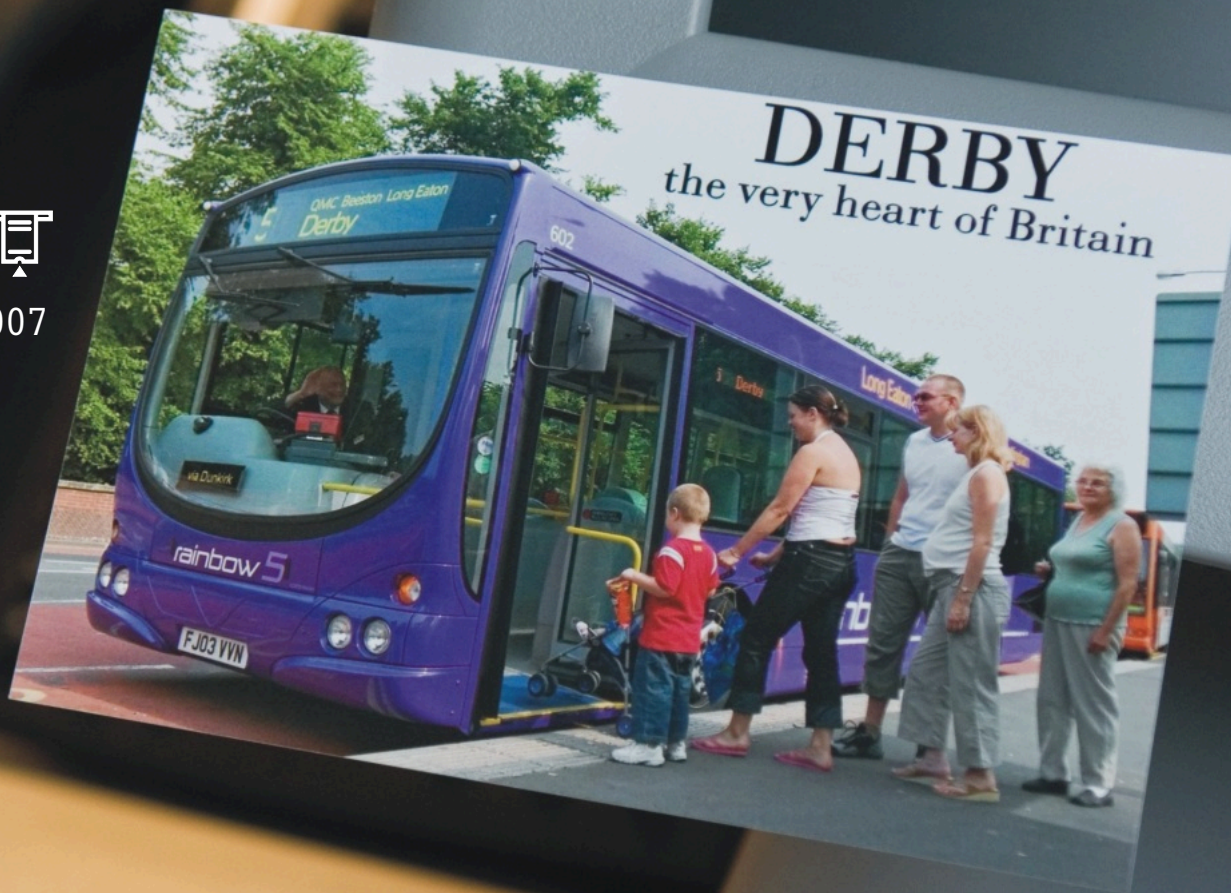


# init

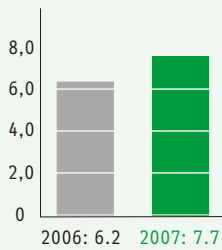
innovation  
in traffic systems AG



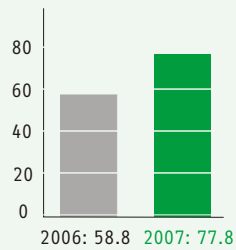
Q1 Report 2007



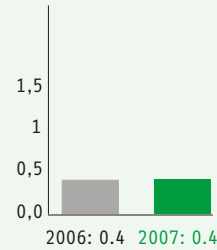
Revenues Q1  
in million €



Level of Orders Q1  
in million €



EBIT Q1  
in million €



Earnings per share  
Q1 2006: 0,03 €  
Q1 2007: 0,03 €

## 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.

### Director's Holdings

Management Board	Number of shares
Dr. Gottfried Greschner, CEO	3.571.400
Joachim Becker, COO	330.983
Wolfgang Degen, COO	84.000
Dr. Jürgen Greschner, CSO	97.364
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 2007

May 16, 2007	General Meeting in Karlsruhe
August 14, 2007	Disclosure Q2 2007 Report
Nov. 14, 2007	Disclosure Q3 2007 Report

## Statutory bodies of the Company

### Supervisory Board

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

Consulting engineer specializing in local public transportation (Chairman), member of the Supervisory Board of Berliner Verkehrsbetriebe, 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.

### Management Board

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



## Letter to the Shareholders

Ladies and Gentlemen,

init innovation in traffic systems AG is headed for its third record year in succession. Just three months into the new year indicators show that we are certain to reach our target of above-average increases in sales and earnings in 2007.

One of these indicators is our order volume, which at 77.8 mio. Euro is the highest in our company history to date (previous year: 58.8 mio. Euro). Further confirmation of this trend is provided by the worldwide interest in our telematics solutions.

From our point of view, the first quarter marked a satisfactory start to yet another record year. Revenues generated in the period under review totaled 7.7 mio. Euro, topping our excellent prior year figure (6.2 mio. Euro) by 25 percent and thus marginally exceeding our projections. Despite considerable advance payments for projects, which will not produce income until later in the year, our earnings from operations of 0.4 mio. Euro (previous year: 0.3 mio. Euro) are once again positive and even exceed our forecast significantly.

Thus, we are well on our way to reaching the targets set for 2007. In more concrete terms this means growth in the region of 20 percent to some 45 mio. Euro in revenues and earnings before interest and taxes (EBIT) of over 6.5 mio. Euro.

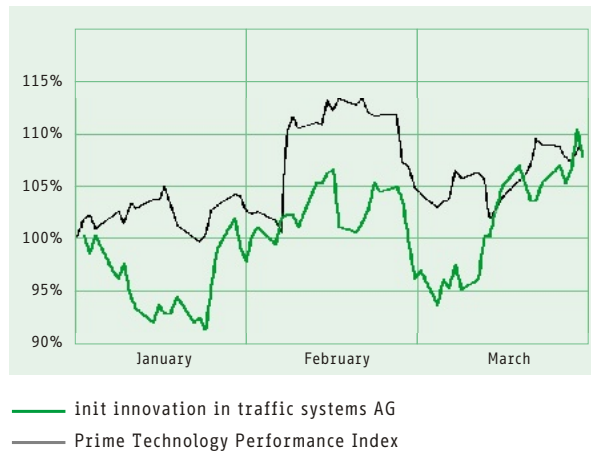
The increasing worldwide demand for init systems, the rise in investments in local public transportation in both North America and Europe, and the imminent opening up of new markets, such as the Asian-Pacific market, will provide init with further growth potential in the medium term.

We would like to thank you, our shareholders, for your trust in init to date. As an expression of our gratitude, the Managing Board and the Supervisory Board intend to propose to the shareholders' meeting convened for May 16, 2007 that a dividend of 0.10 Euro per share be paid for the first time.

Around the world our company is preparing the way for the future of mobility. We would be delighted if you would accompany us on this way.

Dr. Gottfried Greschner  
Chief Executive Officer

## Performance Q1 2007



## Your investor relations contact

init  
innovation in traffic systems AG

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D-76131 Karlsruhe                      ir@initag.de

rw konzept GmbH  
Agentur für Unternehmenskommunikation

Sebastian Brunner                      Tel. +49.89.139.596.33  
Emil-Riedel-Straße 18                      Fax +49.89.139.596.34  
D-80538 München                      brunner@rw-konzept.de



## Group Status Report

### General business trend

As in the previous year, the first quarter of the 2007 fiscal year of init innovation in traffic systems AG was very much marked by the provision of engineering services for current projects. Traditionally, sales distribute unevenly throughout the init fiscal year, with the lowest sales usually recorded in the first quarter and the highest in the fourth quarter. Hardware deliveries with the resulting rise in sales will commence in the middle of the year and increase in the fourth quarter.

#### Order situation

Currently, the init group has an order volume of 77.8 mio. Euro (previous year: 58.8 mio. Euro). This constitutes the highest order volume figure in our company history.

In the first few months of this year, init won a number of new contracts amounting to some 25 mio. Euro (2006: 9.4 mio. Euro). Worthy of particular mention is the order received from Seattle, WA (USA). By 2011, the local King County Metro Transit intends to equip its entire fleet of 1449 vehicles with hardware and software from init. The order value totals around 25 mio. US dollar and is second in the company history of init only to that of Vancouver, B.C. (Canada). Along with COPILOTpc on-board computers and GPS location systems for all vehicles, the equipment will also include passenger information displays, software for both the vehicles and the operation control center, and an automatic passenger counting system. On the whole, init booked new orders of around 26.7 mio. US dollars in North America.

Norway, Sweden, and Great Britain provided init with follow-up orders to the tune of 2.6 mio. Euro for vehicle equipment and software upgrades in the first quarter of 2007. In Germany, the order intake largely related to maintenance contracts and aggregated around 2.6 mio. Euro.

#### Earnings position

On the whole, init generated sales of 7.7 mio. Euro in the first quarter (previous year: 6.2 mio. Euro). Of this amount, some 77.1 percent (previous year: 49.6 percent) were attributable to foreign sales. The gross margin stood at 2.7 mio. Euro and thus marginally exceeded the prior year figure of 2.4 mio. Euro.

The earnings before interest and taxes (EBIT) totaled 0.4 mio. Euro (previous year: 0.4 mio. Euro). The consolidated surplus for the period under review amounted to 0.3 mio. Euro (previous year: 0.3 mio. Euro), which corresponds to earnings of 0.03 Euro (previous year: 0.03 Euro) per share.

#### Net worth and financial position

In December 2006, init AG purchased the neighboring property at K ppelestr. 4. The legal and economic

ownership passed to the company in January 2007. The property was financed by a long-term bank loan of 1.2 mio. Euro.

Due to the significant level of preliminary financing of the rise in the number of large-scale projects, the operating cash flow of 1.3 mio. Euro in the period under review remained slightly behind the prior year figure (1.8 mio. Euro). As the projects progress, however, the inflow of funds will increase quite considerably as of mid-year and continue to rise towards the end of the year.

As of March 31, 2007, equity capital improved to 21.6 mio. Euro (Q1 2006: 18.6 mio. Euro), so that the equity ratio stood at 56.25 percent (previous year: 54.8 percent).

The liabilities to credit institutions as of March 31, 2007 totaled 1.2 mio. Euro (previous year: 27,000 Euro) and resulted from the bank loan taken out to finance the above property.

As of the end of March 2007, liquid resources including short-term securities totaled 8.0 mio. Euro (previous year: 12.2 mio. Euro). This decrease in liquid resources was due to investments in fixed assets and the build-up of the inventory for deliveries in 2007, along with and advance payments of taxes. The available guarantee and credit lines will continue to secure the financing of our business activities.

As of March 31, 2007, the balance sheet total had risen by around 4.4 mio. Euro on the previous year and now aggregates 38.4 mio. Euro.

Investments in tangible and intangible assets in the first quarter of 2007 required a total amount of 2 mio. Euro (previous year: 0.3 mio. Euro) and include the acquisition of the property at K ppelestr. 4 in Karlsruhe, as well as replacement and rationalization investments.

#### Production

init does not have its own production facilities, but concentrates on production management and on quality assurance.

We deliberately avoid dependence on individual suppliers. In this way, we are in a position to switch suppliers should one of our business partners be unavailable. In the 2007 fiscal year, the company has gained several new suppliers and negotiated new master agreements. Further relocation of production processes to low-wage countries with a high technical production level is part of our strategic goals set for the 2007 fiscal year.

#### Personnel

Due to the rise in the volume of orders, init moderately increased its workforce. This trend is likely to continue in fiscal 2007, as we expect further large contracts to materialize over the next few months.



Over 65 percent of permanent init employees have a university degree in computer science, electronic engineering, electronic systems engineering, physics, mathematics, or industrial engineering.

As of March 31, 2007, the init group employed a workforce of 210 (previous year: 188) including temporary staff, scientific assistants, and graduate students.

#### *Environmental protection*

As a catalyst of resource-saving technological developments for local public transport, init is particularly committed to protecting the environment. Our products help transportation companies provide faster and more attractive local public transport and increase their ability to compete against private transport. Transportation companies are able to optimize their services and ensure greater ecofriendliness, thus reducing the amount of exhaust gases and particulate matter released into the environment.

#### *Research and development*

In 2007, init's software and hardware development teams worked on the further development of existing and on various new products.

On the whole, init spent 0.5 mio. Euro (previous year: 0.4 mio. Euro) on the development of new products in the first quarter of 2007. In addition, the group effected customer-funded new and further developments within the scope of projects, which add up to a multiple of the amount again.

#### *Risks and risk management*

In essence, the risks involved in the future development of the init group depend on the risks faced by the companies within the group. Currently, there is no evidence of any risks jeopardizing the continued existence of the init group.

The detailed risk management system of the init group forms 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 Board meetings, and their potential benefits and risks weighed against each other. Both the Managing Board and the Supervisory Board are kept informed of imminent risks by receiving regular reports in their meetings. Alternative measures are discussed with the Supervisory Board.

The crucial success factor for the init group is successful project management. The successful handling of projects depends on the completion of these projects on schedule, the scope of individual projects, the form of the contracts, the readiness of the customer to support the implementation process through productive contributions, and the specific national laws and regulations. Apart from unforeseeable technical and customer-specific difficulties, the completion of projects on time depends in part also on the availability of sufficiently qualified personnel.

Contracts concluded in foreign currency involve exchange risks that can affect sales, the purchase prices, the valuation of claims, currency reserves, liabilities, and, ultimately, the result. init meets these exchange risks with active exchange rate management, making use of switch deposits, forward exchange dealings, and currency options. Since init also tries to keep its options open and pursues an active management strategy, it may occasionally incur losses. However, based on our risk policy we believe the risk of losses to be minimal.

init's investments include stocks, fixed-interest securities, and fixed-term deposits. This can lead to losses due to changes in the market price, the exchange rate, or the rate of interest.

#### *Opportunities*

Thanks to internationally well-known projects such as Munich, Oslo, Stockholm, The Hague, Copenhagen, New York City, Houston, and Vancouver, B.C., init will be able to produce excellent references for future tenders. These projects act as a signal and show that init is able to handle large-scale projects worldwide.

Currently, we are participating in numerous tenders on several continents. We are also in the process of establishing a subsidiary in Australia which will enable us to be actively involved in the Asian-Pacific market.

#### *Prospects*

init innovation in traffic systems AG looks forward to yet another highly successful year, its third in succession. With a record level of orders of 77,8 mio. Euro, we are well on our way to reaching our targets of 45 mio. Euro in sales and 6.5 mio. Euro in earnings before interest and taxes (EBIT), and are looking forward again to achieving above-average growth in 2007.

A risk factor to be considered, however, is the weak US dollar, which could have a negative effect on our earnings margin. While a part of existing orders is secured through options and forward exchange dealings, the unfavorable Euro exchange rate for new projects cannot be fully passed on in the form of higher prices.

Karlsruhe, May 8, 2007

The Managing Board

## Notes to the Interim Consolidated Financial Statements for Q1 2007 (IFRS)

### General disclosure

The init group is an internationally operating system supplier of transportation telematics (telecommunications and information technology, globally also called Intelligent Transportation Systems ITS). The business operations are subdivided into the divisions "Telematics Software and Services", and "Mobile Telematics and Fare Collection Systems". One of the crucial links between these two divisions is mobile radio data transmission. The "Telematics Software and Services" division comprises the software and hardware for control centers, while "Mobile Telematics and Fare Collection Systems" includes the software and hardware in vehicles.

The quarterly financial statements as of March 31, 2007 and the comparative prior-year figures were prepared in compliance with the International Financial Reporting Standards (IFRS) and are consistent with IAS 34. The principles of accounting and valuation and the methods of calculation applied to the consolidated financial statements as of December 31, 2006 were retained.

The consolidated financial statements are always prepared using the purchase cost concept, except for derivative financial instruments and financial investments available for sale, which are valued at their current market price. The consolidated financial statements were prepared in Euro. Unless indicated otherwise, all figures were rounded to a full thousand (TEuro).

init AG is a listed company, ISIN no. DE0005759807, and has been in the segment of the regulated market with further post-admission requirements (Prime Standard) since January 1, 2003.

### 1. Consolidated group

#### Fully consolidated companies

The group of consolidated companies of init AG comprises the subsidiaries INIT GmbH, Karlsruhe ("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.") and init telematik gmbh, Karlsruhe ("init telematik"), all of which are fully owned by init AG. Further fully consolidated companies are CarMedialab GmbH,

Bruchsal ("CarMedialab"), in which init AG holds 58.1 % of the shares, and 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.

### 2. Principles of accounting and valuation

#### Consolidation principles

The interim financial statements of the fully consolidated companies are prepared according to the standard accounting and valuation principles of the group in line with the IFRS as of the same cutoff date as the financial statements of the parent company. Where required, any financial statements prepared in accordance with national accounting regulations are adjusted accordingly.

The capital is consolidated by offsetting the purchase cost against the group share in the revalued shareholders' capital of the consolidated subsidiaries as of the time of acquisition of the shares or the initial consolidation. The recognizable assets, liabilities and contingent liabilities of the subsidiaries are valued at their full market value irrespective of the amount of the minority share. Intangible assets are reported separately from the goodwill if they are separable from the company or result from a contractual or other right. All positive differences (goodwill) arising from the initial consolidation are capitalized and subjected to an impairment test in line with IFRS 3 "Business Combinations"/IAS 36 "Impairment of Assets" (revised in 2004). Negative differences are recognized in the profit and loss immediately after the acquisition. In case of deconsolidations, the remaining book values of the positive differences are taken into account in the calculation of the disposal result. The valuation using the equity method is based on the same principles, with goodwill being reported in the investments.

Both the receivables and payables, and the expenses and income between consolidated companies are offset against each other. Assets from intragroup services are adjusted by intermediate results. Deferred taxes are valued such as to reflect temporary valuation differences from consolidation processes.



### *Research and development costs*

Normally, research and development costs are entered as expenses as incurred. In certain cases, development costs are capitalized.

### *Financial investments and other financial assets*

Financial assets as defined by IAS 39 "Financial instruments: Recognition and Measurement" are classified as financial assets reported at their current market value affecting the current-period result, as loans and receivables, as held-to-maturity investments, or as available-for-sale financial assets. On initial recognition of the financial assets, these are reported at their current market value. The group specifies the classification of its financial assets on initial recognition and is required to review the allocation at the end of each fiscal year, where permissible and appropriate.

The purchase and sale of financial assets as customary in the market is reported as of the trading day, i.e. the day on which the company has made a firm commitment to purchase the asset. Purchases and sales as customary in the market are purchases and sales of financial assets which prescribe the provision of the assets within a period specified by market regulations or conventions.

### *Securities*

Until their final maturity, securities are classified as "available for sale". Following their initial recognition, financial assets available for sale are reported at their current market value (exchange or market price), with gains or losses recognized as a separate item in the shareholder' equity. Once the financial investment is derecognized or its value found to be impaired, the cumulated gain or loss previously recognized in the equity capital is reported through profit and loss affecting the current-period result.

Trade accounts receivable, loans and accounts receivable from related parties

Trade accounts receivable, loans and accounts receivable from related parties are reported at net book value. Potential risks are taken into account in the form of value adjustments. The receivables from the percentage of completion method correspond to the balance of costs incurred plus the profits of projects not invoiced and advance payment invoices issued, and are reported together with the trade accounts receivable. The accounts receivable from related parties amounted to 61 TEuro (previous year: 9 TEuro) and relate to trade accounts receivable from iris GmbH, Berlin.

### *Accounting for derivative financial instruments*

The accounting for derivative financial instruments (forward exchange transactions, currency options and swap transactions) follows IAS 39 "Financial instruments: Recognition and Measurement", according to which derivative financial instruments are reported as assets or liabilities and measured at their current market values (fair values), irrespective of their purpose or intended use. The change in market values is taken into account in the net earnings. In contrast, the adjustment of order values to the current prices on the cutoff dates for projects invoiced in a foreign currency has a countereffect on the net income realization.

### *Inventories*

Inventories are valued at their acquisition and production costs or the lower net sales price realizable as of the cutoff date at the time of their addition. If the net sales price of inventories previously written down has increased, their value is increased appropriately. The production costs comprise both direct costs and the manufacturing and material overheads incurred in production, any depreciation and other production-related expenses. Costs of debt are reported as expense in the period in which they have accrued. A total of 107 TEuro (previous year: 161 TEuro) for inventory impairment losses was recorded as expenses.

### *Tangible fixed assets*

Tangible fixed assets are valued at purchase cost less scheduled depreciation. The depreciation of the historical purchase cost follows the straight-line method over the asset depreciation period. Low-value fixed assets are depreciated over four years. The depreciations of fixed assets are included in the consolidated statement of operations under "Cost of revenues", "Sales and marketing expenses" and "Administrative expenses". Replacement investments in tangible assets amounted to 119 TEuro (previous year: 132 TEuro). The income from the sale of tangible assets amounted to 0 TEuro (previous year: 4 TEuro)

### *Goodwill*

Goodwill from mergers is valued at purchase cost on initial recognition, measured as acquisition excess above the share of the group in the current market value of the acquired, identifiable assets, liabilities and contingent liabilities. After initial recognition, the goodwill is reported at purchase cost less accumulated impairment losses. Goodwill is examined for impairment loss at least once a year or when facts or changes in circumstances indicate that its book value may have reduced.



### *Other intangible assets*

Purchased intangible assets are valued at purchase cost and depreciated in a straight-line method over the asset amortization period of three to ten years. The amortizations of purchased intangible assets are included in the consolidated statement of operations under "Cost of revenues", "Sales and marketing expenses" and "Administrative expenses".

In accordance with IAS 38 "Intangible Assets", the company capitalizes software development costs that accrue once it has been proven that the software is intended for own use or for sale and generates future economic benefit, that the resources required for completion of the asset are available, that the costs attributable to the development can be determined reliably, and the software has become technically feasible. Based on the product development process, software is deemed technically feasible upon completion of the detailed program and product design. Prior to this, the corresponding costs are recorded as periodic expenses. Once technical feasibility has been achieved, the corresponding costs are capitalized until the software is marketed and offered for sale.

init does not exercise the option under IAS 23 "Borrowing costs" (revised in 1993) to capitalize borrowed costs accrued during the software development.

The depreciation and amortization of the assets commence at the time of sale to the customer and are included under "Cost of revenues". Furthermore, capitalized software development costs are checked for impairment of value if events or changes have occurred which suggest that the net book value of an asset could have reduced. Irrespective of this, these costs are subjected to an impairment test at least once a year until the time of sale to the customers.

### *Shares in associated companies*

The shares in associated companies comprise investments in companies included at equity. These are valued taking into account the proportionate result of the company, the profit distributions effected and any impairment losses of goodwill.

### *Deferred tax assets and deferred tax liabilities*

The company determines its deferred income taxes using the balance sheet-oriented approach. Accordingly, deferred tax assets and deferred tax liabilities are recognized in accordance with IAS 12 "Income Taxes" (revised in 2000) to account for the tax consequences of differences between the balance sheet valuations of the assets and liabilities and the corresponding tax assessment bases, and tax losses

carried forward. The deferred tax assets and deferred tax liabilities are calculated on the basis of the prevailing tax rates for the taxable profit in the year in which the differences are expected to be leveled. The effect of changes in the tax rates on deferred tax assets and deferred tax liabilities is accounted for in the period in which the amendment of the law takes effect. The income tax rate taken as the basis was 38.9 %.

### *Liabilities*

Liabilities are carried at net book value.

The accounts payable to related parties totaled 5 TEuro (previous year: 30 TEuro) and result from trade accounts payable to iris GmbH, Berlin.

### *Pension accruals*

The pension accruals are calculated using the projected unit credit method for defined benefit plans, taking into account any future remuneration and pension adjustments. Actuarial gains and losses are reported in the equity capital without affecting the operating result. The service cost and the post service cost are recorded immediately affecting net income.

### *Other provisions*

The other provisions are taken into account where a past event has led to a current liability, their utilization is more likely than unlikely, and the amount of the liability can be estimated reliably. Provisions are valued at their settlement amount and not balanced with positive profit contributions. Provisions are only set up for legal or factual liabilities vis-à-vis third parties.

## **3. Shareholders' equity**

### *Subscribed capital*

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

### *Authorized capital*

At the annual shareholders' meeting on July 13, 2006, a resolution was passed to create capital to the amount of 5,020,000 Euro. With the approval of the Supervisory Board, the Managing Board is authorized to increase the company's capital stock by up to 5,020,000 Euro 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 over 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 authorized to withdraw the preemptive 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 investments and to acquire or merge with other companies or parts of companies by way of contribution as investment in kind, and to turn up to 250,000 new shares into employee stocks.

#### Capital reserves

The capital reserves of 3,141 TEuro result from the premium of the shares sold at the time of the initial public offering. 18 TEuro were transferred to 2005 as part of the recording of expenses from the share-based remuneration and 254 TEuro in 2006.

#### Treasury stock

On January 1, 2006, the company's treasury stock amounted to 287,000 shares. Based on the resolution passed at the annual shareholders' meeting on July 13, 2006, the company is authorized to purchase treasury stock. On July 14, 2006, the Managing Board decided on a stock repurchase of up to 210,000 shares. In 2006, the company acquired 103,690 shares (previous year: 50,000) at an average price of 7.39 Euro (previous year: 3.84 Euro) per share. In 2007, 13,585 shares have been purchased at an average price of 7.11 Euro. Within the scope of an employee profit sharing scheme for the 2005 and 2006 fiscal years, a total of 21,775 shares were transferred to employees. The shares are subject to a qualifying period of two years. A further 2,500 shares were transferred to employees within the scope of a bonus agreement without qualifying period. Furthermore, 20,000 shares were transferred off-market to a new investor.

The company's treasury stock was valued at cost at 1,669 TEuro (previous year: 985 TEuro) and openly deducted from the equity capital. Of the treasury stock as of March 31, 2007 of 360,000 shares with an imputed share of 360,000 Euro (3.58 %) in the capital stock, 1,139 resulted from the capital increase in 2002 and 358,861 from the company's stock repurchasing program. The shares were repurchased at an average price of 4.64 Euro 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 the opening up of additional capital markets or to issue them to employees and members of the Managing Board.

#### Paid and proposed dividends

	2007 T€
Ordinary dividends declared and paid during the fiscal year	0
Ordinary dividends proposed at the shareholder's meeting for approval (as of March, 31 not reported as liability) Dividend for 2006: 10 Cent per share	968

#### Contingent liabilities

As in the previous year, there were no contingent liabilities as of March 31, 2007.

#### Legal disputes

A provision of 6 TEuro (previous year: 6 TEuro) was set up for the lawsuit pending as of the end of 2006. The company's assets, liabilities, financial position and results of operation are not expected to be significantly affected.

## 4. Other Disclosures

#### Related party transactions


The companies included in the consolidated financial statements and the associated companies are listed in the section detailing the group of consolidated companies.

	Associated companies		Other related party transaction	
	2007	2006	2007	2006
Income from sales to related parties and persons T€	0	0	0	0
Pay from related parties and persons T€	208	54	92	92
Due from related parties and persons as of 3/31 T€	129	78	61	61
Due to related parties and persons as of 3/31 T€	5	30	0	0

#### Associated companies

The amounts due from related parties and persons include loans to the amount of 68 TEuro and relate to iris GmbH. These amounts are shown in the balance sheet under non-current assets.

The other amounts of 61 TEuro relate also to iris GmbH (previous year: 9 TEuro). These are trade accounts receivable with a remaining maturity of less than one year. These amounts are shown in the balance sheet under non-current assets.



Amounts due to related parties and persons relate to trade accounts payable and have a remaining maturity of less than one year. These amounts are attributable to iris GmbH at 5 TEuro (previous year: 30 TEuro). These amounts are shown in the balance sheet under non-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 30 TEuro (367 TEuro annually). The rental price is fixed by contract until June 30, 2011 and will increase to 475 TEuro per year from July 1, 2011 until June 30, 2026. Furthermore, a rent deposit for the office building in Karlsruhe was made to the amount of 61 TEuro.

*Terms of the business transactions with related parties and persons*


Sales to, and purchases from, related parties and persons are effected on generally accepted market terms. There are no guarantees 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 fiscal year as of March 31, 2007.

Karlsruhe, May 8, 2007

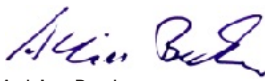
The Managing Board



Dr. Gottfried Greschner



Bernhard Smolka



Achim Becker



Wolfgang Degen



Dr. Jürgen Greschner



*Consolidated Income Statement according to IFRS at January 1, 2007 to March 31, 2007*

	01.01.2007- 31.03.2007	01.01.2006- 31.03.2006
	T€	T€
Revenues	7,712	6,171
Cost of revenues	-5,054	-3,790
<b>Gross Profit</b>	<b>2,658</b>	<b>2,381</b>
Sales and marketing expenses	-1,321	-1,261
General administrative expenses	-583	-482
Research and development expenses	-463	-442
Other operating income	221	213
Other operating expenses	0	-1
Foreign currency gains/ losses	-106	-61
<b>Operating profit</b>	<b>406</b>	<b>347</b>
Interest income	62	79
Interest expenses	-37	-35
Income from associated companies	42	49
Other income and expenses	7	41
<b>Profit before income tax</b>	<b>480</b>	<b>481</b>
Income tax	-215	-203
<b>Net profit</b>	<b>265</b>	<b>278</b>
thereof attributable to equity holders of the parent	296	319
Minority interests	-31	-41
Net profit and diluted net profit per share in Euro	0.03	0.03
Average number of floating shares (undiluted)	9,675,043	9,757,826
Average number of floating shares (diluted)	9,675,043	9,757,826



*Consolidated Balance Sheet according to IFRS as of March 31, 2007*

<b>Assets</b>	31.03.2007 T€	31.12.2006 T€
<b>Current assets</b>		
Cash and cash equivalents	7,137	6,728
Marketable securities	850	766
Trade accounts receivable	11,064	13,851
Accounts receivable from related parties	61	8
Inventories	5,577	4,342
Income tax receivable	206	74
Other current assets	1,549	997
<b>Current assets, total</b>	<b>26,444</b>	<b>26,766</b>
<b>Non-current assets</b>		
Tangible fixed assets	3,090	1,334
Goodwill	2,081	2,081
Other intangible assets	3,786	3,729
Interest in associated companies	1,493	1,451
Accounts receivable from related parties	68	68
Deferred tax assets	433	435
Other assets	1,013	978
<b>Non-current assets, total</b>	<b>11,964</b>	<b>10,076</b>
<b>Assets, total</b>	<b>38,408</b>	<b>36,842</b>



<b>Liabilities and shareholders' equity</b>	31.03.2007 T€	31.12.2006 T€
<b>Current liabilities</b>		
Trade accounts payable	4,221	4,683
Amounts payable of percentage of completion method	134	1,404
Accounts payable due to related parties	5	100
Advance payments received	2,004	739
Income tax payable	496	437
Provisions	2,112	1,385
Other current liabilities	2,348	2,801
<b>Current liabilities. total</b>	<b>11,320</b>	<b>11,549</b>
<b>Non-current liabilities</b>		
Bank loans	1,200	0
Deferred tax liabilities	1,848	1,775
Pensions accrued and similar obligations	2,377	2,234
Other non-current liabilities	41	98
<b>Non-current liabilities, total</b>	<b>5,466</b>	<b>4,107</b>
<b>Shareholders' equity</b>		
Attributable to the equity holders of the parent		
Subscribed capital	10,040	10,040
Additional paid-in capital	3,413	3,413
Treasury stock	-1,669	-1,665
Consolidated unappropriated profit	10,387	10,091
Other reserves	-609	-784
	<b>21,562</b>	<b>21,095</b>
Minority interests	60	91
<b>Shareholders' equity, total</b>	<b>21,622</b>	<b>21,186</b>
<b>Liabilities and shareholders' equity, total</b>	<b>38,408</b>	<b>36,842</b>

*Cashflow Statement for the Consolidated Financial Statement  
of January 1, 2007 to March 31, 2007 (IFRS)*

	01.01.2007- 31.03.2007	01.01.2006- 31.03.2006
<b>Cash flow from operating activities:</b>	T€	T€
Net income	265	278
Depreciation and amortization	300	437
Profit on the disposal of fixed assets	0	-4
Profit from the sale of marketable securities	-57	0
Change in provisions and accruals	870	358
Change in inventories	-1,235	180
Change in trade accounts receivable	2,787	1,779
Change in other assets, not provided by/used in investing or financing activities	-772	-325
Change in trade accounts payable	-462	-598
Change in advanced payments received	-5	-112
Change in other liabilities, not provided by/used in investing or financing activities	-546	-622
Amount of other non-cash income and expense	139	435
<b>Net cash from operating activities</b>	<b>1,284</b>	<b>1,806</b>
<b>Cash flow from investing activities:</b>		
Proceeds from sales of tangible fixed assets	0	4
Investments in tangible fixed assets and other intangible assets	-1,954	-295
Investments in software development	-169	-84
Cashflow from the acquisition of subsidiary shares and from minority report	0	13
Inflows from the sale of marketable securities as part of short-term cash management	150	0
Investments in securities as part of short-term cash management	0	-129
<b>Net cash flow used in investing activities</b>	<b>-1,973</b>	<b>-491</b>
<b>Cash flow from financing activities:</b>		
Cash payments for the purchase of treasury stock	-97	0
Issuance of employee stock	0	18
Redemption of bank loans	0	-30
Inflows from bank loans	1,200	0
<b>Net cash flows used in financing activities</b>	<b>1,103</b>	<b>-12</b>
Net effect of currency translation changes in cash and cash equivalents	-5	-13
<b>Increase/Decrease in cash and cash equivalents</b>	<b>409</b>	<b>1,290</b>
Cash and cash equivalents at the beginning of the period	6,728	10,039
<b>Cash and cash equivalents at the end of the period</b>	<b>7,137</b>	<b>11,329</b>





*Consolidated Statement of recognized Income and Expenses in the Group  
of January 1, 2007 to March 31, 2007 (IFRS)*

	01.01.2007- 31.03.2007	01.01.2006- 31.03.2006
	T€	T€
Currency conversion	104	-49
Changes in current market values of available-for-sale securities, recognized in the shareholders' equity	85	-41
Gains (losses) on available-for-sale securities, recognized in the consolidated income statement	0	0
Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity	-14	6
<b>Valuation adjustments recognized directly in the shareholders' equity</b>	<b>175</b>	<b>-84</b>
<b>Net profit</b>	<b>265</b>	<b>278</b>
<b>Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements</b>	<b>440</b>	<b>194</b>
thereof attributable to equity holders of the parent	471	235
thereof minority interests	-31	-41

**Number of Employees**

*(incl. temporary workers and students)*

	31.03.2007	31.03.2006
Germany	173	158
North America	37	30
<b>Total</b>	<b>210</b>	<b>188</b>





## Geographical Arrangement

	01.01.2007- 31.03.2007		01.01.2006- 31.03.2006	
	T€	%	T€	%
<b>Revenues</b>				
Germany	1,768	22.9	3,108	50.4
Rest of Europe	2,341	30.4	1,347	21.8
North America	3,603	46.7	1,716	27.8
<b>Group total</b>	<b>7,712</b>	<b>100.0</b>	<b>6,171</b>	<b>100.0</b>
<b>Investments in tangible fixed assets and intangible assets</b>				
Germany	2,009	94.6	354	93.4
North America	114	5.4	25	6.6
<b>Group total</b>	<b>2,123</b>	<b>100.0</b>	<b>379</b>	<b>100.0</b>
	31.03.2007		31.12.2006	
	T€	%	T€	%
<b>Segment assets</b>				
Germany	33,333	86.8	29,532	86.9
North America	5,075	13.2	4,444	13.1
<b>Group total</b>	<b>38,408</b>	<b>100.0</b>	<b>33,976</b>	<b>100.0</b>



*Consolidated Statements of Changes in Equity  
at March 31, 2007 (IFRS)*

	Subscribed capital T€	Additional paid-in capital T€	Consolidated unappropriated profit T€
<b>Status as of December 31, 2005</b>	<b>10,040</b>	<b>3,159</b>	<b>6,605</b>
1. Currency conversion			
2. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity			
3. Gains/ losses on available-for-sale securities, recognized in the consolidated statement of operations			
4. Deferred taxes on valuation adjustments, recognized directly in shareholders' equity			
<b>Valuation adjustments recognized directly in the shareholders' equity</b>			
5. Consolidated net profit as of 31.03.06			319
<b>Total income and expenses and value adjustments not affecting to operating result, recognized in the financial statements</b>			<b>319</b>
6. Remuneration based upon shares		-18	
7. Changes within the consolidated group			
<b>Status as of March 31, 2006</b>	<b>10,040</b>	<b>3,141</b>	<b>6,924</b>
<b>Status at December 31, 2006</b>	<b>10,040</b>	<b>3,413</b>	<b>10,091</b>
1. Currency conversion			
2. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity			
3. Gains/ losses on available-for-sale securities, recognized in the consolidated statement of operations			
4. Deferred taxes on valuation adjustments, recognized directly in shareholders' equity			
<b>Valuation adjustments recognized directly in the shareholders' equity</b>			
5. Consolidated net profit as of 31.03.07			296
<b>Total income and expenses and value adjustments not affecting to operating result, recognized in the financial statements</b>			<b>296</b>
6. Sale of own shares			
7. Purchase of own shares			
8. Mergers			
9. Purchase of minority interests			
<b>Status as of March 31, 2007</b>	<b>10,040</b>	<b>3,413</b>	<b>10,387</b>



Attributable to equity holders of the parent

Treasury stock	Difference from pension valuation	Other reserves		Total	Minority interest	Total Shareholders' equity
		Difference from currency translation	Stock market valuation of securities			
T€	T€	T€				
-1,003	-256	-244	8	18,309	0	18,309
		-49		-49		-49
			-41	-41		-41
			0	0		0
	0		6	6		6
	0	-49	-35	-84		-84
				319	-41	278
	0	-49	-35	235	-41	194
18				0		0
					121	121
-985	-256	-293	-27	18,544	80	18,624
-1,665	-176	-564	-44	21,095	91	21,186
		104		104		104
			85	85		85
			0	0		0
	0		-14	-14		-14
	0	104	71	175		175
				296	-31	265
	0	104	71	471	-31	440
93				93		93
-97				-97		-97
					0	0
					0	0
-1,669	-176	-460	27	21,562	60	21,622

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