

init

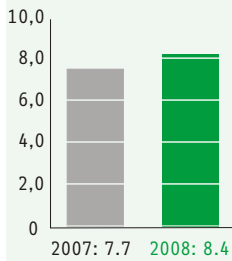
innovation in  
traffic systems AG



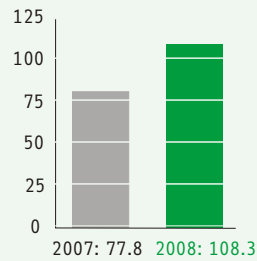
Q1 Report 2008



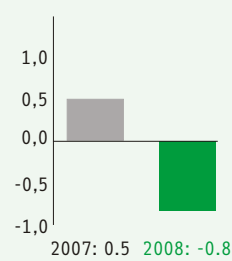
Revenues Q1  
in million €



Level of Orders Q1  
in million €



EBIT Q1  
in million €



Earnings per share

Q1 2007: 0,03 €  
Q1 2008: -0,12 €

## 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	3,576,400
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 2008

May 27, 2008	Shareholders' Meeting, Karlsruhe
August 14, 2008	Disclosure Q2 2008 Report
Nov. 10, 2008	Disclosure Q3 2008 Report
Nov. 2008	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 (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,  
dear Shareholders,

For 25 years now init innovation in traffic systems AG has dedicated itself to the future of mobility. Started as a research project at the University of Karlsruhe in 1983, our systems today control the largest vehicle fleets in local public transportation worldwide. Whether in Munich, New York, Oslo, Stockholm, and Vancouver, or in Hof, Osnabrück, and Trier, in the big, wide world as much as in smaller communities nearby our systems are in use everywhere today. They help improve efficiency, increase passenger comfort and, increasingly, relieve the strain put on our environment through pollution.

### *Increase in sales and a high level of orders*

A success story with no end in sight, because technology and systems from init are more in demand than ever. After three record balance sheets in succession, everything currently points to 2008 being yet another year of growth for init. In the first quarter, we were able to increase sales by 9.5 percent to 8.4 mio. EUR (previous year: 7.7 mio. EUR). At the same time we managed to win new contracts worth a total of some 14 mio. EUR, including a new, major project in the USA. This raises our level of orders to over 108 mio. EUR (previous year: 77.8 mio. EUR), which is little short of twice the figure anticipated for sales 2008.

As early as April this was followed by a major contract from Dublin, the first from Ireland actually. This is, for the time being, the most recent in a string of shining international references which make init a sought-after participant in the most ambitious tenders in our sector. Currently, we are involved in a number of parallel tenders on several continents. So we can already say this much for sure: even if we win only a fraction of these we are likely to see highly dynamic growth well beyond 2008.

Increasingly, our focus is turning to markets that are hardly developed as yet. This applies to the Arab region as much as to Asia and Australia. In the first quarter of 2008 for the first time we were able to generate significant sales outside our previous key markets of Europe and North America. Countries such as the United Arab Emirates and Australia even show a tendency of further significant growth.

Another highly satisfactory aspect of our growth in sales in the first three months of 2008 is the fact that the first quarter usually tends to be the weakest in our fiscal cycle in terms of sales and earnings. In 2007, "Q 1" had already been an excellent period, 2008 has improved further still with regard to revenues. As in the previous year, the first three months were again dominated by engineering services for ongoing large-scale projects, which will

not be followed by hardware deliveries until later. These deliveries for currently ongoing projects in Europe, North America and the United Arab Emirates will increase in the latter half of the year, resulting in disproportionately rising sales and earnings.

### *Arrangements for the markets of the future*

To brace ourselves for the growth we can already see today and for the future, we need to make arrangements in good time, which particularly requires qualified personnel. In view of the scheduled implementation of these projects throughout the year and the continuing highly dynamic growth rate, the personnel capacities needed to be adjusted again in the period under review. Consequently, the number of employees in our group rose by 20 percent to 251 (previous year: 210).

Naturally, these arrangements together with further advance performances are reflected in our expenditure. As a result, the production costs in the first quarter of 2008 grew at a proportionately faster rate than sales. The gross profit decreased from 2.7 mio. EUR in the previous year to 1.4 mio. EUR, the earnings before interest and taxes (EBIT) fared as usual in init's fiscal cycle to write a negative figure. As a result of this and of higher deferred income taxes, the first quarter ended with a loss of 1.2 mio. EUR (2007: profit 0.3 mio. EUR), which corresponds to earnings per share of -0.12 EUR (2007: +0.03 EUR).

This, however, is merely a snapshot. As early as the second quarter, and especially in the latter half of the year, init expects to see higher sales and above-average earnings due to the scheduled progress of our projects. In terms of the whole year, the Managing Board continues to project an increase in sales to around 56 mio. EUR (2007: 46.8 mio. EUR) and an EBIT of some 8.4 mio. EUR (2007: 7.2 mio. EUR). Here, the current record level of orders with an amount of 108 mio. EUR forms the basis for further dynamic growth in 2009.

### *Potentials beyond our core business*

Even in the medium term the growth prospects for our company remain intact, despite the generally anticipated dulling of economic activities in Europe and the USA and the weak dollar. We continue to see great potentials in the United Arab Emirates and in Australia, where we have already gained a foothold with initial major projects and the establishment of local offices. In addition, significant investments in the billions are made worldwide in the transportation infrastructure within the scope of carbon dioxide prevention programs.

Along with this, our traditional market for telematics and electronic fare collection systems for buses and railways, further potentials are currently opening up for us. Additional growth impulses result, for example, from our involvement in the automotive sector, where we expect several millions of euros in



sales for the first time this year. Our talks with customers and various contacts worldwide also constantly provide new impetus and ideas for innovations which we can and will use to open up new market potentials.

#### *Thinktank for innovations*

One of the sources for this was the international colloquium for transportation experts organized on the occasion of the 25th anniversary of init in early April. At this colloquium the former German Minister for the Environment and head of the UN Environment Program (UNEP), Prof. Dr. Klaus Töpfer, described the necessity of recording carbon dioxide emissions from traffic. He called on init to develop a suitable solution for this.

An excellent, groundbreaking idea in the opinion of the participants; and a wonderful confirmation for our developers and engineers. After all, in terms of pilot projects for vehicle manufacturers and fleet operators, init is already headed in the right direction in this area.

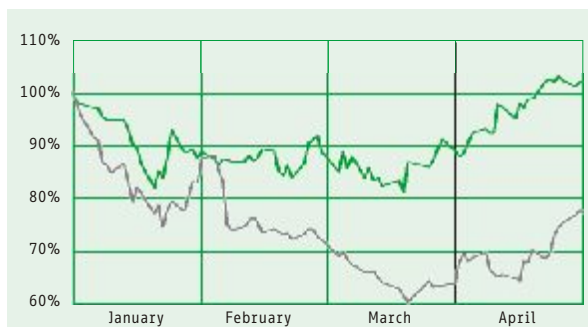
Ladies and Gentlemen, dear Shareholders, this example will no doubt prove to you that even after 25 years init is far from finished with innovations – on the contrary. We will, of course, pursue the impetus given by Prof. Töpfer further and continue to implement many more innovative ideas for the benefit of our customers, for the good of our environment, but also in the interest of our company and our shareholders.

for the Managing Board:

Dr. Gottfried Greschner

Chairman

#### *Performance Q1 2008*



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

#### *Share and Investor Relations*

In the first few months of 2008, the share of init innovation in traffic systems AG (ISIN DE 0005759807) managed to hold up well against the generally poor trend in the financial markets and, specifically, in technology and second-line stocks. In January, the init share initially also came under pressure on account of the crisis in the financial markets to mark its current annual low of 6.50 EUR. The continuing positive news of the company in the following, however, brought about a steady rise in the price in the midst of a weak environment. By the end of March, the share price quoted was back to 7.42 EUR.

In the meantime, the price has continued to firm up and could even top the high level recorded early in the year (8.45 EUR). In contrast, the technology share index TecDax at times lost over 30 percent in value in the year to date and at 15 percent was still reporting a loss at the beginning of May.

#### *Upside targets of up to 12 EUR and higher dividends*

For the first time, init held its balance sheet press and analyst conference at the end of March at its headquarters in Karlsruhe to enable journalists and financial market experts to get an idea of the efficiency of the company on site. The response proved highly positive, as did the feedback received for investor talks held in the following.

The further prospects of the company and its share convinced the experts. Analysts currently consider the upside target of the share to range between 9.50 and 12 EUR.

Due to the positive business trend, the Managing Board and the Supervisory Board of init innovation in traffic systems AG intend to propose to the shareholders' meeting convened for May 27th 2008 that the dividend be increased to 0.14 EUR per share (2007: 0.10 EUR).

#### *Your investor relations contact*

init  
 innovation in traffic systems AG

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## Group Status Report

### General business trend

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. The first quarter was dominated primarily by engineering services for ongoing large-scale projects. The hardware deliveries with the resulting rise in sales will begin as of the second quarter and increase further from the third quarter.

### Order situation

Currently, the init group has an order volume of more than 108 mio. EUR (previous year: 77.8 mio. EUR).

In the first quarter, the number of new contracts from Germany totaled some 4.4 mio. EUR and from Europe 1.2 mio. EUR, while new business in North America amounted to 13.2 mill. US dollars. Worthy of particular mention in the first quarter is the contract from the bus company Community Transit from Everett in the State of Washington, USA. The project involved the equipping of 337 regular and 55 Paratransit buses. In addition to the telematics system with COPILOTtouch on-board computers, the contract also included the delivery of a real-time passenger information system, a passenger counting system and a traffic signal priority system as well as statistics software for the evaluation of passenger and transportation data.

### Earnings position

On the whole, init generated sales of 8.4 mio. EUR in the first quarter (previous year: 7.7 mio. EUR). Of this amount, some 78.1 percent (previous year: 77.1 percent) were attributable to foreign sales. The gross operating result totaled 1.4 mio. EUR and thus remained below the prior-year figure of 2.7 mio. EUR. This is due to personnel structures set up as a necessary measure to handle planned sales of 56 mio. EUR; the positive effect on higher sales and thus on a higher gross margin, however, will not be evident until the next few quarters.

The earnings before interest and taxes (EBIT) totaled -0.8 mio. EUR (previous year: 0.5 mio. EUR). The consolidated result for the period under review amounted to -1.2 mio. EUR (previous year: 0.3 mio. EUR), which corresponds to a loss of 0.12 EUR (previous year: profit of 0.03 EUR) per share.

### Net worth and financial position

The balance sheet total amounted to 47.8 mio. EUR, rising by 3.3 mio. EUR on the previous year. This rise on the assets side of the balance sheet is due primarily to higher inventories and to the increase in other assets. On the liabilities side, the rise is largely the result of increased advances from customers.

At -0.1 mio. EUR (previous year: 1.3 mio. EUR), the operating cash flow proved negative due to the significant level of preliminary financing for ongoing large-scale projects. The cash flow situation is likely to relax toward the middle of the year, though, and to climb back into positive territory, since considerable receipts of payment are to be expected from the projects.

As of March 31, 2008, the equity capital improved to 25.3 mio. EUR (Q1 2007: 21.6 mio. EUR), the equity ratio reduced from 56.3 percent in the previous year to 52.8 percent.

The liabilities to credit institutions as of the end of March totaled 3.3 mio. EUR (previous year: 1.2 mio. EUR) and resulted primarily from the bank loan of 1.2 mio. EUR taken out to finance the extension of the Karlsruhe location and from the preliminary financing of the ongoing projects.

As of March 31, 2008, the liquid resources including short-term securities totaled 3.2 mio. EUR (previous year: 8.0 mio. EUR). This decrease in liquid resources was due to investments in fixed assets and the build-up of the inventory for deliveries in 2008, along with payments and advance payments of taxes. 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 quarter of 2008 required a total amount of 0.8 mio. EUR (previous year: 2.0 mio. EUR) and include the acquisition of a property in Great Britain, investments in the administrative building 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 2008 fiscal year, the company 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 2008 fiscal year.

### Personnel

Due to the rise in the volume of orders, init needed to adjust its workforce. This trend will likely continue in fiscal 2008 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 March 31, 2008, the init group employed a workforce of 251 (previous year: 210) 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 2008, 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 0.4 mio. EUR (previous year: 0.5 mio. EUR) on the development of new products in the first quarter of 2008. In addition, the group capitalized software developments in the amount of 0.4 mio. EUR (previous year: 0.2 mio. EUR). The depreciation of capitalized software amounted to 0.1 mio. EUR (previous year: 0.1 mio. EUR).

Furthermore, the group effected customer-funded new and further developments within the scope of projects, which add 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. Based on our risk policy, we believe the risk of losses 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 international reference projects such as Munich, Oslo, Stockholm, The Hague, Copenhagen, New York City, Houston, and Vancouver (Canada), init has an excellent basis for future tenders. These projects act as a signal and show that init is able to handle large-scale projects on a worldwide basis. The tender won in Dubai in 2007 is also of great importance particularly for the Arab region. In the United Arab Emirates alone, billions are earmarked for investment in local public transportation over the next few years, so that we can expect follow-up orders to materialize in this region.

Currently, we are participating in a great many tenders on several continents.

#### *Prospects*

init innovation in traffic systems AG is looking forward to yet another highly successful year. We are confident that we will be able to achieve our targets of 56 mio. EUR in sales and an EBIT of 8.4 mio. EUR. With an level of orders of some 108 mio. EUR, we also have good prospects for further growth in 2009.

A factor of concern in this connection currently is the continuing weakness of the US dollar, which has a negative effect on the margins in US business and on the project in Dubai. The rather unfavorable exchange rates cannot be fully passed on to customers in the form of higher prices, as otherwise we would lose our ability to compete against local suppliers.

Karlsruhe, May 8, 2008

The Managing Board



*Consolidated Income Statement according to IFRS from January 1, 2008 to March 31, 2008*

	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
	T€	T€
Revenues	8,441	7,712
Cost of revenues	-7,047	-5,054
<b>Gross Profit</b>	<b>1,394</b>	<b>2,658</b>
Sales and marketing expenses	-1,479	-1,321
General administrative expenses	-734	-583
Research and development expenses	-387	-463
Other operating income	164	221
Foreign currency gains/ losses	179	-106
<b>Operating loss/profit</b>	<b>-863</b>	<b>406</b>
Income from associated companies	50	42
Other income and expenses	46	7
<b>Loss/profit before interest and income tax (EBIT)</b>	<b>-767</b>	<b>455</b>
Interest income	62	62
Interest expenses	-70	-37
<b>Loss/profit before income tax (EBT)</b>	<b>-775</b>	<b>480</b>
Income tax	-452	-215
<b>Net loss/profit</b>	<b>-1,227</b>	<b>265</b>
thereof attributable to equity holders of the parent company	-1,169	296
Minority interests	-58	-31
Net loss/profit and diluted net profit per share in EUR	-0.12	0.03
Average number of floating shares (undiluted)	9,844,278	9,675,043
Average number of floating shares (diluted)	9,844,278	9,675,043

*Consolidated Balance Sheet according to IFRS as of March 31, 2008*

<b>Assets</b>	31.03.2008 T€	31.12.2007 T€
<b>Current assets</b>		
Cash and cash equivalents	3,213	3,748
Marketable securities	21	35
Trade accounts receivable	20,123	19,956
Accounts receivable from related parties	11	9
Inventories	7,744	5,824
Income tax receivable	398	60
Other current assets	2,417	1,419
<b>Current assets, total</b>	<b>33,927</b>	<b>31,051</b>
<b>Non-current assets</b>		
Tangible fixed assets	4,233	3,864
Goodwill	2,081	2,081
Other intangible assets	3,908	3,639
Interest in associated companies	1,748	1,887
Accounts receivable from related parties	168	168
Deferred tax assets	617	549
Other assets	1,138	1,236
<b>Non-current assets, total</b>	<b>13,893</b>	<b>13,424</b>
<b>Assets, total</b>	<b>47,820</b>	<b>44,475</b>





<b>Liabilities and shareholders' equity</b>	31.03.2008 T€	31.12.2007 T€
<b>Current liabilities</b>		
Bank loans	2,079	1,400
Trade accounts payable	4,285	3,441
Amounts payable of percentage of completion method	0	817
Accounts payable due to related parties	1	64
Advance payments received	5,101	937
Income tax payable	356	359
Provisions	2,318	2,103
Other current liabilities	3,103	3,855
<b>Current liabilities, total</b>	<b>17,243</b>	<b>12,976</b>
<b>Non-current liabilities</b>		
Long-term debt less current portion	1,200	1,154
Deferred tax liabilities	1,984	1,647
Pensions accrued and similar obligations	2,054	2,010
Other non-current liabilities	85	0
<b>Non-current liabilities, total</b>	<b>5,323</b>	<b>4,811</b>
<b>Shareholders' equity</b>		
Attributable to the equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	4,065	3,973
Treasury stock	-977	-977
Consolidated unappropriated profit	13,178	14,347
Other reserves	-1,188	-889
	<b>25,118</b>	<b>26,494</b>
Minority interests	136	194
<b>Shareholders' equity, total</b>	<b>25,254</b>	<b>26,688</b>
<b>Liabilities and shareholders' equity, total</b>	<b>47,820</b>	<b>44,475</b>

*Cashflow Statement for the Consolidated Financial Statement  
from January 1, 2008 to March 31, 2008 (IFRS)*

	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
<b>Cash flow from operating activities:</b>	T€	T€
Net income/loss	-1,227	265
Depreciation and amortization	384	300
Losses on the disposal of fixed assets	88	0
Profit from the sale of marketable securities	0	-57
Changes in provisions and accruals	259	870
Changes in inventories	-1,920	-1,235
Changes in trade accounts receivable	-167	2,787
Changes in other assets, not provided by/used in investing or financing activities	-1,240	-772
Changes in trade accounts payable	844	-462
Changes in advanced payments received and amounts payable of POC	3,347	-5
Changes in other liabilities, not provided by/used in investing or financing activities	-733	-546
Amount of other non-cash income and expense	263	139
<b>Net cash from operating activities</b>	<b>-102</b>	<b>1,284</b>
<b>Cash flow from investing activities:</b>		
Investments in tangible fixed assets and other intangible assets	-753	-1,954
Investments in software development	-357	-169
Inflows from associated companies	189	0
Inflows from the sale of marketable securities as part of short-term cash management	0	150
Investments in securities as part of short-term cash management	5	0
<b>Net cash flows used in investing activities</b>	<b>-916</b>	<b>-1,973</b>
<b>Cash flow from financing activities:</b>		
Outflows for the purchase of treasury stock	0	-97
Inflows from bank loans	725	1,200
<b>Net cash flows used in financing activities</b>	<b>725</b>	<b>1,103</b>
Net effect of currency translation changes in cash and cash equivalents	-242	-5
<b>Increase/Decrease in cash and cash equivalents</b>	<b>-535</b>	<b>409</b>
Cash and cash equivalents at the beginning of the period	3,748	6,728
<b>Cash and cash equivalents at the end of the period</b>	<b>3,213</b>	<b>7,137</b>



*Consolidated Statement of recognized Income and Expenses in the Group  
from January 1, 2008 to March 31, 2008 (IFRS)*

	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
	T€	T€
Currency conversion	-279	104
Changes in current market values of available-for-sale securities, recognized in the shareholders' equity	-20	85
Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity	0	-14
<b>Valuation adjustments recognized directly in the shareholders' equity</b>	<b>-299</b>	<b>175</b>
<b>Net profit/loss</b>	<b>-1,227</b>	<b>265</b>
<b>Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements</b>	<b>-1,526</b>	<b>440</b>
thereof attributable to equity holders of the parent company	-1,468	471
thereof minority interests	-58	-31

**Number of Employees (annual average)**  
*(incl. temporary workers and students)*

	31.03.2008	31.03.2007
Germany	194	173
North America	55	37
Other Countries	2	0
<b>Total</b>	<b>251</b>	<b>210</b>







## ***Selected notes to the interim consolidated financial statements for Q1 2008 (IFRS)***

### ***Explanatory notes on the interim financial statements***

The init group is an internationally operating system supplier of transportation telematics (telecommunications and information technology, globally also called Intelligent Transportation Systems ITS). Its business operations are subdivided into the divisions Telematics and Electronic Fare Collection Systems, Planning Systems, and Automotive Engineering.

The quarterly financial statements as of March 31, 2008 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, 2007 were retained.

The consolidated financial statements were prepared in EUR. Unless indicated otherwise, all figures were rounded to a full thousand (TEUR).

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 group management report and the consolidated financial statements as of March 31, 2008 were not subject to a review.

### ***New accounting standards***

**IFRS 8 Operating Segments:** This standard is mandatory for periods beginning on or after January 1, 2009, although earlier application is permitted. init has applied this standard since January 1, 2008.

IFRS 8 requires the amounts reported for the individual segment items to be consistent with those reported internally to the chief operating decision maker, even if this information has not been determined in conformity with the IFRS principles of accounting and valuation of the company. In contrast to IAS 14 previously applicable, this leads to discrepancies between the segment information provided by init.

As a result, the following three segments of init apply:

1. Telematics and Electronic Fare Collection Systems
2. Planning Systems
3. Automotive Engineering

The Telematics and Electronic Fare Collection Systems segment currently makes for over 90 percent of the total volume. This implies that the Planning Systems and Automotive Engineering segments do not currently need to provide separate information but can be combined as other segments.

### ***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, Queensland, Australia ("INIT PTY"), Init Innovation in Traffic Systems FZE, Dubai ("Init FZE") and initplan GmbH, Karlsruhe ("initplan"), 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.

#### ***Inventories***

A total of 140 TEUR (previous year: 107 TEUR) for inventory impairment loss was recorded as expense. This figure is included in the production cost of revenues.

#### ***Tangible fixed assets***

The tangible fixed assets primarily include the administrative building in Kaeppelestr. 4, two



residential buildings, office equipment, and technical equipment. Replacement investments were required in the amount of 195 TEUR (previous year: 119 TEUR). The income from the sale of tangible assets amounted to 0 TEUR (previous year: 0 TEUR).

#### *Liabilities*

Liabilities are carried at net book value.

The accounts payable to related parties totaled 1 TEUR (previous year: 5 TEUR) and result from trade accounts payable to iris GmbH, Berlin.

#### *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 EUR. The shares have been issued and are 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 EUR. 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 EUR 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 TEUR result from the premium of the shares sold at the time of the initial public offering. 318 TEUR were transferred to 2005 to 2007 as part of the recording of expenses from the share-based remuneration and 92 TEUR in 2008. Due to the sale of treasury stock in 2007, the capital reserves increased by 514 TEUR.

#### *Treasury stock*

On January 1, 2008, the company's treasury stock amounted to 195,722 shares. Based on the resolution passed at the annual shareholders' meeting on July 13, 2006, replaced by the resolution passed at the shareholders' meeting on 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. According to this decision the company acquired in total 117,275 shares in 2006 and 2007 at an average price of 7.36 EUR. In the first quarter of 2008, no further shares were bought. As at March 31, 2008, the treasury stock thus amounted to 195,722 shares.

The company's treasury stock was valued at cost at 977 TEUR (Q1 2007: 1,669 TEUR) and openly deducted from the equity capital. Of the treasury stock as of March 31, 2008 of 195,722 shares with an imputed share of 195,722 EUR (1.95%) in the capital stock, 1,139 resulted from the capital increase in 2002 and 194,583 from the company's stock repurchasing program. The shares were repurchased at an average price of 4.99 EUR 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*

	T€
Dividend for 2006: 10 cents per share, paid out on May 18, 2007	968
Ordinary dividends for 2007 proposed for approval at the shareholder's meeting: 14 cents per share	1,378

#### *Contingent liabilities/claims*

As of December 31, 2007, there were no contingent liabilities in the group at the end of the quarter.

#### *Legal disputes*

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



### Segment reporting

The segment reporting is provided on page 15 of the group interim report.

### 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 transactions	
	2008	2007	2008	2007
Income from sales to related parties and persons as of 3/31				
T€	0	0	0	0
Pay from related parties and persons as of 3/31				
T€	52	208	92	92
Due from related parties and persons as of 3/31				
T€	179	129	61	61
Due to related parties and persons as of 3/31				
T€	1	5	0	0

#### Associated companies

The amounts due from related parties and persons include loans to the amount of 168 TEUR (previous year: 68 TEUR) and relate to iris GmbH. These amounts are shown in the balance sheet under non-current assets.

The other amounts of 11 TEUR also relate to iris GmbH (previous year: 61 TEUR). These are trade accounts receivable with a remaining maturity of less than one year. These amounts are shown in the balance sheet under current assets.

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 1 TEUR (previous year: 5 TEUR). These amounts are shown in the balance sheet under current liabilities.

#### Other related party transactions

INIT GmbH rents its office building in Karlsruhe from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG. The rounded monthly rent payments amount to 30 TEUR (367 TEUR annually). The rental price is fixed by contract until June 30, 2011 and will increase to 475 TEUR 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 TEUR.

#### 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, 2008.

Karlsruhe, May 8, 2008

Dr. Gottfried Greschner

Bernhard Smolka

Achim Becker

Wolfgang Regen

Dr. Jürgen Greschner

## Segment Reporting

The group comprises the following reportable segments:

1. The "Telematics and Electronic Fare Collection Systems" segment includes integrated systems for the management of public transport services, fare management systems, passenger information as well as passenger counting systems.
2. The category "Others" consists of the segments Planning Systems (planning and data management systems) and Automotive Engineering (analysis systems for the automotive industry).

For the purpose of corporate management the group is divided into three business segments (Telematics and Electronic Fare Management Systems, Planning Systems, Automotive Engineering) based on the products and services on offer. The business units Planning Systems and Automotive Engineering were combined into the category "Others".

Management monitors the operative results separately for each business segment to decide on the allocation of resources and assess profitability. Profitability is decided based on operational performance which equates to the total declared in the group's consolidated financial statement.

### 01.01.2008-31.03.2008

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
<b>Revenues</b>				
with third parties	8,076	365	0	8,441
with other segments	65	120	-185	0
<b>Revenues, total</b>	<b>8,141</b>	<b>485</b>	<b>-185</b>	<b>8,441</b>
<b>EBIT</b>	<b>-349</b>	<b>-257</b>	<b>-160</b>	<b>-766</b>
Segment assets	47,603	2,161	-1,944	47,820
Segment liabilities	21,878	1,610	-922	22,566
Interest income	63	1	-2	62
Interest expenses	68	4	-2	70
Scheduled depreciation	336	56	-8	384
Cost of revenues	6,525	529	-169	6,885
Research and development expenses	387	0	0	387
Foreign currency gains (+)/losses (-)	179	0	0	179
Income from associated companies	50	0	0	50
Income tax	404	48	0	452
Impairments	140	0	0	140
Shares in associated companies	1,748	0	0	1,748
Investments in tangible fixed assets and intangible assets	828	482	-200	1,110





01.01.2007-31.03.2007

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
<b>Revenues</b>				
with third parties	7,640	72	0	7,712
with other segments	49	0	-49	0
<b>Revenues, total</b>	<b>7,689</b>	<b>72</b>	<b>-49</b>	<b>7,712</b>
<b>EBIT</b>				
	<b>506</b>	<b>-72</b>	<b>21</b>	<b>455</b>
Segment assets	38,520	591	-703	38,408
Segment liabilities	16,628	393	-235	16,786
Interest income	64	0	-2	62
Interest expenses	37	2	-2	37
Scheduled depreciation	252	48	0	300
Cost of revenues	5,016	77	-39	5,054
Research and development expenses	448	15	0	463
Foreign currency gains (+)/losses (-)	-106	0	0	-106
Income from associated companies	42	0	0	42
Income tax	215	0	0	215
Impairments	107	0	0	107
Shares in associated companies	1,493	0	0	1,493
Investments in tangible fixed assets and intangible assets	2,075	48	0	2,123

### Geographical Information

	01.01.2008- 31.03.2008 T€	%	01.01.2007- 31.03.2007 T€	%
<b>Revenues with external customers</b>				
Germany	1,847	21.9	1,768	22.9
Rest of Europe	2,122	25.1	2,341	30.4
North America	3,844	45.6	3,603	46.7
Other Countries (Australia, UAE)	628	7.4	0	0.0
<b>Group total</b>	<b>8,441</b>	<b>100.0</b>	<b>7,712</b>	<b>100.0</b>

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

<b>Non-current assets</b>				
Germany	8,912	90.1	7,512	89.8
North America	900	9.1	857	10.2
Other Countries (Australia, UAE)	77	0.8	0	0.0
<b>Group total</b>	<b>9,889</b>	<b>100.0</b>	<b>8,369</b>	<b>100.0</b>

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

*Consolidated Statements of Changes in Equity  
as of March 31, 2008 (IFRS)*

	Subscribed capital T€	Additional paid-in capital T€	Consolidated unappropriated profit T€
<b>Status as of 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. Deferred taxes on valuation adjustments, recognized directly in shareholders' equity			
<b>Valuation adjustments recognized directly in the shareholders' equity</b>			
4. 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>
5. Sale of own shares			
6. Purchase of own shares in 2007			
<b>Status as of March 31, 2007</b>	<b>10,040</b>	<b>3,413</b>	<b>10,387</b>
<b>Status as of December 31, 2007</b>	<b>10,040</b>	<b>3,973</b>	<b>14,347</b>
1. Currency conversion			
2. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity			
<b>Valuation adjustments recognized directly in the shareholders' equity</b>			
3. Consolidated net loss as of 31.03.08			-1,169
<b>Total income and expenses and value adjustments not affecting to operating result, recognized in the financial statements</b>			<b>-1,169</b>
4. Remuneration based upon shares		92	
<b>Status as of March 31, 2008</b>	<b>10,040</b>	<b>4,065</b>	<b>13,178</b>



Attributable to equity holders of the parent

Attributable to equity holders of the parent					Minority interest	Total Shareholders' equity
Treasury stock	Difference from pension valuation	Other reserves Difference from currency translation	Stock market valuation of securities	Total		
T€	T€	T€	T€	T€	T€	T€
-1,665	-176	-564	-44	21,095	91	21,186
		104		104		104
			85	85		85
	0		-14	-14		-14
	0	104	71	175		175
				296	-31	265
	0	104	71	471	-31	440
93				93		93
-97				-97		-97
-1,669	-176	-460	27	21,562	60	21,622
-977	98	-983	-4	26,494	194	26,688
		-279		-279		-279
			-20	-20		-20
	0	-279	-20	-299		-299
				-1,169	-58	-1,227
	0	-279	-20	-1,468	-58	-1,526
				92		92
-977	98	-1,262	-24	25,118	136	25,254

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