



init

innovation in
traffic systems AG



Q2 Report 2010

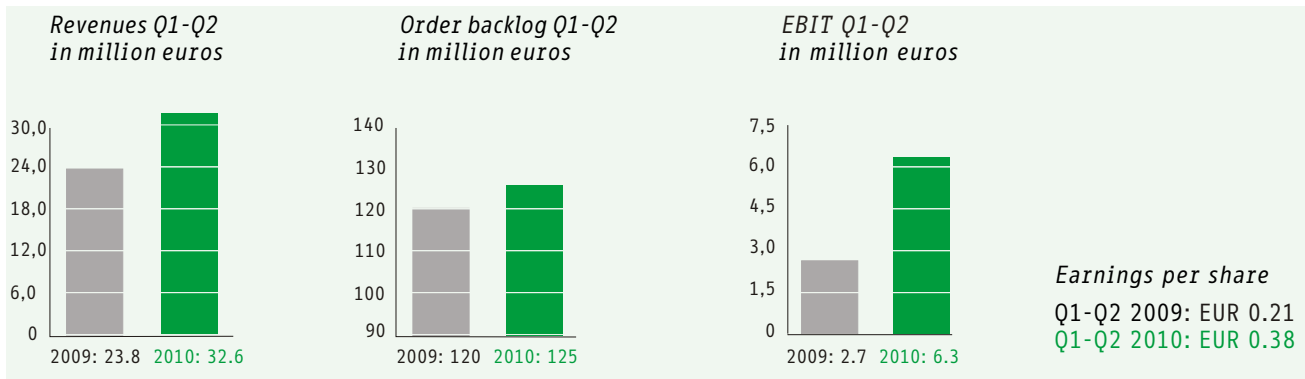
init at a Glance

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)

	30/6/2010	30/6/2009
Balance sheet		
Balance sheet total	EUR 80,661k	EUR 57,608k
Shareholders' equity	EUR 40,356k	EUR 32,258k
Subscribed capital	EUR 10,040k	EUR 10,040k
Equity ratio	% 50.00	% 56.00
Return on equity	% 9.15	% 6.30
Non-current assets	EUR 14,006k	EUR 15,433k
Current assets	EUR 66,655k	EUR 42,175k
Income Statement		
Revenues	EUR 32,579k	EUR 23,800k
Gross profit	EUR 10,723k	EUR 7,909k
EBIT	EUR 6,275k	EUR 2,699k
EBITDA	EUR 7,600k	EUR 3,704k
Net profit	EUR 3,694k	EUR 2,032k
Earnings per share	EUR 0.38	EUR 0.21
Dividend	EUR 0.30	EUR 0.16
Cash Flow		
Cash flow from operating activities	EUR 5,924k	EUR 884k
Share		
Issue price	EUR 5.10	EUR 5.10
Peak share price	EUR 15.30	EUR 8.36
Bottom share price	EUR 9.15	EUR 5.10



Statutory bodies of the Company

Supervisory Board

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

Consulting engineer specialising 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

Sept. 15, 2010	Small and Mid Cap Conference of Baader Bank AG, Unterschleißheim
Nov. 12, 2010	Publication of Q3 2010 Report
Nov. 22, 2010	German Equity Forum, Frankfurt - Analyst Conference

Letter to the Shareholders

*Ladies and Gentlemen,
dear Shareholders,*

In the first half of 2010, init innovation in traffic systems AG successfully completed a further stage on its course to long-term growth. Our company continued to grow dynamically in the second quarter and in mid-year exceeds its targets for both sales and earnings quite notably. This has brought us a significant step closer to writing yet another record year our sixth in succession.

It has surprised the experts that the global economy, and Germany in particular, has managed to scramble its way out of the crisis faster than even the optimists among us had expected. Against this background, business at our company also developed with great, and highly welcome, momentum.

Disproportionate rise in profit

Revenues generated in the second quarter totalled EUR 17.6m, up by some 24 per cent on the previous year (EUR 14.2m). Over the first six months, this translates into an increase in sales of over 36 per cent to EUR 32.6m (2009: EUR 23.8m). This trend leaves us hopeful for the further course of the year, as the latter half tends to improve in terms of sales and earnings.

A further satisfactory aspect is the fact that profit in the second quarter once again rose disproportionately. That which caused other companies and even politicians responsible for trade and commerce great concern, i.e. the weakness of the euro against the US dollar and also against the Arab dirham, has proved a boost for our earnings power.

In the second quarter, init generated earnings (before interest and taxes) from operations of EUR 3.8m.

Compared to the prior-year period, our earnings before interest and taxes (EBIT) in the first half of 2010 rose to EUR 6.3m and thus more than doubled on 2009 (EUR 2.7m). This produced a consolidated net income of EUR 3.7m (2009: EUR 2.0m), which corresponds to earnings per share of EUR 0.38 (2009: EUR 0.21).

Business at init was driven primarily by the scheduled completion of major projects in Europe, the USA and Arabia. Furthermore, we can increasingly see follow-up contracts resulting from long-standing customer relations play a significant role. This particularly applies to Germany and North America, the markets to which init owes its rise to a serious

global player in the supply of telematics, planning and electronic fare collection systems for buses and trains over the past number of years.

Migration projects on increase

This is also reflected in our rate of new orders. The proportion of follow-up contracts, migration projects and system replacements is ever growing. This, incidentally, is also characteristic for the current trend in the market for transport telematics. Many transport companies which were among the first to use digital communication systems to optimise their processes are now looking at replacements. Their hope is to avoid the problems generally associated with the introduction of a new system. As a result, many have opted to upgrade their systems and vehicles gradually without interrupting operations.

In this way, innovative public transport companies ensure their systems meet the latest state of the art through on-going investments. As a result, they are setting standards throughout Europe that highlight the attractiveness, efficiency and effectiveness of bus and rail transport. These investments also benefit init with its now over 300 customers among transport operators worldwide.

Infrastructure programmes versus budget consolidation

Furthermore, the benefit of such investments in intelligent infrastructures for public transport as developed, produced and sold by init for the national economy as such is now increasingly recognised at social and political levels. Billions of people depend on affordable and efficient transport systems. If we want to maintain the mobility so urgently needed for our economic and social system, but also reduce the use of energy and resources and ease the burden on our environment, we will have no other choice than to continue developing our public transport systems.

As a result, the governments in a number of states – most recently also the transport ministers of the European Union – have announced aid programmes that are hoped to push the modernisation or set up and development of transport systems. Due to the “debt crisis“, however, many of these states are also forced to consolidate their budgets. This, naturally, calls into question whether the additional billions initially promised for infrastructure investments will actually be made available on this scale.

Growth targets for 2010 can be exceeded

Irrespective of this uncertainty, the foundation for long-term growth in our industry remains intact. This

is evident at init by order books which at EUR 125m continue to be exceptionally full and are joined by a number of international tenders which should be due for a decision in the next few months.

Our successful business trend in the second quarter in particular leaves us highly optimistic that we will achieve or – as the economic climate remains favourable – even exceed our growth targets for 2010.

Dr. Gottfried Greschner

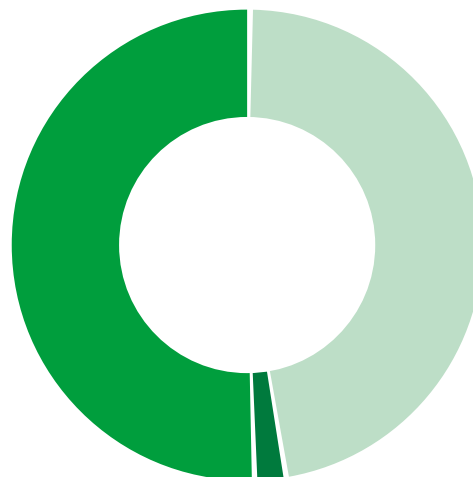
for the Managing Board of
init innovation in traffic systems AG

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

	30/6/2010	30/6/2009
Germany	252	221
North America	55	45
Other Countries	12	9
Total	319	275

Shareholder structure as of June 30, 2010

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



- Free Float 51.9%
thereof residual Managing Board 5.39%
- Treasury stock init AG 1.2%
- Family Dr. Gottfried Greschner 46.9%

Share and Investor Relations

init share marks all-time high

The growing trend of business at init innovation in traffic systems AG (ISIN DE0005759807) in the reporting period won recognition even among the market operators. Following a steep upturn, init's share marked a new all-time high at EUR 15.30 in April. It continued to be much in demand by both national and international investors and was able to maintain its peak more or less until the end of June.

At EUR 14.30 on the cutoff date, init's share had gained some 33.3 per cent over the first six months of the year to eclipse the performance of Germany's leading stock indices, the DAX and TecDAX. As the "debt crisis" began to flare up in Western industrialised nations, both indices barely managed to keep the level attained early in the year (DAX) and even lost more than 10 per cent in value (TecDAX).

As a result, the focal point of Investor Relations concentrated on ensuring the necessary liquidity in the share in order to be able to satisfy the demand of new investors for init's share.

Despite the high price level achieved, analysts believe that the share's full potential has not yet been exhausted. Upside targets currently range between EUR 16 and 20.

Full approval for Managing Board at shareholders' meeting

The decision to raise the dividend to EUR 0.30 (2009: EUR 0.16) was well received at the shareholders' meeting. The Managing Board of init was again given full approval for a third time in a row. The Supervisory Board enjoyed a similar vote.

The shareholders' meeting also renewed its authorisation to purchase treasury stock up to a total of 1,004,000 shares (corresponding to a maximum of 10 per cent of the current capital stock) until May 11, 2015.

Share repurchase decided and implemented

The Managing Board exercised the authorisation granted at the annual shareholders' meeting from May 17, 2010. Based on its decision to purchase a total of 40,000 shares up to a maximum price of EUR 14.00, the stock was acquired at an average price of EUR 13.67 between May 17 and June 10, 2010. The purchase of the no-par shares was handled by Close Brothers Seydler Bank AG on behalf of init innovation in traffic systems AG via the stock market (XETRA trade). The number of repurchased stock corresponds to a share of 0.4 per cent of the capital stock.

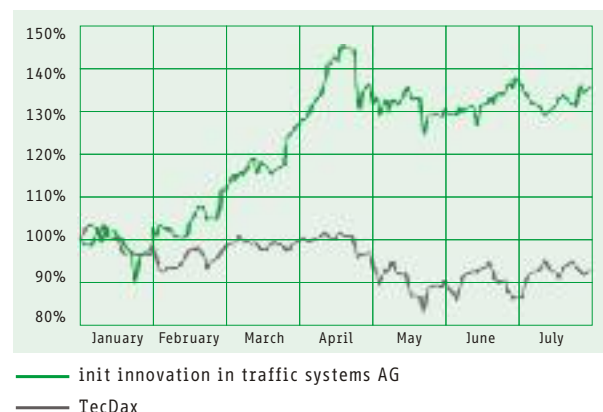
The repurchased shares are to be used for existing and future employee profit-sharing plans, for incentive schemes for the management and/or as cash for growth.

On 30 June 2010, the treasury stock of the company totalled 119,219 shares.

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 Bank AG
Capital stock today	10,040,000 no-par bearer shares
Market capitalisation (as of June 30, 2010)	EUR 143,6m

Performance January - July 2010



Group Status Report

Business trend and situation

General economic setting

Over the first six months of 2010, we saw the global economy grow at a faster pace than expected. As a result, the International Monetary Fund has raised its global growth forecast for the current year from 4.2 to 4.6 per cent. Towards the end of the reporting period doubts returned, however, about the sustainability of this upturn. This was nursed primarily by the debt crisis in the euro zone as well as the effects emanating from the measures required to consolidate a number of national budgets. The biggest challenge is the stabilisation of confidence in the financial markets without stalling the recovery of the economy.

As elsewhere, Germany managed to clamber out of the economic trough faster than anticipated. The OECD expects Germany's gross domestic product (GDP) to improve by 1.9 per cent, up by some 0.5 percentage points on the figure forecast only a few short months ago. This recovery is stimulated primarily by export. Threshold countries such as China and India are the driving force in the global economy. As a result of the export boom and the low level of interest, Germany has become Europe's dominant economic power.

Against this background, business at init also proved better than expected in the first half of 2010. As in the first quarter, we again managed to increase revenues significantly in the second quarter, exceeding both our sales and earnings targets quite notably. As a result, init continues to be headed for success and 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

Worldwide, init has now successfully completed over 400 telematics projects. These quite often lead to customer relations which we enjoy for many years. Consequently, follow-up contracts take up an ever greater proportion in our business. As in the first three months, our order intake in the second quarter of 2010 was defined primarily by follow-up contracts. For example, our customer, Translink in Vancouver, Canada, which we added in 2006, commissioned us in a contract worth over 2 million US dollars to provide

equipment for further vehicles. Another major follow-up contract came from the Netherlands, where our customer, Syntus, ordered init technology for another around 100 vehicles.

As a new customer, the transport operator MTS in San Diego, USA, asked init to supply and install a passenger counting system. The volume of this contract ranges well over 1 million US dollars. On the whole, 62 of its streetcars will be provided with our passenger counting system MOBILE-APC and the COPILOTpc on-board computer. The vehicle installation is scheduled to be completed by the fourth quarter of 2010.

In Germany, incoming business was characterised by maintenance contracts and an intake of numerous smaller orders.

Overall, init generated new business in the amount of EUR 7.6m in the second quarter, with Germany adding EUR 1.0m, Europe contributing EUR 1.9m, and North America providing EUR 4.7m.

At around EUR 125m (2009: EUR 120m), our current order volume thus remains at the high level of the second quarter of 2009. In addition, init is involved in numerous international tenders which are likely due for a decision in the next few months.

Earnings position

In the first six months of 2010, growth in sales accelerated in the init group. At EUR 17.6m (2009: EUR 14.2m), the second quarter was once again defined by significant momentum. As a result, revenues generated over the first half year totaled EUR 32.6m, up by over 36 per cent on the prior-year period (EUR 23.8m).

Two thirds of sales (67.5 per cent, 2009: 74.3 per cent) were made in international business. Some EUR 12.4m of this amount goes to North America (2009: EUR 4.0m). In Europe, sales totalled EUR 5.6m (2009: EUR 7.3m), whereas business in the other countries declined to EUR 4.0m (2009: EUR 6.4m). This was due primarily to the highly advanced degree of completion of the major projects in Dubai. It must be noted here, however, that the distribution of sales by region usually tends to equate the progress of individual major projects.

Gross profit on sales amounted to EUR 10.7m as at the end of June to be considerably above the prior-year figure (EUR 7.9m). In relative terms, however, the gross margin related to sales fell by around 0.3 percentage points. This, too, is essentially due to the progress of the major project in Dubai, with the vehicle equipment largely completed now. We do,

however, expect to see this figure rise again in the further course of fiscal 2010. A favourable factor for init was the exchange rates specifically for contracts concluded in US dollars and the Arab dirham. Exchange gains in the period thus totalled around EUR 1.6m (2009: EUR -0.3m).

Compared to the prior-year reference period, init was able in the first six months of 2010 to generate earnings before interest and taxes (EBIT) of EUR 6.3m, which more than doubled on the previous year (EUR 2.7m). This yielded a result for the period of EUR 3.7m (2009: EUR 2.0m), which corresponds to earnings per share of EUR 0.38 (2009: EUR 0.21).

Financial and net worth position

Total assets rose by EUR 23.1m to EUR 80.7m in the reporting period compared with the previous year (June 30, 2009). On the assets side of the balance sheet, this increase resulted primarily from the rise in receivables and inventories related to our growth. 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, the advance payments received, and the rise in equity capital.

Operating cash flow in the second quarter continued to develop positively. By the end of the reporting period it had increased to EUR 5.9m (2009: EUR 0.9m). The cash flow will continue to improve over the course of the year, as we expect to receive sizeable payments from various major projects.

Equity rose by around EUR 8.1m to EUR 40.4m as at June 30, 2010 (2009: EUR 32.3m). Due to the significant increase in total assets, the equity ratio, however, decreased from 56 per cent in the previous year to 50 per cent.

Current liabilities to banks amounted to EUR 0.5m at the end of June (2009: EUR 0.2m) 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 more than doubled in the reporting period, amounting to EUR 10.8m (2009: EUR 4.4m). These 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 six months of 2010, EUR 0.6m (2009: EUR 0.4m) 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, and continues to be, 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 June 30, 2010, init employed 319 people (2009: 275) including temporary staff, scientific assistants, and diploma candidates. 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. As a consequence, we have introduced a number of perks and measures which involve our employees directly in the success of our company. In addition to their regular, performance-oriented pay, each employee, for example, received 100 shares for 2009, then worth around EUR 1,250, as well as a cash bonus of EUR 4,750.

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 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 and production 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 six months, a total of EUR 1.1m (2009: EUR 0.9m) were spent within the init group on the development of new products. In 2009 EUR 0.3m of EUR 0.9m software developments were capitalised; in 2010 no capitalisation has been done. The depreciation applied to capitalised software amounted to EUR 0.7m (2009: EUR 0.4m).

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 global financial crisis has increased the risk of losses of receivables outstanding. Over 95 per cent of init's customers are public transport companies. Since 2010 has seen various states slide into financial difficulties (e.g. Greece, Dubai, Iceland), there is a real likelihood that we may face losses of receivables in the future. The risk on receivables in Dubai was taken into account by way of appropriate impairments for loss on interest. The range of receivables in days has clearly increased so that we face risks in terms of planning reliability of cash flows as well as 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 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.

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

init is currently involved in several tenders both in Germany and worldwide. Many of these are pending a decision over the next few months. As a result, we expect to see the number of new orders increase.

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 10.7 billion US dollars for the development of 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.

Furthermore, we set up a subsidiary in Nottingham in the second quarter to improve our customer support in Great Britain.

Events after the reporting date

No events of special note occurred after the cutoff date.

Prospects

As in the previous quarter, init is headed for growth, set to write yet another record year. This is underlined once more by a business trend that has proved exceptionally good over the first six months, helping us exceed our targets both in terms of sales and earnings.

Again 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.

On the other hand, we may have to deal with negative effects from the need for budget consolidation in many industrialised nations as well as the debt crisis in the financial markets in the future. As a company, however, init is facing this challenge with strict quality management, as system reliability and the schedule-effective completion of projects are crucial criteria for the award of contracts.

This has earned init a position at the top of the global market for telematics, planning and electronic fare collection systems for public transport. Our experience gained in over 400 projects, our comprehensive range of products and their high level of modularity along with long-standing customer relations have set us up for a good future.

At over EUR 125m, our level of orders has already laid the foundation for our further growth. Consequently, we once again confirm our sales target of EUR 72m and an EBIT of EUR 13m. With the economic climate currently remaining favourable, however, init may even be in a position to exceed these projections.

Karlsruhe, August 13, 2010

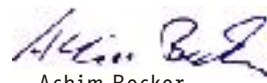
The Managing Board



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 June 30, 2010 (IFRS) (unaudited)

EUR '000	1/4-30/6/10	1/4-30/6/09	1/1-30/6/10	1/1-30/6/09
Revenues	17,630	14,152	32,579	23,800
Cost of revenues	-11,403	-9,089	-21,856	-15,891
Gross profit	6,227	5,063	10,723	7,909
Sales and marketing expenses	-1,964	-1,649	-3,458	-3,117
General administrative expenses	-1,224	-997	-2,174	-1,820
Research and development expenses	-603	-261	-1,089	-513
Other operating income	394	105	531	402
Other operating expenses	152	-8	-1	-14
Foreign currency gains/losses	738	-518	1,573	-299
Operating profit	3,720	1,735	6,105	2,548
Income from associated companies	33	64	65	104
Other income and expenses	51	33	105	47
Earnings before interest and taxes (EBIT)	3,804	1,832	6,275	2,699
Interest income	23	11	30	61
Interest expenses	-35	-12	-87	-51
Earnings before taxes (EBT)	3,791	1,831	6,217	2,709
Income tax	-1,425	-264	-2,523	-677
Net profit	2,366	1,567	3,694	2,032
thereof attributable to equity holders of parent company	2,401	1,562	3,745	2,089
thereof minority interests	-35	5	-51	-57
Net profit and diluted net profit per share in EUR	0.24	0.16	0.38	0.21
Average number of floating shares (undiluted) in EUR	9,946,031	9,881,229	9,943,531	9,878,732
Average number of floating shares (diluted) in EUR	9,946,031	9,881,229	9,943,531	9,878,732

Consolidated Balance Sheet as of June 30, 2010 (IFRS) (unaudited)

Assets

EUR '000	30/6/2010	31/12/2009
Current assets		
Cash and cash equivalents	10,556	9,327
Marketable securities	253	158
Trade accounts receivable	16,989	16,175
Future receivables from production orders (percentage of completion method)	17,483	15,091
Accounts receivable from related parties	1	0
Inventories	19,240	15,343
Income tax receivable	4	5
Other current assets	2,129	1,214
Current assets, total	66,655	57,313
Non-current assets		
Tangible fixed assets	5,095	4,876
Goodwill	2,081	2,081
Other intangible assets	2,165	2,907
Interest in associated companies	2,123	2,059
Accounts receivable from related parties	68	68
Deferred tax assets	764	724
Other assets	1,710	1,582
Non-current assets, total	14,006	14,297
Asset, total	80,661	71,610

Liabilities and Shareholders' Equity

EUR '000	30/6/2010	31/12/2009
Current liabilities		
Bank loans	477	1,166
Trade accounts payable	3,825	3,284
Accounts payable of percentage of completion method	8,619	8,715
Accounts payable due to related parties	281	305
Advance payments received	7,545	1,765
Income tax payable	1,119	1,061
Provisions	4,478	3,555
Other current liabilities	5,819	5,784
Current liabilities, total	32,162	25,635
Non-current liabilities		
Long-term debt less current portion	1,094	1,129
Deferred tax liabilities	4,287	3,189
Pensions accrued and similar obligations	2,702	2,606
Other non-current liabilities	60	74
Non-current liabilities, total	8,143	6,998
Shareholders' equity		
Attributable to the equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	4,523	4,377
Treasury stock	-836	-477
Consolidated unappropriated profit	26,385	25,626
Other reserves	112	-771
	40,225	38,795
Minority interests	131	182
Shareholders' equity, total	40,356	38,977
Liabilities and shareholders' equity, total	80,661	71,610

Consolidated Cash Flow Statement from January 1, 2010 to June 30, 2010 (IFRS)
(unaudited)

EUR '000	1/1/-30/6/10	1/1-30/6/09
Cash flow from operating activities		
Net income	3,694	2,032
Depreciation and amortisation	1,325	1,005
Losses on the disposal of fixed assets	6	10
Change of provisions and accruals	1,019	-429
Change of inventories	-3,897	-5,847
Change in trade accounts receivable and future receivables from production orders (POC)	-3,206	4,929
Change in other assets, not provided by/used in investing or financing activities	-1,043	-1,240
Change in trade accounts payable	540	1,544
Change in advanced payments received and amounts payable of POC	5,684	-812
Change in other liabilities, not provided by/used in investing or financing activities	55	-588
Change in investment book value (non-cash item)	-64	-104
Amount of other non-cash income and expenses	1,811	384
Net cash from operating activities	5,924	884
Cash flow from investing activities		
Investments in tangible fixed assets and other intangible assets	-628	-402
Investments in software development	0	-398
Investments in marketable securities as part of short-term cash management	-95	-123
Net cash flows used in investing activities	-723	-923
Cash flow from financing activities		
Dividend paid out	-2,986	-1,580
Cash payments for the purchase of treasury stock	-547	0
Redemption of bank loans	-724	-928
Net cash flows used in financing activities	-4,257	-2,508
Net effects of currency translation and consolidation changes in cash and cash equivalents	285	20
Increase/Decrease in cash and cash equivalents	1,229	-2,527
Cash and cash equivalents at the beginning of the period	9,327	6,806
Cash and cash equivalents at the end of the period	10,556	4,279



Selected explanatory notes for Q1-Q2 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 June 30, 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: 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 June 30, 2010, were not subject to a review.

The interim report of the second quarter was communicated to the supervisory board on July 30, 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 July 1, 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 concerning minority interest of subsidiaries. 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 concerning 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 July 1, 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 July 1, 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 concerning 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 January 1, 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"), INIT Innovations in Transportation Oy, Finland ("INIT Oy") and INIT Innovations in Transportation Limited, Nottingham, UK ("INIT Ltd"). In each of the above, init AG holds a 100% shareholding. In addition, the following are also fully consolidated: CarMedialab GmbH, Bruchsal, Germany ("CarMedialab"), 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 393k (previous year: EUR 542k) for decreases in values was recorded as expenses and is included in the income statement under "Cost of revenues".

Accounts receivable

A total of EUR 308k (previous year: EUR 10k) for decreases in values for accounts receivable was recorded as expenses. This expenditure is included in the income statement under "Other operating expenses". Furthermore risks for Dubai receivables were discounted as losses in interest.

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 560k were made (previous year: EUR 327k).

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 281k (previous year: EUR 39k) and relate to trade accounts payable to iris GmbH, Berlin and id systeme GmbH, Hamburg.

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 EUR 1.00 each. The stock has been issued and fully paid in.

Authorized capital

An approved capital of EUR 5,020,000 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 Managing Board to increase the capital stock of the company by up to EUR 5,020,000 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 Managing 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 June 30, 2010 the capital reserves totalled EUR 4,523k, 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 722k were allocated in the context of recording the expenditure from the share-based remuneration from 2005 to 2009 and EUR 354k in 2010. The transfer of shares in the context of the share bonus agreement for the Managing Board and employees released the capital reserves for EUR 208k in 2010. The sale of own shares in 2007 increased the capital reserves by EUR 514k.

Treasury stock

On January 1, 2010 the treasury stock totalled 110,219 shares. Based on the resolution passed at the shareholders' meeting on May 20, 2009, replaced by

the resolution of the shareholders' meeting on May 12, 2010, the company was authorized to purchase treasury stock. The share buyback up to 40,000 shares was passed on May 17, 2010. In 2010 40,000 shares were repurchased at an average price of EUR 13.67 per share.

In the course of the incentive program for Managing Board members and directors, 30,000 shares with a qualifying period of five years were transferred in the first and the second quarter 2010. A further 1,000 shares were transferred to employees within the scope of a bonus agreement without qualifying period. This means the treasury stock on June 30, 2010 totalled 119,219 shares.

The company's treasury stock is valued at cost at EUR 836k (previous year: EUR 559k) and openly deducted from the shareholders' equity. Of the treasury stock as of June 30, 2010 of 119,219 shares, with an imputed share of EUR 119,219 (1.19 %) in the capital stock, 1,139 shares resulted from the capital increase in 2002 and 118,080 shares from the company's stock repurchasing program. The stock was repurchased at an average price of EUR 7.01 per share. The treasury stock was repurchased for use as consideration within the scope of mergers or the scope 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 dividends

	EUR '000
Dividends for 2008: EUR 0.16 per share, paid out on May 22, 2009	1,580
Dividends for 2009: EUR 0.30 per share, paid out on May 14, 2010	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 can be found 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 on 30/06	0	0	0	0
Goods and services from related parties and persons on 30/06	1,250	666	183	183
Due from related parties and persons on 30/06	69	71	61	61
Due to related parties and persons on 30/06	281	39	0	0

Associated companies

The amount due from related parties and persons include loans amounting to EUR 68k (previous year: EUR 68k) and relate to iris GmbH. These amounts are shown in the balance sheet under non-current assets.

The other amounts of EUR 1k relate to iris GmbH (previous year: EUR 3k). These are trade accounts receivable with a remaining maturity of less than one year. These amounts are shown in the balance sheet under current assets.

The amounts due to related parties and persons relate to trade accounts payable and have a remaining maturity of less than one year. The amounts are attributable to iris GmbH at EUR 270k (previous year: EUR 20k) and to id systeme GmbH at EUR 11k (previous year: EUR 19k). The amounts are shown 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 rounded monthly rent payments amount to EUR 30k (EUR 366k annually). The rental price is contractually fixed until June 30, 2011 and will increase to EUR 475k per year from July 1, 2011

until June 30, 2026. Furthermore, a rent deposit of EUR 61k was paid for the office building in Karlsruhe.

Terms and conditions of business transactions with related parties and persons

Sales to, and purchases from, related parties and persons are made to generally accepted market terms. There are no guarantees at all for accounts receivable or payable in regard to related parties and persons. The group did not accrue any cumulative value adjustments for accounts receivable from related parties and persons for the financial year as of June 30, 2010.

Karlsruhe, August 13, 2010

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.”

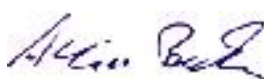
The Managing Board



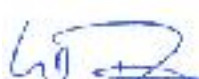
Dr. Gottfried Greschner
Chief Executive Officer



Bernhard Smolka
Chief Financial Officer



Achim Becker
Chief Operating Officer



Wolfgang Degen
Chief Operating Officer



Dr. Jürgen Greschner
Chief Sales Officer

Segment Reporting

The group comprises the following reportable segments:

1. The “Telematics and Electronic Fare Collection Systems” segment includes integrated systems for the management of public transport services, fare management systems, passenger information as well as passenger counting systems.
2. The category “Others” consists of the segments Planning Systems (planning and data management systems) and Automotive Engineering (analysis systems for the automotive industry).

1/1-30/6/2010

EUR '000	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
Revenues				
With third parties	31,745	834	0	32,579
With other segments	374	668	-1,042	0
Total revenues	32,119	1,502	-1,042	32,579
EBIT	6,674	-342	-57	6,275
Segment assets	80,084	2,439	-1,862	80,661
Segment liabilities	39,537	1,588	-820	40,305
Interest income	37	0	-7	30
Interest expenses	81	13	-7	87
Scheduled depreciation	1,199	126	0	1,325
Cost of revenues	21,577	1,208	-929	21,856
R&D costs	707	382	0	1,089
Foreign currency gains (+) and losses (-)	1,559	14	0	1,573
Share in profit of associated companies	65	0	0	65
Income tax	2,513	10	0	2,523
Value impairments	2,508	0	-19	2,489
Share in associated companies	2,123	0	0	2,123
Investments in tangible and intangible assets	595	33	0	628
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

For the purpose of corporate management the group is divided into three business segments (Telematics and Electronic Fare Management Systems, Planning Systems, Automotive Engineering) based on the products and services on offer. The business units Planning Systems and Automotive Engineering were combined into the category "Others".

Management monitors the operative results separately for each business segment to decide on the allocation of resources and assess profitability. Profitability is decided based on operational performance which equates to the total declared in the group's consolidated financial statement.

1/1-30/6/2009

EUR '000	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
Revenues				
With third parties	22,909	891	0	23,800
With other segments	378	664	-1,042	0
Total revenues	23,287	1,555	-1,042	23,800
EBIT	3,050	-415	64	2,699
Segment assets	57,246	2,079	-1,717	57,608
Segment liabilities	24,700	1,641	-991	25,350
Interest income	68	1	-8	61
Interest expenses	45	14	-8	51
Scheduled depreciation	891	114	0	1,005
Cost of revenues	15,236	1,569	-914	15,891
R&D costs	432	81	0	513
Foreign currency gains (+) and losses (-)	-303	4	0	-299
Share in profit of associated companies	104	0	0	104
Income tax	676	1	0	677
Value impairments	552	0	0	552
Share in associated companies	1,956	0	0	1,956
Investments in tangible and intangible assets	898	102	-200	800
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

	1/1-30/6/2010		1/1-30/6/09	
Revenues with external clients	EUR '000	%	EUR '000	%
Germany	10,599	32.5	6,107	25.7
Rest of Europe	5,572	17.1	7,324	30.8
North America	12,409	38.1	3,969	16.7
Other Countries (Australia, UAE)	3,999	12.3	6,400	26.8
Group total	32,579	100.0	23,800	100.0

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

	30/6/2010		31/12/2009	
Non-current assets	EUR '000	%	EUR '000	%
Germany	8,167	87.1	8,806	89.5
North America	1,018	10.8	846	8.6
Other Countries (Australia, UAE)	198	2.1	190	1.9
Group total	9,383	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 June 30, 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
Net profit			2,089
Other comprehensive income			
Total comprehensive income			2,089
Dividend paid out			-1,580
Share-based payments		-64	
Acquisition of treasury stock			
Status as of June 30, 2009	10,040	3,886	19,390
Status as of December 31, 2009	10,040	4,377	25,626
Net profit			3,745
Other comprehensive income			
Total comprehensive income			3,745
Dividend paid out			-2,986
Share-based payments		146	
Acquisition of treasury stock			
Rounding difference			
Status as of June 30, 2010	10,040	4,523	26,385

**Consolidated Statement of Comprehensive Income
from January 1, 2010 to June 30, 2010 (IFRS)
(unaudited)**

EUR '000	1/1-30/6/2010	1/1-30/6/2009
Net profit	3,694	2,032
Currency translation	882	36
Net gain (+)/net loss (-) in available-for-sale financial assets	1	8
Other comprehensive income	883	44
Total comprehensive income	4,577	2,076
thereof attributable to equity holders of the parent company	4,628	2,133
thereof minority interests	-51	-57

Attributable to equity holders of the parent company

Treasury stock	Other reserves			Total	Minority interest	Shareholders' equity, total
	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities			
-789	187	-841	-26	31,402	194	31,596
				2,089	-57	2,032
		36	8	44		44
		36	8	2,133	-57	2,076
				-1,580		-1,580
230				166		166
0				0		0
-559	187	-805	-18	32,121	137	32,258
-477	-81	-741	51	38,795	182	38,977
				3,745	-51	3,694
		882	1	883		883
		882	1	4,628	-51	4,577
				-2,986		-2,986
188				334		334
-547				-547		-547
				1		1
-836	-81	141	52	40,225	131	40,356

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