init

innovation in traffic systems AG

Future.

Annual Report 2008

Annual Report 2008

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 one of the worldwide leaders in innovative telematics and fare management systems that offers a suite of integrated solutions for all type of needs related to public transportation. init products are operational in over 300 transportation companies worldwide.

Key Figures of init Group

according to IFRS

	2008	2007
Balance Sheet		
Balance sheet total	57,951 kEUR	44,475 kEUR
Shareholders' equity	31,596 kEUR	26,688 kEUR
Subscribed capital	10,040 kEUR	10,040 kEUR
Equity-to-assets ratio	54.5%	60.0%
Return on shareholder equity	18.7%	20.0%
Non-current assets	15,186 kEUR	13,424 kEUR
Current assets	42,765 kEUR	31,051 kEUR
Income Statement		
Revenues	55,993 kEUR	46,767 kEUR
Gross profit	17,224 kEUR	16,542 kEUR
EBIT	8,597 kEUR	7,228 kEUR
EBIT/DA	10,169 kEUR	8,543 kEUR
Net profit	5,912 kEUR	5,326 kEUR
Net profit per share	0.60 EUR	0.54 EUR
Dividend	0.16 EUR	0.14 EUR
Cashflow		
Cashflow from operating activities	7,146 kEUR	-2,617 kEUR
Share		
Share price	5.10 EUR	5.10 EUR
Peak share price (2008)	8.80 EUR	9.40 EUR
Bottom share price (2008)	4.45 EUR	6.83 EUR
Number of shares, end of year	10,040,000	10,040,000

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The Managing Board: Wolfgang Degen, Joachim Becker, Dr. Jürgen Greschner, Bernhard Smolka, Dr. Gottfried Greschner

Letter to the Shareholders

Ladies and gentlemen,
dear Shareholders,

Passengers using public transportation are primarily interested in one thing – reaching their destination safely, conveniently and on time. Millions of passengers of some 300 transportation companies among our customers worldwide know that telematics systems from init take care of these aspects most efficiently while saving resources. Our good reputation in the market and the success of our company rest on this.

It is not least because of this that we were able once again to safely achieve our targets in 2008. In stormy times, in which the world's financial system is shaken to the core and the global economy has run into serious trouble, init has managed to hold its course. More than that – while many companies have lost sight of their targets and large corporations fight for survival, init, on the other hand, concluded its best year ever in its 25 year history in 2008.

2008: The year of the crisis – for init the best year in company history

As a shareholder, you want to be sure that the company in which you have invested can be relied upon to achieve its targets as scheduled. What should be a given in normal times, however, was for most executive boards of listed companies an exception in 2008 on grounds of the aggravating economic crisis. Instead, their prospects needed to be revised, sometimes even more than once, and their investors let down.

However, we are all the more delighted to present to you, our shareholders, an annual report which shows that despite the exceptionally difficult general economic setting in 2008, init innovation in traffic systems AG not only achieved its sales and earnings targets as planned, but exceeded some of them.

The facts:

- The final quarter from October to the end of December 2008 was the period with the strongest sales in our company history, recording revenues of around 22m EUR (2007: 12.3m EUR) – thanks to the progress of major projects in Dubai and Europe and quite substantial follow-up orders from customers in Germany. At 6.3m EUR in EBIT, the fourth quarter of 2008 proved the most successful to date for init.
- Over the year, our revenues improved by just under 20% to some 56m EUR (2007: 46.8m EUR) to reach our targeted record level.
- The earnings before interest and taxes (EBIT) rose by around 19% to 8.6m EUR (2007: 7.2m EUR), the best figure to date in our company history. The same is true for our annual net profit, which improved by 11% to 5.9m EUR (2007: 5.3m EUR). This corresponds to earnings per share of 0.60 EUR (2007: 0.54 EUR).
- The order volume as of the end of 2008 reached a new record of 112.8m EUR (2007: 102.8m EUR) and thus extends well into the year 2010.

Intelligent infrastructures – great prospects in the transportation sector

As these figures show, init did not as yet see any negative effects of the general crisis in 2008. Irrespective of the indispensable success factors of a company, such as attractive products and customer-oriented solutions, competent and motivated employees, loyal and satisfied customers, the global increase in the requirement of intelligent transportation infrastructure remains the primary ingredient that boosts our business.

Securing the mobility of our society for the future, while relieving the burden on our environment by reducing the emission of harmful substances inevitably necessitates investments in intelligent, integrated system solutions such as those developed and implemented by init innovation in traffic systems AG on a global scale for 25 years now.

Developments such as the comprehensive Regio-ITCS (Intermodal Transport Control System) – an operating control system currently set up by init for regional and urban transportation in Bavaria – are a milestone here. To optimize cross-company information and operating processes, some 300 independent bus and transportation companies will be managed using a single integrated ticketing and computer-aided operating control system. The same system provides up-to-date passenger information in real time across the companies, which is also passed on to the traveler information system of the local and long-distance rail transportation services. Journeys can thus be planned from start to finish based on real-time information, with better dovetailing of bus and rail transportation for passengers.

This network of transportation companies providing local and long-distance services is exemplary for many mobility projects worldwide. It ensures greater efficiency, more satisfied passengers and, in the end, also a reduced burden on the environment.

Individual solutions – global use
With innovations such as these, init innovation in traffic systems once again lived up to its name in its 25th year of existence. Today, our product portfolio meets both current and even future requirements of local public transportation, and integrates the pertinent hardware and software solutions in a single system. From transportation and personnel planning, depot management and computer-aided operating control systems (ITCS), to passenger information and counting systems, electronic ticketing and fare payment devices, init customers are provided with intelligent infrastructure solutions from one source.

A key aspect here is the fact that even though the system solutions are customized in each case, they can still be used on a global scale. A current example is the electronic check-in/check-out system developed by init on request of the private British bus operator Trent Barton. This electronic ticketing system has enabled Trent Barton to improve its revenues, its efficiency and its service quality quite considerably. These are the advantages that convince transportation companies worldwide to choose init technology.

init systems will soon also ensure more efficiency for the Golden Gate Bridge in San Francisco, California (USA). Here, init is currently installing an operating control system and providing the Golden Gate Transit buses and ferries operated by Golden Gate Ferry with the on-board computer, COPILOTpc. Hardware and software that is also used in Stockholm, Oslo or Dubai.

Today, init systems work safely and reliably across all latitudes and longitudes, in any climate and time zone. This is why we have been invited, time and again, and even increasingly over the past two years, to participate in major international tenders for intelligent transportation infrastructure projects – and are able to secure more and more of these contracts for ourselves.

New key customers – increasing order volume expected
In 2008, init was able to acquire new key customers in Dublin and Everett (Washington, USA); in 2009, we have already added San Francisco and Rotterdam. Further tenders are currently pending a decision. We also anticipate a steadily high number of local public transportation contracts to be put out to tender all over the world.

In Germany and Europe, we therefore expect an excellent volume of business in 2009 and in the USA, by 2010, at the latest. An additional growth factor for init is follow-up contracts from ongoing or completed major projects in Europe, the USA, the United Arab Emirates, and Australia. At around 22m EUR in 2008, these accounted for almost a third of all new business.

Worldwide, billions are currently made available for the setup and development of necessary local public transportation infrastructure. These are now joined by economic aid programs also worth billions, which are set up by the governments of all major industrialized nations to counteract what is potentially the biggest economic crisis since 1929. In many cases, these programs involve additional investments in transportation infrastructure, which are not likely to impact our figures until the latter half of 2009.

This must be seen in light of a generally rather negative outlook for 2009. Economic researchers currently predict a deep and long-lasting slump in the economy. In many cases, this also affects the planning of expenditure. The increasing raw material prices and the high volatility of the financial markets may have a further detrimental effect on the business trend of init in 2009.

Conservative planning – confirmed sales expectation

A record year such as was realized by init in 2008 often entices us to see the future through rose-colored glasses and to disregard any risks. However, we have learned from our experience in 2002, and therefore have estimated our projections for the current fiscal year rather conservatively. In view of the uncertainties in the current climate, we envision an increase in sales to around 60m EUR in 2009, with a steady operating result (EBIT) of some 8.6m EUR.

No one can currently tell with any great certainty how serious the financial and economic crisis will be in 2009, or to what extent the concerted government aid measures will be able to act as a countermeasure. What we can say with certainty, however, is that the order volume of init innovation in traffic systems of 112.8m EUR as of the end of 2008 already secures around 80% of our sales target for 2009 and extends well into the year 2010.

init thus is in a good position to face and cope with the current and any future challenges successfully. Above all else, this is due to the great efforts of our committed employees. Irrespective of time and climate zones, they too now work for init almost on a global scale. Without their entrepreneurial thinking and acting, the success of our company in the past year would not have been possible. Therefore, in these difficult times, init has opted to involve its employees directly in its success by way of a voluntary payment. This payment is only made if the entire company reports appropriate profit. The same is – and always has been – true for the Managing Board.

Fundamental quality

Time and again, our customers attest to the exceptional quality of the work of our now over 260 employees on four continents. They are responsible for the fact that init prevails in the competition with innovative products, individual customer solutions and high level of system expertise.

Based on these fundamentals, and on our persistently excellent order situation, the Managing

Board of init innovation in traffic systems AG is confident that init will be able over the next few years to continue its sales and earnings trend above the market average. We are convinced that these fundamental qualities of a company and its shares will sooner or later be sought after again in the stock market.

Karlsruhe, March 18, 2009
for the Managing Board

Dr. Gottfried Greschner
Chairman

Report of the Supervisory Board

Dear Shareholders,

The following report will provide you with details of the activities of the Supervisory Board, specifically its role in monitoring the Managing Board in accordance with the articles of association. It ensures transparency of the deliberations and decisions of the Board in the 2008 fiscal year.

In the preceding fiscal year, the Managing Board of init innovation in traffic systems AG informed the Supervisory Board regularly, promptly and comprehensively of its activities in order to enable the Supervisory Board to perform its duty of acting in an advisory capacity to the Managing Board and monitoring its affairs. The briefings and discussions in the Supervisory Board meetings included key facts and measures relating to, and affecting, the company and its operations.

Any measures requiring the consent of the Supervisory Board on grounds of legal or statutory provisions were thoroughly deliberated and presented for a resolution. The Chairman of the Supervisory Board kept in close contact with the Managing Board at all times during the preceding fiscal year, while the members of the Supervisory Board were also available in individual matters. Furthermore, all transactions requiring reporting were disclosed on an ad hoc basis. Between the meetings, the Chairman of the Supervisory Board notified the members of its Board both in writing and verbally of any talks with the Managing Board.

Focal points of Supervisory Board meetings

In four Supervisory Board meetings in 2008, convened on March 11, May 26, September 29 and December 10, the Managing Board informed the Supervisory Board in detail about the status of the company and the course of its business, while the Supervisory Board monitored and controlled the development of the group. Based on the reports of the Managing Board, the Supervisory Board in particular discussed the economic situation including economic and liquidity planning, the incoming orders, the order volume, any hidden risks and key business transactions, projects of particular importance, and the medium- and long-term corporate strategy including organizational matters and personnel planning. Other focal points in the Supervisory Board meetings included the market developments in Germany, Europe, North America, the Middle East and Australia, and the effects of the financial and economic crisis on init.

The Supervisory Board also convened with the Managing Board to discuss the subject of corruption and decided on an appropriate set of preventive measures. This was devised to allows for further international expansion.

Annual and consolidated financial statements

The annual financial statements and the status report of init innovation in traffic systems AG as well as the consolidated financial statements and the group status report were prepared on the basis of the Handelsgesetzbuch (HGB) or on the principles of the International Financial Reporting Standards (IFRS).

The annual financial statements and the status report of init innovation in traffic systems AG, the consolidated financial statements and the group status report as of December 31, 2008 were audited by the auditing firm Ernst & Young AG Wirtschaftsprüfungsgesellschaft (E&Y), Mannheim. This group was commissioned by the shareholders' meeting as auditors of init innovation in traffic systems AG. E&Y issued an unqualified audit certificate in each case. The annual financial statements, status report, consolidated financial statements and group status report along with the audit reports issued by the auditor were presented to all members of the Supervisory Board.

The annual financial statements, status report consolidated financial statements, group status report and the abstracts of the certificates and the audit reports by the auditor were discussed in detail with the Managing Board and the auditor in the meeting of the Supervisory Board on March 18, 2009. The auditors reported on key results of their audit. Questions posed by the members of the Supervisory Board were subsequently answered. The Supervisory Board came to the conclusion that the audit procedure applied by the auditors according to the abstracts of the audit reports was appropriate and adequate, and that the set of figures contained in the financial statements had been audited in sufficient depth and found to be coherent.

The Managing Board presented its proposal on the appropriation of unappropriated profit to the Supervisory Board, which proposes to the shareholders' meeting on May 20, 2009 that the net profit for 2008 of 7,497,878.17 EUR of init AG be utilized as follows: 0.16 EUR per share entitled to dividend will be distributed. The remainder will be carried forward to a new account. The proposed appropriation of unappropriated profit was endorsed by the Supervisory Board.

We have checked the annual financial statements, the status report and the proposal on the appropriation of unappropriated profit along with the consolidated financial statements and the group status report finally on March 26, 2009 and have no need to raise objections. Therefore, the audit result is approved. The annual financial statements prepared by the Managing Board of init innovation in traffic systems AG is thus approved and the consolidated financial statements adopted.

Ernst & Young Wirtschaftsprüfungsgesellschaft, Mannheim, also audited the report prepared by the Managing Board under Section 312 of the German Stock Corporation Act on the relationships with associated companies (dependent company report). The auditor issued the following audit certificate regarding the result:

"Following our dutifully conducted audit and assessment, we hereby confirm that

1. the actual information contained in the report is correct,
2. the payment of the company for the legal transactions specified in the report was not inappropriately high, and
3. there are no circumstances indicating a substantially different assessment from that given by the Managing Board in regard to the measures specified in the report."

The Supervisory Board also examined the dependent company report. It raised no objections to the final declaration of the Managing Board in the report and the result of the audit effected by the auditors.

Corporate Governance

The Supervisory Board was also actively involved in the implementation and monitoring of compliance with the German Corporate Governance Code, taking account of the amendments to the German Corporate Governance Code on June 6, 2008. On December 10, 2008, the Managing Board and the Supervisory Board revised their declaration of compliance in accordance with § 161 of the German Stock Corporation Law (AktG), which is permanently available to shareholders on the company website.

Pursuant to item 3.10 of the German Corporate Governance Code, the report of the Managing Board on Corporate Governance at init innovation in traffic systems AG also applies to the Supervisory Board.

init innovation in traffic systems AG complies with the recommendations of the Government Commission on the German Corporate Governance Code with only a few minor exceptions. Thus, for example, the annual general meeting is convened by post rather than sending electronic notification to all German and foreign financial service providers, shareholders and associations of shareholders. It is also published in the electronic Federal Gazette. Simultaneously, all information to be published is made available to the shareholders on the home page of init innovation in traffic systems AG (Code item 2.3.2).

Furthermore, the existing D&O insurance does not provide for an excess payable by members of executive bodies (Code item 3.8 para. 2) since it is a group insurance for Managing Board, Supervisory Board and executives both in Germany and abroad. Furthermore, it does not specify an age limit for members of the Managing or Supervisory Board (Code items 5.1.2, para. 2 and 5.4.1 para. 1).

The German Corporate Governance Code further recommends the set-up of committees, which was once again dispensed with in the preceding fiscal year. Since the Supervisory Board of init innovation in traffic systems AG merely comprises three members, the set-up of committees of the Supervisory Board (Code item 5.3.1), specifically of an audit committee (Code item 5.3.2) and a nomination committee (Code item 5.3.3), is neither necessary nor practicable in the interest of the company and its shareholders. These duties are performed by the Group Supervisory Board.

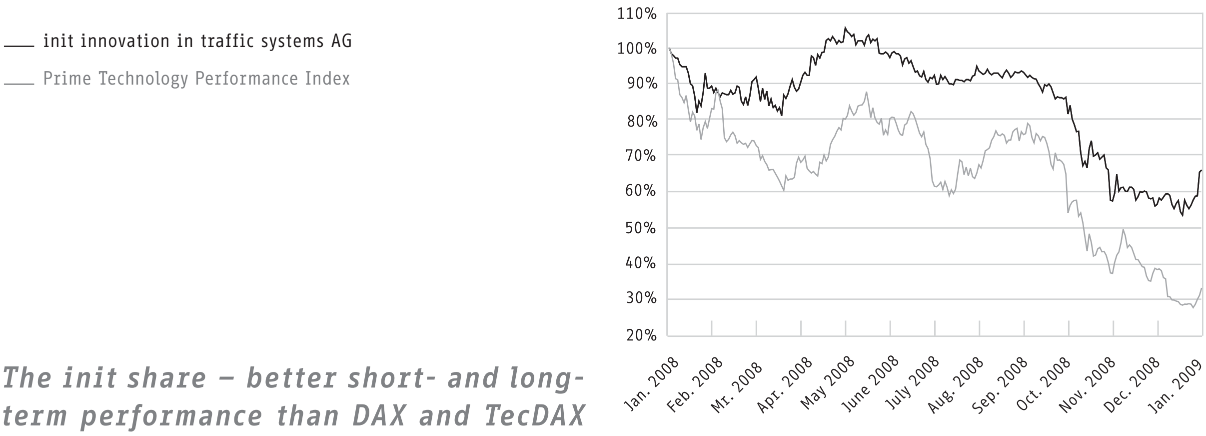
The Supervisory Board would like to thank all our employees and the Managing Board for their great service and their personal dedication in the 2008 fiscal year. In so doing, you have contributed to yet another highly successful fiscal year for init in its now 25 years of history. Our thanks also to our shareholders, customers, and business partners for their trust in our company.

Karlsruhe, March 2009
For the Supervisory Board

Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau
Chairman

Connected telematics systems: So every service in the integrated transportation system keeps time.

Performance



The init share – better short- and long-term performance than DAX and TecDAX

The year 2008 on the stock market will enter the records as one of the worst years in the history of the capital markets. In the course of the banking crisis in the USA, the stock markets were gripped by sheer panic from September, with virtually every market experiencing a sellout. Financial institutions and investors took great pains to secure their liquidity and in the process sent the shares in particular into a persistent tailspin.

With nothing to slow them down, many of the securities thus marked historic all-time lows in the last quarter of 2008, from which they barely recovered in the following months. In 2008, the German share index DAX lost over 40% in value, the technology index TecDAX even more at 48%.

In such an environment, fundamental factors such as the growth of a company in sales and profit were hardly taken into account in investment decisions. Many of the institutional investors, on the other hand, were forced to liquidate long-term commitments in promising securities to ensure financial solvency or to activate share returns in funds.

Consequently, the share of init innovation in traffic systems AG (ISIN DE 0005759807) could not fully evade the general downturn either, despite generally positive assessments and analyst recommendations. Based on the historically high level at the start of the year (8.45 EUR), the init share lost some 35% over the whole year to stand at 5.50 EUR at year-end. This, however, meant it had fared considerably better than the DAX or the TecDAX, as proven particularly in a long-term comparison. The positive business trend and the persistently high level of incoming orders at init, however, did not have any appropriate repercussion on its share price.

Investor Relations increased – initial investor talks in Paris

Irrespective of the crisis in the financial markets, init increased its Investor Relations to lay the foundations for an upturn in share prices once the situation in the financial markets would normalize again. In addition to individual presentations and talks, init focused its activities on capital market conferences and investor roadshows.

In the process, init presented itself both at the “German Equity Forum“ and at small and midcap conferences in Frankfurt and Munich. For the first time, init also organized its own analyst conference

Your investor relations contact

init innovation in traffic systems AG
Alexandra Weiß — Tel. +49.721.6100.102
Käppelestraße 4-6 — Fax +49.721.6100.399
D-76131 Karlsruhe — ir@initag.de

rw konzept GmbH
Agentur für UnternehmensKommunikation
Maastrichter Straße 53 — Tel. +49.221.400.73.0
D-50672 Köln — Fax +49.221.400.73.88

in Karlsruhe. Beyond Germany and Switzerland, init registered interest from institutional investors in France, which was acknowledged by hosting a roadshow in Paris.

Analysts see price potential of up to 100%

On the whole, the response to this measure was positive and led to new investors for init. As reflected in the financial press and in analyst assessments, init also enjoys high regard. This is expressed in buy recommendations for our share with upside targets of up to 11 EUR (end of 2008: 5.50 EUR).

Increasingly, init is seen by analysts as a share that should stand to benefit in particular from infrastructure investments and thus face exceptional growth prospects in the current climate.

Stock repurchase successful

In view of the steady growth, the Managing Board unanimously agreed to take advantage of the weak price and use it as an opportunity to start the stock repurchase program previously approved at the shareholders' meeting on May 27, 2008. Consequently, on September 19, 2008, the Managing Board of init innovation in traffic systems AG passed the following resolution:

"The Managing Board of init innovation in traffic systems AG has decided to use the authorization approved at the shareholders' meeting of May 27, 2008 under item 6 of the agenda to purchase up to 20,000 shares of the treasury stock (pursuant to § 71 para. 1 no. 8 of the German Stock Corporation Act – AktG). The purchase price for the shares should not exceed 7.00 EUR per share. The repurchased shares are to be utilized for existing or future employee profit sharing plans and/or as cash for growth. The shares are due to be repurchased in the period from September 19, 2008 to January 31, 2009."

The share repurchase program commenced in October when the init share fluctuated around the psychologically significant five euro mark for a few days. In the period from October 17 to October 31 inclusive, the Managing Board purchased a total of 20,000 shares at an average price of 5.5340 EUR. The number of repurchased treasury stock corresponds to a share of 0.2% in the capital stock of init innovation in traffic systems AG.

The share repurchase based on the resolution of September 19, 2008 was handled by Commerzbank AG through the stock exchange (XETRA trading) and has now been completed.

Increased Dividend

The Managing Board continues to pursue an effective shareholder value policy. To finance any further growth on our own while involving our shareholders appropriately in the success of our business, the Managing Board and the Supervisory Board therefore intend to propose to the shareholders' meeting taking place on May 20, 2009 a increasing dividend of 0.16 EUR per share (previous year: 0.14 EUR). This means that some 1.6m EUR of init´s annual surplus of 5.0m EUR will be distributed to our shareholders.

No change in shareholder structure

The shareholder structure of init innovation in traffic systems AG did not change significantly in fiscal 2008. At 3,591,000 shares, the Chairman of the Board and founder of the company, Dr. Gottfried Greschner, continues to own the majority either directly or indirectly (3,560,000 shares of which are held by Dr. Gottfried Greschner GmbH & Co. Vermögensverwaltungs KG). This corresponds to around 35.8% of the capital stock. Family members of Dr. Greschner roughly hold a further 16%. In 2009, Dr. Gottfried Greschner has so far added a further 3,000 shares to his stock. As of December 31, 2008, the remaining members of the Board held a total of 551,947 shares, or 5.5%.

The company itself currently owns a total of 163,661 shares of its treasury stock. These are to be used for employee profit sharing or for acquisitions.

The widely held stock (as measured on the basis of Deutsche Börse criteria) aggregates 48.15%. Based on the criterion of market capitalization, init innovation in traffic systems AG thus advanced to become one of the 80 biggest technology shares on the German stock market in 2008. In terms of liquidity, the share ranges among the top 100 (source: Deutsche Börse AG, Index Ranking TecDAX).

Company calendar 2009

03/27/2009	Balance sheet press conference and Analysts' conference, Karlsruhe
05/15/2009	Disclosure of three-month report
05/20/2009	General Meeting, Karlsruhe
08/14/2009	Disclosure of six-month report
09/2009	Small and Mid Cap conference of Baader Bank AG, Unterschleißheim
11/9-11/2009	Analysts' conference, Eigenkapitalforum, Frankfurt
11/13/2009	Disclosure of nine-month report

Right on track! With systems from init, no tram will be off the track – unless deliberately intended.

Corporate Governance

Report of the Managing Board and the Supervisory Board

Effective and responsible management of the company has been a key pillar of the corporate culture of init innovation in traffic systems AG since its inception 25 years ago. One of the key focal points in the day-to-day work of both staff and management is sustainability of every aspect of our business, which includes our processes and all value added phases, from the development to service and maintenance.

Practiced Corporate Governance

The success of init in fiscal 2008 is the result of the constructive cooperation between the Managing Board and the Supervisory Board. But it is also, above all, the responsible, entrepreneurial thinking and acting of our employees that helped shape our success.

Good Corporate Governance for a medium-sized company such as init thus also means giving its workforce an appropriate share in the company profits.

Under the present principles of the relevant Code in Germany, Corporate Governance affects every aspect of the corporate management and monitoring system. The Code aims to increase the trust of national and international investors, customers, employees, and the public in the management and control of German listed corporations and stands for responsible management and monitoring of the company for long-term value added. Efficient cooperation between the Managing Board and the Supervisory Board, respecting the interests of shareholders, openness and transparency in the corporate communication thus are key aspects of good Corporate Governance.

In the following, we aim to provide a transparent and comprehensible picture of the rules and regulations applicable in Germany and demonstrate how these are lived out by init.

Cooperation of Managing Board and Supervisory Board

In compliance with the German Stock Corporation Act and the articles of incorporation, the Managing Board of init innovation in traffic systems AG manages the company and conducts its affairs. It is committed to the interests of the company and its shareholders and aims to increase the corporate value with lasting effect. Its responsibilities include the development of a strategic orientation, determination of the corporate policy, planning and monitoring of the budget, managing the opportunities and risks related to our business development, and reporting on these to the Supervisory Board and the general public.

The Managing Board of init innovation in traffic systems AG currently consists of five members. In contrast to other companies, these are very much involved in the day-to-day operations of the various business segments which they manage according to their competences. In agreement with a responsible management approach, they are thus very close to the key reference groups of the company, its customers, suppliers, employees, and its shareholders, and thus can react immediately to new situations.

The Managing Board and the Supervisory Board of init innovation in traffic systems AG work closely together for the good of the company and its shareholders. The Managing Board informs the Supervisory Board promptly and comprehensively of all relevant issues relating to the management and development of the company and its risk situation and management.

The Supervisory Board, in turn, acts in an advisory capacity to the Managing Board and monitors its affairs. Furthermore, the Supervisory Board is responsible for the appointment of members of the Managing Board and for determining their number. At init innovation in traffic systems AG, the Supervisory Board is made up of three persons whose many years of experience as entrepreneurs and in management functions contribute to the competence of the company management. Members of the Supervisory Board are appointed until the end of the shareholders' meeting, which decides on formal discharge for the fourth fiscal year after commencement of the term of office. The fiscal year in which the term commences is not taken into account. Re-election is possible.

Remuneration system for the Managing Board

A key aspect of Corporate Governance is the remuneration system for the management and controlling bodies of a German stock corporation. The remuneration is to be determined by factors such as the result of economic activity of the company to provide incentives for effectively improving the company performance in the interest of the shareholders. init has implemented these factors accordingly. Details on this are included in the remuneration report as part of the group status report.

Shareholdings of the Managing Board and the Supervisory Board

As of December 31, 2008, the Managing Board directly or indirectly holds 4,142,947 shares in the company. This corresponds to 41.26% of the shares. The Supervisory Board of init AG does not hold any shares.

An individual disclosure of the shares held by the Managing Board is included in the Appendix to the Consolidated Financial Statements.

Pursuant to the Corporate Governance Code, all shareholdings held by individual Managing Board and Supervisory Board members and any persons closely related to these must be reported immediately. This disclosure requirement includes any acquisition or sale exceeding 5,000 EUR per calendar year. init AG publishes all such transactions promptly. A list of the notified Directors´ Dealings in fiscal 2008 is available in the "annual document" on our home page www.initag.de.

Declaration of compliance with the German Corporate Governance Code – 2008

In compliance with § 161 of the German Stock Corporation Act (AktG), the Managing Board and the Supervisory Board of a listed corporation are required each year to declare compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Official Gazette, and to disclose any deviation from these recommendations. The declaration of compliance with the Code must be made available on the website of the company for a period of five years.

The German Corporate Governance Code contains recommendations and suggestions. A company can deviate from the recommendations of the Code but is required to disclose any such deviation in its annual declaration of compliance.

Deviations from the suggestions of the Code do not require disclosure.

Thus, the Managing Board and the Supervisory Board of init innovation in traffic systems AG unanimously declare compliance with the recommendations of the Government Commission on the German Corporate Governance Code as amended on June 6, 2008 with the following exceptions and make the following declaration of compliance in accordance with § 161 AktG.

Shareholders and shareholders' meeting

The shareholders' meeting was convened by post instead of electronically, inviting all national and international financial service providers, shareholders and associations of shareholders. It was also advertised in the Electronic Federal Gazette. The necessary data for the shareholders' meeting were made available to shareholders on the website of init AG (Code item 2.3.2).

Joint aspect for Managing Board and Supervisory Board

> The D&O insurance does not provide for an excess payable by members of executive bodies (Code item 3.8 para. 2) since it is a group insurance for Managing Board, Supervisory Board and executives both in Germany and abroad.

Managing Board

> Based on the resolution passed by the shareholders' meeting on July 13, 2006, the company refrains from an individualized disclosure of the Board members' salaries in its annual report (Code item 4.2.5).
> Furthermore, it does not specify an age limit for members of the Managing Board (Code item 5.1.2 para. 2).

Supervisory Board

> The company does not specify an age limit for members of the Supervisory Board (Code item 5.4.1 para. 1).
> The Supervisory Board has not set up any committees (Code item 5.3.1), an audit committee (Code item 5.3.2), or a nomination committee (Code item 5.3.3) since the specific conditions do not exist and a set-up is considered impractical due to the size of both the company and the Supervisory Board (3 members).

Karlsruhe, December 10, 2008

For the Managing Board of init innovation in traffic systems AG

Dr.-Ing. Gottfried Greschner
Chairman/Chief Executive Officer

Bernhard Smolka
Member of the Board/Chief Financial Officer

For the Supervisory Board of init innovation in traffic systems AG

Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau
Chairman

Ticketing systems: Now it could not be easier to find the best fare.

Financial Statements 2008

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This is a translation from the German language. The audit opinion issued in German language refers to the consolidated financial statements, group management report, financial statements and management report originally prepared in German language and not to the English translation of the consolidated financial statements, group management report, financial statements and management report.

Consolidated Income Statement for 2008

(IFRS)

	Notes No.	01/01/2008-12/31/2008 EUR '000	01/01/2007-12/31/2007 EUR '000
Revenues	5, 37	55,993	46,767
Cost of revenues	6	-38,769	-30,225
Gross profit		**17,224**	**16,542**
Sales and marketing expenses		-6,106	-5,345
General administrative expenses		-3,404	-2,443
Research and development expenses	7, 23	-1,371	-1,844
Other operating income	8	415	769
Other operating expenses		-170	-11
Foreign currency gains/losses	9	1,558	-1,004
Operating profit/loss		**8,146**	**6,664**
Income from associated companies	10, 24	276	436
Other income and expenses	11	175	128
Profit before interest and income tax (EBIT)		**8,597**	**7,228**
Interest income		174	202
Interest expenses		-479	-353
Profit before income tax (EBT)		**8,292**	**7,077**
Income tax	12, 25	-2,380	-1,751
Net profit		**5,912**	**5,326**
thereof attributable to equity holders of the parent company		5,912	5,223
Minority interests		0	103
Net profit and diluted net profit per share in €	14	0.60	0.54

Consolidated Balance Sheet of December 31, 2008

(IFRS)

Assets	Notes No.	12/31/2008 EUR '000	12/31/2007 EUR '000
Current assets			
Cash and cash equivalents	17, 33	6,806	3,748
Marketable securities	18, 33	14	35
Trade accounts receivable	19, 33	26,389	19,956
Accounts receivable from related parties	36	4	9
Inventories	20	7,685	5,824
Income tax receivable		51	60
Other current assets	21	1,816	1,419
Current assets, total		**42,765**	**31,051**
Non-current assets			
Tangible fixed assets	22	4,955	3,864
Goodwill	23	2,081	2,081
Other intangible assets	23	3,695	3,639
Interest in associated companies	24	1,852	1,887
Accounts receivable from related parties	36	68	168
Deferred tax assets	25	1,062	549
Other assets	26	1,473	1,236
Non-current assets, total		**15,186**	**13,424**
Assets, total		**57,951**	**44,475**

Liabilities and shareholders' equity	Notes No.	12/31/2008 EUR '000	12/31/2007 EUR '000
Current liabilities			
Bank loans	27	1,129	1,400
Trade accounts payable	27	2,672	3,441
Accounts payable of percentage-of-completion-method	19, 27	5,262	817
Accounts payable due to related parties	27, 36	170	64
Advance payments received	27	2,249	937
Income tax payable		1,060	359
Provisions	29	3,907	2,103
Other current liabilities	28	4,482	3,855
Current liabilities, total		**20,931**	**12,976**
Non-current liabilities			
Long-term debt less current portion	27	1,200	1,154
Deferred tax liabilities	25	2,037	1,647
Pensions accrued and similar obligations	30	2,082	2,010
Other non-current liabilities	28	105	0
Non-current liabilities, total		**5,424**	**4,811**
Shareholders' equity			
Attributable to the equity holders of the parent company			
Subscribed capital	31	10,040	10,040
Additional paid-in capital	31	3,950	3,973
Treasury stock	31	-789	-977
Consolidated unappropriated profit		18,881	14,347
Other reserves	31	-680	-889
		31,402	**26,494**
Minority interests		194	194
Shareholders' equity, total		**31,596**	**26,688**
Liabilities and shareholders' equity, total		**57,951**	**44,475**

Cash Flow Statement for the Consolidated Financial Statements for 2008

(IFRS)

	01/01/2008- 12/31/2008 EUR '000	01/01/2007- 12/31/2007 EUR '000
Cash flow from operating activities:		
Net income	5,912	5,326
Depreciation and amortization	1,572	1,315
Profit (-)/Losses (+) on the disposal of fixed assets	4	-1
Profit (-)/Losses (+) from the sale of marketable securities	0	-263
Change of provisions and accruals	1,876	494
Change of inventories	-1,861	-1,482
Change in trade accounts receivable	-6,433	-6,105
Change in other assets, not provided by/used in investing or financing activities	-620	-667
Change in trade accounts payable	-769	-1,242
Change in advanced payments received	5,757	-389
Change in other liabilities, not provided by/used in investing or financing activities	1,540	841
Amount of other non-cash income and expense	168	-444
Net cash from operating activities	**7,146**	**-2,617**
Cash flow from investing activities:		
Proceeds from sales of tangible fixed assets	1	8
Investments in tangible fixed assets and other intangible assets	-2,054	-3,428
Investments in software development	-670	-415
Investments in associated companies	0	-100
Inflows from associated companies and loans receivable	411	0
Inflows from the sale of marketable securities as part of short-term cash management	0	969
Investments in securities as part of short-term cash management	5	-2
Net cash flows used in investing activities	**-2,307**	**-2,968**
Cash flow from financing activities:		
Dividend paid out	-1,378	-968
Cash payments for the purchase of treasury stock	-111	-97
Proceeds from sale of company's own shares	0	1,075
Proceeds (+)/Redemption (-) of bank loans	-225	2,554
Net cash flows used in financing activities	**-1,714**	**2,564**
Net effect of currency translation and consolidation changes in cash and cash equivalents	-67	41
Increase/Decrease in cash and cash equivalents	**3,058**	**-2,980**
Cash and cash equivalents as of the beginning of the period	3,748	6,728
Cash and cash equivalents as of the end of the period	**6,806**	**3,748**

Consolidated Statement of recognized Income and Expenses in the Group for 2008

(IFRS)

	01/01/2008- 12/31/2008 EUR '000	01/01/2007- 12/31/2007 EUR '000
Currency conversion	142	-419
Actuarial gains on defined benefit obligations for pensions, recognized in the shareholder's equity	125	426
Changes in current market values of available-for-sale securities, recognized in the shareholders' equity	-22	-3
Gains on available-for-sale securities, recognized in the consolidated income statement	0	52
Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity	-36	-161
Valuation adjustments recognized directly in the shareholders' equity	**209**	**-105**
Consolidated net profit	**5,912**	**5,326**
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements	**6,121**	**5,221**
thereof attributable to equity holders of the parent company	6,121	5,118
thereof minority interests	0	103

Consolidated Statements of Changes in Equity

(IFRS)

	Attributable to equity holders			
	Subscribed capital	Additional paid-in capital	Consolidated unappro-priated profit	Treasury stock
	EUR '000	EUR '000	EUR '000	EUR '000
Status at January 1, 2007	10,040	3,413	10,091	-1,665
1. Currency conversion				
2. Actuarial gains on defined benefit obligations for pensions				
3. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity				
4. Gains on available-for-sale securities, recognized in the consolidated statement of operations				
5. Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity				
Valuation adjustments recognized directly in the shareholders' equity				
6. Consolidated net profit 2007			5,223	
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			**5,223**	
7. Remuneration based upon shares		560		292
8. Purchase of own shares				-97
9. Sales of company's own shares in 2007				493
10. Dividend paid out			-967	
Status at December 31, 2007	**10,040**	**3,973**	**14,347**	**-977**
1. Currency conversion				
2. Actuarial gains on defined benefit obligations for pensions				
3. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity				
4. Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity				
Valuation adjustments recognized directly in the shareholders' equity				
5. Consolidated net profit 2008			5,912	
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			**5,912**	
6. Remuneration based upon shares		-23		299
7. Purchase of own shares in 2008				-111
8. Dividend paid out			-1,378	
Status at December 31, 2008	**10,040**	**3,950**	**18,881**	**-789**

of the parent company				Minority interest	Total Shareholders' Equity
Other Reserves					
Difference from pension valuation	Difference from currency translation	Stock market valuation of securities	Total		
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
-176	-564	-44	21,095	91	21,186
	-419		-419		-419
426			426		426
		-3	-3		-3
		52	52		52
-152		-9	-161		-161
274	-419	40	-105		-105
			5,223	103	5,326
274	-419	40	5,118	103	5,221
			852		852
			-97		-97
			493		493
			-967		-967
98	-983	-4	26,494	194	26,688
	142		142		142
125			125		125
		-22	-22		-22
-36			-36		-36
89	142	-22	209		209
			5,912		5,912
89	142	-22	6,121		6,121
			276		276
			-111		-111
			-1,378		-1,378
187	-841	-26	31,402	194	31,596

Heading in the same direction: Worldwide, over 300 national and international customers trust systems delivered by init.

Notes to the Consolidated Financial Statements for 2008 (IFRS)

General disclosure

init innovation in traffic systems Aktiengesellschaft, Karlsruhe ("init AG"), was established on August 18, 2000 as the holding company of the init group. It is entered in the Commercial Register of the Mannheim District Court (Germany) under HRB 109120. Since the beginning of the 1980s, its operating business has been conducted by "INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH," Karlsruhe ("INIT GmbH"). Following a resolution in December 2000, implemented in the first quarter of 2001, over 75% of the shares in INIT GmbH were transferred to init AG in exchange for the provision of ordinary shares. From a commercial point of view, the business formerly run by INIT GmbH has carried on unchanged in the init group.

The shares in INIT GmbH were transferred at historic book value. For the transfer of 75% of the shares in INIT GmbH, init AG granted 6,019,048 shares at an accounting par value of 1.00 EUR. This sum exceeded the historic book values by 5.211m EUR. Thus, the net book value of the transfer totaled 808 kEUR.

The 2008 consolidated financial statements and the comparative prior-year figures were prepared in compliance with the International Financial Reporting Standards (IFRS). The consolidated financial statements of init AG and its subsidiaries are consistent with the IFRS applicable in the EU.

All legally binding standards that came into force by the cutoff date were taken into account.

In principle, the accounting practices and valuation methods applied are consistent with the methods applied in the previous year. In addition, the group also used the new, or rather the revised standards, which are mandatory for the fiscal year commencing on January 1, 2008.

Amendments to the accounting principles and valuation methods have been caused by applying the following new or revised standards:

Amendment to IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosures": The amendments to IAS 39 and IFRS 7 were published in October 2008 and their enforcement was retroactive to July 1, 2008. The amendments come as a reaction to the crisis in the financial markets, "credit crunch", and enable companies, in certain cases, to reclassify non-derivative financial assets belonging to the measurement categories "Held for commercial purposes" and "Financial assets available for sale" as other measurement categories. The amendments to IFRS 7 provide for additional appendix details for reclassifications undertaken between the measurement categories. The amendments have no effect on the consolidated financial statement because the company did not make any such reclassifications.

IFRIC 11 IFRS 2 "Group and Treasury Share Transactions": IFRIC interpretation 11 was published in November 2006 and applies for the first time to fiscal years commencing on or after March 1, 2007. In compliance with this interpretation, arrangements in which an entity grants to its employees rights to equity instruments of the entity must always be accounted for as equity-settled share-based payment transactions even if the entity buys those instruments from another party or the shareholders provide the equity instruments needed. Since this view held by the IFRIC is consistent with the accounting practices applied in the group, the first-time application of this interpretation did not have any effect on the group's assets, liabilities, financial position, or results of operation.

In addition, the group made an early application of the following standards and interpretations on January 1, 2008:

IFRS 8 “Operating Segments”: IFRS 8 was published in November 2006 and applies for the first time to fiscal years commencing on or after January 1, 2009. According to IFRS 8, companies must disclose the segment information on the basis of the information available to the highest instance of executive power for the operational business. init already started applying this standard in 2008. Since the standard applies to disclosure obligations, its application has no effect on the group’s assets, liabilities, financial position and earnings situation.

The group did not opt for an early application of the following standards and IFRIC interpretations which have already been issued but have not yet become effective. The following differentiation was made:

IFRS and IFRIC interpretations adopted by the EU under the comitology procedure which have not yet become effective:

IAS 23 “Borrowing Costs”: The revised standard IAS 23 was published in March 2007 and applies for the first time in the period under review, which commences on or after January 1, 2009. The standard rescinds the previous right of option and requires a capitalization of borrowing costs that relate to qualifying assets. Qualifying assets are defined as assets that take a substantial period of time to get ready for use or sale. The standard stipulates a prospective application of the revised regulation. The application of this standard will not significantly affect the consolidated financial statement.

IAS 1 “Presentation of Financial Statements”: The revised standard IAS 1 was published in September 2007 and applies for the first time in the reporting period commencing on or after January 1, 2009. The main changes relate to the presentation and disclosure of financial information in financial statements. In future, the equity change account may only include those business transactions with the equity holders that are made in their capacity as equity holders. The other equity changes must be indicated in the presentation of the overall period result. This can be presented either in the form of an individual breakdown or in the form of two breakdowns, i.e. a consolidated statement of operations and a presentation of the overall result for the period. In addition, this standard allows a business enterprise to commence a balance sheet at the beginning of the earliest comparative period in its financial statement if it uses an accounting method with retroactive effect or if it adjusts or reclassifies items in the financial statement with retroactive effect. The new standard will affect the method of disclosing financial information of the group, but not the recognition and measurement of assets and liabilities in the consolidated financial statements.

Amendments to IFRS 1 and IAS 27 – “Cost of an Investment in a Subsidiary, Jointly Controlled Equity or Associate” – The amendments to IFRS 1 and IAS 27 were published in May 2008 and shall apply for the first time in the reporting period commencing on or after January 1, 2009. The amendments to IFRS 1 enable a business enterprise to also determine acquisition costs for holdings in subsidiaries, jointly managed companies or associated companies in its IFRS opening balance-sheet either using the amounts reported according to previously used statutory accounting requirements or using the current market value as a substitute for procurement costs (deemed cost). The amendments to IAS 27 solely concern the individual, separate financial statements of a parent company and, in particular, stipulate that all dividends from subsidiaries, jointly managed companies and associated companies are reported as a profit or loss for the current period in the individual, separate financial statement. The transitional regulations basically provide for a prospective application. The new requirements solely affect the separate financial statement of the parent company and have no effect on the consolidated financial statement.

Amendments to IFRS 2 “Vesting conditions and cancellations”: The amendment to IFRS 2 was published in January 2008 and shall apply for the first time in the reporting period commencing on or after January 1, 2009. The revision has a twin objective: firstly, it clarifies the definition of vesting conditions and, secondly, it regulates how the termination by employees of share-based payment schemes is to be accounted on the balance sheet. The transitional regulations provide for a retrospective application of the new ruling. These amendments do not have any significant effect on the consolidated financial statement.

IAS 32 “Financial instruments”: Presentation and IAS 1 presentation of the financial statement – puttable financial instruments and obligations arising on liquidation. These amendments to IAS 32 and IAS 1 were published in February 2008 and shall apply for the first time to fiscal years commencing on or after January 1, 2009. The revisions allow a small extent of exceptions that permit terminable financial instruments to be classified as equity capital given that they satisfy certain criteria. The amendments of the standards will not affect the assets, liabilities, financial position and earnings situation of the corporate group because the group has not issued this kind of financial instruments.

IFRIC 13 “Customer Loyalty Programs”: IFRIC interpretation 13 was published in June 2007 and applies for the first time to fiscal years commencing on or after July 1, 2008. According to this interpretation, entities that grant loyalty award credits to customers are required to account for these as revenue as a separate component of the sale transaction within the scope of which they were granted. Consequently, they are required to allocate a part of the current market value of the proceeds to the award credits as a liability. The entity must recognize the deferred portion of the proceeds in the period in which the award credits granted are used or forfeited. Since the group does not currently operate any customer loyalty programs, this interpretation is not expected to affect the group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – IFRIC interpretation 14 was published in July 2007 and applies with the commencement of the first fiscal year after December 31, 2008, at the latest. This interpretation provides guidelines on determining the limit on the amount of the surplus under a defined benefit plan that can be recognized as an asset under IAS 19 Employee Benefits. Since the group does not currently have assets used specifically for the purpose of financing and securing pension payments (within the meaning of the definition of Plan Assets under IAS 19), this interpretation is not expected to affect the consolidated financial statements.

Improvements to IFRS 2008

Annual amendment procedure: On May 22, 2008, in the context of the first annual amendment procedure, IASB published the first final standard with amendments to existing IFRS (“Omnibus Standard”). The annual amendment procedure is an annual project through which non-urgent but necessary amendments in standards are made. These amendments predominantly concern clarifications and the removal of inconsistencies. The following amendments are cited in particular, although these predictably do not have any significant effect on the company’s consolidated financial statement:

IAS 1 “Presentation of Financial Statement”: It was clarified that it is not absolutely necessary for financial instruments that are classified as being held for commercial purposes to be indicated on the balance sheet as current assets or liabilities. The categorization as “current” is solely governed by the delimitation criteria in IAS 1.

IAS 10 “Events after the Balance Sheet Date”: It was clarified that dividends that were agreed after the cutoff date but before approval for publication do not constitute a liability on the cutoff date and, therefore, are not reported as debts in the financial statement.

IAS 19 “Employee Benefits”: In addition to reworking several definitions, it was also clarified that any changes of plan that result in a reduction of the remuneration for work to be performed in future periods are to be carried on the balance sheet as planned reductions. Conversely, changes of plan whereby the pay cut relates to work already performed are to be reported as labor expenses to be calculated retrospectively.

IAS 28 “Investments in Associates”: Since the goodwill included in the book value of an interest in an associated company is not indicated separately, it is therefore not separately checked for any impairment of value. Instead, the entire book value of the interest is put through the impairment test as a single asset and its value reduced if necessary. It has now been clarified that if a previously written down interest in an associated company is reinstated back to its original value, this is also to be reported as an overall increase in this interest and is not to be distributed to any goodwill it contains.

IAS 36 “Impairment of assets”: The disclosure requirements for determining the use-value and for determining the current market value less the disposal costs, calculated on the basis of the discounted cash flow model, have been unified.

IAS 38 “Intangible assets”: As a result of this revision, the advertising expenditure is now always calculated to an earlier deadline. The performance-dependent amortization method shall continue to be used in future, which will foreseeably lead to lower amortization amounts in a given reporting period. The group has reassessed the effective life of its intangible assets and has concluded that the linear amortization method still continues to be appropriate.

IAS 39 “Financial Instruments: Recognition and Measurement”: In future, due to changed circumstances after their initial recording, derivatives can be designated as valued with effect on the current period at the current market value, or can be removed from this category if it does not concern a rededication in the sense of IAS 39. Furthermore, the note indicating a “Segment” in conjunction with the statement of whether an instrument fulfils the criteria of a hedging tool has been deleted. In addition, it was also clarified that when valuing a securitized liability after preparing the balance sheet as a fair value hedge, the recalculated effective interest rate is to be used.

IFRS and IFRIC Interpretations that have not yet become effective and have not yet been adopted by the EU under the comitology procedure:

The following standards and interpretations have not yet been endorsed by the EU and are not applied by the group.

Amendments to IAS 27 “Consolidated and Separate Financial Statements According to IFRS” and IFRS 3 “Business combinations”: The IASB published these two revised standards in January 2008. The main alterations relate to the following topics: cost of company acquisition; full goodwill method; reporting “step acquisitions” of shares; reporting changes to the shareholding in subsidiaries without loss of control; and the scope of IFRS 3. The revised versions of IAS 27 and IFRS 3 stipulate mandatory application for fiscal years commencing on or after July 1, 2009. The amended standards will affect the balance sheet preparation of future company acquisitions and can therefore only be fully estimated when such a case arises.

IAS 39 “Financial instruments: Recognition and Measurement”: The IASB published a supplement to IAS 39 in July 2008. The relevant revisions firm up the principles for reporting hedge accounting with respect to two specific issues. The amendments to IAS 39 are to be applied retrospectively to fiscal years commencing on or after July 1, 2009. This supplement will not foreseeably have any effect on the company’s consolidated financial statement.

IFRS 1 “First-Time Application of IFRS”: The revised standard IFRS 1 was published in November 2008 and is to be used for the first time in the reporting period commencing on or after January 1, 2009. The revision of the standard solely covered editorial changes and a restructuring of the standard. The revision does not result in any amendments to accounting practices and valuation regulations for first-time users of IFRS. The standard is aimed at first-time users of IFRS and therefore does not affect company’s consolidated financial statement.

IFRIC 12 “Service Concession Arrangements”: The scope of IFRIC 12 is limited to the reporting of service licenses (for instance for operating motorways or hospitals) from the licensee’s point of view and exclusively deals with agreements with public licensors. IFRIC 12 is mandatory for fiscal years commencing on or after January 1, 2008 and, since its scope does not apply to the company, it does not affect the company’s consolidated financial statement.

IFRIC 15 “Agreements for the Construction of Real-Estate”: IFRIC 15 regulates the reporting of real-estate purchases whereby the contract is signed with the buyer before completion of building work. IFRIC 15 is effective for fiscal years commencing on or after January 1, 2009 and, since its scope does not apply to the company, it does not affect the company’s consolidated financial statement.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”: IFRIC 16 regulates individual questions that have arisen in connection with hedging a net investment in a foreign operation. IFRIC 16 is effective for fiscal years commencing on or after October 1, 2008, and, since its scope does not apply to the company, does not foreseeably affect the company’s consolidated financial statement.

IFRIC 17 “Distributions of Non-cash Assets to Owners”: The interpretation particularly regulates the reporting and valuation of an obligation for the distribution of non-cash assets, which is to be valued at the current market value when the distribution is no longer at the discretion of the business entity. IFRIC 17 is effective for fiscal years commencing on or after July 1, 2009 and does not foreseeably affect the company’s consolidated financial statement since no non-cash dividends are to be expected.

IFRIC 18 “Transfers of Assets from Customers”: This interpretation is particularly relevant in the supply sector. IFRIC 18 clarifies the IFRS regulations for agreements whereby a business entity receives an item of property, plant or equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. IFRIC 18 is effective for fiscal years commencing on or after July 1, 2009. Since its scope does not apply to the company, this interpretation does not affect the company’s consolidated financial statement.

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

1. Divisions and Basic Structure of the Company

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

init AG is a listed company, ISIN-Nr. DE0005759807, and has been in the segment of the regulated market with further post-admission requirements (Prime Standard) since January 1, 2003.

2. Mergers and Acquisition of Majority Shares

Consolidated Group
Fully consolidated companies: The group of consolidated companies of init AG comprises the subsidiaries INIT GmbH, Karlsruhe, 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 LTD"), Init Innovation in Traffic Systems FZE, Dubai ("Init FZE"), and initplan GmbH, Karlsruhe ("initplan"), all of which are fully owned by init AG. Further fully consolidated companies are CarMedialab GmbH, Bruchsal ("CarMedialab"), in which init AG holds 58.1% of the shares, and TQA Total Quality Assembly LLC, Chesapeake/Virginia, USA ("TQA"), in which INIT Inc. holds 60% of the shares.

Associated companies: init AG holds 44% of the shares in id systeme GmbH, Hamburg ("id systeme"), and INIT GmbH holds 43% of the shares in iris GmbH infrared & intelligent sensors, Berlin ("iris"). The associated companies are included at equity in the consolidated financial statement.

The fiscal year of all included companies ends on December 31.

Company formations in 2008
There were no company formations in the 2008 fiscal year.

Company formations in 2007
INIT PTY LTD was formed on May 18, 2007, and Init FZE on November 12, 2007. Both companies handle the sales and project activities of the init group in the Oceanic market and the Middle East. init AG holds 100% of the voting rights in each company. The total cost of these company acquisitions amounted to 249 kEUR and is attributable to the capital contributions relating to these companies (Init FZE 190 kEUR, INIT PTY 59 kEUR).

Mergers in 2008
Acquisition of the business segment "Interplan": The object of initplan GmbH is the development and implementation of planning software for transportation companies.

With effect as of January 1, 2008, initplan GmbH acquired the init-owned software MOBILE-PLAN from INIT GmbH and the planning software Interplan from PTV AG in Karlsruhe. The acquisition costs for the Interplan business segment were 100 kEUR.

The fair values at the time of acquisition are as follows:

	Scheduled at acquisition EUR ´000
Licenses	100

Cash outflow due to acquisition of business segment:

	EUR ´000
Cash outflow	-100

No goodwill or intangible assets, which would have to be reported separately under IAS 38, were identified.

Mergers in 2007

There were no company mergers within the meaning of IFRS 3 in 2007.

3. Formal Statement

For the sake of clarity of the statement, individual items in the balance sheet and the consolidated statement of operations have been combined; these are shown and explained separately in the Appendix. The consolidated statement of operations was prepared on the basis of the cost-of-sales format.

4. Principles of Accounting and Valuation

Consolidation Principles

The annual 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 on 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 at the time of acquisition of the shares or the initial consolidation. The recognizable assets, liabilities and contingent claims and liabilities of the subsidiaries are valued at their full market value irrespective of the amount of the minority share. Intangible assets are reported separately from the goodwill if they are separable from the company or result from a contractual or other right. All positive differences (goodwill) arising from the initial consolidation are capitalized and subjected to an impairment test in line with IFRS 3 "Business Combinations"/ IAS 36 "Impairment of Assets" (revised in 2004). Negative differences are recognized in the profit and loss immediately after the acquisition. In case of de-consolidations, 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.

Conversion of Foreign Currency

The financial statements of the subsidiaries of the company are prepared in their functional currency according to IAS 21 "The Effects of Changes in Foreign Exchange Rates" (revised in 2004). The functional currency of INIT Inc., TQA, Eastern Canada Inc., Western Canada Inc., INIT PTY and Init FZE corresponds to its national currency. When converting financial statements in a foreign currency to the currency of the init group (Euro), the assets, the shareholder's equity, and the liabilities are converted using the current rate on the cutoff date. Items of the consolidated statement of operations are converted taking as the basis the average currency exchange rate of the year. The resulting conversion differences are shown cumulatively in a separate item in the shareholders' equity (Other provisions).

	Annual averages		Rate on cutoff date	
	2008	2007	2008	2007
1 EUR equals in US dollars	1.4633	1.3707	1.4094	1.4729
1 EUR equals in CAN dollars	1.5579	1.4692	1.7223	1.4464
1 EUR equals in AUS dollars	1.7318	1.6230	2.0408	1.6818
1 EUR equals in Dirham	5.3726	5.3701	5.1760	5.4115

Estimates and Assumptions

To a certain degree, the preparation of the consolidated financial statements requires estimates and assumptions to be made by the Managing Board that affect the amount of the assets and liabilities reported on the balance sheet, the specification of contingent liabilities as of the cutoff date, and the statement of income and expenditure during the period under review. The actual amounts may deviate from these estimates.

The most important forward-looking assumptions and any other significant sources of uncertainty in the estimations that exist on the reporting date which could give rise to the risk of having to adjust the book value of assets and liabilities in the next fiscal year are explained below.

Impairment of Goodwill

At least once a year, the group checks whether the goodwill is impaired in value. This check requires an estimation of the use value of the cash-generating units to which the goodwill is allocated. To this end, the corporate management must estimate the foreseeable future cash flows of the cash-generating units and, in addition, must also select an appropriate discount rate in order to calculate the cash value of these cash flows. On December 31, 2008, the book value of the goodwill was 2.081m EUR (previous year: 2.081m EUR). For further information, please refer to section 23 in the Appendix.

Pensions and Other Payments after Ending the Employment Relationship

The expenditure from defined-benefit plans is calculated using actuarial methods, made on the basis of assumptions relating to discount rates, future wage and salary increases, mortality and future pension increases. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainties. On December 31, 2008, the accruals for pension liabilities were 2.082m EUR (previous year: 2.010m EUR). For further information, please refer to section 30 in the Appendix.

Development Costs

Development costs are capitalized as per the accounting principles and valuation methods presented under section 4 in the Appendix. To calculate the values to be capitalized, the corporate management must make assumptions on the amount of cash flow expected in future from assets, on the interest rates to be applied and on the time frame for the influx of expected future cash flows generated by assets.

In our best estimation, the book value of the capitalized development costs is 3.120m EUR on December 31, 2008 (previous year: 2.969m EUR).

Assumptions and estimations are also necessary for reporting and valuing future receivables from long-term order completion, for value adjustments on doubtful receivables and for contingent liabilities and other provisions. They are also needed when determining the current market value of non-current tangible and intangible assets and when applying deferred taxes to tax losses carried forward (we refer here to section 4 in the Appendix).

Realization of Income

Income is realized if it is probable that the economic benefit will flow to the corporation and the amount of income can be measured with reliability. In addition, the following recognition criteria must be met to allow income to be realized:

Income from system contracts are recorded using the percentage-of-completion method. The percentage of completion of orders in progress and such not yet invoiced at the cutoff date is determined by the ratio of costs accrued to the total costs ("cost-to-cost" method).

Income from product sales is realized upon transfer of the key risks and opportunities. Where the installation at the customer's place of business is an important prerequisite for the commissioning, the revenues are not realized until the installation has been completed.

Interest income is realized where interest has accrued.

Income from dividends is reported once the group has a legitimate claim for payment.

Research and Development Costs

Research and always also development costs are entered as expenses as incurred. In certain cases, development costs are capitalized (please refer to the explanations on other intangible assets).

Advertising Costs

Advertising costs are entered as expenses incurred.

Cash and Cash Equivalents

The cash and cash equivalents comprise short-term highly liquid funds with original maturities of less than three months from the date of acquisition.

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. Financial investments other than those reported at their current market value affecting the current-period result are also taken into account with transaction costs attributable directly to the acquisition of the asset. The group specifies the classification of its financial assets on initial recognition and is required to review the allocation at the end of each fiscal year, where permissible and appropriate.

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

The current market value of financial investments traded in organized markets is determined using the current price (buying rate) quoted on the cutoff date. The current market value of financial investments without an active market is determined using valuation methods. These valuation methods include the use of recent business transactions between competent and independent business partners willing to enter into a contract, the comparison with the current market value of another, basically identical, financial instrument, the analysis of discounted cash flows, and the use of other valuation models.

Securities

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

Loans and Trade Accounts Receivable

Loans and trade accounts receivable are non-derivative financial assets with fixed or estimable payments not listed in an active market. After initial inclusion, the loans and receivables are reported at net book value less impairment. Profits and losses are entered in the operating result related to the accounting period if the loans and receivables are charged off or impaired, and within the scope of amortizations. 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.

Derivative Financial Instruments and Hedge Accounting

The group uses derivative financial instruments such as forward exchange contracts, currency options and swap transactions to hedge against currency risks. These derivative financial instruments are reported at their current market value at the time of conclusion of the contract and in the following periods, are measured at their current market value. Derivative financial instruments are reported as assets if their current market value is positive, and as liabilities, if their current market value is negative.

Profits or losses from changes in the current prices of derivative financial instruments not meeting the hedge accounting criteria are 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 always has a counter-effect on the net income realization.

The current price of forward exchange contracts is determined with reference to the current forward exchange rates for contracts with similar maturity structures.

The group currently abstains from presenting this as hedge accounting and takes changes in market values relating to forward exchange transactions into account in the net earnings.

Inventories

Inventories are valued at their acquisition and production costs or the lower net sales price realizable on the cutoff date at the time of their addition. If the net sales price of inventories previously written down has increased, their value is increased appropriately. The production costs comprise both direct costs and the manufacturing and material overheads incurred in production, any depreciations and other production-related expenses. Cost of debt is reported as an expense in the period in which the debts were accrued.

Impairment losses are recognized where necessary.

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 a period of between three and five years. The depreciation of fixed assets is included in the consolidated statement of operations under “Cost of revenues”, “Sales and marketing expenses” and “Administrative expenses”.

Buildings	50 years
Buildings on third-party land	9-10 years
Plant and machinery	3-5 years
Other installations, factory and office equipment	3-10 years

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 claims and 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 purchase costs for the new “Microsoft Axapta” ERP system are amortized over 5 years. The amortizations of purchased intangible assets are included in the consolidated statement of operations under “Cost of revenues”, “Sales and marketing expenses” and “Administrative expenses”.

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

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

After initial recognition of the development costs, the cost method is used according to which the asset is reported at purchase cost less accumulated amortization and accumulated impairment losses. Software development costs are amortized per product using straight-line depreciation over a maximum period of five years. The depreciation and amortization commence at the time of sale to the customer and are included under “Cost of revenues”. Furthermore, capitalized software development costs are checked for impairment of value if events or changes have occurred which suggest that the net book value of an assets could have reduced. Irrespective of this, these costs are subjected to an impairment test at least once a year until the time of sale to the customers.

Shares in Associated Companies

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

Public Subsidies

Public subsidies (government grants for a research project) are recorded if it has been established with reasonable certainty that the subsidies will be granted and the company meets the relevant requirements. The expense-related subsidies are recorded as income as planned over the period required to offset them against the appropriate expenses which they are to compensate.

Impairment of Assets

Durable and intangible assets including goodwill are checked for impairment of value if events or changes have occurred which suggest that the net book value of an assets can no longer be realized (impairment test). Where the facts and circumstances indicate that an impairment of value has occurred, the net book values of the assets are compared with their prospective future income. If necessary, their lower of cost or market value is depreciated accordingly.

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" to account for the tax consequences of differences between the balance sheet valuations of the assets and liabilities and the corresponding tax assessment bases, and tax losses carried forward. The deferred tax assets and deferred tax liabilities are calculated on the basis of the prevailing tax rates for the taxable profit in the year in which the differences are expected to be leveled. The effect of changes in the tax rates on deferred tax assets and deferred tax liabilities is accounted for in the period in which the amendment of the law takes effect. The income tax rate taken as the basis was 30.0%. Deferred tax assets for unused tax losses carried forward of a subsidiary are recorded to the extent that taxable income is likely to be available for these, so that the loss carried forward can actually be used.

Liabilities

Liabilities are carried at net book value.

Pension Accruals

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

Other Provisions

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

Notes on the Consolidated Statement of Operations

5. Revenues

The revenues include both deliveries and services already invoiced and such resulting from the percentage of completion method. The revenues from the application of the percentage of completion method totaled 26.504m EUR (previous year 13.671m EUR).

6. Cost of Revenues

The costs of revenues are composed as follows:

	2008 EUR '000	2007 EUR '000
Cost of materials and purchased services	21,892	18,963
Personnel expenses	10,730	8,224
Depreciation	1,277	1,160
Valuation adjustments on inventories	724	3
Other	4,146	1,875
Total	**38,769**	**30,225**

7. Research and Development Costs

	2008 EUR '000	2007 EUR '000
Software development	1,634	1,506
less capitalized software development expenses as per IAS 38	-670	-415
Hardware development and research costs	407	753
Total	**1,371**	**1,844**

8. Other Operating Income

This item includes 0 kEUR (previous year: 0 kEUR) from public subsidies for a research project.

9. Foreign Currency Gains and Losses

	2008 EUR '000	2007 EUR '000
Unrealized currency gains/losses from derivative financial instruments, receivables and liabilities	163	-200
Balance of realized currency gains and losses	1,021	-812
Currency gains/losses from consolidation transactions	374	8
Total	**1,558**	**-1,004**

10. Income from Associated Companies

	2008 EUR '000	2007 EUR '000
Income from the "at equity" method	**276**	**436**

11. Other Income and Expenses

The other income and expenses consist mainly of income from the asset value adjustment of life assurances serving as pension liability insurances. The increase in asset values in the fiscal year totaled 177 kEUR (previous year: 172 kEUR).

12. Income Taxes

	2008 EUR '000	2007 EUR '000
Current income taxes	2,481	2,134
Deferred income taxes	-101	-383
Total	**2,380**	**1,751**

The tax expenditure resulting from the application of the tax rate of init AG changes to income tax expenditure as follows:

	2008 EUR '000	2007 EUR '000
Profit before income tax	8,292	7,077
Theoretical income tax expenditure/yield at 30.0% (2007: 38.9%)	2,488	2,753
Used tax loss carryforwards	-1	-35
Tax rate differences – foreign subsidiaries	-133	-44
Tax effect of the non-deductible/taxed expenses and income	31	31
Tax effects of tax-free increases in net worth	0	-97
Taxes unrelated to accounting period	133	-300
Effect of tax rate adjustments	0	-378
Tax effects from results of associated companies	-83	-170
Other	-55	-9
Effective income tax expenditure at 28.7% (2007: 24.7%)	**2,380**	**1,751**

13. Net Earnings and Losses from Other Financial Assets and Liabilities

The net earnings from the other financial assets and liabilities are as follows:

	2008 EUR '000	2007 EUR '000
Loans and receivables	410	-456
Financial assets available for sale	0	263
Financial liabilities recognized at cost	97	-552
Financial assets and liabilities reported at their current market value affecting the current-period result	319	137
Total	**826**	**-608**

In addition to successful disposals, impairments and reinstatements of original values, the net earnings from the loans and receivables also include foreign currency effects.

The net profit and loss of the financial assets and liabilities reported at their current market value affecting the current-period result essentially include the results from changes in the market value.

14. Earnings Per Share

The net earnings per share are calculated by dividing the consolidated annual net profit by the weighted number of shares outstanding. Since init AG did not issue any stock options on the cutoff dates, the diluted earnings per share could not be calculated.

	2008	2007
Consolidated earnings in EUR '000	5,912	5,223
Consolidated earnings adjusted for special influences in EUR '000	5,912	5,223
Weighted average number of shares issued	9,859,474	9,725,453
Undiluted earnings per share in EUR	0.60	0.54
Undiluted earnings per share adjusted for special influences in EUR	0.60	0.54

15. Paid and Proposed Dividends

	2008 EUR '000	2007 EUR '000
Ordinary dividends declared and paid during the fiscal year	1,378	967
Ordinary dividends proposed at the shareholders' meeting for approval (on December 31, not reported as liability)		
Dividend for 2008: 16 Cents per share (2007: 14 Cents per share)	1,580	1,378

16. Personnel Expenses

The personnel expenses totaled 18.225m EUR (previous year: 15.402m EUR).

Notes on the Consolidated Balance Sheet

17. Cash and Cash Equivalents

	2008 EUR '000	2007 EUR '000
Deposits with credit institutions (current accounts)	2,697	1,514
Short-term deposits (fixed-term deposits/call money)	4,109	2,234
Total	**6,806**	**3,748**

Deposits with credit institutions bear interest at variable rates for demand deposits. Short-term deposits are for different periods which, depending on the respective cash requirement of the group, can range from one day to three months. These bear interest at the rate applicable to short-term deposits at that time. The fair value of the cash and cash equivalents is 6.806m EUR (previous year: 3.748m EUR).

18. Securities

This item refers to shares with a total current market value of 14 kEUR (previous year: 35 kEUR). The loss of the securities before deferred taxes reported directly in the equity capital in 2008 amounted to 26 kEUR (previous year: 3 kEUR). There was no sale of securities in the year under review. In the previous year, 52 kEUR of losses were taken out of the shareholders' equity and transferred to the net result for the period via the sale of securities.

19. Trade Accounts Receivable

	2008	2007
	EUR '000	EUR '000
Trade accounts receivable, gross	9,581	5,134
Less cumulative value adjustments	-116	-49
Subtotal	9,466	5,085
Future receivables from production orders	16,923	14,871
Total	**26,389**	**19,956**

The value adjustments for trade accounts receivable developed as follows:

	2008	2007
	EUR '000	EUR '000
As of 1 January	49	181
Transfer to expenditure	132	17
Utilization	0	-5
Release	-72	-150
Currency effects	7	6
As of December 31	**116**	**49**

On December 31, the age structure of trade accounts receivable was as follows:

	Book value	Adjusted accounts receivable	Neither delinquent nor impaired	Delinquent but not value-impaired				
				< 30 days	30-60 days	60-90 days	90-180 days	> 180 days
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2008	26,389	124	21,840	2,676	981	483	388	13
2007	19,956	67	18,389	958	121	177	208	85

On the cutoff date, there were no indications to suggest that the debtors of the receivables not subject to value impairment would not meet their financial obligations.

General portfolio allowances were not set up on account of the lack of history.

The other accounts receivable were neither delinquent nor value-impaired.

Production Orders

The production orders valued on the cutoff date using the percentage of completion method but not yet invoiced are as follows:

	12/31/2008	12/31/2007
	EUR '000	EUR '000
Costs accrued plus profits from projects not yet invoiced	19,431	21,179
less progress payment invoices	-7,770	-7,125
Balance	**11,661**	**14,054**
Of which: future receivables from production orders	16,923	14,871
Of which: liabilities from percentage of completion (see Liabilities)	5,262	817

20. Inventories

	2008	2007
	EUR '000	EUR '000
Raw materials and supplies	256	257
Goods (reported at net sales price)	6,345	5,066
Work in process (reported at production cost)	842	832
Deposits received	-819	-832
Deposits paid	1,061	501
Total	**7,685**	**5,824**

A total of 724 kEUR (previous year: 3 kEUR) for inventory depreciation were recorded as expenses. The expenses are included in the "cost of revenues".

21. Other Current Assets

	2008	2007
	EUR '000	EUR '000
Derivative financial instruments	849	378
Accruals	115	215
Tax refund claims	336	565
Loans	75	0
Due from personnel	76	60
Prepayments	0	110
Other	365	91
Total	**1,816**	**1,419**

On the cutoff date, there were no indications to suggest that the value of the other assets was impaired.

22. Tangible Fixed Assets

2008	Land and buildings	Technical installation, plant and machines	Factory and office equipment	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Book value January 1, 2008	2,604	157	1,103	3,864
Additions	731	7	1,042	1,780
Disposals at book values	-39	0	-269	-308
Impairment losses	0	0	0	0
Depreciation	-88	-42	-554	-684
Net currency differences	49	-9	263	303
Book value December 31, 2008	**3,257**	**113**	**1,585**	**4,955**
Gross book value December 31, 2008	3,535	316	5,825	9,676
Accumulated depreciation and impairment losses	-275	-203	-4,219	-4,697
Currency differences	-3	0	-21	-24
Book value December 31, 2008	**3,257**	**113**	**1,585**	**4,955**

2007	Land and buildings	Technical installation, plant and machines	Factory and office equipment	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Book value January 1, 2007	547	108	679	1,334
Additions	2,171	100	841	3,112
Disposals at book values	0	-1	-27	-28
Impairment losses	0	0	0	0
Depreciation	-59	-42	-395	-496
Net currency differences	-55	-8	5	-58
Book value December 31, 2007	**2,604**	**157**	**1,103**	**3,864**
Gross book value December 31, 2007	2,813	319	5,015	8,147
Accumulated depreciation and impairment losses	-211	-173	-3,964	-4,348
Currency differences	2	11	52	65
Book value December 31, 2007	**2,604**	**157**	**1,103**	**3,864**

The tangible fixed assets essentially concern the administration building at Käppelestr. 4, two residential buildings, office equipment and technical installations. The depreciation follows the straight-line method over the asset depreciation period. The depreciation in 2008 totaled 684 kEUR (previous year: 496 kEUR) and is included in the consolidated statement of operations under "Cost of revenues", "Sales and marketing expenses" and "Administrative expenses".

23. Intangible Assets

2008	Goodwill	Other intangible assets: Internally created software	Other intangible assets: Licenses	Total of other intangible assets
	EUR '000	EUR '000	EUR '000	EUR '000
Book value January 1, 2008	2,081	2,969	670	3,639
Additions	0	670	274	944
Disposals at book values	0	0	-1	-1
Impairment losses	0	0	0	0
Depreciation	0	-519	-369	-888
Net currency differences	0	0	1	1
Book value December 31, 2008	**2,081**	**3,120**	**575**	**3,695**
Gross book value December 31, 2008	2,081	9,111	2,529	11,640
Accumulated depreciation and impairment losses	0	-5,972	-1,951	-7,923
Currency differences	0	-19	-3	-22
Book value December 31, 2008	**2,081**	**3,120**	**575**	**3,695**

2007	Goodwill	Other intangible assets: Internally created software	Other intangible assets: Licenses	Total of other intangible assets
	EUR '000	EUR '000	EUR '000	EUR '000
Book value January 1, 2007	2,081	3,111	618	3,729
Additions	0	415	316	731
Disposals at book values	0	0	-4	-4
Impairment losses	0	0	0	0
Depreciation	0	-557	-262	-819
Net currency differences	0	0	2	2
Book value December 31, 2007	**2,081**	**2,969**	**670**	**3,639**
Gross book value December 31, 2007	2,081	8,422	2,252	10,674
Accumulated depreciation and impairment losses	0	-5,503	-1,596	-7,099
Currency differences	0	50	14	64
Book value December 31, 2007	**2,081**	**2,969**	**670**	**3,639**

Impairment of Value of Goodwill

To check for impairment of value, the goodwill acquired within the scope of mergers was allocated to the following two cash-generating units as segments subject to reporting requirements:

- Cash-generating unit “Telematics and Electronic Fare Collection Systems” and
- Cash-generating unit “Other”, comprising planning systems and the automotive segment.

Book value of the goodwill allocated to the respective cash-generating units:

	2008 EUR '000	2007 EUR '000
Telematics and Electronic Fare Collection Systems	1,877	1,877
Other	204	204
Total	**2,081**	**2,081**

The recoverable amount of the above cash-generating units is determined on the basis of the calculation of a use value using cash flow projections based on budgetary accounting approved by the Managing Board for a period of three years. Steady cash flows were shown for the following period. The interest rate applied for the discounting is 13.6% before taxes.

The following assumptions taken as a basis for the calculation of the use value of the two units "Telematics and Electronic Fare Collection Systems" and "Other" involve forecast uncertainties:

> Revenues
> Gross operating result on sales
> Discount rate

Revenues: Revenues are estimated on the basis of the order volume, the open and announced tenders, submitted offers, and past experiences.

Gross operating result on sales: The gross operating result on sales is determined using the average values of the three fiscal years prior to the planning period. For the cash-generating "Telematics and Electronic Fare Collection Systems" unit, the factor applied was 32.7% and for "Other" it was 37.5%.

Discount rate: The discount rate reflects the estimate of the company management in regard to the risks relating to the two cash-generating units. A uniform interest rate of 9.5% (without growth deduction) after taxes was applied to both cash-generating units, which consists of a basic interest rate of 4.5% a risk premium of 5.0 % and a growth discount of 1.0%.

Sensitivity of the assumptions made: The company management does not believe that any rational change in regard to the basic assumptions made to determine the use value of the cash-generating units could lead to a higher book value of the cash-generating units than their recoverable amount.

Other Intangible Assets

In-house software: The main components here are the software development costs capitalized in compliance with IAS 38 "Intangible Assets" to the amount of 3.12m EUR (previous year: 2.969m EUR) for the products JANET Level IV, COPILOTpower, APC, MOBILEvario Level II, COPILOTpc/touch, PIDmobil, PIDstation, and NAVIGATION.

In 2008, the amortization of the capitalized amounts totaled 519 kEUR (previous year: 557 kEUR). Amortization costs were not recorded. The amortization of internally generated software is included in the consolidated statement of operations under "Cost of revenues".

The capitalized software developments of JANET Levels I, II and III, MOBILE-PLAN Levels I and II, TOUCHmobil Levels I and II, MOBILEvario Level I, and MOBILE-PARAnet have now been fully amortized.

Licenses: The other intangible assets further include external software costs such as licenses, consulting and programming and the internal costs for the programming, implementation and installation of third-party software in the amount of 575 kEUR (previous year: 670 kEUR). The amortization of the capitalized amounts in 2008 totaled 369 kEUR (previous year: 262 kEUR) and is included in the consolidated statement of operations under “Cost of revenues”, “Sales and marketing expenses” and “Administrative expenses”.

24. Shares in Associated Companies

The associated companies are not publicly listed. The following table contains summarized financial information on these associated companies:

		Balance-sheet total 12/31 EUR ‘000	Equity 12/31 EUR ‘000	Total liabilities 12/31 EUR ‘000	Revenues EUR ‘000	Profit EUR ‘000
iris	2008	5,033	3,071	1,962	6,466	369
	2007	5,103	2,961	2,142	7,058	544
id systeme	2008	1,324	461	863	2,567	268
	2007	1,493	593	900	2,810	459
Totals	**2008**	**6,357**	**3,532**	**2,825**	**9,033**	**637**
	2007	**6,596**	**3,554**	**3,042**	**9,868**	**1,003**

Writedowns of the shares in associated companies were not required.

The fiscal year of all associated companies ends on December 31.

The object of iris GmbH is the development, production and sale of sensors, and sensor- and information-processing systems. In 2008, the pro-rata result from this equity consolidation amounted to 158 kEUR (previous year: 234 kEUR). A distribution of 121 kEUR was made in the fiscal year (previous year: 0 kEUR).

The object of id systeme is the production, further development and maintenance of EDP programs, the sale of its own and third-party EDP programs, and the provision of accompanying services. The goodwill included in the purchase price amounted to 267 kEUR. The pro-rata result from the equity consolidation in 2008 totaled 118 kEUR (previous year: 202 kEUR). A distribution of 189 kEUR was made in the fiscal year (previous year: 0 kEUR).

25. Deferred Taxes

	Consolidated balance-sheet		Consolidated statement of operations	
	12/31/2008	12/31/2007	2008	2007
	EUR '000	EUR '000	EUR '000	EUR '000
Deferred tax assets				
Pension accruals	120	120	0	-42
Provisions	215	77	138	41
Derivatives	33	0	33	0
Differences acc. to tax law of foreign group companies and IFRS	367	94	204	0
Consolidation transactions	60	5	55	-2
Foreign currency assets and liabilities	94	88	6	54
Other	8	0	8	0
Loss carried forward	165	165	0	165
Total deferred tax assets	**1,062**	**549**		
Deferred tax liabilities				
Capitalized software	936	891	-45	319
Application of POC method	662	536	-126	-152
Loss-free valuation	13	0	-13	1
Foreign currency assets and liabilities	74	0	-74	0
Low-value fixed assets	23	27	4	0
Differences acc. to tax law of foreign group companies and IFRS	0	7	7	0
Derivatives	255	113	-142	0
Goodwill	25	21	4	2
Other current assets	0	12	12	-12
Pension accruals	72	40	7	9
Consolidation transactions	-23	0	23	0
Total deferred tax liabilities	2,037	1,647		
Deferred tax expenditure/income			**101**	**383**

Deferred tax assets amounting to 165 kEUR were accrued for previously unused tax losses carried forward at a subsidiary. On December 31, 2008, the unused corporation tax loss carried forward was 550 kEUR (previous year: 623 kEUR).

On December 31, 2008, there were no deferred tax liabilities on retained earnings of subsidiaries on the grounds that appropriate distributions are not planned for the foreseeable future. If such distributions were made, the tax burden would be insignificant for the group. The temporary differences in connection with shares in subsidiaries totaled 4.5m EUR (previous year: 4m EUR).

26. Other Non-Current Assets

	2008 EUR '000	2007 EUR '000
Asset value of pension liability insurance	1,178	1,001
Security deposits	150	92
Loans	46	138
Other	99	5
Total	**1,473**	**1,236**

On the cutoff date there were no indications to suggest that the value of the other assets was impaired.

27. Liabilities

	12/31/2008			12/31/2007		
	Total	Residual term		Total	Residual term	
		< 1 year	> 5 years		< 1 year	> 5 years
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Bank liabilities	2,329	1,129	918	2,554	1,400	942
Trade accounts payable	2,672	2,672	0	3,441	3,441	0
Accounts payable from percentage of completion	5,262	5,262	0	817	817	0
Accounts payable to related parties	170	170	0	64	64	0
Advance payments received	2,249	2,249	0	937	937	0
Income tax liabilities	1,060	1,060	0	359	359	0
Other liabilities	4,587	4,482	0	3,855	3,855	0

Terms relating to the above financial liabilities:

The bank liabilities of 2.329m EUR (previous year: 2.554m EUR) relate, first of all, to a long-term loan of 1.200m EUR (previous year: 1.154m EUR) for financing the building at Käppelestr. 4, Karlsruhe, which is fully secured by a land charge, and, secondly, to an overdraft of 0.729m EUR and a Euro credit of 0.4m EUR, which together total 1.129m EUR (previous year: 1.4m EUR).

The following credit and guarantee lines exist:

		Overall line EUR '000	Of which, cash line EUR '000	Of which, guarantee EUR '000	Cash or guarantee EUR '000
Banks	2008	36,900	2,400	24,000	10,500
Credit insurance companies	2008	17,000	0	17,000	0
Banks	2007	29,359	1,859	21,500	6,000
Credit insurance companies	2007	17,000	0	17,000	0

The credit and guarantee lines are sufficient to finance the further growth of the company. On December 31, 2008, the cash line utilization totaled 1.129m EUR (previous year: 1.400m EUR), the guarantee lines, 26.061m EUR (previous year: 20.253m EUR). The trade accounts payable do not bear interest.

For the terms and conditions relating to the accounts payable to related parties, please refer to item 36 of the Appendix.

For the terms and conditions relating to the liabilities from derivative financial instruments included in the other liabilities, please refer to item 32 of the Appendix.

28. Other Liabilities (long-term and short term)

	12/31/2008			12/31/2007		
	Total	Residual term		Total	Residual term	
		< 1 year	> 5 years		< 1 year	> 5 years
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Tax liabilities	791	791	0	686	686	0
Due to personnel	2,818	2,818	0	2,437	2,437	0
Derivative financial instruments	530	530	0	134	134	0
Social security liabilities	46	46	0	40	40	0
Remaining work	0	0	0	153	153	0
Other	402	297	0	405	405	0
Total	**4,587**	**4,482**	**0**	**3,855**	**3,855**	**0**

29. Accrued Liabilities

	As of 1/1/08	Usage	Release	Transfer	As of 12/31/08
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Accrued liabilities for warranties	977	977	0	1,486	1,486
Accrued liabilities for insufficient production costs	1,065	501	147	1,961	2,378
Other accrued liabilities	61	2	20	4	43
	2,103	**1,480**	**167**	**3,451**	**3,907**

	As of 1/1/07	Usage	Release	Transfer	As of 12/31/07
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Accrued liabilities for warranties	1,171	981	0	787	977
Accrued liabilities for insufficient production costs	160	120	40	1,065	1,065
Other accrued liabilities	54	0	0	7	61
	1,385	**1,101**	**40**	**1,859**	**2,103**

The expected maturities of the accrued liabilities are all within one year.

The accrued liabilities for warranties were calculated as a lump sum using a rate of average sales in the past two years determined from empirical figures in the past two years.

The accrued liabilities for deficient production costs were established for services still outstanding in invoiced orders or for services received in the period under review which had not yet been invoiced.

30. Pension Accruals

In compliance with IAS 19, pension liabilities are calculated using the projected unit credit method. These pension commitments grant employees an old-age pension after attaining the age that entitles them to a pension under the statutory annuity insurance, the earliest legal age for retirement being 63. The following parameters were taken into consideration: actuarial interest rate 5.8% (previous year: 5.5%), retirement age of 63 years (Dr. Gottfried Greschner: 65 years), salary increases are irrelevant to pension commitments; pension adjustments of 4% (2% for Dr. Gottfried Greschner), fluctuation deduction of 5%; biometric bases: see Klaus Heubeck's "Richttafeln G" (Actuarial Tables) of 2005.

The values of the commitments were calculated as of the individual cutoff dates based on personnel data as of the respective cutoff dates.

The company's pension accruals as of the cutoff dates developed as follows:

	2008 EUR '000	2007 EUR '000
Pension accruals at the beginning of the year (Defined Benefit Obligation - DBO)	2,010	2,234
Past service cost	0	0
Service cost	87	101
Interest cost	110	101
Actuarial losses (+) / gains (-)	-125	-426
Pension payments	0	0
Pension accruals (DBO) at the end of the year under review	**2,082**	**2,010**

With regard to the defined benefit plans, the expenses for pension payments consist of the following:

	2008 EUR '000	2007 EUR '000
Service cost	87	101
Interest cost	110	101
Past service cost	0	0
Expenses for pension payments	**197**	**202**

In the consolidated statement of operations, the service cost and the past service cost are included in the "cost of revenues" (14 kEUR), the "sales and marketing expenses" (37 kEUR) and the "administrative expenses" (36 kEUR) and the interest paid in this item identically named.

	2008 EUR '000	2007 EUR '000
Accumulated amount of the actuarial gains and losses included in the shareholders' equity, after deleting deferred taxes	-187	-98

	2008 EUR '000	2007 EUR '000
Performance-oriented liability ("DBO") 12/31	2,082	2,010
Adjustments of the liability based on experience	11	-6

The pension accruals ("DBO") attributable to members of the Managing Board totaled 1.172m EUR (previous year: 1.120m EUR).

Defined Contribution Plans

In the 2002 fiscal year, init changed its pension scheme regulations for new commitments. Accordingly, the company will no longer make any new, direct commitments. Old-age pensions will be paid under a "defined contribution plan" through a relief fund. The appropriate amount recorded as expenses totaled 181 kEUR (previous year: 185 kEUR), of which 46 kEUR (previous year: 41 kEUR) were attributable to the members of the Managing Board.

31. 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.

Floating shares:

	2008	2007
As of 01/01	9,844,278	9,673,585
Acquisition of treasury stock	-20,000	-13,585
Sale of treasury stock to new investors	0	135,000
Issue of stock to Managing Board and managing directors	30,000	30,000
Issue of stock to employees	21,067	19,278
As of 12/31	**9,875,345**	**9,844,278**

Shares of init AG held by members of the Managing Board and the Supervisory Board:

Managing Board member	Number of shares	Supervisory Board member	Number of shares
Dr. Gottfried Greschner, CEO*	3,591,000	Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	0
Joachim Becker, COO	340,983	Bernd Koch	0
Wolfgang Degen, COO	94,000	Fariborz Khavand	0
Dr. Jürgen Greschner, CSO	97,364		
Bernhard Smolka, CFO	19,600		

*3,560,000 of which held by Dr. Gottfried Greschner GmbH & Co. Vermögensverwaltungs KG

Authorized Capital

At the annual shareholders' meeting on July 13, 2006, a resolution was passed to create capital to the amount of 5.020m EUR. With the approval of the Supervisory Board, the Managing Board is authorized to increase the company's capital stock by up to 5.020m EUR by July 13, 2011 through a single or repeated issuing of up to 5,020,000 ordinary shares against contributions in cash or in kind. The new shares are to be taken over by credit institutions that will be obliged to offer them to investors for sale. However, with the approval of the Supervisory Board, the Managing Board is authorized to withdraw the preemptive right, so that up to 1,004,000 new shares can be issued at a price not substantially lower than the stock market value of the company shares at the time of specifying the issue price. The aim is to balance peak amounts, to open up additional capital markets, to acquire investments and to acquire or merge with other companies or parts of companies by way of contribution as investment in kind, and to turn up to 250,000 new shares into employee stocks.

Capital Reserves

The capital reserves of 3.141m EUR result from the premium of the shares sold at the time of the initial public offering. 318 kEUR was transferred from 2005 to 2007 as part of the recording of expenses from the share-based remuneration (see item 38) and -23 kEUR in 2008. Due to the sale of treasury stock in 2007, the capital reserves increased by 514 kEUR.

Treasury Stock

The treasury stock as of January 1, 2008 totaled 195,722 shares. Based on the resolution passed at the annual shareholders' meeting on May 16, 2007, replaced by the resolution of May 27, 2008, the company is authorized to purchase treasury stock. On September 19, 2008, the company decided to repurchase treasury stock of up to 20,000 shares. In 2008, the company acquired 20,000 shares (previous year: 13,585) at an average price of 5.53 EUR (previous year: 7.11 EUR). Within the scope of the incentive plan for members of the Managing Board and managing directors in the 2008 fiscal year, a total of 30,000 shares were transferred with a qualifying period of 5 years. A further 1,000 shares were transferred to employees within the scope of a bonus agreement without qualifying period, along with 20,067 shares with a qualifying period of 2 years within the scope of an employee profit-sharing plan. On December 31, 2008, the number of treasury stock thus reduced to 164,655 shares.

The company's treasury stock was valued at purchase cost at 789 kEUR (previous year: 977 kEUR) and openly deducted from the equity capital. Of the treasury stock as of December 31, 2008 of 164,655 shares with an imputed share of 164,655 EUR (1.64%) in the capital stock, 1,139 resulted from the capital increase in 2002 and 163,516 from the company's stock repurchasing program. The shares were repurchased at an average price of 4.79 EUR per share. The treasury stock was repurchased for use as consideration within the scope of mergers and to acquire other companies or parts of companies or participations, or, where required, for the opening up of additional capital markets or to issue them to employees and members of the Managing Board.

Other Provisions

Difference from pension valuation: The actuarial gains and losses are recorded in this item without affecting the operating result.

Difference from currency transaction: This reserve is used to record differences due to converting the financial statements from foreign currencies into the reporting currency.

Stock market valuation of securities: This reserve includes changes in the current market value of financial investments available for sale.

32. Objectives and Methods of Financial Risk Management

The main financial instruments used by the company – with the exception of derivative financial instruments – include cash, securities, and loans. The purpose of the securities is the investment of funds of the group. The loan is used for the associated company, iris GmbH, to increase its liquidity. The group has a number of other financial assets and liabilities, including trade accounts receivable and payable, which accrue directly within the scope of its business activities.

Furthermore, the group also enters into derivative transactions. These predominantly include forward exchange transactions and currency options. The purpose of these derivative financial instruments is the management of currency risks resulting from the business activities of the group.

The group has always pursued the policy of refraining from dealings in financial instruments. However, since init also tries to keep its options open in regard to the exchange rate development, it may incur losses.

The main risks of the group in regard to financial instruments include foreign currency risks and risks of default. The Management regularly reviews and monitors each of these risks, which are described in the following.

Foreign Currency Risk

Due to foreign revenues, specifically in the USA, Canada, Dubai, Great Britain, Denmark, Norway, Australia and Sweden, the change in the exchange rates for US Dollar/Euro, Canadian Dollar/Euro, Dirham/Euro, British Pound Sterling/Euro, Danish Krone/Euro, Norwegian Krone/Euro, Australian Dollar/Euro and Swedish Krona/Euro constitutes a substantial risk. To eliminate this rate change risk, the group uses forward exchange transactions and options for all major business transactions if payment follows much later than the firm purchase or sale commitment. The hedges must be in the currency as the underlying secured transaction. The group enters into hedging transactions only once a firm commitment has been made.

IFRS 7 provides that disclosures of market risks require sensitivity analyses that show the effects of hypothetical changes in risk variables on the operating result and the equity. init is primarily exposed to an exchange risk. The effects are determined by relating the hypothetical changes in the risk variable to the amount of financial assets and liabilities at the reporting date.

If the value of the Euro to the foreign currencies reported by init on December 31, 2008 had been up by 10% in the year under review, the operating result would have been 869 kEUR higher. This breaks down as follows: -626 kEUR to cash in banks, accounts receivable and liabilities and -27 kEUR to currency options, set against appreciation in forward exchange transactions at 1.522m EUR. If, however, the value of the Euro to all foreign currencies reported by init on December 31, 2008, had been down by 10%, the operating result would have been 1.205m EUR lower. This operating result debit breaks down as follows: -1,976 kEUR to forward exchange transactions, partially compensated for by appreciation in currency options at 145 kEUR and by cash in banks, accounts receivable and liabilities at 626 kEUR.

If, in the 2007 fiscal year, the value of the Euro to the foreign currencies reported by init on December 31, 2007 had been up by 10%, the operating result would have been 228 kEUR lower. This breaks down as follows: 1.023m EUR to cash in banks, accounts receivable and liabilities, partially compensated for by appreciation in forward exchange transactions at 374 kEUR and currency options at 421 kEUR. If, however, the value of the Euro to all foreign currencies reported by init on December 31, 2007, had been 10% down, the operating result would have been 544 kEUR lower. This operating result debit breaks down as follows: 496 kEUR to forward exchange transactions and 1.071m EUR to currency options, partially compensated for by appreciation of the cash in banks, accounts receivable and liabilities at 1.023m EUR.

Risk of Default

The group concludes transactions exclusively with recognized, creditworthy third parties. All customers requesting transactions with the group based on credit are subjected to a credit investigation. Furthermore, the receivables are continuously monitored to ensure that the group is not exposed to any material risk of default. All recognizable risks of default are taken into account by way of value adjustments.

The other financial assets of the group, which comprise cash, financial assets available for sale and specific derivative financial instruments, involve a maximum risk of default to the amount of the book value of the respective instruments in case of default of the contracting party.

Since the group concludes transactions only with recognized, creditworthy third parties, it does not require securities.

Interest Change Risk

The interest change risk to which the group is exposed mainly relates to the loans to associated companies in the form of a change in their current market value. Due to their insignificant nominal amounts, this risk is quite low.

Liquidity Risk

On December 31, 2008, the financial liabilities of the group had the following maturities. The particulars are based on contractual, non-discounted payments plus agreed or anticipated interest payments (cash flows).

	Book value	2009	2010	2011-2013	>2013
Non-derivative financial liabilities					
Other financial liabilities	9,197	7,892	0	75	1,230
Derivative financial liabilities and assets without a hedging relationship					
Derivative financial liabilities	530	530	0	0	0
Derivative financial assets	-849	-849	0	0	0
Total		**7,573**	**0**	**75**	**1,230**

As of December 31, 2007, the future cash flows from the financial liabilities were as follows:

	Book value	2008	2009	2010-2012	>2012
Non-derivative financial liabilities					
Other financial liabilities	8,473	7,169	48	371	1,208
Derivative financial liabilities and assets without a hedging relationship					
Derivative financial liabilities	134	134	0	0	0
Derivative financial assets	-378	-378	0	0	0
Total		**6,925**	**48**	**371**	**1,208**

Classification and Current Market Values

The following table compares the book values and the current market values of the financial instruments of the group reported in the balance sheet and shows their classification in appropriate measurement categories according to IAS 39:

	Book value	Valuation acc. to IAS 39				Current market value
		Loans and receivables	Financial assets available for sale	Financial liabilities recognized at cost	Financial assets and liabilities reported at their current market value affecting the current-period result	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Cash and cash equivalents	6,806	6,806				6,806
Loans and receivables	11,347	11,347				11,347
Receivables from the percentage of completion method	16,923	16,923				16,923
Securities	14		14			14
Derivative financial assets without a hedging relationship	849				849	849
Derivative financial liabilities without a hedging relationship	-530				-530	-530
Financial liabilities	-9,197			-9,197		-9,197

On December 31, 2007 the classes and book values were as follows:

	Book value	Valuation acc. to IAS 39: Loans and receivables	Financial assets available for sale	Financial liabilities recognized at cost	Financial assets and liabilities reported at their current market value affecting the current-period result	Current market value
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Cash and cash equivalents	3,748	3,748				3,748
Loans and receivables	5,667	5,667				5,667
Receivables from the percentage of completion method	14,871	14,871				14,871
Securities	35		35			35
Derivative financial assets without a hedging relationship	378				378	378
Derivative financial liabilities without a hedging relationship	-134				-134	-134
Financial liabilities	-8,472			-8,472		-8,472

The current market value of the listed securities (available for sale) was determined using their respective fair value. The current market value of the derivative financial instruments and the loans was calculated by way of discounting the expected future cash flow using the prevailing market interest rates. The current market value of the other financial assets was calculated using the market rates.

Risk of Default

The group does not have any material risk of default concentrations. This is due, on the one hand, to the fact that over 90% of the orders are from public authorities. On the other, the orders are usually paid on account or billed on the basis of predefined performance progress. Furthermore, the bills receivable are checked and/or dunned every fortnight for receipt of payment. The losses of receivables outstanding for the 2008 fiscal year totaled 0 kEUR (previous year: 5 kEUR).

Hedging Transactions

The derivative financial instruments used to hedge future cash flows relate exclusively to foreign exchange risks in regard to the expected monies received predominantly in Arabian Dirham, US Dollars and Canadian Dollars from firm commitments. The following derivative financial instruments were concluded:

	Nominal value		Market values	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	EUR '000	EUR '000	EUR '000	EUR '000
Forward exchange transactions	19,627	11,360	-20	137
Currency options	3,951	28,352	339	0
	23,578	**39,712**	**319**	**137**

The exercise or maturities dates extend until October 2009.

34. Contingencies and Other Liabilities

Operating Leasing Agreements

The group has entered into leasing agreements for vehicles and other business and operating equipment. These leasing agreements have an average term of between three and four years and do not include extension options. The annual commitments of the init group totaled 436 kEUR, of which 366 kEUR is attributable to the renting of the office building in Karlsruhe (the lease running until 2026). No obligations were imposed on the lessee upon conclusion of these leasing agreements. The future minimum payments under these agreements extend to the year 2026 and amount to:

	12/31/2008	12/31/2007
	EUR '000	EUR '000
< 1 year	946	809
1 – 5 years	3,093	2,964
> 5 years	5,934	7,112
Total	**9,973**	**10,885**

Contingent Liabilities

As in the previous year, there were no contingent liabilities on December 31, 2008.

Legal Disputes

Within the scope of its business activities, the company is involved in one pending lawsuit at the time of the cutoff day. The company does not expect the result of this legal dispute to have any substantial detrimental effect on the asset, earnings or liquidity situation.

Other Disclosures

35. Additional Notes to the Cash Flow Statement

The following payments from business activities are included in the cash flow:

	2008 EUR '000	2007 EUR '000
Interest payments	-230	-235
Interest receipts	174	193
Receipts from dividend distributions	311	0
Income tax payments	-1,405	-1,729
Income tax receipts	46	41

The cash flows of investments in tangible fixed assets relate to the maintenance of capacities and expansion investments.

36. Related Party Transactions

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

		Income from sales to related parties and persons EUR '000	Payments from related parties and persons EUR '000	Due from related parties and persons on 12/31 EUR '000	Due to related parties and persons on 12/31 EUR '000
Associated companies	2008	0	604	72	170
	2007	0	1,146	178	64
Other related party transactions	2008	0	366	61	0
	2007	0	367	61	0

Associated Companies

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

The other amounts of 4 kEUR (previous year: 10 kEUR) relate to iris. These are trade accounts receivable with a remaining maturity of less than one year. These amounts are shown in the balance sheet under current assets.

The amounts due to related parties and persons relate to trade accounts payable and have a remaining maturity of less than one year. The amounts are attributable to iris at 170 kEUR (previous year: 64 kEUR). The amounts are shown in the balance sheet under current liabilities.

Other Related Party Transactions

INIT GmbH rents its office building in Karlsruhe from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG. The rounded monthly rent payments amount to 30 kEUR (366 kEUR annually). The rental price is contractually fixed until June 30, 2011 and will increase to 475 kEUR per year from July 1, 2011 until June 30, 2026. Furthermore, a rent deposit of 61 kEUR was paid for the office building in Karlsruhe.

Terms and Conditions of Business Transactions with Related Parties and Persons

Sales to, and purchases from, related parties and persons are made to generally accepted market terms. There are no guarantees at all 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 to December 31, 2008 (previous year: 0 kEUR).

Remuneration of Persons in Key Management Positions

The members of the Managing Board of init AG and the Managing Directors of INIT GmbH are seen as persons in key management positions. For details on their remuneration, please refer to item 41 of the Appendix.

37. Segment Reporting

The corporate group has the following segments that are obliged to report:

1. The "Telematics and Electronic Fare Collection Systems" covers integrated systems for controlling personnel transport, fare collection systems, passenger information systems and passenger counting systems
2. The category entitled "Other" encompasses planning systems (planning and data management systems) and automotive (analysis systems for the car industry)

Based on the products and services offered by the segments and for the purpose of managing the corporation, the corporate group is subdivided into the following three divisions: "Telematics and Electronic Fare Collection Systems", "Planning Systems" and "Automotive". The "Planning Systems" and "Automotive" divisions have been subsumed under the segment entitled "Other".

The management monitors the operating results separately for each division in order to make decisions on the distribution of resources and to estimate the profitability. The profitability is determined based on the operational result, which corresponds to the result indicated in the consolidated financial statements.

	1/1/2008 to 12/31/2008			
	Telematics and Electronic Fare Collection Systems	Other	Eliminations & adjustments	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000
Revenues				
With third parties	53,240	2,753	0	55,993
With other segments	663	1,508	-2,171	0
Total revenues	**53,903**	**4,261**	**-2,171**	**55,993**
EBIT	**8,492**	**75**	**30**	**8,597**
Segment assets	57,081	2,717	-1,847	57,951
Segment liabilities	25,905	1,827	-1,377	26,355
Interest income	180	1	-7	174
Interest expenses	434	52	-7	479
Scheduled depreciation	1,370	202	0	1,572
Cost of revenues	37,859	3,027	-2,117	38,769
R & D costs	832	539	0	1,371
Foreign currency gains (+) and losses (-)	1,563	-5	0	1,558
Share in profit of associated companies	276	0	0	276
Income tax	2,386	-6	0	2,380
Value impairments	724	0	0	724
Share in associated companies	1,852	0	0	1,852
Investments in tangible and intangible assets	2,585	339	-200	2,724

Previous year's figures in the following table were adjusted to the new segments.

	1/1/2007 to 12/31/2007			
	Telematics and Electronic Fare Collection Systems	Other	Eliminations & adjustments	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000
Revenues				
With third parties	45,567	1,200	0	46,767
With other segments	397	0	-397	0
Total revenues	**45,964**	**1,200**	**-397**	**46,767**
EBIT	7,171	88	-31	7,228
Segment assets	43,806	1,926	-1,257	44,475
Segment liabilities	17,143	1,267	-623	17,787
Interest income	207	2	-7	202
Interest expenses	349	11	-7	353
Scheduled depreciation	1,235	80	0	1,315
Cost of revenues	24,641	934	-350	30,225
R & D costs	1,839	5	0	1,844
Foreign currency gains (+) and losses (-)	-1,003	-1	0	-1,004
Share in profit of associated companies	436	0	0	436
Income tax	1,588	163	0	1,751
Value impairments	3	0	0	3
Share in associated companies	1,887	0	0	1,887
Investments in tangible and intangible assets	3,590	253	0	3,843

Geographical Information

In the annual financial statements, the following amounts can be allocated to the regions specified. In addition to Germany, the regions in which revenues were generated include the rest of Europe (predominantly Sweden, Great Britain, Norway) and North America (USA and Canada).

	2008 EUR '000	2007 EUR '000
Revenues with external clients		
Germany	14,824	7,237
Rest of Europe	10,942	10,569
North America	18,832	28,145
Other countries (Australia, UAE)	11,395	816
Group total	**55,993**	**46,767**

	2008 EUR '000	2007 EUR '000
Non-current assets 12/31		
Germany	9,387	8,366
North America	976	997
Other countries (Australia, UAE)	139	27
Group total	**10,502**	**9,390**

38. Share-Based Remuneration

Employee Shares

Based on the resolution of the Managing Board of November 10, 2008, published on November 10, 2008 (previous year: April 23, 2007), all employees of init AG and its subsidiaries were offered shares of the company as a form of profit sharing. In December 2008, the employees entitled to subscribe (excluding the Managing Board, the Managing Directors of the subsidiaries and temporary staff, trainees and suchlike) each received 100 shares (December 2007: 100 shares) at a price of 5.10 EUR (December 2007: 7.50 EUR) per share at the time of the resolution. The profit-sharing plan was granted on a pro-rata basis to part-time employees and employees with less than one year at the company. To qualify, employees needed to be in permanent employment as of December 31, 2008 (previous year: December 31, 2007). The shares are subject to a qualifying period of two years from the time of transfer.

In December 2008, a total of 20,067 treasury stock (December 2007: 17,778) were transferred under the 2008 profit-sharing plan. A further 994 shares were transferred in January 2009. The resulting liabilities were included in the 2008 financial statement.

At the date of publication of the Managing Board resolutions, the fair value based on the market price of the equity instruments issued was 107 kEUR (previous year: 133 kEUR), which was recorded as expenses of 73 kEUR in 2008 (previous year: 68 kEUR).

Management Bonuses in the Form of Stocks

A further management bonus in the form of stocks was granted to the five members of the Management Board and the Managing Director of INIT Inc., from consolidated earnings exceeding 2m EUR before taxes and after deduction of all management bonuses and employee shares. Where this amount is exceeded, each member of the Board receives one share for every 300 EUR of exceeding profit. The number of "restricted stocks" is limited to 5,000 shares per board member. The shares are subject to a qualifying period of 5 years. The taxes relating to the share transfer are borne by the company. No legal claim may be made to payment of this bonus, even where paid in previous years. The bonus is revised and agreed each year by the Supervisory Board.

On December 31, 2008, the valuation was based on 30,000 shares. At the time of approval, the fair value based on the market price of the equity instruments issued amounted to 144 kEUR (4.79 EUR per share), which was recorded as expense in 2008.

39. Events After the Balance-Sheet Date

There were no events after the balance-sheet cutoff date that have any significant effects on the asset, financial and earnings situation.

40. Employees, Management Board and Supervisory Board

Employees

The annual average number of employees was as follows:

	2008	2007
Employees in Germany (six of which at CarMedialab)	204	186
Employees in North America	56	45
Employees in other countries	6	0
Total	**266**	**231**

Managing Board

The Managing Board of init AG is composed of the following members:

Dr. Gottfried Greschner, Karlsruhe	Master's degree in engineering (Chairman) (CEO)
Joachim Becker, Karlsruhe	Master's degree in computer science (COO)
Wolfgang Degen, Karlsruhe	Master's degree in engineering (FH) (COO)
Dr. Jürgen Greschner, Pfinztal	Master's degree in economics (CSO)
Bernhard Smolka, Stutensee	Master's degree in economics (CFO)

Supervisory Board

The members of the Supervisory Board of init AG are:

Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau, Meerbusch, 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, Lahr, 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, Wuppertal	Self-employed business consultant Managing Director Elco Motores GmbH, Hagen

41. Particulars of Board Member Salaries

In their capacity as executives, the members of the Managing Board of init AG received compensation to the amount of 266 kEUR (previous year: 284 kEUR), and in their capacity as Managing Directors or departmental heads of INIT GmbH included in the consolidated financial statements, to the amount of 1.309m EUR (previous year: 1.405m EUR), thus totaling 1.575m EUR (previous year: 1.689m EUR) in the 2008 fiscal year. This total includes fixed salaries of 1.021m EUR (previous year: 981 kEUR), variable remuneration in the form of management bonuses of 330 kEUR (previous year: 328 kEUR), and 224 kEUR (previous year: 380 kEUR) in the form of stocks, including the income tax payable for them.

Based on the resolution passed by the shareholders' meeting on July 13, 2006, an individualized disclosure of the Board members' salaries can be withheld for a period of 5 years, in compliance with Section 315a para. 1 HGB (German Commercial Code) in conjunction with Section 314 para. 1 no. 6a sentences 5 to 9 HGB (Section 314 para. 2 sentence 2 in conjunction with Section 286 para. 5 HGB).

The total remuneration of the Supervisory Board members for the period from January 1, 2008 to December 31, 2008 amounted to 100 kEUR (previous year: 91 kEUR), which includes a variable share of 64 kEUR (previous year: 55 kEUR) and is distributed as follows:

	Fixed EUR '000	variable EUR '000
Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	18	32
Bernd Koch	9	16
Fariborz Khavand	9	16

In the 2008 fiscal year, the members of the Supervisory Board of the init group received 0 kEUR (previous year: 0 kEUR).

42. Auditing Firm

The auditing firm Ernst & Young AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Mannheim, received compensation to the amount of 92 kEUR (previous year: 75 kEUR), including expenses for individual financial statements, which was recorded as expenses. Expenditure for tax consulting services amounted to 0 kEUR (previous year: 0 kEUR). Certification and appraisal services incurred costs of 0 kEUR (previous year: 0 kEUR), and other services, of 5 kEUR (previous year: 10 kEUR).

43. Declaration of compliance with the German Corporate Governance Code

The declaration of compliance for init AG was made by the Managing Board and the Supervisory Board on December 10, 2008, and was made available to the shareholders.

44. Approval of Consolidated Financial Statements

In the board meeting on March 6, 2009, the consolidated financial statements and the group status report of init AG drawn up by the Managing Board on December 31, 2008 were approved for forwarding to the Supervisory Board.

Karlsruhe, March 18, 2009

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Wolfgang Degen

Dr. Jürgen Greschner

Bernhard Smolka

Individual solution: Nothing at init is run-of-the-mill; every system is customized to suit specific requirements.

Group Status Report

The init group is an internationally operating system house for telematics and electronic fare collection systems for local public transportation. In its 25 years of history, init has realized in excess of 400 national and international projects involving integrated solutions with telematics and fare collection systems for transportation companies on four continents.

init offers a product portfolio that covers the entire range of current needs of the public transportation sector and integrates them into a single system. From routing and human resource planning, computer-aided operations and fleet management (ITCS – Intermodal Transport Control System), passenger information and counting systems to electronic ticketing and payments, init customers are provided with intelligent solutions from a single source.

In a complete value-added chain, init develops, produces, installs, integrates, and maintains integrated software and hardware products for the planning, management and operation of transportation companies. As a result, init stands out from its competitors due to a more comprehensive, efficient, and flexible product offering.

The modular product system allows both an individual combination of single modules and the integration of and into other systems via standardized interfaces.

By using init technology, public transportation companies are able to increase their quality in terms of customer orientation, convenience and ease of use, safety, shorter travel times, and punctuality and thus maintain their position in an increasingly competitive environment through liberalization and rationalization and meet the continuously growing mobility requirements.

init systems make bus and railway services more attractive. This, in turn is reflected in increasing passenger numbers. At the same time, the local public transportation systems become more efficient and use less energy. As a group, init thus makes a vital contribution to environmental protection, specifically in terms of reducing the amount of particulate matter and carbon dioxide.

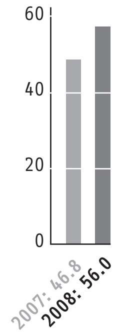
Business trend and situation

General business trend

The general economic setting has considerably deteriorated due to the global financial crisis and its repercussions on the real economy. The automotive sector, in particular, has been hit by a massive decline in demand. In the last quarter of 2008, the USA and, with it, other leading industrialized nations, plummeted into a recession. By implementing numerous financial measures, introducing aid programs and the nationalization of banks, governments worldwide in the countries affected are making efforts to overcome the biggest financial crisis since 1929. To what degree the official aid programs of the individual countries will bear on investments in the public sector, and the banking crisis affect producers and suppliers, in the long term, cannot reliably be predicted at the moment.

To date, init as a group has not experienced any negative impact due to the financial crisis and thus was able once again in fiscal 2008 to exceed the successes in the preceding year in terms of sales

Revenues
in million EUR



and earnings. At 56.0m EUR (2007: 46.8m EUR), init on the whole generated the highest sales revenue in any fiscal year in its history and thus achieved the projected growth target.

In terms of individual quarters, the sales volume in the first three quarters remained slightly below the prior-year level. As expected, however, the period from October to the end of December saw a marked increase in figures. At 22.0m EUR (Q4 2007: 12.3m EUR), sales in the fourth quarter were significantly above the prior-year figure.

Due to extreme volatility in the market, the foreign currencies proved altogether impossible to rate. Where in the previous year it had primarily been the fluctuations of the US dollar that caused init a headache, 2008 saw unusual changes in virtually every foreign currency in which init concludes business. On balance, the US dollar gained somewhat compared to the previous year, but was subject to significant swings throughout the year, while other currencies such as the Canadian dollar, the Norwegian krone, the Swedish krona, the British pound and the Australian dollar lost considerably in value against the euro.

To protect itself from losses resulting from currency fluctuations, init pursues an active hedging strategy. This allowed us to absorb these fluctuations for the most part through forward exchange dealings and options, so that the earnings trend in 2008, on the whole, was but marginally affected.

Overall, init generated foreign revenues of 41.2m EUR (2007: 39.5m EUR), corresponding to 73.5% (2007: 84.4%) of total sales. In Europe (without Germany), sales rose by 3.5% to 10.9m EUR (2007: 10.6m EUR) as of the cutoff date, this figure reflecting the scheduled progress of a number of major projects. In North America, revenues reduced by around 12.3m US Dollar to 26.2m US Dollar (2007: 38.5m US Dollar) since new key projects will not significantly affect sales until 2009/2010.

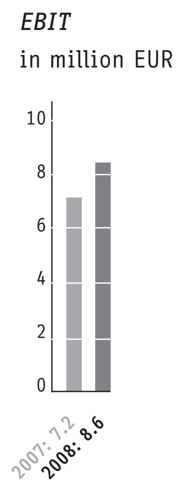
Business in Germany proved highly satisfactory. Sales here rose by 105.5% to 14.8m EUR (2007: 7.2m EUR), with the last quarter, in particular, seeing a significant increase in spare part orders.

Thus in parts, the trend in each market also reflects the different fundamentals. While the economy in Germany was still set for growth in the first six months of the year and came to an abrupt stop not until the onset of the global financial crisis, the recessionary trends in the USA and Europe reared their ugly heads as early as at the start of the year.

Nonetheless, the volume of tenders for local public transportation projects on the whole increased further in 2008. Worldwide, virtually every government has also announced their intention to stem the looming economic crisis through public investments, so that we expect the number of tenders in 2009 to rise even further.

To handle these projects and allow us to realize future growth without loss of efficiency, init created appropriate capacities in 2008 and hired additional staff.

In January 2008, init also acquired the planning software division "Interplan" from PTV AG in Karlsruhe. Our aim is to integrate this planning



software into init's own planning software, MOBILE-PLAN, and become a leading supplier in the area of planning software. To achieve this, our two software sectors MOBILE-PLAN and Interplan were combined in a new company, initplan GmbH, Karlsruhe.

Earnings position

Despite the poor general economic setting, the operating result in the init group developed positively and climbed to a new record level. Earnings, however, did not increase at entirely the same rate as sales since growth required the extension of our structures to incur what are known as stepped fixed cost.

The gross profit on sales thus rose to 17.2m EUR (2007: 16.5m EUR), which corresponds to an increase of 4.1%. Underlying this is a relative increase in production cost of sales from 64.6% to 69.2% of sales, as well as an absolute increase in sales and administration costs due to the further internationalization of the init group.

The net interest income (balance of interest earned and interest paid) totaled -305 kEUR (2007: -151 kEUR) and mainly resulted from preliminary project financing and the increase in guarantees for major projects and loans raised throughout the year.

At 8.6m EUR in earnings before interest and taxes (EBIT), init managed, one the whole, to exceed the figure for the previously most successful fiscal year in 2007 (7.2m EUR). The same is true for the consolidated net profit for the year of 5.9m EUR (2007: 5.3m EUR), which corresponds to earnings of 0.60 EUR (2007: 0.54 EUR) per share. This increase must be seen against the background of a special effect of 358 kEUR from the revaluation of deferred taxes in fiscal 2007. The current figure could have been much better were it not for the immense volatility of the foreign currencies.

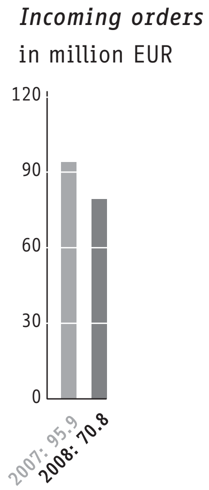
Order situation

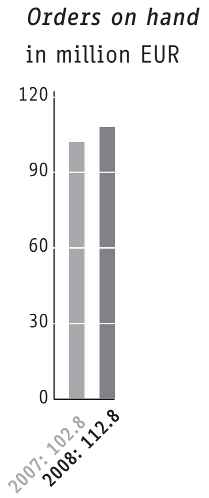
In 2008, the order situation overall developed in line with our projections. Once again, init was able to secure major contracts in Germany, Europe and America. This was complemented by numerous follow-up orders from long-term init customers. Worth particular mention are the transportation companies in Oslo, Leicester, Stockholm, Graz, Munich, Dallas and Vancouver. The follow-up orders and contract extensions alone generated new orders of some 22m EUR.

On the whole, init recorded new business aggregating 70.8m EUR (2007: 95.9m EUR). The exceptionally high prior-year figure as of the cutoff date was characterized by the award of three major projects. Since the order intake in 2008 proved well above our sales target, init has already managed to lay the foundations for further growth in the coming years.

This can also be seen in the volume of orders, which, at the end of 2008, once again set a new record. At 112.8m EUR, the backlog of existing orders of init as at the start of the current fiscal year was up by 9.7% on the previous year (end of 2007: 102.8m EUR).

The level of new orders by region provides a different picture. Orders booked in the European environment stood at 14.5m EUR (2007: 10.5m EUR), corresponding to an increase of 38.1%.





In May 2008, the Irish company Dublin Bus opted for an operations and fleet management system (ITCS – Intermodal Transport Control System) from init for around 1,200 vehicles. This contract including options involves the supply of COPILOTpc on-board computers with our mobile data terminal, PRESSit.

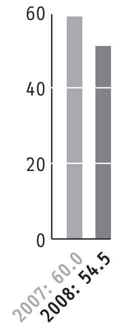
In August 2008, Kollektivtransportproduksjon AS, the parent company of Oslo T-banedrift, the operator of the Oslo subway (T-bane), decided on PIDstation passenger information displays from init to equip its stations. These displays are supplied with real-time data from the existing dynamic passenger information system SIS from init. Initially, the 17 heavily frequented stations on the Oslo subway ring will be provided with these displays. The contract also includes the option of connecting further stations to the system. At around 69 million passengers per year, the subway is a main means of transportation in Oslo, second only to the bus. The entire metro network covers a stretch of 85km and includes 104 stations.

At 19.2m EUR (2007: 22.7m EUR), the order intake in North America in 2008 proved less satisfactory than in Europe. But even here, init managed to win a new major customer in April 2008 when the bus company Community Transit in Everett in the US state of Washington decided to provide its entire vehicle fleet of some 337 regular and 55 paratransit buses with hardware and software from init by mid-2010. In addition to a telematics system, init will also supply the on-board computer COPILOTtouch, a real-time passenger information system, the automatic passenger counting system MOBILE-APC, a Traffic Signal Priority system (TSP), and statistics software for the analysis of passenger and traffic data.

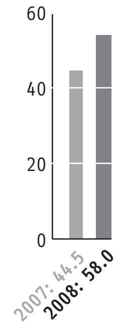
In Germany, the intake of new orders in 2008 could be maintained at a high level. At 36.7m EUR in total (2007: 34.1m EUR), the figure here clearly topped our projections. Along with many follow-up orders, init was also awarded with further significant projects. One of the key contracts came from Verkehrs-Aktiengesellschaft (VAG) Nuremberg. The conurbation of Nuremberg, Fürth, Erlangen and Schwabach is to be provided with a mobile radio system based on the TETRA standard, while over 400 vehicles (350 buses and 50 trams) will be equipped with hardware and software from init. The lion's share of the work will commence in 2009. In addition to the integration of new on-board computers and ticketing equipment into the existing init control system, the contract also includes the functional adaptation of init's software applications. The total order value is expected to exceed 15% of consolidated sales.

In December 2008, the transportation companies VBK and AVG in Karlsruhe commissioned init with the delivery and installation of a modernized control system for buses and trams as part of an automatic data supply program. Along with increased efficiency in terms of operation, passengers will also see a further improvement in the provision of information. The key point is a simplified and faster supply of data from the vehicle and crew scheduling system to the vehicles along with consistent tracking and vehicle control. This enables the operating center to react more quickly to disruptions and

Equity-to-asset ratio
in %



Balance sheet total
in million EUR



provide the vehicles with up-to-the-minute information on the actual arrival and departure times at stops and stations without loss of time. The contract value here totals over 3m EUR.

In December, init was also able to secure a contract from the Oberelbe Transportation Network (VVO). In total, init will equip some 700 buses of the regional transportation companies with the EVENDpc, which integrates both an on-board computer and a ticket printer. The contract further includes an option for the equipment of a further 200 vehicles in the neighboring Oberlausitz-Upper Silesia Transportation Network (ZVON). This contract is of central importance to init since the VDV core application, a standard for all forms of electronic ticketing in Germany, is supposed to avoid isolated application solutions in the future to create a sustainable technical standard. In the VVO, a total of 15 transportation companies service 197 million passengers a year. The route network covers 7,000km and includes some 3800 stations and stops. In the Middle East and in Australia, init managed to secure a number of smaller follow-up contracts in 2008. Since we are also participating in a number of major tenders here, we anticipate further key contracts to materialize in these regions in 2009.

Financial and earnings position

The financial and earnings position of the init group in the 2008 fiscal year continued to develop positively. As of December 31, 2008, the balance sheet total had risen by around 13.5m EUR on the previous year and now aggregates 58.0m EUR. Due to the consolidated net profit generated for the year, init succeeded in further improving its equity capitalization. As of the end of the year, the shareholders' equity had increased to 31.6m EUR (2007: 26.7m EUR) to top the prior-year level by 18.4%. The equity-to-assets ratio stood at 54.5% (2007: 60.0%).

The liabilities to credit institutions as of December 31, 2008 aggregated 2.3m EUR (2007: 2.6m EUR) and primarily resulted from the financing of the extended company premises in Karlsruhe. The property was financed through a bank loan of 1.2m EUR.

The operating cashflow totaled 7.1m EUR (2007: -2.6m EUR). The cash flow situation should further improve throughout fiscal 2009 as we expect significant receipts of payment from a number of major projects.

As of the end of December 2008, the liquid resources including short-term securities totaled 6.8m EUR (2007: 3.8m EUR). The available guarantee and credit lines will continue to secure the financing of our business activities.

The capital expenditure of 1.8m EUR in the 2008 fiscal year (2007: 3.1m EUR) related to the modernization of the company premises, replacement investments and rationalization investments.

Participations

In 2008, iris GmbH infrared & intelligent sensors, Berlin (iris GmbH), in which init holds a share of 43%, once again achieved its sales and earnings targets. Sales here totaled 6.5m EUR (2007: 7.1m EUR), while net earnings from ordinary activities amounted to 0.7m EUR (2007: 0.9m EUR), with a percentage return on sales before taxes of

10.5% (2007: 12.7%). In 2009, we expect to see a further improvement here in both sales and earnings.

In South America, the further expansion of business for iris GmbH was pursued with single-minded determination. The company was able to secure its first major contract as a subsupplier of a German company in Colombia. iris GmbH also acquired a number of new customers. In the coming year, iris GmbH will continue to invest in the development of a new 3D sensor to ensure higher resolution and secure its technological lead. The new sensor technology will also open up further areas of application, including in biometry, passenger counting and property surveying. The new product is scheduled to be ready for the market by mid-2009.

init holds 44% of the shares in id systeme GmbH, Hamburg. The personnel planning software, PERDIS, developed by id systeme, is integrated into the init product range to increase the application possibilities of the init software, MOBILE-PLAN. With sales of 2.6m EUR in the past fiscal year (2007: 2.8m EUR), id systeme GmbH attained an annual net profit of 268 kEUR (2007: 459 kEUR).

To achieve its aim for 2009 of acquiring new customers for the PERDIS software in North America, id systeme GmbH extended its sales activities.

Production

init develops integrated hardware and software solutions for all the key tasks of a transportation company. Across the entire value added chain, the modular structure of these hardware and software solutions based on a platform strategy allows the best possible implementation of specific customer applications.

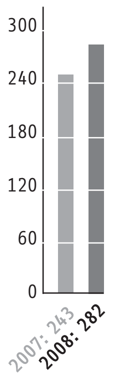
To ensure maximum cost-efficiency in its production, init concentrates on its key competences in development. To this end, the production of hardware is outsourced to qualified producers as subcontractors who work closely with our init engineers. The required quality is assured by providing our own staff to support each stage of the production process, from prototyping and test series to serial production.

init is not dependent on individual suppliers or service providers. This allows us to switch suppliers should one of our business partners be unavailable. To further reduce our production costs, new suppliers were added in the Far East and the USA. The delivery contracts here were increasingly based on US dollars, so that a part of the exchange risk relating to our dollar income could be reduced by dollar expenditure. The further optimization of our production processes with the aim of reducing costs while maintaining first-rate quality in production is part of the priority management objectives.

Personnel

In order to ensure that ongoing projects were handled without delay and at the same time secure future growth, init adjusted its workforce in Germany, Dubai and the USA in fiscal 2008. These increases in capacity enable us to cope with the high volume of orders and the continued satisfactory order situation, so that only selected reinforcements will be necessary in fiscal 2009.

Employees as of 12/31/08
total



(including temporary staff, scientific assistants and graduate students)

Over 65% of permanent init employees have a university degree in information technology, e-technology, HF technology, physics, mathematics, or industrial engineering. To follow the new technological developments, init maintains close contact with the University of Karlsruhe and the technical colleges in the Karlsruhe region.

Businesses and projects are organized and implemented by people. Hence, well-educated and entrepreneurial staff are key to the success of a company. For this reason, we make sure that the qualification, further education and involvement of each individual in the success of the company are part and parcel of the corporate philosophy of init. Training visits to the group headquarters in Germany help ensure that new employees in North America and Dubai are able in these markets to meet the high demands our customers make on our technology. In addition, we make sure that a certain percentage of the jobs in our subsidiaries is filled with specialists from Germany.

As of December 31, 2008, init employed a workforce of 282 (2007: 243), including temporary staff, scientific assistants, and graduate students. This figure includes 10 employees that were taken on upon acquisition of the “Interplan“ planning software from PTV AG.

A total of 249 (2007: 214) employees held permanent positions as of the cutoff date, 34 of whom were employed on a part-time basis. 16 employees were in apprenticeships, training to be IT specialists, electronic communication technicians, stock management specialists, industrial and office clerks. Furthermore, init offers the possibility of training in electrical engineering, mechatronics, information technology, industrial engineering and business management within the scope of courses at the University of Cooperative Education.

In its meeting on March 10, 2008, the Managing Board decided on giving its employees a share in the company profits based on the operating result. Every permanent employee was to receive a profit share of 4,750 EUR for 2008 (staff in the USA, of 7,125 US Dollar). The appropriate amounts were included in the financial statements as other liabilities.

In the context of non-profit-linked asset sharing, each employee was also to receive 100 shares in the company. These shares are subject to a qualifying period of 2 years.

Environmental protection

The reduction of carbon dioxide emissions is vital if we want to avoid a looming climate disaster. Efficient public transportation systems play an ever increasing role in this. Our products help transportation companies provide fast, competitive and resource-saving mobility to relieve the strain on the environment caused by particulate matter and exhaust gas.

Out of this sense of ecological and ethical responsibility, init also pays particular attention to environmental protection in our own company. It begins with the init employees, who are urged to reduce waste material to a minimum and ensure waste separation, and continues in the construction and development of our products. Our products are consistently made from recyclable, environmentally friendly and lead-free materials and sold in reusable packaging. Disused equipment can be returned to init, where it is disposed of in an ecologically friendly manner. This also applies to batteries and packaging material. In other areas, including exhibition stand construction, init ensures usage of reusable components.

Research and development report

Innovation is the cutting edge in technology. For this reason, research and development play a key role at init. The high standard of qualification of our research and development department enables us to react quickly to new technological developments and changing requirements of the market and to be flexible in catering to the changing needs of our customers. Not only do we need to place technical innovations on the market at just the right time. We also have to keep a close eye on the progress and new developments in the market to allow us to turn them into matured, innovative products in good time.

In 2008, our software and hardware development teams worked on the further development of existing and various new products and innovations along with numerous customer-specific software developments.

EVENDpc, a device combining ticket printer and on-board computer on PC basis in a single device, is the latest addition to the init range of products. Similar to the COPILOTpc and COPILOTtouch on-board computers, the EVENDpc is based on a PC architecture with Windows XP embedded as the operating system. This simplifies the creation of software and allows us to use third-party software to provide the transportation company with flexibility and reliable investments. For the first time, init now integrates the announcement function and voice radio via GSM in a ticket printer. The device also supports GPRS and EDGE (Enhanced Data Rates for GSM Evolution) for radio data transmission. A WLAN module ensures the transmission of mass data between the EVENDpc and the control center. The device also integrates the antennas for GSM, GPRS and WLAN to ensure maximum simplicity in terms of installation and cabling in the vehicle. The device is easily operated using a 8.4’’ color screen with touch function. An integrated card reader for contactless chip cards ensures electronic fare management. The ticket printer uses the approved thermal printer with “easy paper loading“ function of the EVENDsmart. The EVENDpc thus provides businesses, particularly bus companies operating at regional level, with an optimal ITCS and ticketing solution.

PIDscreen is a TFT passenger information display devised by init to open up entirely new possibilities in the area of passenger information at stops and stations. The TFT display, which is suited for outdoor use, allows the display of any letters, images, maps or videos in DVD quality. The 37’’ color display stands out due to its high resolution of over 1 million pixels. The background lighting automatically adjusts to the prevailing lighting conditions, while the 6mm laminated glass with antireflection coating ensures excellent readability. Temperature sensors and an efficient cooling system protect the display from overheating. The PIDscreen is controlled by a powerful computer circuit board with Windows XP embedded as the operating system. For additional memory, its standard features include option to use cards of up to 8GB, to provide video data in high quality for several hours.

Vandalism is an ever increasing security and cost issue for transportation companies. init has taken this into account and developed a new monitoring module. With ETHERNETcam, init now provides the most advanced IP camera technology. The camera is easy to install, has an extremely sensitive sensor and compresses the video data volume with the H.264 standard to a third compared to the MPEG 2 standard. When using a SD card as ring buffer, the ETHERNETcam also acts as a fully digital mini monitoring system, thus making an expensive digital video recorder redundant.

The new security solutions for vehicles are complemented by the rear view camera REARview from init. This camera has an angle of view of 120°, can be used universally for a wide range of vehicles, eases the burden on the driver, and increases the road safety while reversing. The video signal is displayed once the vehicle reverses; the image is transmitted to the driver using the TOUCHmon mobile data terminal or the COPILOTtouch.

In terms of planning systems, our team particularly worked on the improvement of integrated optimization approaches for vehicle and crew scheduling. Special transportation, trade fairs or rail replacement bus services increasingly require the use of optimization software that not only improves the service quality of the transportation company, but also saves cost by avoiding wasted mileage. The new solution from init in this field also allows for socially responsible service schedules for the crew.

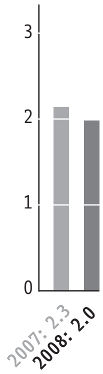
The MOBILE-ITCS software from init was enhanced by adding numerous new functions. One of the key enhancements of the software was changing the 32 bit processors to 64 bit technology. MOBILEcall makes it possible to integrate a requirement-based bus service into the computer-aided operating control system. Further developments involve the MOBILEguard software. This is a software tool used for process and database monitoring. Problems in the running system (e.g. overflow of databases) are recognized early on and can thus be eliminated before faults occur.

In the USA, the development team of init is predominantly working on the further development of our software module, MOBILE-PARAnet, and on the development of an interface to other paratransit systems in the American market. It optimizes the on-demand bus transportation service for disabled and elderly people (Paratransit) and, in connection with other software and hardware modules of our integrated telematics system, MOBILE, facilitates the online management of the vehicles. Our American subsidiary is currently also developing additional software modules for requirement-based bus transportation in the German market.

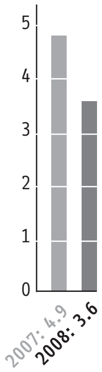
In research, init also supports a promotion at the University of Karlsruhe in the automotive sector of car agents. Our aim is to establish new areas of application in the “intelligent vehicle” field. We have further concluded a cooperation contract with the University of Paderborn to optimize crew scheduling and vehicle circulation. Furthermore, init is involved in the Transfer Austria research project.

On the whole, init spent 2.0m EUR (2007: 2.3m EUR) on the development of new products not involving

Expenditure R&D
in million EUR



Expenditure R&D
in % of revenues



(not included: customer-financed developments)

customer financing in 2008, corresponding to 3.6% (2007: 4.9%) of sales. In addition, the group effected customer-funded new and further developments within the scope of projects adding up to at least five times the amount again.

Risk report
As a global operator, a technology-oriented company such as init is faced with a number of risks that may affect its financial and earnings position. Along with general economic and cyclical risks, which are beyond the control of the company, there are operating and technical risk factors that may impact our future sales and earnings trend. All risks are continuously analyzed and evaluated by the management of init and its subsidiaries to ensure that appropriate measures can immediately be initiated, where necessary, and potentially detrimental effects minimized.

Risks are recorded, analyzed and evaluated, and adequate risk prevention measures implemented, in a risk management system, which forms an integral part of our business and decision-making processes. Both the Managing Board and the Supervisory Board are kept informed of imminent risks. Prior to making a decision on important measures, these are discussed in detail by the appropriate bodies, and their prospects and risks weighed against each other.

Inherent operating risks, such as a backlog of projects, quality risks or human resources risks, are regularly recorded and monitored by way of monthly reports. Financial risks, the incoming order situation, supply backlogs, and the liquidity situation are analyzed daily or weekly to ensure that appropriate measures can immediately be initiated, where necessary. Market, development and strategic risks are monitored on a quarterly basis. Risks relating to legal aspects and contracts are worked on and examined by our in-house lawyers, if necessary with the support of external expert lawyers.

As an internationally operating company, init is subject to the cyclical trends of the global economy and of the individual countries in which its projects are implemented. Consequently, the global financial and economic crisis that has aggravated since late 2008 also poses a potential risk to the business development of init. A number of government aid programs have been implemented in the industrialized nations to counteract this crisis and to restimulate the economy through investments worth billions. The infrastructure sector, in particular, which includes local public transportation, is a focal point of these investments. This will bring with it additional business opportunities for init.

The market for transportation services, in which the init customers are primarily involved, is essentially dependent on the political will for improvement of local public transportation and on the funds made available for it. Delays and the postponement or cancellation of publicly funded investment projects and promotion funds due to a poor budgetary position can adversely affect the market growth of the init group. Based on our current assessment and upon implementation of the most recent political declarations of intent, many of the key markets for init should, however, see increased investment activities of the states.

One of the crucial success factors for the init group is project management. The successful handling of projects depends on their completion as scheduled, the scope of each individual project, the enforceability of contractual terms, the readiness of the customer to be involved in the project implementation through productive contributions, and the specific national laws and regulations. Apart from unforeseeable technical and customer-specific difficulties, the punctual completion of projects also depends to a degree on the availability of sufficiently qualified personnel. init takes account of these factors by operating a long-term personnel policy which includes the participation of employees in the success of the company.

For each major project, init therefore implements a project plan with constant progress monitoring. This controlling system enables the company to identify any deviations from the specified time and costs, the deliveries and the hours worked and, in case of deviations from the target, initiate the appropriate countermeasures in good time. Calculations, the order situation, and the project progress are constantly monitored for the purpose of a target-performance analysis.

Vehicles can only be equipped successfully if the hardware is made available at the right time and in the right quantity, and if it is of the required quality. Poor quality or hidden faults may otherwise require cost-intensive rectifications or replacements that will affect the margin.

To date, init has never had any claims against it on grounds of product defects or based on warranty which had a considerable impact on the financial and earnings position of the group. Future claims, however, cannot completely be ruled out. All the more since init is also dependent on its suppliers and subcontractors in terms of quality, schedule effectiveness and price.

Hardware and software as developed and marketed by init are subject to rapid changes and constant innovations. In order to limit the development technology risk, we must, on the one hand, keep up with the technological advances. On the other, new products must be launched at the right time. Therefore, the requirements and changes of the market must be constantly monitored. init also takes note of any customer suggestions and requests, which then factor in the product development. Despite all this, the development of new products can incur considerable costs without necessarily resulting in the desired success.

New competitors continuously try to break into the market with cut-throat prices to gain market shares at the expense of init. However, in most cases these new competitors only remain in the market for a short period of time, as they are unable to meet the technological and customer-specific demands due to a lack of experience and technology. Owing to the increase in the number of competitors, however, init is at times faced with the risk of decreasing prices and margins as well as the loss of tenders.

Contracts concluded in foreign currency involve exchange risks that can affect sales, the purchase prices, the valuation of claims, currency reserves, liabilities, and with it, the result. init meets these exchange risks with active exchange rate management, making use of switch deposits, forward exchange dealings and currency options. Since init also tries to keep its options open here and focuses on active management, it may consequently incur losses. Due to our risk policy, however, we consider this risk of loss to be minimal.

The investments of init include stocks, fixed-interest securities and fixed-term deposits. Exchange and interest change risks can therefore reduce the financial result of the group.

On the whole, the Managing Board currently rates the risks to which init as a group is exposed as comparatively minimal due to our solid financial and earnings position and our largely positive business prospects.

Opportunities and prospects report

The mood of the public with regard to the future of the economy is highly negative. Daily news of the financial and economic crisis, job losses, insolvencies and predictions of the extent and length of a global recession aggravate the uncertainty among the economic operators. Thus, virtually every government has launched aid programs aimed at countering the financial crisis, supporting the automotive industry, and reviving the economy. Many states have also promised to push public investments, which includes investments into local public transportation. How these factors and measures will affect business at init in the medium and long term, however, cannot as yet be predicted with any certainty.

On a regional basis, we again anticipate a significant number of tenders and follow-up orders from Germany in fiscal 2009. Incoming business in the rest of Europe may even see a rise in 2009.

In North America, the new US President, Barack Obama, has also announced that the government intends to invest heavily in the extension of local public transportation. The shock of the high fuel prices in 2008, however, has for now been overcome with the fast decline in crude oil prices, so that the calls of the automotive industry for government aid are pushed to the fore. In the short term, this could mean a postponement of investments in local public transportation for the time being. In the medium to long term, however, the fuel prices are likely to rise again and will continue to make private transportation more expensive. Likewise, the reduction of carbon dioxide emissions is still very much on the agenda. Consequently, the number of tenders in North America is set to rise again from 2010.

Great efforts to expand and improve the local public transportation systems are also made in Asia and Australia, to ensure mobility and avoid a daily breakdown in traffic. The United Arab Emirates, on the other hand, implement cutting edge traffic solutions worth billions. The number of tenders and follow-up orders in these areas is expected to rise again in the short to medium term.

Over the past few years, init has proved in many significant projects that we are able to generate business in any region in the world and execute each order with great schedule efficiency. init thus has excellent references that act as a signal for potential new customers from all over the world and should benefit in particular from planned additional infrastructure investments.

Remuneration systems for Managing and Supervisory Board

Remuneration system for the Managing Board

The remuneration for members of the Managing Board is settled by the Supervisory Board. The remuneration is determined by the size of the company, its economic and financial situation, and the amount and structure of comparable companies. The remuneration system for the Managing Board – also in their capacity as managing directors of our subsidiaries – includes as follows:

1. A fixed salary component payable on a pro-rata basis in 13 monthly installments. The fixed component of the Board members' remuneration totaled 1.021m EUR (2007: 981 kEUR).
2. A variable component linked to the consolidated earnings before taxes and after deduction of all management bonuses and employee shares and applicable as a percentage from an operating result of 0.4m EUR. The management bonus is limited to 25% of the total compensation package without restricted stocks under item 3. The variable part of the Board members' remuneration totaled 330 kEUR (2007: 328 kEUR).
3. A further bonus for 2008 in the form of stocks, from consolidated earnings exceeding 2m EUR before taxes and after deduction of all management bonuses. Where this amount is exceeded, each member of the Board receives one share for each 300 EUR of exceeding profit. The number of "restricted stocks" is limited to 5,000 shares per Board member. The shares are subject to a qualifying period of 5 years. The income tax on the non-cash benefit of the share transfer is borne by the company. The present value of this remuneration including income tax payable on it totaled 224 kEUR (2007: 380 kEUR).
4. Pension commitments existed for three of the five members of the Managing Board. The provisions for pensions (DBO) for these three members totaled 52 kEUR (2007: release of 89 kEUR).
5. A defined contribution plan instead of a direct pension commitment existed for two members of the Managing Board. This expenditure in 2008 amounted to 6 kEUR (2007: 5 kEUR).
6. An additional defined contribution plan exists for four members of the Managing Board. In 2008, the expenditure for this amounted to 40 kEUR (2007: 36 kEUR).

Based on the resolution passed by the shareholders' meeting on July 13, 2006, an individualized disclosure of the Board members' salaries according to § 315a para. 1 HGB (German Commercial Code) in conjunction with § 314 para. 1 no. 6a sentences 5 to 9 can be withheld for a period of 5 years (§ 314 para. 2 sentence 2 in conjunction with. § 286 para. 5 HGB).

Benefits payable on leaving the Managing Board have not been agreed. However, a termination bonus may be specified in individual termination agreements.

Remuneration system for the Supervisory Board

The remuneration of the Supervisory Board was decided in the shareholders' meeting on July 13, 2006, based on a proposal submitted by the Managing Board and the Supervisory Board. The articles of incorporation of init have been amended accordingly.

In addition to the reimbursement of expenditure, the annual remuneration of members of the Supervisory Board comprises a fixed and a variable component. The fixed component totals 9,000 EUR p.a. for the members and 18,000 EUR p.a. for the Chairman. The variable component depends in equal amounts on the share price and the consolidated earnings before taxes. The variable remuneration is limited to 300% of the fixed remuneration and is calculated using the following formula:

V= ((0.5*price/5.1 + 0.5 * profit/2 mio.) -1) * fixed component

Where V (variable component) is less than zero, the variable component does not apply and only the fixed component of the remuneration is payable.

Breakdown of the remuneration of the Supervisory Board in 2008:

Name	Fixed component in EUR	Variable component in EUR
Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	18,000	31,738
Bernd Koch	9,000	15,869
Fariborz Khavand	9,000	15,869

Particulars of shareholders' equity

The capital stock of init AG amounting to 10,040,000 EUR is divided into 10,040,000 no-par bearer shares with an imputed share in the capital stock of 1 EUR per share. The shares have been issued and fully paid up. For the rights and obligations related to the shares, please refer to § 118 ff. of the German Stock Corporation Act.

The Managing Board is not aware of any restrictions relating to the voting rights or the transfer of shares.

Dr. Gottfried Greschner directly or indirectly holds 3,591,000 shares in init AG as at December 31, 2008. This corresponds to around 35.8% of the capital stock. init AG currently holds a total of 164,655 shares (as of December 31, 2007: 195,722).

There are no holders of shares with special rights.

No voting control for shares held by employees exists.

Statutory requirements and provisions of the articles on the appointment and dismissal of members of the Managing Board and on amendments to the articles of incorporation

For the appointment and dismissal of members of the Managing Board, please refer to §§ 84, 85 AktG (German Stock Corporation Act). Amendments to the articles of incorporation are subject to the legal provisions of §§ 133, 179 AktG.

Authority of the Managing Board to issue and repurchase stock

At the annual shareholders' meeting on July 13, 2006, a resolution was passed to create capital to the amount of 5.020m EUR. With the approval of the Supervisory Board, the Managing Board is authorized to increase the company's capital stock by up to 5.020m EUR by July 13, 2011, through a single or repeated issuing of up to 5.020m 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 pre-emptive right, so that up to 1,040,000 new shares can be issued at a price not substantially lower than the stock market value of the company shares at the time of specifying the issue price. The aim is to balance peak amounts, to open up additional capital markets, to acquire investments and to acquire or merge with other companies or parts of companies by way of contribution as investment in kind, and to turn up to 250,000 new shares into employee stocks.

The treasury stock as of January 1, 2008 totaled 195,722 shares.

Based on the resolution passed at the annual shareholders' meeting on May 16, 2007, replaced by the resolution of May 27, 2008, the company is authorized to purchase treasury stock. On September 19, 2006, the Managing Board decided on a stock repurchase of up to 20,000 shares. In 2008, the company acquired 20,000 (2007: 13,585) shares at an average price of 5.53 EUR (2007: 7.11 EUR). Within the scope of an employee profit sharing plan for the 2008, a total of 20,067 shares were transferred to employees. The shares are subject to a qualifying period of two years. Based on the motivation plan for members of the Managing Board and managing directors, a total of 30,000 shares were transferred with a qualifying period of 5 years. A further 1,000 shares were transferred to employees within the scope of a bonus agreement without qualifying period. On the whole, the treasury stock as of December 31, 2008 thus totals 164,655 shares.

The treasury stock was repurchased for use as consideration within the scope of mergers and to acquire other companies or parts of companies or participations, or, where required, for the opening up of additional capital markets or to issue them to employees or members of the Managing Board.

Prospects

In 2009, the global economy is faced with a break. Economic experts predict a deep slump in economic activity that is likely to last for a while. Companies and governments all over the world are thus put to a serious test. In many key markets of init, government bodies have therefore set up programs aimed at firming up the economy. These programs in many cases comprise additional investments in the transportation infrastructure. At present, however, we cannot as yet predict with any great certainty whether these positive elements or the negative factors of the financial and economic crisis will prevail in terms of effect on the business of init.
What we can definitely say, however, is that our current level of orders of over 112.8m EUR already secures some 80% of our sales target for 2009 and will even extend far into the year 2010.

We also believe that the number of tenders involving local public transportation all over the world will remain at a high level. Worldwide, the funds available for the setup and development of the necessary infrastructure run into billions. In Germany and Europe, we therefore expect to see a rise in incoming business in 2009, and in the USA, from 2010, at the latest. An additional growth factor for init are follow-up orders from ongoing or already completed projects in Europe, the USA, the United Arab Emirates and Australia.

Against this background, the Managing Board is aiming for an increase in sales of 60m EUR, with earnings (EBIT) of 8.6m EUR in 2009. In addition to the indirect effects of the international financial and economic crisis, risk factors that may compromise our achievement of these targets, however, are the rising raw material prices and the significant volatility in the financial markets. Weak currencies such as the US dollar, the dirham, the British pound, the Norwegian krone, or the Swedish krona tend to result in lower margins for init, as the monetary influences cannot fully be passed on in the form of higher prices.

With our innovative products, individual customer solutions and system competence proven in a wealth of international reference projects, init is well-prepared to stand its ground in any current and future challenges. Therefore, based on the continuing excellent order situation and increasing project tenders, the Managing Board of init innovation in traffic systems AG is, on the whole, confident that init will continue to be able to achieve an increase in both sales and earnings above the market average over the next few years.

Karlsruhe, March 18, 2009

The Managing Board

Dr. Gottfried Greschner   Joachim Becker   Wolfgang Degen

Dr. Jürgen Greschner   Bernhard Smolka

This is a translation from German language. The audit opinion issued in German language refers to the consolidated financial statements and group management report originally prepared in German language and not to the English translation of the consolidated financial statements and group management report.

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the init innovation in traffic systems Aktiengesellschaft, Karlsruhe, comprising the income statement, the balance sheet, cash flow statement, statement of recognized income and expenses, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2008 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and the supplementary provisions of the articles of incorporation and bylaws are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and the supplementary provisions of the articles of incorporation and bylaws and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, March 20, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Ketterle	Schäfer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement by the legal Representatives

"To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group status report 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 in the remaining months of the fiscal year."

Karlsruhe, March 18, 2009

The Managing Board

Dr. Gottfried Greschner | Joachim Becker | Wolfgang Degen

Dr. Jürgen Greschner | Bernhard Smolka

Any child can tell you that! With passenger information systems from init, no one is left standing.


S1 ZOO
2 ZKM
2 MiN
5 MiN
8 MiN

init innovation in traffic systems Aktiengesellschaft, Karlsruhe
Balance Sheet of December 31, 2008

Assets	Notes Item No.	EUR	12/31/2008 EUR	12/31/2007 EUR '000
A. Fixed assets				
I. Intangible assets	III.1	13,650.00	13,650.00	18
II. Contributed assets	III.2			
Land and buildings		2,117,335.95	2,117,335.95	1,641
III. Financial assets	III.3			
1. Shares in affiliated companies		19,972,241.06		17,461
2. Loans to affiliated companies		120,000.00		120
3. Investments in associates		381,468.10	20,473,709.16	382
B. Current assets				
I. Accounts receivable and other assets	III.4			
1. Accounts receivable from affiliated companies		7,972,665.05		5,067
2. Other current assets		59,637.30	8,032,302.35	434
II. Marketable securities				
1. Treasury stock		711,779.10		977
2. Other marketable securities		14,220.00	725,999.10	35
III. Bank assets			1,107,901.08	1,875
C. Prepaid expenses	III. 5		16,245.93	92
			32,487,143.57	**28,102**

Liabilities	Notes Item No.	EUR	12/31/2008 EUR	12/31/2007 EUR '000
A. Shareholders' equity	III. 6			
I. Subscribed capital		10,040,000.00		10,040
II. Additional paid-in capital		9,621,874.98		9,622
III. Unappropriated income provisions for treasury stock		711,779.10		977
IV. Balance sheet profit		7,497,878.17	27,871,532.25	3,641
B. Provisions	III. 7			
1. Provisions for pensions and similar obligations		77,567.00		71
2. Tax accruals		1,058,435.00		263
3. Other provisions		460,410.00	1,596,412.00	418
C. Liabilities	III. 8			
1. Bank loans		1,200,000.00		1,200
2. Trade accounts payable		44,051.97		16
3. Accounts payable to investments to affiliated companies		1,273,316.05		1,822
4. Other liabilities thereof taxes 492,000.92 EUR (previous year: 25 kEUR) thereof social security contributions 0,00 EUR (previous year: 0 kEUR)		501,831.30	3,019,199.32	32
			32,487,143.57	**28,102**
Contingent liabilities	III. 9		28,568,063.81	22,693

init innovation in traffic systems Aktiengesellschaft, Karlsruhe
Income Statement for the Period from January 1, 2008, to December 31, 2008

		Notes Item No.	EUR	01/01/2008-12/31/2008 EUR	01/01/2007-12/31/2007 EUR '000
1.	Revenues	IV. 1		2,639,960.36	2,087
2.	Other operating income	IV. 2		287,803.64	1,150
3.	Personnel expenses				
	a) Wages and salaries		1,174,585.16		1,000
	b) Social security and other pension costs, thereof in respect of old-age pensions incl. 29,561.31 EUR (previous year: 27 kEUR)		186,779.69	1,361,364.85	164
4.	Depreciation on intangible assets of non-current asset and property, plant and equipment			32,035.08	22
5.	Other operating expenses			1,437,734.52	1,060
6.	Income from a profit and loss transfer agreement			7,042,298.85	0
7.	Income from investments			189,200.00	0
8.	Other interest and similar income thereof 238,999.93 EUR (previous year: 261 kEUR) from affiliated companies			288,630.90	308
9.	Depreciation on marketable securities			102,715.11	3
10.	Interest and similar expenses thereof 82,967.53 EUR (previous year: 78 kEUR) from affiliated companies			127,557.52	122
11.	**Result from ordinary activities**			**7,386,486.67**	**1,174**
12.	Income taxes	IV. 3		2,417,120.37	33
13.	Other taxes			0.00	0
14.	**Annual net profit**			**4,969,366.30**	**1,141**
15.	Profit carried forward from previous financial year			2,263,448.50	1,812
16.	Transfer from reserves Reserves for treasury stock			265,063.37	689
17.	**Balance sheet profit**			**7,497,878.17**	**3,642**

Statements of Changes in Fixed Assets of December 31, 2008

	Historical and manufacturing costs			
	01/01/2008 EUR	Additions EUR	Disposals EUR	Reclassifications EUR
I. Intangible assets	**19,500.00**	**0.00**	**0.00**	**0.00**
II. Contributed assets				
1. Land	647,815.84	153,067.00	0.00	-5,100.00
2. Buildings	1,013,250.43	351,602.76	0.00	5,100.00
Total contributed assets	**1,661,066.27**	**504,669.76**	**0.00**	**0.00**
III. Financial assets				
1. Shares in affiliated companies	17,461,487.38	2,510,753.68	0.00	0.00
2. Loans to affiliated companies	120,000.00	0.00	0.00	0.00
3. Investments in associates	381,468.10	0.00	0.00	0.00
Total financial assets	**17,962,955.48**	**2,510,753.68**	**0.00**	**0.00**
Total	**19,643,521.75**	**3,015,423.44**	**0.00**	**0.00**

	Accumulated amortization/depreciation				Book values	
12/31/2008	01/01/2008	Additions	Disposals	12/31/2008	12/31/2008	12/31/2007
EUR	EUR	EUR	EUR	EUR	EUR	EUR
19,500.00	**1,950.00**	**3,900.00**	**0.00**	**5,850.00**	**13,650.00**	**17,550.00**
795,782.84	0.00	0.00	0.00	0.00	795,782.84	647,815.84
1,369,953.19	20,265.00	28,135.00	0.00	48,400.08	1,321,553.11	992,985.43
2,165,736.03	**20,265.00**	**28,135.08**	**0.00**	**48,400.08**	**2,117,335.95**	**1,640,801.27**
19,972,241.06	0.00	0.00	0.00	0.00	19,972,241.06	17,461,487.38
120,000.00	0.00	0.00	0.00	0.00	120,000.00	120,000.00
381,468.10	0.00	0.00	0.00	0.00	381,468.10	381,468.10
20,473,709.16	**0.00**	**0.00**	**0.00**	**0.00**	**20,473,709.16**	**17,962,955.48**
22,658,945.19	**22,215.00**	**32,035.08**	**0.00**	**54,250.08**	**22,604,695.11**	**19,621,306.75**

init innovation in traffic systems Aktiengesellschaft, Karlsruhe Notes to the 2008 Fiscal Year

I. General disclosure

The financial statements of init innovation in traffic systems Aktiengesellschaft, Karlsruhe (init AG), as of December 31, 2008 were prepared in compliance with the statutory provisions of the German Commercial Code (HGB) and the supplementary regulations of the German Stock Corporation Act. The regulations for large stock corporations within the meaning of Section 267 para. 3 clause 2 of the German Commercial Code (HGB) apply. The consolidated statement of operations was prepared on the basis of the total expenditure format.

II. Accounting and valuation principles

As in the previous year, the following accounting and valuation principles were applied to the preparation of the financial statements:

Fixed assets
The intangible fixed assets and the tangible and financial assets are reported on the balance sheet at purchase cost, less scheduled straight-line depreciations.

Current Assets
Accounts receivable from affiliated companies and other assets are reported at their nominal value. Accounts receivable in foreign currencies are shown at the exchange rates current on the date of their origin or the higher selling rate on the cutoff date. Securities are valued at their cost of purchase, less the necessary depreciations pursuant to Section 253 para. 3 of the German Commercial Code (HGB).

Provisions and Liabilities
Pension accruals were calculated on the basis of actuarial principles in line with Section 6a of the German Income Tax Law (EstG). The underlying assumed rate of interest is 6%. The calculations are based on Klaus Heubeck’s Actuarial Tables of 2005 G.

The accrued provisions take into account any foreseeable risks and contingent liabilities and are shown at the amount required based on sound business judgment.

Liabilities are shown at their amounts repayable.

III. Explanations on Individual Balance Sheet Items

1. Fixed Assets
The trend of individual asset items is shown in the fixed asset movement schedule on page 94.

2. Intangible Assets
This relates to the IDL consolidation software. The software is reported at purchase cost and is depreciated over 5 years using a straight-line method.

3. Tangible Assets
The additions relate to the purchase of a property in Great Britain and investments in the administration building in Karlsruhe, Germany.

4. Financial Assets

The sum of 200 kEUR was paid into the capital reserves of initplan GmbH on January 11, 2008. Similarly, 89 kEUR was paid into the capital reserves of Init FZE, Dubai, on March 12, 2008, and a total of 222 kEUR was paid into the capital reserves of INIT PTY LTD, Australia in two payments on February 1 and June 25, 2008. These payments are intended to boost the financial strength of the subsidiaries.

Furthermore, the sum of 2m EUR was allocated to the capital reserves of INIT GmbH on December 5, 2008, in order to improve the shareholders' equity of the company for competing in international tenders.

We refer to page 101 for the list of the share ownership.

5. Accounts Receivable and Other Assets

The accounts receivable from affiliated companies totaled 7.973m EUR (2007: 5.067m EUR). This essentially includes receivables due from INIT GmbH at 7.021m EUR (2007: 4.740m EUR) and from initplan GmbH at 21 kEUR (2007: 0 kEUR), arising from the transfer of profits. In addition, there are also receivables from sales tax due from INIT GmbH and initplan GmbH amounting to 466 kEUR and a further 422 kEUR (previous year: 194 kEUR) from trade accounts receivable.

The other assets amounting to 60 kEUR (previous year: 434 kEUR) essentially concern the asset value of a pension liability insurance for the company pension scheme and tax refund claims.

All accounts receivable and other assets have a residual term of up to one year.

6. Accruals and Deferrals

The accruals and deferrals mainly include prepayments for insurance plans.

7. Shareholders' Equity

The shareholders' equity of init AG developed as follows:

	Capital stock	Capital reserves	Retained earnings	Balance sheet profit	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Shareholders' equity on December 31, 2007	10,040	9,622	977	3,641	24,280
Reserves for treasury stock			-265	265	0
Dividend distribution				-1,378	-1,378
Annual net income for 2008				4,969	4,969
Shareholders' equity as of December 31, 2008	10,040	9,622	712	7,497	27,871

Subscribed capital

On December 31, 2008, the subscribed capital of init AG was still 10.040m EUR. The capital has been fully paid in and is divided into 10,040,000 shares with an imputed share in the equity capital of 1.00 EUR each. This stock exclusively consists of ordinary shares.

Approved Capital

With the approval of the Supervisory Board, the Managing Board is authorized to increase the company's capital stock by up to 5.020m EUR by July 13, 2011, through a single or repeated issue 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 pre-emptive right in order to:

- issue 1,004,000 new shares at a price not substantially lower than the stock market value of the company shares at the time of specifying the issue price,
- balance out any peak amounts,
- open up additional capital markets,
- acquire investments and to acquire or merge with other companies or parts of companies by way of contribution as investment in kind,
- turn up to 250,000 new shares into employee stocks.

Treasury Stock

The treasury stock on January 1, 2008 totaled 195,722 shares. Based on the resolution passed at the annual shareholders' meeting on May 16, 2007, replaced by the resolution of May 27, 2008, the company is authorized to purchase treasury stock. In 2008, the company acquired 20,000 (previous year: 13,585) shares at an average price of 5.53 EUR (previous year: 7.11 EUR). Within the scope of an employee profit sharing plan for the 2008 fiscal year, a total of 1,629 shares were transferred to employees of init AG. A further 18,438 shares were sold to the following subsidiaries for their employee profit sharing plan: INIT GmbH, INIT Inc. USA, INIT Eastern Canada, INIT Western Canada, INIT Pty Ltd., INIT FZE and initplan GmbH. The shares are subject to a qualifying period of two years. As a result of the incentive plan for members of the Managing Board and managing directors, a total of 30,000 shares were transferred with a qualifying period of 5 years. 25,000 of these shares were sold to INIT GmbH and INIT Inc. USA. A further 1,000 shares were sold to INIT Inc., USA, and its employees within the context of a bonus agreement without qualifying period. This reduced the amount of treasury stock to 164,655 shares on December 31, 2008.

The company's treasury stock was valued at purchase cost less depreciations and came to 712 kEUR (previous year: 977 kEUR). The necessary reserves for treasury stock were formed by reducing the net profit for the year. On December 31, 2008, the treasury stock amounted to 164,655 shares with an imputed share of 164,655 EUR (1.64%) in the equity capital.

The repurchases have been effected for use as consideration within the scope of mergers and to acquire other companies or parts of companies or participations, or, where required, for opening up additional capital markets, or for issue to employees and Board members.

8. Provisions

The other provisions were established predominantly for the Supervisory Board compensation at 100 kEUR (previous year: 91 kEUR), for profit sharing in the form of shares for the Managing Board at 44 kEUR (previous year: 75 kEUR), for outstanding suppliers' invoices at 58 kEUR (previous year: 50 kEUR), for accounting and auditing costs at 35 kEUR (previous year: 33 kEUR), for management bonuses at 54 kEUR (previous year: 53 kEUR), and for the employee profit sharing plan at 124 kEUR (previous year: 75 kEUR).

9. Liabilities

Breakdown of liabilities in EUR ´000

	12/31/2008					12/31/2007	
	Remaining term			secured/		Remaining term	
	< 1 year	1-5 years	> 5 years	with	Total	< 1 year	Total
Type of liability	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000
1. Liabilities to banks	0	282	918	1,200	1,200	0	1,200
2. Trade accounts payable	44	0	0	0	44	16	16
3. Accounts payable to affiliated companies	1,273	0	0	0	1,273	1,822	1,822
4. Other liabilities	502	0	0	0	502	32	32
> thereof tax	492	0	0	0	492	25	25
> thereof social security	0	0	0	0	0	0	0

The liabilities due to banks at 1.200m EUR relate to a long-term loan for financing the building at Käppelestr. 4, Karlsruhe. The loan is fully secured by a land charge.

The accounts payable to affiliated companies stand at 1.273m EUR (previous year: 1.822m EUR) and primarily include tax liabilities.

The other liabilities mainly comprise wage and sales tax liabilities at 466 kEUR and liabilities from wage tax and German church tax at 26 kEUR.

10. Contingent Liabilities

On the cutoff date, the company had contingent liabilities from the following guarantee agreements:

> to the amount of 26.021m EUR (previous year: 20.253m EUR) from bank guarantees in favor of INIT GmbH
> to the amount of 25 kEUR (previous year: 25 kEUR) from a maintenance guarantee in favor of INIT Inc. USA
> to the amount of 2.522m EUR (previous year: 2.415m EUR) from a contract performance guarantee in favor of INIT Inc. USA
> Furthermore, init AG has joint liability for utilization of a bank loan of CarMedialab GmbH.

11. Financial Obligations

On the cutoff date, there were no financial obligations.

IV. Notes on the Income Statement

1. Revenues

The revenues were predominantly generated through services for INIT GmbH and initplan GmbH.

2. Other Operating Income

This item primarily includes rental income and income from the sale of treasury stock.

3. Taxes on Income

The tax expenditure for 2008 essentially concerns corporation income tax and German solidarity contribution (totaling 1.075m EUR) plus trade tax (1.095m EUR). A lump sum provision for taxation amounting to 180 kEUR was formed for an external audit for the years 2003-2006. This must be set against the inclusion of income from the reversal of provisions for taxation (1 kEUR) and income from tax refunds for previous years (46 kEUR).

1. Management bodies

Managing Board

Dr. Gottfried Greschner, Karlsruhe	Chief Executive Officer
Mr. Joachim Becker, Karlsruhe	Chief Operating Officer
Mr. Wolfgang Degen, Karlsruhe	Chief Operating Officer
Dr. Jürgen Greschner, Pfinztal	Chief Sales Officer
Mr. Bernhard Smolka, Stutensee	Chief Financial Officer

Supervisory Board

Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau, Meerbusch, Chairman	Consulting engineer specializing in local public transportation, member of the Supervisory Board of the 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
Mr. Bernd Koch, Lahr, Vice Chairman	Self-employed business consultant, member of the Advisory Board of the IHK (German Chamber of Industry and Commerce) Training Center in Karlsruhe
Mr. Fariborz Khavand, Wuppertal	Self-employed business consultant Managing Director Elcon Motores GmbH, Hagen

Particulars of Board member salaries

In their capacity as executives on the Managing Board and also of the subsidiaries, the members of the Managing Board received compensation totaling 1.575m EUR in 2008 (previous year: 1.689m EUR). This total includes a share-based compensation in the form of 25,000 shares of init AG with a current market price of 224 kEUR (previous year: 380 kEUR) at the time of issue including the applicable income tax, which is borne by init.

Expenses from this amounting to 266 kEUR are included in the financial statements of init AG.

Based on the resolution passed by the shareholders' meeting on July 13, 2006, an individualized disclosure of the board members' salaries can be withheld for a period of 5 years in compliance with Section 286 para. 5 HGB (German Commercial code).

The total remuneration of the Supervisory Board members in 2008 amounted to 100 kEUR (previous year: 91 kEUR).

2. Employees

init AG employed an annual average of 21 (previous year: 17) people.

3. Interest in Other Companies

Company	Registered offices	Equity capital		Share in %	2008 result	
INIT Innovative Informatik-anwendungen in Transport-, Verkehrs- und Leitsystemen GmbH	Karlsruhe (DE)	EUR ‘000	10,180	100	EUR ‘000	7,021
INIT Innovations in Transportation, Inc.	Chesapeake, VA (USA)	USD ‘000	5,707	100	USD ‘000	86
id systeme GmbH	Hamburg (DE)	EUR ‘000	461	44	EUR ‘000	268
CarMedialab GmbH	Bruchsal (DE)	EUR ‘000	296	58.1	EUR ‘000	4
initplan GmbH	Karlsruhe (DE)	EUR ‘000	421	100	EUR ‘000	24
INIT Innovations in Transportation (Eastern Canada) Inc./ INIT Innovations en Transport (Canada Est) Inc.	Montréal (CA)	CAD ‘000	94	100	CAD ‘000	9
INIT Innovations in Transportation (Western Canada) Inc.	Vancouver (CA)	CAD ‘000	113	100	CAD ‘000	0
Total Quality Assembly LLC	Chesapeake, VA (USA)	USD ‘000	236	60	USD ‘000	11
INIT PTY LTD, Australia	Brisbane (AUS)	AUD ‘000	207	100	AUD ‘000	-300
Init FZE, Dubai	Dubai (AE)	AED ‘000	7,193	100	AED ‘000	5,036
iris GmbH infrared & intelligent sensors	Berlin (DE)	EUR ‘000	3,071	43	EUR ‘000	369

Exchange rates

	Annual averages		Rate at cutoff date	
	2008	2007	2008	2007
1 EUR equals in US dollars	1.4633	1.3707	1.4094	1.4729
1 EUR equals in CAN dollars	1.5579	1.4692	1.7223	1.4464
1 EUR equals in AUS dollars	1.7318	1.6230	2.0408	1.6818
1 EUR equals in Dirham	5.3726	5.3701	5.1760	5.4115

4. Information on the auditor’s fee

The auditor’s fee for the group auditor Ernst & Young AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Mannheim for auditing the financial statements was 65 kEUR including expenses (previous year: 60 kEUR). A further 5 kEUR (previous year: 10 kEUR) was levied for other services.

5. Declaration of Compliance with the German Corporate Governance Code

The declaration of compliance for init AG was made by the Managing Board and the Supervisory Board on December 10, 2008, and was made permanently available to the shareholders on our home page at www.initag.de.

Karlsruhe, March 18, 2009

The Managing Board

Dr. Gottfried Greschner Joachim Becker Wolfgang Degen

Dr. Jürgen Greschner Bernhard Smolka

One for all and all for one: The innovative solutions from init are a joint effort created by many experts.

init innovation in traffic systems Aktiengesellschaft, Karlsruhe
Status Report as of December 31, 2008

Abstract

init innovation in traffic systems Aktiengesellschaft, Karlsruhe (init AG) is the umbrella company of the init group and as such is not engaged in any operating activities. init AG is responsible for the administration of the operating companies in the group, for strategic planning and for risk management. The areas of accounting, controlling, and human resources of INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH, Karlsruhe (INIT GmbH) and initplan GmbH (initplan) are covered by init AG.

Business trend and situation

Init AG generated sales in the amount of 2,640 kEUR (2007: 2,087 kEUR), predominantly through its services for INIT GmbH and initplan GmbH. It realized an annual net profit of 4,969 kEUR (2007: 1,141 kEUR). This includes the profit of INIT GmbH and initplan GmbH – based on a profit and loss transfer agreement.

Key financial performance indicators for init AG include the liquidity and the equity ratio. As of the cutoff date, the liquid funds including securities (without treasury stock) of init AG totaled 1,122 kEUR (2007: 1,910 kEUR). The balance sheet total amounted to 32,487 kEUR, the equity ratio stood at 85.8% (2007: 86.4%).

The incoming orders trend of the subsidiaries in 2008 developed as planned, laying the foundations for steady growth of the init group.

The treasury stock as of January 1, 2008 totaled 195,722 shares.

Based on the resolution passed at the annual shareholders' meeting on May 16, 2007, replaced by the resolution of May 27, 2008, the company is authorized to purchase treasury stock. In 2008, the company acquired 20,000 (2007: 13,585) shares at an average price of 5.53 EUR (2007: 7.11 EUR). Within the scope of an employee profit sharing plan for fiscal 2008, a total of 1,629 shares were transferred to employees of init AG. A further 18,438 shares were sold to the subsidiaries INIT GmbH, INIT Inc. USA, INIT Eastern Canada, INIT Western Canada, INIT PTY LTD, Init FZE and initplan GmbH for their employee profit sharing plan. The shares are subject to a qualifying period of two years. As a result of the motivation scheme for members of the Managing Board and managing directors, a total of 30,000 share were transferred with a qualifying period of 5 years. 25,000 of these shares were sold to INIT GmbH and INIT Inc. USA. A further 1,000 shares were sold to INIT Inc. USA and its employees within the scope of a bonus agreement without qualifying period. As of December 31, 2008, the number of own stock thus reduced to 164,655 shares.

The book value of the stock as at December 31, 2008 totaled 712 kEUR (2007: 977 kEUR).

Opportunities and risks of the future development

As a result of the yield from services for its operating subsidiaries and the income from investments and interest, init AG will again be able to compensate for its expenses in the 2009 fiscal year. On April 14, 2008, a profit and loss transfer agreement was concluded with INIT GmbH and initplan GmbH.

The development of init AG essentially depends on the development of its operating subsidiaries. On account of recent contracts, INIT GmbH is expected to report a distinctly positive result in 2009. The high volume of orders of over 112m EUR in the init-group has secured the basic level of work for the next 2 years.

The risks for init AG are mainly connected with the risks of its operating subsidiaries. Contracts in foreign currency involve exchange risks. Init meets these exchange risks by hedging its receipts of payment with forward exchange transactions and options. Since init also tries to keep its options open here, it may incur losses. Due to our risk policy, we expect the risk of loss to be minimal.

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

The technology in the area of telematics is subject to rapid change. Therefore, new products must be launched at the right time and the technological progress of the market monitored to keep up with the latest developments. Due to the qualification of our employees and the experience of init in the telematics field, we are confident that we will meet this challenge.

There are currently no risks that might jeopardize the continued existence of init.

Circumstances of specific significance after the cutoff date

As of the cutoff date, there were no circumstances of specific significance that may have an effect on the financial, earnings and net worth position of init AG.

Remuneration report

Remuneration system for the Managing Board

The remuneration for members of the Managing Board is settled by the Supervisory Board. The remuneration is determined by the size of the company, its economic and financial situation, and the amount and structure of comparable companies.

Of the five members of the Managing Board, one is remunerated directly by init AG. The other four members are paid by INIT GmbH. The costs are transferred as appropriate within the group.

The remuneration system for the Managing Board – also in their capacity as Managing Directors of the subsidiaries – includes as follows:

1. A fixed salary component payable on a pro-rata basis in 13 monthly installments. The fixed component of the Board members’ remuneration in 2008 totaled 1,021 kEUR.
   Of this amount, 168 kEUR is included in the individual financial statements of init AG.
2. A variable component linked to the consolidated earnings before taxes and after deduction of all management bonuses and applicable as a percentage from an operating result of 0.4m EUR. The management bonus is limited to 25% of the total compensation package without

restricted stocks under item 3. The variable part of the Board members' remuneration in 2008 totaled 330 kEUR.
Of this amount, 54 kEUR is included in the individual financial statements of init AG.

3. A further bonus for 2008 in the form of stocks, from consolidated earnings exceeding 2 mill. EUR before taxes and after deduction of all management bonuses. Where this amount is exceeded, each member of the Board receives one share for each 300 EUR of exceeding profit. The number of "restricted stocks" is limited to 5,000 shares per Board member. The shares are subject to a qualifying period of 5 years. The income tax relating to the non-cash benefit of the share transfer is borne by the company. The current market value of this bonus including the income tax payable on it amounted to 224 kEUR.
Of this amount, 44 kEUR is included in the individual financial statements of init AG.
4. Pension commitments existed for three of the five members of the Managing Board. The provisions for pensions (DBO) for these three members totaled 90 kEUR.
Of this amount, 0 kEUR is included in the individual financial statements of init AG.
5. A defined contribution plan instead of a direct pension commitment existed for two members of the Managing Board. This expenditure in 2008 amounted to 6 kEUR.
Of this amount, 3 kEUR is included in the individual financial statements of init AG.
6. An additional defined contribution plan existed for four members of the Managing Board. In 2008, the expenditure for this amounted to 40 kEUR.
Of this amount, 8 kEUR is included in the individual financial statements of init AG.

Based on the resolution passed by the shareholders' meeting on July 13, 2006, an individualized disclosure of the Board members' salaries can be withheld for a period of 5 years (§ 286 para. 5 HGB).

Except for the above pension commitments, no other benefits payable on leaving the Managing Board have been agreed. However, a termination bonus may be specified in individual termination agreements.

Remuneration system for the Supervisory Board

The remuneration of the Supervisory Board was decided in the shareholders' meeting on July 13, 2006, based on a proposal submitted by the Managing Board and the Supervisory Board. The articles of incorporation of init AG have been amended accordingly.

In addition to the reimbursement of expenditure, the annual remuneration of members of the Supervisory Board comprises a fixed and a variable component. The fixed component totals 9,000 EUR p.a. for the members and 18,000 EUR p.a. for the Chairman. The variable component depends in equal amounts on the share price and the consolidated earnings before taxes. The variable remuneration is limited to 300% of the fixed remuneration and is calculated using the following formula:

V= ((0.5*price/5.1 + 0.5 * profit/2 mio.) -1) * fixed component

Where V (variable component) is less than zero, the variable component does not apply and only the fixed component of the remuneration is payable. Breakdown of the remuneration of the Supervisory Board in 2008 :

Name	Fixed component in EUR	Variable component in EUR
Prof. Dr.-Ing. Dr.-Ing. E.h. Günter Girnau	18,000	31,738
Bernd Koch	9,000	15,869
Fariborz Khavand	9,000	15,869

Non-financial performance indicators

The key non-financial performance indicator for the init group is the qualification and motivation of its employees.

On average, init AG employed a workforce of 21 (2007: 17) staff in 2008.

On March 10, 2008, the Managing Board decided on giving its employees a share in the company profits based on the operating result. Every permanent employee (part-time staff and new employees on a pro-rata basis) will receive a maximum profit share of 4,750 EUR. This amount will be paid on approval of the annual financial statements. The appropriate amounts were taken into account in the financial statements.

In the context of asset sharing, each employee will also receive 100 shares in the company. The shares are subject to a qualifying period of 2 years and were already distributed to the employees on December 1, 2008.

Particulars of shareholders' equity

The capital stock of init AG amounting to 10,040,000 EUR is divided into 10,040,000 no-par bearer shares with an imputed share in the capital stock of 1 EUR per share. The shares have been issued and fully paid up. For the rights and obligations related to the shares, please refer to § 118 ff. of the German Stock Corporation Act.

The Managing Board is not aware of any restrictions relating to the voting rights or the transfer of shares.

Dr. Gottfried Greschner directly or indirectly holds 3,591,000 shares in init AG, of which 3,560,000 shares are held via Dr. Gottfried Greschner GmbH & Co. Vermögensverwaltungs KG. This corresponds to around 35.8% of the capital stock. init AG as at December 31, 2008 holds a total of 164,655 shares.

There are no holders of shares with special rights.

No voting control for shares held by employees exists.

Statutory requirements and provisions of the articles on the appointment and dismissal of members of the Managing Board and on amendments to the articles of incorporation

For the appointment and dismissal of members of the Managing Board, please refer to §§ 84, 85 AktG (German Stock Corporation Act). Amendments to the articles of incorporation are subject to the legal provisions of §§ 133, 179 AktG.

Authority of the Managing Board to issue and repurchase stock

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 pre-emptive right, so that up to 1,004,000 new shares can be issued at a price not substantially lower than the stock market value of the company shares at the time of specifying the issue price. The aim is to balance peak amounts, to open up additional capital markets, to acquire investments and to acquire or merge with other companies or parts of companies by way of contribution as investment in kind, and to turn up to 250,000 new shares into employee stocks.

Dividend

The Managing Board proposes a dividend distribution 16 cents per share.

Concluding statement concerning the dependent company report

Pursuant to § 312 of the German Stock Corporation Act (AktG), the Managing Board generated a report on the relationship with affiliated companies for the period under review, which was audited by our auditors. The dependent company report of the Managing Board concludes with the following declaration:

"Our company received adequate compensation for the legal transactions and measures specified in this report and was not adversely affected by whether or not these measures were implemented. This assessment is based on the circumstances known to the Managing Board at the time of the transactions to be disclosed."

Karlsruhe, March 18, 2009

The Managing Board

Dr. Gottfried Greschner

Joachim Becker

Wolfgang Degen

Dr. Jürgen Greschner

Bernhard Smolka

This is a translation from German language. The audit opinion issued in German language refers to the financial statements and management report originally prepared in German language and not to the English translation of the financial statements and the management report.

init innovation in traffic systems Aktiengesellschaft, Karlsruhe
Independent Auditors' Report

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the annual financial statements – together with the bookkeeping system, and the management report of init innovation in traffic systems Aktiengesellschaft, Karlsruhe, for the fiscal year from January 1, 2008 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions of the articles of incorporation and bylaws are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements, whether due to error or fraud, materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis as part of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, on the basis of the knowledge we have gained during the audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides an appropriate view of the Company's position and appropriately presents the opportunities and risks of future development.

Mannheim, March 20, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Ketterle	Schäfer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement by the legal Representatives

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

Karlsruhe, March 18, 2009

The Managing Board

Dr. Gottfried Greschner	Joachim Becker	Wolfgang Degen
Dr. Jürgen Greschner	Bernhard Smolka	

Three cheers for our bus driver, bus driver…: Systems from init make local public transportation safer, faster and guaranteed to be on time.

Notes

Notes

Imprint

init
innovation in traffic systems AG

Käppelestr. 4-6
D-76131 Karlsruhe

P.O. Box 3380
D-76019 Karlsruhe

Phone +49.721.6100.0
Fax +49.721.6100.399

info@initag.de
www.initag.de

A very warm thank you to the Fröbelstrasse Kindergarten in Karlsruhe-Grötzingen for allowing us to take the photos for our annual report there.

Concept and Design
rw konzept GmbH · Agentur für UnternehmensKommunikation
www.rw-konzept.de

Photography
Marie-Theres Nissalla
Uwe Sülflohn

Printing
Engelhardt und Bauer
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info@initag.de
www.initag.de

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