



Photo: Uwe-Jens Kahl / pixelio.de

init

innovation in
traffic systems AG



Q3 Report 2010

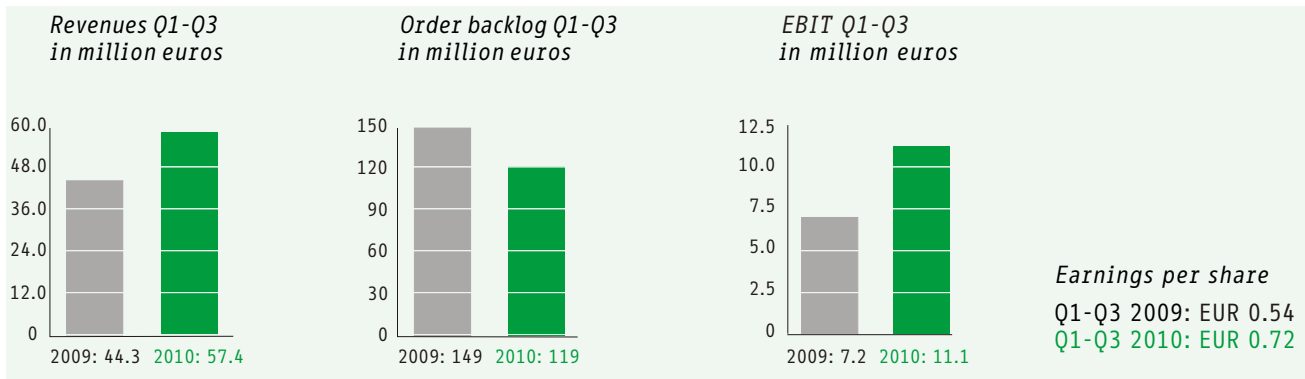
init at a Glance

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)

	30/9/2010	30/9/2009
Balance sheet		
Balance sheet total	EUR 78,943k	EUR 61,100k
Shareholders' equity	EUR 42,047k	EUR 35,409k
Subscribed capital	EUR 10,040k	EUR 10,040k
Equity ratio	% 53.26	% 57.95
Return on equity	% 17.01	% 14.82
Non-current assets	EUR 13,816k	EUR 14,850k
Current assets	EUR 65,127k	EUR 46,250k
Income Statement		
Revenues	EUR 57,403k	EUR 44,286k
Gross profit	EUR 19,830k	EUR 15,297k
EBIT	EUR 11,095k	EUR 7,186k
EBITDA	EUR 12,988k	EUR 8,636k
Net profit	EUR 7,153k	EUR 5,249k
Earnings per share	EUR 0.72	EUR 0.54
Dividend	EUR 0.30	EUR 0.16
Cash Flow		
Cash flow from operating activities	EUR 8,403k	EUR 144k
Share		
Issue price	EUR 5.10	EUR 5.10
Peak share price (1/1 - 30/9)	EUR 15.70	EUR 9.50
Bottom share price (1/1 - 30/9)	EUR 9.15	EUR 4.75



Statutory bodies of the Company

Supervisory Board

- > Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau (Chairman)
Consulting engineer specialising in 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*	3,495,000
Joachim Becker, COO	325,983
Wolfgang Degen, COO	94,000
Dr. Jürgen Greschner, CSO	97,364
Bernhard Smolka, CFO	22,500

* 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 2010/2011

Nov 22, 2010	German Equity Forum, Frankfurt - Analyst Conference
March 2011	Disclosure Annual Report 2010
May 24, 2011	General Annual Meeting, Karlsruhe

Letter to the Shareholders

*Ladies and Gentlemen,
Dear Shareholders,*

init innovation in traffic systems AG has set for itself ambitious growth targets for the 2010 financial year. After what has to date been the best quarter in the history of our company, we are delighted to demonstrate in this report that we are set to outperform these targets.

As a result, we have significantly raised our forecast for the full year. As growth continued to accelerate in the third quarter, the Managing Board now expects sales in 2010 to range at around EUR 78m (previously: EUR 72m) with earnings before interest and taxes (EBIT) coming in at around EUR 15m (previously: EUR 13m).

Growth accelerated – forecast raised after record quarter

As an internationally active supplier of telematics, planning and electronic fare collection systems, we were fortunate to benefit from the surprisingly quick recovery of the global economy. Our ongoing major projects made good progress in the third quarter, helping us to generate revenues of EUR 24.8m between July and the end of September (2009: EUR 20.5m). This made the third quarter of 2010 the strongest in init's current history.

As a consequence, accumulated sales in the first nine months notably exceeded our expectations. At EUR 57.4m (2009: EUR 44.3m), sales grew by almost 30 per cent on the previous year to mark a new record. Some 60 per cent were generated in international business; the most considerable increases were due to ongoing major projects in North America and our home market in Germany.

Profit growing faster than sales

The profitability of our company continued to improve quite significantly. In the third quarter alone, init generated an EBIT of EUR 4.8m.

On a nine month basis, our earnings before interest and taxes (EBIT) improved by more than 54 per cent to EUR 11.1m (2009: EUR 7.2m). This virtually equals the result for the whole of fiscal 2009 (EUR 11.8m). At group level, net income in the period increased to EUR 7.2m as of the end of September (2009: EUR 5.2m), corresponding to earnings per share of EUR 0.72 (2009: EUR 0.54).

Based on these figures, our company is heading full speed toward the conclusion of yet another record year, the sixth in a row.

Long-term growth foundation intact

In view of the currency turbulences, the increasingly harsh battle for raw materials and immense state deficits, doubts have increased again over the past few weeks as to whether the global economy can continue its recovery in 2011. Naturally, a globally active company such as init cannot detach itself from these developments. On the other hand, the long-term growth foundation of our sector is intact. Investments in intelligent infrastructure for public transport, such as those developed, produced and marketed by init, are increasingly necessary and important for the welfare of our social and economic systems.

This was evident once more at the leading trade fair of the transport industry, the "Innotrans 2010", in Berlin at the end of September. The event was marked by two-digit growth rates in visitor figures, a wealth of innovations and even more internationality. It also produced quite a number of new contacts for init, drew attention to our new products devised for networking telematics systems and for passenger information in real time, and to our cutting-edge ticketing solutions. At the same time, we received many inquiries from new markets.

Experts are primarily discussing such issues as passenger information in the region, integrated systems, automatic failure management, and the merging of ticketing and telematics systems. These are issues in which init got involved early on to provide us with valuable international references today.

It is becoming apparent that tenders will in the future be defined by these key aspects. At the same time, these tenders – and the project volume – will, as a result, become increasingly complex and extensive. This poses new challenges for customers in terms of affordability, but also project management.

More and increasingly complex tenders – larger project volumes in sight

All in all, we can expect to see an increase particularly in tenders involving major projects. On the other hand, these will turn out to be more protracted and – under the consolidation pressure of the public authorities – be rather drawn out. As a result, some allocations expected to materialise in the third quarter have been postponed, while other projects were put out to tender again with added requirements.

What is important for our future business is that they remain on the table and that we see a steady flow of new ones added. Currently, there are a number of decisions pending for several major international

projects over the next few months. Here, init is still in with a good chance.

In addition, init's order backlog on September 30, 2010 totalled EUR 119m, which provides us with a solid base for further growth. Even if only some of these outstanding contracts are decided in our favour, the chances are good that init innovation in traffic systems AG will continue its course for success throughout the remainder of 2010 to write yet another record year.

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)

	30/9/2010	30/9/2009
Germany	253	226
North America	59	47
Other Countries	11	14
Total	323	287

Shareholder structure as of September 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 52.2%**
thereof residual Managing Board 5.38%
- **Treasury stock init AG 1.2%**
- **Family Dr. Gottfried Greschner 46.6%**

Share and Investor Relations

init share headed towards next all-time high

In the third quarter of 2010, *init* innovation in traffic systems AG (ISIN DE0005759807) was heading, and fast, towards new records not only in terms of operations. At EUR 15.70, its share price also marked a new all-time high by mid-September. The share was able to maintain its high level even after profit takings.

Quoted at EUR 14.45 as of the end of September, it outperformed the relevant benchmark indices in the first nine months of 2010 quite notably. Whereas *init* gained some 35 per cent in the course of the year, the stock market index of the leading German technology shares, TecDAX, lost more than 4 per cent. Even the German stock index (DAX) only managed to gain a mere 4.6 per cent in the reporting period.

Investor Relations work, therefore, continued to concentrate on improving the liquidity of the share in order to be able to satisfy the demand among new investors for *init*'s share. Due to the highly positive price trend this year, *init* has already made the 50 leading technology shares based on market capitalisation, while the liquidity in the share puts it at around rank 70 in the TecDAX ranking. We see potential for further improvement here.

Along with individual investor talks and roadshows in Frankfurt, Zurich and Paris, we also place emphasis on presentations at investor conferences. At the end of November, *init* innovation in traffic systems AG will also again present its latest figures and prospects for its further development at the Equity Forum of Deutsche Börse in Frankfurt.

Analysts currently rate *init* as a "buy" with further upside potential. The upside targets currently given range between EUR 18 and EUR 20.

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 September 30, 2010)	EUR 145.1m

Performance January - October 2010



— init innovation in traffic systems AG
— TecDax

Group Status Report

Business trend and situation

General economic setting

The global economy to date has rallied from the slump in production brought on by the financial crisis at a much faster rate than expected. The mood over the past few weeks has been dampened somewhat, however, by rising raw material prices and the exchange rate turbulences involving the US dollar and the Chinese Yuan. The leading economic institutes have adjusted their expectations for the next half year downward, with but a moderate slowdown, though, for the emerging markets.

The structural problems which have come to light in the financial crisis have not yet been resolved. The economy particularly in the USA is not expected to bounce back to any marked degree for the time being, despite considerable investments. But even in the European Union, the recovery remains sluggish because of distinctly restrictive financial policies.

Germany continues to be the primary driver of economic growth in the euro zone. Recovery of the economy here persisted in the third quarter, albeit at a significantly slower rate, according to Germany's Ministry of Finance. In view of richly filled order books in the industry, however, the pick-up is expected to last. For 2010, the institutes forecast a real increase in the gross domestic product by 3.5 per cent.

In this environment, business at init in the first nine months clearly exceeded our expectations. In the third quarter 2010, init once again saw sales grow at a considerable rate. Both sales and earnings were well above the targets. On the whole, the third quarter of 2010 proved the strongest in init's history. init innovation in traffic systems AG therefore continues to head for success and is well on its way to writing yet another record year. Traditionally, the distribution of sales over the course of the financial year is 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 for more than 300 customers. Quite often, these projects establish customer relations which last for many years and lead to follow-up contracts. As in the first six months, follow-up contracts continued to play a major role in the third quarter of 2010. Additionally, init is still involved in major tenders. In some cases, however, the contracting decision has been pushed into the

2011 financial year because of the projects' size and complexity.

In total, init generated new business worth EUR 15.6m in the third quarter, with Germany adding EUR 3.2m, the rest of Europe contributing EUR 9.3m, and North America providing EUR 3.1m.

In the USA, init received a follow-up contract from Portland's transport operator TriMet (Tri-County Metropolitan Transportation District of Oregon). On the whole, init has been commissioned to equip over 250 vehicles used for on-demand services with our compact on-board computer, COPILOTtouch. The contract also involves the installation of modems in the vehicles to handle the wireless data transfer and radio communication, while the Intermodal Transport Control System MOBILE-ITCS in the control centre will be extended by nine dispatcher workstations. The contract has a value of over USD 3m.

In Europe, init received several follow-up contracts. Our customer Syntus B.V. in the Netherlands, for example, ordered vehicle equipment for a further 122 vehicles and software for the extension of its control centre. Our customer Upplands Lokaltrafik AB has commissioned init to replace the old on-board computer generation and to equip more than 240 vehicles with our new on-board computer COPILOTpc. The total value of the contracts of these two customers exceeds EUR 5m.

In Great Britain, init gained a new customer in Hertfordshire County Council (HCC). The contract here is worth over EUR 4m and involves the setup of a control and passenger information system. A total of over 240 vehicles are to be provided with init technology.

In Germany, init also managed to add a new customer to its books. In a Europe-wide tendering process, MIT.BUS GmbH in Gießen in the end opted for init's ticket printers.

A further follow-up contract was received from Karlsruhe Transport Services (VBK), which are planning to equip their trams with IRMA sensors for passenger counting.

The current level of orders amounts to around EUR 119m (2009: EUR 149m). It must be noted here that the prior-year quarter was defined primarily by the receipt of major contracts from Portland and New York (worth over USD 40m). Being allocated two major projects in one quarter is an absolute exception for init in the course of business.

As before, our order volume continues at a high level. Additionally, init is participating in a number of major tenders which should come to a decision in the next months.

Earnings position

Sales in the third quarter of 2010 continued to accelerate. Revenues generated in Q3 totalled EUR 24.8m (2009: EUR 20.5m). As a result, accumulated sales in the first nine months totalled EUR 57.4m (2009: EUR 44.3m) to top the prior-year level by 29.6 per cent.

60.6 per cent of sales (2009: 75.1 per cent) were made in international business. Some EUR 19.8m of this amount goes to North America (2009: EUR 10.7m). In the rest of Europe, revenues totalled EUR 9.7m (2009: EUR 10.9m), whereas business in the other countries declined to EUR 5.3m (2009: EUR 11.7m). 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.

Business in the German market followed a highly satisfactory trend. Revenues at EUR 22.6m, the figure here rose by over 100 per cent on the previous year (2009: EUR 11.0m).

Gross profit on sales amounted to EUR 19.8m at the end of September to be considerably above the prior-year figure (EUR 15.3m). In relative terms, the gross margin related to sales came to 34.5 per cent and corresponds to the prior-year level. The gross margin is expected to continue rising in the further course of the year. 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 1.0m (2009: exchange losses of EUR 0.9m). The further trend is somewhat worrisome, however, after the USA and China significantly devalued their currencies to improve their export shares.

Compared to the prior-year reference period, init was able in the first nine months of 2010 to increase its earnings before interest and taxes (EBIT) by over 54 per cent to EUR 11.1m (2009: EUR 7.2m). This yielded a result for the period of EUR 7.2m (2009: EUR 5.2m), which corresponds to earnings per share of EUR 0.72 (2009: EUR 0.54).

Financial and net worth position

Total assets rose by EUR 17.8m to EUR 78.9m in the reporting period compared with the previous year (September 30, 2009). On the assets side of the balance sheet, this increase resulted primarily from the rise in cash, receivables and inventories. On the liabilities side, the increase is for the most part reflected in the rise in deferred tax liabilities, the advance payments received, the accrued liabilities,

the other liabilities, and the higher shareholders' equity.

Operating cash flow in the third quarter continued to develop positively. By the end of the reporting period it had increased to EUR 8.4m (2009: EUR 0.1m). 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 EUR 6.6m to EUR 42.0m as at September 30, 2010 (2009: EUR 35.4m). Due to the significant increase in total assets, the equity ratio, however, decreased from 57.9 per cent in the previous year to 53.2 per cent.

Current liabilities to banks amounted to EUR 0.5m at the end of September (2009: EUR 0.7m) 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 tripled in the reporting period, amounting to EUR 12.7m (2009: EUR 4.1m). These will continue to increase over the next 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 nine months of 2010, EUR 1.0m (2009: EUR 0.7m) 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.

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 next months.

As at September 30, 2010, init employed 323 people (2009: 287) including temporary staff, scientific assistants, and diploma candidates. There are another 18 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 local public transport, init is particularly committed to the protection of the environment. Our products help transport companies provide a faster and more competitive service while saving resources with the aim to subject the environment to fewer exhaust gas and particulate matter. init actively applies these basic ecological principles along its entire value-added chain and in its individual segments – from procurement to production and administration to sales.

Research and development

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

In the first nine months, a total of EUR 1.8m (2009: EUR 1.1m) were spent within the init group on the development of new products. In 2009, EUR 0.4 of the EUR 1.1m related to capitalised software developments; no software developments were capitalised in 2010. The depreciation applied to capitalised software amounted to EUR 0.9m (2009: EUR 0.6m).

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. Price, 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 or in the first half of fiscal 2011. As a result, we expect to see the number of new orders increase.

In December 2009, the American Senate authorised USD 10.7bn for the development of public transport. As a consequence, 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.

Our international references stand us in good stead here, acting as a signal for potential new customers all over the world. We should benefit in particular from planned additional infrastructure investments. Another area of growth for init is the adaptation of our hardware and software know-how for, and the cooperation with, the automobile industry in selected projects through our subsidiary, CarMedialab. We can see interesting future potential arise here under the heading "e-mobility".

Events after the reporting date

No events of special note occurred after the cutoff date.

Prospects

Once again, init is headed for another record year. The exceptional business trend over the first nine months, which has well exceeded our own expectations, should continue in the fourth quarter. As a result, we expect to outperform our current targets of EUR 72m in sales and an EBIT of EUR 13m by quite a margin. Our latest forecast has sales ranging at around EUR 78m and the EBIT at over EUR 15m.

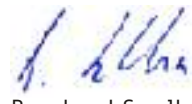
Based on a level of orders worth EUR 119m, init is already in a good place to start the 2011 financial year on an excellent footing. In addition, a number of major international projects should come to a decision in the next months. Whether or not public and private sector customers will, however, implement their plans as announced in view of the current financial situation is crucial for our further development.

A matter of concern for us is the significant devaluation of the US dollar and the Arab dirham. This has led to notably lower margins, as monetary influences cannot altogether be passed on through higher prices.

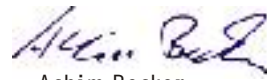
Karlsruhe, November 12, 2010

The Managing Board

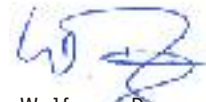

Dr. Gottfried Greschner
Chief Executive Officer



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 September 30, 2010 (IFRS) (unaudited)

EUR '000	1/7-30/9/10	1/7-30/9/09	1/1-30/9/10	1/1-30/9/09
Revenues	24,824	20,486	57,403	44,286
Cost of revenues	-15,716	-13,098	-37,572	-28,989
Gross profit	9,107	7,388	19,830	15,297
Sales and marketing expenses	-2,271	-1,365	-5,729	-4,482
General administrative expenses	-1,087	-1,012	-3,261	-2,832
Research and development expenses	-739	-176	-1,828	-689
Other operating income	216	130	747	532
Other operating expenses	-1	-5	-2	-19
Foreign currency gains/losses	-595	-641	978	-940
Operating profit	4,631	4,319	10,736	6,867
Income from associated companies	136	128	201	232
Other income and expenses	53	40	158	87
Earnings before interest and taxes (EBIT)	4,820	4,487	11,095	7,186
Interest income	37	6	67	67
Interest expenses	-55	-34	-142	-85
Earnings before taxes (EBT)	4,802	4,459	11,020	7,168
Income tax	-1,343	-1,242	-3,866	-1,919
Net profit	3,458	3,217	7,153	5,249
thereof attributable to equity holders of parent company	3,358	3,211	7,104	5,300
thereof minority interests	100	6	49	-51
Net profit and diluted net profit per share in EUR	0.34	0.32	0.72	0.54
Average number of floating shares (undiluted) in EUR	9,920,781	9,907,339	9,935,864	9,888,372
Average number of floating shares (diluted) in EUR	9,920,781	9,907,339	9,935,864	9,888,372

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

Assets

EUR '000	30/9/2010	31/12/2009
Current assets		
Cash and cash equivalents	12,452	9,327
Marketable securities	265	158
Trade accounts receivable	12,166	16,175
Future receivables from production orders (percentage of completion method)	20,938	15,091
Accounts receivable from related parties	3	0
Inventories	16,678	15,343
Income tax receivable	9	5
Other current assets	2,616	1,214
Current assets, total	65,127	57,313
Non-current assets		
Tangible fixed assets	4,959	4,876
Goodwill	2,081	2,081
Other intangible assets	1,965	2,907
Interest in associated companies	2,259	2,059
Accounts receivable from related parties	68	68
Deferred tax assets	722	724
Other assets	1,762	1,582
Non-current assets, total	13,816	14,297
Assets, total	78,943	71,610

Liabilities and Shareholders' Equity

EUR '000	30/9/2010	31/12/2009
Current liabilities		
Bank loans	473	1,166
Trade accounts payable	3,001	3,284
Accounts payable of percentage of completion method	2,494	8,715
Accounts payable due to related parties	277	305
Advance payments received	8,806	1,765
Income tax payable	1,268	1,061
Provisions	5,174	3,555
Other current liabilities	6,588	5,784
Current liabilities, total	28,081	25,635
Non-current liabilities		
Long-term debt less current portion	1,094	1,129
Deferred tax liabilities	4,919	3,189
Pensions accrued and similar obligations	2,750	2,606
Other non-current liabilities	52	74
Non-current liabilities, total	8,815	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	29,743	25,626
Other reserves	-1,655	-771
	41,816	38,795
Minority interests	231	182
Shareholders' equity, total	42,047	38,977
Liabilities and shareholders' equity, total	78,943	71,610

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

EUR '000	1/1/-30/9/10	1/1-30/9/09
Cash flow from operating activities		
Net income	7,153	5,249
Depreciation and amortisation	1,893	1,450
Losses on the disposal of fixed assets	8	10
Change of provisions and accruals	1,763	117
Change of inventories	-1,335	-7,124
Change in trade accounts receivable and future receivables from production orders (POC)	-1,838	1,237
Change in other assets, not provided by/used in investing or financing activities	-1,589	-279
Change in trade accounts payable	-283	52
Change in advanced payments received and amounts payable of POC	820	-1,647
Change in other liabilities, not provided by/used in investing or financing activities	961	534
Change in investment book value (non-cash item)	-200	-18
Amount of other non-cash income and expenses	1,050	563
Net cash from operating activities	8,403	144
Cash flow from investing activities		
Proceeds from sales of tangible fixed assets	0	1
Investments in tangible fixed assets and other intangible assets	-982	-688
Investments in software development	0	-530
Inflows from associated companies and loans receivable	0	215
Investments in the sale of marketable securities as part of short-term cash management	-107	-123
Net cash flows used in investing activities	-1,089	-1,125
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	-728	-405
Net cash flows used in financing activities	-4,261	-1,985
Net effects of currency translation and consolidation changes in cash and cash equivalents	72	14
Increase/Decrease in cash and cash equivalents	3,125	-2,952
Cash and cash equivalents at the beginning of the period	9,327	6,806
Cash and cash equivalents at the end of the period	12,452	3,854



Selected Explanatory Notes for Q1-Q3 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 September 30, 2010, 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, 2009 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 September 30, 2010, were not subject to a review.

The interim report of the third quarter was communicated to the supervisory board on October 29, 2010.

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

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

IFRS 3 "Business Combinations"

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

IAS 27 "Consolidated and Separate Financial Statements"

The revised standard IAS 27 primarily concerns the accounting treatment of minority interests that will fully share in the group's losses in the future, and transactions 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 January 1, 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 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 102k (previous year EUR 1,186k) for decreases in values was recorded as expenses and is included in the income statement under "Cost of revenues".

Trade Accounts Receivable

A total of EUR 91k (previous year EUR 161k) 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 for 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 802k were made (previous year EUR 586k). The sale of certain tangible (fixed) assets generated EUR 0k (previous year EUR 1k).

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 277k (previous year EUR 200k) and relate to trade accounts payable to iris (previous year 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 September 30, 2010 the capital reserves totalled EUR 4,523k, 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 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. Due to the sale of treasury stock in 2007, the capital reserves increased by EUR 514k.

Treasury Stock

The treasury stock on January 1, 2010 totalled 110,219 shares. Based on the resolution passed at the annual shareholders' meeting on May 20, 2009, replaced by the resolution of May 12, 2010, the company is authorised 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.

Within the scope of the incentive scheme for members of the Managing Board and managing directors in the first and second quarter of 2010, a total of 30,000 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 September 30, 2010 the number of treasury stock thus increased to 119,219 shares.

The company's treasury stock was valued at acquisition cost at EUR 836k (previous year EUR 559k) and openly deducted from the equity capital. Of the treasury stock as of September 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 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 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 30/09	0	0	0	0
Goods and services from related parties and persons on 30/09	1,714	1,146	275	275
Due from related parties and persons on 30/09	71	71	61	61
Due to related parties and persons on 30/09	277	200	0	0

Associated Companies

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

The other amounts of EUR 3k relate to iris (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 at EUR 277k (previous year EUR 185k iris and EUR 15k id systeme). 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 September 30, 2010.

Karlsruhe, November 12, 2010

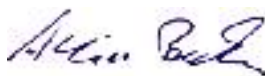
The Managing Board



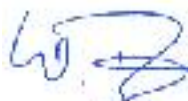
Dr. Gottfried Greschner
Chief Executive Officer



Bernhard Smolka
Chief Financial Officer



Achim Becker
Chief Operating Officer



Wolfgang Degen
Chief Operating Officer



Dr. Jürgen Greschner
Chief Sales Officer

Segment Reporting

The 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).

1/1-30/9/2010

EUR '000	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
Revenues				
With third parties	55,379	2,024	0	57,403
With other segments	663	1,100	-1,763	0
Total revenues	56,042	3,124	-1,763	57,403
EBIT	11,205	-87	-23	11,095
Segment assets	77,917	2,932	-1,906	78,943
Segment liabilities	35,909	1,848	-861	36,896
Interest income	75	1	-9	67
Interest expenses	132	19	-9	142
Scheduled depreciation	1,706	187	0	1,893
Cost of revenues	37,102	2,099	-1,629	37,572
R&D costs	1,183	645	0	1,828
Foreign currency gains (+) and losses (-)	980	-2	0	978
Share in profit of associated companies	201	0	0	201
Income tax	3,838	28	0	3,866
Value impairments	1,819	0	-19	1,800
Share in associated companies	2,259	0	0	2,259
Investments in tangible and intangible assets	1,074	108	0	1,182
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.

1/1-30/9/2009

EUR '000	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
Revenues				
With third parties	42,676	1,610	0	44,286
With other segments	604	941	-1,545	0
Total revenues	43,280	2,551	-1,545	44,286
EBIT	7,691	-569	64	7,186
Segment assets	60,635	2,253	-1,788	61,100
Segment liabilities	24,774	1,669	-752	25,691
Interest income	75	1	-9	67
Interest expenses	77	17	-9	85
Scheduled depreciation	1,277	173	0	1,450
Cost of revenues	28,031	2,567	-1,609	28,989
R&D costs	629	60	0	689
Foreign currency gains (+) and losses (-)	-938	-2	0	-940
Share in profit of associated companies	232	0	0	232
Income tax	1,918	1	0	1,919
Value impairments	1,347	0	0	1,347
Share in associated companies	1,870	0	0	1,870
Investments in tangible and intangible assets	1,287	131	-200	1,218
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

	1/1-30/9/2010		1/1-30/9/2009	
Revenues with external clients	EUR '000	%	EUR '000	%
Germany	22,599	39.4	11,029	24.9
Rest of Europe	9,728	16.9	10,934	24.7
North America	19,821	34.5	10,670	24.1
Other Countries (Australia, UAE)	5,255	9.2	11,653	26.3
Group total	57,403	100.0	44,286	100.0

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

	30/9/2010		31/12/2009	
Non-current assets	EUR '000	%	EUR '000	%
Germany	8,121	88.4	8,806	89.5
North America	891	9.7	846	8.6
Other Countries	171	1.9	190	1.9
Group total	9,183	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 September 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			5,300
Other comprehensive income			
Total comprehensive income			5,300
Dividend paid out			-1,580
Share-based payments		-23	
Acquisition of treasury stock			
Status as of September 30, 2009	10,040	3,927	22,601
Status as of December 31, 2009	10,040	4,377	25,626
Net profit			7,104
Other comprehensive income			
Total comprehensive income			7,104
Dividend paid out			-2,986
Share-based payments		146	
Acquisition of treasury stock			
Rounding difference			-1
Status as of September 30, 2010	10,040	4,523	29,743

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

EUR '000	1/1-30/9/2010	1/1-30/9/2009
Net profit	7,153	5,249
Currency translation	-897	-223
Net gain (+)/net loss (-) in available-for-sale financial assets	13	160
Other comprehensive income	-884	-63
Total comprehensive income	6,269	5,186
thereof attributable to equity holders of the parent company	6,220	5,237
thereof minority interests	49	-51

Attributable to equity holders of the parent company

Attributable to equity holders of the parent company					Minority interest	Shareholders' equity, total
Treasury stock	Other reserves			Total		
	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities			
-789	187	-841	-26	31,402	194	31,596
				5,300	-51	5,249
		-223	160	-63		-63
		-223	160	5,237	-51	5,186
				-1,580		-1,580
230				207		207
0				0		0
-559	187	-1,064	134	35,266	143	35,409
-477	-81	-741	51	38,795	182	38,977
				7,104	49	7,153
		-897	13	-884		-884
		-897	13	6,220	49	6,269
				-2,986		-2,986
188				334		334
-547				-547		-547
-836	-81	-1,638	64	41,816	231	42,047

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