

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The coronavirus pandemic had an impact on everyone's existence, economies and social life. For many people and companies the past year was a year of crisis, unprecedented since World War II. Our group was also confronted by major challenges in 2020. It is therefore all the more remarkable that we, as the Supervisory Board, can look back at a financial year with record revenues, a very satisfactory result and an all-time high share price. We are proud of the commitment our employees have demonstrated.

The init group managed to hit its targets spot on even in a year of general crisis. Despite the coronavirus-related restrictions, we were successful in meeting our budget in terms of revenues and earnings. Especially in these difficult times, this is a proof of product quality, the power to create value, but also of excellent teamwork at all levels of the group.

With great determination, high commitment and extraordinary flexibility our employees mastered the new challenges as they arose. I would like to thank you for this on behalf of the Supervisory Board.

The Managing Board and Supervisory Board, with their different responsibilities, also worked together to safely steer init through the coronavirus-related upheavals and the consequences of the lockdown.

In the past year, the Supervisory Board of init obtained regular, timely and comprehensive information from the Managing Board in order to fulfill 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 group and its business operations.

Due to the size of both the group and the size of the Supervisory Board (four members), the Supervisory Board did not form any committees. At its final meeting, the Supervisory Board performed a self-evaluation of its efficiency in 2020. This review focused on organisational issues, information for the Supervisory Board, personnel matters and how the members of the Supervisory Board perceived their role. The Supervisory Board participated in training measures on their own initiative and with init's support.

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.

Meetings of the Supervisory Board:

Meetings are convened at least once a quarter. In 2020 a total of four Supervisory Board meetings took place. All Supervisory Board members were present at three meetings. One Supervisory Board member participated by phone in one of the meetings which was a video conference due to the coronavirus pandemic.

The Supervisory Board also met three times without the Managing Board. One Supervisory Board member participated by video conference in one of the three meetings.

In the reporting year, the Chairman of the Supervisory Board had two discussions with the works council on topics that are of significant relevance for the personnel.

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, incoming orders, order backlog, potential risks, compliance issues, legal disputes, key business transactions, projects of particular importance, acquisitions, medium-term and long-term corporate strategy including organizational issues as well as human resources planning and development. The key points included the emerging market changes and the COVID-19 risks; particularly the effects on the result of operations and financial position as well as the resulting need for action.

There was also a special focus on the following topics in the 2020 financial year:

- ▶ Foundation of the company regiomove GmbH, Karlsruhe by the subsidiary INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH, Karlsruhe
- ▶ Acquisition of DResearch Fahrzeugelektronik Group, Berlin by the second-tier subsidiary iris-GmbH infrared & intelligent sensors, Berlin, and approval of the assumption of joint and several liability of init innovation in traffic systems SE for the loan taken out by iris-GmbH infrared & intelligent sensors to finance the acquisition
- ▶ Status of the integration of subsidiaries HanseCom Public Transport Ticketing Solutions GmbH, Hamburg, iris-GmbH infrared & intelligent sensors, Berlin, DResearch Fahrzeugelektronik Gruppe, Berlin in the init group
- ▶ Approval of the merger of the two subsidiaries of init innovation in traffic systems SE initplan GmbH and initperdis GmbH
- ▶ Approval of the assumption of joint and several liability of init innovation in traffic systems SE for the loan taken out by INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH to finance the remaining 25.5 per cent of the shares in iris-GmbH infrared & intelligent sensors
- ▶ Commencement of business processes and refining of the concept for new ERP software
- ▶ Change to the schedule of responsibilities for the Managing Board
- ▶ Discussion of the 2019 annual and consolidated financial statements as well as of the dependent company report and the non-financial group report with the involvement of the auditor

- Adoption of the 2019 annual financial statements, approval of the 2019 consolidated financial statements, release of the 2019 non-financial group report as well as discussion of the proposal by the Managing Board for the appropriation of profits
- Auditor proposal 2020
- The quarterly statements and the 2020 half-year financial report
- Adoption of the proposals for resolutions for the agenda for the 2020 Annual General Meeting (virtual) and of the report of the Supervisory Board for 2019
- 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
- Amendments to the stock corporation law (ARUG II) and the German Corporate Governance Code
- Approval of the Declaration of Compliance with the German Corporate Governance Code as amended 16 December 2019
- Deliberations on changing the auditor
- Efficiency review of the Supervisory Board
- Approval of non-audit services of the auditor
- Presentation of MOBILE-ITCS nextGen
- Presentation of current ticketing systems
- Approval for the acquisition of land in Chesapeake, Virginia, USA by the subsidiary GO-1, LCC, Chesapeake, USA.

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 2020 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2020 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 unqualified audit opinions. 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 23 March 2021. The auditors responsible reported on the significant audit findings, in particular also on the key audit matters. For init SE, these were the first time consolidation of the DResearch Fahrzeugelektronik Group, the revenues from construction contracts and the measurement of inventories for the init group as well as the measurement of shares in affiliated companies for the annual financial statement of init SE. 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 23,644,582.08 will be recommended at the Annual General Meeting on 19 May 2021 distribution of a sum total of 55 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 acknowledged the Managing Board's dependent company report and the results of the audit of the report by the auditor, examined both reports and discussed the results of both 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 23 March 2021.

CORPORATE GOVERNANCE CODE

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 8 December 2020 the Managing Board and the Supervisory Board jointly issued an updated Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 AktG and made it permanently available to shareholders on the company's website.

Pursuant to Principle 22 of the German Corporate Governance Code, the Managing Board and the Supervisory Board report on corporate governance at init in the declaration of corporate governance in this annual report.

Should any changes be made to this Declaration of Compliance with the Corporate Governance Code 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.

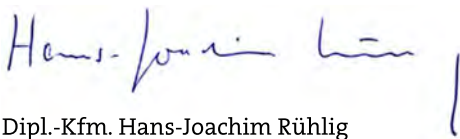
NON-FINANCIAL GROUP REPORT

No changes were made to the main processes of the non-financial group report 2020 compared with the previous year. In cases of doubt, an external consultant supported us in an advisory capacity. The Supervisory Board reviewed the non-financial group report 2020, which was prepared in accordance with Section 315b HGB, according to Section 171 (1) AktG. It came to the conclusion that the report 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 2020. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, March 2021

For the Supervisory Board



Dipl.-Kfm. Hans-Joachim Rühlig

Chairman

SUPERVISORY BOARD OF INIT SE



Dipl.-Kfm. Hans-Joachim Rühlig

Chairman

About

- Born 1948
- Ostfildern, Germany
- Independent Management Consultant
- Independent Financial Expert (§ 100 para 5 AktG)



Dipl.-Ing. Ulrich Sieg

Deputy Chairman

About

- Born 1949
- Jork, Germany
- Consulting Engineer specialised in Public Transport



Dipl.-Ing. (FH) Christina Greschner

Member

About

- Born 1977
- Karlsruhe, Germany
- M.A. Family Entrepreneurship



Drs. Hans Rat

Member

About

- Born 1945
- Schoonhoven, Netherlands
- Honorary Secretary General of UITP

Vita

- Supervisory Board Member since 2011
- Chairman since 2014
- Elected until AGM 2022
- Independent within the meaning of CGK C6
- Managing Board Member of Stiftung Bauwesen, Stuttgart/Germany
- Former Managing Board Member of Ed. Züblin AG, Stuttgart, Germany

Vita

- Supervisory Board Member since 2014
- Deputy Chairman since 2016
- Elected until AGM 2022
- Independent within the meaning of CGK C6
- Former Deputy Chief Executive Officer and Managing Board Member of Hamburger Hochbahn AG, Germany

Vita

- Supervisory Board Member since 2019
- Elected until AGM 2022
- Not independent within the meaning of CGK C6
- Since 2007 various management position with the init group
- Extensive knowledge of the init group
- International experience

Vita

- Supervisory Board Member since 2012
- Elected until AGM 2022
- Independent within the meaning of CGK C6
- Former Secretary General of the International Association of Public Transport UITP
- Managing Director of Beaux Jardins B.V., Schoonhoven, Netherlands

Other Boards

- Member of the Advisory of DResearch Fahrzeugelektronik GmbH, Berlin, Germany

Other Boards

- Member of the Supervisory Board of SECURITAS Holding GmbH, Düsseldorf, Germany
- Member of the Advisory of HanseCom Public Transport Ticketing Solutions GmbH, Hamburg, Germany

Other Boards

None

Other Boards

None