



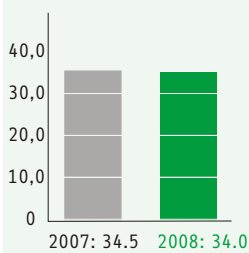
init

innovation in
traffic systems AG

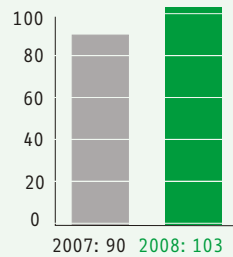


Q3 Report 2008

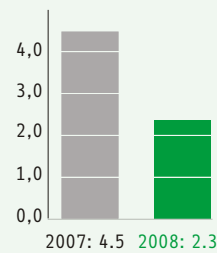
Revenues Q1-Q3
in Mio. €



Level of Orders Q1-Q3
in Mio. €



EBIT Q1-Q3
in Mio. €



Earnings per share
Q1-Q3 2007: 0,35 €
Q1-Q3 2008: 0,13 €

init at a Glance

Municipal and regional passenger transportation should be comfortable, fast and attractive. The systems supplied by init innovation in traffic systems AG ensure that buses and trams are able to meet these requirements today, while at the same time increasing the efficiency of transportation companies. init is the leader in innovative telematics and fare management systems that offer a suite of integrated solutions for all types of needs related to public transportation. init products are operational in over 300 transportation companies worldwide.

Director's Holdings

Managing Board	Number of shares
Dr. Gottfried Greschner, CEO*	3,581,500
Joachim Becker, COO	340,983
Wolfgang Degen, COO	84,000
Dr. Jürgen Greschner, CSO	97,364
Bernhard Smolka, CFO	19,600

* thereof 3,560,000 shares held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG

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

Company calendar 2008/2009

Nov. 12, 2008	Analyst Conference Deutsches Eigenkapitalforum, Frankfurt
March 2009	Publication Annual Report 2007 and Press and Analyst Conference
May 20, 2009	Annual Meeting, Karlsruhe

Statutory bodies of the Company

Supervisory Board

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

Consulting engineer specializing in local public transportation, member of the Supervisory Board of Berliner Verkehrsbetriebe, member of the Supervisory Board of BT Berlin Transport GmbH, Berlin, member of the Advisory Board of PTM, master's degree from the University of Duisburg/Essen.

> Bernd Koch (Vice-Chairman)

Self-employed business consultant, member of the Advisory Board of the IHK (German Chamber of Industry and Commerce) Training Centre in Karlsruhe.

> Fariborz Khavand

Self-employed business consultant.

Management Board

> Dr. Gottfried Greschner (Chairman), M.Sc.
Business Development, Personnel, Purchasing and Supply Management

> Joachim Becker, M.Sc. in Information Science
Business Division: Telematics Software and Services

> Wolfgang Degen, M.Sc.
Business Division: Mobile Telematics and Fare Management Systems

> Dr. Jürgen Greschner, B.A.M.
Sales

> Bernhard Smolka, B.A.M.
Finance, Controlling and Investor Relations



Letter to the Shareholders

Ladies and Gentlemen,
dear Shareholders,

The third quarter of 2008 will go down in the annals of economic history as one of the most striking turning points. The collapse of some of the largest US investment banks has plunged the world into a financial crisis whose shockwaves are starting to affect the real economy. While governments all over the world are taking great pains to try and stem the biggest financial crisis since 1929, it cannot as yet be fully predicted what effect this government aid will have in real terms both in the short and long-term.

In this struggling global economy, init innovation in traffic systems AG is fortunate to have fared rather well. While many companies have been forced to make downward adjustments to their annual targets, some even more than once, we continue to be set for yet another record year after the third quarter. Granted, the sales and earnings figures of init in the third quarter remained below our projections. However, this is due solely to the impact of individual events not related to the financial crisis, which resulted in a change of plans on customer side and in delayed supplier deliveries in a number of projects. These sales and earnings contributions originally anticipated for the third quarter will now be reflected in the fourth-quarter figures.

Prospect of new sales and earnings record for Q4

Based on our current level of orders, the final quarter will likely see a new record in sales and earnings if projects are completed on schedule. As projected, the operating result for 2008 is expected to top the prior-year level of 7.2 mio. EUR. A more precise projection is not currently possible due to partly extreme fluctuations in the financial and foreign exchange markets.

The key figures and facts of the third quarter at a glance:

- ▶ From July through September 2008, init generated sales of 12.7 mio. EUR (previous year: 15.1 mio. EUR). Based on the first nine months, revenues at around 34 mio. EUR matched the record-breaking level of the previous year (34.5 mio. EUR).
- ▶ To complete existing orders on schedule while seizing new opportunities for growth in the market, init has increased its personnel capacities in the current financial year to 260 employees (previous year: 218).


- ▶ Along with other advance inputs, this has led to a disproportionate rise in production costs on the previous year. The gross profit on sales of 8.4 mio. EUR as of the end of September thus remained below the prior-year figure (12.2 mio. EUR).
- ▶ In the third quarter, init generated earnings before interest and taxes (EBIT) of 1.4 mio. EUR. On a nine-month basis, the EBIT thus stood at 2.3 mio. EUR (previous year: 4.5 mio. EUR), resulting in net income for the period under review of 1.2 mio. EUR (previous year: 3.4 mio. EUR) and corresponding to earnings per share of 0.13 EUR (2007: 0.35 EUR).
- ▶ The operative cash flow continued its positive trend. After a rise in the third quarter, the nine-month figure for 2008 improved by around 7.5 mio. EUR on the previous year (2007: -2.2 mio. EUR) to stand at 5.3 mio. EUR.
- ▶ At 103 mio. EUR, the order volume remained at record level (previous year: 90 mio. EUR).

Hence, the above-average growth prospects of init in the medium-term remain intact. Furthermore, a number of tenders for major projects on four continents are pending a decision over the next few weeks.

Worldwide demand for intelligent transportation infrastructure

A factor certainly of benefit to init in the medium and long-term is the global increase in the demand for intelligent transportation infrastructure. This means nothing less than safeguarding the mobility of our society for the future and relieving the strain on our environment caused by the emission of harmful substances. This necessitates investments in intelligent, integrated system solutions such as have been developed and installed by init innovation in traffic systems AG on a global scale for the past 25 years.

Experts at the largest trade fairs in the transportation industry which this year were held in Berlin and San Diego within a space of a few days agreed. The number of visitors interested in the init stands was correspondingly high. At the InnoTrans, our focus was explicitly on “innovative railway technology in times of climate change“, with init presenting relevant product innovations and introducing current projects in Germany, Dubai, Dublin, Oslo and Vancouver.



The regionwide Regio-ITCS (Intermodal Transport Control System), an operating control system currently set up by init for four regional companies of DB Stadtverkehr GmbH in Bavaria, met with particular interest here. To optimize cross-company information and operations, the DB subsidiaries are combined with some hundred other contract companies for joint control in an integrated system. One of the pioneering aspects of this project is MOBILE-ITCS as a sophisticated system concept that remains open for further “clients” and allows easy integration of other regional companies in the future.

The system also provides up-to-date passenger information in real time across the companies. The data are also exported to the Traveler Information System (RIS) of DB AG and the Bavarian Information Management System (BIMS) of Bayerische Eisenbahngesellschaft (BEG) to enable travel planning from start to finish based on real-time information and thus, to ensure better dovetailing of bus and rail transportation for passengers.

This networking of several transportation companies in local and long-distance public transportation is exemplary for many mobility projects worldwide. It ensures greater efficiency, more satisfaction among passengers and, ultimately, a reduced burden on the environment. Judging by the interest of trade visitors at the InnoTrans, it seems very likely that init will receive further international invitations to tender in the future.

The APTA Expo held in San Diego, California, every three years also proved a complete success for our company. At the largest trade fair for local public transportation in North America, the substantial number of visitors at our stand indicated that North America is a further market in which init has managed to establish itself as one of the leading technology suppliers of telematics systems.

Increasingly, however, init is also in demand as a supplier of fare collection equipment and innovative ticketing solutions. Our electronic check-in/check-out system, in particular, has met with a good response worldwide. Currently, init is setting up this system for the private British bus operator Trent Barton, which is realizing the entire investment using its own funds. Trent Barton is convinced that the new system will critically improve its efficiency as much as the quality of its service. Consequently, it decided to have its entire fleet fitted with the sophisticated device combination. A similar system is currently being installed at the other end of the world, in Australia. Further inquiries have already been made.

Experts see more opportunities than risks in transportation sector

Another aspect evident at the two major transportation trade fairs was that talks revolved not so much around the financial crisis and its impact but on the various new technical possibilities and the increasing importance of buses and trains for the mobility of our society.

Just as this was the crucial issue for transportation experts, the resulting opportunities arising from this should also soon dawn again upon market experts. Regrettably, there is little differentiation on the stock markets at the moment. On the contrary, we have seen sell-offs across the board, which rather adversely affected the prices specifically of second-line stocks such as init. While the price of our share had successfully braced itself against the bear market, last week it was clear that even institutional addresses could not help but sell their init shares to procure liquidity.

Many certainties and supposed regularities on the stock market have been reduced to absurdity over the last few months. The uncertainty in terms of further developments is greater than ever. Obviously, we do not know either what else will be in store for us. But we do believe that the fundamental quality of a company and a share will one day find a ready market again. Consequently, the Managing Board of init agreed to use the bearish tendency in prices as an opportunity to start the stock repurchase program approved by the shareholders' meeting.

We are convinced of the quality of work carried out by our now over 260 highly qualified employees. Our customers have confirmed that our products set standards in the market in terms of innovation and efficiency. The keen interest and demand which we experience in every part of the world therefore give us confidence for our future. We would be delighted if you would share this confidence with us.



Dr. Gottfried Greschner
Chairman of the Managing Board

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

	07/01/2008- 09/30/2008	07/01/2007- 09/30/2007	01/01/2008- 09/30/2008	01/01/2007- 09/30/2007
	T€	T€	T€	T€
Revenues	12,700	15,077	33,973	34,453
Cost of revenues	-9,764	-9,545	-25,544	-22,236
Gross Profit	2,936	5,532	8,429	12,217
Sales and marketing expenses	-1,405	-1,286	-4,528	-4,168
General administrative expenses	-903	-731	-2,587	-1,897
Research and development expenses	-190	-462	-703	-1,396
Other operating income	98	771	280	1,138
Other operating expenses	-29	-13	-353	-13
Foreign currency gains/losses	754	-592	1,372	-1,553
Operating profit	1,261	3,219	1,910	4,328
Income from associated companies	125	42	225	126
Other income and expenses	40	32	126	82
Earnings before interest and income tax (EBIT)	1,426	3,293	2,261	4,536
Interest income	46	28	145	161
Interest expenses	-109	-118	-293	-222
Earnings before income tax (EBT)	1,363	3,203	2,113	4,475
Income tax	-573	-646	-903	-1,119
Net Profit	790	2,557	1,183	3,356
thereof attributable to equity holders of the parent company	779	2,548	1,272	3,384
Minority interests	11	9	-89	-28
Net profit and diluted net profit per share in EUR	0.08	0.26	0.13	0.35
Average number of floating shares (undiluted)	9,874,800	9,797,207	9,865,822	9,694,696
Average number of floating shares (diluted)	9,874,800	9,797,207	9,865,822	9,694,696

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

Assets	09/30/2008 T€	12/31/2007 T€
Current assets		
Cash and cash equivalents	5,629	3,748
Marketable securities	10	35
Trade accounts receivable	17,343	19,956
Accounts receivable from related parties	11	9
Inventories	9,401	5,824
Income tax receivable	52	60
Other current assets	3,109	1,419
Current assets, total	35,555	31,051
Non-current assets		
Tangible fixed assets	4,500	3,864
Goodwill	2,081	2,081
Other intangible assets	4,065	3,639
Interest in associated companies	1,923	1,887
Accounts receivable from related parties	168	168
Deferred tax assets	636	549
Other assets	1,340	1,236
Non-current assets, total	14,713	13,424
Assets, total	50,268	44,475



Liabilities and shareholders' equity	09/30/2008 T€	12/31/2007 T€
Current liabilities		
Bank loans	1,400	1,400
Trade accounts payable	3,329	3,441
Amounts payable of percentage-of-completion-method	5,090	817
Accounts payable to related parties	0	64
Advance payments received	831	937
Income tax payable	170	359
Provisions	3,405	2,103
Other current liabilities	4,158	3,855
Current liabilities, total	18,383	12,976
Non-current liabilities		
Long-term debt less current portion	1,200	1,154
Deferred tax liabilities	1,593	1,647
Pensions accrued and similar obligations	2,141	2,010
Other non-current liabilities	110	0
Non-current liabilities, total	5,044	4,811
Shareholders' equity		
Attributable to the equity holders of the parent company		
Subscribed capital	10,040	10,040
Additional paid-in capital	4,011	3,973
Treasury stock	-751	-977
Consolidated unappropriated profit	14,241	14,347
Other reserves	-804	-889
	26,737	26,494
Minority interests	104	194
Shareholders' equity, total	26,841	26,688
Liabilities and shareholders' equity, total	50,268	44,475

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

	01/01/2008- 09/30/2008	01/01/2007- 09/30/2007
Cash flow from operating activities:	T€	T€
Net income	1,183	3,356
Depreciation and amortization	1,179	949
Losses on the disposal of fixed assets	6	59
Profit from the sale of marketable securities	0	-736
Change in provisions and accruals	1,433	72
Change in inventories	-3,577	-2,012
Change in trade accounts receivable	2,613	-7,104
Change in other assets, not provided by/used in investing or financing activities	-1,788	-1,070
Change in trade accounts payable	-112	3,038
Change in advanced payments received and amounts payable of POC	4,167	249
Change in other liabilities, not provided by/used in investing or financing activities	161	759
Amount of other non-cash income and expense	-3	269
Net cash from operating activities	5,262	-2,171
Cash flow from investing activities:		
Investments in tangible fixed assets and other intangible assets	-1,387	-3,013
Investments in software development	-860	-329
Investments in associated companies	0	-100
Inflows from associated companies and loans receivable	189	0
Inflows from the sale of marketable securities as part of short-term cash management	0	2,088
Investments in securities as part of short-term cash management	5	0
Net cash flows used in investing activities	-2,053	-1,354
Cash flow from financing activities:		
Cash payments for dividends	-1,378	-968
Cash payments for the purchase of treasury stock	0	-97
Inflows from bank loans	46	2,191
Net cash flows used in financing activities	-1,332	1,126
Net effect of currency translation changes in cash and cash equivalents	4	-29
Increase/Decrease in cash and cash equivalents	1,881	-2,428
Cash and cash equivalents at the beginning of the period	3,748	6,728
Cash and cash equivalents at the end of the period	5,629	4,300



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

	01/01/2008- 09/30/2008	01/01/2007- 09/30/2007
	T€	T€
Currency conversion	111	37
Changes in current market values of available-for-sale securities, recognized in the shareholders' equity	-26	-18
Gains on available-for-sale securities, recognized in the consolidated income statement	0	57
Deferred taxes on valuation adjustments, recognized directly in the shareholders' equity	0	8
Valuation adjustments recognized directly in the shareholders' equity	85	84
Net profit	1,183	3,356
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements	1,268	3,440
thereof attributable to equity holders of the parent company	1,357	3,468
thereof minority interests	-89	-28

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

	09/30/2008	09/30/2007
Germany	199	176
North America	55	42
Other Countries	6	0
Total	260	218

Group Status Report

General business trend

The general, underlying economic conditions have continued to deteriorate as a result of the global financial crisis. Worldwide, the governments of countries hit by this calamity are taking various financial measures, even resorting to the nationalization of banks, in an attempt to stem the biggest financial crisis since 1929. What effect this government aid in the individual countries will have on investments in the public sector both in the short and long-term cannot as yet be fully predicted.

In contrast, the growth prospects of init in the medium-term continue to be intact. Due to ongoing international tendering and the current record level of orders in the amount of some 103 mio. EUR, we remain set for growth, particularly in 2009. Furthermore, we expect new and follow-up orders to materialize in the short-term, specifically from Germany, Europe and North America.

The distribution of sales over the course of the financial year is traditionally irregular for the init group, whereby the weakest sales are usually experienced in the first quarter and the strongest in the fourth. Owing to project delays on the customer and supplier sides, we narrowly missed our sales and earnings targets specifically for deliveries and installations in the third quarter. However, we expect the fourth quarter will largely make up these sales proceeds to present init with yet another record year.

Order situation

The order situation in the init group continues to be most pleasing. In the first three quarters, the order intake from Germany was 18.0 mio. EUR, from Europe it was 13.1 mio. EUR, and from the Middle East, 0.4 mio. EUR. In North America, init booked new orders worth 17.2 mio. US-Dollars.

The development of the German market in particular currently is more than positive for init. In conjunction with an automated data supply, the public transportation services VBK and AVG in Karlsruhe, for example, have commissioned init with the delivery and installation of a modernized control system for buses and streetcars. Along with increased efficiency in operations, this solution will mean a further improvement of passenger information. The key issue here is a faster supply of vehicle and service schedule data to the vehicles along with full tracking and control of all vehicles. This allows the depot to react more quickly to disruptions, while vehicles receive information on the actual arrival and departure times at stops without loss of time. The order volume totals in excess of 3 mio. EUR.

The init group currently has orders on the books worth over 103 mio. EUR (previous year: 90 mio. EUR).

Earnings situation

As of September 30, the group recorded a cumulated sales turnover of 34.0 mio. EUR (previous year: 34.5 mio. EUR), around 77.5% which are due to

foreign sales (previous year: 86.9%). To complete existing orders on schedule while seizing new opportunities for growth in the market, init has increased its personnel capacities in the current financial year to 260 employees (previous year: 218). Along with other advance input in development and production, this has led to a disproportionate rise in production costs on the previous year. The gross profit on sales of 8.4 mio. EUR as of the end of September thus remained below the prior-year figure (12.2 mio. EUR).

In the third quarter, init generated earnings before interest and taxes (EBIT) of 1.4 mio. EUR. On a nine-month basis, the EBIT thus stood at 2.3 mio. EUR (previous year: 4.5 mio. EUR), resulting in net income for the period under review of 1.2 mio. EUR (previous year: 3.4 mio. EUR), which corresponds to earnings per share of 0.13 EUR (2007: 0.35 EUR).

Net worth and financial position

At 50.3 mio. EUR, the balance sheet total in the period under review is 3.8 mio. EUR up on the previous year (September 30, 2007). On the assets side of the balance sheet, this increase is essentially due to the higher level of cash, the rise in inventories and fixed assets and to the increase in other assets. On the liabilities side, the increase is largely reflected in the rise in provisions and in the liabilities resulting from the "percentage-of-completion-method" to be applied under the International Financial Reporting Standards.

The operative cash flow continued its positive trend. After a rise in the third quarter, the nine-month figure for 2008 improved by around 7.5 mio. EUR on the previous year (2007: -2.2 mio. EUR) to stand at 5.3 mio. EUR. The cash flow situation is set to further improve in the fourth quarter because large payments are expected to come in from the big projects.

The shareholders' equity as of September 30, 2008 was 26.8 mio. EUR (September 30, 2007: 24.5 mio. EUR). The equity ratio increased on the previous year, from 52.7% to 53.4%.

The liabilities due to banks were up by the end of September at 2.6 mio. EUR (previous year: 2.2 mio. EUR). This was due essentially to the bank loan for 1.2 mio. EUR for financing the extension of the Karlsruhe site and to the up-front financing of current projects.

As of September 30, 2008, the liquid funds, including short-term saleable securities, totaled 5.6 mio. EUR (previous year: 4.4 mio. EUR). The increase in liquid funds was due to payment receipts from the major projects and to the appropriation of credit facilities. The liquidity situation is set to further improve in the following quarters due to additional, scheduled payment receipts. The existing bank guarantee and credit lines will also continue to secure the financing of our business activities.

In the first nine months of 2008, a total of 1.4 mio. EUR (previous year: 3.0 mio. EUR) was invested in tangible and intangible assets (without software development). This was for the acquisition of a property in Great Britain, investments in the administration building in Karlsruhe, as well as replacement and rationalization investments.



Production

init does not have its own production facilities as it concentrates instead on production management and quality assurance.

We avoid dependence on individual suppliers. This puts us in a position to switch suppliers should one of our business partners be unavailable. For the 2008 financial year, we have been able to acquire new suppliers and negotiate new framework agreements. The further relocation of production processes to low-wage countries with a high technical standard of production is also part of the strategic objectives for the 2008 financial year.

Personnel

To cope with the increased order volume, init has adjusted its workforce. This trend is set to continue at a moderate level over the next few months as we are expecting further large contracts.

Over 65 percent of permanent init employees have an academic qualification in one of the following disciplines: information technology, electrical and electronic engineering, HF engineering, physics, mathematics and industrial engineering.

On September 30, 2008, the init group employed a workforce of 260 employees, including temps, scientific assistants and graduate students (previous year: 218).

Environmental protection

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

Research and development

In 2008, the hardware and software developers at init not only worked on the further development of existing products but also on developing new products and innovations.

The total amount spent in the init group on the development of new products in the first three quarters of 2008 was 1.6 mio. EUR (previous year: 1.7 mio. EUR). Of this figure, software developments amounting to 0.9 mio. EUR (previous year: 0.3 mio. EUR) were capitalized. The depreciation undertaken on the capitalized software was 0.4 mio. EUR (previous year: 0.4 mio. EUR).

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

Risks and risk management

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

A risk management system forms an integral part of our business and decision-making processes. Prior to making any fundamental decisions on important measures, these are discussed in detail at regular Board meetings and their prospects and risks weighed against each other. Any imminent risks are regularly reported on in both the Managing Board meetings and the Supervisory Board meetings. Alternative measures are discussed with the Supervisory Board.

The crucial success factor for the init group is successful project management; and successful project management depends on the completion of the projects on schedule, on the size of an individual project, on the design of the contract, on the willingness of the customer to constructively help in the project implementation, and on the specific national legislation and regulations. Apart from any unforeseeable technical and customer-specific difficulties arising, the punctual completion of projects also depends on sufficiently qualified personnel being available to the company.

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

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

Opportunities

With international reference projects in Dubai, Oslo, Stockholm, The Hague, Copenhagen, New York City, Houston and Vancouver (Canada), init has created an excellent portfolio for future invitations to tender. These projects act as a beacon for init and show that the company is most able to handle contracts on a global scale. The tenders won in Dubai and Tasmania are highly significant for further tenders in the Middle East and in Oceania. In the United Arab Emirates alone, billions are to be invested in local public transportation in the coming years. This means that follow-up contracts can be expected from this region.

We are currently represented in several tenders on four continents.

Prospects

init innovation in traffic systems AG may have concluded the third quarter with sales and earnings figures below our projections, but we continue to be on course for yet another record year. On the basis of our current order volume, we are confident that we will once again achieve record-breaking sales and earnings results in the fourth quarter. As projected, the EBIT for 2008 is expected to top the prior-year level of 7.2 mio. EUR. A more precise projection is not currently possible due to partly extreme fluctuations in the financial and foreign exchange markets.

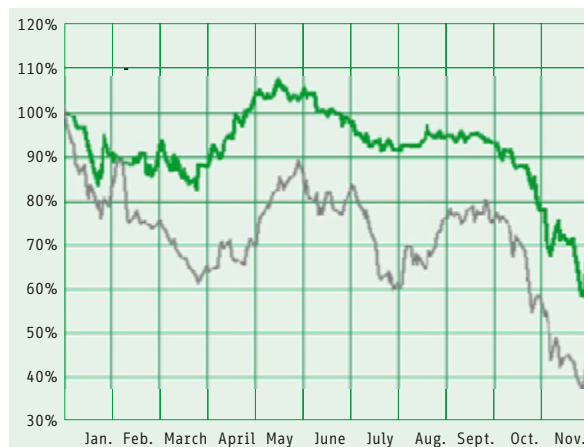
The strengthening of the US Dollar to the Euro had a positive effect and further improved our margins. The current global financial crisis though is a worrying issue, its impact in the short and long run cannot as yet be clearly seen and may lead to drastic budget cutbacks in the public sector. This is mitigated somewhat by international climate protection efforts and the increasing requirement for infrastructure investments in public transportation.

Hence, in the opinion of the Managing Board, the above-average growth prospects of init in the medium-term remain intact. Furthermore, a number of tenders for major projects on four continents are pending a decision over the next few weeks and months.

Karlsruhe, November 10, 2008

The Managing Board

Performance Q1-Q3 2008



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

Your investor relations contact

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Selected explanatory notes for Q1–Q3

General disclosure

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

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

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

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

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

New accounting standards

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

This results in three segments at init:

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

The Telematics and Electronic Fare Collection Systems segment currently accounts for over 90% of

the total volume. This implies that the Planning Systems and Automotive Engineering do not currently have to be reported separately but are combined under “other segments”.

Consolidated group

Fully consolidated companies

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

Associated companies

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

Inventories

A total of 621 TEUR (previous year: 0 TEUR) for inventory impairment losses was recorded as expenses. This expenditure is included in the income statement under “Cost of revenues”.

Accounts receivable

A total of 351 TEUR (previous year: 0 TEUR) for impairment losses in accounts receivable was recorded as expenses. This expenditure is included in the income statement under “Other operating expenses”.

Tangible fixed assets

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

700 TEUR were made (previous year: 743 TEUR). The sale of certain tangible (fixed) assets generated 1 TEUR (previous year: 7 TEUR).

Liabilities

Debts are carried on the liabilities side of the balance sheet at their net book value. The liabilities due to affiliated companies totaled 0 TEUR (previous year: 221 TEUR) and relate to trade accounts payable to iris GmbH, Berlin.

Shareholders' equity

Subscribed capital

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

Authorized capital

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

Capital reserves

On September 30, 2008 the capital reserves totaled 4,011 TEUR, with 3,141 TEUR of this coming from the premium of the shares sold for stock market floatation and from the capital increase in the 2002 financial year. 318 TEUR was allocated in the context of recording the expenditure from the share-based remuneration from 2005 to 2007 and 303 TEUR in 2008. The transfer of shares in the context of the incentive program for Management Board members and directors as well as a share bonus agreement

released for 265 TEUR in 2008. The sale of own shares in 2007 increased the capital reserves by 514 TEUR.

Treasury stock

On January 1, 2008 the treasury stock totaled 195,722 shares. Based on the resolution passed at the shareholders' meeting on May 16, 2007, replaced by the resolution of the shareholders' meeting on May 27, 2008, the company was authorized to purchase treasury stock.

On September 19, 2008, the company decided to repurchase treasury stock up to 20,000 shares. In the course of the incentive program for Management Board members and directors, 30,000 shares with a qualifying period of five years were transferred in the 2008 financial year. A further 1,000 shares were transferred to employees within the scope of a bonus agreement. This means that the treasury stock on September 30, 2008 totaled 164,722 shares.

The company's treasury stock is valued at cost at 751 TEUR (September 30, 2007: 875 TEUR) and openly deducted from the shareholders' equity. Of the treasury stock of 164,722 shares on September 30, 2008, with an imputed share of 164,722 EUR (1.64%) in the capital stock, 1,139 shares come as a result of the capital increase in 2002 and 163,583 shares from the company's stock repurchasing program. The stock was repurchased at an average price of 4.99 EUR per share. The treasury stock was repurchased for use as consideration in the context of mergers or the context of buying other companies, parts thereof or interests therein, or, where required, for tapping into additional capital markets or for issue to employees and Management Board members.

Paid and proposed dividends

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

Contingent liabilities/claims

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

Legal disputes

Provisions of 14 TEUR (previous year: 6 TEUR) have been formed for two lawsuits being pursued through the courts. The company does not expect the result of these legal disputes to have any substantial detrimental effect on the asset, earnings or liquidity situation.

Segment reporting

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

Other Disclosures

Related Party Transactions

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

	Associated companies		Other related party transaction	
	2008	2007	2008	2007
Income from sales to related parties and persons as of 9/30 T€	5	0	0	0
Purchase from related parties and persons as of 9/30 T€	290	729	275	275
Due from related parties and persons as of 9/30 T€	179	212	61	61
Due to related parties and persons as of 9/30 T€	0	221	0	0

Associated companies

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

The remaining amount of 11 TEUR also concerns iris GmbH (previous year: 42 TEUR). These accounts receivable are for goods and services and have less than a year left to run. They are indicated in the balance sheet under current assets.

The accounts payable to related parties are for goods and services and have less than a year left to run. These are due to iris GmbH and amount to 0 TEUR (previous year: 221 TEUR). They are indicated in the balance sheet under current liabilities.

Other related party transactions

INIT GmbH rents its office building in Karlsruhe from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG. The monthly rental payments are currently running at 30 TEUR (rounded) (annual payment: 367 TEUR). The rental price is contractually

fixed until June 30, 2011 and will then increase to 475 TEUR per year, every year from July 1, 2011 until June 30, 2026. In addition, a rent deposit of 61 TEUR has been paid for the office building in Karlsruhe.

Terms of the business transactions with related parties and persons

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

Karlsruhe, November 10, 2008

Dr. Gottfried Greschner

Bernhard Smolka

Achim Becker

Wolfgang Degen

Dr. Ingrid Greschner

Segment Reporting

The group comprises the following reportable segments:

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

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

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

01/01/2008-09/30/2008

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
	T€	T€	T€	T€
Revenues				
with third parties	32,296	1,677	0	33,973
with other segments	609	437	-1,046	0
Revenues, total	32,905	2,114	-1,046	33,973
EBIT	2,668	-274	-133	2,261
Segment assets	49,759	2,521	-2,012	50,268
Segment liabilities	22,335	2,089	-997	23,427
Interest income	164	1	-20	145
Interest expenses	275	38	-20	293
Scheduled depreciation	1,041	166	-28	1,179
Cost of revenues	24,647	1,886	-989	25,544
Research and development expenses	699	4	0	703
Foreign currency gains (+)/losses (-)	1,369	3	0	1,372
Income from associated companies	225	0	0	225
Income tax	814	116	0	930
Impairments	621	0	0	621
Shares in associated companies	1,923	0	0	1,923
Investments in tangible fixed assets and intangible assets	1,715	732	-200	2,247

01/01/2007-09/30/2007

	Telematics and Electronic Fare Collection Systems	Others	Eliminations and adjustments	Consolidated
Revenues	T€	T€	T€	T€
with third parties	34,112	341	0	34,453
with other segments	83	0	-83	0
Revenues, total	34,195	341	-83	34,453
EBIT	4,608	-61	-11	4,536
Segment assets	46,307	864	-726	46,445
Segment liabilities	21,561	660	-257	21,964
Interest income	165	1	-5	161
Interest expenses	220	7	-5	222
Scheduled depreciation	904	59	0	963
Cost of revenues	22,114	192	-70	22,236
Research and development expenses	1,391	5	0	1,396
Foreign currency gains (+)/losses (-)	-1,553	0	0	-1,553
Income from associated companies	126	0	0	126
Income tax	1,119	0	0	1,119
Impairments	-1	0	0	-1
Shares in associated companies	1,577	0	0	1,577
Investments in tangible fixed assets and intangible assets	3,184	158	0	3,342

Geographical Information

	01/01/2008- 09/30/2008		01/01/2007- 09/30/2007	
Revenues with external customers	T€	%	T€	%
Germany	7,655	22.5	4,516	13.1
Rest of Europe	7,668	22.6	6,766	19.6
North America	13,649	40.2	23,171	67.3
Other Countries (Australia, UAE)	5,001	14.7	0	0.0
Group total	33,973	100.0	34,453	100.0

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

	09/30/2008		09/30/2007	
Non-current assets	T€	%	T€	%
Germany	9,429	89.9	7,960	88.9
North America	936	8.9	997	11.1
Other Countries (Australia, UAE)	123	1.2	2	0.0
Group total	10,488	100.0	8,959	100.0

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

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

	Subscribed capital T€	Additional paid-in capital T€	Consolidated unappropri- ated profit T€
Status as of December 31, 2006	10,040	3,413	10,091
1. Currency conversion			
2. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity			
3. Gains on available-for-sale securities, recognized in the consolidated income statement			
4. Deferred taxes on valuation adjustments, recognized directly in shareholders' equity			
Valuation adjustments recognized directly in the shareholders' equity			
5. Consolidated net profit as of September 30, 2007			3,384
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			3,384
6. Cash payments for dividends			-968
7. Share-based payment		32	
8. Sale of own shares			
9. Purchase of own shares in 2007			
10. Rounding difference			1
Status as of September 30, 2007	10,040	3,445	12,508
Status as of December 31, 2007	10,040	3,973	14,347
1. Currency conversion			
2. Changes in current market values of available-for-sale securities, recognized in the shareholders' equity			
Valuation adjustments recognized directly in the shareholders' equity			
3. Consolidated net profit as of September 30, 2008			1,272
Total income and expenses and value adjustments not affecting the operating result, recognized in the financial statements			1,272
4. Cash payments for dividends			-1,378
5. Share-based payment		38	
6. Rounding difference			
Status as of September 30, 2008	10,040	4,011	14,241



Attributable to equity holders of the parent

Treasury stock	Other reserves			Total	Minority interest	Total Shareholders' equity
	Difference from pension valuation	Difference from currency translation	Stock market valuation of securities			
T€	T€	T€	T€	T€	T€	T€
-1,665	-176	-564	-44	21,095	91	21,186
		37		37		37
			-18	-18		-18
			57	57		57
	0		8	8		-8
	0	37	47	84		84
				3,384	-28	3,356
	0	37	47	3,468	-28	3,440
				-968		-968
227				259		259
661				661		661
-97				-97		-97
-1					0	0
-875	-176	-527	3	24,418	63	24,481
-977	98	-983	-4	26,494	194	26,688
		111		111		111
			-26	-26		-26
	0	111	-26	85		85
				1,272	-89	1,183
	0	111	-26	1,357	-89	1,268
				-1,378		-1,378
226				264		264
					-1	-1
-751	98	-872	-30	26,737	104	26,841

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