

## REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

Artificial intelligence, climate protection, digitisation and mobility remain the most important topics in business and society today. init has taken these challenges onboard, integrating them into its business model and supporting local public transport. Our company will therefore play a key role in shaping 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. init successfully mastered this challenge in the past financial year. The necessary measures were introduced in 2018 and visible success can already be seen in the revenues and earnings for 2019.

The follow-up measures we have taken are also reflected on the orders side. This shows just how well init has succeeded in meeting current customer requirements and future market needs. This proves the order intake 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. Direct effects of the corona crisis on budgeted revenues and EBIT are not yet apparent at the present time. However, this may change suddenly due to the dynamic development.

On this basis, the objective of the Supervisory Board and the Managing Board in the current year is to at least stabilise the development of the group in order to ensure that you, the shareholders of init, also benefit from this success. This will also be a measure of the Managing Board's work.

The pleasing development in incoming orders is also reflected in earnings. At EUR 16.2m, EBIT more than doubled compared to the previous year.. Essentially this was due to new developments, successful follow-up business and strict cost management. The market price of the init share outperformed this development, gaining 73.25 per cent from the end of 2018 to the end of 2019.

In the next few years, in-depth process analyses will lead to changes in internal processes and possibly also in responsibilities. In this context, the Supervisory Board has in-depth discussions with the Managing Board about project management and internal processes. Through new developments, investments and organisational changes, we expect the EBIT to increase in the medium term.

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 2019 more transparent.

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 company and its business operations.

Due to the size of both the company 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 2019. 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 attended training.

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

## Report of the Supervisory Board

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 2019 financial year was also characterised by personnel changes.

Dipl.-Ing. Joachim Becker stepped down at his own request from the Managing Board of init SE when his contract ended on 31 March 2019. He 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. Dipl.-Ing. (FH) Matthias Kühn, member of the Managing Board, took over his tasks on the Managing Board. The Managing Board of init SE has thus had four members since 1 April 2019.

There were also changes to the Supervisory Board. Dipl.-Ing. (FH) Christina Greschner is the new member of the monitoring body that has been enlarged to four persons. Ms. Greschner has extensive knowledge of the init group and its individual business fields; in addition to a degree in engineering, she also has a master's degree in Family Entrepreneurship. The election of Ms. Greschner reflects the skills profile of the Supervisory Board of init SE as a whole.

### MEETINGS OF THE SUPERVISORY BOARD

Meetings are convened at least once a quarter. In 2019 a total of six Supervisory Board meetings took place, one of which was a constituent meeting and one strategy meeting. All Supervisory Board members were present at all meetings.

The Supervisory Board also met regularly without the Management Board.

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, 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 2019 financial year:

- ▶ Foundation of a subsidiary in Dubai by the subsidiary Init Innovation in Traffic Systems FZE, Dubai
- ▶ Foundation of a subsidiary in Belarus by the subsidiary HanseCom Public Transport Ticketing Solutions GmbH, Hamburg
- ▶ Intended Acquisition of DResearch Fahrzeugelektronik Gruppe by the subsidiary iris-GmbH infrared & intelligent sensors, Berlin
- ▶ Business processes/ERP software
- ▶ Approval of a new schedule of responsibilities for the Managing Board
- ▶ Approval of the new rules of procedure of the Supervisory Board and the Managing Board
- ▶ Agreement to the share buyback
- ▶ Discussion of the 2018 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 2018 annual financial statements, approval of the 2018 consolidated financial statements, release of the 2018 non-financial group report as well as discussion of the proposal by the Managing Board for the appropriation of profits
- ▶ Auditor proposal 2019
- ▶ The quarterly statements and the 2019 half-year financial report
- ▶ Adoption of the proposals for resolutions for the agenda for the 2019 Annual General Meeting and of the report of the Supervisory Board for 2018
- ▶ 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
- ▶ Conclusion of new Managing Board contracts
- ▶ Approval of the Declaration of Compliance with the German Corporate Governance Code as amended 7 February 2017
- ▶ Efficiency review of the Supervisory Board
- ▶ Approval of non-audit services of the auditor
- ▶ Dividend policy discussion

## 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 2019 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2019 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 18 March 2020. 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 long-term 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 an-

nual 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 24,233,756.07 will be recommended at the Annual General Meeting 2020: distribution of a total of 40 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

## Report of the Supervisory Board

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 18 March 2020.

### CORPORATE GOVERNANCE CODE

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 11 December 2019 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 2019 compared with the previous year. In cases of doubt, an external consult-

ant supported us in an advisory capacity. The Supervisory Board reviewed the non-financial group report 2019, 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 2019. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, March 2020



On behalf of the Supervisory Board

Dipl.-Kfm. Hans-Joachim Rühlig  
Chairman