

init

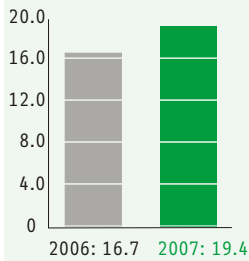
innovation
in traffic systems AG



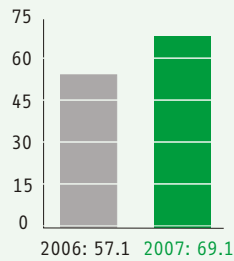
Q2 Report 2007



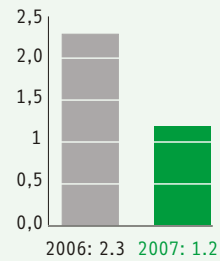
Revenues Q1-Q2
in million €



Level of Orders Q1-Q2
in million €



EBIT Q1-Q2
in Mio. €



Earnings per share
Q1-Q2 2006: 0,17 €
Q1-Q2 2007: 0,09 €

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

Managing Board	Number of shares
Dr. Gottfried Greschner, CEO	3.571.400
Joachim Becker, COO	335.983
Wolfgang Degen, COO	89.000
Dr. Jürgen Greschner, CSO	97.364
Bernhard Smolka, CFO	14.600

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

Company calendar 2007

Nov. 12, 2007	Disclosure Q3 2007 Report
Nov. 13, 2007	Deutsches Eigenkapitalforum, Frankfurt - Analyst Conference

Statutory bodies of the Company

Supervisory Board

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

Consulting engineer specializing in local public transportation, 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,

The consequences of climate change and the resulting necessity to reduce the carbon dioxide levels have led to a worldwide reassessment of the significance of local public transportation. Not only in Europe and North America, but also in Asia and Australia great efforts are made to establish both ecologically and economically efficient transportation systems. In several countries in the EU, in Canada and the USA, but also in the Arabian Emirates, for instance, budgets worth billions are drawn up specifically for this purpose. The aim of traffic experts everywhere is to provide their infrastructures with the most efficient technology available.

Consequently, in terms of telematics systems transportation providers increasingly favor hardware and software from init. Over the last few years, we have implemented reference projects in metropolitan areas including Munich, London, Oslo, Stockholm, Houston and New York which have received much international acclaim. Others are currently in the process of being implemented, such as in Vancouver, Seattle and The Hague. Today, init innovation in traffic systems AG is seen as a leading global supplier and as such is invited more and more often to participate in major international tenders. This provides us with a solid foundation for sustained growth not only in the current fiscal year, but also throughout 2008 and 2009.

2007 shows great promise of becoming the third record year for init in succession, with sales and earnings in the first six months already exceeding our projections. Thus, revenues generated between April and June 2007 totaled 11.7 mio. Euro (2006: 10.6 mio. Euro) to eclipse our record in the prior-year quarter. After the first half of 2007, init thus posted sales of 19.4 mio. Euro. This corresponds to an increase of 16.2 percent on the previous year (16.7 mio. Euro) and so clearly exceeds our expectations.

The same applies to our earnings before interest and taxes (EBIT). Due to a significant increase in engineering services, for a number of large-scale projects which are due to affect income in the latter half of 2007, and the currency losses resulting from falling US dollar prices, the figure here reduced from 2.3 mio. Euro in 2006 to 1.2 mio. Euro. The operating result after the first six months generally tends to be comparatively low. Traditionally, sales distribute unevenly throughout the init fiscal year, with the lowest sales usually recorded in the first two quarters and the highest in the fourth quarter.

In the second half of the year, init anticipates a spurt in growth with above-average earnings due to the start of deliveries for two major projects from July. Against this background, the Managing Board has confirmed its growth forecast for 2007 with revenues of some 45 mio. Euro (2006: 36.3 mio. Euro) and earnings before interest and taxes (EBIT) of 6.5 mio. Euro (2006: 5.6 mio. Euro).

Furthermore, the order situation points to growth prospects for init beyond 2007. At 69.1 mio. Euro (previous year: 57.1 mio. Euro), the order volume as at the end of June had climbed to one and a half times the anticipated annual sales figure and thus, even at this early stage, largely guarantees our projected increases for 2008. In the third quarter, we also expect further large-scale orders to materialize from international tenders.

In our customers' opinions, as recently confirmed again in New York and Seattle, init distinguishes itself by its superior technical solutions. Our employees, our management and the Managing Board are working hard to ensure that we can translate our lead into an above-average share performance for you, our shareholders.

Thank you very much for your trust.

Dr. Gottfried Greschner
Chairman of the Managing Board

The init share potential not yet exhausted

In the period under review, the init share (ISIN DE0005759807) was not yet able to exhaust its full potential. After its upturn in the first quarter, the share of init innovation in traffic systems AG suffered much the same fate as many other small caps in the technology sector in terms of price performance and trailed behind the DAX high between April and June. In this phase, it was primarily blue chip securities that experienced great demand on the stock market, to the detriment of interest in less liquid securities. Thus, despite positive company news, the init share was not able to maintain its level of around 8 Euro reached by the end of March. As at the end of June, it stood at 7.25 Euro. Compared to the start of the year, this corresponds to a loss of value of a good seven percent.

Irrespective of this, analysts continue to rate the init share favorably and have assessed its current fair value as ranging between 9.50 and 11 Euro.

In order to renew interest, the Managing Board of init has further intensified its investor relations efforts and introduced the company at road shows both in Germany and abroad. In addition, it plans to attend investor conferences and the German Equity Forum of Deutsche Börse in Frankfurt in the latter half of the year.

On May 16, 2007, the shareholders' meeting decided on the first dividend distribution of 0.10 euro per share. Both the Managing Board and the Supervisory Board were unanimously discharged from their responsibilities for fiscal 2006. The shareholders' meeting also renewed the authorization to acquire treasury stock of up to 10 percent of the capital stock to ensure flexibility in the acquisition of investments, companies or parts of companies.

Your investor relations contact

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Performance Q1-Q2 2007



— init innovation in traffic systems AG
— Prime Technology Performance Index



Group Status Report

General business trend

Compared to last year, the first half of 2007 was marked much more significantly by engineering services for current projects. Traditionally, sales distribute unevenly throughout the init fiscal year, with the lowest sales usually recorded in the first two quarters, and the highest in the fourth quarter.

The hardware deliveries with the resulting rise in sales will begin as of the middle of the year and increase in the fourth quarter.

Order situation

Currently, the init group has an order volume of 69.1 mio. Euro (previous year: 57.1 mio. Euro).

The order intake from Germany over the first six months aggregated some 4.5 mio. Euro and from Europe, 3.6 mio. Euro, while in North America the total generated amounted to 28.0 mio. US dollar.

The second quarter was largely dominated by follow-up orders and orders relating to system extensions. The third quarter is expected to provide further large-scale contracts on a worldwide basis.

Earnings position

On the whole, init generated sales of 19.4 mio. Euro in the first half of 2007 (previous year: 16.7 mio. Euro). Of this amount, some 82.6 % (previous year: 62.7 %) were attributable to foreign sales. The gross margin rose to 6.7 mio. Euro and thus marginally exceeded the prior-year figure of 6.3 mio. Euro.

The earnings before interest and taxes (EBIT) totaled 1.2 mio. Euro (previous year: 2.3 mio. Euro). The consolidated surplus for the period under review amounted to 0.8 mio. Euro (previous year: 1.6 mio. Euro), which corresponds to earnings of 0.09 Euro (previous year: 0.17 Euro) per share. Both the earnings and sales in the first six months finished significantly above our projections. The reduction in net earnings in this period compared to the previous year is due predominantly to currency effects.

Net worth and financial position

In December 2006, init AG purchased the neighboring property at Kaeppelestr. 4. The legal and economic ownership passed to the company in January 2007. The property was financed by a long-term bank loan in the amount of 1.2 mio. Euro.

Due to the significant level of preliminary financing for current large-scale projects, the operating cash flow of -0.2 mio. Euro (previous year: 1.5 mio. Euro) proved negative in the first half of the year. However, the cash flow situation is expected to ease off in the third quarter and turn positive again on account of significant receipts of payment from these projects.

As of June 30, 2007, the shareholders' equity totaled 21.2 mio. Euro (Q2 2006: 19.7 mio. Euro). The equity-to-asset ratio reduced marginally from 53.4 % in 2006 to 52.6 %. This reduction resulted from the dividend distribution in May 2007 in the amount of 968 TEuro and the increase in the balance sheet total, which was up from around 3.4 mio. Euro in the previous year to 40.3 mio. Euro as of June 30, 2007.

The liabilities to credit institutions rose to 1.5 mio. Euro as at the end of June (previous year: 5 TEuro) and predominantly resulted from the bank loan of 1.2 mio. Euro taken out to finance the extension of the Karlsruhe location.

As of June 30, 2007, the liquid resources including short-term securities totaled 5.1 mio. Euro (previous year: 10.9 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 substantial payments and advance payments of taxes and the recent dividend distribution. The available guarantee and credit lines, however, will continue to secure the financing of our business activities.

Investments in tangible and intangible assets in the first half of 2007 required a total amount of 2.9 mio. Euro (previous year: 1.2 mio. Euro) and include the acquisition of the property at Kaeppelestr. 4 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 again gained several new suppliers and negotiated new master agreements. The 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 will likely 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 information technology, e-technology, HF technology, physics, mathematics, or industrial engineering.

As of June 30, 2007, the init group employed a workforce of 215 (previous year: 191) including temporary staff, scientific assistants, and graduate students.



Environmental protection

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

Research and development

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

On the whole, init spent 0.9 mio. Euro (previous year: 0.9 mio. Euro) on the development of new products in the first half of 2007. In addition, the group effected customer-funded new and further developments within the scope of projects adding up to at least the same amount again.

Risks and risk management

In essence, the risks involved in the future development of the init group depend on the risks associated with the operating 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 prospects 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 each individual project, the form of contracts, the readiness of the customer to be involved in its 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 partly depends 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 with it, 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 here and pursues an active management, it may consequently incur losses. Due to our risk policy, we consider this risk of loss to be minimal.

The investments of init 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 (Canada), init will be able to produce excellent references in future tenders. These projects act as a signal and show that init is able to handle large-scale projects on a worldwide basis.

Currently, we are participating in a great many tenders on several continents. We have also established a subsidiary in Australia which will enable us to be actively involved in the Oceanic market from the 4th quarter of 2007.

Prospects

init innovation in traffic systems AG looks forward to yet another highly successful year, its third in succession. After the first six months and on the basis of our current order volume of 69.1 mio. Euro, we are well on our way to above-average growth and to reaching our targets of 45 mio. Euro in sales and 6.5 mio. Euro in earnings before interest and taxes (EBIT).

A cause for concern is the current weakness of the US dollar, which could have a negative effect on our earnings margin in the medium term since the unfavorable exchange rate cannot be fully passed on in the form of higher prices, and North America presently is the most important market for init.

Karlsruhe, August 7, 2007

The Managing Board

Consolidated Income Statement according to IFRS at January 1, 2007 to June 30, 2007

	01.04.2007- 30.06.2007	01.04.2006- 30.06.2006	01.01.2007- 30.06.2007	01.01.2006- 30.06.2006
	T€	T€	T€	T€
Revenues	11,664	10,574	19,376	16,745
Cost of revenues	-7,637	-6,635	-12,691	-10,425
Gross Profit	4,027	3,939	6,685	6,320
Sales and marketing expenses	-1,561	-1,364	-2,882	-2,625
General administrative expenses	-583	-651	-1,166	-1,133
Research and development expenses	-471	-411	-934	-853
Other operating income	146	43	367	256
Other operating expenses	0	0	0	-1
Foreign currency gains/losses	-855	192	-961	131
Operating profit	703	1,748	1,109	2,095
Interest income	71	103	133	182
Interest expenses	-67	-22	-104	-57
Income from associated companies	42	49	84	98
Other income and expenses	43	45	50	86
Profit before income tax	792	1,923	1,272	2,404
Income tax	-258	-779	-473	-982
Other taxes	0	174	0	174
Net profit	534	1,318	799	1,596
thereof attributable to equity holders of the parent	540	1,360	836	1,679
Minority interests	-6	-42	-37	-83
Net profit and diluted net profit per share in Euro	0.06	0.14	0.09	0.17
Average number of floating shares (undiluted)	9,682,033	9,755,798	9,678,557	9,756,806
Average number of floating shares (diluted)	9,682,033	9,755,798	9,678,557	9,756,806

Consolidated Balance Sheet according to IFRS as of June 30, 2007

Assets	30.06.2007 T€	31.12.2006 T€
Current assets		
Cash and cash equivalents	4,328	6,728
Marketable securities	780	766
Trade accounts receivable	14,996	13,851
Accounts receivable from related parties	39	8
Inventories	6,066	4,342
Income tax receivable	659	74
Other current assets	865	997
Current assets, total	27,733	26,766
Non-current assets		
Tangible fixed assets	3,570	1,334
Goodwill	2,081	2,081
Other intangible assets	3,755	3,729
Interest in associated companies	1,535	1,451
Accounts receivable from related parties	68	68
Deferred tax assets	464	435
Other assets	1,064	978
Non-current assets, total	12,537	10,076
Assets, total	40,270	36,842



Liabilities and shareholders' equity	30.06.2007 T€	31.12.2006 T€
Current liabilities		
Short-term debt and current portion of long-term debt	341	0
Trade accounts payable	4,723	4,683
Amounts payable of percentage of completion method	963	1,404
Accounts payable due to related parties	245	100
Advance payments received	1,937	739
Income tax payable	432	437
Provisions	2,149	1,385
Other current liabilities	2,534	2,801
Current liabilities, total	13,324	11,549
Non-current liabilities		
Bank loans	1,200	0
Deferred tax liabilities	2,027	1,775
Pensions accrued and similar obligations	2,520	2,234
Other non-current liabilities	17	98
Non-current liabilities, total	5,764	4,107
Shareholders' equity		
Attributable to the equity holders of the parent		
Subscribed capital	10,040	10,040
Additional paid-in capital	3,467	3,413
Treasury stock	-1,546	-1,665
Consolidated unappropriated profit	9,959	10,091
Other reserves	-793	-784
	21,127	21,095
Minority interests	55	91
Shareholders' equity, total	21,182	21,186
Liabilities and shareholders' equity, total	40,270	36,842

*Cashflow Statement for the Consolidated Financial Statement
of January 1, 2007 to June 30, 2007 (IFRS)*

	01.01.2007- 30.06.2007	01.01.2006- 30.06.2006
	T€	T€
Cash flow from operating activities:		
Net income	799	1,596
Depreciation and amortization	617	818
Profit (-)/losses (+) on the disposal of fixed assets	46	-6
Profit from the sale of marketable securities	-121	0
Change in provisions and accruals	1,050	522
Change in inventories	-1,724	-482
Change in trade accounts receivable	-1,145	-1,232
Change in other assets, not provided by/used in investing or financing activities	-570	-453
Change in trade accounts payable	40	-3
Change in advanced payments received	757	-229
Change in other liabilities, not provided by/used in investing or financing activities	-208	478
Amount of other non-cash income and expense	297	496
Net cash from operating activities	-162	1,505
Cash flow from investing activities:		
Proceeds from sales of tangible fixed assets	0	6
Investments in tangible fixed assets and other intangible assets	-2,632	-909
Investments in software development	-264	-266
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	182	0
Investments in securities as part of short-term cash management	0	-244
Net cash flow used in investing activities	-2,714	-1,400
Cash flow from financing activities:		
Cash payments for dividends	-968	0
Cash payments for the purchase of treasury stock	-97	-105
Redemption of bank loans	0	-52
Inflows from bank loans	1,541	0
Net cash flows used in financing activities	476	-157
Net effect of currency translation changes in cash and cash equivalents	0	-38
Increase/Decrease in cash and cash equivalents	-2,400	-90
Cash and cash equivalents at the beginning of the period	6,728	10,039
Cash and cash equivalents at the end of the period	4,328	9,949



Selected explanatory notes for Q1–Q2

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 June 30, 2007 and the comparative figures were prepared in compliance with the International Financial Reporting Standards (IFRS). These 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 interim 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.

The interim status report of init and its consolidated financial statements as of June 30, 2007 were not subjected to an audit.

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.”), INIT PTY LTD, Brisbane, Australia (“INIT Australia”) 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 statements.


2 Principles of accounting and valuation

Consolidation principles

The quarterly 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 at 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 at 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

Research and always also 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 at 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

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 and loans to affiliated companies

Trade accounts receivable and loans to affiliated companies 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 loans to affiliated companies amounted to 39 TEuro (2006: 11 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 at 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 depreciations and other production-related expenses. Cost of debt are reported as expense in the period in which they have accrued. The impairment losses relating to inventories totaled 7 TEuro (2006: 216 TEuro).

Tangible fixed assets

Tangible fixed assets are valued at purchase cost less scheduled depreciation. The depreciations of the historical purchase cost follow 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”. Capital spending on replacement for tangible fixed assets amounted to 598 TEuro (2006: 189 TEuro). The sale of tangible fixed assets generated a revenue of 0 TEuro (2006: 6 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 cumulated 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" 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 assets 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 due to affiliates amounted to 245 TEuro (2006: 258 TEuro) and resulted 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, 138 TEuro in 2006 and 170 TEuro for the first half of 2007.

Treasury stock

As of January 1, 2007, the treasury stock totaled 366,415 shares. Based on the resolution passed at the annual shareholders' meeting on July 13, 2006, replaced by the resolution of May 16, 2007, 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 2007, the company acquired 13,585 (previous year: 103,690) shares at an average price of 7.11 Euro (previous year: 7.39 Euro). Within the scope of a motivation program for executives and managers, 25,000 shares with a qualifying period of 5 years were transferred in fiscal 2007. A further 1,500 shares without qualifying period were transferred to employees within the scope of a bonus agreement. Furthermore, a total of 20,000 shares were sold over the counter to a new investor.

The company's treasury stock was valued at cost at 1,546 TEuro (previous year: 1,075 TEuro) and openly deducted from the equity capital. Of the treasury stock as of June 30, 2007 of 333,500 shares with an imputed share of 333,500 Euro (3.34 %) in the capital stock, 1,139 resulted from the capital increase in 2002 and 332,361 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€
Dividend for 2006: 10 Cent per share, paid on May 18, 2007	968

Contingent liabilities

As in the previous year (as of December 31, 2006), there were no contingent liabilities.

Legal disputes

A reserve was set up in the amount of 6 TEuro (previous year: 6 TEuro) for the legal dispute pending as at the end of 2006. The company does not anticipate its outcome to have any significant adverse effect on the company's assets, liabilities, financial position, or results of operation.

4 Segment reporting

The segment reporting is found on page 15 of the consolidated interim financial statements.

5 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
Purchase from related parties and persons T€	458	384	183	183
Due from related parties and persons as of 6/30 T€	107	79	61	61
Due to related parties and persons as of 6/30 T€	245	258	0	0

Associated companies

The amounts due from related parties and persons include loans in 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 39 TEuro also relate to iris GmbH (previous year: 11 TEuro) and are trade accounts receivable with a remaining maturity of less than one year. These amounts are shown in the balance sheet under 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 245 TEuro (previous year: 258 TEuro) and 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 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 in 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 June 30, 2007.

Circumstances of significance after the cutoff date

With the approval of the Business Tax Reform Act of 2008 by the Bundesrat on July 6, 2007, the tax regulations in Germany will change with effect from January 1, 2008. This will result in a reassessment of the domestic deferred tax of the init group in the 3rd quarter of 2007. The reassessment will mean a lower tax burden due to excess deferred tax liabilities.

Karlsruhe, August 7, 2007

Responsibility Statement

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

Dr. Gottfried Greschner

Bernhard Smolka

Achim Becker

Wolfgang Degen

Dr. Jürgen Greschner

Number of Employees

(incl. temporary workers and students)

	30.06.2007	30.06.2006
Germany	175	161
North America	40	30
Total	215	191

Segment Reporting

The company has two divisions: Mobile Telematics and Fare Collection Systems, and Telematics Software and Services

	01.04.2007- 30.06.2007		01.04.2006- 30.06.2006		01.01.2007- 30.06.2007		01.01.2006- 30.06.2006	
	T€	%	T€	%	T€	%	T€	%
Revenues								
Mobile Telematics and Fare Collection Systems	7,367	63.2	6,031	57.0	12,209	63.0	9,698	57.9
Telematics Software and Services	4,297	36.8	4,543	43.0	7,167	37.0	7,047	42.1
Group total	11,664	100.0	10,574	100.0	19,376	100.0	16,745	100.0
Operating profit								
Mobile Telematics and Fare Collection Systems	140	19.9	781	44.7	303	27.3	962	45.9
Telematics Software and Services	563	80.1	967	55.3	806	72.7	1,133	54.1
Group total	703	100.0	1,748	100.0	1,109	100.0	2,095	100.0
Amortization and Depreciation								
Mobile Telematics and Fare Collection Systems	196	61.8	183	48.0	383	62.1	362	44.3
Telematics Software and Services	121	38.2	198	52.0	234	37.9	456	55.7
Group total	317	100.0	381	100.0	617	100.0	818	100.0
Investments in tangible fixed assets and intangible assets								
Mobile Telematics and Fare Collection Systems	361	46.7	354	44.5	1,437	49.6	569	48.4
Telematics Software and Services	412	53.3	442	55.5	1,459	50.4	606	51.6
Group total	773	100.0	796	100.0	2,896	100.0	1,175	100.0
Impairment losses included in the net earnings for the period								
Mobile Telematics and Fare Collection Systems	-96	96.0	52	94.5	6	85.7	207	95.8
Telematics Software and Services	-4	4.0	3	5.5	1	14.3	9	4.2
Group total	-100	100.0	55	100.0	7	100.0	216	100.0

	30.06.2007		30.06.2006		31.12.2006	
	T€	%	T€	%	T€	%
Segment assets						
Mobile Telematics and Fare Collection Systems	19,834	49.3	18,919	51.3	18,571	50.4
Telematics Software and Services	20,436	50.7	17,957	48.7	18,271	49.6
Group total	40,270	100.0	36,876	100.0	36,842	100.0
Segment liabilities						
Mobile Telematics and Fare Collection Systems	9,402	49.3	8,822	51.3	7,892	50.4
Telematics Software and Services	9,686	50.7	8,374	48.7	7,764	49.6
Group total	19,088	100.0	17,196	100.0	15,656	100.0

Geographical Arrangement

	01.04.2007- 30.06.2007		01.04.2006- 30.06.2006		01.01.2007- 30.06.2007		01.01.2006- 30.06.2006	
	T€	%	T€	%	T€	%	T€	%
Revenues								
Germany	1,599	13.7	3,146	29.8	3,367	17.4	6,254	37.3
Rest of Europe	1,829	15.7	5,231	49.4	4,170	21.5	6,578	39.3
North America	8,236	70.6	2,197	20.8	11,839	61.1	3,913	23.4
Group total	11,664	100.0	10,574	100.0	19,376	100.0	16,745	100.0
Investments in tangible fixed assets and intangible assets								
Germany	536	69.3	224	28.1	2,545	87.9	578	49.2
North America	237	30.7	572	71.9	351	12.1	597	50.8
Group total	773	100.0	796	100.0	2,896	100.0	1,175	100.0

	30.06.2007		30.06.2006		31.12.2006	
	T€	%	T€	%	T€	%
Segment assets						
Germany	31,254	77.6	31,938	86.6	32,010	86.9
North America	9,016	22.4	4,938	13.4	4,832	13.1
Group total	40,270	100.0	36,876	100.0	36,842	100.0

Consolidated Statement of recognized Income and Expenses in the Group of January 1, 2007 to June 30, 2007 (IFRS)

	01.01.2007- 30.06.2007	01.01.2006- 30.06.2006
	T€	T€
Currency conversion	-32	-149
Changes in current market values of available-for-sale securities, recognized in the shareholders' equity	35	-111
Gains (losses) on available-for-sale securities, recognized in the consolidated income statement	1	0
Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity	-13	4
Valuation adjustments recognized directly in the shareholders' equity	-9	-256
Net profit	799	1,596
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements	790	1,340
thereof attributable to equity holders of the parent	827	1,423
thereof minority interests	-37	-83

*Consolidated Statements of Changes in Equity
as of June 30, 2007 (IFRS)*

	Subscribed capital T€	Additional paid-in capital T€	Consolidated unappropri- ated profit T€
Status as of December 31, 2005	10,040	3,159	6,605
1. Currency conversion			
2. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity			
3. Deferred taxes on valuation adjustments, recognized directly in shareholders' equity			
Valuation adjustments recognized directly in the shareholders' equity			
4. Consolidated net profit as of June 30, 2006			1,679
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			1,679
5. Employee Stock		-18	
6. Purchase of own shares in 2006			
7. Changes within the consolidated group			
Status as of June 30, 2006	10,040	3,141	8,284
Status as of December 31, 2006	10,040	3,413	10,091
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 income statement			
4. Deferred taxes on valuation adjustments, recognized directly in shareholders' equity			
Valuation adjustments recognized directly in the shareholders' equity			
5. Consolidated net profit as of June 30, 2007			836
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			836
6. Cash payments for dividends			-968
7. Share-based compensation		54	
8. Sale of own shares			
9. Purchase of own shares in 2007			
10. Rounding difference			
Status as of June 30, 2007	10,040	3,467	9,959



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
		-149		-149		-149
			-111	-111		-111
	0		4	4		4
	0	-149	-107	-256		-256
				1,679	-83	1,596
	0	-149	-107	1,423	-83	1,340
33				15		15
-105				-105		-105
					121	121
-1,075	-256	-393	-99	19,642	38	19,680
-1,665	-176	-564	-44	21,095	91	21,186
		-32		-32		-32
			35	35		35
			1	1		1
			-13	-13		-13
	0	-32	23	-9		-9
				836	-37	799
	0	-32	23	827	-37	790
				-968		-968
123				177		177
93				93		93
-97				-97		-97
					1	1
-1,546	-176	-596	-21	21,127	55	21,182

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