init

Interim Report 1/2011

init innovation in traffic systems AG

Pooling resources

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, 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

		31/03/2011		31/03/2010
Balance sheet				
Balance sheet total	EUR	86,702k	EUR	79,105k
Shareholders' equity	EUR	47,655k	EUR	40,373k
Subsribed capital	EUR	10,040k	EUR	10,040k
Equity ratio	%	55.0	%	51.0
Return on equity	%	3.15	%	3.29
Non-current assets	EUR	13,312k	EUR	14,028k
Current assets	EUR	73,390k	EUR	65,077k
Income Statement				
Revenues	EUR	13,963k	EUR	14,949k
Gross profit	EUR	5,504k	EUR	4,496k
EBIT	EUR	2,621k	EUR	2,471k
EBITDA	EUR	3,211k	EUR	3,140k
Net profit	EUR	1,503k	EUR	1,328k
Earnings per share	EUR	0.15	EUR	0.14
Dividend	EUR	0.60	EUR	0.30
Cash Flow				
Cash flow from operating activities	EUR	8,904k	EUR	3,825k
Share				
Issue price	EUR	5.10	EUR	5.10
Peak share price	EUR	17.50	EUR	13.10
Bottom share price	EUR	14.00	EUR	9.15

Revenues Q1 in million EUR

2011	**14.0**
2010	14.9

Order backlog Q1 in million EUR

2011	**147**
2010	132

EBIT Q1 in million EUR

2011	**2.6**
2010	2.5

Balance sheet total Q1 in million EUR

2011	**86.7**
2010	79.1

Statutory bodies of the Company

Supervisory Board

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

Consulting engineer specialising in local transportation (Chairman), 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, Legal, 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	3,480,000*
Joachim Becker, COO	330,983
Wolfgang Degen, COO	99,500
Dr. Jürgen Greschner, CSO	97,864
Bernhard Smolka, CFO	27,000

* thereof 3,450,000 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 2011

May 24, 2011	Annual General Meeting, Karlsruhe
Aug 11, 2011	Publication of Q2 2011 Report
Nov 2011	German Equity Forum, Frankfurt - Analyst Conference
Nov 10, 2011	Publication of Q3 2011 Report

Letter to the Shareholders

Ladies and gentlemen,
dear Shareholders,

Worldwide, there is a spirit of optimism prevailing among public and private transportation companies, the customers of init innovation in traffic systems AG. At the "UITP World Congress", the leading international trade fair for our market recently held in Dubai numerous new projects and tenders were introduced, discussed and made definite. We are therefore expecting to see groundbreaking investment decisions for the development of local transport systems on all five continents, to ensure a doubling of capacities by 2025.

For init as a leading supplier of integrated telematics, planning and electronic fare collection systems for buses and trams, this translates into reliable, long-term growth prospects. After six consecutive record years, our journey on the road to success therefore is far from finished.

Order boom in the first quarter

Some of this optimism reflected on init's books as early as in the first quarter of 2011. At over EUR 33m, our intake of new orders tripled on the prior-year figure. On the one hand, to the fact that the placement of a major project, which we had expected to materialise in the previous year, was somewhat delayed, but also to a glut of follow-up orders from long-standing customers.

Since major projects in our industry tend to start with requirement and target specifications before the development phase begins and equipment can commence, the revenues trend in the first quarter of 2011 was still relatively flat. At EUR 14.0m, quarterly revenues remained marginally below the prior-year figure (EUR 14.9m), in line with the scheduled progress of ongoing major projects. This, however, is merely a snapshot. We are confident that we will achieve the growth targets set for 2011.

At EUR 82m in projected revenues, these targets are still relatively moderate for the current year. We are well aware that the general risks affecting business development in the global economy have increased. The growth trend in the market for transport telematics and electronic fare collection systems, however, continues to be robust, which shows itself not only in the level of incoming business, but also in the worldwide increase in tenders.

Our order volume of EUR 147m as of the end of March, up by a good 11 per cent on the previous year (EUR 132m), along with projects pending a decision in the next few months, put us in an excellent position for highly dynamic growth in 2012 and 2013.

Despite the growing risk potentials even on the procurement side and affecting currencies, init was able in the first quarter of 2011 to keep its profitability at a high level. Earnings once again rose on the excellent baseline in the previous year. At EUR 5.5m at the end of March, gross profit on sales in absolute figures exceeded the prior-year result (EUR 4.5m). Earnings before interest and taxes (EBIT) in the first quarter therefore amounted to EUR 2.6m (previous year: EUR 2.5m), which results in earnings for the period of EUR 1.5m (previous year: EUR 1.3m). This corresponds to earnings per share of EUR 0.15 (previous year: EUR 0.14).

High cash flow and anniversary dividend

Still more positive than the trend of earnings per share, however, was the influx of new funds which init was able to generate from ongoing projects by the end of March. The operating cash flow increased to EUR 8.9m and so more than doubled on the previous year (EUR 3.8m).

As a result, our company currently has a liquidity cushion of more than EUR 27m (previous year: EUR 12.5m). The Managing Board believes this is more than comfortable to finance our further growth.

Not least for these reasons we are planning to share the continuing success of init directly with you, our shareholders, by way of a higher dividend. The Managing Board and the Supervisory Board will propose to the shareholders' meeting that the dividend for previous year be doubled to a total of EUR 0.60 (for 2009: EUR 0.30). This amount includes an ordinary dividend of EUR 0.45 and a one-off bonus dividend of EUR 0.15 per share to mark the 10th anniversary of init on the stock exchange in 2011.

Naturally, this step is also hoped to provide incentives for new investors to discover init's share for themselves.

We would like to thank you, our long-standing shareholders, for your trust and confidence in us and look forward to welcoming you along with many new faces at our annual general meeting in Karlsruhe on May, 24 2011.

For the Managing Board
of init innovation in traffic systems AG

Dr. Gottfried Greschner
Chief Executive Officer

Number of Employees (annual average)

(incl. temporary workers and students)

	31/03/2011	31/03/2010
Germany	268	233
North America	59	53
Other Countries	11	12
Total	**338**	**298**

Share and Investor Relations

Price rally continues

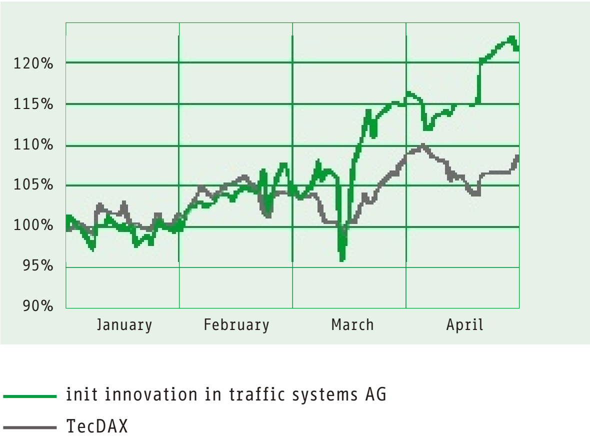
The share of init (ISIN DE0005759807) was able to continue its rally in the reporting period reaching a new all-time high. At EUR 17, the share was quoted a good 14 per cent higher than at the start of the year. The German stock index DAX meanwhile gained a mere 1 per cent, the TecDAX technology index rose by just under 9 per cent.

The continued upturn in the share price reflects the increase in interest from institutional investors in init's share. Investor Relations efforts, therefore, are primarily focused on boosting liquidity in the share.

Analysts continue to rate init's share a clear buy, with a short-term upside target of up to EUR 20.

After the record gain in 2010 and in view of the company's exceptional liquidity, the Managing Board and the Supervisory Board will propose to the shareholders' meeting convened for May, 24 2011 that the dividend be doubled to a total of EUR 0.60 (for 2009: EUR 0.30). This amount includes an ordinary dividend of EUR 0.45 and a one-off bonus dividend of EUR 0.15 per share to mark the 10th anniversary of init on the stock exchange in 2011.

Performance January – April 2011

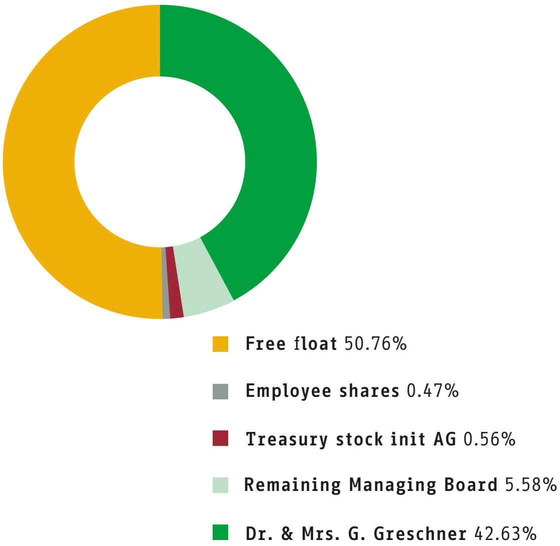


Basic share information

Exchange	Frankfurt Stock Exchange
Index/Segment	Prime Standard, Regulated Market, GEX (German Entrepreneurial Index)
Class	No-par bearer shares (at EUR 1 each)
ISIN	DE0005759807
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 March 31, 2011)	EUR 170.7m

Shareholder structure as of March 31, 2011

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

Business trend and situation

The global economy has to date been recovering at a faster pace than expected, even despite the rise in oil prices. The International Monetary Fund (IMF) has predicted that world output will rise by 4.4 per cent in 2011, with economic expansion in the emerging markets pegged much higher, at around 6.5 per cent, while the advanced economies are only projected an average 2.4 per cent.

Germany continues to be the prime mover in the euro region, growing noticeably stronger than originally assumed. As a result, the IMF has revised its growth forecast for Germany, up by 0.3 per cent to 2.5 per cent. In contrast, the USA has been revised down and is not expected now to see actual growth of its gross domestic product of more than 2.8 per cent in real terms. The IMF has called the budget situation in the USA "untenable" and has urged the USA to start reorganising its budget. We do not, however, expect that funds in the local transport sector will be affected by the austerity programmes already discussed, as the USA is still lagging in the setup and development of public transport systems.

The necessity to consolidate budgets is also an ever more pressing issue for the European states. This, however, collides not only with the investment requirement to modernise infrastructures, but also with the measures taken to stabilise the euro by providing financial support for heavily indebted euro states such as Greece, Ireland and Portugal. The risk factors here further aggravated in the first quarter. An added danger for the global economy is the current unrest in the Arab countries, but also the aftermath of the earthquake disaster in Japan.

In this environment, the trend of our business in the first quarter confirms our expectations. Whereas revenues were marginally less than projected, earnings proved significantly better than anticipated. It must be borne in mind here that the distribution of revenues 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 revenues.

Order situation

Worldwide, init has now successfully completed over 400 telematics projects with more than 300 customers. This tends to result in long-term customer relations which lead to maintenance and follow-up contracts. As in the previous year, follow-up contracts took up a sizeable portion in the first quarter of 2011. This was complemented by new contracts added to our books. As always, init continues to be involved in major tenders; over the next few months, we particularly expect some decisions on tenders postponed from fiscal 2010 to 2011.

Overall, init generated new business in the amount of EUR 33.3m in the first quarter, with Germany adding EUR 2.8m, the rest of Europe contributing EUR 5.6m, and North America providing EUR 24.9m.

Incoming orders therefore remain considerably above realised revenues. This is a clear indicator of sustainable growth at init.

At around EUR 147m (previous year: EUR 132m), our current order volume exceeds the already excellent level achieved in the previous year by some 11.4 per cent.

A standout here was the major contract from Denver/USA. The entire vehicle fleet of the city comprising over 1,000 buses will be fitted by init with a control and passenger information system. In addition, we will provide 170 trams and over 320 paratransit vehicles with new, digital voice radio equipment. The integrated system can also locate more than 150 additional emergency and security vehicles and the personnel deployed via GPS-based voice radio systems. The contract is worth over USD 30m.

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

In Europe, maintenance contracts were joined by several expansion and follow-up contracts. In Oslo, for example, some 90 additional vehicles will be fitted with init's system. In Stockholm, more than 250 vehicle sets were contracted for equipment with init's system to extend the vehicle fleet. Both contracts together are worth more than EUR 2m.

Earnings position

Revenues generated in the first quarter of 2011 totalled EUR 14.0m (previous year: EUR 14.9m). This figure is around 6.0 per cent lower than the prior-year result due to the fact that the new projects started are not yet at the hardware delivery stage.

51.1 per cent of revenues (previous year: 66.8 per cent) were made in international business. Of this amount, EUR 3.7m were contributed by North America (previous year: EUR 5.0m). In Germany, revenues totalled EUR 6.8m (previous year: EUR 5.0m). In the rest of Europe, revenues amounted to EUR 3.1m (previous year: EUR 2.8m), whereas business in the other countries declined to EUR 0.3m (previous year: EUR 2.2m). This was due primarily to the highly advanced degree of completion of our major projects in Dubai and to the fact that our new contract from Abu Dhabi is only at the target specification stage. It must be noted here, however, that the distribution of revenues by region usually tends to reflect the progress of individual major projects.

Gross profit on revenues amounted to EUR 5.5m as of the end of March and so was up on the previous year (EUR 4.5m). In relative terms, the gross margin related to revenues exceeded the prior-year figure by 31 per cent. This is due to the provision for risks set up for projects in Dubai on grounds of the financial crisis in fiscal 2010, which significantly reduced in the first quarter of 2011 because of incoming payments. After adjustment, the gross margin related to sales increased by around 12 per cent. The gross margin will likely improve further over the remainder of the financial year. The gain of EUR 0.4m from exchange rate fluctuations primarily results from the forward exchange contracts concluded (previous year: gains of EUR 0.8m). We are, however, following the trend of the US dollar with some concern, as increasingly unfavourable exchange rates will reduce our margins, and this cannot usually be passed on to the customer.

Compared to the prior-year reference period, earnings before interest and taxes (EBIT) of EUR 2.6m (previous year: EUR 2.5m) generated in the first three months of 2011 marginally improved. This yielded a result for the period of EUR 1.5m (previous year: EUR 1.3m), which corresponds to earnings per share of EUR 0.15 (previous year: EUR 0.14).

Financial and net worth position

Total assets rose by EUR 7.6m in the reporting period to EUR 86.7m compared with the previous year (31 March 2010). On the assets side of the balance sheet, this increase resulted primarily from the rise in cash. On the liabilities side, the increase is for the most part reflected in the rise in deferred tax liabilities, other liabilities, and in equity capital.

Operating cash flow continued to develop positively in the first quarter of 2011. By the end of the reporting period, it had increased to EUR 8.9m (previous year: EUR 3.8m). 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 7.3m in absolute terms, to EUR 47.7m as of 31 March 2011 (previous year: EUR 40.4m). The equity ratio increased from EUR 51.0 per cent in the previous year to 55.0 per cent, but will reduce in the following quarter due to the dividend payment.

Current liabilities to banks rose to EUR 0.9m (previous year: EUR 0.4m) and primarily relate to our subsidiaries INIT Inc., USA, and CarMedialab GmbH. The non-current bank liabilities amounting to EUR 1.1m (previous year: EUR 1.1m) concern a loan for the extension of our Karlsruhe location.

Liquid resources including short-term securities increased notably in the reporting period, amounting to EUR 27.2m (previous year: EUR 12.5m). The existing guarantee and credit lines continue to secure the financing of our business activities and their expansion.

In the first three months of 2011, EUR 0.7m (previous year: 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 2011, we have extended the group of suppliers and negotiated new framework agreements.

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 of 31 March 2011, init employed 338 people (previous year: 298) including temporary staff, scientific assistants, and diploma candidates. There are another 19 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 2010, then worth (including tax) around EUR 3,100, as well as a cash bonus of EUR 5,000.

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 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. In the first quarter, for example, init purchased two electric cars, which are used for shorter journeys.

Research and development

In the first quarter of 2011, our software and hardware development teams worked on the further development of existing products and various radical innovations.

In the first three months, a total of EUR 0.7m (previous year: EUR 0.5m) were spent within the init group on the development of new products. No software developments were capitalised. The depreciation applied to capitalised software amounted to EUR 0.2m (previous year: EUR 0.3m).

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 state-subsidised. But since the financial crisis has also 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. As init received payments of around EUR 3.2m from Dubai in February and April 2011, the risk has significantly reduced. The days sales outstanding in receivables 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 revenues, 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, bonds, fixed-interest securities and fixed-term deposits. Market value, exchange and interest change risks can therefore result in losses.

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 of fiscal 2011. As a result, we expect to see the number of new orders increase.

In December 2009, the American Senate authorised around USD 10.7bn for the development of local transport. As a result, we again expect a number of new tenders to materialise in the USA in 2011.

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 2010. Asia and Australia also provide good prospects for us in terms of winning new tenders.

A further major benefit for us is the growing interest among transport companies in integrated systems. With our electronic ticket printer with on-board computer functionality, EVENDpc, init is well prepared here to combine ticketing and ITCS. It stands us in good stead that we have excellent references which act as a signal for potential new customers all over the world and should better our chances for additional infrastructure investments.

Events after the reporting date

No events of special note occurred after the cutoff date.

Prospects

The first quarter of the 2011 financial year has shown that although the general risks affecting business development have increased, growth in the market for transport telematics and electronic payment systems continues to be robust; this shows itself not only in the level of incoming business, but also in the worldwide increase in tenders.

At EUR 33m in new orders, init continues to be on course for steady growth. Along with projects pending a decision in the next few months, this already puts us in an excellent position for highly dynamic growth even in 2012 and 2013.

The global risks for 2011 may have increased, but we continue to expect moderate growth in revenues along with a highly satisfactory earnings margin. With an order backlog of over EUR 147, init is also well prepared to achieve its targets for 2011. On the basis of this, we are aiming for revenues in the amount of EUR 82m, with an operating result exceeding EUR 15m for the 2011 financial year. Many of the numerous state aid programmes introduced in response to the financial and economic crisis will have a positive effect on incoming business for init, so that we can expect further above-average growth in fiscal 2012.

The drastic devaluation of the US dollar and the Arab dirham, however, is a cause for concern. In the medium term, this will lead to significantly lower margins, as currency influences can only be passed on to a degree through higher prices.

Karlsruhe, May 12, 2011

The Managing Board

Dr. Gottfried Greschner *Chief Executive Officer*	Dr. Jürgen Greschner *Chief Sales Officer*	Wolfgang Degen *Chief Operating Officer*	Bernhard Smolka *Chief Financial Officer*	Achim Becker *Chief Operating Officer*

Consolidated Income Statement
from January 1, 2011 to March 31, 2011 (IFRS)
(unaudited)

EUR '000	01/01 - 31/03/2011	01/01 - 31/03/2010
Revenues	13,963	14,949
Cost of revenues	-8,459	-10,453
Gross profit	**5,504**	**4,496**
Sales and marketing expenses	-2,148	-1,494
General administrative expenses	-962	-950
Research and development expenses	-707	-486
Other operating income	432	137
Other operating expenses	-32	-153
Foreign currency gains and losses	404	835
Operating profit	**2,491**	**2,385**
Income from associated companies	78	32
Other income and expenses	52	54
Earnings before interest and taxes (EBIT)	**2,621**	**2,471**
Interest income	12	7
Interest expenses	-71	-52
Earnings before taxes (EBT)	**2,562**	**2,426**
Income taxes	-1,059	-1,098
Net profit	**1,503**	**1,328**
thereof attributable to equity holders of parent company	1,510	1,344
thereof minority interests	-7	-16
Net profit and diluted net profit per share in EUR	0.15	0.14
Average number of floating shares (undiluted) in EUR	9,954,333	9,941,003
Average number of floating shares (diluted) in EUR	9,954,333	9,941,003

Consolidated Balance Sheet as of March 31, 2011 (IFRS)

(unaudited)

Assets

EUR '000	31/03/2011	31/12/2010
Current assets		
Cash and cash equivalents	26,868	18,380
Marketable securities and bonds	316	324
Trade accounts receivable	9,743	15,243
Future receivables from production orders (percentage of completion method)	16,830	19,295
Accounts receivable from related parties	8	9
Inventories	15,599	15,444
Income tax receivable	9	0
Other current assets	4,017	2,242
Current assets, total	**73,390**	**70,937**
Non-current assets		
Tangible fixed assets	5,409	5,182
Goodwill	2,081	2,081
Other intangible assets	1,518	1,687
Interest in associated companies	2,300	2,221
Accounts receivable from related parties	68	68
Deferred tax assets	755	661
Other assets	1,181	1,584
Non-current assets, total	**13,312**	**13,484**
Asset, total	**86,702**	**84,421**

Liabilities and shareholders' equity

EUR '000	31/03/2011	31/12/2010
Current liabilities		
Bank loans	904	471
Trade accounts payable	3,316	2,908
Accounts payable of percentage of completion method	7,112	6,345
Accounts payable due to related parties	228	94
Advance payments received	4,551	4,665
Income tax payable	2,320	2,514
Provisions	5,628	5,617
Other current liabilities	6,479	7,320
Current liabilities, total	**30,538**	**29,934**
Non-current liabilities		
Long-term debt less current portion	1,059	1,059
Deferred tax liabilities	4,728	4,067
Pensions accrued and similar obligations	2,722	2,652
Other non-current liabilities	0	42
Non-current liabilities, total	**8,509**	**7,820**
Shareholders' equity		
Attributable to the equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	4,589	4,793
Treasury stock	-392	-660
Surplus reserves and consolidated unappropriated profit	34,075	32,565
Other reserves	-920	-341
	47,392	**46,397**
Minority interests	263	270
Shareholders' equity, total	**47,655**	**46,667**
Liabilities and shareholders' equity, total	**86,702**	**84,421**

Consolidated Cash Flow Statement

from January 1, 2011 to March 31, 2011 (IFRS)

(unaudited)

EUR '000	01/01 - 31/03/2011	01/01 - 31/03/2010
Cash flow from operating activities:		
Net income	1,503	1,328
Depreciation/amortisation	590	669
Losses on the disposal of fixed assets	10	0
Change of provisions and accruals	81	1.231
Change of inventories	-155	-2,439
Change in trade accounts receivable and future receivables from production orders (POC)	7,965	-2,274
Change in other assets, not provided by/used in investing or financing activities	-1,380	-121
Change in trade accounts payable	408	-1,107
Change in advanced payments received and liabilities from POC method	653	7,150
Change in other liabilities, not provided by/used in investing or financing activities	-943	-1,130
Change in investment book value (not affecting cash flow)	-78	-32
Amount of other non-cash income and expenses	250	550
Net cash from operating activities	**8,904**	**3,825**
Cash flow from investing activities:		
Inflows from sales of tangible fixed assets	3	0
Investments in tangible fixed assets and other intangible assets	-726	-184
Investments in marketable securities as part of short-term cash management	0	-70
Net cash flows used in investing activities	**-723**	**-254**
Cash flow from financing activities:		
Proceeds (+)/redemption (-) of bank loans	433	-769
Net cash flows used in financing activities	**433**	**-769**
Net effects of currency translation and consolidation changes in cash and cash equivalents	-126	100
Increase in cash and cash equivalents	**8,488**	**2,902**
Cash and cash equivalents at the beginning of the period	18,380	9,327
Cash and cash equivalents at the end of the period	**26,868**	**12,229**

Selected Explanatory Notes for Q1 2011 (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, 2011, and the comparative prior-year 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, 2010 were retained except for the new IFRS standards.

The consolidated interim financial statement has been prepared in Euro. Unless otherwise stated, all figures were rounded to full thousand (EUR k).

init AG is a listed company, ISIN: DE0005759807, and has been in the segment of the regulated market with further post-admission requirements (Prime Standard) since January 1, 2003.

The consolidated interim report and the consolidated financial statement as of March 31, 2011, were not subject to a review.

The interim report of the first quarter was communicated to the supervisory board on May 4, 2011.

Accounting Principles and Valuation Methods

In principle, the accounting practices and valuation methods applied in this interim financial statement are consistent with the methods applied in the financial statements 2010. Amendments to the accounting principles and valuation methods and also amendments concerning the presentation and explanation of the financial statements have been caused by applying the following new or revised standards:

IAS 24 "Related Party Disclosures"

The revised standard IAS 24 was published in November 2009 and applies for the first time to financial years commencing on or after 1 January 2011. On the one hand, this revises the definition of related parties in order to make it easier to identify the relationship to a related party. On the other hand, it partly exempts the party related to a public sector entity from disclosure requirements that pertain to transactions with said public sector entity and other business entities related to that public sector entity. The standard specifies retrospective application. This expansion of the definition will foreseeably lead to further details arising in future about who is included in the parties related to the group. The adoption of the amendment did not have any impact on the assets, liabilities, financial position and earnings situation of the consolidated financial statements.

Amendment to IAS 32 "Classification of Right Issues"

The amendment to IAS 32 was published in October 2009 and applies for the first time to financial years commencing on or after 1 February 2010. It alters the definition of a financial liability such that rights issues and certain options may be classified as equity instruments. This applies specifically if a company offers the rights pro rata to all of the existing owners of the same class of its own non-derivative equity instruments in order to acquire a fixed number of the company's own equity instruments for a fixed amount in any currency. The standard specifies retrospective application. The adoption of the amendment did not have any impact on the assets, liabilities, financial position and earnings situation of the consolidated financial statements.

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"

The amendment to IFRIC 14 was published in November 2009 and applies for the first time to financial years commencing on or after January 1, 2011. The application of IFRIC 14, published in July 2007 for the purpose of limiting a defined benefit asset to its achievable amount, had some unintended consequences for companies in certain countries. The amendment is aimed to permit companies to recognise as an asset voluntary prepayments of minimum funding contributions. The amendment specifies retrospective application. The initial application did not lead to any reporting of an asset resulting from the excess of the plan asset above the values of the defined benefit obligation.

"Improvements to International Financial Reporting Standards 2010"

This general standard, published in May 2010, contains a series of amendments to various IFRS standards. The times of application and the transitional rulings are specified for each standard. The adoption of the amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the group.

IFRS 3 "Business Combinations"

Measurement of holdings without controlling interest: the amendment limits the applicable scope of the measurement policy option inasmuch as only those parts of the holdings without controlling interest which substantiate a current ownership right and, in the case of liquidation, which substantiate a proportionate claim for the owner to the net assets of the company may be measured either at the current market value or relative to the proportionate share of the current ownership right to the identifiable net assets of the acquired company. Any other parts of the holdings without controlling interest are to be measured at their current market value at their time of acquisition, unless another IFRS regulation (e.g. IFRS 2) stipulates a different valuation standard. The group values the holdings without controlling interest at the current market value and therefore the amendment did not have any impact on the financial position or performance of the group.

IFRS 7 "Financial Instruments: Disclosures"

The amendment clarifies the interdependency between the quantitative and the qualitative disclosures, as well as the type and scope of risks from financial instruments. In particular it also includes amendments relating to quantitative disclosures about the risk of default. The amendment is to be applied retrospectively and did not have any impact on the assets, liabilities, financial position and earnings situation of the consolidated financial statements.

IAS 1 "Presentation of Financial Statements"

The amendment clarifies the fact that the analysis of the other results for individual equity components must be made either in the statement of changes in equity or in the notes. The amendment is to be applied retrospectively and requires additional disclosures of the group, but did not have any impact on the financial position or performance of the group.

IAS 34 "Interim Financial Reporting"

The amendment requires additional disclosures of the group, but did not have any impact on the financial position or performance of the group.

Other amendments

Other amendments resulting from improvements to IFRS did not have any impact on the accounting policies, financial position or performance of the group.

The amendment of IFRS 3 allows the contingent considerations agreed in previous years to be reported by the group unchanged and according to the previous accounting method. Subsequent changes from contingent considerations will therefore only affect the goodwill.

Non-substituted and voluntarily substituted share-based payment: According to this IFRS 3 amendment, a company (in the context of a business combination) is obligated to recognise the substitution of the share-based payment (whether mandatory or voluntary), i.e. it is obligated to allocate between the consideration and the costs incurred by the business combination.

The amendment to IAS 27 clarifies the fact that amendments in IAS 21 "The effects on changes in foreign exchange rates", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures" based on IAS 27 applies prospectively and for the first time to financial years commencing on or after July 1, 2009 or prior to that, in case an earlier application of IAS 27 will be decided.

The amendment to IFRIC 13 does not have any impact on the consolidated financial statements because the principles of revenue recognition are compliant with the IFRIC concept.

IFRIC 19 regulates the treatment of extinguishing of financial liabilities by issuing equity instruments. The interpretation is to be applied retrospectively and does not have any impact on 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 60% of the shares.

Associated Companies

init AG holds 44% of the shares in id systeme GmbH, Hamburg ("id systeme") and INIT GmbH holds 43% of the shares in 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 (previous year: EUR 179k) for impairment appreciation was recorded.

Trade Accounts Receivable

A total of EUR 32k (previous year: EUR 153k) for decreases in values for 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 328k were made (previous year: EUR 159k). The sale of certain tangible (fixed) assets generated EUR 3k (previous year: EUR 0k).

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 228k (previous year: EUR 308k) and relate to trade accounts payable to iris and id systeme.

Shareholders' Equity

Subscribed Capital

The capital stock is divided into 10,040,000 individual no-par bearer shares with an imputed share in the capital stock of EUR 1.00. The shares has been issued and fully paid up.

Authorised Capital

At the annual shareholders' meeting on July 13, 2006, a resolution was passed to create capital to the amount of EUR 5,020,000. With the approval of the Supervisory Board, the Managing Board is authorised to increase the company's capital stock by up to EUR 5,020,000 by July 13, 2011 through a single or repeated issuing of up to 5,020,000 ordinary shares against contributions in cash or in kind. The new shares are to be taken up by credit institutions that will be obliged to offer them to investors for sale. However, with the approval of the Supervisory Board, the Managing Board is authorised to withdraw the pre-emptive right, so that up to 1,004,000 new shares can be issued at a price not substantially lower than the stock market value of the company shares at the time of specifying the issue price. The aim is to balance peak amounts, to open up additional capital markets, to acquire or merge 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, 2011 the capital reserves totalled EUR 4,589k, with EUR 3,141k result from the premium of the shares sold at the time of the initial public offering. EUR 722k were transferred from 2005 to 2009 as part of the recognised expenses from the share-based remuneration and EUR 416k 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 204k in 2011. Due to the sale of treasury stock in 2007, the capital reserves increased by EUR 514k.

Treasury Stock

The treasury stock on January 1, 2011 totalled 94,186 shares. Within the scope of the incentive scheme for members of the Managing Board, managing directors and high performer in the first quarter of 2011, a total of 37,337 shares were transferred with a qualifying period of five years. A further 1,000 shares were transferred to employees within the scope of a bonus agreement without qualifying period. On March 31, 2011 the number of treasury stock thus increased to 55,849.

The company's treasury stock was valued at acquisition cost at EUR 392k (previous year: EUR 320k) and openly deducted from the equity capital. Of the treasury stock as of March 31, 2011 of 55,849 shares with an imputed share of EUR 55,849 (0.56 %) in the capital stock, 1,139 shares resulted from the capital increase in 2002 and 54,710 shares from the company's stock repurchasing programme. The shares were 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 and to acquire other companies or parts of companies or participations, or, where required, for opening up of additional capital markets or to issue them to employees and members of the Managing Board.

Paid and Proposed Dividends

EUR '000	
Dividends for 2009: EUR 0.30 per share, paid out on May 14, 2010	2,986
Ordinary dividends proposed at the shareholders' meeting for approval for 2010: EUR 0.45 per share plus an one-off bonus dividend for 2010 of EUR 0.15 per share	5,990

Contingent Liabilities/Claims

Just as of December 31, 2010, 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.

	Associated companies		Other related party transactions	
EUR '000	**2011**	2010	**2011**	2010
Income from sales to related parties and persons on 31/03	0	0	0	0
Goods and services from related parties and persons on 31/03	381	470	92	92
Due from related parties and persons on 31/03	76	68	61	61
Due to related parties and persons on 31/03	228	308	0	0

Associated Companies

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

The other amounts of EUR 8k relate to iris EUR 2k (previous year: EUR 0k) and id systeme EUR 6k (previous year: EUR 0k). 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 at EUR 217k (previous year: EUR 308k) and id systeme EUR 11k (previous year: EUR 0k). 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 then 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 March 31, 2011.

Karlsruhe, May 12, 2011

The Managing Board

Dr. Gottfried Greschner *Chief Executive Officer*	Dr. Jürgen Greschner *Chief Sales Officer*	Wolfgang Degen *Chief Operating Officer*	Bernhard Smolka *Chief Financial Officer*	Achim Becker *Chief Operating 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

01/01/2011-31/03/2011

EUR '000	Telematics and Electronic Fare Collection Systems	Other	Eliminations and adjustments	Consolidated
Revenues				
With third parties	13,085	878	0	13,963
With other segments	347	390	-737	0
Total revenues	**13,432**	**1,268**	**-737**	**13,963**
EBIT	**2,872**	**-147**	**-104**	**2,621**
Segment assets	85,835	2,990	-2,123	86,702
Segment liabilities	38,373	1,752	-1,078	39,047
Interest income	14	0	-2	12
Interest expenses	62	7	2	71
Scheduled depreciation	551	39	0	590
Cost of revenues	8,298	876	-715	8,459
R&D costs	423	284	0	707
Foreign currency gains (+) and losses (-)	423	-19	0	404
Share in profit of associated companies	78	0	0	78
Income taxes	1,052	7	0	1,059
Value impairments	71	0	0	71
Share in associated companies	2,300	0	0	2,300
Investments in tangible and intangible assets	657	69	0	726
31/12/2010				
Segment assets	83,355	3,586	-2,520	84,421
Segment liabilities	37,224	2,006	-1,476	37,754
Share in associated companies	2,221	0	0	2,221

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.

01/01/2010-31/03/2010

EUR '000	Telematics and Electronic Fare Collection Systems	Other	Eliminations and adjustments	Consolidated
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 taxes	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

Geographical Information

	01/01/2011-31/03/2011		01/01/2010-31/03/2010	
	EUR '000	%	EUR '000	%
Revenues with external clients				
Germany	6,821	48.9	4,963	33.2
Rest of Europe	3,092	22.1	2,816	18.8
North America	3,704	26.5	4,991	33.4
Other Countries (Australia, UAE)	346	2.5	2,179	14.6
Group total	**13,963**	**100.0**	**14,949**	**100.0**

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

	31/03/2011		31/12/2010	
Non-current assets	EUR '000	%	EUR '000	%
Germany	8,086	87.6	7,863	86.5
Rest of Europe	164	1.8	177	2.0
North America	842	9.1	892	9.8
Other Countries (Australia, UAE)	135	1.5	158	1.7
Group total	**9,227**	**100.0**	**9,090**	**100.0**

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

Consolidated Statement of Changes in Equity
as of March 31, 2011 (IFRS) (unaudited)

EUR '000	Subscribed capital	Additional paid-in capital	Surplus reserves, consolidated unappropriated profit
Status as of December 31, 2009	**10,040**	**4,377**	**25,626**
Net profit			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**
Status as of December 31, 2010	**10,040**	**4,793**	**32,565**
Net profit			1,510
Other comprehensive income			
Total comprehensive income			**1,510**
Share-based payments		-204	
Status as of March 31, 2011	**10,040**	**4,589**	**34,075**

Interim Consolidated Statement of Comprehensive Income
from January 1, 2011 to March 31, 2011 (IFRS)
(unaudited)

EUR '000	01/01/2011-31/03/2011	01/01/2010-31/03/2010
Net profit	**1,503**	**1,328**
Currency translation	-573	80
Net gain (+)/net loss (-) in available-for-sale financial assets	-6	21
Other comprehensive income	**-579**	**101**
Total comprehensive income	**924**	**1,429**
thereof attributable to equity holders of the parent company	931	1,445
thereof minority interests	-7	-16

Attributable to equity holders of the parent					Minority interest	Shareholders' equity, total
	Other reserves					
Treasury stock	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities	Total		
-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**
-660	**-146**	**-233**	**38**	**46,397**	**270**	**46,667**
				1,510	-7	1,503
		-573	-6	-579		-579
		-573	**-6**	**931**	**-7**	**924**
268				64		64
-392	**-146**	**-806**	**32**	**47,392**	**263**	**47,655**

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