

init

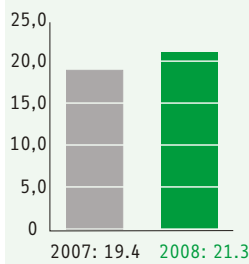
innovation in
traffic systems AG



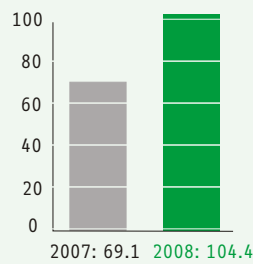
Q2 Report 2008



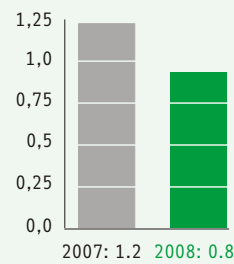
Revenues Q1-Q2
in million €



Level of Orders Q1-Q2
in million €



EBIT Q1-Q2
in million €



Earnings per share
Q1-Q2 2007: 0.09 €
Q1-Q2 2008: 0.05 €

init at a Glance

Municipal and regional passenger transportation should be comfortable, fast, and attractive. The systems supplied by init innovation in traffic systems AG ensure that buses and trams are able to meet these requirements today, while at the same time increasing the efficiency of transportation companies. init is the leader in innovative telematics and fare management systems that 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	3,581,500
Joachim Becker, COO	340,983
Wolfgang Degen, COO	94,000
Dr. Jürgen Greschner, CSO	97,364
Bernhard Smolka, CFO	19,600

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

Company calendar 2008

Sept. 11, 2008	20th Small and Mid Cap Conference of Baader Wertpapierhandelsbank, Unterschleißheim
Nov. 10, 2008	Disclosure Q3 2008 Report
November 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, 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 Collection 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,

The word “crisis” is currently enjoying a boom period again. Increasing costs of raw materials, spiraling energy prices, the weak US dollar, the financial crisis, threatening runaway inflation and recession - the list of crisis factors goes on and on, and seems to get longer every day. Against this increasingly pessimistic background we can state that our company continues its course of growth. A few facts to back this up:

- ▶ In the first six months of 2008, init innovation in traffic systems AG recorded a growth in sales of 9.8 percent up from the previous year's figure of 19.4 mio. EUR to 21.3 mio. EUR, whereby the revenues in the second quarter were around 10 percent up at 12.8 mio. EUR (previous year: 11.7 mio. EUR). This means that the best ever figures for these periods have been recorded.
- ▶ As expected, the hardware deliveries for current major projects in Europe, North America and the United Arab Emirates increased in the second quarter, having a positive effect on the profitability. The earnings before interest and taxes (EBIT) have increased by a good 100 percent to 1.6 mio. EUR (previous year: 0.8 mio. EUR). In the second quarter, the result for the period was even triple previous year's figure of 0.5 mio. EUR at 1.6 mio. EUR.
- ▶ Due to the increasing hardware deliveries and installations, the operating cash flow surged greatly to 3.9 mio. EUR (previous year: -0.2 mio. EUR) and is set to continue increasing in the third and fourth quarters.
- ▶ The hardware deliveries and installations will continue to intensify in the second half of the year and therefore lead to over-proportionally increasing sales and revenues.
- ▶ The pleasing trend in the incoming orders is sustained. In the first six months, init won new contracts with an overall scope of over 28 mio. EUR, meaning that by the end of June the orders on the books were more than 50 percent up at over 104 mio. EUR (previous year: 69.1 mio. EUR).
- ▶ The level of orders and the large number of tenders currently still waiting for a decision - where init can consider itself to be in with a good chance - give reason to already expect pleasing growth in 2009 as well.

In an economic environment where many - including even large corporate groups - are having to revise their plans, init is well on the way to reaching its sales and result targets for 2008. In figures, this equates to a sales increase up by about 56 mio. EUR (2007: 46.8 mio. EUR) and an EBIT of around 8.4 mio. EUR (2007: 7.2 mio. EUR).

The energy price crisis and the opportunities for init

There are several factors that all work together to allow our “little” init to stand its ground so successfully in the face of the current mega-crisis - both now and, we hope, in the future too. One such factor is the fact that init has grasped the now commonplace words of wisdom that “every crisis is also an opportunity” and taken it as its own. This is because the energy and raw materials price crisis is forcing a long, hard look at alternatives and at possibilities for making savings.

In the traffic sector this clearly means one thing: expanding and increasing the efficiency of the public transport systems. This concerns nothing less than securing the future mobility of our society and relieving the strain of pollutant emissions on our environment. And it makes it imperative to invest in the kind of intelligent, integrated system solutions that init innovation in traffic systems AG has been developing and installing worldwide for over 25 years now.


Four factors for lasting success

In addition, there are four further factors that, in the opinion of our customers throughout the world, come together at init and vouch for making a decision for our system solutions. These are: innovation, internationality, performance and quality.

Factor one: innovation. The 25-year history of init reads like a series of successful innovations. To cite just a few examples, there is the early redesigning of our entire software in object-oriented design and the implementation of this in Java technology; there is the COPILOTpc vehicle IT platform that opens up completely new possibilities for transport companies or there is the reliable positioning system for use where there is interfered or lost satellite contact. One of the latter has been successfully implemented by us in New York City and is now attracting the interest of other major cities.

Factor two: internationality. Our systems now control the largest fleets of vehicles in local traffic worldwide - in Munich, New York, Oslo, Stockholm, Vancouver and Dubai. With every project our expertise grows and we are able to make this expertise immediately available for all our clients - regardless of whether they are here next door or in Houston. At the very least, these international reference projects ensure that we receive invitations to tender from countries and regions where we have not yet been active. This has allowed us to gradually open up the Arab and Asian region and to land our first contracts from Australia.

Factor three: performance. This is the keyword for our systems for passenger counting, fleet management and electronic ticketing. Which is why, when expanding the Regio-ITCS in Bavaria - currently Germany's largest contiguous telematics system for regional bus transport - DB Stadtverkehr GmbH



decided to go for an init solution because it enables around 3,000 vehicles from more than 100 independent transport companies to be integrated and controlled in a mutually coordinated system. In addition, the system also provides intercompany current passenger information in realtime for a better meshing of road and rail transport.

Factor four: quality. Our system solutions and products have to prove themselves in many different environments and climate zones ranging from Australia to Norway and from Dubai to Dublin. This gives the chance for new, interested parties to see for themselves the reliability of our systems when in use at init clients near to them. They often await the successful completion of the pilot phase before deciding on a complete solution. Thus, for instance, after ascertaining lower running costs and higher service quality in the pilot phase for the introduction of a non-contact electronic ticketing system, the private British bus company Trent Barton is now equipping the entire bus fleet with init hardware and software. Awards such as the Corporate Recognition Award of the Canadian Urban Traffic Association (CUTA) presented in June underline the fact that init satisfies the highest requirements when it comes to quality.

100 percent performance for 100 percent approval

init will continue to strive to achieve 100 percent fulfillment of these demands also in the future. This does not just apply to our operational business, however, but also to our performance on the stock exchange. Here too, we can see that init has fared very well indeed in the first half of 2008 in comparison with the general stock market and has recorded significantly better growth than, for instance, the German share index (DAX) or the index for leading technology firms (TecDax). Furthermore, we were also able to increase the dividend to 0.14 EUR per share.

We are therefore particularly pleased that this achievement has also been clearly recognized by you, our shareholders. A 100 percent vote of approval to discharge the management committee of a corporation listed on the stock exchange - as was given at our general meeting of shareholders on May 27 - is by no means something to be taken for granted.

Although we can hardly better this result at the next shareholders' meeting, we are still dutifully bound to continue to do justice to the high level of confidence shown in us. We, and all init employees, will in any case give 100 percent to this goal both now and in the future.



Dr. Gottfried Greschner
Chairman of the Managing Board

Shares and Investor Relations

The company stock of innovation in traffic systems AG (ISIN DE0005759807) has successfully resisted the generally despondent mood on the financial markets in the period under review. Thus, in the second quarter of the year, it was able to reverse the initially negative trend and, at the beginning of May, even reach an intermediate high of 8.80 EUR. After profit-taking, the stock price stabilised at 7.65 EUR on the June 30 reporting date, thereby enabling the init stock – against the general trend – to even increase in value in the second quarter.

Taking the first six months as a whole, this means that init was only valued 9.5 percent less than at the start of the year (8.45 EUR), whereas the technology stocks listed on the TecDax lost more than 20 percent of their value.

Since init's expectations of recording its fourth year of successive growth in 2008 remain unchanged and the company, in all probability, looks set to reach its targets, the analysts are therefore making positive forecasts for the stocks. They anticipate stock price targets of up to eleven euros.

After publishing the half-yearly report, it will again be presented to interested analysts and investors in individual talks. In addition, init will make a showing at the 20th Small and Mid Cap Conference of the Baader Wertpapierhandelsbank in Unterschleißheim near Munich on September 11 and will also be represented at the German Equity Forum in Frankfurt in November.

Your investor relations contact

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Consolidated Income Statement according from IFRS at January 1, 2008 to June 30, 2008

	01.04.2008- 30.06.2008	01.04.2007- 30.06.2007	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
	T€	T€	T€	T€
Revenues	12,832	11,664	21,273	19,376
Cost of revenues	-8,733	-7,637	-15,780	-12,691
Gross Profit	4,099	4,027	5,493	6,685
Sales and marketing expenses	-1,644	-1,561	-3,123	-2,882
General administrative expenses	-950	-583	-1,684	-1,166
Research and development expenses	-126	-471	-513	-934
Other operating income	18	146	182	367
Other operating expenses	-324	0	-324	0
Foreign currency gains/losses	439	-855	618	-961
Operating profit	1,512	703	649	1,109
Income from associated companies	50	42	100	84
Other income and expenses	40	43	86	50
Earnings before interest and income tax (EBIT)	1,602	788	835	1,243
Interest income	37	71	99	133
Interest expenses	-114	-67	-184	-104
Earnings before income tax (EBT)	1,525	792	750	1,272
Income tax	95	-258	-357	-473
Net Profit	1,620	534	393	799
thereof attributable to equity holders of the parent company	1,662	540	493	836
Minority interests	-42	-6	-100	-37
Net profit and diluted net profit per share in EUR	0.17	0.06	0.05	0.09
Average number of floating shares (undiluted)	9,874,278	9,682,033	9,874,278	9,678,557
Average number of floating shares (diluted)	9,874,278	9,682,033	9,874,278	9,678,557

Consolidated Balance Sheet according to IFRS as of June 30, 2008

Assets	30.06.2008 T€	31.12.2007 T€
Current assets		
Cash and cash equivalents	6,685	3,748
Marketable securities	13	35
Trade accounts receivable	18,248	19,956
Accounts receivable from related parties	21	9
Inventories	7,429	5,824
Income tax receivable	202	60
Other current assets	1,889	1,419
Current assets, total	34,487	31,051
Non-current assets		
Tangible fixed assets	4,248	3,864
Goodwill	2,081	2,081
Other intangible assets	4,063	3,639
Interest in associated companies	1,797	1,887
Accounts receivable from related parties	168	168
Deferred tax assets	623	549
Other assets	1,284	1,236
Non-current assets, total	14,264	13,424
Assets, total	48,751	44,475



Liabilities and shareholders' equity	30.06.2008 T€	31.12.2007 T€
Current liabilities		
Bank loans	3,301	1,400
Trade accounts payable	2,505	3,441
Amounts payable of percentage of completion method	4,830	817
Accounts payable due to related parties	53	64
Advance payments received	801	937
Income tax payable	316	359
Provisions	3,046	2,103
Other current liabilities	3,395	3,855
Current liabilities, total	18,247	12,976
Non-current liabilities		
Long-term debt less current portion	1,200	1,154
Deferred tax liabilities	1,556	1,647
Pensions accrued and similar obligations	2,097	2,010
Other non-current liabilities	110	0
Non-current liabilities, total	4,963	4,811
Shareholders' equity		
Attributable to the equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	3,914	3,973
Treasury stock	-755	-977
Consolidated unappropriated profit	13,462	14,347
Other reserves	-1,214	-889
	25,447	26,494
Minority interests	94	194
Shareholders' equity, total	25,541	26,688
Liabilities and shareholders' equity, total	48,751	44,475

*Cashflow Statement for the Consolidated Financial Statement
from January 1, 2008 to June 30, 2008 (IFRS)*

	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
Cash flow from operating activities:	T€	T€
Net income	393	799
Depreciation and amortization	769	617
Losses on the disposal of fixed assets	88	46
Profit from the sale of marketable securities	0	-121
Change in provisions and accruals	1,030	1,050
Change in inventories	-1,605	-1,724
Change in trade accounts receivable	1,708	-1,145
Change in other assets, not provided by/used in investing or financing activities	-672	-570
Change in trade accounts payable	-936	40
Change in advanced payments received and amounts payable of POC	3,877	757
Change in other liabilities, not provided by/used in investing or financing activities	-403	-208
Amount of other non-cash income and expense	-380	297
Net cash from operating activities	3,869	-162
Cash flow from investing activities:		
Investments in tangible fixed assets and other intangible assets	-1,017	-2,632
Investments in software development	-648	-264
Inflows from associated companies and loans receivable	190	0
Inflows from the sale of marketable securities as part of short-term cash management	0	182
Investments in securities as part of short-term cash management	5	0
Net cash flows used in investing activities	-1,470	-2,714
Cash flow from financing activities:		
Cash payments for dividends	-1,378	-968
Cash payments for the purchase of treasury stock	0	-97
Inflows from bank loans	1,947	1,541
Net cash flows used in financing activities	569	476
Net effect of currency translation changes in cash and cash equivalents	-31	0
Increase/Decrease in cash and cash equivalents	2,937	-2,400
Cash and cash equivalents at the beginning of the period	3,748	6,728
Cash and cash equivalents at the end of the period	6,685	4,328



*Consolidated Statement of recognized Income and Expenses in the Group
from January 1, 2008 to June 30, 2008 (IFRS)*

	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
	T€	T€
Currency conversion	-301	-32
Changes in current market values of available-for-sale securities, recognized in the shareholders' equity	-25	35
Gains on available-for-sale securities, recognized in the consolidated income statement	0	1
Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity	1	-13
Valuation adjustments recognized directly in the shareholders' equity	-325	-9
Net profit	393	799
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements	68	790
thereof attributable to equity holders of the parent company	168	827
thereof minority interests	-100	-37

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

	30.06.2008	30.06.2007
Germany	196	175
North America	56	40
Other Countries	2	0
Total	254	215



Group Status Report

General business trend

In the period under review, the general, underlying economic conditions have worsened. The global economic situation is characterized by increasing inflation, by the downward economic trend due to the effects of the financial crisis and also by the sustained weakness of the dollar.

Against this background, init innovation in traffic systems AG has been able to stand its ground well and to continue on its growth course. In fact the increasing energy prices even have a positive effect on our business because they tend to lead to more investment in local transport infrastructure and boost demand for resource-friendly, green technologies - as developed and marketed by init.

The distribution of sales over the course of the financial year is traditionally irregular for the init group, whereby the weakest sales are usually experienced in the first quarter and the strongest in the fourth. The sales and result in the second quarter were considerably up on the previous quarter thanks to hardware deliveries and installations. This effect will continue in the third and fourth quarters.

Order situation

The order situation in the init group continues to be most pleasing. The order intake from Germany was 6.4 mio. EUR in the first half-year, from Europe it was 11.4 mio. EUR, from the Middle East 0.4 mio. EUR and in North America 15.2 mio. US-dollars worth of new orders were won.

A further big European customer was acquired in the second quarter in the form of Dublin Bus. The first order from init in Ireland is not only for an ITCS (Intermodal Transport Control System – MOBILE-ITCS), but also for a dynamic passenger information system. In total, init will fit out the bus stops in Dublin with about 1,000 PIDstation LED displays and equip over 1,200 busses with COPILOTpc on-board computers and PRESSit control panels. In addition, the order also includes PIDmobil LED interior displays plus the MOBILEstatistics evaluation software and the MOBILEreports reporting software. Dublin Bus transports a total of approximately 150 million passengers per year.

The init group currently has orders on the books worth over 104 mio. EUR (previous year: 69.1 mio. EUR).

Earnings situation

In the first half-year the group recorded a sales turnover of 21.3 mio. EUR (previous year: 19.4 mio.

EUR), around 76.5 percent of which are due to foreign sales (previous year: 82.6 percent). The earnings before tax are 5.5 mio. EUR and are therefore down on the previous year's figure of 6.7 mio. EUR. This is attributable to having to build up staffing in order to be able to process the targeted sales of 56 mio. EUR. The increased staffing will only start to have a positive effect on the sales turnover in the following quarters and will then also lead to a higher gross margin. The earnings before interest and taxes (EBIT) are 0.8 mio. EUR (previous year: 1.2 mio. EUR). The result for the period in the group is 0.4 mio. EUR (previous year: 0.8 mio. EUR). This corresponds to a profit of 0.05 EUR per share (previous year: 0.09 EUR profit/share).

Net worth and financial position

At 48.8 mio. EUR the balance sheet total in the period under review is 8.5 mio. EUR up on the previous year (June 30, 2007). On the assets side of the balance sheet, this increase is essentially due to the higher inventories and intangible assets and to the increase in other assets. On the liabilities side of the balance sheet, the increase is largely reflected in the rise in liabilities due to banks and in the liabilities from POC.

The cash flow from operating activities has greatly increased compared with the previous year and stands at 3.9 mio. EUR (previous year: -0.2 mio. EUR). The cash flow situation is set to further improve in the third and fourth quarters because large payments are expected to come in from the big projects.

The shareholders' equity as of June 30, 2008 was 25.5 mio. EUR (June 30, 2007: 21.2 mio. EUR). The equity ratio was slightly down on the previous year, dropping from 52.6 percent to 52.4 percent.

The liabilities due to banks were up by the end of June at 4.5 mio. EUR (previous year: 1.5 mio. EUR). This was essentially due to the bank loan for 1.2 mio. EUR for financing the extension of the Karlsruhe site and to the up-front financing of current projects. As of June 30, 2008, the liquid funds, including short-term marketable securities, totaled 6.7 mio. EUR (previous year: 5.1 mio. EUR). The increase in liquid funds was due to payment receipts from the major projects and to the appropriation of credit facilities. The liquidity situation is set to further improve in the following quarters due to additional, scheduled payment receipts. The existing bank guarantee and credit lines will also continue to secure the financing of our business activities.

In the first half of 2008, a total of 1.7 mio. EUR was invested in tangible and intangible assets (previous year: 2.9 mio. EUR). This was for the acquisition of a property in Great Britain, investments in the administration building in Karlsruhe, replacement investments and rationalization investments.



Production

init does not have its own production facilities as it concentrates instead on production management and quality assurance. We avoid dependence on individual suppliers. This puts us in a position to switch suppliers should one of our business partners be unavailable. For the 2008 financial year we have been able to acquire new suppliers and negotiate new framework agreements. The further relocation of production processes to low-wage countries with a high technical standard of production is also part of the strategic objectives for the 2008 financial year.

Personnel

To cope with the increased order volume, init has adjusted its workforce. This trend is set to continue in the current financial year because we are expecting further large contracts in the next few months.

Over 65 percent of permanent init employees have an academic qualification in one of the following disciplines: information technology, electronic engineering, HF engineering, physics, mathematics or industrial engineering. As of June 30, 2008, the init group employed a workforce of 254 employees, including temps, scientific assistants and graduate students (previous year: 215).

Environmental protection

As a catalyst for resource-friendly technological developments for local public transport, init has a particular sense of responsibility towards environmental protection. Our products help transportation companies to make local public transportation services faster and more competitive, thereby making them more attractive than individual transport. This enables transport companies to optimize their passenger services, and make them more environmentally friendly. This relieves the strain on the environment caused by exhaust gas and fine-particle dust.

Research and development

In 2008, the hardware and software developers at init not only worked on the further development of existing products but also on developing new products and innovations. The total amount spent in the init group on the development of new products in the first half of 2008 was 1.1 mio. EUR (previous year: 1.2 mio. EUR). Of which, software development amounting to 0.6 mio. EUR was capitalized on the asset side of the balance sheet (previous year: 0.3 mio. EUR). The depreciation recorded on the capitalized software was 0.3 mio. EUR (previous year: 0.2 mio. EUR).

In addition, customer-funded new and further developments were also carried out within the scope of projects and these added up to a multiple of the amount again.

Risks and risk management

The risks for the future development of the init group essentially depend on the risks in the operational companies of the group. Within the init group there are currently no risks to its continued existence as a going concern.

A risk management system forms an integral part of our business and decision-making processes. Prior to making any fundamental decisions on important measures, these are discussed in detail at regular Board meetings and their prospects and risks weighed against each other. Any imminent risks are regularly reported on in both the Managing Board meetings and the Supervisory Board meetings. Alternative measures are discussed with the Supervisory Board. The crucial success factor for the init group is successful project management; and successful project management depends on the completion of the projects on schedule, on the size of an individual project, on the design of the contract, on the willingness of the customer to constructively help in the project implementation and on the specific national legislation and regulations. Apart from any unforeseeable technical and customer-specific difficulties arising, the punctual completion of projects also depends on sufficiently qualified personnel being available to the company.

Projects concluded in foreign currency involve exchange rate risks that can affect sale turnover, the purchase prices, the valuation of accounts receivables, currency reserves, liabilities and, therefore, the result. init seeks to counter these exchange rate risks with active exchange rate management, making use of switch deposits, forward exchange dealings and currency options. Since init also wants to keep its options open and to have an active management here, losses cannot be ruled out. Due to our risk policy, however, we consider this risk of loss to be minimal.

The investments of init also 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

With internal reference projects in Munich, Oslo, Stockholm, The Hague, Copenhagen, New York City, Houston and Vancouver (Canada), init has created an excellent portfolio for future invitations to tender. These projects act as a beacon for init and show that

the company is most able to handle contracts on a global scale. The tender won in Dubai in 2007 is highly significant for the Arabic world in particular. Just in the United Arab Emirates alone, billions are to be invested in local public transport in the coming years. This means that follow-up contracts can be expected from the region.

We are currently represented in a very large amount of tenders on several continents.

Prospects

init innovation in traffic systems AG is once again on course for another successful year, actually the fourth in succession. After the first half-year and on the basis of the current order volume of over 104 mio. EUR, we are confident that we will achieve our sales target of 56 mio. EUR for an EBIT of 8.4 mio. EUR. Furthermore, the current orders on the books and the order intake still to be expected in 2008 give us a good basis for further growth in 2009. The continued weakness of the US dollar still remains a worrying issue affecting not only the margins in the US business but also the project in Dubai, because the Arabian Dirham is linked to the US dollar. The unfavorable exchange rates can only be passed on to the customers via price increases to a limited extent, as otherwise our competitiveness compared to local providers would start to suffer.

Karlsruhe, August 11, 2008

The Managing Board

Performance Q1-Q2 2008



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



Selected explanatory notes for Q1–Q2

General disclosure

The init group is an internationally operating system supplier of transportation telematics (telecommunications and informatics, also known internationally as “Intelligent Transportation Systems” or ITS). The business activities are subdivided into the following segments: Telematics and Electronic Fare Collection Systems, Planning Systems and Automotive Engineering.

The quarterly report as of June 30, 2008, and the benchmark figures were prepared in compliance with the International Financial Reporting Standards (IFRS) and are consistent with IAS 34. The accounting and valuation methods applied to the consolidated financial statements dated December 31, 2007 were retained.

The consolidated interim financial statement has been prepared in Euro. Unless otherwise stated, all figures are rounded to the nearest thousand (TEuro).

init AG is listed on the stock exchange (ISIN No.: DE0005759807) and, since the 1st of January 2003, has been in the sub-area of the regulated market with further, subsequent obligations arising from admission (Prime Standard).

The consolidated interim report and the consolidated financial statement as of June 30, 2008, were not subject to a review.

New accounting standards

IFRS 8 Operating Segments: use of the standard is mandatory for reporting periods beginning on or after January 1, 2009. An early usage for earlier reporting years is possible. init started using this standard as of January 1, 2008. IFRS 8 requires that the amounts indicated for each operating segment item must be the same as those amounts internally reported to the chief operating decision maker, even if these figures were not calculated according to the company’s IFRS accounting and valuation methods. Compared with the previously applicable standard, the IAS 14, this leads to deviations between the segment information details at init.

This results in three segments at init:

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

The Telematics and Electronic Fare Collection Systems segment currently accounts for over 90% of the total volume. This implies that the Planning

Systems and Automotive Engineering do not currently have to be reported separately but are combined under “other segments”.

Consolidated group

Fully consolidated companies

The group of consolidated companies of init AG comprises the subsidiaries INIT GmbH, Karlsruhe, Germany (“INIT GmbH”), INIT Innovations in Transportation Inc., Chesapeake/Virginia, USA (“INIT Inc.”), INIT Innovations in Transportation (Eastern Canada) Inc./INIT Innovations en Transport (Canada Est) Inc., Montréal, Canada (“Eastern Canada Inc.”), INIT Innovations in Transportation (Western Canada) Inc., Vancouver, Canada (“Western Canada Inc.”), INIT PTY LTD, Queensland, Australia (“INIT PTY”), Init Innovation in Traffic Systems FZE, Dubai (“Init FZE”) and initplan GmbH, Karlsruhe (“initplan”). In each of the above init AG holds a 100% shareholding. In addition, the following are also fully consolidated: CarMedialab GmbH, Bruchsal, Germany (“Car-Medialab”), in which init AG holds a 58.1% of the shares, and the TQA Total Quality Assembly LLC, Chesapeake/Virginia, USA (“TQA”), in which INIT Inc. holds a 60% shareholding.

Associated companies

init AG has a 44% shareholding in id systeme GmbH, Hamburg (“id systeme”) and INIT GmbH holds 43% of the stocks of iris GmbH infrared & intelligent sensors, Berlin (“iris”). The associated companies are included at equity in the consolidated financial statement.

Inventories

A total of 392 TEuro (previous year: 7 TEuro) for inventory impairment losses was recorded as expenses. This expenditure is included in the income statement under “Cost of revenues”.

Accounts receivable

A total of 315 TEuro (previous year: 7 TEuro) for impairment losses in accounts receivable was recorded as expenses. This expenditure is included in the income statement under “Other operating expenses”.

Tangible fixed assets

The tangible (fixed) assets essentially concern the administration building at Kaeppelestr. 4, two residential houses, office furnishings and technical

equipment. Replacement investments totaling 369 TEuro were made (previous year: 598 TEuro). The sale of certain tangible (fixed) assets generated 0 TEuro (previous year: 0 TEuro).

Liabilities

Debts are carried on the liabilities side of the balance sheet at their net book value. The liabilities due to affiliated companies totaled 53 TEuro (previous year: 245 TEuro) and relate to trade accounts payable to iris GmbH, Berlin.

Shareholders' equity

Subscribed capital

The capital stock is divided into 10,040,000 individual no-par stock certificates made out to the owner with an imputed share of the capital stock of 1.00 EUR each. The stock has been issued and fully paid in.

Authorized capital

An approved capital of 5,020,000 EUR was created by the resolution passed at the company's ordinary shareholders' meeting on the July 13, 2006. With the approval of the Supervisory Board, this will empower the Management Board to increase the capital stock of the company by up to 5,020,000 EUR by July 13, 2011, by way of a single or repeated issue of up to 5,020,000 individual stock certificates against contributions in cash or kind. The new shares are to be taken up by banks under the obligation that they will offer them for sale to shareholders. However, with the approval of the Supervisory Board, the Management Board is authorized to withdraw the stock option in order to: issue up to 1,004,000 new shares at a price not substantially lower than the stock market value of the company's stock at the time of specifying the issue price; balance out peak amounts; open up additional capital markets; facilitate the acquisition of shareholdings and the acquisition of, or merger with, other companies or parts of companies by way of contribution as investment in kind and to convert up to 250,000 new shares into employee stocks.

Capital reserves

On June 30, 2008 the capital reserves totaled 3,914 TEuro, with 3,141 TEuro of this coming from the premium of the shares sold for stock market floatation and from the capital increase in the 2002 financial year. 318 TEuro was allocated in the context of recording the expenditure from the share-based

remuneration from 2005 to 2007 and 188 TEuro in 2008. The transfer of shares in the context of the incentive program for Management Board members and directors released for 247 TEuro in 2008. The sale of own shares in 2007 increased the capital reserves by 514 TEuro.

Treasury stock

On January 1, 2008 the treasury stock totaled 195,722 shares. Based on the resolution passed at the shareholders' meeting on May 16, 2007, replaced by the resolution of the shareholders' meeting on May 27, 2008, the company was authorized to purchase treasury stock. A resolution has not yet been finalized on the repurchasing of shares. In the course of the incentive program for Management Board members and directors, 30,000 shares with a qualifying period of five years were transferred in the 2008 financial year. This means that the treasury stock on June 30, 2008 totaled 165,722 shares.

The company's treasury stock is valued at cost at 755 TEuro (June 30, 2007: 1,546 TEuro) and openly deducted from the shareholders' equity. Of the treasury stock of 165,722 shares on June 30, 2008, with an imputed share of 165,722 EUR (1.65%) in the capital stock, 1,139 shares come as a result of the capital increase in 2002 and 164,583 shares from the company's stock repurchasing program. The stock was repurchased at an average price of 4.99 EUR per share. The treasury stock was repurchased for use as consideration in the context of mergers or the context of buying other companies, parts thereof or interests therein, or, where required, for tapping into additional capital markets or for issue to employees and Management Board members.

Paid and proposed dividends

	T€
Dividend for 2007: 14 Cent per share, paid on May 28, 2008	1,378

Contingent liabilities/claims

As of December 31, 2007, the init group had no contingent liabilities.

Legal disputes

Provisions of 16 TEuro (previous year: 6 TEuro) have been formed for two lawsuits being pursued through the courts. The company does not expect the result of these legal disputes to have any substantial detrimental effect on the asset, earnings or liquidity situation.

Segment reporting

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

Other Disclosures

Related Party Transactions

The companies included in the consolidated financial statement and the associated companies are listed in the section on the consolidated group.

	Associated companies		Other related party transaction	
	2008	2007	2008	2007
Income from sales to related parties and persons as of 6/30 T€	5	0	0	0
Purchase from related parties and persons as of 6/30 T€	202	458	183	183
Due from related parties and persons as of 6/30 T€	189	107	61	61
Due to related parties and persons as of 6/30 T€	53	245	0	0

Associated companies

The amount due from related parties includes loans amounting to 168 TEuro (previous year: 68 TEuro) and concerns iris GmbH. This is indicated in the balance sheet under non-current assets.

The remaining amount of 21 TEuro also concerns iris GmbH (previous year: 39 TEuro). These accounts receivable are for goods and services and have less than a year left to run. They are indicated in the balance sheet under current assets.

The accounts payable to related parties are for goods and services and have less than a year left to run. These are due to iris GmbH and amount to 53 TEuro (previous year: 245 TEuro). They are indicated 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 monthly rental payments are currently running at 30 TEuro (rounded) (annual

payment: 367 TEuro). The rental price is contractually fixed until June 30, 2011 and will then increase to 475 TEuro per year, every year from July 1, 2011 until June 30, 2026. In addition, a rent deposit of 61 TEuro has been paid for the office building in Karlsruhe.

Terms of the business transactions with related parties and persons

Sales to and purchases from related parties (affiliated companies and persons) shall be made to the normal market terms and conditions. There are no guarantees whatsoever for accounts receivable from or payable to related parties. The group has not made any value adjustments on accounts receivable from related parties for the financial year as of June 30, 2008.

Karlsruhe, August 11, 2008

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

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 Collection 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.

01.01.2008-30.06.2008

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
Revenues				
with third parties	20,311	962	0	21,273
with other segments	317	276	-593	0
Revenues, total	20,628	1,238	-593	21,273
EBIT	1,412	-466	-111	835
Segment assets	48,297	2,767	-2,313	48,751
Segment liabilities	22,062	2,462	-1,314	23,210
Interest income	111	1	-13	99
Interest expenses	181	16	-13	184
Scheduled depreciation	675	112	-18	769
Cost of revenues	15,163	1,342	-725	15,780
Research and development expenses	513	0	0	513
Foreign currency gains (+)/losses (-)	619	-1	0	618
Income from associated companies	100	0	0	100
Income tax	284	73	0	357
Impairments	707	0	0	707
Shares in associated companies	1,797	0	0	1,797
Investments in tangible fixed assets and intangible assets	1,250	615	-200	1,665

01.01.2007-30.06.2007

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
Revenues				
with third parties	19,168	208	0	19,376
with other segments	61	0	-61	0
Revenues, total	19,229	208	-61	19,376
EBIT				
	1,305	-83	21	1,243
Segment assets	40,356	627	-713	40,270
Segment liabilities	18,890	443	-245	19,088
Interest income	136	1	-4	133
Interest expenses	103	5	-4	104
Scheduled depreciation	576	41	0	617
Cost of revenues	12,595	145	-49	12,691
Research and development expenses	930	4	0	934
Foreign currency gains (+)/losses (-)	-961	0	0	-961
Income from associated companies	84	0	0	84
Income tax	473	0	0	473
Impairments	7	0	0	7
Shares in associated companies	1,535	0	0	1,535
Investments in tangible fixed assets and intangible assets	2,794	102	0	2,896

Geographical Information

	01.01.2008- 30.06.2008 T€	%	01.01.2007- 30.06.2007 T€	%
Revenues with external customers				
Germany	5,001	23.5	3,367	17.4
Rest of Europe	4,561	21.4	4,170	21.5
North America	8,920	42.0	11,839	61.1
Other Countries (Australia, UAE)	2,791	13.1	0	0.0
Group total	21,273	100.0	19,376	100.0

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

	30.06.2008		30.06.2007	
Non-current assets				
Germany	9,150	90.6	7,819	88.3
North America	883	8.7	1,041	11.7
Other Countries (Australia, UAE)	75	0.7	0	0.0
Group total	10,108	100.0	8,860	100.0

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

*Consolidated Statements of Changes in Equity
as of June 30, 2008 (IFRS)*

	Subscribed capital T€	Additional paid-in capital T€	Consolidated unappropri- ated profit T€
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 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 payment		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
Status as of December 31, 2007	10,040	3,973	14,347
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, 2008			493
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			493
5. Cash payments for dividends			-1,378
6. Share-based payment		-59	
Status as of June 30, 2008	10,040	3,914	13,462



Attributable to equity holders of the parent

Treasury stock	Difference from pension valuation	Other reserves		Stock market valuation of securities	Total	Minority interest	Total Shareholders' equity
		Difference from currency translation					
T€	T€	T€		T€	T€	T€	T€
-1,665	-176	-564		-44	21,095	91	21,186
		-32			-32		-32
				35	35		35
				1	1		1
	0			-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
-977	98	-983		-4	26,494	194	26,688
		-301			-301		-301
				-25	-25		-25
				1	1		1
	0	-301		-24	-325		-325
					493	-100	393
	0	-301		-24	168	-100	68
					-1,378		-1,378
222					163		163
-755	98	-1,284		-28	25,447	94	25,541

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