

init



new
dimensions

– Annual Report 2022

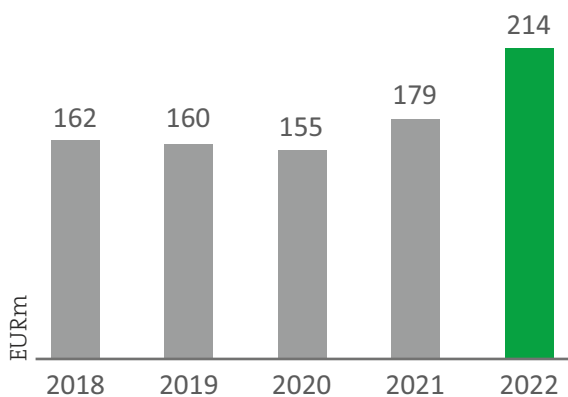
_ Annual Figures of the init group (IFRS)

EURk

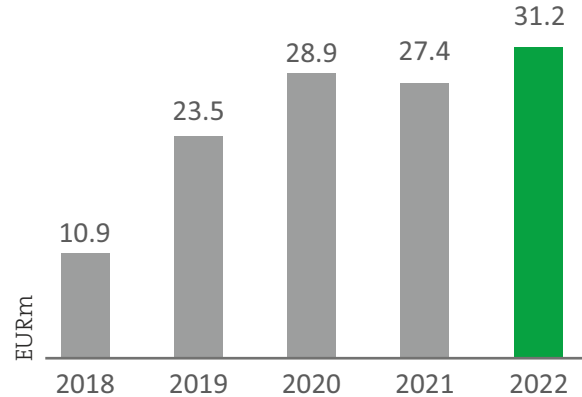
	2022	2021	Difference in %
Balance Sheet (31/12)			
Balance Sheet Total	245,747	216,900	13.3
Shareholders' Equity	116,555	102,624	13.6
Subscribed Capital	10,040	10,040	
Equity Ratio (in %)	47.4	47.3	0.2
Debt Capital	129,192	114,276	13.1
Income Statement (01/01 – 31/12)			
Revenues	191,252	176,659	8.3
Gross Profit	76,562	62,674	22.2
EBIT	21,005	17,566	19.6
EBITDA	31,205	27,413	13.8
Consolidated Net Profit	16,501	12,445	32.6
Earnings per Share (in EUR)	1.66	1.25	32.8
Dividend* (in EUR)	0.60*	0.55*	9.1
Special dividend* (in EUR)	0.10*		
Cash Flow			
Cash Flow from operating activities	24,382	16,007	52.3
Share			
Issue Price (in EUR)	5.10	5.10	
Peak Share Price (in EUR)	38.10	48.50	
Bottom Share Price (in EUR)	17.00	30.40	

*dividend to be proposed to the AGM 2023

_ Order income EUR 214m



_ EBITDA EUR 31.2m



CONTENT

Letter to the Shareholders	4
Managing Board of init SE	7
Report of the Supervisory Board	8
Supervisory Board of init SE	14
Corporate Governance Report pursuant to Section 289 et seq. (2) HGB	15
The Share	26
Combined Management Report	28
Consolidated Financial Statements	62
Notes	69
Auditor's Report	118
Imprint	128
Five-year Financial Summary	131
Financial Calendar	132



Dr. Gottfried Greschner, Dr. Jürgen Greschner, Dr. Marco Ferber, Matthias Kühn

LETTER TO THE SHAREHOLDERS

Ladies and gentlemen,

Dear shareholders,

In 2022 we experienced a historic watershed, a year that irrevocably changed our way of life, the way we work and the way we do business. Nightmare scenarios that we long thought were behind us, such as a war in Europe, have once again become reality, bringing with them existential misery, waves of refugees, inflation and a scarcity of goods. Not a single person, institution, state or business has been left unscathed.

We at init, were also forced to master new challenges, such as supply bottlenecks and rising prices for energy and raw materials. Being an international group of companies proved its worth. With locations on four continents and in different currency regimes, coupled with a broad customer base of over 1,000 public transport operators worldwide, we were able to smooth out a lot of the volatility. Our employees managed to react extremely flexibly and rapidly to the buy-side and sell-side challenges confronting us.

As a result, our group of companies has so far been able to overcome this phase of historic change. The results for 2022 are respectable: revenue grew by 8 per cent to a new record of EUR 191 million. It is particularly pleasing that earnings before interest and taxes (EBIT) rose to EUR 21 million. Our flexible sourcing and

inventory policies had a beneficial impact in this regard, as they enabled us to meet the rising demand in our quickly growing business with existing customers. The signs for the coming year and the future point towards another record: with new orders on the books of EUR 70 million in the fourth quarter, the order intake for the full year grew to EUR 214 million. This represents a rise of almost 20 per cent on the last record set in 2021.

We therefore consider the mid to long-term growth drivers on the market for init solutions to still be intact. From a political perspective, billions are being invested worldwide to accelerate the transition to sustainable transport. This is leading to steadily growing demand for digital solutions to drive further expansion of electromobility or establish network mobility services on one platform (Mobility as a Service, MaaS), for example. Factors that init has responded to with its “NextGen” innovation offensive, the latest generation of its suite of products. This includes smart ticketing products such as the TaaS (Ticketing as a Service) platform, which can be implemented quickly and at little cost; the human resources management software MOBILE-PERDIS nextGen; the MOBILEguide system, which provides information on available capacity for buses and trains or RESPONSEassist, a solution for semi-automated incident management and passenger information in real time. However, the flagship system of the new generation of products is MOBILE-ITCS nextGen, which integrates numerous new functions, such as monitoring the range of electric buses.

With public transport operators accelerating the transition to e-mobility in their fleets, smart charging is becoming increasingly vital. Our subsidiary, CarMedialab, which specialises in this field, recently won a number of contracts from large European cities. This is just one example, among many, of how transport operators are already applying our latest generation of software to save energy in the short term, improve their economic performance in the process and at the same time master the challenges of the mobility transition. At the same time, implementing these solutions, coupled with the associated cross-selling effects, opens up opportunities for us to tap into new market segments and win additional market share.

We are convinced that investment in research and development remain key to future success. Consequently, we increased the spending on research and development posted through profit or loss from EUR 12.6 million to EUR 16.3 million in 2022. This includes EUR 2.8 million in development expenses which were capitalised as intangible assets and will be amortised over the coming years. These investments create the foundation for substantial and sustainable value-added potential.

I would like to express my sincere thanks, and also on behalf of the entire Managing Board, to our international staff, who performed outstandingly under the most difficult conditions and made this result possible.

We therefore see ourselves as very well equipped to continue our success story in the coming years. We believe that you, our shareholders, should participate appropriately in this success. The Managing Board





Letter to the Shareholders

therefore proposes to the Supervisory Board a dividend of EUR 0.60 per share on the basis of our financial performance in 2022, which lies above expectations. We also propose distributing an additional one-off dividend of EUR 0.10 per share to celebrate the occasion of init's 40-year anniversary. The total dividend of EUR 0.70 per share is also intended as a signal of the sustained growth of our company.

In spite of our optimism, we remain true to our conservative planning principles, which have so recently proven their worth. Mobility systems worldwide are currently exposed to historic change. In the field of public transport, operators are under pressure to invest, on the one hand, but simultaneously cope with deficits on the other. Often it remains unclear how the necessary funding can be generated.

Based on our order backlog and the many promising tenders we have submitted, we anticipate further growth this year and a return to the business growth we saw prior to the pandemic. However, we are also equipped to exploit any additional potential if the framework conditions for our customers, public transport operators, improve significantly.

A watershed always implies the beginning of something new. We intend to seize the new opportunities and ask for your trust!

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'J. Greschner', is written over a light blue horizontal line.

For the Managing Board

Dr. Jürgen Greschner

Deputy Chairperson and CSO

MANAGING BOARD OF INIT SE



Dr.-Ing.
Gottfried Greschner

Chief Executive
Officer (CEO)

Date of birth: 1946
Nationality: German



Dipl.-Kfm. Dr.
Jürgen Greschner

Chief Sales Officer
(CSO) and Deputy
Chief Executive
Officer

Date of birth: 1961
Nationality: German



Dipl.-Kfm. Dr.
Marco Ferber

Chief Financial
Officer (CFO)

Date of birth: 1974
Nationality: German



Dipl.-Ing. (FH)
Matthias Kühn

Chief Operating
Officer (COO)

Date of birth: 1973
Nationality: German

Vita

- Since 1983 Managing Director at INIT GmbH
- Since 2001 Chief Executive Officer (CEO)

Vita

- Since 2004 Managing Director at INIT GmbH
- Since 2004 Chief Sales Officer (CSO)
- Since 2015 Deputy Chief Executive Officer

Vita

- Since 1 March 2023 Chief Financial Officer (CFO)

Vita

- Since 2015 Managing Director at INIT GmbH
- Since 2016 Chief Operating Officer (COO)

Task Area

- Business Development
- Production
- Purchasing
- Strategy

Task Area

- Human Resources
- Legal Management
- Projects and System Design
- Research and Technology
- Sales and Marketing
- Support and Operations

Task Area

- Compliance
- Controlling and Logistics
- Data Protection
- ESG
- Financial Services
- Investor Relations
- M&A
- Quality Management
- Risk Management

Task Area

- Back-Office ITCS Operations
- Back-Office Ticketing
- IT
- Maintenance and Installation
- Mobility as a Service
- Real-Time Systems
- Telematic Devices

The curriculum vitae of each Managing Board member, containing detailed information, can be found on the company website under Investor Relations / Corporate Governance.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

2022 marked a historic turning point and the sharpest change in global economic development since the end of the Second World War. While society, institutions, private individuals and companies alike were still suffering from the impacts of the corona pandemic, the war against Ukraine, with its wide-ranging consequences, and the rise in interest rates exacerbated a range of crises around the world. After adjusting for inflation, gross domestic product both in Germany and globally rose only very moderately. The coming years will also be challenging. At present it is impossible to say when the uncertainties caused by the current geopolitical tensions in Europe and the rest of the world will return to normal levels. In our function as the controlling body of init SE we addressed the implications for our company.

Together with the Managing Board we discussed how to stabilise supply chains in order to protect the added value of our operating units. Today, we are able to claim that, by applying forward-looking inventory management and a multi-pronged sourcing policy, we have so far managed to avoid disruptions in our supply chains, despite higher prices. Supply chain issue is also currently on the way out. The init Group has weathered these crises very well and reached its targets, in some cases even outperforming them. Last year we were able to achieve a historic record of incoming orders. Development expenses have been recognised as assets when they meet the recognition criteria under International Financial Reporting Standards. The result is significantly higher than the previous year due to considerable expansion of the follow-up and spare parts business despite some substantial price increases by our suppliers. This increase in the result

was slightly above the upper end of our forecast range.

Together, we have managed not only to master the numerous new buy-side and sell-side challenges, but also to set the course for future growth of our company by investing in research and development. We therefore believe the init Group is well equipped to benefit from the continuing high growth potential in the field of globally increasing digitalised public transport and the transformation of vehicle fleets to electromobility.

With great determination, commitment and extraordinary flexibility, our employees overcame the new challenges as they arose. May I take this opportunity, on behalf of the Supervisory Board to thank them for this. Furthermore, we intend to maintain our high standards. However, it is becoming increasingly difficult to recruit new personnel.

In the following section I would like to report on personnel changes and how the Supervisory Board fulfills its tasks and advises and supervises the Managing Board.

PERSONNEL CHANGES

There was one change made to the Supervisory Board during its regular election. Drs Hans Rat did not stand for re-election to the Supervisory Board at the Shareholders' Meeting 2022. As a member of the Supervisory Board of init SE since 2012, he has made a crucial contribution to our company with his expertise and knowledge of regions and markets. As the General Secretary of the International Association of Public Transport (UITP), he received great international recognition and was appointed Honorary General Secretary in 2012 for his services. Thanks to his international contacts, he was often

able to shape cross-market solutions for init and help steer the growth trajectory of our Group. In his time as a member of the Supervisory Board, the revenue of the company almost doubled. The Supervisory Board thanks Hans Rat for all his work. We are pleased that he will continue to support the company in an advisory role in the future.

The Shareholders' Meeting elected Andreas Thun (Dipl.-Ing.), an experienced entrepreneur, as his successor on the Supervisory Board. As a former managing director and founding shareholder of iris-GmbH infrared & intelligent sensors GmbH (iris-GmbH), he knows init well from decades spent as a business partner of the company and has realised a number of successful international projects together with init in the field of automated passenger counting. In addition, he possesses an extensive network in the market for infrared sensors and, since his departure from iris-GmbH in September 2020, is involved in long-term research projects in the field of automating public transport. With his technical and business experience, Mr. Thun is an excellent complement to the competency profile of the full Supervisory Board of init SE.

The Chief Financial Officer of init innovation in traffic systems SE, Jennifer Bodenseh, left the company by mutual agreement on 30 June 2022 in order to focus on new professional challenges. We thank Ms. Bodenseh for her many years of devotion and dedication to init. In her role as Chief Financial Officer, Jennifer Bodenseh was instrumental in init enjoying profitable financial years during economically challenging times.

The new Chief Financial Officer, Dr Marco Ferber, accepted his position, effective 1 March 2023. Dr Marco Ferber possesses many years' experience in financial and strategic management at a number of listed multinational corporations. Most recently, Dr Ferber, a financial expert with a doctorate in business administration, was an authorised signatory in charge of corporate accounting, performance and risk controlling and taxes at the Bilfinger Group. Before this appointment, the

financial expert occupied a number of management roles in Germany and abroad with the Thomas Cook Group, including the position of Managing Director at a large regional company. Dr Ferber began his career in January 2000 as a consultant at McKinsey & Company, Inc. With extensive experience in finance, Dr Ferber possesses the desired qualities for a global player such as init. We look forward to working together.

RESPONSIBILITY OF THE SUPERVISORY BOARD

In the last year, the Supervisory Board of init SE obtained regular, timely and comprehensive reports from the Managing Board in order to fulfill its duty to advise the Managing Board and monitor its management of the business. This took the form of verbal and written reports. The briefings and discussions at the Supervisory Board meetings included all the important issues and measures pertaining to the company and its business operations. The Supervisory Board also actively supports the Managing Board in acquisitions by advisory board activities and in organisational matters.

In its last Supervisory Board meeting, the Supervisory Board carried out a self-evaluation of its efficiency during 2022. The focus was on organisational issues, information for the Supervisory Board, personnel matters and how the members of the Supervisory Board perceived their role. The Supervisory Board members participated in training sessions on their own initiative and with init's support.

The Chairperson of the Supervisory Board and, for individual issues, other members of the Supervisory Board, kept in close contact with the Managing Board throughout the financial year. Furthermore, all transactions relevant to reporting were disclosed on an ad hoc basis. Between meetings, the Chairperson of the Supervisory Board informed members of the Supervisory Board in a timely manner, orally and in writing, of any discussions

with the Managing Board and its reports. Where the approval of the Supervisory Board was required by law or the articles of incorporation for measures to be taken, these were always deliberated at the appropriate time and presented for a resolution.

ATTENDANCE AT MEETINGS

Meetings are convened at least once a quarter. A total of six face-to-face Supervisory Board meetings were held in 2022, of which four were regular meetings, one an extraordinary meeting and another the first founding meeting after the election. All Supervisory Board members were present at all meetings. The Supervisory Board also met five times without the Managing Board.

The audit committee convened seven face-to-face meetings in the reporting year. All members of the audit committee were present.

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

TOPICS ON THE AUDIT COMMITTEE AGENDA

The Supervisory Board has had an audit committee since 1 October 2021. It prepares the decisions of the Supervisory Board on the annual and consolidated financial statements as well as quarterly statements during the year, the proposal to the Shareholders' Meeting to elect the auditor and the engagement agreement made with the auditor. Furthermore, the audit committee is responsible for inviting tenders for a new auditor for the audit of the annual and the consolidated financial statements. In addition, the audit committee monitors the independence of the external auditor, addresses any additional services rendered by the auditor and assesses the quality of the audit of the financial statements by discussing the audit risk, the audit strategy and planning and the findings of the audit. It advises and monitors the Managing Board on issues related to financial reporting, the operating effectiveness of the internal

control system and the risk management system as well as on compliance and sustainability. In particular, it ensures that the Managing Board incorporates social and ecological considerations into its strategy. The audit committee effectively supported the entire Supervisory Board in its work in the reporting year and reported on its preparatory work on the agreed-upon topics in the subsequent meeting.

TOPICS DISCUSSED AT 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, incoming orders, order backlog, potential risks, compliance issues, the internal control system, sustainability, legal disputes, key business transactions, projects of particular importance, and subsidiaries as well as the medium-term and long-term corporate strategy including organisational issues as well as human resources planning and development. In addition to corporate strategy, key points included the sourcing issues confronting the procurements department, in particular their impact on the order backlog, financial performance and financial position, as well as the resulting need for action and recruitment. On 7 December 2022 the Supervisory Board voted in favour of prolonging the long-term lease of an office building between Dr Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG and Eila Greschner as the lessor and init SE as the lessee. The Supervisory Board member Christina Greschner Dipl.-Ing. (FH) (daughter of the Chairperson of the Managing Board) did not vote on this resolution. The supplementary agreement was signed on 20 December 2022 and came into force on 1 January 2023.

There was also a special focus on the following topics in the 2022 financial year:

- Improvement of business processes and the new ERP software

- Change to the business allocation plan for the Managing Board
- Amendments to the rules of procedure of the Supervisory Board and the Managing Board
- Discussion of the 2021 annual and consolidated financial statements as well as of the dependent company report and the separate consolidated non-financial report with the involvement of the auditor
- Ratification of the financial statements of 2021, approval of the consolidated financial statements for 2021, release of the separate consolidated non-financial report for 2021 as well as discussion of the proposal of the Managing Board for the appropriation of profit and approval of the Report of the Managing Board on Relations with Affiliated Companies
- Proposal of the auditor of the financial statements for the 2022 financial year
- The quarterly statements and the 2022 half-year financial report
- Adoption of the proposals for resolutions for the agenda for the (virtual) 2022 Shareholders' Meeting and of the report of the Supervisory Board as well as the statement on corporate governance for 2021
- 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
- Resolution on the amended remuneration system of the Managing Board pursuant to Sec. 87a AktG
- Resolution on the amended remuneration system of the Supervisory Board pursuant to Sec. 113 AktG
- Proposal of a resolution on the remuneration report pursuant to Sec. 162 AktG
- Adjusted Declaration of Compliance with the German Corporate Governance Code in the version dated 16 December 2019
- Election of the Chair of the Supervisory Board and the Deputy Chair
- Appointment of Dr Marco Ferber as Chief Financial Officer (CFO) to the Managing Board of init SE effective 1 March 2023
- Resolution to convene a face-to-face Shareholders' Meeting in 2023
- Ratification of the proposed resolution on refinancing
- Reasons for market developments and their implications for init
- Founding of a "regional unit" MENA-ANZ
- Approval of the recognition of internally-generated software as intangible assets
- New Corporate Governance Code: extended competency profile for the Supervisory Board and progress report on implementing the profile of competencies using a matrix of board qualifications
- LkSG ["Lieferkettensorgfaltspflichtengesetz": German Supply Chain Act]
- Cyber security
- Results of the NEXT debriefing
- ITCS nextGen

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND 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 2022 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2022 were prepared according to Section 117 of the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] on the basis of the International Financial Reporting Standards (IFRS) as adopted by the EU.

These documents were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed by the Shareholders' Meeting as auditor of init innovation in traffic systems SE and group auditor. They all received the unqualified, independent auditor's

reports. The annual financial statements, combined management report, consolidated financial statements and audit reports were provided to all members of the audit committee and 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 Supervisory Board, the Managing Board and the auditor at the audit committee meeting on 27 March 2023. The independent auditors reported on the significant audit results and also on key audit matters, in particular. For the consolidated financial statements of init SE these included the recovery of goodwill, the measurement of inventories and revenue recognition from project business. With regard to the annual financial statements of init SE, they also included the measurement of equity investments pursuant to German GAAP (HGB). 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 the legal regulations. Detailed answers were given to questions raised by the audit committee and members of the Supervisory Board. Based on this evidence and its own examination, the audit committee came to the conclusion that the audit methodology used was reasonable and appropriate and that the figures and calculations contained in the financial statements had been adequately tested and were consistent. No objections were raised. The Supervisory Board therefore agrees 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 are therefore adopted.

The Managing Board has presented its proposal to the audit committee for the appropriation of profits.

Under the proposal, the following appropriation of the retained earnings of init SE of EUR 33.186.897,12 will be recommended at the Shareholders' Meeting on 25 May 2023: distribution of a dividend of EUR 0.60 and an additional one-off special dividend of EUR 0.10 per dividend-bearing no-par value share on the occasion of the company's 40th anniversary. The remaining amount is to be carried forward. The Supervisory Board endorsed this proposal.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor, also audited the report on relationships with affiliated companies ("Dependent Company Report") prepared by the Managing Board as a precautionary measure in accordance with Section 312 AktG ["Aktiengesetz": German Stock Corporation Act]. The auditor issued the following independent 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 and
- the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

The audit committee 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 with the auditor. The audit committee 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 by the audit committee and its report to the Supervisory Board, 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 28 March 2023.

GERMAN CORPORATE GOVERNANCE CODE

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 18 May 2022, the Managing Board and the Supervisory Board jointly issued an updated Confirmation 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.

The Managing Board and the Supervisory Board report on corporate governance at init in the statement on 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 init website.

SEPARATE CONSOLIDATED NON-FINANCIAL REPORT (ESG REPORT)

In 2017, we performed a materiality analysis in cooperation with the Managing Board in order to identify the aspects relevant to our sustainability activities. Following another analysis in the 2021 financial year, the topics were supplemented and restructured and new aspects were added. The previous and new topics are organised in the sections "Environment", "Social", or "Governance" and are updated annually.

The "Taxonomy Regulation" topic refers to the Regulation (EU) 2020/852 (Taxonomy) dated 18 June 2020 and the related Delegated Acts, last

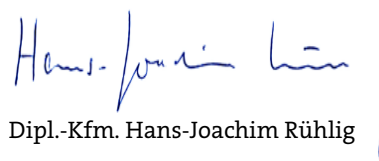
updated on 15 July 2022, which aims to ensure companies carry out sustainable economic activities. In the first step, init's share of taxonomy-ready activities was identified and an analysis of economic activities was prepared. As a second step, the conformity of these activities with the taxonomy was reviewed. This topic is developed on an ongoing basis.

The audit committee and the Supervisory Board audited the 2022 separate consolidated non-financial report (ESG report) to be prepared in accordance with Section 315b HGB in accordance with Section 171 (1) AktG, in case of doubt we were assisted by external consultants. It came to the conclusion that the consolidated non-financial report is in compliance with the relevant provisions and there are no objections to be raised. The separate consolidated non-financial report (ESG report) is available on the init SE website in the section entitled Financial Reports.

The Supervisory Board would like to thank all employees and the Managing Board for their personal contribution in the 2022 financial year. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, 28 March 2023

On behalf of the Supervisory Board



Dipl.-Kfm. Hans-Joachim Rühlig

Chairperson

SUPERVISORY BOARD OF INIT SE



Dipl.-Kfm.
Hans-Joachim Rühlig

Chairperson



Dipl.-Ing.
Ulrich Sieg

Member and Deputy
Chairperson



Dipl.-Ing. (FH), M.A.
Christina Greschner

Member



Dipl.-Ing.
Andreas Thun

Member

About

Year of birth: 1948
Resid.: Ostfildern/Germany
Nationality: German
First appointment: 2011
Term of office: until 2023

About

Year of birth: 1949
Resid.: Jork/Germany
Nationality: German
First appointment: 2014
Term of office: until 2023

About

Year of birth: 1977
Resid.: Karlsruhe/Germany
Nationality: German
First appointment: 2019
Term of office: until 2023

About

Year of birth: 1955
Resid.: Wandlitz/Germany
Nationality: German
First appointment: 2022
Term of office: until 2023

Audit committee

Chairperson since 2021

Audit committee

Member since 2021

Vita

- Independent management consultant
- Former CFO of Ed. Züblin AG, Stuttgart, Germany
- Member of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin, Germany
- Board Member of Stiftung Bauwesen, Stuttgart, GER

Vita

- Consultant specialising in public transportation
- Former Deputy CEO and COO of Hamburger Hochbahn AG, GER
- Member of the Advisory Board of HanseCom Public Transport Ticketing Solutions GmbH, Hamburg, GER
- Member of the Board of VDV Foundation for Young Leaders

Other Supervisory Boards

- Member of the Supervisory Board of SECURITAS Holding GmbH, Düsseldorf, GER

Vita

- Advisory activity
- Various management positions at init group since 2007
- Extensive knowledge of the init group
- International experience
- “Qualified Supervisory Board” exam taken at Deutsche Börse
- “Qualified Supervisory Board Member in the Audit Committee” exam taken at Deutsche Börse

Vita

- Independent entrepreneur
- Former managing director and Shareholder of iris-GmbH infrared & intelligent sensors, Berlin, GER
- Sole shareholder and general manager of Landsensor GmbH, partner of iris-GmbH infrared & intelligent sensors
- Deputy Chairperson of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin, GER

The curriculum vitae of each Supervisory Board member, containing detailed information, can be found on the company website under Investor Relations / Corporate Governance.



CORPORATE GOVERNANCE REPORT PURSUANT TO SECTION 289 ET SEQ. (2) HGB

In this statement on corporate governance (Corporate Governance Report), init reports on the principles and practice of corporate governance. It contains the Declaration of Compliance with the German Corporate Governance Code, information on corporate governance practices, the description of the working methods of the Managing Board and the Supervisory Board as well as significant corporate governance structures.

With the Declaration of Compliance with the German Corporate Governance Code and the statement on corporate governance, init aims to provide a transparent and comprehensible picture of the principles of responsible and sound management (“corporate governance”) applicable in Germany and of how they are put into practice at init, thus strengthening the shareholders’ trust in the company.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Each year, in compliance with Section 161 of the German Stock Corporation Act (AktG), the Managing Board and the Supervisory Board of a listed stock corporation are required to declare compliance with the recommendations of the “Government Commission on the German Corporate Governance Code” (GCGC) published by the Federal Ministry of Justice in the official section of the official Federal Gazette and to disclose any deviation from these recommendations. The Declarations of Compliance with the GCGC are made available on the company’s website for a period of five years. Since the GCGC was introduced in 2002, our company has complied regularly with almost all its recommendations.

The init Managing Board and Supervisory Board issued the most recent Declaration of Compliance pursuant to Section 161 AktG on 18 May 2022. The Declaration below relates to the GCGC in the version released on 16 December 2019, which was published in the official Federal Gazette on 20 March 2020.

Owing to the size of the firm and company-specific features, the Managing Board and Supervisory Board declare that the recommendations have been and are adhered to with the following exceptions:

B. COMPOSITION OF THE MANAGING BOARD

B.5. An age limit shall be specified for members of the Managing Board

The Managing Board should have a diverse age structure. No specific targets regarding the age of individual or all members of the Managing Board have been stipulated, as this would restrict the Supervisory Board in selecting suitable Managing Board members. init operates in a market that requires flexibility, special expertise and many years of experience.

C. COMPOSITION OF THE SUPERVISORY BOARD

I General requirements

C.2. An age limit should be specified for members of the Supervisory Board

The persons intended to be elected to the Supervisory Board should provide assurance, based on their professional expertise, skills and experience, their integrity, their ethical conduct, independence and personality that they can responsibly carry out the duties of a supervisory board member for a leading international technology firm in the mobility sector. init's Supervisory Board is convinced that a strict general restriction on membership on the Supervisory Board which does not consider the respective Supervisory Board member individually, is not an appropriate method to further improve and professionalise the work of the Supervisory Board. The company's interests in searching for suitable candidates is better served by a flexible composition of the Supervisory Board with different terms of office and experience and practical consideration of a diverse age structure. Finally, the company has published the terms of office of each Supervisory Board member for some time, thus enabling the shareholders to decide for themselves about the individual suitability of the re-election of a member of the Supervisory Board.

II Independence of the members of the Supervisory Board

C.7. More than half of the shareholder representatives shall be independent from the company and the Managing Board.

The init Supervisory Board has four members. Ms. Christina Greschner is a close family member of the Chairperson of the Managing Board and Andreas Thun has a close business relationship with one of the dependent companies of the company. Ulrich Sieg and Hans-Joachim Rühlig, Chairperson of the

Supervisory Board, are both independent of the company.

The init Supervisory Board passes resolutions by simple majority of the votes cast unless a higher majority is required by law. If votes are tied, the Chairperson's vote is the decisive casting vote.

Due to the fact that Mr. Rühlig is independent of the company and that he has a second vote in the event that votes are tied, the full init Supervisory Board continues to be regarded as independent.

D. WORK METHODS OF THE SUPERVISORY BOARD

II Cooperation within the Supervisory Board and with the Managing Board

D.4. Chairperson of the audit committee

Due to the size of the init Supervisory Board (four members) and the technical knowledge of the Chairperson of the Supervisory Board, it is not possible to comply with the recommendation of not uniting these two roles in one individual.

D.5. Nomination committee

A nomination committee was not formed due to the specific conditions and the size of the Supervisory Board (four members).

G. REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

I Remuneration of the Managing Board

G.1 The remuneration system shall define in particular, which financial and non-financial performance criteria are relevant for the granting of variable remuneration components.

Variable remuneration components are granted on the basis of financial criteria. No variable remuneration components are set on the basis of non-financial criteria. Sustainability criteria are already covered by init's product portfolio and its registered business activities.

G.7 Referring to the forthcoming financial year, the Supervisory Board shall establish the performance criteria for each Managing Board member covering all variable remuneration components; besides operating targets, the performance criteria shall be geared mainly towards strategic goals.

It is the strategic target of the company to achieve average long-term revenue growth of annually 10-15 per cent. Additionally, it is intended to continuously increase both the absolute and the relative EBIT. The company strives for a minimum EBIT yield of 10 per cent. The share price should rise appropriately. A focus on these objectives is obtained by means of the performance criteria used to measure variable remuneration components. The performance criteria apply for the entire term of the contract and are not reset each year. The performance criteria are based on the company's earnings before interest and tax (EBIT). Assuming a constant EBIT yield (with all other things being equal), average revenue growth of 10-15 per cent over the long term will lead to an increase in the absolute figure for EBIT and therefore higher variable remuneration components in accordance with the provisions. At the same time, an increase in the EBIT margin yield with revenue remaining constant (with all other things being equal) will result in higher variable remuneration components.

The dividend distribution paid on shares with a minimum holding period of five years also places the focus on the share price and creates a long-term incentive. These arrangements therefore support reaching the operating and strategic goals.

II Remuneration of the Supervisory Board

G.17 The remuneration of Supervisory Board members shall take into account, in an appropriate manner, the increased time commitment of the Chair and the Deputy Chair of the Supervisory Board as well as of the Chair and committee members.

The increased amount of time required of the Chairperson of the Supervisory Board was taken into account in the remuneration package. The increased amount of time required does not apply to the Deputy Chairperson of the init Supervisory Board.

Corporate Governance Report

Managing Board

As the executive body of a listed European Company (Societas Europaea, SE), the Managing Board must act in the best interests of the company and is obliged to raise its sustainable added value. It manages the affairs of the company and is bound by the German Stock Corporation Act to uphold the interests and business policies of the company. The Managing Board provides the Supervisory Board with regular, timely and comprehensive information about all key issues relating to the company's business development and risks and agrees on corporate strategy with the Supervisory Board. Furthermore, it ensures that legal rules, official regulations and internal company guidelines are adhered to and works with the Supervisory Board with a view to ensuring that all employees of the group comply with them.

The Managing Board members, Dr Gottfried Greschner, Dr Jürgen Greschner, Matthias Kühn and Jennifer Bodenseh were re-appointed to the init Managing Board effective 1 April 2022.

Jennifer Bodenseh, CFO, left the company by mutual agreement on 30 June 2022. Her successor, Dr Marco Ferber, has been appointed to start on 1 March 2023. In the interim, two other members of the Managing Board, Jürgen Greschner (CSO) and Matthias Kühn (COO) assumed the management tasks formerly held by Ms Bodenseh.

Thus, the Managing Board of init once again has four members who together bear responsibility for corporate management. As the central task of corporate management, it develops the strategic orientation of the company, ensures that any business activity risks are handled responsibly by means of an appropriate internal control system and risk management system and ensures that legal requirements and internal guidelines are observed within the company. The system of internal controls and the risk management system include a

compliance management system that is aligned to the risk exposures of the company.

The Managing board is aware that social and environmental factors affect business outcomes and considers these when managing the company in its best interests. It also decides on the appointment of management positions and sets targets for female representation at the two mid-management levels below the Managing Board. Diversity aspects are taken into account in the selection process, but the focus is on the professional and personal qualifications of the individual persons.

Unlike other companies, the init Managing Board is very actively involved in the day-to-day operations of the respective business units and manages these. In keeping with the practices of responsible business management, it is therefore very close to the key reference groups of the company, its customers, suppliers and employees and its shareholders and investors. This enables it to react very quickly and directly to new situations.

Supervisory Board

The Supervisory Board advises and monitors the Managing Board in the management of the company. Decisions of fundamental importance to the company are subject to the approval of the Supervisory Board and are set out in the rules of procedure of the Managing Board. In addition, transactions with related parties may, by law, require the prior approval of the Supervisory Board. The Supervisory Board's monitoring and advisory activities also extend to sustainability issues, in particular.

The Chairperson of the Supervisory Board is elected by the Supervisory Board from among its members. They coordinate the work of the Supervisory Board and represent the interests of the Supervisory Board externally.

In addition, the Supervisory Board is responsible for appointing members of the Managing Board, determining their number in accordance with legal and statutory requirements and setting the target

figure for the proportion of women on the Managing Board.

Together with the Managing Board, the Supervisory Board ensures that there is long-term succession planning in place for the Managing Board. When assessing the candidates for a Managing Board position, their technical qualification for the area of special responsibility they are going to manage, proven leadership skills, prior performance as well as knowledge of the market and the company from the Supervisory Board's perspective constitute the basic eligibility criteria. As part of the assessment, the Supervisory Board also takes into account the personality that would complement the panel of the Managing Board in the best possible way (diversity). Diversity as an eligibility criteria for the Supervisory Board means, in particular, diverse complementary profiles, professional and personal experience, and also international experience, as well as an appropriate gender representation. As part of its decision the Supervisory Board also considers the following aspects:

- As far as possible, members of the Managing Board should have many years of management experience and should have experience in a broad range of professions
- One member of the Managing Board should possess knowledge of the main regions and markets in which init SE operates or intends to tap into
- One member of the Managing Board should have international management experience
- One member of the Managing Board should have a technical education
- One member of the Managing Board should have an education in business studies
- In its entirety, the Managing Board should have experience in the fields of technology (including information technology and digitalisation), commerce, law (including compliance) and research and development
- The Supervisory Board has set a target for the percentage of women on the Managing Board

The diverse professional, educational and personal experience of the Managing Board members complement each other. The Managing Board should have a diverse age structure. No specific targets regarding the age of individual or all members of the Managing Board have been stipulated, as this would restrict the Supervisory Board in selecting suitable Managing Board members. init operates in a market that requires flexibility, special expertise and many years of experience.

In the assessment of the Supervisory Board, the composition of the Managing Board on 1 March 2023 corresponds to the diversity concept in all regards except female representation on the board. When appointing a new CFO, in-depth expertise in project business and the corresponding industry expertise were required in addition to professional qualifications. Despite the intensive search in the available time, it was not possible to find a suitable female candidate.

At init, the Supervisory Board is solely composed of shareholder representatives and, in accordance with the articles of incorporation, of four persons. These are appointed for one year. The Supervisory Board endeavours in its entirety to provide a competence profile that ensures that the Managing Board of init is supervised competently and given informed advice. Each member of the Supervisory Board also ensures that he or she has sufficient time to perform his or her duties.

The Supervisory Board of init has four members. Christina Greschner is a close family member of the Chairperson of the Managing Board and Andreas Thun has a close business relationship with one of the dependent companies of the company. Ulrich Sieg and Hans-Joachim Rühlig, Chairperson of the Supervisory Board, are both independent of the company.

The Supervisory Board of init passes resolutions by simple majority of the votes cast unless a higher majority is required by law. If the votes are tied, the

Chairperson's vote is the decisive casting vote. Due to the fact that Mr. Rühlig is independent of the company and that he has a second vote available in the event that the votes are tied, the full Supervisory Board of init can continue to be seen as independent.

The persons intended to be elected to the Supervisory Board should provide assurance, based on their professional expertise, skills and experience, their integrity, their ethical conduct, independence and personality that they can responsibly carry out the duties of a supervisory board member in a leading international technology firm for the mobility sector. init's Supervisory Board is convinced that a strict general restriction on membership on the Supervisory Board which does not consider the respective Supervisory Board member individually, is not an appropriate method to further improve and professionalise the work of the Supervisory Board. The company's interests in searching for suitable candidates is better served by a flexible composition of the Supervisory Board with different terms of office and experience and practical consideration of a diverse age structure. Finally, the company has published the terms of office of each Supervisory Board member for some time, thus enabling the shareholders to decide for themselves about the individual suitability of the re-election of a member of the Supervisory Board.

When appointing members to the Supervisory Board, potential conflicts of interest, the number of members of the Supervisory Board and diversity are likewise adequately taken into consideration. In the election proposals to the Shareholders' Meeting, the personal and business relationships of every candidate with the company, the governing bodies of the company and any shareholders with a material interest in the company are disclosed. A detailed CV is enclosed with every candidate proposal. The Supervisory Board has drawn up a competence profile for the body as a whole, which is also taken into account for proposals to the Shareholders' Meeting and is published on the company's website.

The Supervisory Board has issued rules of procedure which are also published on the company's website. It meets regularly, at least once a quarter and passes resolutions by simple majority, unless otherwise required. A resolution of the Supervisory Board adopted in writing by means of fax or e-mail, by telephone or using electronic means of communication or a combination of the above-mentioned means of communication is permitted in accordance with the articles of incorporation of init. The actual form in which resolutions are adopted is determined by the Chairperson. The Chairperson of the Supervisory Board draws up a written record of resolutions passed outside meetings.

The Supervisory Board members participate in training measures on their own initiative and with init's support. In addition, it regularly conducts a board evaluation in the form of self-evaluation using a detailed guide. The focus is particularly on organisation, provision of information, personnel matters and how the members of the Supervisory Board perceived their role.

Details about the activities of the Supervisory Board members as well as their presentation are provided in the "Report of the Supervisory Board" section of this Annual Report.

In its current composition, the Supervisory Board meets the qualification requirements listed in the competency profile.

Qualification matrix for the Supervisory Board

Requirements	Hans-Joachim Rühlig*/**	Ulrich Sieg	Christina Greschner*	Andreas Thun
Knowledge of the mobility sector	x	x	x	x
At least one member with professional knowledge of accounting	x			
At least one member with professional knowledge of auditing	x		x	
Knowledge of internal controls, risk management systems and M&A	x			
Knowledge in the field of corporate governance and German stock corporation law	x		x	
At least one member with professional knowledge of human resource management	x	x	x	x
One member with knowledge of the regions and markets in which init SE operates or intends to tap into		x	x	x
One member with experience in technology (including information technology and digital transformation)		x		x
One member with knowledge of the significant sustainability issues for the company	x	x	x	x
Independence of the Supervisory Board members	x***	x		

* Member of the Audit Committee

** Chairman of the Supervisory Board and the Audit Committee

*** Due to the fact that Mr. Rühlig is independent of the company and that he has a second vote in the event that the votes are tied, the full Supervisory Board of init can continue to be seen as independent.

Audit committee

The audit committee prepares the decisions of the Supervisory Board on the annual and consolidated financial statements as well as quarterly statements during the year, sustainability reporting, the proposal to the Shareholders' Meeting to elect the auditor and the agreement with the auditor. Furthermore, the audit committee is responsible for inviting tenders for a new auditor for the audit of the annual and the consolidated financial statements. In addition, the audit committee monitors the independence of the external auditor, addresses any additional services rendered by the auditor and assesses the quality of the audit of the

financial statements by discussing the audit risk, the audit strategy and planning and the findings of the audit. It advises and monitors the Managing Board on accounting issues, the effectiveness of the system of internal controls, the risk management system, compliance and sustainability and discusses matters with the independent auditor in preparation for the annual audit, also without the Managing Board in attendance. The audit committee supports the entire Supervisory Board in its work and reports on its preparatory work on the agreed upon topics in the subsequent meeting.

A member of the audit committee must possess professional knowledge in the field of accounting. In

particular, they must have expertise and experience in the application of accounting standards, systems of internal control and risk management systems. At least one other member of the committee must have knowledge in the field of auditing and, in particular, in the field of auditing financial statements. Sustainability reporting and auditing of sustainability are also matters that lie within the field of accounting and external auditing. In its current composition, the audit committee meets these requirements. Due to his many years as CFO of an international corporation, Hans-Joachim Rühlig, the Chairperson of the audit committee, possesses the necessary expertise and experience in all of these fields. Christina Greschner has completed a course and examination certified by Deutsche Börse which qualifies her to act as “Professional oversight on the audit committee” and therefore has the necessary expertise in the audit of financial statements. In addition, this course qualifies her to exercise oversight on the audit committee with regard to sustainability reporting, for which she has been assigned responsibility. In addition, her familiarity with the init Group benefits her in this regard, which she acquired from occupying various management positions within the init Group.

Cooperation within the Supervisory Board and with the Managing Board

The Supervisory Board and Managing Board of init work closely together for the benefit of the company. They neither pursue personal interests in their decisions nor exploit for themselves business opportunities to which the company is entitled. The Managing Board members are subject to comprehensive non-competition arrangements.

The dual board system is a basic principle of German company law, the European legal provisions and the statutes. It assigns executive management to the Managing Board and supervision to the Supervisory Board. Both boards are obliged to ensure the continued existence of the company and sustained value creation by the company in accordance with the principles of a social market economy. These

principles demand legality as well as ethically based and responsible conduct.

The Managing Board regularly provides the Supervisory Board with timely and comprehensive information on all relevant issues of corporate governance, in particular strategy, planning, business performance, the risk situation, risk management, compliance and sustainability.

The Chairperson of the Managing Board immediately informs the Chairperson of the Supervisory Board of important events that are of material importance for the assessment of the situation and development as well as for the management of the company. They are in regular contact in-between meetings.

The Supervisory Board also meets regularly without the Managing Board. If necessary, the Chairperson of the Supervisory Board convenes an extraordinary meeting of the Supervisory Board.

Shareholders’ Meeting and rights of shareholders

At the Shareholders’ Meeting, shareholders exercise their rights, in particular their right to information, and use their voting rights. The Shareholders’ Meeting decides on all matters assigned to it by law, particularly the appropriation of profits, the discharge of the Managing Board and the Supervisory Board, the election of members of the Supervisory Board and the independent auditor. In addition, in its advisory capacity the Shareholders’ Meeting decides on the approval of the remuneration system for the Managing Board presented by the Supervisory Board, on the specific remuneration of the Supervisory Board and, by way of recommendation, on the approval of the remuneration report for the preceding financial year.

The Managing Board and Supervisory Board have decided in favour of holding the Shareholders’ Meeting in Karlsruhe as a physical, in-person meeting on 25 May 2023 unless extraordinary events necessitate a sudden change. After three

years of virtual meetings, this year we would like to facilitate personal contact with the shareholders.

At the Shareholders' Meeting, shareholders have the opportunity to address the meeting on any items on the agenda, to raise relevant questions and to file motions. Shareholders can exercise their voting rights at the Shareholders' Meeting either in person, through a duly authorised representative, or by a proxy of init, subject to instructions. Each share carries one vote. To enable shareholders to prepare for the Shareholders' Meeting, the invitation, agenda and other information about the Shareholders' Meeting are available on the company's website. The voting results are also published on the website directly after the Shareholders' Meeting. The invitation to it will be sent to the shareholders in Germany and other countries via their custodian banks.

The annual init Shareholders' Meeting is generally held within the first six months of the financial year and is chaired by the Chairperson of the Supervisory Board. They determine the order of the agenda items and the type and form of voting. The Chairperson is empowered to impose appropriate restrictions on the right to ask questions and to speak at the in-person event for the entire Shareholders' Meeting, for individual items on the agenda and/or for individual speakers.

Transparency as a basic principle of communication

Consistent, comprehensive and timely information is a fundamental principle at init. For that reason, shareholders, investors, analysts, journalists and interested members of the public are informed transparently and without delay about the performance of the company in the respective financial year by means of press releases, capital market information, annual reports, half-year financial reports and quarterly statements in German and English.

The annual and consolidated financial statements are disclosed within 90 days of the end of the

financial year and the mandatory interim financial information is made publicly accessible within 45 days of the end of the reporting period.

The Supervisory Board and the Managing Board report on corporate governance in the Corporate Governance Report. Statements from the past five years are also accessible on the website.

At the time these documents are published, all the information also becomes available on the company's website and can be accessed there at any time. Furthermore, the Investor Relations team maintains regular dialogue with capital market participants. In addition, shareholders and the public can find information about init's organisational structure and about the members of the Managing Board and Supervisory Board on the website. The website includes a financial calendar covering all key dates.

Compliance and Ethical Guidelines

Compliance is an essential component of init's corporate values. With the rules of conduct that apply across the group, init aims to protect employees and companies as well as clients and business partners.

The Ethical Guidelines comprise all applicable statutory and company requirements for our employees. They set out specific rules of conduct. The Ethical Guidelines form the binding code of conduct for the entire init group and apply without exception to all employees – across teams, hierarchy levels, countries and all individual companies within our group.

The Ethical Guidelines are publicly accessible on our website in German, English and French. Employees receive the Guidelines at the application stage or at the latest when they join the company. All employees are informed about init's Ethical Guidelines at least once a year, through communication via the Intranet, email or in meetings. The employees of group companies confirm in writing that they have received and

acknowledged the Guidelines. [Ethical Guidelines of init SE.](#)

More information on social matters, the protection of human rights and combatting corruption and bribery can be found in our ESG report. init's sustainability programme covers these fields as well as environmental matters and employee concerns. [ESG report of init.](#)

Accounting and auditing

The auditor supports the Supervisory Board and the audit committee in advance in monitoring the management, particularly in issues related to accounting, the operating effectiveness of the internal control system, the risk management system, compliance and sustainability. The auditor's report informs the capital market about the correctness of the accounting.

The annual financial statements and the combined management report of init are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared according to Section 315a HGB based on the International Financial Reporting Standards (IFRS) as adopted by the EU.

Following their preparation by the Managing Board, the separate annual financial statements and the consolidated financial statements are audited by the independent auditor, reviewed by the audit committee and subsequently adopted or approved by the Supervisory Board. Within the scope of the audit, the auditor immediately advises the audit committee of the Supervisory Board of all key issues and events significant for their tasks which may arise during the audit. Moreover, they are informed if, during the performance of the audit, any facts are identified that indicate an inaccuracy in the Declaration of Compliance with the German Corporate Governance Code issued by the Managing Board and Supervisory Board. The audit committee also monitors the independence of the auditor, evaluates the additional services rendered by the auditor and assesses the quality of the audit.

Following the call to tender for the engagement to audit the annual financial statements for the financial year 2022, the init Shareholders' Meeting on 18 May 2022 passed a resolution to adopt the proposal of the Supervisory Board to elect PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, as the independent auditor of the annual financial statements and the consolidated financial statements for the 2022 financial year.

Remuneration of the Managing Board and Supervisory Board

The Supervisory Board decides on a transparent and comprehensible system for the remuneration of the Managing Board members and on the basis of this determines the specific remuneration of the individual Managing Board members. In an advisory capacity, the Shareholders' Meeting will approve the remuneration system presented by the Supervisory Board at least every four years.

The contracts of init SE's Managing Board members were originally concluded for three years and expired on 31 March 2022. In the course of renewing the contracts on 1 April 2022, a change to the remuneration system was proposed to the Shareholders' Meeting and approved by them on 18 May 2022.

The members of the Supervisory Board receive remuneration that is appropriate to their tasks and the status of the company. It is determined by resolution of the Shareholders' Meeting. The increased amount of time required of the Chairperson of the Supervisory Board was taken into account in the remuneration. The Deputy Chairperson of the init Supervisory Board does not require a greater amount of time than regular members.

In a binding capacity, the Shareholders' Meeting also approves the amended remuneration system for the Supervisory Board at least every four years. The init Shareholders' Meeting on 18 May 2022

approved the remuneration system of the Supervisory Board.

The Managing Board and Supervisory Board prepare an annual remuneration report in accordance with legal requirements. The Shareholders' Meeting passes a resolution on the approval of the remuneration report for the preceding financial year on an annual basis in an advisory capacity.

The remuneration systems and the remuneration report of both bodies as well as the auditor's report thereon are available in the Shareholders' Meeting section on the company's website.

Equal participation of women and men in management positions

When appointing the company's executives, the Managing Board considers the principle of diversity, and, in particular, endeavours to achieve an appropriate level of female representation. The Supervisory Board shares the opinion that it is necessary to increase the percentage of women in management positions in order to ensure that in future a higher number of suitable women are available.

The proportion of women on init's Supervisory Board still stands at 25 per cent, which also corresponds to the target figure. Due to the sudden departure of Ms. Jennifer Bodenseh, this target could no longer be met for the composition of the Managing Board in the reporting period. It proved impossible, despite an intensive search, to find a

suitable female candidate in the time available to fill the position of Chief Financial Officer and who possessed, in addition to relevant professional qualifications, in-depth expertise in project business and the corresponding industry experience. This circumstance notwithstanding, it remains our objective to meet the target for female representation on the Managing Board.

The proportion of women at the first level of management below the Managing Board continues to stand at 33 per cent. Female representation on the second level of management below the Managing Board increased to 50 per cent due to a reorganisation. The Managing Board will strive to ensure that the proportion of women does not fall below 20 per cent at the first level of mid-management and 28 per cent at the second level of mid-management below the Managing Board. These targets were set in order to ensure sufficient flexibility in appointing suitable persons.

Karlsruhe, March 2023

For the Managing Board For the Supervisory Board



Gottfried Greschner
Chairperson



Hans-Joachim Rühlig
Chairperson

STABLE SHARE PRICE DUE TO SUSTAINABILITY

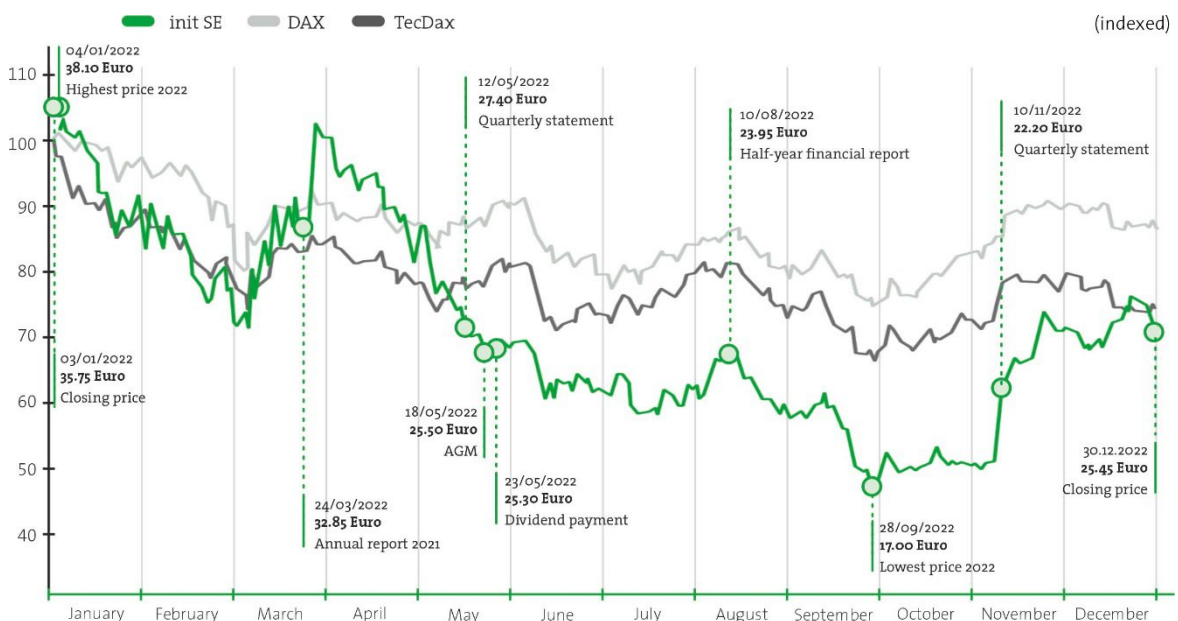
Over the past year, international capital markets experienced the greatest turbulence since the end of the Second World War. The historic slump in share prices in the first six months of the year due to the war in Ukraine and the resulting disruption to supplies of energy and raw materials was followed by a slow recovery that was repeatedly interrupted by setbacks. In particular, the growth-oriented tech sector, to which init innovation in traffic systems SE belongs, suffered from wildly fluctuating stock market valuations. In this environment, the init share was able to stabilize by the end of the year and has even gained in value since the close of the year thanks to sustainable business policies bolstered by share repurchases.

The share of init innovation in traffic systems SE, a company with great growth potential, particularly in international markets, reacted particularly sensitively to the growing risks to the global economy and the disputes between the major trade blocs in the reporting period. After starting the year strongly with its price peaking at over EUR 37, the share initially remained above the EUR 30 mark even though most tech stocks were already starting to record painful losses. The share price only started to

come under real pressure towards the end of May due to indications of lackluster performance in the first half of the year. It reached its annual low at the end of August at EUR 17. However, the Management Board of init innovation in traffic systems SE confirmed its corporate strategy of aligning the business towards sustainability and used the phase of weak stock prices to repurchase shares in the company.

This shored up investor confidence and led to the share price stabilizing as a result. The upwards trend was confirmed with the publication of the figures for the third quarter, which exceeded expectations on many fronts. Consequently the init share had again passed the EUR 25 mark by the end of the year. Since this date, it has managed to continue growing by double digits. From a long-term perspective, the init share has therefore continued to outperform the DAX and the TecDAX.

Financial analysts who have followed init for a long time still see further growth potential and have issued “buy” ratings. The price targets they have listed currently lie in a range of between EUR 41.50 and EUR 52.00.



INCREASE IN DIVIDEND

Due to the positive development of earnings, the Managing Board and the Supervisory Board propose to the Shareholders' Meeting an increase in the dividend for the 2022 financial year to EUR 0.60 (2021: EUR 0.55) and the distribution of an additional one-time special dividend of EUR 0.10 per no-par value share on the occasion of the 40th anniversary of the company.

0.70

EUR dividend

*proposal to the AGM 2023
dividend of EUR 0.60 / special dividend of EUR 0.10*

SHAREHOLDERS' MEETING 2023 (PHYSICAL ATTENDANCE)

The Shareholders' Meeting is scheduled for 25 May 2023 and will allow the physical attendance of participants. This year, after three years of virtual meetings, we would like to facilitate personal contact with the shareholders. All of the required documents pertaining to the Shareholders' Meeting will be made available on the company's website from mid-April at:

<https://www.initse.com/ende/investors/shareholders-meeting/>

Last year's virtual shareholders' meeting confirmed the growth strategy of the Managing Board and also elected a new Supervisory Board. It approved the discharge of the Managing Board with the extraordinary result of 100 per cent.

The proposed resolution on the appropriation of the balance sheet profit was passed with 99.98 per cent. The shareholders of init innovation in traffic systems SE received a dividend of 0.55 Euro per dividend-bearing share. A total of around EUR 5.5 million was distributed.

INVESTOR DAY PLANNED

In addition to widespread social distancing, the corona pandemic also resulted in investor relations focusing mainly on digital events and virtual conferences. Now that the pandemic is waning, we intend to once again foster personal contact and exchange in one-on-one meetings. After a break of three years, we will once again hold an Investor Day at the "init Tower" in Karlsruhe where we plan to invite any interested current and potential investors in July this year.

Capital market based figures	FY 2022	FY 2021
High (EUR)	38.10	48.50
Low (EUR)	17.00	30.40
Start price (EUR)	35.75	32.00
Closing price (EUR)	25.45	33.30
Market capitalisation (EURm)	255.5	334.3
Average daily trading volume (shares)*	5,701	7,146
Dividend per share (EUR)	**0.60	0.55
Special dividend per share (EUR)	**0.10	
Earnings per share (EUR)	1.66	1.25

*all German stock exchanges
**proposal to the next AGM (source Bloomberg)


Shareholder structure as of 31 December 2022

	per cent
Dr. Gottfried Greschner (directly and indirectly held, parties related to him)	41.99
Corporate bodies	4.71
Employee shares (locked up)	0.47
Treasury shares init SE	1.40
Free float	51.43



COMBINED MANAGEMENT REPORT

init innovation in traffic systems SE, Karlsruhe



Background to the Group	29
Economic Report	35
Forecast, Opportunities and Risks	47
Reporting in Accordance with Section 315a (1) HGB	60
Corporate Governance Statement	61
Responsibility Statement	61

BACKGROUND TO THE GROUP

Group Business Model

Organisational structure of the Group

The init Group (hereinafter also referred to as init SE or init) is one of the few providers of integrated planning, dispatching, telematics and ticketing solutions for buses and trains. Since 1983 init has been supporting public transport operators with the task of making public transport more attractive, more effective, more efficient and, last, but not least, climate neutral.

As a full-service provider, init develops, produces, integrates, installs and maintains hardware and software solutions for all important tasks within transport companies. These include planning, management and optimisation of operations as well as fare management. Our strategy: init concentrates on innovative mobility concepts that secure a technological advantage for forward-looking transport companies to make their services more attractive, more efficient and more reliable.

init's products and services are designed to improve the quality of transport services in terms of customer orientation, punctuality, convenience, service, safety and shorter travel times. At the same time, transport operators can reduce their costs. With the help of our products, CO₂ emissions that are harmful to the climate are reduced and resources conserved. With solutions from init, public transport operators can do justice to the rising calls for mobility within society and prevail over the competition in an environment that is dominated by transformation.

Effective 1 January 2022, a further 49 per cent was acquired in DResearch Fahrzeugelektronik GmbH, Berlin, giving init SE a 100 per cent stake in this entity.

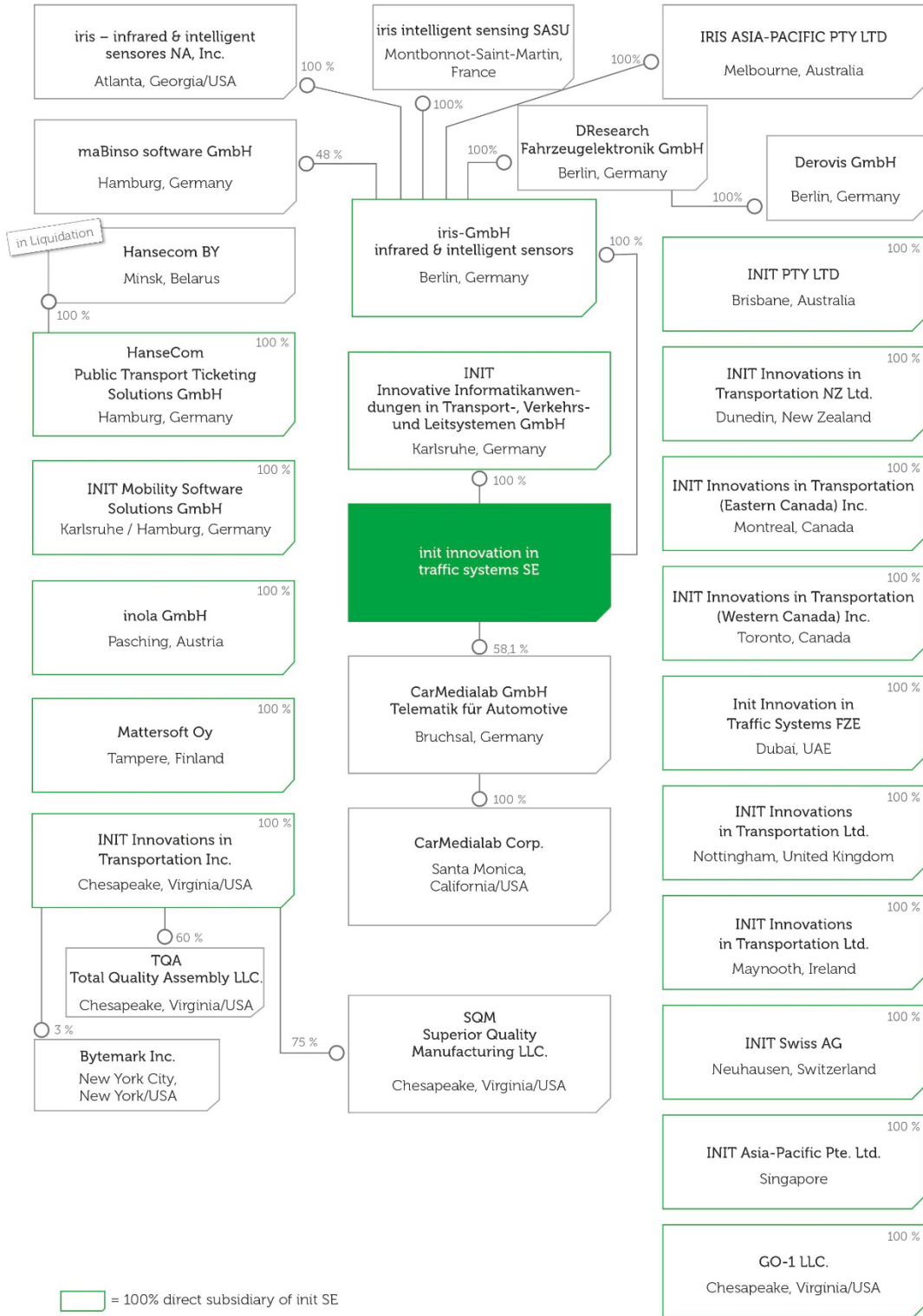
On 1 August 2022, iris intelligent sensing société par actions simplifiée unipersonnelle (SASU), Montbonnot-Saint-Martin, was founded in France.

This entity will bundle the sales activities of the iris Group in France.

Hansecom BY, Minsk, Belarus, has been in liquidation since 1 December 2022. All of its business activities were wound up due to the sanctions imposed by the EU against the allies of Russia in response to the war in Ukraine. It is scheduled to be deleted from the commercial register on 1 December 2023.

On 1 January 2022 the research and development activities of init GmbH were reorganised. The departments of research, basic development and product development were segregated from each other organizationally to allow a clear distinction to be made between research and development. As a result, init is able to drive projects forward to the product development stage efficiently and in a targeted fashion.

The init Group management report was combined with the management report of init innovation in traffic systems SE, Karlsruhe ("init SE") pursuant to Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) HGB. The management report is therefore hereinafter referred to as the combined management report. The annual financial statements of init SE, which are prepared in line with the provisions of the HGB, and the combined management report are published simultaneously with the consolidated financial statements in the online edition of the German Federal Gazette (Bundesanzeiger).



Business processes

The value-added chain of the init Group essentially includes the development, production management, quality assurance, implementation, servicing as well as maintenance and operation of integrated hardware and software solutions for all key tasks within public transport. Hardware manufacturing is mainly outsourced to qualified producers who work closely as subcontractors with our init engineers. The quality we require is assured by having our own staff assist in each stage of the production process, from prototyping through to the test series and serial production.

init maintains two production firms in the United States to improve its sales chances under the “Buy America” initiative. The company Superior Quality Manufacturing LLC., Chesapeake, Virginia, USA (SQM) produces hardware from the init product range. With Total Quality Assembly LLC., Chesapeake, Virginia, USA (TQA), init has built up a cable production operation in partnership with a supplier.

Efficient production at multiple locations, securing the ability to meet customer orders and cost-efficiency in production while simultaneously maintaining high quality standards count among the primary management goals of the init Group. Production processes are constantly monitored and optimized to meet the high requirements placed on production quality and satisfy customer expectations.

When selecting producers and service providers, init takes care that it can address fluctuations in demand with the greatest degree of flexibility without making any compromises in our high quality standards. In the event that a business partner falls out of contention, init can generally switch to an alternative provider and quickly and reliably respond to any sudden rise in demand. In spite of the global scarcity in commodities and supply chain bottlenecks, init generally succeeded at meeting customer orders on time thanks to its analyses and forward-looking material requisitions planning in

2022. The related risks have been considered in the risk section of the management report.

Key markets and competitive position

Our integrated system solutions for planning, dispatching, telematics and electronic fare collection systems make us a partner to transport companies on four continents. init has successfully realised numerous projects for more than 1,100 public transport operators worldwide during a corporate history that spans 40 years. In addition to this project business, many other customers are won via the supplier business. To this end, init operates a global network of subsidiaries that deliver local support for projects and look after the needs of customers.

The most significant operating entities in Germany with an aggregate headcount of 863 employees are based in Karlsruhe, Berlin and Hamburg. These facilities develop software and hardware products and conduct research into new technologies before developing them and rolling out the solutions. Group headquarters are located at the Karlsruhe location and this is where corporate strategy is set.

Our foreign subsidiaries generally act as distribution companies and service providers that market, install and maintain complex init solutions. The biggest group companies outside Germany are in North America, with a total of 142 employees, in Dubai (United Arab Emirates) with 18 employees and in the UK with 11 employees. In addition, init maintains production companies in America that produce for the local market.

The core sales markets are Europe, North America, Australia and New Zealand as well as the Arab world. The regional distribution of revenue volume is heavily dependent on large-scale projects and varies accordingly from year to year. Due to the Ukraine conflict, init withdrew from doing any business in the CIS region.

init has thus assumed a leading position in the worldwide market for planning, dispatching, telematics and ticketing solutions in public transport.

init systems currently manage more than 160,000 vehicles around the world.

External factors

User-friendly ticketing systems, reliable passenger information and fast transport links help public transport companies enhance the appeal and efficiency of their services. Especially during pandemics, hygiene and social distancing concepts are indispensable for higher acceptance and use of public transport. The development of public transport is still affected by the heavily fragmented market. Whether support for public transport from political leaders and the EU culminates in greater standardisation (e.g. the €49 ticket) remains to be seen. The planned investments in more efficient climate-neutral public transport will, all things remaining equal, result in demand for init solutions.

Over 90 per cent of our customers are public or state-subsidised transport companies. For this reason, request for tenders for new projects are often only issued when the corresponding state funding is available. Consequently, any public sector investment offensives to expand public transport by allocating the associated funds in their budgets have a major yet indirect impact on the development of business at the init Group.

Corporate control, objectives and strategy

init SE has a dual management system consisting of a Managing Board and a Supervisory Board. The Managing Board of init currently consists of four members, who simultaneously perform key operational roles (Marketing, Distribution, Development, Purchasing, Human Resources and Finance). As the holding company leading the group, init SE defines the corporate strategy and assumes the roles of top-level management, financing and communication with important target audiences in the corporate environment, in particular with the capital market and the shareholders.

The commercial **management** of the init Group is based on the **revenue and earnings before interest and taxes (EBIT)** projected in the annual budgets of the separate entities. Operations are managed at group level. If budget deviation analysis is needed, this is performed at the level of the respective entities or projects. Revenue and EBIT are the key performance indicators used.

The ultimate **objective** of the business is to sustainably generate profitable growth and simultaneously secure solvency at all times.

Financial objectives

The init Group pursues the goal of sustainably raising its revenue by selling integrated systems, innovations and new fields of application to the markets targeted by the business. At times, this long-term growth trajectory was diminished by the lingering impacts of the corona crisis on public transport systems and their operators, our customers. On top of this, since February 2022 the Ukraine crisis has resulted in interruptions to global supply chains, which also had implications for current projects. In spite of these headwinds sweeping the market, init was able to raise consolidated revenue to EUR 191.3m in 2022, representing a rise of 8.3 per cent on the figure for the previous year, due to a forward-looking sourcing policy and the associated ability to meet client orders.

It is the strategic target of the company to achieve average long-term revenue growth of 10-15 per cent per year. In terms of revenue, the strategic growth target was missed by a slight margin in 2022 on account of the adverse framework conditions. We are optimistic that the target will be reached again in 2023, assuming the business environment remains stable. Additionally, it is intended to continuously increase EBIT in both absolute and relative figures. The targeted corridor for the EBIT margin is 10-15 per cent. The EBIT margin is measured as the ratio of EBIT to revenue. In the financial year 2022 the EBIT margin came to 11.0 per cent (previous year: 9.9 per cent) and

therefore lay within the corridor of our mid-range expectations.

Non-financial objectives

Customer satisfaction

In addition to financial performance indicators, customer satisfaction is one of the important non-financial performance indicators for init. We achieve this both through trust-based collaboration with our business partners and strict compliance with our quality principles: the technological edge, cost-effectiveness and reliability of our products and systems. We have set down the principles of our daily business dealings in our ethical guidelines. A customer survey is carried out annually to check that the objective of customer satisfaction is being met. Customer satisfaction as an indicator is not relevant to the financial control of the init Group.

Employee qualification and know-how

Our employees are also a key success factor. For this reason, it is part of init's corporate philosophy to ensure that every individual receives training, continuing professional development and a share in the company's success. Numerous measures were offered for company-specific qualification, for example training at external service providers, in-house training, webinars, podcasts, digital learning as well as visiting trade fairs and conventions. In the year 2022, it was once again possible to hold face-to-face training sessions, although we continue to work on expanding our virtual training formats. More than 9,400 training hours (2021: more than 7,400 training hours) were completed in internal and external training measures in 2022.

Some 65 per cent of init's permanent employees have a university degree, particularly in the fields of information technology, electrotechnology, high-frequency technology, physics, mathematics, industrial engineering, information technology, applied computer science, international business and business studies. init maintains very close contact with the Karlsruhe Institute of Technology (KIT) and other universities of applied sciences in order to keep

track of the latest technological developments and to identify technical changes early on. In this connection, we provide students with practical work in part-time positions and supervise academic theses, at bachelor's and master's degree levels, for example.

New employees at our subsidiaries generally receive training at the group headquarters in Karlsruhe. Conversely, employees from Germany also spend several weeks a year at the foreign subsidiaries, either within the scope of their training or in connection with ongoing projects, as a means of promoting communication and cooperation while simultaneously ensuring that the expertise flowing into individual projects, technologies and products is maintained at the same high level around the globe.

Separate consolidated non-financial statement and ESG report

For financial year 2022, init has submitted a group non-financial statement (ESG Report) in accordance with Sections 289b, 289c, 315b, 315c HGB, which will be published simultaneously with the annual report in a separate group non-financial report on the website at: <https://www.initse.com/ende/investors/financial-reports>.

Research and development

The research and development department is a central unit within the init Group. Its goal is to ensure that the group is competitive through the use of technical innovation. As part of this, we monitor trends on the market and plan to develop our own innovative products in order to act on identified potential. Our vision is to put the progress of technology to good use for the public transport sector, and in so doing to enhance the efficiency and appeal of local public transport. Our research team works with a large number of partners on solutions for future challenges.

The unit's importance is reflected in the expenditures of financial year 2022. The init Group spent EUR 16.3m (previous year: EUR 12.6m) on the basic development of non-customer-specific new products

and the refinement of existing ones. This is equivalent to 8.5 per cent of revenue (previous year: 7.1 per cent). In addition, the group conducted customer-funded, project-based new product developments and product refinements adding up to around three times that amount. The expenditure referred to above includes the the cost of internally developed software for new product developments of EUR 2.8m that was capitalised for the first time in financial year 2022.

16.3 EUR
m

was invested in 2022 on the basic development and product development for the digital transformation of public transport.

We place great store on the high standard of qualification among our research and development employees and also on maintaining close partnerships with the higher education sector and research institutions in order to be able to respond quickly to the latest trends in university research.

Over 550 init hardware and software developers worked at the Karlsruhe, Braunschweig, Bruchsal, Berlin, Hamburg, Maynooth, Pasching, Tampere and Seattle sites in financial year 2022 on new products and product concepts as well as on refining existing products. In addition, numerous new customised software developments and interfaces were realised.

In order to put itself in the position of being able to provide solutions for the expected challenges in existing and potential new markets at an early stage and make new technologies available for use by public transport, init's own research team continues

to participate in research and government-subsidized projects with a diverse range of subjects.

At the end of February 2022 the MobileDataFusion research project was brought to a successful conclusion. Since the end of 2018, init is a member of a research consortium of five partners from business and science that are seeking a solution for WLAN and Bluetooth-based measurement of passenger flows in order to provide public transport operators and associations a more well-founded data basis for planning, dispatching and billing transport services. With this approach, init is expanding its portfolio to include an innovative technology for automatically measuring passenger demand.

To ensure that it is optimally prepared for the integration of automated buses and trains in public transport operations management, init joined the ÖV-Leitmotif-KI project, which was kicked off at the beginning of 2022. Under the leadership of VDV, a standard reference model which includes AI methods and procedures will be developed by 2024 to govern the interaction between vehicles, the guidance system and passengers. init will implement the reference architecture and selected AI application cases to validate them during the Baden-Württemberg field test for autonomous vehicles.

Since November 2022, seven partners in the ANYMOS competence cluster for the anonymisation of connected mobility systems have been pursuing the goal of establishing anonymisation technologies to enable the secure exchange and use of mobility data. init is represented in this cluster by two entities of the group, init GmbH and DResearch Fahrzeugelektronik GmbH, in order to provide its customers with new AI-based scenarios in future for the secure use of data in compliance with data protection legislation.

ECONOMIC REPORT

Macroeconomic environment

Macroeconomic development during the reporting period was dominated by a combination of crises, the like of which had not been seen since the Second World War. The greatest factor to be mentioned in this regard was Russia's war against Ukraine, which burdened the global economy overall due to its impact on global transfers of energy, commodities and goods. This was exacerbated by interruptions to value chains that can be attributed to the resurgence of the COVID pandemic and the lockdown measures taken by the Chinese government to combat it. These led to reduced growth even beyond the borders of China, and especially so in western industrial countries, which suffered from the combination of high energy prices, a loss of consumer confidence and sustained supply issues for raw materials and upstream products. Many commentators speak of a historical turning point and the end of decades of growth.

Prices for energy, raw materials and upstream products, but also for food and industrial goods, are rising rapidly and this is reflected in double-digit inflation rates at times, a level not seen in industrial nations for four decades. This occasioned central banks to take countermeasures in the form of a more restrictive monetary policy and raising the key lending rates a number of times. In addition, governments are attempting to cushion the loss in disposable income caused by inflation by providing assistance to companies and private households in an effort to stabilise economic activity.

The first successes of these measures became evident at the end of the reporting period and at the beginning of 2023. The economic data from the mature economies of Asia, Europe and North America suggest that the initial fears of stagflation, i.e. runaway inflation and simultaneous contraction in economic activity, which were still entertained in the

second half of 2022, particularly in Europe, were unfounded.

After the International Monetary Fund (IMF) cast an extremely pessimistic picture for the global economy in its World Economic Outlook in October 2022 ("World Economic Outlook: Countering the Cost-of-Living Crisis" from 11 October 2022), it perceives a number of positive surprises in its latest release ("World Economic Outlook: Inflation Peaking amid Low Growth" from 30 January 2023). According to this latest report, the global economy is expected to weather the consequences of the war in Ukraine and the continuing high inflation better than was expected. The experts no longer anticipate any slide into a recession – a scenario that the economists had not ruled out back in autumn. There will not be any recession in Germany either.

As an expression of these more optimistic assessments, growth rates were adjusted upwards. Based on assessments from the UN, global economic growth came to three per cent (October forecast 3.2 per cent). In 2023, growth of 1.9 per cent is now expected (October forecast: 2.7 per cent). For 2024, the projections of the UN economists are slightly more positive, with growth of 2.7 per cent projected in the report, if certain conditions come to pass. In sum, there is "greater-than-expected resilience in numerous economies", according to the IMF. The January outlook states that the lifting of the zero-Covid strategy in China in the final quarter of 2022 could pave the way for a recovery of the global economy.

According to the IMF's Chief Economist, Pierre-Olivier Gourinchas, the latest forecast represents a "turning point" indicating that growth has bottomed out and that inflation has peaked. Based on the IMF figures, global growth remains below the "historical average" of the last two decades.

For the year 2024, the IMF forecasts a slight acceleration of global growth to 3.1 per cent, which is nevertheless just below the forecast issued in October 2022. It is feared that the impacts of the drastic hike in interest rates by central banks will weigh down demand.

This applies to Germany and the euro area, although resilience to the consequences of the crisis in this region, too, appears to be stronger than at first assumed. The economic experts had feared there would be a long period of stagflation in this region in the event that gas and energy supplies collapsed following Russia's restrictions on supply, and after energy and commodity prices surged in the winter of 2022. Based on the current data, these fears were unfounded. The economy of the euro area is now expected to have grown by 3.5 per cent in 2022, 0.4 percentage points up on the IMF forecast from October 2022. In its World Economic Outlook from 30 January 2023, the IMF projects growth of 0.7 per cent in the euro area for the year 2023. This compares to the 0.5 per cent growth forecast back in October. According to the Monetary Fund, Europe adjusted to the higher energy costs faster than expected. At the same time, government stimulus has boosted both private consumption and capital spending. The positive effects of world trade improved the picture. For 2024 the IMF experts consider growth of 1.6 per cent as likely, due to the rise in lending rates in the euro area, which will dampen growth (previous forecast: 1.8 per cent).

Germany was seen as the biggest loser of the world's major economies. As an export nation it is particularly exposed to the risks of foreign trade. Based on the latest figures, this assessment has also proven unfounded. In 2022, the German economy is expected to have grown by 1.9 per cent in 2022 based on the IMF's January Outlook, 0.4 percentage points stronger than forecast in October. For 2023 the IMF economists adjusted their assessments for GDP upwards by 0.2 percentage points to 0.7 per cent. This implies that Germany can avoid a recession, contrary to earlier forecasts. However, due to the rising

interest rates, growth in 2024 will only rise to 1.4 per cent, 0.1 percentage points lower than previously assumed. In addition to Germany, other European countries such as France, Italy and Spain will also be able to avoid a recession, according to the IMF.

The economists paint a gloomier picture for the United Kingdom, which has been an important market for init systems in the past. According to the January Outlook, the United Kingdom is now the only major economy that is expected to go into recession. Economic growth in the island nation of 3.6 per cent in 2022 is already down on the previous expectations (WEO from October: 4.1 per cent) because both private consumption and investment activity have weakened due to inflation. The IMF is now projecting a contraction in GDP of 0.6 per cent in the current year as households battle with the rising cost of living, including higher energy costs and mortgage rates. This would imply a downwards adjustment of 0.9 percentage points on the forecast issued in October. However, in 2024 the UK economy is expected to return to growth of 0.9 per cent (up 0.3 percentage points on the October forecast).

The economies of both the United States and Canada proved once again to be very robust and crisis-resistant. North America is currently the most important growth region for init products and services. In spite of the external headwinds and the threat of a trade conflict with China, the US and Canadian economies grew more strongly in 2022 than assumed in October, with growth of 2.0 per cent in the U.S. instead of 1.6 per cent and growth of 3.5 per cent in Canada instead of 3.3 per cent. The source of these positive surprises can be found in domestic factors: private consumption and the strong fiscal stimulus in the form of billion-dollar government programs. However, based on the findings of the IMF, this upwards trend appears to have flattened off in the fourth quarter of 2022. Although stronger economic growth in the United States is projected at 1.4 per cent in 2023 than in the October forecast (1.0 per cent), the strict monetary policy of the Federal Reserve Bank will likely dampen

growth to 1.0 per cent (0.2 per cent less). The picture in Canada is similar: a constant growth rate of 1.5 per cent is forecast for the country for 2023 and 2024.

In sum, the risks for the global economy have waned, based on the latest estimate of the IMF (WEO from January 2023). A resurgence of the corona crisis in China, further escalation of the Ukraine war, tighter global financing conditions and greater protectionism between the regions of America, Asia and Europe could make a later reappraisal of the situation necessary.

According to the IMF, inflation should be still be combated and priority should be given to targeting fiscal support at those most heavily affected by the higher prices for food and energy. Stronger multilateral cooperation is also essential to mitigate climate change. On 30 January 2023, 133 countries accounting for approximately 91 per cent of global economic output and approximately 83 per cent of global emissions adopted net-zero carbon emission goals. Consistent with the principles of the multilateral climate policy architecture as set out in the Paris Agreement, countries use or plan to use a widely varied set of emissions reduction policies – both price-based and non-price-based – as tailored to different national circumstances (OECD: Inclusive Forum on Carbon Mitigation Approaches; 30 January 2023).

Investments to reduce emissions and promote green technologies should be ramped up. These also include investing in smart transport infrastructure, and the increased use of emission-free local public transport.

Sector-specific developments

The transport sector and the mobility systems worldwide are currently exposed to epochal change. The momentum of the political and technological revolution confronting the carriers of public infrastructure and operators of public transport has gathered pace. While the impacts of the war in Ukraine and the lingering impacts of the corona pandemic will be comparatively short-lived by

nature, the need to combat climate change will remain on the agenda in the market for integrated planning, dispatching, telematics and ticket solutions for buses and trains for the long term.

Future mobility should be reliable, efficient, networked and climate neutral. This requires progress and substantial investment in digitalisation, automation and electrification of the existing transport infrastructure and mobility systems as well as significant innovation. Driverless on-demand mobility services for public transport, (real-time) data-based services for public transport and platforms for integrated travel information, booking and ticketing systems, as developed by init, are a milestone in this direction.

All over the world, billion-dollar investment programmes have been set up for climate protection, the reduction of greenhouse gases and the transition to sustainable transport. In the opinion of many experts, the fastest and most cost-efficient way to reach these goals is to foster more low-emission or zero-emission public transport.

The Green Deal of the European Union requires the transport sector to reduce its greenhouse gas emissions by 90 per cent by the year 2050. The decarbonisation of the transport sector and multimodal travel using sustainable modes of transport lie at the heart of the plan. All 27 EU member states have committed to making the EU the first climate neutral continent by 2050. To this end, they have agreed to reduce their emissions by at least 55 per cent by 2030, compared to the baseline of 1990. Correspondingly, transport operators must rely on low or zero-emission vehicles for their new fleet acquisitions. Since 2 August 2021, public transport companies have been required to meet a quota of at least 45 per cent for low-emission or zero-emission vehicles when procuring new vehicles. From 2025 until the end of 2030, this quota is set to increase to 65 per cent. By offering low-emission and increasingly zero-emission mobility solutions, public transport operators can make a contribution towards reaching the European climate goals.

In addition, the EU supports the digital transformation of the public transport sector in order to meet the higher demands of passengers. The total budget set aside by the EU for local mobility solutions and urban transport for the period 2021 to 2027 comes to approximately two trillion euro. This includes EU financial support (non-repayable grants) as well as loans and financing instruments from the European Investment Bank.

The EU Commission has announced that it will support the development of an infrastructure for alternative fuels and the use of bus charging and refuelling infrastructures accordingly. This transformation places completely new demands on operational control and requires, above all, optimised charging management. For this purpose, init developed the integrated eMOBILE software suite which, beginning with the simulation and planning of services and schedules, optimises all the processes associated with depot and charging management, through to operational management, forecasts of vehicle range and analyses of energy consumption. Two of the largest fleets of e-buses in Europe and a first customer in the United States already rely on this sector-leading technology from init.

The EU-project eBRT2030 coordinated by UITP is a major milestone in electric mobility that seeks to support sustainable urban transport by proposing innovative solutions for electric Bus Rapid Transit (BRT). Bringing together 45 partners from across the EU and beyond, eBRT2030 aims to demonstrate the applicability of a new generation of eBRT systems in different urban contexts with innovative solutions that are economically viable and enhanced with new automation and connectivity functionalities, such as those offered by init. Ultimately, the main objective is to drastically reduce emissions, pollutants and congestion, and support the transition towards zero emission sustainable transport across Europe.

For 2023 the European Commission announced a legislative initiative to promote multimodal digital mobility services (MDMS).

The German government has also earmarked several billion euros for the digital transformation and expansion of the public transport network as part of its climate protection programme.

By taking the appropriate action, public transport should be put in a position where it can offer solutions for a range of different mobility needs and behavioural patterns, considering regional aspects in the process. To this end, seven model projects were kicked off at the beginning of the year 2023 with funding of up to EUR 150m until the end of 2025, with a focus on rural areas. The projects are accompanied by scientific advisors with a view to their potential to reduce carbon emissions. Likewise, the work involves reviewing the extent to which best practices can be assigned to other urban and rural regions.

With its open-technology “Funding Guideline for Alternative Powertrains in Public Transport” the Federal Ministry for Digital and Transport (BMDV) is subsidizing the acquisition of buses powered by batteries, fuel-cells, hybrid battery-overhead transmission systems, and bio-methane and the associated infrastructure as well as feasibility studies. The volume of funding currently planned under the guideline comes to approximately EUR 1.75b. Based on the first applications, funding assistance has been provided for approximately 4,200 buses and to more than 120 public transport operators.

Business performance

Distribution of revenue in the init Group largely depends on the investment choices of the public transport companies. These are spread unevenly over the financial year, with the first quarter as a rule being the weakest and the fourth quarter being the strongest in terms of revenue.

Revenue amounting to EUR 35.6m (Q1 2021: EUR 40.5m) was generated in the first quarter of 2022. Revenue was thus around 12 per cent below the previous-year figure.

In the second quarter of 2022 the group generated revenue of EUR 45.1m (Q2 2021: EUR 44.2m). Revenue for the first half of the year thus rose to EUR 80.7 m, which is 4.8 per cent lower than the figure of EUR 84.7m for the same period in the previous year.

Revenue amounting to EUR 50.5m (Q3 2021: EUR 40.4m) was generated in the third quarter of 2022. Revenue for the first nine months of 2022 thus came to EUR 131.1 m, which is about 4.9 per cent above the figure for the previous year (30 September 2021: EUR 125.1m).

In the fourth quarter of 2022 the group generated revenue of EUR 60.1m (Q4 2021: EUR 51.6m). Revenue was therefore EUR 8.8m or 16.5 per cent above the same quarter of the previous year. This made it the strongest quarter in the reporting year.

Net assets, financial position and results of operations

Results of operations

For the financial year 2022, the init Group recorded **revenue** of EUR 191.3m (previous year: EUR 176.7m) which therefore lies within the set planning corridor of between EUR 190-200m. In comparison to the previous year, revenue rose by approximately EUR 14.6m or 8.3 per cent and is therefore slightly below the long-term average growth rate. One factor in this regard was the decision to completely forgo any revenue from Russia since the Ukraine crisis. This shortfall could not be compensated by the subsidiary concerned. The volume of business generated in Russia in 2021 was in the low single-digit-millions.

Earnings before interest and tax (**EBIT**) came to EUR 21.0m in the financial year 2022, just above our expectations of EUR 15 to 20m (previous year: EUR 17.6m). This development is primarily due to the increase of revenue and a simultaneous rise in the gross margin. This success should also be seen in the context of the significant increase in purchase costs due to global supply chain disruptions and bottlenecks in the supply of individual electronic components.

Earnings before interest, tax, depreciation and amortisation (**EBITDA**) came to EUR 31.2m in the year 2022 (previous year: EUR 27.4m). This represents an increase of EUR 3.8m or 13.9 per cent.

The EBIT margin of the Group improved on the previous year to 11.0 per cent in financial year 2022 (previous year: 9.9 per cent). This margin lies within the corridor of our mid-range planning targets and, in light of the headwinds in the reporting year, makes us optimistic that we can raise the EBIT margin to the upper end of our targeted corridor in the coming years. The EBITDA margin came to 16.3 per cent in financial year 2022 (previous year: 15.5 per cent).

Correspondingly, 71.4 per cent of total revenue was generated in other countries (previous year: 68.6 per cent). The strongest region was once again North America, where revenue was raised by EUR 5.7m or 8.7 per cent. The volume of revenue thus came to EUR 71.0m in 2022 (previous year: EUR 65.3m). As in the previous year, the most significant projects were ticketing management systems for San Diego, CA, and Seattle, WA, in the United States.

Revenue in Germany was down slightly on the previous year by EUR 0.9m or 1.6 per cent. A number of long-term projects were successfully concluded in the financial year. With revenue of EUR 54.7m (previous year: EUR 55.5m) Germany remains our second strongest market after North America.

At EUR 39.9 m, revenue in Europe (excluding Germany) was up EUR 4.8m or 13.9 per cent on the previous year (previous year: EUR 35.1m).

A slight increase in revenue in comparison to the previous year was recorded in the rest of Europe, with revenue rising by EUR 4.9m or 23.6 per cent to EUR 25.6m (previous year: EUR 20.7m). In the other countries revenue rose by EUR 5.3m and revenue in the Pacific region decreased by EUR 0.4m.

191.3 EUR
m

*Consolidated revenue in financial year 2022
+8.3 per cent on the previous year
representing another record
in our corporate history*

The **gross profit** rose by EUR 13.9m or 22.2 per cent to EUR 76.6m (previous year: EUR 62.7m). The gross margin comes to 40.0 per cent and is therefore significantly above the previous-year level (previous year: 35.5 per cent). The improvement in the gross margin is a result of the rapid rise in license business and services as well as the aftersales business.

Sales and marketing expenses increased by 22.3 per cent year-on-year to EUR 24.1m (previous year: EUR 19.7m). The significant increase originates from the greater volume of sales activities and the fact that travel expenses, trade fairs and exhibitions have returned to normal levels after corona restrictions were lifted in the previous year, coupled with the rise in costs due to the significant increase in the number of tenders submitted worldwide. The increase is in line with our expectations, and serves the purpose of further growth.

Administrative expenses rose by EUR 3.0m or 17.3 per cent year-on-year to EUR 20.4m (previous year: EUR 17.4m). The increase is mainly due to a rise in personnel expenses and higher legal expenses and consulting fees.

Research and development costs of EUR 13.5m are up by approximately EUR 0.9m on the already high level of the previous year (previous year: 12.6m). The increase in capital expenditure is concentrated on new developments in the area of digitalisation. In addition, we invested EUR 2.8m in internally generated software, which has been capitalised under internally generated intangible assets. As a result, init invested a total of EUR 16.3m or 8.6 per cent (previous year: 7.2 per cent) of its revenue in basic development and product development.

At EUR 3.9 m, **other operating income** was down by EUR 0.4m or 9.3 per cent on the income of the previous year (EUR 4.3m). The main items here were rental income, government subsidies, bad debts collected, insurance indemnification and offsets from employees for remuneration paid in kind.

The net result of **foreign currency translation** of -0.8m (previous year: gains of EUR 0.4m) mainly consists of unrealised exchange gains and losses from the translation of receivables and payables denominated in foreign currency and the net result of currency hedges.

Net interest income (interest income less interest expenses) comes to EUR -0.7m (previous year: EUR -1.0m) and results primarily from the mortgage finance for the location in Karlsruhe, the interest expense on pension provisions, the finance for the purchase of the remaining shares in iris-GmbH, the purchase of the shares in DRResearch Fahrzeugelektronik Gruppe (DVS/DFE) and the significant reduction of euro-loans during the year. These loans were replaced during the year by more favourable innovation loans on account of the shift in interest rates on the capital markets over the course of the reporting year.

Consolidated net income of EUR 16.5m is up by EUR 4.1m on the prior year, a rise of 33.1 per cent (previous year: EUR 12.4m) and reflects the development of revenue and the improved product mix towards higher-margin license sales and services. The improvement of the gross margin was partly offset by a rapid rise in sales and marketing expenses and general administrative expenses. The most significant factors in this regard were the substantial rise in personnel expenses in comparison to the previous year and the fact that travel expenses, trade fairs and exhibitions returned to normal following the lifting of corona-related restrictions in the previous year. Earnings per share amounted to EUR 1.66 (previous year: EUR 1.25). The tax rate of 18.6 per cent is down significantly year-on-year (previous year: 24.8 per cent). This is primarily due to the utilisation of unused tax losses and the different

tax rates applying in those countries where most profit was generated.

Total comprehensive income improved by EUR 4.9m or 29.5 per cent, rising from EUR 16.6m in the previous year to EUR 21.5m. This increase was boosted by the rise of EUR 4.1 in consolidated net income and unrealised exchange gains of EUR 2.5m (previous year: EUR 3.5m) as well as the remeasurement of pension provisions of EUR 2.5m (previous year: EUR 0.7m). Please refer to the consolidated statement of comprehensive income for more information on the development.

Incoming orders

The init Group won new contracts with a total volume of EUR 214.1m in financial year 2022. This was once again a new record for incoming orders in the group's history. Incoming orders rose significantly by EUR 34.9m on the baseline of EUR 179.2m set in the previous year. This corresponds to a growth rate of 19.5 per cent.

An important element in this growth is the follow-up contract for our customer METRO Houston, which was received in the fourth quarter of 2022. The contract of USD 40m is even larger than the initial contract for a ticketing system awarded in the year 2021. More details were published in the press release on 10 November 2022.

We continue to record rapidly rising demand from our existing customer base. The latest solutions from our nextGen innovation campaign and the latest generation of vehicle appliances have emerged as major growth drivers. The field of electromobility is still of major importance for those public transport operators who primarily operate bus fleets. We expect to see growing momentum in this segment. Our subsidiaries, HanseCom and iris have developed extremely well and are making a substantial contribution to our excellent order situation. Solutions for e-ticketing and sensors are exhibiting double-digit growth.

214.1 EUR
m

Incoming orders up 19.5 per cent on the previous year setting a new record in the company's history

Due to the very rapid growth in incoming orders in North America, the region was able to raise its share of the group's total order intake to 40.2 per cent. Germany accounts for incoming orders of 33.4 per cent generated from both existing customers and new customers won during the financial year. Incoming orders in the rest of Europe rose by 21.2 per cent. Other countries were not as strong, with growth of 5.2 per cent.

In North America, incoming orders rose sharply by 28.2 per cent in the financial year 2022 or EUR 18.9m to EUR 86.1m (previous year: EUR 67.2m). The increase is largely a result of numerous smaller and medium-sized projects with existing customers and new customers with the single biggest factor being the systems expansion of the underlying contract with METRO Houston. High growth rates were also generated with maintenance, support and services.

Incoming orders in Germany of EUR 71.5m in 2022 are also significantly up on the previous year, rising 26.1 per cent or EUR 14.8m (previous year: EUR 56.7m). This growth can be explained by the new customers won during the year and the system expansions and aftersales business with existing customers and high growth in service, support and maintenance contracts.

Incoming orders in the rest of Europe rose by 35.9 per cent or EUR 12.0m to EUR 45.4 m, also significantly up on the previous year (EUR 33.4m). Thanks to their product portfolio, the business of the German entities in the rest of Europe developed very pleasingly. The core business of init is growing rapidly. Consequently, all of the group's entities that are active in the region were able to benefit from this development.

In the MENA-ANZ region (Middle East, North Africa, Australia and New Zealand) incoming orders of EUR 11.1m were down -49.1 per cent or EUR -10.7 m, in line with expectations, well below the level of the previous year of EUR 21.8m. The decrease in incoming orders results from a lack of international calls to tender and major projects in this region. Most of the current orders originate from aftersales business, maintenance, service and support contracts in the region.

163.7 EUR
m

*Order backlog
up 25.1 per cent or EUR 32.8m on the previous year
setting a new record in the company's history*

The order backlog at year-end stood at EUR 163.7m (previous year: EUR 135.4m). We expect that the work needed to service the orders already on the books will secure a large share of our revenue for 2023. The high volume of incoming orders, which continues without interruption, reinforces our decision to continue driving forward the development of our new product generation.

Our market is still characterised by a large number of new international tenders. Long-term customer relationships endow init with a solid foundation for its business as they generally result in a substantial volume of recurring business in the form of follow-up orders as well as maintenance, support and operating agreements. As in the previous year, extra deliveries, maintenance and support contracts as well as extended orders have resulted in substantial revenue, with orders of approximately EUR 100m posted in 2022.

Financial position

One of the priorities for the group's management is to further reinforce the init Group's capital structure, which is key to continuing to enjoy the confidence of our stakeholders. As in the previous year, the init

Group's financial position in financial year 2022 can therefore be described as very solid. In the financial year, init started to reorganise the corporate financing via init SE Holding to make it more efficient and improve liquidity.

The Group is in a position to meet all its debts at all times without any restriction. The equity ratio of 47.4 per cent is marginally higher than in the previous year, when it came to 47.3 per cent.

Net working capital and liquidity continued to improve. Operating cash flow amounted to EUR 24.4m and rose by approximately 50 per cent on the previous year (previous year: EUR 16.0m).

Capital structure

Liabilities to banks as of 31 December 2022 amounted to EUR 38.0m (previous year: EUR 29.3m) and mainly relate to real estate and acquisition financing, financing of the new ERP system, the purchase of the shares in the DResearch Fahrzeugelektronik Group (DVS/DFE) and loans taken out to finance working capital. Project delays may lead to delayed payments because the milestones are accepted by the customer at a later date. The long-term portion of bank loans relates to mortgage finance of EUR 0.7m (previous year: EUR 1.0m) for the properties located at Kappellestrasse 4, 8, 8a and 10 and a new innovation loan arranged in the financial year of EUR 10m. In addition, there are long-term loans of EUR 4.9m to finance corporate acquisitions (previous year: EUR 7.4m). There are also long-term investment loans of EUR 1.1m (previous year: EUR 2.3m) and another long-term loan of EUR 2.9m (previous year: EUR 4.6m). The loans fall due at different times before the end of 2032.

According to the consolidated balance sheet, non-current liabilities rose by EUR 8.2m and come to a total of EUR 55.6m. Of this increase an amount of EUR 4.3m is attributable to long-term loans. Pension provisions decreased by EUR 3.5m to EUR 7.3m (previous year: EUR 10.8m). Other non-current provisions mainly relate to warranties. Non-current lease liabilities rose by EUR 8.8m to EUR 21.2m

(previous year: EUR 12.4m) due to prolonged leases and new leases for office space. Deferred tax liabilities decreased slightly to EUR 5.2m (previous year: EUR 5.3m).

According to the consolidated balance sheet, current liabilities increased by EUR 6.7m to EUR 73.6m (previous year: EUR 66.9m). This change can be mainly attributed to an increase of EUR 4.4m in bank loans, an increase of EUR 2.7m in contract liabilities to EUR 9.8m (previous year: EUR 7.1m) and an increase of EUR 2.8m in trade accounts payable to EUR 9.7m. Current provisions decreased by EUR 2.0m. Short-term lease liabilities were virtually unchanged in comparison to the previous year at EUR 3.3m (previous year: EUR 3.2m). Income tax liabilities also rose slightly by EUR 0.5m to EUR 3.9m. By contrast, other liabilities and payments received on account declined by EUR 1.7m. The net debt ratio (bank debt divided by equity multiplied by 100) remains virtually unchanged at 32.6 per cent (previous year: 28.6 per cent) as equity and liabilities rose in proportion to each other. The dynamic debt-equity ratio (net debt capital divided by EBITDA) stands at 0.4 (previous year: 0.6).

Investments

Capital expenditures for property, plant and equipment and other intangible assets came to EUR 10.0m (previous year: EUR 3.7m) and, in addition to replacements of furniture, fixtures and office equipment, include investments in data-processing software of EUR 2.8m as well as internally generated software, also of EUR 2.8m.

Liquidity

Operating cash flow increased on the previous year to EUR 24.4m (previous year: EUR 16.0m). This can be attributed to the increase in the net income of the group to EUR 16.5m (previous year: EUR 12.4m) and the increase in contract liabilities. These were countered by a further increase in inventories and a further reduction in provisions. The changes in trade accounts receivable and trade accounts payable almost balanced each other out apart from a marginal amount of EUR 0.6m.

Net working capital (current assets less current liabilities) comes to EUR 42.5m (previous year: EUR 41.2m). Cash flow from investing activities came to EUR -10.5m (previous year: EUR -3.4m) and mainly consists of investments in the new ERP system of EUR 2.8m (previous year: EUR 0.6m), replacements and investments to expand other plant and equipment and furniture, fixtures and other operating equipment of EUR 2.7m (previous year: 1.9m) as well as the first-time recognition of internally-generated software of EUR 2.8m (previous year: EUR 0.0m). Investments in the inhouse IT systems and product developments therefore increased by approximately EUR 5.0m.

The cash flow from financing activities comes to EUR -2.2m (previous year: EUR -17.7m) and is mainly a result of new borrowings and, on the other hand, dividend payments.

Cash and cash equivalents, including securities that can be sold in the short term, came to EUR 40.1m at the end of December 2022 (previous year: EUR 28.2m).

Net assets

As in past years, the financial position of the init Group in financial year 2022 can be described as stable and robust.

Total assets rose on the previous year by EUR 28.9m or 13.3 per cent to EUR 245.8m as of 31 December 2022 (previous year: EUR 216.9m).

This is due to an increase in cash and cash equivalents of EUR 11.9m or 42.2 per cent to EUR 40.1m (previous year: EUR 28.2m) and an increase in property, plant and equipment of EUR 9.4m or 16.7 per cent to EUR 65.0m (previous year: EUR 55.7m). The increase in inventories of EUR 7.7m on the previous year ensures that we are in a position to meet orders. The reduction of EUR 6.8m in contract assets results from the degree of completion of project business.

The increase in current and non-current bank loans totaling EUR 8.7m serves to fund further growth and create greater financial headroom. Equity increased by EUR 14.0m to EUR 116.6m by year-end (previous

year: EUR 102.6m). As a result, the equity ratio rose slightly to 47.4 per cent and remained stable at the level of the previous year of 47.3 per cent.

Net assets, financial position and results of operations of init SE pursuant to HGB

General information

In addition to the init Group report, we summarise developments at init SE below.

init SE is the management holding company of the init Group and, as such, does not carry out any operating activities. It manages the operating companies of the group financially and is responsible for strategic planning and risk management. init SE also handles tasks in the areas of accounting, controlling, project management, legal and human resources of init GmbH, init Mobility Software Solutions GmbH, init Nottingham, init Montreal and init Maynooth.

init SE's annual financial statements are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). This results in differences in accounting and valuation methods. These relate above all to pension obligations.

Results of operations

init SE is controlled using annual projections for revenue and earnings before taxes and interest.

The revenue of init SE amounted to EUR 7.2m (previous year: EUR 7.1m) and was generated largely by rendering services to init GmbH, init Mobility Software Solutions GmbH, init Nottingham and init Montreal as well as from rental income. Earnings before taxes amounted to EUR 11.3m (previous year: EUR 14.7m) and was therefore significantly above our projection of around EUR 4.9m. Earnings before taxes includes income from investments of EUR 4.4m. EUR 3.3m of this relates to the subsidiary init Innovation in Traffic Systems FZE, EUR 0.6m to init Innovations in Transportation Inc., and EUR 0.5m to Mattersoft Oy. Moreover, it contains the profit

transfer from init GmbH of EUR 11.6m and income from init Mobility Software Solutions GmbH amounting to EUR 0.3m. Personnel expenses came to EUR 7.1m (previous year: EUR 6.1m). Other operating expenses amounted to EUR 5.2m (previous year: EUR 4.3m).

Net assets and financial position

The net assets, financial position and results of operations of init SE remain in a sound condition.

Financial position

Other financial ratios of relevance to init SE are liquidity and the equity ratio, and these are discussed below. As of the reporting date, cash and cash equivalents and securities totalled EUR 1.6m (previous year: EUR 0.2m), an increase on the previous year. The change in cash and cash equivalents during the year resulted chiefly from cash paid out in repayments and interest for mortgage financing, the distribution of dividends and the settlement of income taxes. By contrast, the profit transfers from subsidiaries had a positive effect on cash and cash equivalents. The cash and cash equivalents and existing credit lines, which can be used jointly with init GmbH, are sufficient to meet all existing and future payment obligations.

In 2022, init SE covered its financing requirements from the income received from its equity investments, profits from profit and loss transfer agreements and by taking out long-term borrowings. With these funds, init SE finances the group entities.

Net assets

Total assets of init SE amounted to EUR 75.6m (previous year: EUR 58.2m), while the equity ratio declined compared to financial year 2021 to 69.1 per cent (previous year: 86.7 per cent).

The assets mainly comprise financial assets, land and buildings and receivables from associated companies. With regard to financial assets, there was no change to the shares held in affiliated companies in comparison to the previous year. These amount to EUR 32.5m (prior year: EUR 32.5m). A list of the shareholdings can be found in the notes. Loans to

affiliated companies in 2022 of EUR 12.0m is a new item (previous year: EUR 0.0m).

The increase in assets is financed by the net income for the year of EUR 8.2m (previous year: EUR 12.3m) and the increase of EUR 13.9m in bank loans to EUR 15.2m (previous year: EUR 1.4m), relating to the mortgage financing of the buildings at Kappelestrasse 4, 4a, 8/8a and 10 in Karlsruhe, loans for the purchase of other companies and a long-term innovation loan. The mortgage loans are fully secured by land charges.

Non-financial performance indicators

The annual average number of employees at init SE came to 77 (previous year: 75). Of these, 39 on average were full-time staff (previous year: 37).

In total, employees took part in 34 internal and external advanced training measures in 2022.

The non-financial goals of the Group apply by analogy.

Opportunities and risks of future development

Please refer to the relevant section (Forecast, opportunities and risks) for the group, as the opportunities and risks of the company are closely related to those of the group due to its holding function.

Internal control and risk management system in relation to the financial reporting process

Here, reference is made to the relevant section for the group (Internal control and risk management system pertaining to the group financial reporting process).

Expected business development and outlook

For the financial year 2023, we expect revenue to lie within the corridor of the mid-range planning and above the level generated in the financial year 2022.

The development of init SE depends materially on developments at its operating subsidiaries and is currently subject to a higher level of uncertainty due to the lingering impacts of the corona pandemic and

Ukraine crisis on the global economy. Moreover, the high inflation rates seen worldwide could have a negative impact on the development of business.

Closing statement to the dependent company report

Under Section 312 of the German Stock Corporation Act (AktG), the Managing Board is required to prepare a report on the company's relationships with its affiliates ("dependent company report"), which was audited by the company's auditors. The dependent company report prepared by the Managing Board closes with the following statement:

"We hereby declare that, according to the circumstances known to us at the time when the legal transactions and measures were undertaken, the company received a commensurate consideration in the financial year under review for all the transactions and measures listed in the report on our relationships with affiliates ("dependent company report") and that the company suffered no adverse effects as a result of measures and acts either undertaken or omitted."

Principles and objectives of financial management

Securing the long-term liquidity of the init Group has top priority. This requires a liquidity-oriented corporate policy and a steady alignment of all corporate processes aimed at improving the liquidity and earnings. Financial risks, particularly interest risks and currency risks, are reduced by the use of derivative hedging instruments. In order to maintain financial headroom, the init Group has arranged sufficiently high lines of credit, which have only been partially used.

Employees

One important goal is the reinforcement of the init Group's ongoing growth. In order to ensure this and complete ongoing customer projects on time, the workforce was again enlarged in financial year 2022. It will be necessary to bolster the workforce again in financial year 2023 in order to secure work on

customers' projects as well as further growth. We will counter the challenges confronting the development department, particularly with regard to the ticketing business, digital transformation, electromobility and cloud solutions, by conducting new recruiting drives.

Headcount

Overall, in financial year 2022, the init Group had an average of 1,098 employees (previous year: 1,055) including temporary workers, research assistants and students writing their theses. The number of employees working part-time rose to 202 (previous year: 186).

In addition, 16 employees are in apprenticeships in the occupations of information technology, electronics, industrial and commercial business administration, or are studying at universities of cooperative education in the fields of electrical engineering, mechatronics, information technology and industrial engineering.

Overall picture of the economic situation

The Managing Board views business in 2022 positively in light of the instable business environment, despite the likely end of the coronavirus pandemic and easing supply-side situation. Revenue of EUR 191.3m lies within our budget corridor of EUR 190 to 200m. EBIT of

EUR 21.0m was even slightly above our projected target range of between EUR 15m and EUR 20m.

Incoming orders are at a record level of EUR 214.1m for the financial year. The init Group was thus able to raise its order intake by 19.5 per cent compared to the previous year (previous year: EUR 179.2m).

A good foundation has been laid for financial year 2023 with the existing order backlog of EUR 163.7m as of 31 December 2022. Thanks to the earnings growth in financial year 2022, the init Group's financial position is stable and has even been strengthened further.

Cash flow from operating activities came to EUR 24.4m in 2022, which is significantly above the level of the previous year (EUR 16.0m). We would also like our shareholders to participate in our business success. In light of the pleasing development of business in 2022, the Managing Board proposes lifting the dividend by 5 cents to 60 cents and, in recognition of the 40-year anniversary, paying out a special dividend of 10 cents. The Managing Board therefore proposes a total dividend of 70 cents per share for financial year 2022. Looking forward to financial year 2023 we view our prospects with optimism.

FORECAST, OPPORTUNITIES AND RISKS

The achievement of the our business objectives depends on certain events, developments or the implementation of actions and strategies as planned. Assumptions must be made for these and other factors in forecasting future performance. Where factors both known and unknown have negative effects on the achievement of goals, this constitutes a risk. Positive effects give rise to opportunities.

Outlook

init innovation in traffic systems SE has so far managed to master the historic upheaval posed by the corona crisis and the impacts of the war in Ukraine. Even in 2022, a year marked by widespread crises, we managed to attain our growth targets and even set new records in some places. For the coming year and beyond, incoming orders of EUR 214m give us cause for optimism. The prospects for the global economy have brightened over the first months of the current year.

Due to the current developments in our industry, which we described in the preceding sections, we perceive further opportunities to win market share in future with our new technologies and IT solutions. Industry trends, such as digitalisation, electromobility, mobility-as-a-service (MaaS), and smart ticketing coupled with the billions of public investment earmarked for such programmes are leading to an increasing number of calls to tender for projects, some of which reach three-digit million volumes. As a global leader in digitalisation projects for buses and trains, init occupies a good starting position for these tenders.

With solutions from our nextGen innovation campaign and the latest generation of init software and hardware, public transport operators can rapidly improve their economic position and master the

challenges brought about by the transition to sustainable transport. At the same time, these software packets, coupled with the associated cross-selling effects, open up opportunities for us to tap into new market segments and win additional market share.

In spite of all our optimism, we remain true to our conservative planning principles, which have so recently proven their worth. Mobility systems worldwide are currently exposed to epochal change.

In the field of public transport, operators are under pressure to invest, on the one hand, but simultaneously cope with operating deficits on the other. Often it remains unclear how the necessary funding can be generated. In light of this and the potential negative consequences of rising costs, sustained inflationary pressures, and rising interest rates, we must consider that the possibility that some of our customers may be forced to restrict their investment spending.

Based on our order backlog and the many promising tenders we have submitted, we anticipate further growth in the current year corresponding to our long-term growth trajectory of approximately 10 per cent. However, we are also equipped to exploit any additional potential if the framework conditions for our customers, public transport operators, improve.

The mid to long-term growth drivers on the market for init solutions continue to be intact. The sustained growth trend and the global efforts to convert transport systems suggest that the number of calls to tender for digital transformation projects will continue to rise in the coming years. As a specialist in digitalisation and an international leader in integrated planning, dispatching, telematics and ticket solutions for buses and trains, init occupies a good starting position. In addition to sustaining our

level of customer satisfaction, our goal is to grow on average by approximately 15 per cent each year in terms of both revenue and net income.

In light of the new geopolitical risks that emerged after the end of the reporting period, economic development in 2023 is also expected to be moderate, which will have to be considered in our short-term planning. However, we assume that if global conditions continue to return to normal, we will again be able to achieve our long-term targets in the coming years.

The Managing Board is keeping to its conservative planning projections for the financial year 2023, but assumes that business will develop positively in the current year. The target range for consolidated revenue in 2023 has been set at approximately EUR 200m to EUR 220m. Earnings before interest and tax are forecast to amount to approximately EUR 20 to 25 m, despite the higher investments in research and development. As a result, init plans to return to its sustained average annual growth trajectory of 10-15 per cent in financial year 2023. In addition to income from shared services, init SE mainly generates income from its equity investments that are likely to increase in line with the projected earnings within the group.

The impacts of government interventions to contain the corona pandemic should dissipate and be of much less significance than in recent years. However, the impacts of the Ukraine war are likely to continue, particularly on supply chains. For example, this could affect inventory levels and working capital. Another factor that could influence costs is the elevated inflation rate in the euro area. This affects both borrowing costs and operations. Personnel expenses and the cost of materials are examples. init will be forced to adjust its pricing in line with the change in its cost structures.

Risk management system (RMS)

Risk management is the systematic and ongoing identification and evaluation of risks and the control

and monitoring of the risks that have been determined. It is a systematic process that is managed centrally and is applied across many areas of the group's operations.

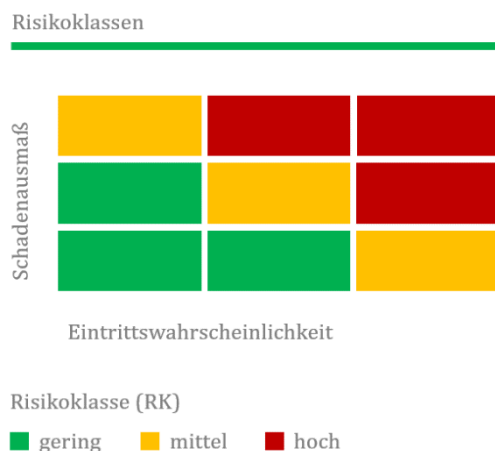
The aim of a risk management system (RMS) is not to avoid all risks but to manage identified risks. Realising a business plan and exploiting the resulting opportunities necessarily entails accepting risk, whose costs and benefits must be weighed up.

The risks are weighted by the probability of their occurrence and the exposure at risk after considering mitigating measures (net exposure). The assessment is presented by the level of risk: low, medium and high.

	Probability of occurrence in %	Exposure EUR m
low	0 < and ≤ 33	< 0.5
medium	33 < and ≤ 66	0.5 to 3
high	66 < and ≤ 100	> 3

A matrix with nine fields results, based on the risk assessment and exposure at risk, allowing the risk categories to be identified. The high risk category stands for critical risks that could have a significant impact on our results due to the probability of occurrence and the exposure at risk.

The results are regularly reported to the Managing Board. The frequency of reporting depends on the particular risk group.



The internal control system (ICS) is also integrated into the risk management system. The ICS is concerned with risks arising from operational processes in all areas of the company.

The RMS and the ICS are conceived on the basis of the internationally recognised framework for internal control systems produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework) and adapted on an ongoing basis.

The ICS involves analysing the individual processes in the companies, identifying potential risks and assigning corresponding controls. The results are documented in a matrix and regularly updated. The results of this self-assessment are reviewed each year. The processes that are identified as requiring action are reported to the Managing Board and discussed in more detail. The Supervisory Board is informed about critical risks.

The legal basis for the establishment of an early warning system for the detection of risk and internal monitoring system is provided in Section 91 (2) AktG. The duty of the auditor to audit the suitability of the system as part of the audit of annual financial statements results from Section 317 (4) HGB.

Ability to bear risk / capital adequacy

The ability to bear risk describes the maximum loss that could be incurred without jeopardising the ability of the group to continue as a going concern. It represents the difference between risk-weighted assets and the total risk exposure based on the aggregated individual risk positions (risk inventory).

The ability to bear risk is calculated within the init Group as its equity plus the projected EBIT of the following periods. The total risk exposure is calculated using a Monte Carlo simulation using the net risk exposures as inputs and taking any significant interdependencies into account.

In all of the scenarios simulated by this model the group had sufficient capital available to cover the losses.

Internal control and risk management system in relation to the financial reporting process of the group

The primary objective of init SE's internal accounting-related control and risk management system is to ensure the compliance of the financial reporting, that is to make sure that the consolidated financial statements and combined management report comply with all relevant statutory rules and regulations.

The internal control and risk management system pertaining to the financial reporting process is not defined by law. We understand internal control and risk management to be a comprehensive system and follow the definitions provided by the IDW [“Institut der Wirtschaftsprüfer in Deutschland e.V.”: Institute of Public Auditors in Germany] in Düsseldorf, Germany, on the internal control system pertaining to the financial reporting process and the risk management system. According to this definition, an internal control system is understood to mean the principles, processes and measures introduced by the management of a company which are focused on the organisational implementation of decisions passed by the management to ensure:

- ▶ the efficiency and cost-effectiveness of operations (this includes the protection of assets including the prevention and identification of economic impairment),
- ▶ the appropriateness and reliability of the internal and external financial reporting
- ▶ compliance with the legislation applicable to the company

The risk management system comprises all organisational regulations and measures established to identify and handle risks relating to the business activities of the company.

The following structures and processes have been implemented in the group with regard to the financial reporting processes of our consolidated companies:

The Managing Board has overall responsibility for the internal control and risk management system pertaining to the group financial reporting process.

The financial reporting by init SE and its subsidiaries, which itself is based on the entries made in the various entities, forms the underlying data base for the preparation of the consolidated financial statements. The parent company in Karlsruhe, the subsidiary concerned or external regional accounting companies are responsible for compiling the financial information reported by the subsidiaries. In the case of subjects requiring special expertise, we sometimes call on external providers for assistance, for example to measure pension liabilities. The consolidated financial statements are then prepared on the basis of the information reported by the subsidiaries. The consolidated financial statements are prepared with the help of certified consolidation software. In addition, the necessary steps are taken in accordance with the dual control principle.

The principles, the operational and organisational structure and the processes of the accounting-related internal control and risk management system are set out in a manual and in organisational instructions. These are reviewed and revised regularly in line with current external and internal developments.

With respect to the financial reporting processes of our consolidated companies and the group's financial reporting process, we consider features of the internal control and risk management system material which may significantly affect the group accounting and the overall view presented by the consolidated financial statements including the combined management report. These include the following elements in particular:

- ▶ Identification of key areas of risk and control relevant to the financial reporting process.
- ▶ Controls designed to monitor the financial reporting process and reporting on its results to the Managing Board in regular board meetings.
- ▶ Preventive control measures for the group's accounting and finance and in operating and

performance-related corporate processes that generate material information for the preparation of the consolidated financial statements including the combined management report; this includes a separation of functions and predefined authorisation processes in relevant areas.

- ▶ Uniform accounting is primarily ensured through a group accounting manual.
- ▶ Accounting data is regularly spot checked for completeness and accuracy.
- ▶ The subsidiaries provide the parent company with monthly reports on their business development and submit monthly financial statements. Monthly reports are presented for ongoing projects as well. Major foreign companies in the group are visited once or twice a year. Particular focus is placed here on a discussion of special issues and an examination of these companies' figures and projects. Due to the coronavirus crisis in the reporting year, on-site visits were replaced with video conferencing.
- ▶ Measures exist to ensure proper IT-based processing of accounting-related facts and figures.

The group has further implemented a risk management system pertaining to the group financial reporting process that includes measures to identify and assess material risks as well as the corresponding risk-mitigating measures in order to ensure compliance of the consolidated financial statements.

Risks

init, as an international technology-oriented company, is faced with a number of risks that could affect its net assets, financial position and results of operations.

The reporting is based on individual risk assessments of the areas of business planning, procurement, human resources, revenue, project management, IT, financial risks and legal risks. The potential for as yet unknown risks or risks that are considered negligible today to also impact the net assets, financial position and results of operations cannot be fully ruled out.

The following section presents the significant risks (medium and high risk categories) which could have a significant impact on the net assets, financial position and results of operations of the init Group and any changes to the risks compared to the previous year. In addition, the full list of risks for each division is presented in table form.

Business planning risks

The general risks of the development department and project risks, as well as any risks from changes in the environment are included in the business planning division. However, these risks are not currently assessed as significant.

Risk	Probability	Exposure	Risk category
Risk of building up new markets / business formations or integration risks	low	medium	low
Risks of fraud	low	medium	low
Loss expertise specific to init	low	medium	low
Patent risks	low	medium	low
Development and project risks	low	medium	low
Risks of changes to the environment	low	medium	low
ESG risk: Environment	low	low	low
ESG risk: Social	low	low	low
ESG risk: Governance	low	high	medium

Risk of building up new markets / business formations or integration risks

(risk category: low / previous year: medium)

For the sustained economic success of our group, the achievement of our strategic goals and the exploitation of existing market opportunities, we as a company are present in many countries with our own entities. Business formations, the integration of new companies or tapping into new markets bears risk in terms of the economic, social, technological, ecological and legal circumstances. To mitigate these risks, we assign external experts to conduct extensive legal and financial due diligence and analyze

potential markets and market entry scenarios. Our M&A activities and market entries to date show that are able to leverage potentials and ensure that the opportunities outweigh the risks. Compared to the previous year we assess this risk to have declined.

Risk of fraud

(risk category: low / previous year: medium)

The risk of fraud within the company, such as bribery, corruption and embezzlement can lead to (monetary) losses due to the act itself and can also have legal consequences. Transparent communication, appropriate escalation for approvals, reviews (segregation of functions) and group policies (e.g. code of conduct) help us to uncover any irregularities at an early stage. Compared to the previous year we assess this risk to have declined.

ESG risk: Governance

(risk category: medium / previous year: n/a)

ESG risks and governance risks can arise with regard to risk and reputation management, oversight structures, compliance and corruption. Our risk mitigation measures, such as consistent transparency, anti-corruption policies and our whistle-blower system help to lower the risk. Nevertheless, any breach of compliance or outright corruption could result in substantial losses. As the probability of occurrence is assessed to be low, we assess the overall risk category as medium.

Sales risks

In terms of sales, the risk of dependence on individual customers in comparison to the previous year is assessed for both the delivery of goods business and the maintenance and support business.

The risk on sales markets arising from the previous reporting year for the sales and marketing department was identified.

Risk	Probability	Exposure	Risk category
Risk of dependence on individual customers – delivery of goods business	low	high	medium
Risk of dependence on individual customers – maintenance and support business	low	low	low
Loss of tenders due to technological or commercial reasons	low	low	low
Failure to recognise market developments and trends	low	low	low
Risk of new market entrants	low	medium	low
Price erosion in sales markets	low	high	medium
Risk of hosting services / operating obligations	low	low	low

Risk of dependence on individual customers – delivery of goods business
(risk category: medium / previous year: low)

Due to the peculiarities of the public transport market (e.g. limited number of high-volume customers), the loss of existing customers could result in a loss of business for the business of delivering goods (follow-up orders and replacements) and impact on our results. The loss of customers can also be due to insolvency, a loss to competitors or economic crises. We address this risk by conducting extensive sales and marketing activities, tapping into new sales potential and expanding the portfolio of products and services. Nevertheless, the risk is realistic and assigned to the medium risk category.

Risk of new market entrants
(risk category: low / previous year: medium)

New competitors are entering the market due to societal megatrends and developments in mobility. Owing to the increase in the number of competitors, init is faced with the risk of decreasing prices and margins as well as the loss of tenders. Continuous enhancements of systems and new innovations are required to maintain our competitive edge. Maintenance of our network and strengthening the business with our regular customers help us to reinforce our position. The risk has declined in comparison to the previous year.

Price erosion in sales markets

(risk category: medium / previous year: high)

The general rise in price levels has led to higher prices in both the buy-side and in the sell-side markets. As long as both markets move in harmony, there is no elevated exposure to sales markets. However, a rise in prices on the buy-side with a simultaneous erosion in prices for our products on the sell-side would be critical. At present, we consider the probability of occurrence for this scenario to be low.

Procurement and logistics risks

Risk	Probability	Exposure	Risk category
Buy-side price and cost volatility	high	medium	high
Dependence on individual (A) suppliers	low	low	low
Termination of assemblies/components despite delivery obligations	high	medium	high
Inventory losses due to changing regulations and standards	medium	low	low
Quality risks (defective goods)	low	low	low

Buy-side price and cost volatility
(risk category: high / previous year: high) and
risk of termination of assemblies/components despite delivery obligations
(risk category: high / previous year: high)

Buy-side price and cost volatility arises from shortages for materials and difficulties in the supply of various commodities. This particularly concerns microchips and semiconductors. In addition, risks arise as a result of substantial fluctuations in the cost of some materials, also due to the ongoing crises, as well as the discontinuation of components. We counter these risks by concluding master agreements, maintaining inventories well in advance, and managing product obsolescence. A high level of inventories is maintained to ensure supply capability. The current situation on the buy-side markets is a risk that should not be underestimated.

Inventory losses due to changing regulations and standards

(risk category: low / previous year: medium)

Risks that changes to regulations and standards governing our assemblies, components and products could result in losses as the goods concerned fall in value or costs are incurred to rework them and obtain certification. Prompt inspections, long-term requisition planning and project-oriented planning can mitigate the risk but not rule it out completely. Based on past experience, we consider the risk to have declined in comparison to the previous year.

Human resources risks

Risk	Probability	Exposure	Risk category
Fluctuations in personnel expenses	medium	low	low
Risks from the loss of key personnel	low	low	low
Pandemic	low	low	low
Lack of applicants/skilled labour	low	medium	low
Changes at upper of middle management level	low	low	low
Risk arising from company pension plans	low	low	low

Risks from the loss of (key) personnel

(risk category: low / previous year: medium)

The loss of key personnel can have a significant impact on ongoing customers projects and contracts. To support our employees and their families, we offer various programmes related to health management such as free health check-ups. Thanks to our deputisation arrangements, we consider the impact on projects and contracts to be low. This risk has declined in comparison to the previous reporting year.

Lack of applicants/skilled labour

(risk category: low / previous year: medium)

The experience, individual expertise and professional competence and qualifications of the employees are the key to the success of the init Group. The labour market situation in Germany, and particularly in the technology region of Karlsruhe, remains very difficult. There are challenges in recruiting qualified personnel and binding them in the company in the long term. init counters personnel risks by operating

a long-term personnel policy, intensifying the measures for personnel development and various additional benefits. Our established measures help us to mitigate the risk and we perceive an improvement on the previous year.

Project risks

Risks from current projects with a volume of more than EUR 2.5 m

A crucial success factor for the init Group is project management. For each major project, init implements a project plan for constant progress monitoring. Project risks are analysed regularly by the controlling department in cooperation with the project lead and project contact persons. The projects are analysed in terms of financial aspects as well as in terms of suppliers, development, contract and other significant risks to initiate corresponding countermeasures. Costings, order situation and project progress are regularly examined using budget variance analysis. Currently there are three projects that are assessed to belong to the medium risk category. Corresponding measures have been taken to improve the situation.

IT risks

Risks relating to information technology are assessed as part of the risk management process and ISO27001 certification.

Risk	Probability	Exposure	Risk category
Risks relating to tangible assets	medium	medium	medium
Risk of data loss/manipulation due to unauthorised network access and malware	low	high	medium
Risk of data loss/manipulation due to unauthorised access due to remote maintenance and malware	medium	medium	medium
Risk of data loss/manipulation due to unauthorised access due to weaknesses in external libraries and malware	low	medium	low

Risks relating to tangible assets

(risk category: medium / previous year: high)

In addition to financial losses, the loss of tangible assets (such as the theft of laptops, smartphones, data carriers etc.) entails the risk that unauthorised third parties will gain access to confidential company and personal data. We address this risk using password guidelines, regulations for the handling of assets, cryptographic measures and awareness training for employees. We nevertheless consider the level of risk to be medium because, if it were to occur, the consequences of losing particularly sensitive data are significant.

Risk of data loss/manipulation due to unauthorised access via the infrastructure used (risk category: medium / previous year: high)

In light of the growing risk of cybercrime, there is an elevated risk of a security incident leading to a loss of manipulation of data via unauthorised access via the infrastructure used, such as the network, software or tools. In spite of implementing extensive technical and organisational measures and repeatedly raising the awareness of our employees, it is impossible to completely rule out a residual risk that could result in a significant exposure.

Financial risks

Interest and liquidity risks relating to short-term euro loans

(risk category: medium / previous year: medium)

The majority of the loans taken out to finance construction of new buildings and expand facilities at the headquarters in Karlsruhe are fixed-interest loans. The risk has been mitigated by significantly reducing short-term loans. The interest risk arising from short-term floating rate loans does not have any material significance on the net assets, financial position and results of operations at present.

Tax risks

(risk category: low / previous year: medium)

The init Group operates in various countries around the world and is therefore subject to numerous tax regulations. Because of differing interpretations,

particularly of cross-border matters, by the various jurisdictions, it is not possible to rule out negative consequences on the net assets, financial position and results of operations. Based on past experience, we currently assess this risk to be low.

Liquidity risk due to stocking-up inventories, financing projects in advance and past-due accounts

(risk category: low / previous year: medium)

In the current situation (e.g. volatile buy-side markets) we secure our ability to meet orders and fulfil our performance obligations by keeping high stocks, which also helps to counter risks of price increases. Nevertheless, inventories tie up capital and can negatively impact liquidity.

Liquidity risks also arise from the need to finance projects in advance, as the agreed terms of payment can change to our disadvantage over time.

Bad debts are countered by active receivables management. Generally, the group only enters into transactions with recognised counterparties that have suitable credit ratings. All customers requesting transactions with the group based on credit are subject to a credit check. Most of init's customers are public or state-subsidised transport companies. Recognisable risks of default are recognised by means of specific loss allowances.

Due to the comprehensive suite of measures and controls in place, we assess liquidity risks arising from stocking up inventories, financing projects in advance and from past-due receivables to be low at present.

Credit risk

(risk category: low / previous year: medium)

Long-term loans of around EUR 4.5m (previous year: EUR 5m) are subject to minimum capital requirements. A dynamic debt ratio must not be exceeded. As of the reporting date, one contract has been arranged in the group that is subject to minimum requirements. A dynamic debt-equity ratio of 3.5 has been applied for a loan with an outstanding balance of around EUR 4.5m as of the reporting date. If the covenants are breached, the loans might fall

due for immediate repayment. We assess the probability of occurrence and the exposure at risk to be low on account of the close monitoring of this indicator.

Risk of rising prices and inflation

(risk category: high / previous year: high)

The market risks mentioned above (increasing turbulence, reduced cancellation intervals for components and rising prices in the procurement markets) are exacerbated by the inflation risk. In addition, personnel expenses are also affected by this risk. The measures we have implemented help us to mitigate the effects of price hikes and rising inflation, but it is not possible to influence the actual cause. The price hike and inflation risk is therefore considered to be critical.

Legal risks

Within the scope of their usual business activities, init SE and its subsidiaries currently face only a few legal disputes. These proceedings are overseen by in-house lawyers. We do not believe that the outcome of any proceedings currently pending will have a significant negative impact on our business activities. Nevertheless, asserted claims and legal disputes are naturally associated with uncertainty, which makes it difficult to reliably estimate their financial impact and which is why the current assessment may change at any time.

Risk	Probability	Exposure	Risk category
Risks arising from US and EU sanctions legislation	low	low	low
Legal risks associated with breaches of IP rights	low	medium	low
Compliance risks/implementation risks from international data protection requirements and laws	low	low	low

We assess the other legal risks named above as low due to the measures undertaken.

Overall risk assessment

The overall risk situation of the init Group is based on the individual risks in all risk categories. In addition to the risk categories described above, there are unforeseeable events that may disrupt production and business processes, such as natural disasters, political instability, pandemics, terror attacks or economic risks. For this reason, contingency plans have been developed to ensure that business operations can resume, preventive measures have been established and, wherever possible, insurance has been obtained.

To assess its overall risk position, the group’s risk management collates all the information on the risks of the various departments. The overall situation with regard to the group’s risks is derived from the individual risks described.

As one of the fundamental principles of entrepreneurial behaviour, init takes particular care to ensure that legal and ethical regulations are observed. In addition, the init Group has a web-based whistleblower system that enables customers, employees, suppliers and third parties to report non-compliant conduct, particularly violations against applicable law. At the same time, ensuring that sensitive data is handled securely is a prerequisite for maintaining business relationships with customers and suppliers in a trusting, cooperative environment.

The risk position of the init Group has improved slightly on the previous year, both in terms of the individual risks and also holistically.

At present no risks are discernible that could jeopardise the ability of the group to continue as a going concern if they occurred in isolation or repeatedly, or in combination with other risks. This is also shown by the results of simulating various different scenarios. The possibility of setbacks on the path towards sustained realisation of growth and profitability targets cannot be fully excluded.

From today’s perspective, the aforementioned risks do not prevent the init Group from achieving or even exceeding the respective goals and plans, in

particular considering the solid net assets, financial position and results of operations and regarding the positive business prospects.

We are convinced that the established risk management system will enable risks within the company to be identified at an early stage and overcome successfully.

Opportunities

In their most recent assessment (*World Economic Outlook: Inflation Peaking amid Low Growth*, 30 January 2023), the economists at the International Monetary Fund (IMF) perceive “positive surprises” in many countries. According to this latest report, the global economy is expected to weather the consequences of the war in Ukraine and a sustained phase of high inflation better than was expected. Global economic production is expected to grow by 2.9 per cent in 2023. For the year 2024, the IMF is forecasting a slight acceleration in global growth to 3.1 per cent. However, it is feared that the impacts of the drastic hike in interest rates by central banks will weigh down demand.

This applies to Germany and the euro area, although resilience to the consequences of the crisis in this region, too, appears to be stronger than at first assumed. In its *World Economic Outlook* from 30 January 2023, the IMF projects growth of 0.7 per cent in the euro area for the year 2023. For 2024 the IMF experts consider growth of 1.6 per cent as likely, due to the rise in lending rates in the euro area, which will dampen growth (previous forecast: 1.8 percent).

The economists paint a gloomier picture for the United Kingdom, which has been an important market for init systems in the past. The IMF is even projecting GDP to contract by 0.6 percentage points in the current year. However, in 2024 the UK economy is expected to return to growth of 0.9 per cent.

The economies of both the United States and Canada have proven yet again to be very robust and crisis-resistant. North America is currently the most

important growth region for init products and services. Economic growth in the United States is forecast to come to 1.4 per cent in 2023. However, the tight monetary policies of the Federal Reserve could result in a downturn to growth of 1 per cent. The picture in Canada is similar: a constant growth rate of 1.5 per cent is forecast for the country for 2023 and 2024.

In sum, the risks for the global economy have waned, based on the latest estimate of the IMF (*WEO* from January 2023). A resurgence of the corona crisis in China, further escalation of the Ukraine war, tighter global financing conditions and greater protectionism between the regions of America, Asia and Europe could make a later reappraisal of the situation necessary.

However, from a holistic perspective, the global economic environment is more likely to open up further growth opportunities for init as a global player.

Investment programs that have the goal of reducing greenhouse gas emissions and furthering the transition to sustainable transport will reach far into the future and open up sustainable growth opportunities for the sale of init solutions.

Measures taken at national level should also be funded by international financing initiatives to promote green technology. This creates opportunities for driving forward the required digitalisation and implementation of new technologies, such as those init offers, in the public transport sector.

All of these are growth factors that init has responded to with “NextGen”, the latest generation of its suite of solutions. This includes smart ticketing solutions such as the TaaS (Ticketing as a Service) platform, which can be implemented quickly and at little cost; the human resources management software MOBILE-PERDIS nextGen; the MOBILEguide system, which manages capacity and calculates actual passenger numbers; or RESPONSEassist, a solution for semi-automated incident management and passenger information in real time. However, the flagship

system of the new generation of products is MOBILE-ITCS nextGen, which integrates numerous new functions, such as ticketing solutions and the smart-charging of electric vehicles.

With public transport operators accelerating the transitioning of their fleets to e-mobility, smart charging is becoming increasingly vital. Our subsidiary, CarMedialab, which has specialised in this field, recently won a number of contracts from large European metropolises. Other sustainable growth potential is emerging in this regard.

The EU-project eBRT2030 coordinated by UITP seeks to support sustainable urban transport by proposing innovative solutions for electric Bus Rapid Transit (BRT). Bringing together 45 partners from across the EU and beyond, eBRT2030 aims to demonstrate the applicability of a new generation of eBRT systems in different urban contexts with innovative solutions that are economically viable and enhanced with new automation and connectivity functionalities, such as those offered by init.

For 2023 the European Commission announced a legislative initiative to promote multimodal digital mobility services (MDMS). These comprise such services as route planners, apps and distribution platforms with which existing mobility offerings from bike rentals through to bus and train connections can be linked together via a central portal. This entails a shared data platform that provides all the information in real time and over which payment transactions can be made reliably.

The regiomove solution used in Karlsruhe, where init is based, is a lighthouse project for such an initiative and the trend towards Mobility as a Service. The regiomove app bundles mass transport solutions and alternative sharing solutions without the user having to switch between apps, not even for payments. The user merely enters his or her intended route and the app automatically delivers the most suitable mode of transport along with the best connections and the latest offers. Regiomove is a blueprint for other European cities that would like to

be seen as examples of climate-neutral intelligent transport hubs offering multimodal, clean and environmentally-friendly mobility solutions and opens up additional growth potential for init products.

Germany intends to accelerate the pace of adoption in this field. This requires substantial investment in digitalisation, automation and electrification of the existing transport infrastructure and mobility systems as well as significant innovation. Driverless on-demand mobility services for public transport, (real-time) data-based services for public transport and platforms for integrated travel information, booking and ticketing systems, as developed by init, are a milestone in this direction (declaration of intent from the Federal Ministry for Digital and Transport (BMDV), from 17 December 2022).

The German government has also earmarked several billion euros for the digital transformation and expansion of the public transport network as part of its climate protection programme. As a result, the funds assigned within the framework of the GVFG [“Bundes-Gemeindeverkehrs-Finanzierungsgesetz”: Federal-Municipal Transportation Financing Act] were increased to EUR 1b per year. From 2025 the funding will be increased to EUR 2b per year and rise by 1.8 per cent per year from 2026 onwards. In addition, assistance is provided to larger infrastructure projects in communities with a volume of EUR 30m or more each (for rail-connected projects and “cleaner” transport). Further assistance of up to EUR 250m is available until 2024 for lighthouse projects aimed at improving public transport (“Model projects to strengthen public transport” funding guideline). The Federal Minister of Transport, Dr. Volker Wissing, on 13 July 2022 also announced a programme to expand and improve the quality of public transport within the course of the immediate climate action programme for the transport sector (BMVI press release from 13 July 2022) to ensure that public transport gains in appeal in comparison to other transport solution providers.

Under this scheme, assistance will be given to local integrated approaches to analysing public transport holistically, harmonising and networking the various transport offers and implementing the corresponding measures. Among the envisaged solutions are introducing flexible on-demand transport, creating mobility stations, realising digital and intermodal mobility platforms, condensing route scheduling and improving universal access for people with disabilities. init is active in all of these fields and offers specialist solutions that could soon be in high demand.

Within the framework of its “Digital Strategy Deutschland”, the federal government intends to create an ecosystem for mobility data that observes data protection requirements and is fit for the future. To this end, a mobilithek, i.e. a national repository for all mobility data is to be linked with the existing Mobility Data Space (MDS). In this data space, actors such as automobile manufacturers, mobility service providers, municipal authorities and public transport operators can enter their data (BMDV press release 063/2022: Digital strategy – Creating Digital Values Together). This will create additional demand for software that can supply (real-time) data to the respective interfaces – a topic that init has mastered with more than 1,200 projects worldwide.

Furthermore, the BMDV has selected Hamburg as a “Metropolitan Mobility Model Region”. Over recent years, the city, with its numerous industrial and development partnerships, has evolved to become an excellent environment for a forward-looking mobility system. Hamburg, together with the BMDV and representatives from the federal government, would like to build on its wealth of experience, concepts and projects in this field and become a creator of new ideas and provider of solutions for other regions and cities (letter of intent between the BMDV and the Free and Hanseatic City of Hamburg released on 19 December 2022). init has implemented the eMOBILE-ITCS system in the city, which allows all electric vehicles to be modeled and vehicles of all types to be monitored in one system, making it an

element of a best-practice solution that shows the way for the rest of Germany.

In addition, HanseCom, a wholly-owned subsidiary of init, offers the HandyTicket Deutschland in the city, which is currently the most comprehensive mobility platform for public transport in Germany. With its new Deutschlandticket app, users can already secure digital access today to a simple and easy-to-use 49-euro ticket that gives them the right to travel on public transport everywhere in Germany on one single cheap ticket without having to deal with the complications of local tariff structures.

Smart ticketing projects such as the nationwide 49-euro ticket are a game-changer in the development of public transport and new mobility solutions (“Mobility as a Service”) and are becoming increasingly popular. They provide all people easy access to mobility via their smartphone, in that they combine mobility information with booking and payment features. Together with other system components and based on the experience made with other ticketing projects in a wide range of countries, such as Finland, the UK, Australia and the USA, solutions such as those from init, offer passengers and transport operators worldwide with real added value in this sector.

Smart ticketing is also an element of the innovations that the US government will promote under its Infrastructure Investment and Jobs Act (IIJA) that has assigned UDS 108.2b to the development of public transport. In addition, the US congress passed legislation in the summer of 2022 that includes funding for climate protection activities to the tune of USD 400b, of which USD 270b will be in the form of tax credits and USD 145b as direct transfers (see Handelsblatt from 7 February 2023: “Unlimited subventions”).

On 16 August 2022, the US Department of Transportation, DOT) announced subsidies of USD 1.66b in grants to transit agencies, territories, and states across the country to invest in 150 bus fleets and facilities (see the press release from US-DOT from

16 August 2022: “Biden-Harris Administration Announces Over \$1.6 Billion in Bipartisan Infrastructure Law Funding to Nearly Double the Number of Clean Transit Buses on America’s Roads”). In addition, almost USD 1.7b has been assigned to modernise the aging vehicle fleets and make the transition to low-emission and zero-emission buses (see the press release from US-DOT from 27 January 2023: “Biden-Harris Administration Announces Availability of Nearly \$1.7 Billion to Modernize Fleets and Deploy Clean Transit Buses Across America”). Under this initiative, the number of zero-emission buses on American roads should almost double.

In Canada too, the government intends to fund the expansion of the public transport network to the tune of CAD 14.9b in its “2030 Emissions Reduction Plan”. This programme includes new metro lines, light rail and trams, electric buses, intelligent transport infrastructure and the development of new mass transit systems. In addition, CAD 5.9b has been earmarked to fund the expansion of major municipal transport systems, electrify bus fleets and provide public transport solutions for rural areas (Government of Canada: “Canada’s Action Plan for Clean On-Road Transportation”; December 2022). From 2026 an annual amount of CAD 3b is to be provided (News release, 17 February 2022 – Department of Finance Canada). In addition, CAD 548m will be provided over a period of four years to assist companies to transition their fleets to zero-emission vehicles (Government of Canada: Budget 2022 – “A Plan to Grow Our Economy and Make Life More Affordable”). With its “Zero Emission Vehicle Infrastructure Program (ZEVIP)” the Canadian government is pursuing the goal of increasing the availability of local charging points and hydrogen storage tanks. This programme on its own accounts for a volume of CAD 680m.

A large number of calls to tender can be anticipated from all these initiatives and projects. With its well-established North American subsidiaries and numerous reference projects in the region, init occupies a good starting position.

In the United Kingdom, another major European market for init, the government intends to provide GBP 18b for transport services and infrastructure within the framework of a new strategy for buses and trains (Bus Back Better, The Williams-Shapps Plan), followed by annual allotments of GBP 13b. Here, too, init anticipates an increasing number of calls to tender where its chances are good due to its proven track record of reference projects in Nottingham and Birmingham.

Similar programmes have been and will be initiated in other parts of the world. For instance, 40 states have passed national adaptation plans to reach the climate goals (United Nations Climate Change: “Decisions taken at the Sharm El-Sheikh Climate Change Conference - Advance unedited versions”, November 2022). These initiatives place the focus on public transport systems and sustainable urban mobility using zero-emission vehicles. This is resulting in an increasing number of calls for tender for digital transformation projects, some of which reach volumes in the range of three-digit millions. As a leading specialist worldwide in the field of digital transformation for buses and trains, init occupies an excellent starting position.

As a provider of integrated solutions for planning, dispatching, telematics and ticketing for buses and trains, init is increasingly transforming from a technology service provider to a service partner of transport companies and is also taking over customer service for them. Demand for our maintenance and support services in which we perform the operating functions for our customers is rising, partly because this allows public transport to be operated very efficiently and cheaply while simultaneously making the systems and services very reliable. This is a strongly growing field and guarantees a stream of recurring revenues over contractual terms of more than ten years, high customer retention rates and planning reliability.

REPORTING ACC. TO SEC. 315A (1) HGB IN CONJUNCTION WITH SEC. 289A HGB

Information on shareholders' equity

init SE has a capital stock of EUR 10,040,000, divided into 10,040,000 no-par bearer shares with an imputed share in the capital stock of EUR 1 per share. The shares have been issued and are fully paid in. For the rights and obligations related to the shares, please refer to Sections 118 et seq. of the German Stock Corporation Act (AktG).

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

Dr. Gottfried Greschner, Karlsruhe, directly or indirectly holds 3,385,500 shares in init SE. This is around 34.0 per cent of the capital stock. As of 31 December 2022, init holds 140,185 treasury shares (31 December 2021: 104,037 treasury shares).

There are no shares with special rights.

No voting control exists for shares held by employees.

Concerning the information provided pursuant to Section 21 (1) of the German Securities Trading Act (WpHG), please refer to note 43 in the notes to the consolidated financial statements.

Conditional capital

The annual shareholders' meeting on 19 May 2021 passed a resolution creating contingent capital totalling EUR 5,000,000. The capital stock of the company may be increased by up to EUR 5,000,000 by issuing up to 5,000,000 new no-par bearer shares. The contingent capital increase serves solely to grant shares upon the exercise of warrants or conversion rights, or upon fulfilment of option or conversion obligations, to the holders of the warrants or convertible bonds in accordance with the

authorisation issued by the annual shareholders' meeting on 19 May 2021.

The new shares will be issued at the option or conversion price (issuing price of the share) set pursuant to the authorisation of 19 May 2021 (2021 authorisation). The conditional capital increase will only be carried out provided the holders of warrants from bonds with warrants or convertible bonds issued or guaranteed by 18 May 2026 by the company or companies in which it directly or indirectly holds a majority interest pursuant to the authorisation of 19 May 2021 exercise their option or conversion rights or meet their corresponding option or conversion obligations or the company exercises its substitution right. The new shares will participate in the profit from the beginning of the financial year in which they are created; if legally permissible, and notwithstanding this and Section 60 (2) AktG, the Managing Board may determine the profit share of new shares, even for a financial year that has already ended, with the approval of the Supervisory Board.

The Managing Board is authorised to determine further details of the implementation of the conditional capital increase with the consent of the Supervisory Board.

The Supervisory Board is authorised to amend the articles of incorporation following full or partial utilisation of Contingent Capital 2021 or after the permitted authorisation has expired.

Authorised capital

By resolution of the annual general meeting of the company on 15 May 2019, the Managing Board is authorised, with the consent of the Supervisory

Board, to increase the company's share capital by up to a total of 1,004,000.00 by issuing new no-par value bearer shares with or without voting rights ("authorised capital 2019"), on one or more occasions or in partial amounts, in the period up to 15 May 2024. The capital increases may be achieved with contributions in cash and/or contributions in kind. The Managing Board is further authorised, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders in particular in the following cases:

- ▶ for a capital increase in return for a cash contribution, up to a total of 10 per cent of the existing share capital, provided that the issue price of the new shares is not significantly lower than the stock exchange price of shares of the same class and features that are already listed
- ▶ to the extent that it is necessary to grant a subscription right to new shares to the extent to which they would be entitled after exercising their conversion and/or option rights or after fulfilling their conversion and/or option obligations
- ▶ for fractional amounts resulting from the subscription ratio
- ▶ in order to tap into additional capital markets
- ▶ for a capital increase by way of contribution in kind for the acquisition of companies, parts of companies or equity interests in companies or other assets (even if a purchase price component is paid out in cash in addition to shares) or in the context of company mergers or acquisitions
- ▶ to transfer up to 250,000 new shares to employees

This change to articles of incorporation was entered in the commercial register on 13 June 2019.

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

For the appointment and dismissal of members of the Managing Board, please refer to Sections 84, 85 of the German Stock Corporation Act (AktG). Amendments

to the articles of incorporation are subject to the statutory provisions of Sections 133 and 179 AktG.

Authority of the Managing Board to issue and repurchase stock

Based on a resolution passed at the Shareholders' Meeting of 26 June 2020, the company was authorised to purchase treasury shares.

CORPORATE GOVERNANCE STATEMENT

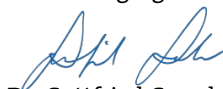
With regard to the required declaration by the management, please refer to the Corporate Governance Report in the Annual Report 2022 which is available on the Internet at: <https://www.initse.com> under the tab Investor Relations – Corporate Governance.

RESPONSIBILITY STATEMENT

We assure to the best of our knowledge and in accordance with the applicable reporting principles that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the company, and that the group management report, which is combined with the management report of init SE, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Karlsruhe, 27 March 2023

The Managing Board




Dr. Gottfried Greschner



Dr. Marco Ferber



Dr. Jürgen Greschner




Matthias Kühn



Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

of init innovation in traffic systems SE, Karlsruhe (IFRS)



Consolidated Income Statement	63
Consolidated Statement of Comprehensive Income	63
Consolidated Balance Sheet	64
Consolidated Statement of Changes in Equity	66
Consolidated Statement of Cash Flows	68

CONSOLIDATED INCOME STATEMENT

for the financial year 2022 (IFRS)

EUR'000	Notes no.	01/01/ to 31/12/2022	01/01 to 31/12/2021
Revenues	4, 36	191,252	176,659
Cost of sales	5	-114,690	-113,985
Gross profit		76,562	62,674
Sales and marketing expenses		-24,097	-19,665
General administrative expenses		-20,443	-17,369
Research and development expenses	6, 21	-13,506	-12,563
Other operating income	7	3,897	4,277
Other operating expenses		-831	-421
Foreign currency gains and losses	8	-754	362
Expenses and income from associated companies	22	177	271
Earnings before interest and taxes (EBIT)		21,005	17,566
Interest income	10	24	21
Interest expenses	10	-750	-1,046
Earnings before taxes (EBT)		20,279	16,541
Income taxes	9, 23	-3,778	-4,096
Net income		16,501	12,445
thereof attributable to equity holders of the parent company		16,524	12,413
thereof non-controlling interests		-23	32
Basic and diluted earnings per share in EUR	11	1.66	1.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year 2022 (IFRS)

EUR'000	01/01 to 31/12/2022	01/01 to 31/12/2021
Net income	16,501	12,445
Items to be reclassified to the income statement:		
Net gains (+) / losses (-) on currency translation	2,510	3,462
Items not to be reclassified to the income statement:		
Actuarial gains (+) / losses (-) on defined benefit obligations (DBO) for pensions after taxes	2,481	706
Total other comprehensive income	4,991	4,168
Total comprehensive income	21,492	16,613
thereof attributable to equity holders of the parent company	21,515	16,581
thereof non-controlling interests	-23	32

CONSOLIDATED BALANCE SHEET

as of 31 December 2022 (IFRS)

Assets

EUR'000	Notes no.	31/12/2022	31/12/2021
Current assets			
Cash and cash equivalents	14, 32	40,050	28,158
Marketable securities and bonds	15, 32	29	39
Trade accounts receivable	16, 32	35,222	32,038
Contract assets	16, 32	14,763	21,628
Receivables from related parties	35	0	3
Inventories	17	42,091	34,338
Income tax receivables		1,551	2,805
Other assets	18	3,976	3,523
Current assets, total		137,682	122,532
Non-current assets			
Property, plant and equipment and Right-of-use assets	19	65,037	55,668
Investment property	20	1,352	1,360
Goodwill	21	12,488	12,488
Other intangible assets	21	20,045	16,783
Interests in associated companies	22	778	841
Deferred tax assets	23	4,849	3,926
Other assets	24	3,516	3,302
Non-current assets, total		108,065	94,368
Assets, total		245,747	216,900

Liabilities and shareholders' equity

EUR'000	Notes no.	31/12/2022	31/12/2021
Current liabilities			
Bank loans	25, 32	18,460	14,061
Trade accounts payable	25, 32	9,747	6,932
Contract liabilities	16, 25	9,745	7,075
Advance payments received	25	1,171	2,468
Income tax payable	25	3,947	3,444
Provisions	28	6,625	8,609
Lease liabilities ¹⁾	27	3,336	3,218
Other liabilities ¹⁾	25, 26	20,533	21,063
Current liabilities, total		73,564	66,870
Non-current liabilities			
Bank loans	25, 32	19,575	15,279
Deferred tax liabilities	23	5,172	5,284
Pensions accrued and similar obligations	29	7,336	10,822
Provisions	28	2,373	2,403
Lease liabilities	27	21,172	12,404
Other financial liabilities	26	0	1,214
Non-current liabilities, total		55,628	47,406
Equity			
Attributable to equity holders of the parent company			
Subscribed capital	30	10,040	10,040
Additional paid-in capital	30	6,575	7,587
Treasury shares	30	-3,517	-2,467
Reserves and consolidated unappropriated profit	30	98,369	87,344
Other reserves	30	4,891	-100
		116,358	102,404
Non-controlling interests		197	220
Shareholders' equity, total		116,555	102,624
Liabilities and shareholders' equity, total		245,747	216,900

1) In former accounting periods current lease liabilities were presented under other liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2022 (IFRS)

Notes no.	Attributable to equity holders		
	30	30	30
EUR'000	Subscribed capital	Additional paid-in capital	Treasury shares
As of 31/12/2020	10,040	6,619	-2,384
Net income			
Other comprehensive income			
Total comprehensive income			
Dividend paid out			
Share-based payments		968	584
Acquisition of treasury shares			-667
As of 31/12/2021	10,040	7,587	-2,467
As of 31/12/2021	10,040	7,587	-2,467
Net income			
Other comprehensive income			
Total comprehensive income			
Dividend paid out			
Share-based payments		-1,012	761
Acquisition of treasury shares			-1,811
As of 31/12/2022	10,040	6,575	-3,517



Consolidated Financial Statements

of the parent company						Non-controlling interests	Shareholders' equity, total
30	29	Other reserves					
Reserves and consolidated unappropriated profit	Difference from pension measurement	Difference from foreign currency translation	Securities marked to market	Total			
80,327	-4,246	-21	-1	90,334	188	90,522	
12,413				12,413	32	12,445	
	706	3,462		4,168		4,168	
12,413	706	3,462		16,581	32	16,613	
-5,396				-5,396		-5,396	
				1,552		1,552	
				-667		-667	
87,344	-3,540	3,441	-1	102,404	220	102,624	
87,344	-3,540	3,441	-1	102,404	220	102,624	
16,524				16,524	-23	16,501	
	2,481	2,510		4,991		4,991	
16,524	2,481	2,510		21,515	-23	21,492	
-5,521				-5,521		-5,521	
22				-229		-229	
				-1,811		-1,811	
98,369	-1,059	5,951	-1	116,358	197	116,555	

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year 2022 (IFRS)

EUR'000	01/01 to 31/12/2022	01/01 to 31/12/2021
Cash flows from operating activities:		
Net income	16,501	12,445
Amortisation and depreciation	10,200	9,847
Gains or losses on the disposal of fixed assets	-35	81
Change in provisions and accruals	-5,679	-4,261
Change in inventories	-7,063	-703
Change in trade accounts receivable and contract assets	5,936	11,306
Change in other assets not provided by / used in investing or financing activities	632	-2,173
Change in trade accounts payable	2,633	-2,150
Change in advance payments received and contract liabilities	1,236	-7,577
Change in other liabilities not provided by / used in investing or financing activities	-1,276	-1,520
Amount of other non-cash income and expenses	1,297	712
Net cash from operating activities	24,382	16,007
Cash flow from investing activities:		
Payments received on disposal of property, plant and equipment	304	281
Investments in property, plant and equipment	-4,328	-2,956
Investments in other intangible assets	-5,643	-725
Investments in subsidiaries less acquired cash	-1,110	0
Capital contributions and loans to associated companies	240	0
Net cash flows used in investing activities	-10,537	-3,400
Cash flow from financing activities:		
Dividend paid out	-5,465	-5,454
Cash payments for the purchase of treasury shares	-1,811	-667
Payments received from bank loans	22,512	7,673
Redemption of bank loans	-13,817	-15,782
Payment of repayment portion of lease liabilities ¹⁾	-3,513	-3,340
Interest payment from lease liabilities ¹⁾	-130	-166
Net cash flows used in financing activities	-2,224	-17,736
Net effects of currency translation and consolidation changes in cash and cash equivalents	271	1,076
Change in cash and cash equivalents	11,892	-4,053
Cash and cash equivalents at the beginning of the period	28,158	32,211
Cash and cash equivalents at the end of the period	40,050	28,158

1) Changed presentation compared with previous year. The values were shown as one item in the previous year

Additional information regarding the cash flow statement can be found in note 34

NOTES

of init innovation in traffic systems SE, Karlsruhe (IFRS)



Notes on the Consolidated Income Statement	84
Notes to the Consolidated Balance Sheet	88
Other Disclosures	111
Corporate Governance Statement	118
Responsibility Statement	118



Notes

1. Information about init

init innovation in traffic systems SE, Kaeppelstrasse 4-10 Karlsruhe, Germany ("init SE") (local court of Mannheim HRB 727217) was established on 18 August 2000 as the holding company of the init Group. The init Group is an international system supplier of transportation telematics (telecommunications and information technology, internationally also called Intelligent Transportation Systems or ITS). init SE is a stock exchange listed company, ISIN DE0005759807, and has been in the regulated market (Prime Standard) since 1 January 2003. Due to its integrated business model, init is a "one-segment group".

2. Accounting principles

The consolidated financial statements and the comparative previous-year's figures were prepared in compliance with International Financial Reporting Standards (IFRSs). The consolidated financial statements of init SE and its subsidiaries are consistent with the IFRSs as they apply in the EU. The consolidated financial statements comply with the requirements of Section 315e of the German Commercial Code (HGB).

The consolidated financial statements were prepared in euro. Unless otherwise indicated, all figures are rounded to a full thousand (EURk / EUR '000).

The financial year of all consolidated companies ends on 31 December.

The income statement was prepared using the function of expense method.

The consolidated financial statements have been prepared in accordance with the historical cost convention. This does not apply to derivative financial instruments and securities and bonds measured at fair value.

The accounting policies and measurement methods are consistent with those applied in the previous year.

The following standards are applicable for the first time in the financial year 2022; however, they do not have any impact on the financial position, performance and cash flows of the init Group:

Standard	Title
IAS 16	Proceeds before intended use
IAS 37	Onerous contracts – cost of fulfilling a contract
IFRS 3	References to the conceptual framework
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual Improvement Process IFRS standards 2018-2020

EU endorsement received:

The International Accounting Standards Board (IASB) has published the following standards, which have already been introduced into European law in the context of a comitology procedure, but which were not yet mandatory for the 2022 financial year. The group opted not to early-adopt these standards.

Standard	Title	Adoption
IFRS 17	First-time adoption of IFRS 17 and IFRS 9 – comparative information	January 2023
IAS 1	Presentation of financial statements: disclosures of accounting policies	January 2023
IAS 8	Accounting policies, changes in accounting estimates and errors - Definition of accounting estimates	January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 2023

EU endorsement outstanding

The IASB has issued the following standards and interpretations listed below whose application was not yet mandatory in financial year 2022. These standards and interpretations have not yet been endorsed into EU law and were not applied by the group.

Standard	Title	Publication by IASB
IAS 1	Presentation of financial statements: classification of financial liabilities	January 2020
IFRS 16	Lease liability in a sale and leaseback transaction	September 2022

The standards and interpretations listed above will be applied when they take effect within the European Union. There are no plans to early adopt the new standards in the init Group. init does not expect this to have any significant effect on its financial position, performance and cash flows.

3. Accounting policies and consolidation principles

Basis of consolidation

The consolidated financial statements comprise the financial statements of init SE and its subsidiaries as of 31 December 2022. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee



Notes

- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date on which the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the group and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Notes

Name	Registered office	Share as of 31/12/2022	Share as of 31/12/2021
Fully consolidated companies			
INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH ("INIT GmbH") ¹⁾	Karlsruhe	100%	100%
INIT Innovations in Transportation Inc. ("INIT Chesapeake")	Chesapeake, Virginia, USA	100%	100%
INIT Innovations in Transportation (Eastern Canada) Inc. / INIT Innovations en Transport (Canada Est) Inc. ("INIT Montreal")	Montreal, Canada	100%	100%
INIT Innovations in Transportation (Western Canada) Inc. ("INIT Toronto")	Toronto, Canada	100%	100%
INIT PTY LTD ("INIT Brisbane")	Brisbane/Queensland, Australia	100%	100%
Init Innovation in Traffic Systems FZE ("INIT Dubai")	Dubai, United Arab Emirates	100%	100%
INIT Mobility Software Solutions GmbH ("IMSS") ¹⁾	Karlsruhe / Hamburg	100%	100%
INIT Innovations in Transportation Ltd. ("INIT Nottingham")	Nottingham, UK	100%	100%
INIT Swiss AG ("INIT Neuhausen")	Neuhausen, Switzerland	100%	100%
INIT Asia-Pacific Pte. Ltd. ("INIT Singapore")	Singapore	100%	100%
CarMedialab GmbH ("CML")	Bruchsal	58.1%	58.1%
CarMedialab Corp. ("CML Corp.")	Santa Monica, California, USA	58.1%	58.1%
TQA Total Quality Assembly LLC ("TQA")	Chesapeake, Virginia, USA	60%	60%
SQM Superior Quality Manufacturing LLC ("SQM")	Chesapeake, Virginia, USA	75%	75%
GO-1 LLC ("GO-1")	Chesapeake, Virginia, USA	100%	100%
iris-GmbH infrared & intelligent sensors ("iris")	Berlin	100%	100%
iris – infrared & intelligent sensores NA, Inc. ("iris Atlanta")	Atlanta, Georgia, USA	100%	100%
inola GmbH ("inola")	Pasching, Austria	100%	100%
HanseCom Public Transport Ticketing Solutions GmbH ("HanseCom")	Hamburg	100%	100%
INIT innovation in transportations NZ Limited ("INIT Dunedin")	Dunedin, New Zealand	100%	100%
Mattersoft Oy ("Mattersoft")	Finland	100%	100%
INIT Innovations in Transportations Ltd ("INIT Maynooth")	Maynooth, Ireland	100%	100%
IRIS ASIA-PACIFIC PTY LTD ("iris Melbourne")	Melbourne, Australia	100%	100%
Hansecom BY in Liquidation ("Hansecom Minsk")	Minsk, Belarus	100%	100%
Derovis GmbH ("Derovis")	Berlin	100%	51%
DResearch Fahrzeugelektronik GmbH ("DResearch")	Berlin	100%	51%
iris intelligent sensing SASU ("iris SASU")	Montbonnot-Saint-Martin, France	100%	-

1) Fully exempted pursuant to Section 264 (3) of the German Commercial Code (HGB)

Name	Registered office	Share as of 31/12/2022	Share as of 31/12/2021
Associated companies (at equity)			
maBinso software GmbH ("maBinso")	Hamburg	48.0%	48.0%
Bytemark Inc. ("Bytemark")	New York, USA	3.0%	5.1%

On 24 April 2020, iris-GmbH infrared & intelligent sensors, Berlin (iris-GmbH), acquired a 51 per cent stake in the DResearch Fahrzeugelektronik Group (DVS/DFE). The remaining 49 per cent of the shares were acquired as of 1 January 2022.

Hansecom Minsk has been in liquidation since 1 December 2022. It is planned to dissolve the entity in the year 2023.

Company formations

On 1 August 2022, iris intelligent sensing Société par actions simplifiée unipersonnelle (SASU), based in Montbonnot-Saint-Martin, France, was founded as a wholly-owned subsidiary of iris-GmbH. Its capital has been set at EUR 100k and is fully paid in.

Consolidation methods

The annual financial statements of the fully consolidated companies are prepared according to the standard accounting and measurement principles of the group in line with the IFRSs on the same reporting date as the financial statements of the parent company. Where required, any financial statements prepared in accordance with local accounting regulations are adjusted accordingly.

Business combinations are accounted for using the acquisition method. The acquisition costs of a business combination are calculated on the basis of the consideration transferred and measured at fair value at the time of acquisition. Costs incurred as a result of the business combination are recorded as expenses and reported in administrative expenses. In a business combination in stages, the previously held equity by the acquirer is remeasured at fair value at the date of acquisition and the resulting gain or loss is posted through profit or loss.

The agreed contingent consideration is reported at fair value at the acquisition date. In agreement with IFRS 9, subsequent changes to the fair value of any contingent consideration constituting an asset or liability are reported through profit or loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured. Its subsequent payment is reported under shareholders' equity. Where contingent consideration does not fall within the scope of IFRS 9, it is measured in agreement with the relevant IFRSs.

Capital is consolidated by offsetting the acquisition cost against the group share in the revalued shareholders' equity of the consolidated subsidiaries at the time when control was acquired. The recognisable assets, liabilities and contingent claims and liabilities of the subsidiaries are recognised at their full market value irrespective of the amount of the non-controlling interests. Intangible assets are reported separately from the goodwill if they are separable from the company or result from a contractual right or other right. Any remaining debit differences arising from the initial consolidation are recognised as goodwill and subjected to an impairment test in line with IFRS 3 "Business Combinations" / IAS 36 "Impairment of

Assets". Any remaining credit differences are recognised through profit or loss immediately after acquisition. In the case of deconsolidations, the remaining carrying amounts of the credit differences are taken into account on a pro rata basis when calculating the gain or loss upon disposal. Measurement using the equity method is based on the same principles, but with goodwill reported in the carrying amount of the investment.

Receivables and payables as well as expenses and income between consolidated companies are offset against each other. Intercompany profits are eliminated from any assets originating from intercompany transactions. Deferred taxes are recognised on temporary differences arising from consolidation processes.

Currency translation

Foreign currency transactions and foreign operations are accounted for in accordance with IAS 21.

Transactions in foreign currencies are translated into the respective functional currency of the Group's entity at the exchange rates prevailing at the dates of the transactions. Monetary assets denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities whose fair values are measured in a foreign currency are translated into the functional currency at the exchange rate at the date when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items measured at historical cost at the date of addition are not adjusted.

The assets and liabilities of foreign operations, including goodwill and changes in fair value arising from business combinations, are translated into EUR from the functional currency of the Group companies at the exchange rate at the reporting date, as this is the reporting currency of the parent company. Functional currencies of subsidiaries are EUR, USD, CAD, GBP, SGD, AED, AUD, NZD, CHF and BYN. For reasons of simplification, income and expenses of foreign operations are translated into EUR at the annual average exchange rate of the respective functional currency.

Foreign currency differences arising from the translation of balance sheet items at the closing rate and of expenses and income at the average rate of a foreign operation are recognized in other comprehensive income and reported under "other reserves".

Estimates and assumptions

To a certain degree, the preparation of the consolidated financial statements requires estimates and assumptions to be made by the Managing Board that affect the amount of assets and liabilities reported on the balance sheet, the specification of contingent liabilities as of the reporting date, and the presentation of income and expenditure during the reporting period.

Market risks arising from the war against Ukraine and the corona pandemic

Risks arising from the impacts of the current crisis due to the Russian war against Ukraine and the global coronavirus pandemic are given due consideration in the process. In addition, a management assessment is required when it comes to deciding which information is relevant for the users of the consolidated financial statements and must therefore be included in the financial and non-financial reporting of init. Information on discretionary judgements exercised in the application of accounting policies that materially affect the amounts reported in the consolidated financial statements as well as estimates and assumptions are contained in the following disclosures in the notes. The following assessments are based on past experience

and assumptions that are each considered to be appropriate. They are reviewed continuously, but may still differ from the actual figures realised at a later date.

Climate related impacts

init seeks to be climate neutral and to make all of its locations climate neutral. In addition, solutions are being drawn up to reduce greenhouse gas emissions along the value chain. All assumptions and estimates made in these financial statements are based on the circumstances prevailing on the balance sheet date. They do not reveal any indications of impairment of non-current assets or any need to materially change the residual useful lives of assets on the reporting date.

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

Contract assets

Contract assets represent contractual rights to receive payments from customers for contractual performance obligations that have already been fulfilled but the rights are still conditional upon certain factors. Assumptions and estimates are required for the recognition and measurement of contract assets. There are uncertainties regarding their degree of completion, which depends on assumptions regarding the number of hours to be worked in future and the cost of materials. For further information, please refer to note 16.

Goodwill

Goodwill is examined for impairment at least once a year as of year-end or when facts or changes in circumstances indicate that the carrying value may have decreased. This test requires an estimation of the recoverable amount, which is deemed to be the higher of its value in use or the net realisable amount of the cash-generating units to which the goodwill is allocated. To this end, corporate management must estimate the foreseeable future cash flows of the cash-generating units and, in addition, must also select an appropriate discount rate in order to calculate the present value of these cash flows. For further information, please refer to note 21.

The init Group comprises three cash-generating units (CGUs): the iris Group, Hansecom and the rest of the init Group companies. The goodwill identified in connection with business combinations is allocated to these three CGUs as a group of cash-generating units in accordance with IAS 36.80. Impairment testing is performed at the level of the group, as goodwill is monitored at this level for internal management purposes. Goodwill acquired from business combinations as well as licences with an indefinite useful life are allocated to the group accordingly and tested there annually for any impairment.

Provisions

Provisions are recognised when a past event has resulted in a present obligation, their utilisation is more likely than not, and the amount of the obligation can be estimated reliably. Provisions are measured at their settlement amount and not offset against any profit margins. Provisions are only recognised for legal or constructive obligations towards third parties. Non-current provisions are discounted to present value.

Pensions and other post-employment benefits

The expenditure from defined benefit plans is calculated using actuarial methods on the basis of assumptions relating to discount rates, future wage and salary increases, mortality and future pension

increases. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainties. For further information, please refer to note 29.

Research and development expenses

Within the init Group, research and development expenses are incurred in the course of its internal research and development activities but also in the course of research and development cooperations and partnerships with third parties. Under IFRS, basic research does not meet the recognition criteria. By contrast, development expenses that meet certain defined recognition criteria must be recognised as internally developed intangible assets. init makes a distinction between basic development work and product development. If it is probable that the development activity will generate future economic benefits that will flow to the entity, the associated development expenses must be recognised. The recognition criteria are reviewed for each project and each contract. Product development projects are recognised if the relevant recognition criteria are fully met. If development expenses are recognised, they are subject to the recognition, measurement and presentation policies applying to other intangible assets. Development expenses related to software are capitalised as per the accounting principles and measurement methods presented.

All of the following criteria must be satisfied:

Development expenses are only recognised when the conditions are met. This means the entity must intend and be able to complete the intangible asset, use it or sell it, and be able to demonstrate how the intangible asset will generate future economic benefits.

- ▶ The entity must be able to demonstrate the technical feasibility of the asset and its ability to sell it or use it for internal purposes
- ▶ The entity must intend and be able to complete the intangible asset
- ▶ The entity must intend to use or sell the intangible asset
- ▶ The entity must be able to demonstrate how the intangible asset will generate future economic benefits

The costs that are directly allocable to the software include, among other items, employee benefits and an appropriate portion of the applicable overheads.

Development expenses that meet the recognition criteria are recognised as intangible assets and are amortised over their useful life from the point in time from which the asset can be used.

Development expenses that do not meet the above recognition criteria are expensed through profit or loss. Development expenses that have already been expensed are not recognised as assets in subsequent accounting periods.

Inventories

Inventories are required to be stated at the lower value of cost and net realisable value in accordance with IAS 2.9. To ensure measurement at the lower of cost or market, init measures the net realisable value of inventories by recording allowances based on past experience and analyses of previous projects. In addition to this standardised approach, init carries out an item-by-item review of its inventories. Typical reasons for recording a markdown on inventories include faulty products or technical obsolescence. Merchandise as well as work in progress and finished goods are combined in one line item. Impairment losses are posted through profit or loss. Reference is made to our comments on inventories in notes 5 and 17.

Right-of-use assets and lease liabilities

The group uses its incremental borrowing rate to calculate the net present value of lease payments. The incremental borrowing rate is determined using as reference the general interest level and the group's internal interest rates for loans of a comparable maturity and duration. The incremental borrowing rate is determined for each asset category and region where the leased asset is located. The incremental borrowing rate for other lease agreements is determined on the basis of the asset.

When determining the term of a lease and setting its useful life, any options to extend or terminate the lease have to be considered. init deems the term of a lease to be the contractually agreed term plus any options to extend the lease that are highly likely to be exercised. Many leases contain extension and termination options. The group regularly reviews whether a significant event has taken place or there has been a significant change in circumstances that affects whether it is reasonably certain to exercise an option to extend or terminate a lease.

In particular, leases for office buildings contain extension and termination options with potentially significant impacts. Extension and termination options are taken into account once their exercise is seen as more likely than not. Reference is made to the comments on right-of-use assets in note 19 and on lease liabilities in note 27.

Revenue recognition

init develops, manufactures, integrates, installs, maintains/supports and operates software and hardware for public transport companies and renders the related services. Revenues from contracts with customers are recognised at a point in time and over time, depending on when control over the goods or services is transferred to the customer. Revenue is recognised at the amount of consideration that the group is expected to receive in exchange for these goods or services. Project business as well as support and maintenance were identified as significant sources of revenue. The project business involves the following significant performance obligations: delivery and installation of a complete system including the related software and hardware components as well as the necessary development services. In the project business the performance obligations are measured on the basis of their inputs (cost-to-cost-method). The group has come to the conclusion that revenues from the delivery and installation of an entire system must be recognised over time, as the customer simultaneously receives the group's performance. The group has concluded that the input-based method is best suited to determine the progress of installation services since there is a direct link between the group's work (hours worked and material processed) and the transfer of the service to the customer. Revenues are recognised in the group based on hours worked and the hardware components installed in relation to the total expected hours worked and total hardware components needed to satisfy the performance obligation. There may be individual dependencies between individual contracts, e.g., project contracts that are connected to maintenance and support agreements concluded at the same time. Maintenance and support is provided after successful completion of the project; consequently, diverse contract combinations are possible. Revenues for maintenance and support contracts are recognised over time. Revenues for non-project-related delivery of software and hardware are realised at the point in time when the risk of loss passes to the customer.

When determining the transaction price, the contractual terms with the respective customers are considered. It is assumed that contractually promised goods and services will be transferred to the customer and the contract will not be terminated, extended or changed. The transaction price is the consideration the group receives in exchange for transferring the promised goods or services.

Generally speaking, no variable consideration exists in the arrangements entered into by the init Group. However, penalties are often included in project contracts with customers. These penalties are weighted based on past probabilities and reduce the contract revenue. In our experience their probability is very low.

As a general rule, no financing components exist in the arrangements entered into by the init Group. Taking into account the practical expedient provided in IFRS 15, the init Group does not adjust the amount of promised consideration for the effect of any significant financing component since the agreed milestones within a project are usually less than a year apart. The difference between the performance of a contractual obligation and its payment is therefore within a year. Support and maintenance contracts usually have a term of up to five years and are paid quarterly or yearly.

For individual contracts the init Group offers service-type warranties which contain extended guarantees. These are individually separable and are recognised over time in line with the maintenance services. One group company offers the statutory warranty for the repair of defects that existed on the date of sale. Such assurance-type warranties are recognised in accordance with IAS 37 Provisions, contingent liabilities and contingent assets. Reference is made to the accounting policy on warranty provisions described in note 28 "Provisions".

According to IFRS 15, the incremental costs of obtaining a contract and certain costs to fulfil a contract have to be recognised as an asset. In contrast to the previous year, no direct costs to obtain a contract have been incurred or capitalised by the init Group. Travel expenses and the salaries of sales employees are expensed through profit or loss.

In addition, init generates revenue from the sale of hardware products. Generally, control over these products is transferred to the customer at a point in time.

Depending on the contractual arrangements made with the customer and the clauses governing transport of the goods, control passes to the customer in the majority of cases when the goods are delivered to an agreed destination and at the point in time when they are picked up by the customer or handed over to a freight forwarder. Generally, it can be assumed that control passes to the customer when the customer can determine the use of the delivered product and obtain substantially all of the remaining benefits from the product and init no longer has this possibility.

Other indicators are also assessed in addition to determine the date on which control passes to the customer. For example, thought is given to when init obtains the right to receive payment for the product and when physical possession of the product passes to the customer, in the wider sense, when the customer has the sole ability to access the product.

A contract liability is an obligation of the group to transfer goods or services to a customer for which the group has received or will receive consideration. Where a customer is required to pay a consideration before the group transfers goods or services to it, a contract liability is recognised when the payment is made or falls due. The usual terms of payment for our receivables are 30 days.

Income from operating leases for investment property is reported in other operating income and spread evenly over the entire term of the lease. Reference is made to note 20 for details.

Interest income is realised when earned.

Income from dividends is reported once the group has a legally enforceable claim to payment.

Government grants and European Union subsidies

Government grants and subsidies from the European Union are recorded if it has been established with reasonable certainty that the subsidies will be granted and the company meets the relevant requirements. When the grants relate to an expense item, they are recorded as income on a scheduled basis to offset them against the corresponding expenses that they are intended to compensate.

Financial instruments and other financial assets

The fair value of listed securities and bonds was determined by marking them to market. The fair value of derivative financial instruments and loans was calculated by discounting the expected future cash flow using the prevailing market interest rates. Given the short maturities of cash and cash equivalents, trade accounts receivable, other assets, trade accounts payable, and other liabilities, it is assumed that their fair value is equal to the book value.

EUR'000	IFRS 9 measurement category
ASSETS	
Financial assets at amortised cost	
Cash and cash equivalents	At amortised cost
Trade accounts receivable	At amortised cost
Receivables from related parties	At amortised cost
Other financial assets (current)	At amortised cost
Other financial assets (non-current)	At amortised cost
Financial assets reported at fair value through other comprehensive income	
Marketable securities and bonds	At fair value through other comprehensive income
Financial assets measured at fair value through profit or loss	
Derivative financial instruments	At fair value through profit or loss
EQUITY AND LIABILITIES	
Financial liabilities reported at amortised cost	
Bank loans (current and non-current)	At amortised cost
Trade accounts payable	At amortised cost
Accounts payable due to related parties	At amortised cost
Other financial liabilities (current)	At amortised cost
Other financial liabilities (non-current)	At amortised cost
Financial liabilities measured at fair value through profit or loss	
Derivative financial instruments	At fair value through profit or loss

Cash and cash equivalents

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

Marketable securities and bonds

Securities are allocated to the category “At fair value through other comprehensive income”. Following their initial recognition, these are reported at their fair value (exchange or market price), with gains or losses recognised as a separate revaluation reserve under equity.

Trade accounts receivable and contract assets

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A receivable is recognised when there is an unconditional right to consideration from the customer (i.e., maturity occurs automatically through the passage of time). After initial recognition, receivables are measured at amortised cost less any impairment losses. For trade receivables and contract assets, init applies the simplified approach to calculate its expected credit losses. Therefore, init does not

track changes in credit risk, but instead records an allowance for credit losses at each reporting date based on the expected credit losses (ECL) over their lifetime. The group has prepared an allowance matrix based on its past experience of credit losses, adjusted for forward-looking factors specific to the borrower and the economic environment. Likewise, impairment losses are also recognised on contract assets if penalties are foreseeable or indications of default by the borrower can be identified. Other gains and losses are recognised in profit or loss when the receivables are derecognised or impaired. Contract assets represent the balance of costs incurred plus the profits of unbilled projects less any payments received in advance

Derivative financial instruments and hedge accounting

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

Gains or losses from changes in the fair value of derivative financial instruments that do not meet the hedge accounting criteria are immediately recognised through profit or loss.

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

Hedge accounting is not currently applied by the group.

Inventories

Upon initial recognition, inventories are measured at cost. On the reporting date, they are measured at the lower of cost and net realisable value. If the net realisable value of inventories which were previously written down by an impairment loss has since increased, the impairment loss is reversed to write the items back up, but not beyond their historical cost. The change in impairment is recognised through profit or loss. The production costs comprise both direct costs and the manufacturing and material overheads incurred in production, depreciation and other production-related expenses.

Property, plant and equipment

Unless recorded as right-of-use assets, property, plant and equipment are measured at acquisition cost less scheduled depreciation. The depreciation of historical cost follows the straight-line method over the following customary useful lives:

Buildings	25-50 years
Plant and machinery	3-5 years
Furniture, fixtures and office equipment	3-10 years

If there are indications of impairment, property, plant and equipment are tested for impairment in accordance with IAS 36.

Right-of-use assets

The group records right-of-use assets at the commencement date of the leased asset. According to IFRS 16.23, the commencement date is when the leased asset has been made available to the group by the lessor in a usable condition. Right-of-use assets are carried at cost less accumulated depreciation and impairment losses

and are adjusted in the event of a revaluation of lease liabilities. The costs of right-of-use assets include the amount of recognised lease liabilities, the initial direct costs and lease payments made less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depending on their asset class, the following depreciation periods apply to right-of-use assets:

Office buildings	1-20 years
Vehicles	3-5 years
IT equipment	3-5 years
Other	2-10 years

Reference is made to note 19 for information on right-of-use assets and note 27 for information on lease liabilities.

Investment property

The land and buildings that serve to generate rental income from third parties are treated as investment property. They are measured using the historical cost method. Investment property is depreciated on a straight line basis over its actual useful life, of 25 to 50 years.

Group as lessor

Leases of the group where all the opportunities and risks inherent in the property are not substantially transferred to the lessee, are classified as operating leases. The corresponding income is recognised on a straight-line basis over the term of the lease. There are no finance leases where the group acts as the lessor.

Other intangible assets

Other intangible assets include customer bases and licences.

Purchased intangible assets are measured at acquisition cost and amortised using the straight-line method over their useful life of three to ten years.

In the 2022 financial year, the prerequisites for the separability of project costs were created for the first time through a structured presentation of significant development projects and the recognition criteria of IAS 38 were fulfilled. Technological change and the associated requirements of customers for new developments have resulted in a significantly higher volume of development projects. The development costs have been capitalised as internally generated intangible assets. Reference is made to note 21 for more information on development expenses recognised as intangible assets in financial year 2022.

Interests in associated companies

Interests in associated companies comprise investments in companies accounted for using the equity method. On acquisition, these are measured at cost. Subsequent measurement takes into account the investor's share in the results of the company, any profit distributions made and any impairments to be recognised on the equity investment. If there is objective evidence that the net investment in the associated company is impaired, it is tested as a whole for impairment in accordance with IAS 36. If the recoverable amount is less than the amortised carrying amount of the net investment, it is written down to the recoverable amount.

Impairment of non-monetary assets

Long-lived non-monetary and intangible assets are checked for impairment if events or changes have occurred which suggest that the carrying amount of an asset can no longer be realised. Goodwill is tested for impairment once a year or if events or changes have occurred which suggest that the carrying amount of an asset can no longer be realised. Where the facts and circumstances indicate an impairment, the carrying amounts of the assets are compared with their estimated future income. For goodwill, this comparison takes place for the group as a whole, as the group consists of only one cash-generating unit. If necessary, the assets are written down to the lower of cost or market.

Deferred tax assets and deferred tax liabilities

The company determines its deferred income taxes using the comprehensive balance sheet method. Accordingly, deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 as income taxes to account for the tax consequences of differences between the balance sheet measurements of assets and liabilities and the corresponding tax assessment bases, as well as for the future utilisation of unused tax losses. The deferred tax assets and deferred tax liabilities are calculated on the basis of the prevailing tax rates for the taxable profit in the year in which the differences are expected to be reversed. The effect of changes in the tax rates on deferred tax assets and deferred tax liabilities is accounted for in the period in which the amendment of the law takes effect. An income tax rate of 31.0% was applied. Deferred tax assets are recognised on the unused tax losses carried forward by a subsidiary to the extent that taxable income is likely to be available, so that the loss carried forward can actually be used. The company calculates deferred tax liabilities on the difference between the pro rata share in the equity of a subsidiary in the consolidated balance sheet and the carrying amount of the investment in the tax balance sheet of the group (outside basis differences) if realisation is probable. The company can itself determine the timing of the profit distribution of subsidiaries or reinvestment and therefore recognises deferred taxes only on outside-basis-differences when a distribution is planned or foreseeable.

When the necessary conditions for netting deferred taxes within a tax group are given, deferred tax assets and deferred tax liabilities are netted.

Other non-current assets

The company holds 25 kg in gold. The gold holdings are held as a form of investment or as an alternative means of payment. For this reason, fluctuations in value are taken into account when determining the fair values on the balance sheet date. Changes in value are recognised in the income statement. Since the gold is held as a reserve and is not realised in the short term, it is reported as a non-current asset.

Financial liabilities

Financial liabilities are carried at amortised cost.

Lease liabilities (current and non-current)

init as lessee

The group applies a uniform approach and measurement policy to all leases (with the exception of short-term leases and leases for low-value assets). Lease liabilities are recognised to present the payment obligations for leased assets. Right-of-use assets represent the right to use the underlying asset for the period specified in the lease agreement. For further information on right-of-use assets, please refer to note 19.

At the beginning of the lease, the group recognises lease liabilities, being the present value of the minimum lease payments to be made over the lease term. Lease payments include fixed rental payments for the leased assets less any lease incentives or a possible residual value guarantee. The group has no variable lease payments that are index-linked or rate-dependent.

Lease liabilities are remeasured if there is a change in the lease term, lease payments (e.g., change in future payments), or there is a change in the estimate as to whether it is reasonably certain that an option to extend will be exercised or not, due to a significant event over which the lessee has control.

For further information on recognised lease liabilities, please refer to note 27.

Pensions accrued and similar obligations

The pension provisions are calculated using the projected unit credit method for defined benefit plans, taking into account any future remuneration and pension adjustments. Actuarial gains and losses are reported directly in equity through other comprehensive income. Current and past service costs are recorded immediately through profit or loss.

The discount rate for the valuation of the obligations must be determined on the basis of returns, which are generated on the market for high-quality fixed-interest corporate bonds on the balance sheet date. According to the prevailing opinion, these are corporate bonds with an AA rating. The payments based on the obligations are generally calculated taking into account actuarial gains and losses and assumptions are discounted to the balance sheet date using the interest rate for instruments of an equivalent term. A yield curve is therefore required which, depending on the term, represents a yield for AA-rated corporate bonds.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

4. Revenues

Revenues are composed of the following amounts:

EUR'000	2022	2021
Revenue from Project business	82,218	81,784
Revenue from delivery projects	41,404	40,523
Revenue from support and maintenance contracts	41,400	36,445
Revenue from additional and replacement deliveries	26,230	17,907
Total	191,252	176,659

For a breakdown of revenues by region please refer to note 36.

5. Cost of sales

Cost of sales is composed as follows:

EUR'000	2022	2021
Cost of materials and purchase services	48,806	53,211
Personnel expenses	47,962	44,929
Amortisation and depreciation	6,616	6,522
Rental expenses	1,900	1,656
Travel and entertainment costs	1,900	984
Valuation adjustments on inventories	191	179
Valuation adjustments on trade accounts receivable	-499	-310
Other	7,814	6,814
Total	114,690	113,985

As in the previous year, vehicle costs as well as repair and maintenance expenses are included in the item "Other". On the other hand, this item also includes income from the reversal of provisions of EUR 2,321k (previous year: EUR 1,371k).

6. Research and development expenses

Research and development costs, which consist exclusively of personnel costs, are spread between the development of software and hardware as follows:

EUR'000	2022	2021
Software	12,085	10,946
Hardware	1,421	1,617
Total	13,506	12,563

The increase in research and development costs compared to the previous year results, among other things, from the intensification of basic development of new products and further development of existing products.

7. Other operating income

Other operating income mainly consists of offsetting remuneration in kind of EUR 814k (previous year: EUR 736k). Additionally, EUR 487k (previous year: EUR 381k) results from government grants and subsidies from the European Union. Income from operating leases amounted to EUR 296k (previous year: EUR 287k).

8. Foreign currency gains and losses

EUR'000	2022	2021
Balance of unrealised currency gains and losses	-779	3,391
Balance of realised currency gains and losses	25	-3,029
Total	-754	362

The realised and unrealised gains and losses largely result from effects arising from USD, AED and CAD exposures.

9. Income taxes

EUR'000	2022	2021
Current income tax	5,912	5,436
Deferred income tax	-2,134	-1,340
Total	3,778	4,096

The tax expenditure resulting from the application of the tax rate of init SE is reconciled to income tax expenditure in the following table. The tax rate of the German companies of the init Group is made up of

corporate income tax of 15.0 per cent (previous year: 15.0 per cent) plus the 5.5 per cent solidarity surcharge, and trade tax of 15.05 per cent (previous year: 15.05 per cent). For other countries the tax rate varies between 0 and 38 per cent. A tax rate of 31.0 per cent (previous year: 31.0 per cent) is used as the basis for the calculation of deferred tax and tax reconciliations.

EUR'000	2022	2021
Earnings before tax	20,279	16,541
Theoretical income tax expense at 31.0%	6,286	5,128
Tax rate differences for foreign subsidiaries	-1,925	-1,440
Tax effect of non-deductible / taxable expenses / income	276	318
Tax effects of tax-free savings schemes	-245	5
Taxes relating to other periods	-581	-91
Tax effects from the earnings of associated companies	-54	-82
Other	21	258
Effective income tax expense	3,778	4,096
Effective income tax expense in %	18.6	24.8

The tax rate in 2022 lies below that of the previous year and below the theoretical tax rate of 31.0 per cent. This is primarily attributable to the net income of companies with a lower tax rate.

The reconciliation of the deferred tax assets and deferred tax liabilities to the deferred taxes reported in the consolidated income statement is presented below:

EUR'000	2022	2021
Changes to deferred tax assets	-1,312	-824
Changes to deferred tax liabilities	278	-508
Offset and recognised in equity	-1,115	257
Currency adjustments	15	-265
Deferred tax expense (+) / income (-)	-2,134	-1,340

The effects recognised in equity refer to the reported actuarial gains / losses from defined benefit obligations.

10. Net gains and losses from financial instruments

Net gains from the other financial assets and liabilities are as follows:

Interest expense and income:

EUR'000	2022	2021
Financial assets at amortised cost	24	21
Interest expenses from financial liabilities at acquisition cost	-568	-774
Interest expenses from pensions	-107	-59
Interest expenses from leases	-130	-166
Other	55	-47
Total	-726	-1,025

Currency effects:

EUR'000	2022	2021
Financial assets at amortised cost	644	-3,802
Financial liabilities at amortised cost	228	56
Financial assets and liabilities measured at fair value through profit or loss	198	830
Total	1,070	-2,916

In addition to impairments and reversals of impairments, the net gains from the loans and receivables also include foreign currency effects.

The net gains and losses from the financial assets and liabilities reported at their fair value through profit or loss essentially include the results from changes in market value.

For information on impairments, please refer to note 16.

11. Earnings per share

Earnings per share are calculated by dividing the consolidated net income allocable to the shareholders of the parent company by the weighted number of shares outstanding (subscribed capital less treasury shares). Since init SE had not issued any stock options by the reporting dates, no diluted earnings per share are reported.

	2022	2021
Net income (shareholders of the parent company) in EUR '000	16,524	12,413
Weighted average number of shares outstanding	9,924,714	9,934,597
Basic and diluted earnings per share in EUR	1.66	1.25

12. Paid and proposed dividends

EUR'000	2022	2021
Ordinary dividends declared and paid during the financial year	5,465	5,467
Ordinary dividends proposed at the Shareholders' Meeting for approval (not reported as a liability on 31 December)		
Dividend for 2022: 60 cents per share (2021: 55 cents per share)	5,942	5,463
The extraordinary dividend proposed at the Shareholders' Meeting for approval (not reported as a liability on 31 December)		
Extraordinary dividend of 10 cents per share (2021: 0 cents per share)	990	0

13. Personnel expenses

Personnel expenses totalled EUR 91,465k (previous year: EUR 83,182k).

Cost of sales includes the following amounts:

EUR'000	2022	2021
Wages and salaries	40,109	37,664
Social security contributions	6,197	5,989
Pension costs	1,184	882
Share-based payment expense	472	394
Total	47,962	44,929

Sales and marketing expenses include the following amounts:

EUR'000	2022	2021
Wages and salaries	14,278	11,773
Social security contributions	1,844	1,685
Pension costs	337	281
Share-based payment expense	217	234
Total	16,676	13,973

General administrative expenses include the following amounts:

EUR'000	2022	2021
Wages and salaries	11,439	9,942
Social security contributions	1,456	1,346
Pension costs	326	271
Share-based payment expense	140	150
Total	13,361	11,709

Research and development expenses include the following amounts:

EUR'000	2022	2021
Wages and salaries	11,176	10,341
Social security contributions	1,967	1,872
Pension costs	323	350
Total	13,466	12,563

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. Cash and cash equivalents

EUR'000	2022	2021
Cash in banks (current accounts)	40,027	28,131
Short-term deposits (fixed-term deposits/call money)	23	27
Total	40,050	28,158

15. Marketable securities and bonds

This item refers to marketable securities and bonds with a total fair value of EUR 29k (previous year: EUR 39k). Due to the assumption of a permanent impairment, the fair value (market value on the reporting date) of the securities and bond issues was reduced by EUR 10k (previous year: EUR 1k) with the impairment recognised through profit or loss.

16. Trade accounts receivable and contract assets

EUR'000	2022	2021
Gross trade accounts receivable	36,072	33,503
Less cumulative loss allowances	-850	-1,465
Subtotal	35,222	32,038
Contract assets	14,763	21,628
Total	49,985	53,666

The loss allowances for trade accounts receivable developed as follows:

EUR'000	2022	2021
As of 01/01	1,465	4,703
Addition	0	583
Utilised	-165	-3,232
Unused amounts reversed	-468	-875
Currency effects	18	286
As of 31/12	850	1,465

The expenses from the addition to loss allowances for the year as well as the income from unused amounts reversed are included in the income statement under "Cost of sales".

For contract assets, value-impairing factors which may primarily result from changes in contractual values are continuously considered in the concurrent project costing.

At the reporting date, there were no indications to suggest that any debtors of trade accounts receivable or contract assets would not meet their financial obligations as recognised in the accounts.

Project business

The project business valued on the balance sheet date according to the period-based realisation of income but not yet completed is shown as follows:

EUR'000	2022	2021
Costs incurred plus the results of unbilled projects	207,020	191,999
Less advance payments received	-202,002	-177,446
Balance	5,018	14,553
thereof: Contract assets	14,763	21,628
thereof: Contract liabilities	9,745	7,075

17. Inventories

EUR'000	2022	2021
Raw materials, consumables and supplies	5,211	3,727
Goods, work in progress and finished products	34,309	29,910
Advance payments to suppliers	2,571	701
Total	42,091	34,338

Goods, work in progress and finished products are combined in one position. The impairment loss was taken into account in the cost of sales (note 5).

18. Other current assets

EUR'000	2022	2021
Derivative financial instruments	6	28
Prepaid expenses	1,879	1,403
Other tax refund claims	1,119	1,008
Incremental costs of obtaining contracts	103	39
Costs offulfilling contracts	0	121
Due from personnel	437	336
Other	432	588
Total	3,976	3,523

The increase in prepaid expenses is mainly attributable to new support and maintenance contracts with a period beyond the end of the year.

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

The tax refund claims are mainly input tax refund claims against European states inside and outside the EU or states in North America.

The capitalised incremental costs of obtaining contracts are amortised over the duration of the respective projects based on the percentage of completion.

19. Property, plant and equipment and Right-of-use assets

Property, plant and equipment

EUR'000	Land and buildings	Plant and machinery	Furniture, fixtures and office equipment	Right-of-use assets	Prepayments and assets under construction	Total
Acquisition and production costs						
As of 01/01/2022	39,245	4,902	15,985	23,273	14	83,419
Additions in current financial year	475	543	2,740	12,242	570	16,570
Disposals in current financial year	191	118	823	844	0	1,976
Reclassifications in current financial year	580	8	-4	0	-584	0
Currency differences	736	122	132	504	0	1,494
Acquisition of subsidiaries	0	0	0	0	0	0
As of 31/12/2022	40,845	5,457	18,030	35,175	0	99,507
Depreciation						
As of 01/01/2022	6,339	3,084	10,893	7,435	0	27,751
Additions in current financial year	1,202	582	2,297	3,728	0	7,809
Disposals in current financial year	8	106	752	841	0	1,707
Reclassifications in current financial year	0	102	0	0	0	102
Currency differences	73	0	91	351	0	515
As of 31/12/2022	7,606	3,662	12,529	10,673	0	34,470
Carrying amount as of 31/12/2022	33,239	1,795	5,501	24,502	0	65,037

The property, plant and equipment essentially concern the administration buildings at Kaeppelestrasse 4 and 4a in Karlsruhe, the building in Chesapeake, USA, as well as office equipment and technical equipment. Depreciation follows the straight-line method over the average useful life of the asset. Scheduled depreciation in 2021 totalled 2022EUR 7,809k (previous year: EUR 7,385k) and is included in the consolidated income statement under “Cost of sales”, “Sales and marketing expenses” and “General administrative expenses”. The individual figures can be found in note 21.

Currently there are no restrictions on the right of disposal. The loans for financing the two administration buildings are fully secured by land charges in the amount of EUR 1.0 m (previous year: EUR 1.4 m).

Notes

EUR'000	Land and buildings	Plant and machinery	Furniture, fixtures and office equipment	Right-of-use assets	Prepayments and assets under construction	Total
Acquisition and production costs						
As of 01/01/2021	37,735	5,151	14,449	22,072	4	79,411
Additions in current financial year	470	672	1,834	1,660	99	4,735
Disposals in current financial year	35	995	676	784	0	2,490
Reclassifications in current financial year	127	-81	-1	0	-89	-44
Currency differences	948	155	379	325	0	1,807
Acquisition of subsidiaries	0	0	0	0	0	0
As of 31/12/2021	39,245	4,902	15,985	23,273	14	83,419
Depreciation						
As of 01/01/2021	5,178	3,156	9,093	4,622	0	22,049
Additions in current financial year	1,065	639	2,097	3,584	0	7,385
Disposals in current financial year	0	836	561	862	0	2,259
Reclassifications in current financial year	0	0	0	0	0	0
Currency differences	96	125	264	91	0	576
As of 31/12/2021	6,339	3,084	10,893	7,435	0	27,751
Carrying amount as of 31/12/2021	32,906	1,818	5,092	15,838	14	55,668

Right-of-use assets

The carrying amounts of the right-of-use assets recognised in the balance sheet and the changes during the reporting period are presented below:

EUR'000	Office buildings	Vehicles	IT equipment	Other	Total
As of 01/01/2022	14,866	686	122	164	15,838
Additions in financial year	11,552	679	5	5	12,241
Disposals in financial year	-199	-645	0	0	-844
Amortisation and depreciation	-2,839	64	-54	-58	-2,887
Currency differences	142	7	5	0	154
As of 31/12/2022	23,522	791	78	111	24,502

EUR'000	Office buildings	Vehicles	IT equipment	Other	Total
As of 01/01/2021	16,174	978	170	128	17,450
Additions in financial year	1,272	305	5	81	1,663
Disposals in financial year	-350	-9	-3	-93	-455
Amortisation and depreciation	-2,466	-603	-24	-30	-3,123
Currency differences	236	15	-26	78	303
As of 31/12/2021	14,866	686	122	164	15,838

Right-of-use assets consist mainly of rented office buildings. This mainly pertains to the buildings of init SE at Kaeppelestrasse 6 in Karlsruhe with a right of use of EUR 11,863k as of year-end 2022, and iris-GmbH, Berlin with a right of use of EUR 3,063k and DResearch Fahrzeugelektronikgruppe (DVS/DFE) of EUR 2,333k. The additions relate to a supplementary agreement to the lease at init SE that came into effect on 1 January 2023 and the exercise of an option to prolong the lease for certain buildings as well as vehicles.

EUR 12,241k (previous year: EUR 1,663k) of the additions relate to the capitalisation of leases in accordance with IFRS 16. EUR 11,552k (previous year: EUR 1,272k) of these relate to office buildings and EUR 679k (previous year: EUR 305k) to motor vehicles. Depreciation of right-of-use assets in the 2022 financial year amounted to EUR 2,571k (previous year: EUR 2,466k) from the office buildings asset class, a further EUR 573k (previous year: EUR 603k) from motor vehicles, and the remainder from small IT equipment and miscellaneous. Thereof EUR 557k are attributable to the extensions of contracts.

For further information on specific topics of IFRS 16, please refer to notes 26 and 27.

20. Investment property

EUR'000	2022	2021
Acquisition costs as of 01/01	1,600	1,579
Additions in financial year	0	0
Currency differences	16	21
Acquisition costs as of 31/12	1,616	1,600
Depreciation as of 01/01	240	178
Additions in financial year	22	60
Currency differences	2	2
Depreciation as of 31/12	264	240
Carrying amount as of 31/12	1,352	1,360

Composition of earnings from investment property during the reporting period:

EUR'000	2022	2021
Rental income from investment property	296	287
Direct operating expenses* used to generate rental income	27	23

* including maintenance and repair

The group does not face any restrictions on the disposal of investment property, nor does it have any contractual commitments to purchase, build or develop any investment property.

The investment property is measured at amortised cost plus incidental costs and recognised on the balance sheet at a carrying amount of EUR 1.4 m (previous year: EUR 1.4 m). The buildings are depreciated on a straight-line basis over a useful life of 50 or 27.5 years.

The fair value at the end of the reporting period approximately corresponds to the carrying amount and was determined using the discounted cash flow method. The measurement of investment property is dependent upon the assumptions used to calculate future cash flows. Changes in the interest rate, the expected price developments and market conditions affect the future cash flows and, in consequence, the amount of the fair values.

The operation, maintenance and care of the land and buildings are handled by the tenants, who also bear the related costs.

21. Goodwill and other intangible assets

EUR'000	Goodwill	Internally generated software	Customer base, licences and others
Acquisition and production costs			
As of 01/01/2022	12,488	8,483	31,073
Additions in current financial year	0	2,792	2,850
Disposals in current financial year	0	0	59
Currency differences	0	0	6
As of 31/12/2022	12,488	11,275	33,870
Amortisation			
As of 01/01/2022	0	8,483	14,290
Additions in current financial year	0	0	2,381
Disposals in current financial year	0	0	55
Currency differences	0	0	1
As of 31/12/2022	0	8,483	16,617
Carrying amount as of 31/12/2022	12,488	2,792	17,253

EUR'000	Goodwill	Internally generated software	Customer base, licences and others
Acquisition and production costs			
As of 01/01/2021	12,488	8,483	30,580
Additions in current financial year	0	0	630
Disposals in current financial year	0	0	191
Currency differences	0	0	9
Reclassifications	0	0	45
As of 31/12/2021	12,488	8,483	31,073
Amortisation			
As of 01/01/2021	0	8,483	11,998
Additions in current financial year	0	0	2,427
Disposals in current financial year	0	0	138
Currency differences	0	0	3
As of 31/12/2021	0	8,483	14,290
Carrying amount as of 31/12/2021	12,488	0	16,783

Scheduled amortisation and depreciation for property, plant and equipment and other intangible assets of EUR 10,184k (previous year: EUR 9,812k) is included in the income statement under “Cost of sales” (EUR 6,616k), “Sales and marketing expenses” (EUR 2,012k) and “General administrative expenses” (EUR 1,556k).

The additions from internally generated software include capitalised development projects not yet used amounting to EUR 2,792k.

Impairment test of goodwill

To date, it has not been necessary to record any impairment on goodwill.

The recoverable amount of cash-generating units is determined on the basis of a calculation of their value in use using cash flow projections based on budgetary accounting approved by the Managing Board for a period of three years. The init Group comprises three cash-generating units (CGUs): the iris Group, Hansecom and the rest of the init Group companies. The goodwill identified in connection with business combinations

is allocated to these three CGUs as a group of cash-generating units in accordance with IAS 36.80. Therefore, impairment testing of goodwill is performed at the level of the group. The before-tax interest rate applied for the discounting is 11.2 per cent (previous year: 12.2 per cent).

The following assumptions involve forecast uncertainties:

- ▶ Revenues
- ▶ Free cash flow
- ▶ Discount rate

Revenues: Revenues are planned on the basis of the order backlog, the open and announced tenders, offers made and past experience. Revenue is expected to grow (up 10.0 per cent p.a.) in the detailed planning period (3 years). A growth rate of 1.0 per cent was applied for the period thereafter.

Free cash flow: Free cash flow is derived from the planned EBIT minus notional taxes, investments and changes in the net working capital as well as by adding back depreciation and amortisation. Historical figures are drawn on for this calculation.

Discount rate: The discount rate reflects the estimate of the company management with regard to the risks of the cash-generating units. Taking into account the peer group, an interest rate of 7.8 per cent (previous year: 8.4 per cent) was applied for the weighted average cost of capital. Cash flows arising after the period of three years are determined using a growth factor of 1.0 per cent (previous year: 1.0 per cent).

Sensitivity analysis on the assumptions

In order to assess the recoverability of goodwill, the group performs sensitivity analyses in the course of the impairment test. In doing so, assumptions considered possible, such as an increase in the interest rate, a reduction in planned sales, and a reduction in the planned free cash flow of the cash-generating unit, are taken into account for each planning year. An increase in the interest rate by 1 percentage point, 2 percentage points and 3 percentage points does not result in a need for impairment of goodwill. If turnover decreases by 6 per cent, 9 per cent and 12 per cent compared to the baseline planning, there is no need for impairment of goodwill. If the free cash flow decreases by 6 per cent, 9 per cent and 12 per cent compared to the baseline plan, there is no need to recognise an impairment loss on goodwill. Other intangible assets

Intangible assets

The recognition criteria of IAS 38 were met for the first time in financial year 2022. Correspondingly, development expenses were recognised as intangible assets.

These internally generated intangible assets are recognised at amortised cost. Development expenses of EUR 2,792k were recognised as internally generated intangible assets in the financial year. However, amortisation has not yet been charged, as the developments have not yet been completed.

Customer bases, licences and others:

The licences include external software costs as well as programming and consulting of EUR 4,556k (previous year: EUR 2,137k). Scheduled amortisation amounts to EUR 433k (previous year: EUR 478k) and is included in the income statement under "Cost of sales".

The capitalised technology and the capitalised customer base from the takeover of iris-GmbH in 2016 amount to EUR 4,363k (previous year: EUR 4,876k). Scheduled amortisation amounts to EUR 513k (previous year: EUR 513k) and is included in the income statement under “Cost of sales”.

The capitalised customer base from the takeover of HanseCom in 2016 amounts to EUR 737k (previous year: EUR 875k). Scheduled amortisation amounts to EUR 138k (previous year: EUR 138k) and is included in the income statement under “Cost of sales”.

The capitalised technology and the capitalised customer base from the takeover of Mattersoft in 2018 amount to EUR 646k (previous year: EUR 776k). Scheduled amortisation amounts to EUR 129k (previous year: EUR 129k) and is included in the income statement under “Cost of sales”.

The capitalised technology and the capitalised customer base from the takeover of the DResearch Group in 2020 amount to EUR 6,951k (previous year: EUR 8,119k). Scheduled amortisation amounts to EUR 1,168k (previous year: EUR 1,168k) and is included in the consolidated income statement under “Cost of sales” (EUR 265k), “Sales and marketing expenses” (EUR 854k) and “General administrative expenses” (EUR 49k).

22. Interests in associated companies

The associated company maBinso software GmbH, Hamburg, is not publicly listed. The business of maBinso is the creation, sale and operation of software as well as the related consulting for public transport operators. Its net income amounts to EUR 348k (previous year: EUR 614k). The pro-rata result of the init Group for 2022 is EUR 167k. A distribution of EUR 240k was paid out in the financial year 2022. Amortisation of investments in associated companies was not required.

23. Deferred taxes

The deferred tax assets and liabilities are as follows: EUR'000

	2022	2021
Deferred tax assets		
Receivables	346	88
Inventories	1,840	2,070
Other assets	1,330	888
Provisions	1,004	776
Pensions accrued and similar obligations	1,439	1,524
Total deferred tax assets	5,959	5,346
Deferred tax liabilities		
Contract assets	841	1,252
Other assets	624	814
Property, plant and equipment	454	341
Technology and customer base	2,164	2,526
Other intangible assets	1,721	1,610
Other liabilities	479	161
Total deferred tax liabilities	6,283	6,704

As of 31 December 2022, unused tax losses came to EUR 422k (previous year: EUR 1,290k). The associated deferred tax assets have not been recognised and amount to approximately EUR 89k (previous year:

EUR 400k). Based on the budgetary planning projections, it is unsure whether it will be possible to offset these unused tax losses against future tax payments.

As of 31 December 2022, no deferred tax liabilities were recognised on the earnings retained by subsidiaries since no corresponding distributions are planned for the foreseeable future. If such distributions were made, the tax burden would be insignificant for the group. The temporary differences in connection with shares in subsidiaries totalled EUR 73.7 m (previous year: EUR 61.9 m).

In the reporting period deferred tax assets and deferred tax liabilities of EUR 1,111k were netted. This results in reported balance sheet values of EUR 4,849k for deferred tax assets and EUR 5,172k for deferred tax liabilities.

The income tax assets of EUR 1,551k mainly relate to Germany and North America.

24. Other non-current assets

EUR'000	2022	2021
Asset value of pension liability insurances	1,541	1,436
Security deposits*	457	453
Gold stock	1,362	1,282
Other*	156	131
Total	3,516	3,302

* Non-current financial assets

On the reporting date, there were no indications to suggest that the value of other assets which are not measured at fair value was impaired.

25. Liabilities

EUR'000	31/12/2022			31/12/2021		
	Total	Remaining term		Total	Remaining term	
		< 1 year	> 5 years		< 1 year	> 5 years
Bank loans (current and non-current)	38,035	18,460	5,556	29,340	14,061	0
Trade accounts payable	9,747	9,747	0	6,932	6,932	0
Contract liabilities	9,745	9,745	0	7,075	7,075	0
Advance payments received	1,171	1,171	0	2,468	2,468	0
Income tax payable	3,947	3,947	0	3,444	3,444	0
Other liabilities (current)	23,870	23,870	0	24,281	24,281	0

Of the contract liabilities carried in the previous year of EUR 7,075k, 99.0 per cent were settled in 2022.

Terms relating to the above financial liabilities:

The bank loans of EUR 38,035k (previous year: EUR 29,340k) consist of the non-current portion of long-term loans of EUR 655k (previous year: EUR 1,014k) for financing the buildings at Kaeppelestrasse 4, 8 / 8a and 10 which are fully secured by a land charge and the current portion of EUR 359k (previous year: EUR 359k). In addition, there are loans for acquisition financing of EUR 7,403k (previous year: EUR 9,862k), investment

loans of EUR 13,279k (previous year: EUR 3,698k) as well as a long-term loan of EUR 4,583k (previous year: EUR 6,250k). There are also euro loans amounting to EUR 11,756k (previous year: EUR 8,157k).

A long-term loan of EUR 4,583k is subject to minimum capital requirements. A dynamic debt ratio of 3.5 must not be exceeded. If the covenants are breached, the loan falls due for immediate repayment. Due to the close monitoring and planning of this covenant, as well as the current liabilities and EBITDA, init does not expect that this covenant will be breached in the future.

The following cashlines and bank guarantees are in place:

EUR'000		Overall line	thereof cash line	thereof guarantee	Cash or guarantee
Banks	2022	102,279	5,179	42,500	54,600
Credit insurance companies	2022	84,827	0	84,827	0
Banks	2021	102,118	5,018	42,500	54,600
Credit insurance companies	2021	88,306	0	88,306	0

The cash lines and bank guarantees are sufficient to finance the further growth of the company. On 31 December 2022, the draw down of the cash line totalled EUR 12,756k (previous year: EUR 8,157k), that of the guarantee lines EUR 88,025k (previous year: EUR 83,878k).

Of the total line available of EUR 187,106k (previous year: EUR 190,424k), EUR 86,325k (previous year: EUR 98,389k) were not utilised.

No interest is charged on trade accounts payable.

For the terms and conditions relating to trade accounts payable to related parties, please refer to note 35.

For the terms and conditions relating to the liabilities from derivative financial instruments included in the other liabilities, please refer to note 31.

26. Other liabilities (non-current and current)

EUR'000	31/12/2022			31/12/2021		
	Total	Remaining term		Total	Remaining term	
		< 1 year	> 1 years		< 1 year	> 1 years
Tax liabilities	3,132	3,132	0	1,919	1,919	0
Due to personnel	9,981	9,981	0	7,659	7,659	0
Derivative financial instruments	0	0	0	114	114	0
Social security liabilities	516	516	0	393	393	0
Liabilities for unbilled services from subcontractors	0	0	0	21	21	0
Lease liabilities	24,508	3,336	21,172	15,622	3,218	12,404
Sundry	6,906	6,906	0	12,171	10,955	1,216
Total	45,043	23,871	21,172	37,899	24,279	13,620

Sundry other liabilities mainly consist of deferred income of EUR 4,503k (previous year: EUR 3,493k) as well as a non-current financial liability relating to outstanding purchase price installments for the acquisition of the DRResearch Group of EUR 1,215k. The associated current share is included in the current financial liabilities. In 2022, the liabilities were reduced by EUR 664k due to inaccurate planning assumptions.

The "Sundry" item includes current financial liabilities of EUR 2,403k (previous year: EUR 7,463k).

27. Lease liabilities (current and non-current)

The maturities of lease liabilities are as follows:

as of 31/12/2022 EUR '000	Office buildings	Vehicles	IT equipment	Other	Total
Within 1 year	2,832	401	50	53	3,336
Between 1 and 5 years	9,200	375	29	55	9,659
More than 5 years	11,509	0	0	4	11,513

as of 31/12/2021 EUR '000	Office buildings	Vehicles	IT equipment	Other	Total
Within 1 year	2,704	408	52	56	3,219
Between 1 and 5 years	8,686	255	72	109	9,122
More than 5 years	3,281	0	0	0	3,281

The annual rental liabilities of the init Group totalled EUR 2,832k, of which EUR 578k is attributable to the rented office building in Karlsruhe (lease expires in mid-2042).

The following table shows the carrying amounts of the lease liabilities and the changes during the reporting period:

EUR'000	2022
As of 01/01/2022	15,622
Additions	12,399
Interest expenses	130
Payments	-3,643
As of 31/12/2022	24,508
thereof current	3,336
thereof non-current	21,172
EUR'000	2021
As of 01/01/2021	17,100
Additions	2,016
Interest expenses	13
Payments	-3,507
As of 31/12/2021	15,622
thereof current	3,218
thereof non-current	12,404

The following amounts were recognised in profit or loss in the reporting period:

EUR'000	2022	2021
Depreciation expense during the financial year	3,200	3,123
Interest expense on lease liabilities	130	167
Expenses relating to short-term leases	2	154
Expenses relating to leases for low-value assets	32	57
Total amount recognised in profit or loss	3,364	3,501

28. Provisions

EUR'000	As of 01/01/2022	Currency differences	Utilised	Unused amounts reversed	Addition	As of 12/31/2022
Provisions for warranties	4,806	-70	1,125	681	1,676	4,746
Provision for non-contractual Costs	4,372	-105	817	791	10	2,879
Provisions for onerous projects	849	0	0	289	13	573
Other provisions	985	-3	304	335	451	800
Total	11,012	-178	2,246	2,096	2,150	8,998

Additions to other provisions consist primarily of additions to the provision for damages.

The provisions for warranties were calculated on the basis of a percentage of average sales in the past two years determined from empirical figures in the past. The provisions for non-contractual costs mainly relates to services performed as a gesture of goodwill on orders that have already been invoiced.

The provisions for onerous projects were set up on the grounds of challenging technological requirements as well as various new developments in one project that were identified in the day-to-day project costing.

29. Pensions accrued and similar obligations

For the employees of init SE, INIT GmbH and IMSS there are both defined benefit plans and defined contribution plans. The liabilities include obligations from current pensions and for pension entitlements of future retirees. These pension commitments grant employees an old-age pension (independent of salary) after attaining the age of 63 (Dr. Gottfried Greschner after departing the Managing Board of init SE and after departing as Managing Director of subsidiaries). Risks inherent to defined benefit plans are that they are affected by the capital markets and demographic change. In order to mitigate these risks only defined contribution plans have been offered for several years.

The following parameters were taken into consideration:

Discount rate in per cent (previous year)	3.69 (1.01)
Biometric inputs	Klaus Heubeck's "Richttafeln G" (mortality tables) of 2018
Pension trend in per cent (previous year)	4.00 (4.00)
Employee turnover in per cent (previous year)	0.00 (0.00)

The company's pension provisions as of the reporting dates developed as follows:

EUR'000	2022	2021
Defined benefit obligation (DBO) at the beginning of the year	11,265	12,195
Service cost	63	82
Interest cost	112	65
Actuarial gains (-) / losses (+)	-3,596	-963
Pension payments	-65	-114
DBO at the end of the year	7,779	11,265
Plan assets	-443	-443
Pension provisions	7,336	10,822

The plan assets contain the asset value of pension liability insurance as well as deposits on a pledged account and developed as of the reporting date as follows:

EUR'000	2022	2021
Fair value of the plan assets at the beginning of the year	434	428
Interest income from plan assets	2	3
Financial actuarial gains (+) / losses (-)	4	-6
Contributions to the plan assets by the group	3	9
Fair value of the plan assets at the end of the year	443	434

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

EUR'000	2022	2021
Service cost	63	82
Interest cost	112	65
Expenses for pension payments	175	147

In the income statement, service costs are reported in "Cost of sales" (EUR 50k), "Sales and marketing expenses" (EUR 9k) and "General and administrative expenses" (EUR 4k) and the interest expense in the respective item.

EUR'000	2022	2021
Cumulated amount of the actuarial gains included in shareholders' equity, after deducting deferred taxes	-1,059	-3,540
EUR'000	2022	2021
Defined benefit obligation (DBO) as of 31/12	7,779	11,265
Experience adjustments	-174	-157

The pension provisions attributable to key management personnel totalled EUR 3,802k (previous year: EUR 4,576k). Of this, an amount of EUR 429k (previous year: EUR 674k) pertains to two former Managing Board members.

Sensitivities of the principal actuarial assumptions

The interest rate as well as life expectancy have been identified as principal actuarial assumptions. Changes would have the following implications:

Implications for the DBO	+0.5% interest rate	-0.5% interest rate	+1 year life expectancy	-1 year life expectancy
2022	-309	353	388	-400
2021	-971	644	414	-838

The same method was applied to calculate the sensitivity of the DBO as that used to calculate the defined benefit obligation itself.

Asset / liability matching strategy

Reinsurance contracts of EUR 201k (previous year: EUR 201k) have been entered into to cover risks. A further EUR 242k (previous year: EUR 242k) has been deposited on a pledged bank account. Due to the small amount involved, the remaining obligations are financed from current cash flows.

Future cash flows

Expected pension payments (EUR '000):

	2023	2024	2025	2026	2027	2028-2032
	376	394	413	423	432	2,294
Previous year						
	2022	2023	2024	2025	2026	2027-2031
	348	359	376	395	404	2,168

The weighted average maturity of the DBO of the defined benefit plans is 12 years (previous year: 16 years).

Defined contribution plans

In the 2002 financial year, init changed its pension plan regulations for new commitments. Accordingly, the company no longer makes any new, direct commitments. The expense for defined contribution plans amounts to EUR 944k (previous year: EUR 795k). Thereof attributable to key management personnel EUR 141k (previous year: EUR 164k).

30. Equity

Subscribed capital

The capital stock consists of 10,040,000 no-par bearer shares with an imputed share in the capital stock of EUR 1 per share. The shares have been issued and are fully paid in.

Shares outstanding:

	2022	2021
As of 01/01	9,935,963	9,930,635
Purchase of treasury shares	-67,236	-20,000
Issue of shares to Managing Board, managing directors and key personnel	22,791	25,328
Issue of shares to employees	8,297	0
As of 31/12	9,899,815	9,935,963

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

Managing Board	Number of shares	Supervisory Board	Number of shares
Dr. Gottfried Greschner, CEO *	3,385,500	Hans-Joachim Rühlig	0
Dr. Jürgen Greschner, CSO	88,700	Ulrich Sieg	0
Dr. Marco Ferber, CFO	0	Christina Greschner	371,523
Matthias Kühn, COO	12,480	Andreas Thun	0

3,335,500 of which are held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe.
Dr. Gottfried Greschner holds 74.2 per cent in this company.

Concerning the information provided pursuant to Section 26 (1) of the German Securities Trading Act (WpHG), please refer to note 43.

Conditional capital

The annual shareholders' meeting on 19 May 2021 passed a resolution creating contingent capital totalling EUR 5,000,000. The capital stock of the company may be increased by up to EUR 5,000,000 by issuing up to 5,000,000 new no-par bearer shares. The contingent capital increase serves solely to grant shares upon the exercise of warrants or conversion rights, or upon fulfilment of option or conversion obligations, to the holders of the warrants or convertible bonds in accordance with the authorisation issued by the annual shareholders' meeting on 19 May 2021.

Authorised capital

By resolution of the annual shareholders' meeting of the company on 15 May 2019, the Managing Board is authorised, with the consent of the Supervisory Board, to increase the company's share capital by up to a total of 1,004,000.00 by issuing new no-par value bearer shares with or without voting rights ("authorised capital 2019"), on one or more occasions or in partial amounts, in the period up to 15 May 2024. The capital increases may be achieved with contributions in cash and/or contributions in kind. The Managing Board is further authorised, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders in particular in the following cases:

- ▶ for a capital increase in return for a cash contribution, up to a total of 10 per cent of the existing share capital, provided that the issue price of the new shares is not significantly lower than the stock exchange price of shares of the same class and features that are already listed
- ▶ to the extent that it is necessary to grant a subscription right to new shares to the extent to which they would be entitled after exercising their conversion and/or option rights or after fulfilling their conversion and/or option obligations
- ▶ for fractional amounts resulting from the subscription ratio

- ▶ in order to tap into additional capital markets
- ▶ for a capital increase by way of contribution in kind for the acquisition of companies, parts of companies or equity interests in companies or other assets (even if a purchase price component is paid out in cash in addition to shares) or in the context of company mergers or acquisitions
- ▶ to transfer up to 250,000 new shares to employees

Additional paid-in capital

The additional paid-in capital on 31 December 2022 amounted to EUR 6,575k, of which EUR 3,141k resulted from the premium received on the shares sold at the time of the initial public offering. Additional paid-in capital was increased by EUR 514k through the sale of treasury stock in 2007. In the period from 2005 to 2022, a total amount of EUR 2,920k was transferred to additional paid-in capital to cover the expenses from share-based payments (see note 37). The change in 2022 is due to the measurement of share-based payments and the shares issued.

Treasury shares

As of 1 January 2022, treasury stock comprised 104,037 shares. Based on resolutions passed at the Shareholders' Meeting of 26 June 2020, the company was authorised to purchase treasury shares. On 18 March 2022, a decision was taken to repurchase up to 40,000 shares. 31,047 shares were repurchased from 9 March to 20 April 2022 at an average price of EUR 32.21. A resolution for another share repurchase was passed on 14 June 2022. In the period from 15 June to 19 July 2022, inclusive, a total of 20,000 shares were repurchased at an average price of EUR 22.11. In addition, in accordance with the resolution from 25 October 2022, a total of 16,189 shares were repurchased at an average price of EUR 23.46 during the period from 27 October to 23 December 2022.

Within the scope of the incentive scheme for members of the Managing Board and managing directors, a total of 31,088 shares were transferred in 2022 with a vesting period of five years during which shares cannot be resold (note 37). On 31 December 2022, there were consequently 140,185 treasury shares.

Using the cost method, the company's treasury shares were valued at acquisition cost at EUR 3,517k (previous year: EUR 2,467k) and openly deducted from the equity capital. The total of 140,185 shares as of 31 December 2022 corresponds to an imputed share of EUR 140,185 (1.4 per cent) of the capital stock. The average repurchase price was EUR 27.10 per share. Treasury shares were purchased for use as consideration in mergers and acquisitions of other companies or parts of companies, to tap into new capital markets, or to be issued to staff or members of the Managing Board.

Reserves and consolidated unappropriated profit

The item reserves and consolidated unappropriated profit amounting to EUR 98,369k (previous year: EUR 87,344k) contains the reserves carried by init SE and the retained earnings generated by init SE and its consolidated subsidiaries since group affiliation.

Other reserves

Pension revaluation reserve: Actuarial gains and losses are recorded through other comprehensive income.

Foreign currency translation reserve: This reserve is used to record differences arising from translating financial statements from foreign currencies into the presentation currency.

Securities marked to market: Changes in the fair value of available-for-sale financial instruments are recognised in this reserve.

Capital management

The objective of capital management is to ensure financial flexibility for long-term business continuity and to secure strategic activities. In this regard, the init Group focuses on securing liquidity, limiting the financial risks and maintaining the high equity ratio. The group has shown a consistently high equity ratio over the last few years. At the Shareholders' Meeting 2021, a resolution to create conditional capital of EUR 5,000,000 was passed. Furthermore, a resolution for authorised capital of EUR 1,004,000 was passed by the Shareholders' Meeting dated 15 May 2019.

31. Objectives and methods of financial risk management

The group's principal financial instruments, other than derivatives, consist of cash and cash equivalents, securities, trade accounts receivable and loans. The purpose of the securities and bonds is to invest the funds of the group. The group has a number of other financial assets and liabilities, including trade accounts receivable and payable, which accrue directly within the scope of its business activities.

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

The group has always pursued the policy of refraining from trading in financial instruments and foreign currencies. However, since init also tries to keep its options open with regard to hedging currency risks, it may incur exchange losses.

In addition, init holds 25 kg of gold. The value of gold fluctuates as it is marked to market on the reporting date. The changes in its fair value are reported through profit or loss. There were no changes to the objectives or methods of financial risk management.

The main risks of the group in regard to financial instruments include foreign currency risks and risks of default. Corporate management regularly reviews and monitors each of these risks, which are described more specified below.

Foreign currency risk

Due to foreign revenues, changes in exchange rates constitute a substantial risk. To hedge the foreign currency risk, the group uses forward exchange transactions for project business transactions. The hedges must be in the same currency as the underlying transaction. The group usually only enters into hedging transactions once a firm commitment has been made.

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

If the value of the euro relative to the foreign currencies relevant for init had appreciated by 10 per cent on 31 December 2022, the operating result would have been EUR 1,688k lower. The resulting depreciation of

forward exchange transactions would have totalled EUR 97k. As a counter-effect, an appreciation of the euro would also have resulted in additional expenses of EUR 1,591k owing to cash in banks, accounts receivable and liabilities in foreign currency. If, on the other hand, the value of the euro relative to all foreign currencies relevant for init had depreciated by 10 per cent on 31 December 2022, the operating result would have been EUR 2,035k higher. Of this increase, EUR 91k is allocable to forward exchange transactions, which would have been compensated for by an appreciation of cash in banks, accounts receivable and liabilities in foreign currency of EUR 1,944k.

If the value of the euro relative to the foreign currencies relevant for init had appreciated by 10 per cent on 31 December 2021, the operating result would have been EUR 746k lower. The resulting appreciation of forward exchange transactions would have totalled EUR 392k. As a counter-effect, an appreciation of the euro would also have resulted in additional expenses of EUR 1,138k owing to cash in banks, accounts receivable and liabilities in foreign currency. If, on the other hand, the value of the euro relative to all foreign currencies relevant for init had depreciated by 10 per cent on 31 December 2021, the operating result would have been EUR 989k higher. Of this increase, EUR 401k is allocable to forward exchange transactions, which would have been compensated for by an appreciation of cash in banks, accounts receivable and liabilities in foreign currency of EUR 1,390k.

If the euro had been revalued by 10 per cent against the foreign currencies relevant to init on 31 December 2022, the equity capital would have been EUR 4,369k lower. If, on the other hand, the euro had depreciated by 10 per cent against the foreign currencies relevant to init on 31 December 2022, the equity capital would have been EUR 4,369k higher.

Risk of default

The group does not have any material risk of default concentrations. This is due, on the one hand, to the fact that over 90 per cent of the orders are publicly subsidised and, on the other, to the fact that the orders are usually paid on account or billed on the basis of predefined milestones. Furthermore, trade accounts receivable are checked once a fortnight for receipt of payment and dunned if necessary. Bad debts in 2022 totalled EUR 166k (previous year: EUR 3,233k). These resulted from previously impaired receivables that now constitute actual bad debts. Reference is made to note 16.

The gross book values of trade receivables amount to EUR 36,072k (previous year: EUR 33,503k). The current trade receivables of EUR 29,974k (previous year: EUR 28,417k) have an expected default rate of 2.1 per cent (previous year: 4.2 per cent). This results in a value adjustment of EUR 625k (previous year: EUR 1,188k). Trade receivables overdue by 30-90 days amounting to EUR 2,410k (previous year: EUR 3,775k) have an expected default rate of 3.0 per cent (previous year: 5.2 per cent). This results in a value adjustment of EUR 72k (previous year: EUR 194k). Trade receivables 90-180 days overdue amounting to EUR 1,825k (previous year: EUR 416k) have an expected default rate of 3.8 per cent (previous year: 5.8 per cent). This results in a value adjustment of EUR 70k (previous year: EUR 25k). Trade receivables overdue by more than 180 days amounting to EUR 1,862k (previous year: EUR 895k) have an expected default rate of 4.5 per cent (previous year: 6.5 per cent). This results in a value adjustment of EUR 83k (previous year: EUR 58k). The contract assets of EUR 14,763k (previous year: EUR 21,701k) have an expected default rate of 0 per cent (previous year: 0 per cent).

All customers requesting transactions with the init Group based on credit are subject to a credit check. Since the group concludes transactions only with recognised, creditworthy third parties, collateral is not considered to be necessary, also as this is not customary in our business environment.

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

Interest risk

The interest risk to which the group is exposed to mainly results from short term euro loans. Further risks can arise from interest rate changes on capital investments. At present an increase in interest rates of 0.5 per cent up or down would not have any significant impact on the financial performance, financial position and cash flows of the init Group, due to the small size of such transactions.

Liquidity risk

On 31 December 2022, the financial liabilities of the group had the following maturities. The disclosures are based on contractual, non-discounted payments plus agreed or anticipated interest expenses (cash flows).

In order to mitigate liquidity risks, the liquidity of the init Group is managed by corporate headquarters. The main aim is to ensure a minimum liquidity of each company to ensure solvency at all times. Our current projects provide the largest source of liquidity. In addition, the steady cash inflow from operating, support and maintenance contracts is becoming increasingly significant. In addition to these day-to-day cash inflows, the init Group secures its liquidity risk using appropriate lines of credit that can be drawn as needed. For information on available credit lines, please refer to the comments in note 27.

As of 31 December 2022, the future cash flows relating to financial liabilities were as follows:

EUR'000	Total	2023	2024	2025/2027	> 2027
Non-derivative financial liabilities					
Other financial liabilities	50,934	31,359	6,405	7,614	5,556
Lease liabilities	26,096	3,528	3,161	7,163	12,244
Derivative financial liabilities and assets without a hedging relationship					
Derivative financial assets	-6	-6	0	0	0
Total		-6	0	0	0

The derivative financial assets result in cash outflows totalling EUR 942k and cash inflows totalling EUR 948k.

As of 31 December 2021, the future cash flows relating to financial liabilities were as follows:

EUR'000	Total	2022	2023	2024/2026	> 2026
Non-derivative financial liabilities					
Other financial liabilities	46,055	30,301	6,250	9,504	0
Lease liabilities	15,622	3,341	3,259	6,273	3,400
Derivative financial liabilities and assets without a hedging relationship					
Derivative financial liabilities	114	114	0	0	0
Derivative financial assets	-28	-28	0	0	0
Total		86	0	0	0

The derivative financial liabilities and assets result in cash outflows totalling EUR 5,589k and cash inflows totalling EUR 5,502k.

32. Explanatory notes on financial instruments

Classification and fair values

The following table states the carrying amounts of the financial instruments of the group reported in the balance sheet on 31 December 2022 compared to 31 December 2021 and shows their classification to the corresponding measurement categories according to IFRS 9.

	2022	2021
ASSETS		
Financial assets at amortised cost	90,035	82,752
Cash and cash equivalents	40,050	28,158
Trade accounts receivable	35,222	32,038
Receivables from related parties	0	3
Contract assets	14,763	21,628
Other financial assets (current)	0	925
Financial assets reported at fair value through other comprehensive income	29	39
Marketable securities and bonds	29	39
Financial assets measured at fair value through profit or loss	6	28
Derivative financial instruments	6	28
EQUITY AND LIABILITIES		
Financial liabilities reported at amortised cost	50,185	44,949
Bank loans (current and non-current)	38,035	29,340
Trade accounts payable	9,747	6,932
Other liabilities (current)	2,403	7,463
Other liabilities (non-current)	0	1,214
Financial liabilities measured at fair value through profit or loss	0	114
Derivative financial instruments	0	114

The carrying amounts of the bank liabilities correspond to the fair values.

Hierarchy of fair values pursuant to IFRS 13

The group uses the following hierarchy to determine and report the fair value:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2: Techniques in which all input parameters with a material impact on the calculated fair value are directly or indirectly observable.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows the fair values of assets and liabilities, and with the exception of those with carrying amounts, are reasonable approximations of fair values:

EUR'000	Fair value as of 31/12/2022	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Derivative financial instruments	6		6	
Available-for-sale financial assets				
Marketable securities and bonds	29	29	0	0

Evaluation of the fair value of all investment property is carried out on Level 3.

For further information regarding “Assets for which fair values are disclosed / Investment property” please refer to note 20.

EUR'000	Fair value as of 31/12/2021	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Derivative financial instruments	28	0	28	0
Available-for-sale financial assets				
Marketable securities and bonds	39	39	0	0
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	114	0	114	0

In the reporting period ending 31 December 2022 and the reporting period ending 31 December 2021, there were neither reclassifications between the fair value categories of Level 1 and Level 2 nor any reclassifications into or out of the fair value category of Level 3.

The fair value measurement of Level-2 financial instruments in the reporting year and also in the previous year involved the following valuation technique: Derivative financial instruments are measured by discounting their expected future cash flows over the residual term of the contract and using their respective closing prices.

The measurement of fair value at Level 3 in the current financial year is as follows: The fair value was determined using the discounted cash flow method, taking into account the following parameters: price developments, discount rate and sales value of the properties.

Hedging transactions

The derivative financial instruments used to hedge future cash flows relate exclusively to foreign exchange risks in regard to the expected monies received predominantly in US dollars and pound sterling from firm transactions. The following derivative financial instruments were concluded:

EUR'000	Nominal value		Market value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Forward exchange transactions (sale) in USD	942	5,587	6	-86

33. Contingencies and other liabilities

Legal disputes

init SE and other group companies are involved in legal disputes connected with ongoing business operations that may have an impact on the group's financial situation. Litigation involves a number of variables, and the outcome of individual lawsuits cannot be reliably predicted.

The affected group companies have recognised provisions for risks in legal disputes in the balance sheet for events prior to the reporting date that are likely to result in a liability which can be estimated with reasonable accuracy. Reference is made to note 28.

At present there is no litigation that could have a significant impact on the financial performance, financial position and cash flows of the init Group.

OTHER DISCLOSURES

34. Additional notes to the cash flow statement

The cash flow from operating activities includes proceeds from interest amounting to EUR 24k (previous year: EUR 21k) and interest payments amounting to EUR 555k (previous year: EUR 581k). Furthermore, the cash flow from operating activities includes payments for income taxes in the amount of EUR 1,468k.

Cash of EUR 240k (previous year: EUR 0k) was received from profit distributions from maBinso. Cash outflow for dividends on init shares totalled EUR 5,465k (previous year: EUR 5,467k).

Liabilities from financing activities include liabilities to banks and leasing liabilities. Bank liabilities increased in the reporting year from EUR 29,340k (previous year: EUR 37,449k) to EUR 38,035k (previous year: EUR 29,340k). The change of EUR 8,695k (previous year: EUR -8,883k) is cash-effective in the amount of EUR 8,127k and is determined in the amount of EUR 22,512k (previous year: EUR 7,673k) from incoming payments from the taking up of bank liabilities; on the other hand, outgoing payments from current repayments of EUR 14,385k (previous year: EUR 16,556) are running. Interest accruals amounting to EUR 568k (previous year: EUR 774k) have no effect on payments. Leasing liabilities also increased in the year under review from EUR 15,622k (previous year: EUR 17,100k) to EUR 24,508k (previous year: EUR 15,622k).

The change of EUR 8,886k (previous year: EUR - 1,478) is cash-effective in the amount of EUR 3,513k (previous year: EUR 3,340k) and results from interest payments EUR 130k (previous year: EUR 166k) and redemption payments EUR 3,513k (previous year: EUR 3,340k). Otherwise, non-cash changes amounting to EUR 12,399k (previous year: EUR 2,016k) result from additions to leasing liabilities and interest deferrals amounting to EUR 130k (previous year: EUR 13k).

35. Related party transactions

The companies included in the consolidated financial statements and the associated companies are listed in the section on the basis of consolidation.

EUR'000	Associated companies		Other related parties	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Trade accounts receivable and other income	970	989	0	0
Trade accounts payable and other expenses	351	650	576	575
Receivables on 31/12	0	3	0	0

Other transactions with related parties

init SE rents an office building in Karlsruhe, 67.39 per cent of which is held by Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe and 32.61 per cent by Eila Greschner. The monthly rental payments amount to approximately EUR 46k (total annual rent: EUR 547k).

A new lease came into effect on 1 January 2023. The lease installments are fixed until 31 December 2042 and amount to EUR 53k monthly (annually: EUR 642k). The terms and conditions of the lease are at arm's length.

Total payments of EUR 9k (previous year: EUR 8k) made to family members of Managing Board members were recognised under personnel expenses.

Terms and conditions of business transactions with related parties

Sales and acquisitions with related parties are conducted at market rates. No guarantees exist for receivables and payables in relation to related parties.

Remuneration of persons in key management positions

The members of the Managing Board of init SE are considered to be persons in key management positions. For details on their remuneration, please refer to note 40.

An amount of EUR 948k has been set aside for provisions from the variable remuneration of the Executive Board members, which will be settled in the short term.

As of the balance sheet date, there are still open provisions of EUR 272k for the supervisory board members, which will also be settled in the short term.

36. Geographical information

In the consolidated financial statements, the following amounts can be allocated to the regions specified. In addition to Germany, the regions in which revenues were generated mainly include the rest of Europe (including the UK, Luxembourg, the Netherlands and Ireland) and North America (USA and Canada).

Revenue 01/01–31/12

EUR'000	2022	%	2021	%
Germany	54,668	28.6	55,534	31.5
Rest of Europe	39,949	20.9	35,062	19.8
North America	71,006	37.1	65,332	37.0
Other countries (Australia, UAE)	25,629	13.4	20,731	11.7
Group	191,252	100.0	176,659	100.0

The information on revenues given above is based on the customer's location.

Non-current assets 31/12

EUR'000	2022	%	2021	%
Germany	69,402	79.6	57,362	76.9
Rest of Europe	1,794	2.1	1,795	2.4
North America	15,545	17.8	14,938	20.0
Other countries (Australia, UAE)	471	0.5	556	0.7
Group	87,212	100.0	74,651	100.0

Non-current assets consist of property, plant and equipment, investment property, intangible assets and interests in associated companies.

37. Share-based payments

Equity-settled management bonuses

A further management bonus for 2022 in the form of 1,050 or 2,100 shares will be granted to the Managing Board, if EBIT comes to or exceeds EUR 12 m after deduction of all bonuses. Furthermore, for each EUR 1 m of profit that exceeds the amount of EUR 12 m up to EUR 15 m, another 150 or 300 shares are granted as a bonus. In the same way, a further 300 or 600 shares are granted as bonuses for EUR 1 m profit in excess of EUR 15m. The number of shares is restricted to 10,000 or 20,000. The shares are subject to a lock-up period of five years and cannot be sold during this period. The income tax on the pecuniary advantage of the share transfer is borne by the company. No constructive obligation is established to bonuses in the form of share-based payments, even when paid in previous years. The bonus is revised and agreed each year by the Supervisory Board.

In addition, managing directors of subsidiaries of the company are paid a share-based bonus, the amount of which depends on the level EBIT. In sum, 22,791 shares (previous year: 25,328) were granted to members of the Managing Board and other key personnel. They are barred from trading for five years. The taxes relating to the share transfer are borne by the group.

In 2022, the valuation was based on 30,720 shares (previous year: 22,501). The fair value on the basis of the market price of these equity instruments of the Managing Board amounted to EUR 404k (EUR 24.50 per share) (previous year: EUR 513k; EUR 37.15 per share) and EUR 424k (EUR 29.85 per share) (previous year:

EUR 265k; EUR 30.50 per share) for the managing directors. These amounts were recorded as expenses in 2022.

38. Subsequent events

There have not been any events after the balance sheet date that have a material impact on the financial performance, financial position and cash flows.

39. Employees, Managing Board and Supervisory Board

Employees

The annual average number of employees was as follows:

	2022	2021
Employees Germany	863	824
Employees Rest of Europe	53	50
Employees North America	142	138
Employees Other countries	40	43
Total	1,098	1,055

Managing Board

The following members make up the Managing Board of init SE:

Dr. Gottfried Greschner, Karlsruhe	Dipl.-Ing. (Chairperson) (CEO)
Dr. Jürgen Greschner, Pfinztal	Dipl.-Kfm. (Deputy Chairperson) (CSO)
Jennifer Bodenseh, Landau	Bachelor of Arts (B.A.) (CFO until 30 June 2022)
Matthias Kühn, Karlsruhe	Dipl.-Ing. (FH) (COO)
Dr. Marco Ferber, Seeheim-Jugenheim	Dipl.-Kfm. (CFO from 1 March 2023)

Dr. Gottfried Greschner is a member of the foundation board of Majolika-Stiftung für Kunst- und Kulturförderung, Karlsruhe. In addition, he is the Deputy Chairman of the Board of Deutsch-Finnische Gesellschaft Baden-Württemberg e.V., Tübingen.

Supervisory Board

The members of the Supervisory Board of init SE are:

Dipl.-Kfm. Hans-Joachim Rühlig, Ostfildern, Germany, Chairperson	Independent management consultant Former Financial Managing Director of Ed. Züblin AG, Stuttgart, Germany Independent member of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin/GER Managing Board member of Stiftung Bauwesen, Stuttgart, GER
Dipl.-Ing. Ulrich Sieg, Jork, Germany, Deputy Chairperson	Consulting engineer specialising in public transportation Member of the Supervisory Board of SECURITAS Holding GmbH, Düsseldorf/GER Member of the Advisory Board of HanseCom Public Transport Ticketing Solutions-GmbH, Hamburg/GER
Dipl.-Ing. (FH), M.A. Christina Greschner Karlsruhe, Member	Member of the Managing Board of VDV Stiftung Führungsnachwuchs Advisory role
Drs. Hans Rat, Schoonhoven, Netherlands, Member until 18 May 2022	Consultant public transport Managing Director of Beaux Jardins B. V., Schoonhoven, Netherlands
Dipl.-Ing. Andreas Thun, Wandlitz, OT Lanke, Brandenburg, Germany Member from 18 May 2022	Sole shareholder and Managing Director of Landsensor GmbH, Partner of iris-GmbH, Wandlitz, Germany

40. Disclosure of the compensation of key management personnel

The disclosable remuneration of the Group's key management personnel includes the remuneration of the members of the Executive Board and the Supervisory Board.

The total remuneration for the Executive Board in the reporting year amounts to EUR 2,481k (previous year: EUR 2,864). Of this amount, EUR 1,630k (previous year: EUR 1,661k) was paid in short-term benefits, EUR 150k (previous year: EUR 331k) in post-employment benefits and EUR 701k (previous year: EUR 872k) in share-based payments.

The Executive Board members received short-term benefits of EUR 1,630k (previous year: EUR 1,661k) in the reporting year. The short-term benefits include fixed remuneration of EUR 1,346k (previous year: EUR 1,385k), fringe benefits of EUR 63k (previous year: EUR 66k) and performance-related remuneration totalling EUR 221k (previous year: EUR 210k). This performance-related remuneration consists of the annual bonus (STI) and the share-based remuneration (LTI). The annual bonus (STI) is a short-term, one-year performance-related remuneration component that is granted annually in the event of success. The amount paid out under the STI is determined on the basis of a minimum EBIT. For share-based remuneration, please refer to Note 37.

The total remuneration of the Supervisory Board in 2022 amounts to EUR 291 (previous year: EUR 400k). These are short-term benefits. They include a variable component of EUR 125k (previous year: EUR 250k), which is determined on the basis of a minimum EBIT. They are distributed as follows:

EUR'000	Fixed	Variable
Dipl.-Kfm. Hans-Joachim Rühlig	63	49
Dipl.-Ing. Ulrich Sieg	25	25
Dipl.-Ing. (FH), M.A. Christina Greschner	32	25
Dipl.-Ing. Andreas Thun	17	6
Drs. Hans Rat	10	20

41. Auditor

At the annual Shareholders' Meeting on 18 May 2022, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as the new auditor of the consolidated financial statements.

An amount of EUR 382k was recorded for the audit services of the independent auditor of the consolidated financial statements.

In the previous year, a sum of EUR 351k was posted for the costs of that year's independent auditor, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart. An amount of EUR 53k was charged for tax advisory services in the previous year.

42. Declaration of compliance with the German Corporate Governance Code

The declaration of compliance for init SE was made by the Managing Board and the Supervisory Board on 18 May 2022, and was made available to the shareholders on our website at <https://www.initse.com/ende/investors/corporate-governance/>

43. Notifications under Section 26 (1) WpHG (German Securities Trading Act)

On 24 January 2022, Universal-Investment private limited company, Frankfurt am Main, Germany, informed us according to Section 33 (1) WpHG that its voting rights via shares in init innovation in traffic systems SE, Karlsruhe, Germany, exceeded the 3 per cent threshold of the voting rights on 19 January 2021 and on that day amounted to 3.003 per cent (this corresponds to 301,540 voting rights). On 4 August 2022 the entity notified us that it had once again fallen below the threshold of 3 per cent of the voting rights on 1 August 2022. The share of voting rights on this day stood at 2.9 per cent (corresponding to 291,352 voting rights).

44. Approval of the consolidated financial statement

At the Managing Board meeting on 20 March 2023, the consolidated financial statements and the group management report of init SE as of 31 December 2022 issued by the Managing Board were approved for submission to the Supervisory Board.

45. Corporate Governance Statement

With regard to the required declaration by the management, please refer to the Corporate Governance Report in the Annual Report 2022 which is available on the Internet at: <https://www.initse.com> under the tab Investor Relations – Corporate Governance.

46. Responsibility Statement

We assure to the best of our knowledge and in accordance with the applicable reporting principles that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the company, and that the group management report, which is combined with the management report of init SE, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Karlsruhe, 27 March 2023

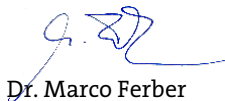
The Managing Board



Dr. Gottfried Greschner



Dr. Jürgen Greschner



Dr. Marco Ferber



Matthias Kühn

AUDITOR'S REPORT

“INDEPENDENT AUDITOR'S REPORT

To init innovation in traffic systems SE, Karlsruhe

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of init innovation in traffic systems SE, Karlsruhe, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of init innovation in traffic systems SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 paragraph 3 clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section

of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Recoverability of goodwill
- ② Revenue recognition from long-term projects
- ③ Valuation of inventories

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

① **Recoverability of goodwill**

- ① Goodwill totalling TEUR 12,488 (5.08 % of the balance sheet total or 10.73 % of equity) is recognised in the consolidated financial statements of the company. Goodwill is subjected to an impairment test once a year or on an ad hoc basis in order to determine a possible need for depreciation. The impairment test is carried out at the level of the groups of cash-generating units to which the respective goodwill is allocated. As part of the impairment test, the carrying amount of the respective cash-generating units including goodwill is compared with the corresponding recoverable amount. The recoverable amount is generally determined on the basis of the value in use. The basis for the valuation is regularly the present value of future cash flows of the respective group of cash-generating units. The present value is determined using discounted cash flow models. The starting point is the Group's approved medium-term plan, which is updated with assumptions about long-term growth rates. Expectations about future market development and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using

the weighted average cost of capital of the respective group of cash-generating units. As a result of the impairment test, no need for impairment was determined. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. With this background information and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

The result of this valuation is highly dependent on the assessment of the legal representatives regarding the future cash flows of the respective group of cash-generating units, the discount rate used, the growth rate as well as other assumptions and is subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular importance in the context of our audit.

- ② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated, we focused our testing on the parameters used to determine the discount rate applied and assessed the calculation model. To reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company.

Considering the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

- ③ The Company's disclosures on goodwill are contained in number 21 of the notes to the consolidated financial statements.

② Revenue recognition from long-term projects

- ① In the consolidated financial statements of the company as at 31 December 2022, the income statement shows revenues of TEUR 191,252, of which TEUR 82,218 were realised from project business over a specific period. Contract assets of TEUR 14,763 and contract liabilities of TEUR 9,745 are recognised in the balance sheet as at 31 December 2022.

The init SE group generates a significant proportion of its revenues from long-term project business for local public transport providers. When sales are realised over a period of time, the sales revenues are recorded on the basis of the progress of work, which is determined as the ratio of the actual contract costs incurred to the anticipated total costs. The degree of completion is determined according to the ratio of the costs incurred to the expected total costs (input-based method). In view of the complex production processes, the period-based revenue recognition requires in particular an effective internal budgeting and reporting system including a concurrent project controlling as well as a functioning internal control system.

- ② Taking into account the knowledge that there is an increased risk of misstatement in the financial statements due to the complexity and the estimates and assumptions to be made, we assessed the processes and controls established by the Group for revenue recognition from long-term customer-specific contracts. Our specific audit procedures included testing controls as well as substantive audit procedures, in particular assessing the process of properly identifying performance obligations and classifying the performance of services in a given period or at a given point in time, assessing the cost accounting system and other relevant systems supporting the accounting for customised contracts, assessing the proper recognition and allocation of direct costs and the amount and allocation of overhead, as well as assessing the project costings underlying the customised contracts and the determination of the progress of performance.

With this information, the correct application of the accounting standard on revenue recognition is complex and is based in part on estimates and assumptions made by the and assumptions of the legal representatives. Therefore, the matter was of particular significance for our audit.

Through consistent audit procedures performed as part of the audit of the operating subsidiaries, we ensured that we adequately addressed the inherent audit risk in revenue recognition from project business across the Group. We were able to satisfy ourselves that the systems and processes in place, as well as the controls in place, are adequate and that the estimates and assumptions made by the legal representatives for revenue recognition from long-term project business are sufficiently documented and substantiated.

- ③ The init SE group's disclosures on revenue recognition from project business are included in Note 3 "Accounting policies", section: "Revenue recognition" and Note 4 "Revenue" of the notes to the consolidated financial statements.

③ Valuation of inventories

- ① The consolidated financial statements of init SE show inventories of TEUR 42,091 (17.13 % of the balance sheet total).

To ensure its long-term ability to supply customers, the init SE group acquires a stock of hardware components that exceeds the requirements of the project business. Due to the high degree of individualisation of customer orders and the general technical development, hardware in particular is kept in the inventories as spare parts in the long term. Inventories are generally valued at the lower of acquisition or production cost and expected net realisable value. In order to ensure that the inventories are valued at the lower value, the init SE group determines the expected net realisable value with the use of discounts based on experience and evaluations of past projects. In addition, the init SE group carries out case-by-case assessments for the inventories. The valuation of inventories is thus based to a significant extent on the estimates and assumptions of the legal representatives. Against this background and due to the amount of this significant item, we considered this matter to be of particular importance for our audit.

- ② As part of the audit, we obtained an understanding of the process of determining the acquisition and production costs and possible devaluation requirements of the inventories. As part of our risk-oriented audit approach, we assessed, among other things, the appropriateness of the process in relation to the determination of acquisition and production costs and possible devaluation requirements and the appropriateness and effectiveness of the implemented control measures, including the company's IT system used, in relation to the valuation of inventories. Within the scope of the expressive audit procedures, in addition to analytical audit procedures, we have, among other things, traced the methodical procedure for carrying out the determination of the cost of production and defined further audit procedures on a sample basis. The audit procedures included, above all, a

critical appraisal of the results of the devaluation routines, questioning the employees responsible for inventory valuation about the plausibility of the assumptions and estimates made about the possible usability of the inventories, and comparing the estimates with the devaluations made in previous years.

Overall, we were able to satisfy ourselves that the estimates and assumptions made by the legal representatives for the valuation of the inventories are sufficiently documented and justified.

- ③ The Company's disclosures on the valuation of inventories are included in section 3 "Estimates and assumptions", section 5 "Cost of sales" and section 17 "Inventories" in the notes to the consolidated financial statements.

Other Information

The legal representatives are responsible for the other information. The other information comprises

- the corporate governance statement pursuant to § 289f HGB and § 315d HGB
- the separate non-financial report on compliance with §§ 289b to 289e HGB and §§ 315b to 315c HGB
- all other parts of the annual report - without further cross-references to external information - with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit, we have a responsibility to read the other information referred to above and, in doing so, consider whether the other information is

- materially inconsistent with the consolidated financial statements, the content of the audited group management report disclosures or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for

such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.



Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 paragraph 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file `initse-INIT SE_KA+KLB_ESEF 31122022.zip` and prepared for publication purposes complies in all material respects with the requirements of § 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 paragraph 3a

HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 paragraph 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 paragraph 1 clause 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 paragraph 1 clause 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 paragraph 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 paragraph 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 paragraph 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 May 2022. We were engaged by the supervisory board on 19 January 2023. We have been the group auditor of the init innovation in traffic systems SE, Karlsruhe, without interruption since the financial year 2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 paragraph 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Andrea Ehrenmann.

Stuttgart, 28 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft



Ehrenmann

Wirtschaftsprüferin

(German public auditor)



Pflumm

Wirtschaftsprüferin

(German public auditor)



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This report contains future-related statements, which are based on current estimates of the company with regard to future developments. Such statements are inherently subject to risks and uncertainties, as they may be affected by factors that are neither controllable nor foreseeable by init, such as on the development of the future market environment and economic conditions, the behaviour of other market participants and government measures. If one of these uncontrollable or unforeseeable factors occurs respectively changes or the assumptions on which these statements are based prove inaccurate, actual developments and results could differ materially from the results cited explicitly or contained implicitly in these statements.



Notes

NOTES



_ Five-Year Financial Summary of the init group (IFRS)

EURk

Balance Sheet (31/12)	2022	2021	2020	2019	2018
Balance sheet total	245,747	216,900	226,645	200,398	168,461
Shareholders' equity	116,555	102,624	90,522	85,547	75,762
Subscribed capital	10,040	10,040	10,040	10,040	10,040
Equity ration (in %)	47.4	47.3	40.0	42.7	45.0
Debt capital	129,192	114,276	136,123	114,851	92,699
Non-current assets	108,065	94,368	96,597	76,684	62,109
Current assets	137,682	122,532	130,048	123,714	106,352
Cash	40,050	28,158	32,211	26,174	20,620
Income Statement (01/01–31/12)					
Revenues	191,252	176,659	180,668	156,464	135,711
Gross profit	76,562	62,674	62,167	53,238	45,979
EBIT	21,005	17,566	19,642	16,240	6,372
EBITDA	31,205	27,413	28,891	23,453	10,942
Consolidated net profit	16,501	12,445	14,943	11,335	2,439
Earnings per share (in EUR)	1.66	1.25	1.50	1.13	0.24
Dividend (in EUR)	0.60*	0.55	0.55	0.40	0.12
Special dividend (in EUR)	0.10*				
Cashflow					
Cash flow from operating activities	24,382	16,007	24,437	21,132	12,809
Share					
Issue Price (in EUR)	5.10	5.10	5.10	5.10	5.10
Peak Share Price (in EUR)	38.10	48.50	37.60	23.80	22.00
Bottom Share Price (in EUR)	17.00	30.40	15.25	12.15	13.80

*proposal to Shareholders' Meeting 2023

FINANCIAL CALENDER 2023

Q1

30 March

Publication 2022 Annual Report
Press/analyst conference (virtual)

Q2

11 May

VPublication Quarterly Statement 1/2023

25 May

AGM 2023 in Karlsruhe

Q3

10 August

Publication Half-Year Financial Report 2023

Q4

9 November

Publication Quarterly Statement 3/2023

27–29 November

Equity Forum (one-one-one meetings)

