



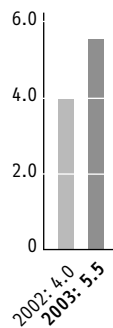
init

innovation in traffic systems AG

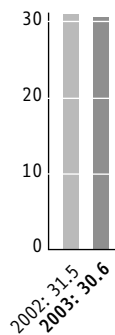


Q1 2003 Report

Sales Q1
in million €



Orders on hand Q1
in million €



EBIT Q1
in million €



Earnings per share

Q1 2002 -0.07 €

Q1 2003 -0.05 €

init at a Glance

Municipal and regional passenger transportation should be comfortable, fast, and attractive. The systems supplied by init innovation in traffic systems AG ensure that buses and trams are able to meet these requirements today, while at the same time increasing the efficiency of transportation companies. init is the leader in innovative telematics and fare management systems that offers a suite of integrated solutions for all type of needs related to public transportation. init products are operational in over 200 transportation companies worldwide.

Statutory bodies of the Company

Supervisory Board

- > Prof. Dr. Dr. h.d. Günter Girnau (Chairman),
Honorary member and former Managing Director of the Association of German Transport Enterprises (VDV).
Honorary Vice President of the International Association for Public Transport (UITP).
- > Bernd Koch (Vice-chairman),
Self-employed business consultant for strategy and organisation.
Member of the advisory council of the Center of Education of the Chamber of Commerce Karlsruhe
- > Fariborz Khavand
Member of the Supervisory Board of Rhön Residence GmbH & Management KG. Member of the advisory group to the Board of Management of Berliner Elektro Holding (BEH).

Management Board

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

Report of the Managing Board

Ladies and Gentlemen,

Telematics sets things in motion, and so the international transport telematics market was once again set in motion in the first three months of 2003. As a technology and market leader in integrated telematics and fare management systems for local public transport, init innovation in traffic systems AG has benefited from this movement. Thanks to its strategic push of international business, init was able to continue its long-term growth trend in the first quarter of 2003.

Anticipated sales clearly exceeded

This was evident as sales increased by 36.4 per cent, reporting around 5.5 million Euro as compared to the same quarter of the previous year (4.0 million Euro), thus clearly exceeding our planned target for the first quarter of 2003. In the main, the reason for this is in the shift of sales of the 2002 financial year to the 2003 financial year due to the change in the emphasis of orders for fare management systems on the domestic market to control systems within the scope of international contracts with clearly longer project periods.

Thus, from business with North America, init gained 60.0 per cent to record sales of 1.3 million Euro (1st quarter of 2002: 0.8 million Euro). In Europe, sales rose by 42.6 per cent to 1.5 million Euro (1st quarter of 2002: 1.0 million Euro). Due to the increasing market penetration of the init system solutions, repeat or additional orders in these markets are becoming more and more frequent. This meant that sales in this part of the world also rose by 24.9 per cent to 2.7 million Euro (1st quarter of 2002: 2.2 million Euro).

Operating result greatly improved

In principle, we need to emphasize here that the sales distribution in the init financial year continues to be irregular. Thus, of the total sales revenue, still only 10 per cent is achieved in the first quarter, 10 per cent in the second quarter, around 30 per cent in the third quarter, and finally, 50 per cent in the fourth quarter. Traditionally, the first quarter of each year is the weakest in terms of sales, while still being burdened with 25 per cent of the accruing

annual fixed costs. Therefore, as a rule, the operating result (EBIT) as at the end of March is negative. In addition, in the first quarter of 2003, we incurred outlays for large-scale projects, the income from which will only manifest itself in the next few months. Therefore, the initial stages of current large-scale contracts for computer-aided control systems with longer project periods, in particular, require a clearly higher number of personnel than other products.

Nonetheless, compared with the previous year, init has managed to record a clear improvement in its earnings before interest and tax (EBIT) by around 23.5 per cent to -0.9 million Euro (1st quarter of 2002: -1.2 million Euro). Furthermore, as these large-scale projects progress over the next few months, the company anticipates an even more distinct improvement of its earnings result. As against the previous year, the quarterly deficit even fell by 26.4 per cent to -0.5 million Euro (end of March 2002: -0.7 million Euro). Accordingly, the net earnings per share rose to -0.05 Euro (1st quarter of 2002: -0.07 Euro).

High level of orders on hand – new record contract

The level of orders on hand at init more or less remained at a high. By the end of March 2003, this figure had reached around 30.6 million Euro (end of March 2002: 31.5 million Euro). As at the end of the 2002 financial year, orders on hand had amounted to 32.5 million Euro. From the existing orders on hand, init can yet look forward to an inflow of more than 36 million Euro in liquid funds. Compared with the previous year, the incoming orders as at the cutoff date saw a drastic decline, amounting to 3.7 million Euro for the 1st quarter of 2003 (1st quarter of 2002: 12.8 Euro). It must be taken into account here that the largest contract in init history was received in the previous quarter.

Yet again, of how little informative value the incoming orders as at the cutoff date are in view of the usually long-term large-scale telematics projects, is evident in the latest development: Thus, shortly prior to the preparation of this quarterly report, init was able to record the largest order in company history, which came in at the beginning of May. In the next 24 months, init will install the most comprehensive telematics system in the USA to date in Houston, Texas, for 20 million US dollar. This means,

even in the second quarter of 2003, init will manage to clearly exceed the incoming orders level of the previous year. Moreover, the offers prepared and tenders processed by init which still have to be decided, currently amount to more than 50 million Euro.

Development expenses pay off

The technological leadership of the init systems is one of the reasons for the increasing success of the company in international business. Here, the huge efforts in terms of research and development in the years 2001 and 2002 are now finally paying off. Continuing in the first quarter of 2003 investments in this area remained at a high level, amounting to 0.65 million Euro. In essence, these investments related to the development of the innovative on-board computer, COPILOTpc, which init is currently installing into approximately 3,000 vehicles both in Stockholm and in the USA.

Purchase prices cut – fall in value of dollar detrimental to margin

Due to the conclusion of basic agreements in the first quarter of 2003, the purchase costs could be cut even further. However, the continuing substantial decline in the price of the US dollar as against the Euro is a cause for concern. The orders in the period under review are hedged until the end of 2004 by means of forward exchange dealings, so that we are sure to reach the anticipated results in the existing North American projects. Moreover, around 50 per cent of the sales revenue of the American projects will be generated in the USA. However, lower margins are to be expected for future projects in the USA since the decline in the dollar price can be passed on only in part by means of higher prices.

Positive prospect

The persistently positive business trend in Europe and North America and the latest success in regard to one of the largest tenders in the USA confirm our positive assessment for 2003. Even in Germany, the market for telematics and fare management systems should normalize again in the course of this year. Therefore, we are confident that we will reach our targets for the 2003 financial year – an increase in sales by around 20 per cent and a clear improvement in the operating result.

The init share – stable and pleasantly liquid

While the worldwide stock exchanges continued their bearish movement, influenced by increasing concerns about the economic situation and the negative effects of the Iraq war, the init share managed to hold up well in comparison in the first three months of 2003. By the end of March, the init share had stabilized to 3.20 Euro. Compared with the Prime Technology Performance index, this corresponds to an improvement in performance of 27 per cent. However a study published in April revealed that, in the opinion of analysts, the share is valued fairly at around 4.45 Euro. Yet in view of the latest record contract from the USA the init share, in our opinion, has further potential for a price advance. In addition, dealings in the init share are pleasantly liquid. In 2002, in excess of 4 million shares with a foreign trade volume of more than 20 million Euro were traded. Thus, the init share tops considerably larger companies and many a MDAX and SDAX security.

Since January 1, 2003, the share of init innovation in traffic systems AG (ISIN DE0005759807) has been listed in the new Prime Standard Segment of the German stock exchange. At the same time, it ended its participation in the Neuer Markt, which init had been a part of since going public on July 24, 2001. Therefore, as a comparative criterion for the performance of the init share, we have chosen the Prime Technology Performance index since it best matches the orientation of our company.

Karlsruhe, May 8, 2003

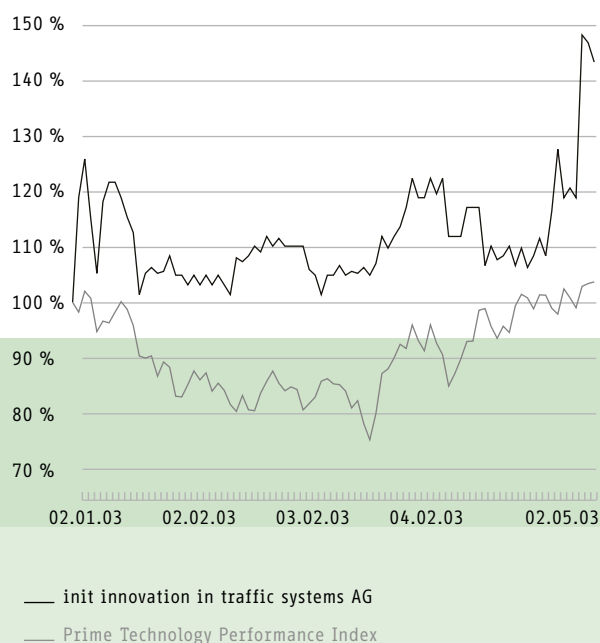
On behalf of the Managing Board



Dr. Gottfried Greschner

Chairman of the Managing Board

Performance



Directors Holdings

Management Board	Number of shares
Dr. Gottfried Greschner, CEO	3,852,600
Joachim Becker, COO	466,983
Wolfgang Degen, COO	138,364
Bernhard Smolka, CFO	9,600

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

Company calendar 2003

May 15, 2003	General Meeting
May 20 to 21, 2003	Capital market conference of BW Bank in Frankfurt
Wk. 33/2003	Disclosure Q2 2003 Report
Wk. 46/2003	Disclosure Q3 2003 Report

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Notes to the interim report

The financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles (US GAAP). The accounting and valuation methods remained unchanged. The interim report complies with DRS 6 of the German Accounting Standards Committee.

The consolidated group of init AG comprises INIT GmbH and INIT Inc., USA, both with a share of 100% each. INIT GmbH holds 43% of the shares of iris GmbH in Berlin and init AG 44% of the shares of id Systeme GmbH in Hamburg, which are consolidated "at equity".

On September 11, 2002, the Managing Board resolved to repurchase up to 40,000 shares that are to be issued to employees and trainees of the company and its subsidiary as asset sharing in the 2003 financial year. On February 28, 2003, the Managing Board passed a resolution to that effect, giving employees a share in the 2002 consolidated earnings. Per allottee, the participation consists of 100 shares of init AG at a fixed price of 2.90 Euro per share plus a bonus of 150 Euro. Employees not interested in shares will receive a bonus of 300 Euro. The quarterly report includes the appropriate adjustments.

On January 17, 2003, a further 20,000 shares were repurchased, and the repurchase of yet another 80,000 shares decided on February 25, 2003. The stock held in treasury is valued at cost of acquisition (cost method) at TEuro 442 and openly separated from equity. Of the present treasury stock of 115,474 shares, 5,474 shares are derived from the capital increase and 110,000 from the share repurchase program. The repurchase was effected at an average price of 3.77 Euro per share.

Number of Employees

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

	31.03.2003	31.03.2002
Germany	169	167
USA	23	16
Total	192	183

Consolidated balance sheet at March 31, 2003

(US-GAAP)

Assets	31.03.2003	31.03.2002	31.12.2002
	T€	T€	T€
Current assets			
Cash and cash equivalents	1,557	3,777	1,898
Marketable securities	3,054	4,072	3,523
Trade accounts receivable, net	10,165	4,881	10,177
Accounts receivable from related parties	12	18	47
Inventories	3,616	4,424	5,058
Deferred tax asset	1,101	1,591	751
Prepaid expenses and other current assets	1,600	407	1,592
Current assets, total	21,105	19,170	23,046
Non-current assets			
Tangible fixed assets, net	1,478	1,627	1,532
Internally generated software and other intangible assets, net	4,968	4,649	5,078
Goodwill, net	1,877	1,877	1,877
Financial investments	865	227	811
Loans	68	117	68
Deferred tax asset	25	29	25
Other assets	319	249	296
Non-current assets, total	9,600	8,775	9,687
 Assets, total	 30,705	 27,945	 32,733

Liabilities and shareholder`s equity	31.03.2003	31.03.2002	31.12.2002
	T€	T€	T€
Current liabilities			
Short-term debt and current portion of long-term debt	1,209	405	691
Trade accounts payable	2,335	992	3,807
Accounts payable due to related parties and persons	19	827	13
Advance payments received	1,546	2,554	3,307
Accrued expenses	1,834	1,521	1,424
Deferred tax liabilities	1,335	1,040	1,397
Prepaid expenses and other current liabilities	3,162	2,510	2,143
Current liabilities, total	11,440	9,849	12,782
Non-current liabilities			
Long-term debt after deduction of current portion	0	39	2
Deferred tax liabilities	1,412	1,428	1,345
Dormant partners capital	511	511	511
Pension accrued and similar obligations	780	692	752
Non-current liabilities, total	2,703	2,670	2,610
Shareholders` equity			
Subscribed capital (shares without nominal value)			
Allowed: 14,000,000 shares			
Issued and floating: 10,040,000 shares			
(previous year 10,000,000 shares)	10,040	10,000	10,040
Additional paid-in capital	3,141	2,941	3,141
Treasury stock	-442	0	-219
Consolidated unappropriated profit	4,006	2,459	4,548
Other comprehensive income	-183	26	-169
Shareholders` equity, total	16,562	15,426	17,341
Liabilities and shareholder`s equity, total	30,705	27,945	32,733

Consolidated statement of operations

(US-GAAP)

	Q1 2003 01.01.03- 31.03.03 T€	Q1 2002 01.01.02- 31.03.02 T€
Revenues	5,473	4,012
Cost of revenues	4,865	3,502
Gross profit	608	510
Sales and marketing expenses	835	590
General administrative expenses	507	615
Research and development expenses	477	660
Other operating income and expenses	21	146
Foreign currency exchange gains/losses	214	10
Operating loss	-976	-1,199
Interest income and expenses	12	-3
Income from investments accounted for by the equity method	55	15
Other income/expenses	15	0
Loss before income tax	-894	-1,187
Income tax	-352	-451
Net income	-542	-736
Income per share (undiluted) in €	-0.05	-0.07
Income per share (diluted) in €	-0.05	-0.07
Average number of floating shares (undiluted)	9,975,996	10,000,000
Average number of floating shares (diluted)	9,975,996	10,000,000

Cash flow statement for the consolidated financial statements

(US-GAAP)

	Q1 2003 01.01.2003- 31.12.2003 T€	Q1 2002 01.01.2002- 31.12.2002 T€
Cash flow from operating activities		
Net income	-542	-736
Depreciation and amortization	489	408
Gains on the disposal of fixed assets	-4	0
Increase in provisions and accruals	633	383
Change in inventories, trade accounts receivable and other assets, not provided by/used in investing or financing activities	1,455	1,561
Change in trade accounts payable and other liabilities, not provided by/used in investing or financing activities	-2,404	713
Other non-cash income	-85	15
Change in deferred taxes	-345	-456
Net cash provided by operating activities	-803	1,888
Cash flow from investment activities		
Proceeds from sales of tangible fixed assets	4	0
Investments in tangible fixed assets and other intangible assets	-126	-190
Investments in software development	-195	-568
Inflows from the sale of fixed interest-bearing securities as part of short-term cash management	500	0
Investments in fixed interest-bearing securities as part of short-term cash management	0	-1,512
Net cash used in investment activities	183	-2,270
Cash flow from financing activities		
Cash payments for the purchase of treasury stock	-223	0
Proceeds from taking up loans	516	266
Other adjustments made directly to shareholders' equity	-5	-3
Net cash provided by financing activities	288	263
Net effect of currency translation in cash and cash equivalents	-9	8
Decrease in cash and cash equivalents	-341	-111
Cash and cash equivalents at the beginning of period	1,898	3,888
Cash and cash equivalents at the end of period	1,557	3,777

Consolidated statements of changes in shareholders' equity

(US-GAAP)

	Ordinary shares Amount	Subscribed capital T€	Additional paid-in capital T€	Ordinary unappropriated profit T€
Status by December 31, 2001	10,000,000	10,000	2,941	3,195
1. Consolidated unappropriated deficit Q1 2002				-736
2. Adjustment item for currency translation after deduction of T€ 0 tax				
Status by March 31, 2002	10,000,000	10,000	2,941	2,459
Status by December 31, 2002	10,040,000	10,040	3,141	4,548
1. Purchase of treasury stock Q1 2003				
2. Consolidated unappropriated deficit Q1 2003				-542
3. Adjustment item for currency translation after deduction of T€ 0 tax				
4. Change in value of the marketable securities (available for sale) after deduction of T€ 13 tax				
Status by March 31, 2003	10,040,000	10,040	3,141	4,006

Division reporting

(US-GAAP)

	01.01.2003-31.03.2003		01.01.2002-31.03.2002	
	T€	%	T€	%
Revenues				
Mobile Telematics and Fare Management Systems	3,170	57.9	1,926	48.0
Telematics Software and services	2,303	42.1	2,086	52.0
Total	5,473	100.0	4,012	100.0
Operating profit/loss				
Mobile Telematics and Fare Management Systems	-507	51.9	-1,393	116.2
Telematics Software and services	-469	48.1	194	-16.2
Total	-976	100.0	-1,199	100.0
Amortization				
Mobile Telematics and Fare Management Systems	148	30.3	131	32.1
Telematics Software and services	341	69.7	277	67.9
Total	489	100.0	408	100.0
Tangible fixed assets				
Mobile Telematics and Fare Management Systems	798	54.0	829	51.0
Telematics Software and services	680	46.0	798	49.0
Total	1,478	100.0	1,627	100.0
Investments in tangible fixed assets and intangible assets exclusive software development				
Mobile Telematics and Fare Management Systems	69	54.8	97	51.1
Telematics Software and services	57	45.2	93	48.9
Total	126	100.0	190	100.0

Other changes in Shareholders' Equity without effects on profit					
Difference from pension evaluation	Difference from currency translation	Stock market valuation of securities	Treasury stock at cost	Total	
T€	T€	T€	T€	T€	
-45	52	14	0	16,157	
				-736	
	5			5	
-45	57	14	0	15,426	
-38	-169	38	-219	17,341	
			-223	-223	
				-542	
	-33			0	
				-33	
		19		0	
				19	
-38	-202	57	-442	16,562	

Geographical arrangement

	01.01.2003-31.03.2003		01.01.2002-31.03.2002	
	T€	%	T€	%
Revenues				
Germany	2,728	49.8	2,185	54.5
Europa	1,460	26.7	1,024	25.5
Northamerica	1,285	23.5	803	20.0
Total	5,473	100.0	4,012	100.0
Tangible fixed assets				
Germany	1,229	83.2	1,424	87.5
Northamerica	249	16.8	203	12.5
Total	1,478	100.0	1,627	100.0



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