fiscal 2010, we have extended the group of suppliers and negotiated new framework agreements. The economic crisis also offers the opportunity to enhance quality in procurement while at the same time reducing our cost of production.

Personnel

To complete our orders on schedule while at the same time seizing new growth opportunities in the market, it was necessary for us to adjust the size of the workforce within the init group. This positive trend will continue to a moderate degree in the coming months, as we anticipate further major orders in the short term.

As at 31 March 2010, init employed 298 people (2009: 272) including temporary staff, scientific assistants, and graduate students. There are another 16 employees undertaking an apprenticeship.

Over 65 per cent of permanent init employees have a university degree in information technology, e-technology, HF technology, physics, mathematics, or industrial engineering.

Against the background of the expected general shortage of skilled personnel in the next few years, one of our key personnel policy objectives is to retain qualified employees within the company in the long term.

Environmental protection

In order to prevent an impending climate crisis, it is vital to reduce carbon dioxide emissions. Efficient public transport systems play an ever increasing role here.

As a catalyst of resource-saving technological developments for local public transport, init is particularly committed to the protection of the environment. Our products help transport companies provide a faster and more competitive service while saving resources with the aim to subject the environment to fewer exhaust gas and particulate matter. init actively applies these basic ecological principles along its entire value-added chain and in its individual segments – from procurement to production and administration to sales.

Research and development

In 2010, our software and hardware development teams worked on the further development of existing products and various radical innovations.

In the first quarter, a total of EUR 0.5m (2009: EUR 0.2m) were spent within the init group on the development of new products. No software developments were capitalised in 2010 (2009: EUR 0.3m). The depreciation applied to capitalised software amounted to EUR 0.3m (2009: EUR 0.2m).

In addition, customer-funded new and further developments were carried out in the course of projects, amounting to at least five times as much again.

Risks and risk management

The risks for the future development of the init group depend essentially on the risks in the group's operating companies. There are currently no risks within the init group that are a threat to our survival.

In that context, a risk management system is an integral part of our business and decision-making processes. Prior to making a decision on important measures, these are discussed in detail at regular meetings of the Managing Board, and their prospects and risks are weighed against each other. There are regular reports on imminent risks in the meetings of the Managing Board and the Supervisory Board. Alternative measures are discussed with the Supervisory Board.

The crucial success factor for the init group is project management. The successful handling of projects depends on their completion as scheduled, the scope of each individual project, the enforceability of contractual terms, the readiness of the customer to be involved in the project implementation through productive contributions, and the specific national laws and regulations. Apart from unforeseeable technical and customer-specific difficulties, the punctual completion of projects also depends to a degree on the availability of sufficiently qualified personnel.

The financial crises has also increased the risk of bad debt losses. While over 95 per cent of init's customers are public transport companies, a number of governments experienced financial difficulties in 2009 (e.g. Greece, Dubai, Iceland), to the effect that bad debt losses cannot be ruled out in the future. The collection period for accounts receivable in days has significantly increased resulting in cash flows predictability risks and liquidity risks. Contracts concluded in foreign currency involve exchange risks that can affect sales, the purchase prices, the valuation of claims, currency reserves, liabilities, and with it, the result. init meets these exchange risks with active exchange rate management, making use of switch deposits, forward exchange dealings and currency options. Since init also tries to keep its options open here and focuses on active management, it may consequently incur losses. Due to our risk policy, however, we consider this risk of loss to be minimal.

The investments of init include stocks and fixed-term deposits. Exchange and interest change risks can therefore reduce the financial result of the group.

Opportunities

The numerous state aid programmes introduced to combat the financial crisis and boost the economy should increasingly prompt a growth spurt which our sector will experience slightly delayed due to public tendering. In December 2009 alone, the American Senate authorised around US$10.7bn for the development of local public transport. As a result, we expect to see a number of new tenders materialise in the USA.

In Europe, and specifically in Great Britain, we can also see a rising trend in tenders. In Germany, on the other hand, we anticipate the volume of tenders to remain at a similar level to 2009. The Middle East and Australia also provide good prospects for us in terms of winning new tenders.

It stands in good stead for init here that we have proven in many significant projects over the past few years that our company is able to execute contracts in any region in the world with great schedule effectiveness. As a result, init has excellent references that act as a signal for potential new customers all over the world and should benefit in particular from planned additional infrastructure investments.

We are currently involved in several tenders worldwide on several continents. In addition, we have set up a subsidiary in Finland which will enable us in the future to work the Finnish market.

Events after the reporting date

No events of special note occurred after the cutoff date.

Prospects

Thanks to this exceptionally positive business trend in the first quarter which exceeded our targets, init continues in fiscal 2010 to steer for further growth, set to write yet another record year. This is underlined by an order book worth EUR 132m.

Now clearly more favourable, the exchange rates also continue to have a positive effect on our international business. A further growth factor for init involves follow-up contracts from ongoing or completed major projects in Europe, the USA, the United Arab Emirates and Australia.

With innovative products, individual customer solutions and system competence proven in a wide range of international reference projects, init has worked hard to establish itself at the top of the global market for telematics, planning and electronic fare collection systems for local public transport. As a result, our company is well prepared for the future.

Therefore, we once again confirm our sales target of EUR 72m and an EBIT of EUR 13m.

Karlsruhe, May 11, 2010

The Managing Board

Dr. Gottfried Greschner
Chief Executive Officer

Bernhard Smolka
Chief Financial Officer

Achim Becker
Chief Operating Officer

Wolfgang Degen
Chief Operating Officer

Dr. Jürgen Greschner
Chief Sales Officer

Consolidated Income Statement from January 1, 2010 to March 31, 2010 (IFRS)
(unaudited)

EUR '000	01/01/2010-31/03/2010	01/01/2009-31/03/2009
Revenues	14,949	9,648
Cost of revenues	-10,453	-6,802
Gross profit	**4,496**	**2,846**
Sales and marketing expenses	-1,494	-1,468
General administrative expenses	-950	-823
Research and development expenses	-486	-252
Other operating income	137	297
Other operating expenses	-153	-6
Foreign currency gains/losses	835	219
Operating profit	**2,385**	**813**
Income from associated companies	32	40
Other income and expenses	54	14
Earnings before interest and taxes (EBIT)	**2,471**	**867**
Interest income	7	50
Interest expenses	-52	-39
Earnings before taxes (EBT)	**2,426**	**878**
Income tax	-1,098	-413
Net profit	**1,328**	**465**
thereof attributable to equity holders of parent company	1,344	527
Minority interests	-16	-62
Net profit and diluted net profit per share in EUR	0.14	0.05
Average number of floating shares (undiluted) in EUR	9,941,003	9,876,206
Average number of floating shares (diluted) in EUR	9,941,003	9,876,206

Consolidated Balance Sheet as of March 31, 2010 (IFRS)
(unaudited)

Assets	31/03/2010	31/12/2009
	EUR '000	EUR '000
Current assets		
Cash and cash equivalents	12,229	9,327
Marketable securities	242	158
Trade accounts receivable	15,174	16,175
Future receivables from production orders (percantage of completion method)	18,366	15,091
Inventories	17,782	15,343
Income tax receivable	5	5
Other current assets	1,279	1,214
Current assets, total	**65,077**	**57,313**
Non-current assets		
Tangible fixed assets	4,846	4,876
Goodwill	2,081	2,081
Other intangible assets	2,522	2,907
Interest in associated companies	2,091	2,059
Accounts receivable from related parties	68	68
Deferred tax assets	782	724
Other assets	1,638	1,582
Non-current assets, total	**14,028**	**14,297**
Asset, total	**79,105**	**71,610**

Liabilities and shareholders' equity	31/03/2010	31/12/2009
	EUR '000	EUR '000
Current liabilities		
Bank loans	397	1,166
Trade accounts payable	2,177	3,284
Amounts payable of percentage of completion method	13,831	8,715
Accounts payable due to related parties	308	305
Advance payments received	3,799	1,765
Income tax payable	373	1,061
Provisions	4,738	3,555
Other current liabilities	5,341	5,784
Current liabilities, total	**30,964**	**25,635**
Non-current liabilities		
Long-term debt less current portion	1,129	1,129
Deferred tax liabilities	3,913	3,189
Pensions accrued and similar obligations	2,654	2,606
Other non-current liabilities	72	74
Non-current liabilities, total	**7,768**	**6,998**
Shareholders' equity		
Attributable to the equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	4,187	4,377
Treasury stock	-320	-477
Consolidated unappropriated profit	26,970	25,626
Other reserves	-670	-771
	40,207	**38,795**
Minority interests	166	182
Shareholders' equity, total	**40,373**	**38,977**
Liabilities and shareholders' equity, total	**79,105**	**71,610**

Consolidated Cash Flow Statement from January 1, 2010 to March 31, 2010 (IFRS)
(unaudited)

EUR '000	01/01/2010-31/03/2010	01/01/2009-31/03/2009
Cash flow from operating activities:		
Net income	1,328	465
Depreciation and amortisation	669	501
Losses on the disposal of fixed assets	0	11
Change of provisions and accruals	1,231	-203
Change of inventories	-2,439	-3,204
Change in trade accounts receivable and future receivables from production oders (POC)	-2,274	2,467
Change in other assets, not provided by/used in investing or financing activities	-121	-286
Change in trade accounts payable	-1,107	822
Change in advanced payments received and amounts payable of POC	7,150	-530
Change in other liabilities, not provided by/used in investing or financing activities	-1,130	-289
Change in investment book value (non-cash item)	-32	0
Amount of other non-cash income and expenses	550	286
Net cash from operating activities	**3,825**	**40**
Cash flow from investing activities:		
Investments in tangible fixed assets and other intangible assets	-184	-183
Investments in software development	0	-256
Investments in marketable securities as part of short-term cash management	-70	-72
Net cash flows used in investing activities	**-254**	**-511**
Cash flow from financing activities:		
Proceeds (+)/redemption (-) of bank loans	-769	-494
Net cash flows used in financing activities	**-769**	**-494**
Net effects of currency translation and consolidation changes in cash and cash equivalents	100	35
Increase/Decrease in cash and cash equivalents	**2,902**	**-930**
Cash and cash equivalents as at the beginning of the period	9,327	6,806
Cash and cash equivalents as at the end of the period	**12,229**	**5,876**

Selected explanatory notes for Q1 2010 (IFRS)

General disclosure

The init group is an internationally operating system supplier of transportation telematics (telecommunications and informatics, also known internationally as “Intelligent Transportation Systems” or ITS). The business activities are subdivided into the following segments: Telematics and Electronic Fare Collection Systems, Planning Systems and Automotive Engineering.

The quarterly report as of March 31, 2010, and the benchmark figures were prepared in compliance with the International Financial Reporting Standards (IFRS) and are consistent with IAS 34. The accounting and valuation methods applied to the consolidated financial statements dated December 31, 2009 were retained except for the new IFRS standards.

The consolidated interim financial statement has been prepared in Euro. Unless otherwise stated, all figures are rounded to the nearest thousand (EURk).

init AG is listed on the stock exchange (ISIN No.: DE0005759807) and, since January 1, 2003, has been in the sub-area of the regulated market with further, subsequent obligations arising from admission (Prime Standard).

The consolidated interim report and the consolidated financial statement as of March 31, 2010, were not subject to a review.

The interim report of the first quarter was communicated to the supervisory board on May 5, 2010.

Amendments to the accounting principles and valuation methods have been caused by applying the following new or revised standards:

In January 2008, the IASB published the revised standards IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”. These standards result from the second phase of the project in the context of the accounting reformation of business combinations between IASB and the Financial Accounting Standards Board (FASB). The revised standards of IFRS 3 and IAS 27 were taken in European law in June 2009 by the European Union. IFRS 3 and IAS 27 are prospective for annual periods beginning on January 1, 2010 for transactions and business combinations.

IFRS 3 "Business Combinations"

The revision of IFRS 3 primarily concerns the introduction of an option relating to the recognition of minority interests (purchased goodwill method vs full goodwill method), the remeasurement of investments relating to step acquisitions recognised in profit or loss, and accounting for contingent consideration. The amendments to the standard apply to financial years commencing after 1 July 2009. The transition provisions require a prospective application of the revised standard. Assets and liabilities resulting from business combinations prior to first-time application of the new standard are not affected by these changes. These changes only affect the reporting of future acquisitions and therefore cannot at this point be fully assessed.

IAS 27 "Consolidated and Separate Financial Statements"

The revised standard IAS 27 primarily concerns the accounting treatment of minority interests that will fully share in the group's losses in the future, and transactions resulting in a loss of control at a subsidiary. The transition provisions basically require a prospective application. It therefore does not have any effect on the assets and liabilities resulting from such transactions prior to the first application of the new standard.

Amendments to IAS 39 "Qualifying Underlying Transactions"

The amendments to IAS 39 were published in July 2008. Retrospective application of the amendments is mandatory for financial years beginning on or after 1 July 2009. It is clarified that it is permissible to designate only part of the changes to the fair value or the cash flow fluctuations of a financial instrument as an underlying transaction. This includes the designation of inflation risks or one-sided risks in a hedge. These amendments do not at present have any effect on init, since the company currently abstains from presenting this as hedge accounting and takes changes in market values relating to forward exchange transactions into account in the net earnings.

IFRIC 17 "Distributions of Non-Cash Assets to Owners"

IFRIC 17 was published in November 2008 and applies for the first time to financial years commencing on or after 1 July 2009. This interpretation provides guidance on accounting for obligations that provide for non-cash dividends to be distributed to shareholders. It deals in particular with the time, measurement and disclosure of this obligation. This interpretation applies prospectively, but will not have any effect on the company's consolidated financial statements.

Amendment to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions"

The amendment to IFRS 2 was published in June 2009 and applies for the first time to financial years commencing on or after 1 January 2010. The amendment includes a change in the definition of share-based payment transactions and the scope of IFRS 2 and provides further guidance on accounting for group share-based payment transactions. Within the scope of these amendments, the provisions of IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "Group and Treasury Share Transactions" were incorporated in IFRS 2 and both interpretations subsequently withdrawn. init applies the amendments since January 2010 The application of this standard did not significantly affect the assets, liabilities, financial position and earnings situation of the consolidated financial statements.

"Improvements to International Financial Reporting Standards 2009"

The second general standard, published as part of the annual improvements process, includes improvements to twelve standards and interpretations, primarily to remove inconsistencies and to clarify phrases (except otherwise specified, to be applied for the first time to financial years commencing on or after 1 January 2010). The amendments were taken in European law in March 2010 by the European Union. init applies the improvements since January 2010. The application of this standard did not significantly affect the assets, liabilities, financial position and earnings situation of the consolidated financial statements.

Consolidated group

Fully consolidated companies

The group of consolidated companies of init AG comprises the subsidiaries INIT GmbH, Karlsruhe, Germany ("INIT GmbH"), INIT Innovations in Transportation Inc., Chesapeake/Virginia, USA ("INIT Inc."), INIT Innovations in Transportation (Eastern Canada) Inc./INIT Innovations en Transport (Canada Est) Inc., Montréal, Canada ("Eastern Canada Inc."), INIT Innovations in Transportation (Western Canada) Inc., Vancouver, Canada ("Western Canada Inc."), INIT PTY LTD, Queensland, Australia ("INIT PTY"), Init Innovation in Traffic Systems FZE, Dubai ("Init FZE"), initplan GmbH, Karlsruhe ("initplan") and INIT Innovations in Transportation Oy, Finland ("INIT Oy"). In each of the above, init AG holds a 100% shareholding. In addition, the following are also fully consolidated: CarMedialab GmbH, Bruchsal, Germany ("Car-Medialab"), in which init AG holds a 58.1% of the shares, and the TQA Total Quality Assembly LLC, Chesapeake/Virginia, USA ("TQA"), in which INIT Inc. holds a 60% share.

Associated companies

init AG has a 44% share in id systeme GmbH, Hamburg ("id systeme") and INIT GmbH holds 43% of the stock of iris GmbH infrared & intelligent sensors, Berlin ("iris"). The associated companies are included at equity in the consolidated financial statement.

Inventories

A total of EUR 179k for inventory impairment appreciation (previous year: impairment loss EUR 202k was recorded as income. This income was settled in the income statement with "Cost of revenues".

Accounts receivable

A total of EUR 153k (previous year: EUR 1k) for impairment losses in accounts receivable was recorded as expenses. This expenditure is included in the income statement under "Other operating expenses".

Tangible fixed assets

The tangible (fixed) assets essentially concern the administration building at Kaeppelestr. 4, two residential houses, office furnishings and technical equipment. Replacement investments totalling EUR 159k were made (previous year: EUR 132k).

Liabilities

Debts are carried on the liabilities side of the balance sheet at their net book value. The liabilities due to affiliated companies totalled EUR 308k (previous year: EUR 37k) and relate to trade accounts payable to iris GmbH, Berlin.

Shareholders' equity

Subscribed capital

The capital stock is divided into 10,040,000 individual no-par stock certificates made out to the owner with an imputed share of the capital stock of 1.00 EUR each. The stock has been issued and fully paid in.

Authorized capital

An approved capital of 5,020,000 EUR was created by the resolution passed at the company's ordinary shareholders' meeting on July 13, 2006. With the approval of the Supervisory Board, this will empower the Management Board to increase the capital stock of the company by up to 5,020,000 EUR by July 13, 2011, by way of a single or repeated issue of up to 5,020,000 individual stock certificates against contributions in cash or kind. The new shares are to be taken up by banks under the obligation that they will offer them for sale to shareholders. However, with the approval of the Supervisory Board, the Management Board is authorized to withdraw the stock option in order to: issue up to 1,004,000 new shares at a price not substantially lower than the stock market value of the company's stock at the time of specifying the issue price; balance out peak amounts; open up additional capital markets; facilitate the acquisition of shareholdings and the acquisition of, or merger with, other companies or parts of companies by way of contribution as investment in kind and to convert up to 250,000 new shares into employee stocks.

Capital reserves

On March 31, 2010 the capital reserves totalled EUR 4,187k, with EUR 3,141k of this coming from the premium of the shares sold for stock market floatation and from the capital increase in the 2002 financial year. EUR 295k were allocated in the context of recording the expenditure from the share-based remuneration from 2005 to 2008 and EUR 427k in 2009. The sale of own shares in 2007 increased the capital reserves by EUR 514k. The transfer of shares in the context of the share bonus agreement for the Managing Board released the capital reserves for EUR 190k in 2010.

Treasury stock

On January 1, 2010 the treasury stock totalled 110,219 shares. Based on the resolution passed at the shareholders' meeting on May 27, 2008, replaced by the resolution of the shareholders' meeting on May 20, 2009, the company was authorized to purchase treasury stock.

In the course of the incentive program for Managing Board members and directors, 25,000 shares with a qualifying period of five years were transferred in the first quarter 2010. This means that the treasury stock on March 31, 2010 totalled 85,219 shares.

The company's treasury stock is valued at cost at EUR 320k (previous year: EUR 785k) and openly deducted from the shareholders' equity. Of the treasury stock of 85,219 shares on March 31, 2010, with an imputed share of 85,219 EUR (0.85%) in the capital stock, 1,139 shares come as a result of the capital increase in 2002 and 84,080 shares from the company's stock repurchasing program. The stock was repurchased at an average price of 3.76 EUR per share. The treasury stock was repurchased for use as consideration in the context of mergers or the context of buying other companies, parts thereof or interests therein, or, where required, for tapping into additional capital markets or for issue to employees and Managing Board members.

Paid and proposed dividends

	EUR `000
Dividends for 2008: EUR 0.16 per share, paid out on May 22, 2009	1,580
Ordinary dividends for 2009 proposed for approval at the shareholder's meeting: 0.30 EUR per share	2,986

Contingent liabilities/claims

Just as of December 31, 2009, the init group had no contingent liabilities and claims.

Legal disputes

Currently no lawsuits being pursued through the courts.

Segment reporting

The segment reporting is on page 19 of the consolidated interim report.

Other Disclosures

Related Party Transactions

The companies included in the consolidated financial statement and the associated companies are listed in the section on the consolidated group.

EUR '000	Associated companies		Other related party transactions	
	2010	*2009*	*2010*	*2009*
Income from sales to related parties and persons as of 31/03	0	2	0	0
Payments from related parties and persons as of 31/03	470	172	92	92
Due from related parties and persons as of 31/03	68	71	61	61
Due to related parties and persons as of 31/03	308	37	0	0

Associated companies

The amount due from related parties includes loans amounting to EUR 68k (previous year: EUR 68k) and concerns iris GmbH. This is indicated in the balance sheet under non-current assets.

The remaining amount of EUR 3k of the previous year concerns iris GmbH. These accounts receivable are for goods and services and have less than a year left to run. They are indicated in the balance sheet under current assets.

The accounts payable to related parties are for goods and services and have less than a year left to run. These are due to iris GmbH and amount to EUR 308k (previous year: EUR 37k). They are indicated in the balance sheet under current liabilities.

Other related party transactions

INIT GmbH rents its office building in Karlsruhe from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG. The monthly rental payments are currently running at EUR 30k (rounded) (annual payment: EUR 366k). The rental price is contractually fixed until June 30, 2011 and will then increase to EUR 475k per year, every year from July 1, 2011 until June 30, 2026. In addition, a rent deposit of EUR 61k has been paid for the office building in Karlsruhe.

Terms of the business transactions with related parties and persons

Sales to and purchases from related parties (affiliated companies and persons) shall be made to the normal market terms and conditions. There are no guarantees whatsoever for accounts receivable from or payable to related parties. The group has not made any value adjustments on accounts receivable from related parties for the financial year as of March 31, 2010.

Karlsruhe, May 11, 2010

The Managing Board

Dr. Gottfried Greschner
Chief Executive Officer

Bernhard Smolka
Chief Financial Officer

Achim Becker
Chief Operating Officer

Wolfgang Degen
Chief Operating Officer

Dr. Jürgen Greschner
Chief Sales Officer

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 tor 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) and automotive (analysis systems tor the car industry).*

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 three divisions: "Telematics and Electronic Fare Collection

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
01/01/2010-31/03/2010	EUR '000	EUR '000	EUR '000	EUR '000
Revenues				
With third parties	14,588	361	0	14,949
With other segments	220	249	-469	0
Total revenues	**14,808**	**610**	**-469**	**14,949**
EBIT	**2,731**	**-260**	**0**	**2,471**
Segment assets	78,500	2,280	-1,675	79,105
Segment liabilities	38,048	1,333	-649	38,732
Interest income	13	0	-6	7
Interest expenses	50	8	-6	52
Scheduled depreciation	603	66	0	669
Cost of revenues	10,341	496	-384	10,453
R&D costs	311	175	0	486
Foreign currency gains (+) and losses (-)	832	3	0	835
Share in profit of associated companies	32	0	0	32
Income tax	1,097	1	0	1,098
Value impairments	0	0	0	0
Share in associated companies	2,091	0	0	2,091
Investments in tangible and intangible assets	157	27	0	184
31/12/2009				
Segment assets	70,952	2,733	-2,075	71,610
Segment liabilities	31,987	1,705	-1,059	32,633
Share in associated companies	2,059	0	0	2,059

Systems", "Planning Systems" and "Automotive". The "Planning Systems" and "Automotive" divisions have been subsumed under the segment entitled "Other".

The management monitors the operating results separately tor 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.

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
01/01/2009-31/03/2009	EUR '000	EUR '000	EUR '000	EUR '000
Revenues				
With third parties	9,357	291	0	9,648
With other segments	61	316	-377	0
Total revenues	**9,418**	**607**	**-377**	**9,648**
EBIT	**1,120**	**-306**	**53**	**867**
Segment assets	57,587	1,997	-1,417	58,167
Segment liabilities	25,212	1,447	-912	25,747
Interest income	54	1	-5	50
Interest expenses	34	10	-5	39
Scheduled depreciation	442	59	0	501
Cost of revenues	6,534	703	-435	6,802
R&D costs	203	49	0	252
Foreign currency gains (+) and losses (-)	202	17	0	219
Share in profit of associated companies	40	0	0	40
Income tax	410	3	0	413
Value impairments	202	0	0	202
Share in associated companies	1,892	0	0	1,892
Investments in tangible and intangible assets	596	43	-200	439
31/12/2008				
Segment assets	57,081	2,717	-1,847	57,951
Segment liabilities	25,905	1,827	-1,377	26,355
Share in associated companies	1,852	0	0	1,852

Geographical Information

	01/01/2010-31/03/2010		01/01/2009-31/03/2009	
	EUR '000	%	EUR '000	%
Revenues with external clients				
Germany	4,963	33.2	2,816	29.2
Rest of Europe	2,816	18.8	2,124	22.0
North America	4,991	33.4	2,190	22.7
Other Countries (Australia, UAE)	2,179	14.6	2,518	26.1
Group total	**14,949**	**100.0**	**9,648**	**100.0**

The above information about the sales revenue is based on the customer's location.

	31/03/2010		31/12/2009	
Non-current assets	EUR '000	%	EUR '000	%
Germany	8,370	88.5	8,806	89.5
North America	897	9.5	846	8.6
Other Countries (Australia, UAE)	192	2.0	190	1.9
Group total	**9,459**	**100.0**	**9,842**	**100.0**

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

Consolidated Statements of Changes in Equity as of March 31, 2010 (IFRS)
(unaudited)

EUR '000	Subscribed capital	Additional paid-in capital	Consolidated unappropriated profit
Status as of December 31, 2008	**10,040**	**3,950**	**18,881**
Profit for the period			527
Other comprehensive income			
Total comprehensive income			**527**
Share-based payments		-2	
Status as of March 31, 2009	**10,040**	**3,948**	**19,408**
Status as of December 31, 2009	**10,040**	**4,377**	**25,626**
Profit for the period			1,344
Other comprehensive income			
Total comprehensive income			**1,344**
Share-based payments		-190	
Status as of March 31, 2010	**10,040**	**4,187**	**26,970**

Interim Consolidated Statement of Comprehensive Income from January 1, 2010 to March 31, 2010 (IFRS)
(unaudited)

EUR '000	01/01/2010-31/03/2010	01/01/2009-31/03/2009
Profit for the period	**1,328**	**465**
Currency translation	80	348
Net gain (+)/net loss (-) in available-for-sale financial assets	21	9
Other comprehensive income	**101**	**357**
Total comprehensive income	**1,429**	**822**
thereof attributable to equity holders of the parent company	1,445	884
thereof minority interests	-16	-62

Attributable to equity holders of the parent					Minority interest	Total Shareholders' equity
	Other reserves					
Treasury stock	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities	Total		
-789	**187**	**-841**	**-26**	**31,402**	**194**	**31,596**
				527	-62	465
		348	9	357		357
		348	**9**	**884**	**-62**	**822**
4				2		2
-785	**187**	**-493**	**-17**	**32,288**	**132**	**32,420**
-477	**-81**	**-741**	**51**	**38,795**	**182**	**38,977**
				1,344	-16	1,328
		80	21	101		101
		80	**21**	**1,445**	**-16**	**1,429**
157				-33		-33
-320	**-81**	**-661**	**72**	**40,207**	**166**	**40,373**

init
innovation in traffic systems AG

Kaeppelestrasse 4-6
Germany-76131 Karlsruhe

P.O. Box 3380
D-76019 Karlsruhe

Tel. +49.721.6100.0
Fax +49.721.6100.399

info@initag.de
www.initag.de