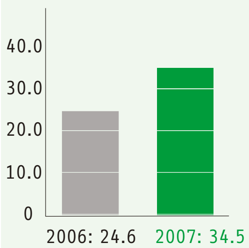
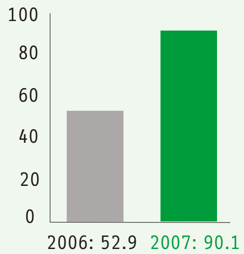
innovation
in traffic systems AG

Q3 Report 2007

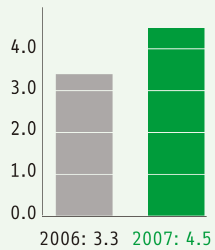
Revenues Q1-Q3
in Mio.€



Level of Orders Q1-Q3
in Mio. €



EBIT Q1-Q3
in Mio. €



Earnings per share
Q1-Q3 2006: 0.23 €
Q1-Q3 2007: 0.35 €

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 types 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	3.576.400
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

March 2008	Publication Annual Report 2007 and Press and Analyst Conference
May 27, 2008	Annual Meeting, Karlsruhe

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 from 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,

More than two years ago, we were asked to present ourselves at a major transportation trade fair in Arabia. At that time, this was quite an exotic notion for init, one with a highly unpredictable ending. By now, however, our participation in the "Gulf Traffic 2005" has proved to be the most successful trade fair presence of init yet.

In September 2007, we won a contract in Dubai for the setup of a control system and the equipment for over 1,300 local public transportation vehicles thanks to contacts established back then. The metropolis at the Arabian Gulf is currently investing billions in the most ambitious, most efficient and most modern local public transportation system in the world. And init is making a major contribution here this is the biggest individual project in our 25 years of company history.

This example underlines two key developments: for one, init is now more in demand than ever as an international supplier of telematics and fare collection systems for buses and railways. And secondly, our products and technologies are among the leading solutions in the industry worldwide. With each further international project, we open up new horizons in terms of innovation and growth.

And we are far from finished yet: after Germany, Europe and North America, the United Arab Emirates are now the first country in the Asian region to feature on our customer map. And the next continent is not far behind: init plans to participate in several major tenders in Australia. Here, too, we anticipate excellent market opportunities due to our special international references. Consequently, we have now established a local project company there, INIT Pty Ltd.

The positive factor for you, our shareholders, for init, the company, and for our employees: these successes are increasingly reflected in our business figures. Thus, for example, sales in the third quarter of 2007 virtually doubled on the previous year, totaling 15.1 mio. EUR. At 3.3 mio. EUR, the earnings before interest and taxes (EBIT) more than trebled, while our net profit even quadrupled to 2.6 mio. EUR.

After the first nine months of fiscal 2007, we have thus managed to exceed our projections. In this period, revenues rose by 40 percent on the previous year, from 24.6 mio. EUR in 2006 to 34.5 mio. EUR. The EBIT improved by around 36 percent to 4.5 mio. EUR (2006: 3.3 mio. EUR), with an increase in the consolidated surplus by 55 percent to 3.4 mio. EUR (2006: 2.2 mio. EUR). As a further satisfactory aspect, earnings per share of 0.35 EUR meant that init managed to match the level for the full 2006 fiscal year (0.36 EUR) after only nine months.

In the third quarter, it was predominantly the start of hardware deliveries for major projects in New York and Vancouver that ensured above-average earnings growth. For the same reason, init again expects sales in the fourth quarter to range in the two-digit millions. Thus, the sales target set for 2007 of some 45 mio. EUR (2006: 36.3 mio. EUR), with earnings before interest and taxes (EBIT) of 6.5 mio. EUR (2006: 5.6 mio. EUR), will probably be reached.

According to the projections of the Managing Board, the company is again set for above-average growth in 2008. In many countries of the earth and on all five continents, the climate change has brought about considerable efforts to reduce carbon dioxide emissions. Efficient local transportation systems are a key feature of these investment programs. When it comes to providing the infrastructures with top-of-the-range technology, init is increasingly the first choice.

This is already evident from our current order volume of 90.1 mio. EUR (end of September 2006: 52.9 mio. EUR). Even more so, however, from the enquiries received to date. And we are pleased to report that all the markets in which init operates currently enjoy a recovery.

Our experience with Dubai has taught us one thing: each and every enquiry, no matter how absurd it may seem for a moment, holds potential, maybe even for the biggest contract in company history.

We intend to make the most of these opportunities for you, our shareholders. Thank you very much again for your confidence in us.

Dr. Gottfried Greschner
Chairman of the Managing Board

The init share – on the up and up

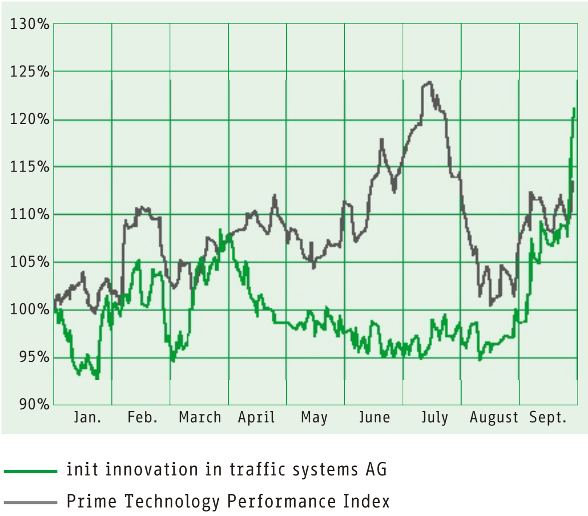
In the period under review, the share of innovation in traffic systems AG (ISIN DE0005759807) put in a formidable performance to prove its potential. Thus, in the third quarter, it managed to emerge from the shadow of the DAX high into which it had slipped between April and June and proceeded again to scale new heights.

While the share had still stood at 7.25 EUR as at the end of June, positive company news enabled it to finish at 9.05 EUR as at the end of September and thus move well past the psychologically significant nine-EUR mark. Over the year to date, this signifies a appreciation of around 30 percent. As at the beginning of October, the share even climbed to a new, albeit temporary, peak of 9.40 EUR. After profit takings, it subsequently stabilized to a level of just under nine euros.

Due to the positive development of the company, however, analysts anticipate a further improvement of the init share. The current upside target is estimated to be as high as twelve euros.

In order to ensure a continued upward trend of the share, the Managing Board has increased its Investor Relationswork. Thus, for example, the first presentation at the 17th Baader Small and Mid Cap Conference in Munich was very well received and led to a number of new contacts. In the fourth quarter, init will also be represented at the German Equity Forum.

Performance Q1-Q3 2007



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Group Status Report

General business trend

After a very strong third quarter, supported by significant foreign demand, init innovation in traffic systems is well on its way to achieving the profitable growth envisaged for 2007. The hardware deliveries for major projects in New York and Vancouver commenced on schedule halfway through the year and thus led to an increase in sales on the first two quarters.

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.

Order situation

The order situation at init continues to be very good. Currently, the group has an order volume of 90.1 mio. EUR (previous year: 52.9 mio. EUR). On the whole, init reported an order intake of over 58 mio. EUR by the end of September.

The order intake from Germany over the first nine months aggregated some 6.2 mio. EUR. In Europe, new orders were booked in the order of 7.4 mio. EUR and in North America of 28.8 mio. US dollars. In addition, init won a tender in Dubai in September, which increased its order volume to over 90 mio. EUR. The tender includes, among other things, the equipment of over 1,300 buses with on-board computers and the setup of a control and information system. Consequently, this is the biggest individual order in company history.

On the whole, investments in local public transportation in Dubai alone will total around 5 bill. EUR over the next three years. Further contracts from the United Arab Emirates are thus highly likely. Furthermore, init is now also, for the first time, participating in several tenders in Australia.

Earnings position

The earnings position of init innovation in traffic systems AG continued to improve in the third quarter, with sales of 15.1 mio. EUR (previous year: 7.8 mio. EUR). In the first three quarters, revenues in the group totaled 34.5 mio. EUR (previous year: 24.6 mio. EUR). Of this amount, some 86.9 % (previous year: 67.1 %) were attributable to foreign sales. The gross margin rose to 12.2 mio. EUR and thus clearly exceeded the prior-year figure of 9.1 mio. EUR.

The earnings before interest and taxes (EBIT) totalled 4.5 mio. EUR (previous year: 3.3 mio. EUR). The consolidated surplus for the period under review rose to 3.4 mio. EUR (previous year: 2.2 mio. EUR), which corresponds to earnings of 0.35 EUR (previous year: 0.23 EUR) per share. Due to the tax reform in 2008, the third quarter required a revaluation of deferred taxes, which increased net earnings in this period by around 0.4 mio. EUR.

Net worth and financial position

In December 2006, init AG purchased the neighbouring property at Kaeppelestr. 4 to create the spatial capacities for efficient processes and further the growth of the group. 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. EUR.

Due to the significant level of preliminary financing for current large-scale projects, the operating cash flow of -2.2 mio. EUR as at the end of September (previous year: 1.4 mio. EUR) proved negative in the first nine months of the year. However, the cash flow situation is expected to ease off toward the end of the year and turn positive again on account of significant receipts of payment from these projects.

As of September 30, 2007, the shareholders' equity totalled 24.4 mio. EUR (Q3 2006: 20.1 mio. EUR). The equity-to-asset ratio reduced marginally from 55.7 % to 52.7 %. This reduction resulted from the dividend distribution in May 2007 in the amount of 968 TEUR and the increase in the balance sheet total, which was up from around 10.4 mio. EUR in the previous year to 46.4 mio. EUR as of September 30, 2007.

The liabilities to credit institutions rose to 2.2 mio. EUR as of the end of September (previous year: 0 EUR) and predominantly resulted 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 ongoing projects.

As of September 30, 2007, the liquid resources including short-term securities totalled 4.4 mio. EUR (previous year: 10.4 mio. EUR). 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 three quarters of 2007 required a total amount of 3.3 mio. EUR (previous year: 1.5 mio. EUR) 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. 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.

Personal

Due to the rise in the volume of orders, init adjusted its workforce accordingly. This trend is likely to continue until the end of the year and 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 September 30, 2007, the init group employed a workforce of 218 (previous year: 195) 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 eco-friendliness, thus reducing the amount of exhaust gas and particulate matter released into the environment.

Research and development

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

On the whole, init spent 1.4 mio. EUR (previous year: 1.3 mio. EUR) on the development of new products in the first nine months of the year. 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 companies operating 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 or 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. Although init tries to keep its options open and pursues an active management, it may consequently incur losses. However, 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. The most recent tender won in Dubai is also of great importance, especifically for the Arabian region. In the United Arab Emirates alone, investments in local public transportation over the next few years will range in the billions. Follow-up contracts from this region are thus highly likely.

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 Asian-Pacific market from the 4th quarter of 2007.

Prospects

init innovation in traffic systems AG is looking forward to yet another highly successful year. The Managing Board is confident that the company will reach its targets of 45 mio. EUR in sales and an EBIT of 6.5 mio. EUR. Furthermore, our current order volume of around 90.1 mio. EUR has laid the foundations for further growth in 2008.

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 unfavourable 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, November 7, 2007

The Managing Board

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

	01/07/2007-30/09/2007 T€	01/07/2006-30/09/2006 T€	01/01/2007-30/09/2007 T€	01/01/2006-30/09/2006 T€
Revenues	15,077	7,844	34,453	24,589
Cost of revenues	-9,545	-5,034	-22,236	-15,459
Gross Profit	**5,532**	**2,810**	**12,217**	**9,130**
Sales and marketing expenses	-1,286	-1,315	-4,168	-3,940
General administrative expenses	-731	-503	-1,897	-1,636
Research and development expenses	-462	-435	-1,396	-1,288
Other operating income	771	87	1,138	343
Other operating expenses	-13	0	-13	-1
Foreign currency gains/losses	-592	292	-1,553	423
Operating profit	**3,219**	**936**	**4,328**	**3,031**
Interest income	28	75	161	257
Interest expenses	-118	-17	-222	-74
Income from associated companies	42	49	126	147
Other income and expenses	32	48	82	134
Profit before income tax	**3,203**	**1,091**	**4,475**	**3,495**
Income tax	-646	-432	-1,119	-1,414
Other taxes	0	-15	0	159
Net profit	**2,557**	**644**	**3,356**	**2,240**
thereof attributable to equity holders of the parent	2,548	665	3,384	2,344
Minority interests	9	-21	-28	-104
Net profit and diluted net profit per share in EUR	0.26	0.07	0.35	0.23
Average number of floating shares (undiluted)	9,797,207	9,735,264	9,694,696	9,749,546
Average number of floating shares (diluted)	9,797,207	9,735,264	9,694,696	9,749,546

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

Assets	30/09/2007 T€	31/12/2006 T€
Current assets		
Cash and cash equivalents	4,300	6,728
Marketable securities	75	766
Trade accounts receivable	20,955	13,851
Accounts receivable from related parties	42	8
Inventories	6,354	4,342
Income tax receivable	678	74
Other current assets	1,623	997
Current assets, total	**34,027**	**26,766**
Non-current assets		
Tangible fixed assets	3,673	1,334
Goodwill	2,081	2,081
Other intangible assets	3,709	3,729
Interest in associated companies	1,577	1,451
Accounts receivable from related parties	168	68
Deferred tax assets	103	435
Other assets	1,107	978
Non-current assets, total	**12,418**	**10,076**
Assets, total	**46,445**	**36,842**

Liabilities and shareholders' equity	30/09/2007 T€	31/12/2006 T€
Current liabilities		
Short-term debt and current portion of long-term debt	991	0
Trade accounts payable	7,721	4,683
Amounts payable of percentage of completion method	2,279	1,404
Accounts payable to related parties	221	100
Advance payments received	113	739
Income tax payable	524	437
Provisions	1,029	1,385
Other current liabilities	4,376	2,801
Current liabilities, total	**17,254**	**11,549**
Non-current liabilities		
Bank loans	1,200	0
Deferred tax liabilities	826	1,775
Pensions accrued and similar obligations	2,662	2,234
Other non-current liabilities	22	98
Non-current liabilities, total	**4,710**	**4,107**
Shareholders' equity		
Attributable to the equity holders of the parent		
Subscribed capital	10,040	10,040
Additional paid-in capital	3,445	3,413
Treasury stock	-875	-1,665
Consolidated unappropriated profit	12,508	10,091
Other reserves	-700	-784
	24,418	**21,095**
Minority interests	63	91
Shareholders' equity, total	**24,481**	**21,186**
Liabilities and shareholders' equity, total	**46.445**	**36,842**

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

	01/01/2007-30/09/2007	01/01/2006-30/09/2006
Cash flow from operating activities:	T€	T€
Net income	3,356	2,240
Depreciation and amortization	963	1,135
Appreciation (-)/depreciation (+) of marketable securities	-14	0
Profit (-)/losses (+) on the disposal of fixed assets	59	-14
Profit from the sale of marketable securities	-736	0
Change in provisions and accruals	72	1,028
Change in inventories	-2,012	-1,469
Change in trade accounts receivable	-7,104	62
Change in other assets, not provided by/used in investing or financing activities	-1,070	-500
Change in trade accounts payable	3,038	-985
Change in advanced payments received	249	-81
Change in other liabilities, not provided by/used in investing or financing activities	759	-603
Amount of other non-cash income and expense	269	575
Net cash from operating activities	**-2,171**	**1,388**
Cash flow from investing activities:		
Proceeds from sales of tangible fixed assets	0	15
Investments in tangible fixed assets and other intangible assets	-3,013	-1,051
Investments in software development	-329	-407
Investments in associated companies	-100	0
Cashflow from the acquisition of subsidiary shares and from minority report	0	13
Inflows from investments and participation	0	44
Inflows from the sale of marketable securities as part of short-term cash management	2,088	0
Investments in securities as part of short-term cash management	0	-454
Net cash flow used in investing activities	**-1,354**	**-1,840**
Cash flow from financing activities:		
Cash payments for dividends	-968	0
Cash payments for the purchase of treasury stock	-97	-232
Inflows from bank loans/redemption of bank loans	2,191	-57
Net cash flows used in financing activities	**1,126**	**-289**
Net effect of currency translation changes in cash and cash equivalents	-29	-45
Increase/Decrease in cash and cash equivalents	**-2,428**	**-786**
Cash and cash equivalents at the beginning of the period	6,728	10,039
Cash and cash equivalents at the end of the period	**4,300**	**9,253**

Selected explanatory notes for Q1–Q3

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 "Telematics Software and Services" and "Mobile Telematics and Fare Collection Systems" divisions. 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 centres, while "Mobile Telematics and Fare Collection Systems" includes the software and hardware in vehicles.

The quarterly financial statements as of September 30, 2007 and the comparative figures were prepared in compliance with the International Financial Reporting Standards (IFRS). These are consistent with IAS 34. The accounting practices and valuation methods applied and the methods of calculation used are consistent with the methods applied in the consolidated financial statements as of December 31, 2006.

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 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 status report of init and its consolidated financial statements as of September 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 with 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 accounts 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.

As customary in the market, the purchase and sale of financial assets is reported as at the trading day, i.e. the day on which the company has made a firm commitment to purchase the asset. As customary in the market, purchases and sales 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 shareholders' 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 accounts 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 42 TEUR (2006: 13 TEUR) 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. Costs of debt are reported as expense in the period in which they have accrued. The impairment losses relating to inventories totalled 0 TEUR (2006: 329 TEUR).

Tangible fixed assets

Tangible fixed assets are valued at purchase cost less scheduled depreciation. The depreciation 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 743 TEUR (2006: 287 TEUR). The sale of tangible fixed assets generated a revenue of 0 TEUR (2006: 14 TEUR).

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

Shares in associated companies

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

Deferred tax assets and deferred tax liabilities

The company determines its deferred income taxes using the balance sheet-oriented approach. Accordingly, deferred tax assets and deferred tax liabilities are recognized in accordance with IAS 12 “Income Taxes” (revised in 2000) to account for the tax consequences of differences between the balance sheet valuations of the assets and liabilities and the corresponding tax assessment bases, and tax losses carried forward. The deferred tax assets and deferred tax liabilities are calculated on the basis of the prevailing tax rates for the taxable profit in the year in which the differences are expected to be leveled. The effect of changes in the tax rates on deferred tax assets and deferred tax liabilities is accounted for in the period in which the amendment of the law takes effect. Based on the company tax reform approved on July 6, 2007, the tax rate was reduced from 38.9 % to 30 %. This resulted in additional net earnings of 378 TEUR.

Liabilities

Liabilities are carried at net book value.

The due to affiliates amounted to 221 TEUR (2006: 301 TEUR) 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

Other provisions are taken into account where a past event has led to a current liability, their utilization is more likely than unlikely, and where 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 EUR. 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 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 the issue price is specified. 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 reserve

The capital reserve of 3,141 TEUR result from the premium of the shares sold at the time of the initial public offering. 18 TEUR was transferred to 2005 as part of the recording of expenses from the share-based remuneration, 138 TEUR to 2006 and 148 TEUR for the first three quarters of 2007.

Treasury stock

As of January 1, 2007, the treasury stock totalled 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 EUR (previous year: 7.39 EUR). Within the scope of a motivation program for executives and managers, 30,000 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 120,000 shares were sold over the counter to investors.

The company's treasury stock was valued at cost at 1,096 TEUR (2006: 1,546 TEUR) and openly deducted from the equity capital. Of the treasury stock as of September 30, 2007 of 228,500 shares with an imputed share of 228,500 EUR (2.2 %) in the capital stock, 1,139 resulted from the capital increase in 2002 and 227,361 from the company's stock repurchasing program. The shares were repurchased at an average price of 4.80 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 members of the Managing Board and employees.

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 TEUR (previous year: 6 TEUR) 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 can be 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€	729	1,016	275	275
Due from related parties and persons as of 6/30 T€	212	81	61	61
Due to related parties and persons as of 6/30 T€	221	301	0	0

Associated companies

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

The other amounts of 42 TEUR also relate to iris GmbH (previous year: 13 TEUR) 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 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 221 TEUR (previous year: 301 TEUR) 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 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 in 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 September 30, 2007.

Karlsruhe, November 7, 2007

Dr. Gottfried Greschner

Bernhard Smolka

Achim Becker

Wolfgang Degen

Dr. Jürgen Greschner

Number of Employees
(incl. temporary workers and students)

	30/09/2007	30/09/2006
Germany	176	164
North America	42	31
Total	**218**	**195**

Segment Reporting

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

	01/07/2007-30/09/2007		01/07/2006-30/09/2006		01/01/2007-30/09/2007		01/01/2006-30/09/2006	
Revenues	T€	%	T€	%	T€	%	T€	%
Mobile Telematics and Fare Collection Systems	9,413	62.4	5,185	66.1	21,622	62.8	14,883	60.5
Telematics Software and Services	5,664	37.6	2,659	33.9	12,831	37.2	9,706	39.5
Group total	**15,077**	**100.0**	**7,844**	**100.0**	**34,453**	**100.0**	**24,589**	**100.0**
Operating profit								
Mobile Telematics and Fare Collection Systems	1,727	53.7	684	73.1	2,030	46.9	1,646	54.3
Telematics Software and Services	1,492	46.3	252	26.9	2,298	53.1	1,385	45.7
Group total	**3,219**	**100.0**	**936**	**100.0**	**4,328**	**100.0**	**3,031**	**100.0**
Amortization and Depreciation								
Mobile Telematics and Fare Collection Systems	221	63.9	150	47.3	604	62.7	512	45.1
Telematics Software and Services	125	36.1	167	52.7	359	37.3	623	54.9
Group total	**346**	**100.0**	**317**	**100.0**	**963**	**100.0**	**1,135**	**100.0**
Investments in tangible fixed assets and intangible assets								
Mobile Telematics and Fare Collection Systems	225	50.4	142	50.2	1,662	49.7	711	48.8
Telematics Software and Services	221	49.6	141	49.8	1,680	50.3	747	51.2
Group total	**446**	**100.0**	**283**	**100.0**	**3,342**	**100.0**	**1,458**	**100.0**
Impairment losses included in the net earnings for the period								
Mobile Telematics and Fare Collection Systems	-7	87.5	109	96.5	-1	100.0	316	96.0
Telematics Software and Services	-1	12.5	4	3.5	0	0.0	13	4.0
Group total	**-8**	**100.0**	**113**	**100.0**	**-1**	**100.0**	**329**	**100.0**

	30/09/2007		30/09/2006		31/12/2006	
Segment assets	T€	%	T€	%	T€	%
Mobile Telematics and Fare Collection Systems	22,876	49.3	17,647	49.0	18,571	50.4
Telematics Software and Services	23,569	50.7	18,367	51.0	18,271	49.6
Group total	**46,445**	**100.0**	**36,014**	**100.0**	**36,842**	**100.0**
Segment liabilities						
Mobile Telematics and Fare Collection Systems	10,818	49.3	7,759	49.0	7,892	50.4
Telematics Software and Services	11,164	50.7	8,085	51.0	7,764	49.6
Group total	**21,964**	**100.0**	**15,844**	**100.0**	**15,656**	**100.0**

Geographical Arrangement

	01/07/2007-30/09/2007		01/07/2006-30/09/2006		01/01/2007-30/09/2007		01/01/2006-30/09/2006	
	T€	%	T€	%	T€	%	T€	%
Revenues								
Germany	1,149	7.6	1,843	23.5	4,516	13.1	8,097	32.9
Rest of Europe	2,596	17.2	2,273	29.0	6,766	19.6	8,851	36.0
North America	11,332	75.2	3,728	47.5	23,171	67.3	7,641	31.1
Group total	**15,077**	**100.0**	**7,844**	**100.0**	**34,453**	**100.0**	**24,589**	**100.0**
Investments in tangible fixed assets and intangible assets								
Germany	407	91.4	262	92.6	2,952	88.3	840	57.6
North America	37	8.2	21	7.4	388	11.6	618	42.4
Other countries	2	0.4	0	0,0	2	0.1	0	0,0
Group total	**446**	**100.0**	**283**	**100.0**	**3,342**	**100.0**	**1,458**	**100.0**

	30/09/2007		30/09/2006		31/12/2006	
	T€	%	T€	%	T€	%
Segment assets						
Germany	27,579	59.4	30,287	84.1	32,010	86.9
North America	18,789	40.4	5,727	15.9	4,832	13.1
Other countries	77	0.2	0	0.0	0	0.0
Group total	**46,445**	**100.0**	**36,014**	**100.0**	**36,842**	**100.0**

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

	01/01/2007-30/09/2007	01/01/2006-30/09/2006
	T€	T€
Currency conversion	37	-188
Changes in current market values of available-for-sale securities, recognized in the shareholders' equity	-18	-168
Gains (losses) on available-for-sale securities, recognized in the consolidated income statement	57	0
Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity	8	3
Valuation adjustments recognized directly in the shareholders' equity	**84**	**-353**
Net profit	**3,356**	**2,240**
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements	**3,440**	**1,887**
thereof attributable to equity holders of the parent	3,468	1,991
thereof minority interests	-28	-104

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

	Subscribed capital T€	Additional capital paid-in T€	Consolidated unappropriated 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 September, 2006			2,344
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			**2,344**
5. Employee stock		-18	
6. Purchase of own shares in 2006			
7. Changes within the consolidated group			
Status as of September 30, 2006	**10,040**	**3,141**	**8,949**
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 September 30, 2007			3,384
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			**3,384**
6. Cash payments for dividends			-968
7. Share-based compensation		32	
8. Sale of own shares			
9. Purchase of own shares in 2007			
10. Rounding difference			1
Status as of September 30, 2007	**10,040**	**3,445**	**12,508**

Attributable to equity holders of the parent					Minority interest	Total Shareholders' equity
	Other reserves					
Treasury stock	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities	Total		
T€	T€	T€				
-1,003	**-256**	**-244**	**8**	**18,309**	**0**	**18,309**
		-188		-188		-188
			-168	-168		-168
	0		3	3		3
	0	**-188**	**-165**	**-353**		**-353**
				2,344	-104	2,240
	0	**-188**	**-165**	**1,991**	**-104**	**1,887**
33				15		15
-232				-232		-232
					191	191
-1,202	**-256**	**-432**	**-157**	**20,083**	**87**	**20,170**
-1,665	**-176**	**-564**	**-44**	**21,095**	**91**	**21,186**
		37		37		37
			-18	-18		-18
			57	57		57
			8	8		8
	0	**37**	**47**	**84**		**84**
				3,384	-28	3,356
	0	**37**	**47**	**3,468**	**-28**	**3,440**
				-968		-968
227				259		259
661				661		661
-97				-97		-97
-1						
-875	**-176**	**-527**	**3**	**24,418**	**63**	**24,481**

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