

# REPORT OF THE SUPERVISORY BOARD

## Dear shareholders,

Digitisation and mobility are the most important topics in economy and society today. init links the two in its business model. Our company will therefore play a key role in shaping the important fields of the future. The environment in which this is taking place is changing at an ever increasing pace. In order to remain successful, this requires constant innovation and higher investments by technology leaders like init. Considering its record revenues, init successfully mastered this challenge in the past financial year.

However, more important and relevant is the development on the orders side, because it shows how well a company succeeds in meeting current customer requirements and future market needs. Thus we were pleased to receive record incoming orders of over EUR 160m for the past financial year. This reflects a successful future strategy and above all, the high expertise and motivation of employees. On this good basis, the objective in the current year is to convert this into tangible success for you, the shareholders. This will also be a measure of the Managing Board's work.

The pleasing development in incoming orders is, however, yet to show effect in the result. EBIT recorded a strong decrease compared to the previous year. This is mainly attributable to higher development expenses, one-off effects and process delays. The Supervisory Board discusses the project management with the Managing Board intensively. Through organisational changes, we expect the EBIT to stabilise at the level of previous years.

In this report we would like to inform you about the activity of the Supervisory Board at init and make the deliberations and decisions in 2018 more transparent.

In the past year, the Supervisory Board of init obtained regular, timely and comprehensive information from the Managing Board in order to fulfil its duty to advise the Managing Board and monitor its management of the business. This information was provided in the form of oral and written reports. The briefings and discussions at the Supervisory Board meetings involved all the important issues and measures pertaining to the company and its business operations.

Due to the size of both the company and the size of the Supervisory Board (three members), the Supervisory Board did not form any committees. At its final meeting, the Supervisory Board performed a self-evaluation of its efficiency in 2018. This review focused on organisational issues, information for the Supervisory Board, human resources matters and how the members of the Supervisory Board perceived their role. The Supervisory Board took part in training measures.

The Chairman of the Supervisory Board and, for certain issues, the other members of the Supervisory Board, were constantly in close contact with the Managing Board throughout the financial year. In addition, transactions relevant to reporting were disclosed on an ad hoc basis. Between meetings, the Chairman of the Supervisory Board informed the members of the Supervisory Board in a timely manner, orally and in writing, of any discussions with the Managing Board and its reports. Where statutory provisions or the articles of incorporation required the approval of the Supervisory Board for measures to be taken, these were always deliberated at the appropriate time and presented for a resolution.

The 2018 financial year was also characterised by personnel changes.

Dr. Hans Heribert Bäsch – CFO of init SE until 30 September 2018 – left the company by mutual agreement on the best of terms as of 31 October 2018 to pursue new professional challenges.

Jennifer Bodenseh took over the position of the CFO effective 1 October 2018. Ms. Bodenseh started her professional career at init in 2009 and already headed Financial Services as authorised signatory. She has gained a reputation as a financial expert in the last few years and as member of the inner management, made significant contributions to successful decisions. We are delighted as we have won a manager for the Managing Board of init, who was trained at init.

Joachim Becker will be stepping down at his own request from the Managing Board of init SE when his contract ends on 31 March 2019. He has served as Chief Operating Officer (COO) on the company's Board for 18 years and was responsible for central telematics and information systems. During this time, init evolved into the world's leading provider of integrated planning, dispatching, telematics and ticketing solutions for buses and trains.

Mr Becker, who holds a degree in computer science, began his career at init in 1983 as one of the company's first employees. He was extensively involved in building the company and its product range in the areas of planning, operations management and information technology. His most recent accomplishment was the development of the Mobility as a Service (MaaS) growth area. After his departure from the Managing Board, Mr Becker will remain active as Managing Director of INIT GmbH in Karlsruhe.

The Supervisory Board would like to thank Mr Becker for his extraordinary achievements in software development and his many years of successful work as Managing Director and COO.

Matthias Kühn will be taking over his tasks on the Managing Board. As of 1 April 2019, the Managing Board of init SE will thus be composed of only four persons.

## MEETINGS OF THE SUPERVISORY BOARD

Meetings are convened at least once a quarter. In 2018 a total of five Supervisory Board meetings took place, one of which was a strategy meeting. All Supervisory Board members were present at all meetings.

Based on the reports by the Managing Board, the following areas were discussed regularly in the meetings of the Supervisory Board: the economic situation including business and liquidity planning, order income, order backlog, potential risks, compliance issues, legal disputes, key business transactions, projects of particular importance, critical subsidiaries, acquisitions, medium-term and long-term corporate strategy including organizational issues as well as human resources planning and development.

There was also a special focus on the following topics in the 2018 financial year:

- ▶ Foundation of the subsidiary in Ireland (INIT INNOVATIONS IN TRANSPORTATION LIMITED)
- ▶ Closure of the subsidiary in Finland (INIT Innovations in Transportations OY)
- ▶ Acquisition of the company Mattersoft OY, Finland
- ▶ Business processes/ERP software
- ▶ Approval for init SE to take out a loan (KfW development bank program)
- ▶ Approval of a new schedule of responsibilities for the Managing Board
- ▶ Agreement to the share buyback
- ▶ Discussion of the annual and consolidated financial statements as well as of the 2017 dependent company report and the non-financial group report with the involvement of the auditor
- ▶ Adoption of the 2017 annual financial statements, approval of the 2017 consolidated financial statements, release of the 2017 non-financial group report as well as discussion of the proposal by the Managing Board for the appropriation of profits
- ▶ The quarterly statements and the 2018 half-year financial report
- ▶ Adoption of the proposals for resolutions for the agenda for the 2018 Annual General Meeting and of the report of the Supervisory Board for 2017

- ▶ Appointment of Ms. Jennifer Bodenseh as member of the Managing Board of init SE and the resolution of severance and termination agreement to be concluded with Dr. Hans Heribert Bäsch
- ▶ Examination of the relationship between Managing Board salaries and staff pay
- ▶ Approval of the proposal for a resolution on the Managing Board share-based bonus
- ▶ Reappointment of Dr. Gottfried Greschner, Dr. Jürgen Greschner and Mr. Matthias Kühn as Managing Board members of init SE
- ▶ Adjustment of the fixed salaries of the Managing Board
- ▶ Approval of the Declaration of Compliance with the German Corporate Governance Code as amended 7 February 2017
- ▶ Implementation of the new data protection regulations, cyber risk, data security
- ▶ Efficiency review of the Supervisory Board
- ▶ Approval of non-audit services of the auditor

### AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AS WELL AS OF THE COMBINED MANAGEMENT REPORT

The annual financial statements and the combined management report of init innovation in traffic systems SE as of 31 December 2018 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2018 were prepared according to Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS) as adopted by the EU.

All these documents were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed by the Annual General Meeting as auditor of init innovation in traffic systems SE and group auditor. They all received an unqualified independent auditor's opinion. The annual financial statements, combined management report, consolidated financial statements and audit reports were provided to all members of the Supervisory Board in good time.

The annual financial statements, combined management report and consolidated financial statements as

well as the independent auditor's reports and audit reports were discussed in detail with the Managing Board and the auditor at the Supervisory Board meeting on 20 March 2019. The auditors responsible reported on the significant audit findings, in particular also on the key audit matters. For init SE, these were the revenue recognition from construction contracts, the measurement of inventories and the measurement of shares in associated companies. In addition, the auditor reported on the internal control and risk management system in relation to the financial reporting process, on services rendered in addition to the audit and on its independence as defined in legal regulations. Detailed answers were given to questions raised by the members of the Supervisory Board. Based on this evidence and its own examination, the Supervisory Board came to the conclusion that the audit methodology used was reasonable and appropriate and that the figures and computations contained in the financial statements had been adequately tested and were consistent. No objections were raised. We therefore agree with the results of the audit. The annual financial statements of init innovation in traffic systems SE prepared by the Managing Board and the consolidated financial statements of the init group were approved; the annual financial statements of init innovation in traffic systems SE were therefore adopted.

The Managing Board has presented its proposal to the Supervisory Board for the appropriation of profits. Under the proposal, the following appropriation of the retained earnings of init SE of EUR 24,209,327.22 will be recommended at the Annual General Meeting on 15 May 2019: distribution of a sum total of 12 cents per dividend-bearing no-par value share. The remaining amount is to be carried forward. The Supervisory Board endorsed this proposal.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor, also audited the report on the relationships with affiliated companies ("dependent company report") prepared by the Managing Board in accordance with Section 312 AktG ["Aktiengesetz": German Stock Corporation Act]. The auditor issued the following auditor's report concerning the result:

“Based on the audit and assessment performed in accordance with our professional duties, we hereby confirm that

- the factual statements contained in the report are correct,
- payments of the company for the legal transactions referred to in the report were not inappropriately high and
- in connection with the measures listed in the report there was nothing to imply an assessment substantially different from that of the Managing Board.”

The Supervisory Board took note of the Managing Board's dependent company report and the results of the audit of the report by the auditor, examined both reports and discussed both results with the Managing Board and the auditor. The Supervisory Board endorsed the results of the audit of the dependent company report by the auditor. After the final results of the discussions and its own examination of the dependent company report, the Supervisory Board is of the opinion that the Managing Board's findings are appropriate and it therefore raises no objections to the Managing Board's declaration at the end of the report.

The Supervisory Board also adopted the report of the Supervisory Board at its meeting on 20 March 2019.

## CORPORATE GOVERNANCE CODE

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 4 December 2018 the Managing Board and the Supervisory Board jointly issued an updated Declaration of Compliance pursuant to Section 161 AktG and made it permanently available to shareholders on the company's website.

Pursuant to Section 3.10 of the German Corporate Governance Code, the Managing Board also reports on behalf of the Supervisory Board on corporate governance at init in this annual report.

Should any changes be made to this Declaration of Compliance during the financial year, the Supervisory Board together with the Managing Board will immediately update this information and make it available to all shareholders on the website of init.

## NON-FINANCIAL GROUP REPORT

No changes were made to the main processes of the non-financial group report 2018 compared with the previous year. In cases of doubt, Ernst & Young supported us in an advisory capacity. The Supervisory Board reviewed the non-financial group report 2018, which was prepared in accordance with Section 315b HGB, according to Section 171 (1) AktG. It came to the conclusion that it fulfils the current requirements and therefore did not raise any objections. The non-financial group report is available on the init SE website in the section Financial Reports.

The Supervisory Board would like to thank all employees and the Managing Board for their personal contribution in financial year 2018. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, March 2019



On behalf of the Supervisory Board

Dipl.-Kfm. Hans-Joachim Rühlig  
Chairman