ANNUAL REPORT 2023

Increase efficiency. Ensure success.

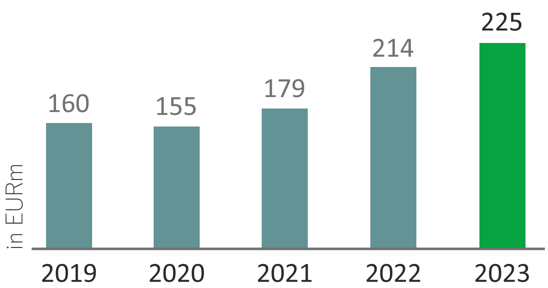
ANNUAL FIGURES

of the init group (IFRS)

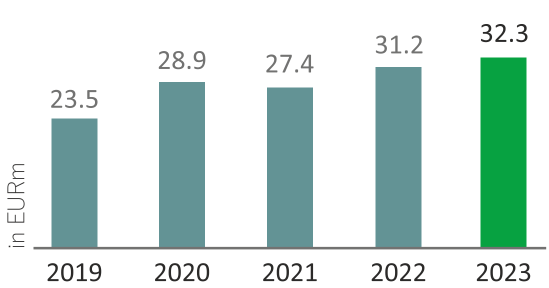
EURk	2023	2022	Difference in %
BALANCE SHEET (31/12)			
Balance Sheet Total	260,478	245,747	6.0
Shareholders' Equity	120,566	116,555	3.4
Subscribet Capital	10,040	10,040	0.0
Equity Ratio (in %)	46.3	47.4	–2.4
Debt Capital	139,912	129,192	8.3
Non-current Assets	112,608	108,065	4.2
Current Assets	147,870	137,682	7.4
Cash	27,303	40,050	–31.8
INCOME STATEMENT (01/01 – 31/12)			
Revenues	210,801	191,252	10.2
Gross Profit	80,392	76,562	5.0
EBIT	21,020	21,005	0.1
EBITDA	32,255	31,205	3.4
Consolidated Net Profit	15,151	16,501	–8.2
Earnings per Share (in EUR)	1.54	1.66	–7.2
Dividend (in EUR)	0.70*	0.60	16.7
Special dividend (in EUR)		0.10	
CASH FLOW			
Cash Flow from operating activities	7,981	24,382	–67.3
SHARE			
Issue Price (in EUR)	5.10	5.10	
Peak Share Price (in EUR)	32.90	38.10	
Bottom Share Price (in EUR)	23.80	17.00	

* dividend to be proposed to the AGM 2024

Order income EUR 225m



EBITDA EUR 32.3m



CONTENT

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

LETTER TO THE SHAREHOLDERS

Dear shareholders,

Last year was dominated by a wave of negative news: Economic development was affected worldwide by geopolitical crises, wars and climate catastrophes. Rising prices, orders not materialising and uncertainty about the future all combined to darken both the business mood and consumer confidence in Germany and abroad.

In the face of these challenges it can be difficult for companies to reach their goals and even set new records for revenue and incoming orders. That is why I am thrilled to announce that, during the reporting year, this is precisely what we at init have again achieved.

Many factors have contributed to this success. The most important: investment programmes aimed at protecting the climate, reducing greenhouse gases and transitioning to sustainable transport, which are high on the political agenda everywhere. This particularly affects public transport, both now and in the future, as operators are forced to expand their services and to switch to zero-emission fleets. This trend is opening up sustainable growth opportunities in our market for integrated planning, dispatching, telematics and ticketing solutions for buses and trains.

LETTER TO THE SHAREHOLDERS

The necessary digital transformation of public transport processes, accelerated by the use of artificial intelligence (AI) is driving a tangible boost in growth. The most notable development, in our view, is our incoming orders: two major contracts alone (Atlanta and London) with a total investment volume of more than EUR 200 million. This means our order intake for the 2024 financial year has already exceeded records set in previous years – and this in just the first quarter. In addition, these contracts will also secure revenue streams and earnings from maintenance and operating agreements for decades to come.

Our growth is also linked to an extremely strong revival in software business, for example at our subsidiary, CarMedialab which provides solutions to optimise charging processes for electromobility. This subsidiary has recently won orders not just in Germany, but also in the US, in a number of European countries and even in Africa. Another example is our recent acquisition of DResearch Fahrzeugelektronik, which has just won its first orders in the US. DResearch equips buses and trams with camera systems designed to record events in the vehicle, analyse hazards using AI, trigger timely responses and therefore increase passenger safety and security.

init has been using AI to optimise planning and dispatching processes for transport fleets for many years now. Our experience in data management that we have gained in successful projects with over 1,100 transport operators provides init with a sustained competitive advantage. Whether historical or real-time traffic data, ticketing data, timetable information or fleet management, incredibly detailed data is available and, after consulting with customers, this is used in selected areas with init software solutions to train the algorithms used in day-to-day operations.

For example, our MOBILE-PERDIS nextGen personnel assignment system, which uses AI to find the best possible match to staff needs and wishes in daily operations, has been extremely well received in the market. With solutions such as these, init's "nextGen" software and hardware solutions enable transport operators to react to new developments and significantly improve their economic position. This ensures them a sustainable future and facilitates both qualitative and quantitative growth.

For these reasons and in view of the ongoing global economic uncertainty, we are maintaining cautious budgetary planning for 2024. We expect to see dynamic double-digit growth in revenues to between EUR 240 and 260 million. Our goal for EBIT is to achieve a margin of 10 per cent.

However, these figures do not fully reflect the full momentum of our market. We are at the very beginning of an extraordinarily strong growth phase in a booming market that is characterised by numerous international calls to tender for digital transformation and climate protection projects, some of which display nine-digit budgets. Business in Europe alone extends into the billions.

We can already see that promised public funding is increasingly reaching our customers. The area of e-mobility alone promises us substantial business from investment in fleet renewal. If the financing prospects for our customer base of transport operators continue to develop positively – which a growing number of investment programs substantiate – then it is possible that growth will accelerate in the coming years.

In order to realise this growth, we need the appropriate human resources. To this end, we have strengthened our locations and diversified internationally. We have also learned that it pays to give our employees more opportunity for personal development. For example, they now receive more support for training and more decision-making responsibility in their area of activity. Our internal "culture of excellence" programme aims to turn employees into "entrepreneurs within the company". Our staff are given the opportunity to develop their potential, which ultimately results in increasing our company's overall potential.

I would like to take this opportunity to express my sincere gratitude to our motivated international employees for their dedication and their team spirit, without which our company's success would not be possible.

Against this backdrop, init innovation in traffic systems SE is a company with stable long-term value and extraordinary growth opportunities. We are confident that you, our trusted shareholders, can share in the benefits.

Many thanks for the faith you have placed in us!

Our warmest regards.

On behalf of the Managing Board

Dr. Gottfried Greschner

Chairperson of the Managing Board

MANAGING BOARD

Dr.-Ing.
Gottfried Greschner
CEO

About
Date of birth: 1946
Nationality: German

Vita
- Since 1983 Managing Director at INIT GmbH
- Since 2001 CEO at init SE

Responsibility
- Business Development
- Production
- Purchasing
- Strategy

Awards
- 1989 Innovation Award from the federal state of Baden-Wuerttemberg (Dr.-Rudolf-Eberle-Preis)
- 2002 Entrepreneur of the Year, awarded by Ernst & Young
- 2014 Special Career Service Award as part of the Talent in Mobility Awards in Paris

Dipl.-Kfm. Dr.
Jürgen Greschner
CSO and Deputy CEO

About
Date of birth: 1961
Nationality: German

Vita
- Since 2004 Managing Director at INIT GmbH
- Since 2004 CSO at init SE
- Since 2015 Deputy CEO at init SE

Responsibility
- Legal Management
- Projects and System Design
- Research
- Sales and Marketing
- Support and Operations

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

MANAGING BOARD

Dipl.-Kfm. Dr.
Marco Ferber

CFO

About

Date of birth: 1974

Nationality: German

Vita

Since 1 March 2023 CFO at init SE

Responsibility

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

Dipl.-Ing. (FH)
Matthias Kühn

COO

About

Date of birth: 1973

Nationality: German

Vita

- Since 2015 Managing Director at INIT GmbH
- Since 2016 COO at init SE

Responsibility

- Hardware Engineering
- Hardware Repair
- IT-Services
- Maintenance, Installation and Field Services
- Software Engineering Central Systems and Telematic Devices

Jörg Munz

CHRO

About

Date of birth: 1980

Nationality: German

Vita

- Since 2017 group HR Manager
- Since 2023 CHRO at init SE

Responsibility

- Human Resources
- Organisational Development

SUPERVISORY BOARD REPORT

Dear shareholders,

2023 was another year dominated by numerous crises. Although the Covid crisis has faded, the global economy remains affected by the Ukraine war. This geopolitical situation has been exacerbated by the conflict in Gaza and the Suez Canal. The Taiwan question also represents a latent risk. These exogenous factors, coupled with the state of the national budget has caused Germany's gross domestic product to contract.

The trend towards electromobility is causing considerable human resources problems and delayed supplies, particularly among automobile manufacturers and their suppliers. Layoffs and price adjustments will become unavoidable. In contrast to Germany, most other industrial nations recorded growth, albeit at a sluggish pace in some cases. Interest rates, rising prices and additional red tape had a huge impact on residential construction. Insolvency risks are rising and another factor that is fuelling uncertainty is the upcoming US presidential election at the end of 2024.

National cost-cutting measures have also affected public subsidies, particularly with regard to railways. The next few years will be challenging. At present it is impossible to predict when uncertainties caused by the current geopolitical tensions in Europe and the rest of the world will ease and when the situation will return to normal. In our function as the supervising body of init SE we addressed the ramifications 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. The planned EU Supply Chain Directive has now been implemented. However, this is not directly applicable to init due to the size criteria. The indirect consequences arising from the contractual conditions of our customers are not yet foreseeable. The planned EU Supply Chain Directive is not currently being implemented. However, it can be assumed that a new draft will be introduced. For this reason, the consequences are not yet clear. We have so far managed to avoid disruptions to our supply chains, despite higher prices thanks to our global presence, forward-looking inventory management and a multi-pronged procurement policy. Supply-side issues are currently easing. The init group has weathered these crises very well and managed to reach its targets. We achieved a historic record of incoming orders in the reporting year. Thanks to considerable expansion of the after-sales and spare parts business - despite significant price hikes from our suppliers - the result matches the previous year's level. The development of our annual result was within the range forecasted.

Together, we have managed not only to master the numerous new buy-side, personnel and sell-side challenges, but also to set the course for the 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.

Our employees have mastered the challenges that have arisen with great determination, commitment and extraordinary flexibility. May I take this opportunity to thank them, on behalf of the Supervisory Board. We will strive to maintain our high standards of quality, however, recruiting new staff remains difficult.

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

Personnel changes

One change was made to the Supervisory Board during its regular election at the Shareholders' Meeting. Over recent years, most of the responsibility lay with the shoulders of the Chairperson of the Supervisory Board. For this reason, the Supervisory Board has decided to broaden its scope. Revenue has risen steadily as has the number of employees and the requirements for good corporate governance. This brings with it greater responsibility and additional growth areas than was the case just a few years ago.

At the Shareholders' Meeting, Prof. Michaela Dickgießer, an insurance specialist, and Dr. Johannes Haupt were elected as additional members to the Supervisory Board of init SE with their skills complementing the profile of competencies of the board. As a result, the Supervisory Board has been composed of six members since 30 May 2023.

There were also personnel changes to the Managing Board. Dr. Marco Ferber became the CFO of init SE, effective 1 March 2023. Effective 1 May 2023, Jörg Munz was appointed Chief Human Resources Officer (CHRO), a newly created position on the Managing Board. This new position was created to address the growing requirements placed upon human resources, especially with regard to the complexity of the work environment and the need to attract and retain talented and motivated employees. The shortage of qualified professionals on the labour market represents a major challenge for the future. As a result, since 1 May 2023, the Managing Board of init SE has been composed of five members.

Responsibility of the Supervisory Board

In the last year, the Supervisory Board of init SE obtained regular, timely and comprehensive reporting from the Managing Board in order to fulfil 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 the last Supervisory Board meeting, the Supervisory Board performed a self-evaluation of its efficiency in 2023. 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 participated in training measures at their own initiative and with init's support.

The Chairperson of the Supervisory Board and, for certain issues, the other members of the Supervisory Board, were in constant 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 the members of the Supervisory Board in a timely manner, orally and in writing, of any discussions with the Managing Board and its reports. All measures that required the approval of the Supervisory Board due to legal or statutory provisions were always discussed and submitted for resolution in good time.

Attendance at meetings

Meetings are convened at least once a quarter. A total of six face-to-face supervisory board meetings were held in 2023, of which four were regular meetings, one an extraordinary meeting and another the first founding meeting after the election. Four of the Supervisory Board meetings were attended in full, with one member absent from each of the other two meetings. The Supervisory Board also met regularly without the Managing Board.

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

The personnel and nomination committee, which was newly created on 1 July 2023, convened twice in face-to-face meetings during the reporting year, with one member being absent at the first meeting.

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 workforce.

Topics on the audit committee agenda

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, 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 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 in issues related to financial reporting, the operating effectiveness of the internal control system, and the risk management system as well as 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 at the subsequent meeting.

Topics on the personnel and nomination committee agenda

On 1 July 2023, the Supervisory Board created a personnel and nomination committee. This focuses on the personnel issues relating to the Supervisory Board and the Managing Board and searches for successors to fill positions on the Managing Board and Supervisory Board. It submits proposals for the remuneration system of the Managing Board and the Supervisory Board and reviews this system at regular intervals. According to Article 8 (2) of the Supervisory Board's rules of procedure, the personnel and nomination committee only has an advisory function unless the Supervisory Board empowers it by resolution of the board to make decisions on behalf of the full Supervisory Board. The committee reports on its preliminary work at the subsequent meeting of the Supervisory Board.

Topics discussed at Supervisory Board meetings

Based on reports from the Managing Board, the following areas were regularly discussed at Supervisory Board meetings: 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, subsidiaries and the medium and long-term corporate strategy including organisational issues as well as human resources planning and development. In addition to corporate strategy, key topics included procurement issues, in particular their impact on the order backlog, financial performance and financial position, as well as the resulting need for action and recruiting. Other points included cultural transformation at the Karlsruhe location, init's 40th anniversary and the onboarding of new Supervisory Board members.

There was also a special focus on the following topics in the 2023 financial year:

- Improvement of business processes and the new ERP software
- Change to the schedule of Managing Board responsibilities
- Amendments to the rules of procedure of the Supervisory Board and the Managing Board
- Discussion of the 2022 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 for 2022, approval of the consolidated financial statements for 2022, release of the separate consolidated non-financial report for 2022 as well as discussion of the Managing Board's proposal for the appropriation of profit and approval of the Report of the Managing Board on Relations with Affiliated Companies
- Proposal for the auditor for the 2023 financial year
- The quarterly statements and the 2023 half-year financial report
- Adoption of the proposals for resolutions for the agenda for the 2023 Shareholders' Meeting and of the report of the Supervisory Board as well as the statement on corporate governance for 2022
- 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
- Confirmation of the targeted remuneration of the Managing Board for the 2023 financial year and resolution on the targeted remuneration of the Managing Board for the 2024 financial year
- 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 28 April 2022
- Election of the Chair of the Supervisory Board and the Deputy Chair
- Review of the efficiency of the Supervisory Board's activities
- Appointment of Jörg Munz as a member of the Managing Board (CHRO) of init SE effective 1 May 2023
- Resolution to convene a Shareholders' Meeting in 2023 with the shareholders in physical attendance
- Resolution on the creation of a personnel and nomination committee
- Corporate Governance Code: adjusting the competency profile for the Supervisory Board and progress report on implementing the profile of competencies using a matrix of board qualifications
- Cyber security
- Digital and technological leadership of init
- Capitalization of the MOBILEvario Cloud software development
- Approval of a corporate acquisition

- Assessment by the audit committee of the quality of the independent auditor
- Changes to members of the audit committee
- Approval of the consultancy agreement between INIT Mobility Software Solutions GmbH and a member of the Supervisory Board
- Approval of the loan agreement between INIT Innovation in Traffic Systems FZE and a managing director
- Approval of the acquisition and sale of shares in CarMediaLab GmbH
- Organisational changes at the Karlsruhe location

Audit of the annual and consolidated financial statements as well as of the combined management report

The annual financial statements and the combined management report of init innovation in traffic systems SE as of 31 December 2023 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2023 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.

All 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 18 March 2024. 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 recoverability of goodwill, the measurement of inventories and revenue recognition of project business. With regard to the separate 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 Management 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 41,496,118.50 will be recommended at the Shareholders' Meeting on 6 June 2024: distribution of a dividend of 70 cents per dividend-bearing no-par value share. 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 the relationships with affiliated companies ("Dependent Company Report") prepared by the Managing Board in accordance with Section 312 AktG ["Aktiengesetz": German Stock Corporation Act]. The auditor issued the following 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 19 March 2024.

Corporate Governance Code

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 16 June 2023, effective 1 July 2023, 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 the first materiality analysis in cooperation with the Managing Board in order to identify the aspects relevant to our sustainability activities. Based on an analysis in the 2021 financial year, the scope of various issues was expanded, restructured and new aspects added. In the summer of 2023 init repeated the materiality analysis already bearing in mind the requirements of the CSRD /ESRS (Corporate Sustainability Reporting Directive / European Sustainability Reporting Standards). This is based on the concept of double materiality [outside-in and inside-out perspectives]. The topics are categorised under the headings "Environment", "Social" and "Governance" and, in addition, allocated to the ESRS Standards. A full CSRD/ESRS report will be issued for the 2024 financial year.

The “Taxonomy Regulation” field concerns EU Taxonomy Directive No 2020/852 from 18 July 2020 and the associated “Delegated Acts” from 15 July 2022, as supplemented by the two Delegated Acts of the EU Commission (EU) 2023/852 from 13 June 2023. The goal is to ensure that businesses operate in an ecologically sustainable manner. In the first step, init’s share of taxonomy-eligible activities was identified and an analysis of economic activities was prepared. In the second step, the taxonomy alignment of these activities was reviewed. This topic is being continuously developed.

The audit committee and the Supervisory Board audited the 2023 separate consolidated non-financial report (ESG report) to be prepared in accordance with Section 315b HGB pursuant to Section 171 (1) AktG; in case of doubt we were supported 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 Financial Reports section.

The Supervisory Board would like to thank all employees and the Managing Board for their personal contribution in the 2023 financial year. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, 19 March 2024

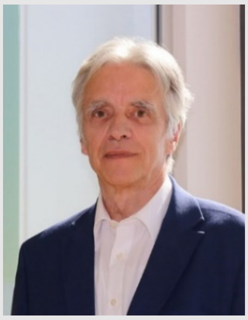
On behalf of the Supervisory Board

Hans-Joachim Rühlig

Dipl.-Kfm. Hans-Joachim Rühlig

Chairperson

SUPERVISORY BOARD



Dipl.-Kfm.
Hans-Joachim Rühlig

Chairperson

About
Year of birth: 1948
Nationality: German
First appointment: 2011
Term of office: until 2024

Audit committee
Member since 1 July 2023 – specialising in accounting
Chairperson until 30 June 2023

Vita
- Independent management consultant
- Former CFO of Ed. Züblin AG, Stuttgart
- Board Member of Stiftung Bauwesen, Stuttgart
- Member of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin, until 6 June 2023

Dipl.-Ing.
Ulrich Sieg

Member and Deputy Chairperson

About
Year of birth: 1949
Nationality: German
First appointment: 2014
Term of office: until 2024

Personnel and Nominating Committee
Chairperson since 1 July 2023

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

Additional Supervisory Board mandate
- Member of the Supervisory Board of SECURITAS Holding GmbH, Düsseldorf

Prof.
Michaela Dickgießer

Member

About
Year of birth: 1960
Nationality: German
First appointment: 2023
Term of office: until 2024

Personnel and Nominating Committee
Member since 1 July 2023

Vita
- Head of Business Development at MRH Trowe AG Holding, specialising in international insurance solutions and M&A processes
- Music Professor at the Karlsruhe University of Music
- Managing Board member of the Kronberg Academy Foundation
- Managing Board member of FEDORA, Paris
- Managing Board member of the Help with Plan Foundation
- Managing Board member of the Hildegard Zadek Foundation
- Member of the Music Committee of the Kulturkreis der deutschen Wirtschaft (Cultural Association of German Business)
- Former Managing Director of ITUS GmbH, Karlsruhe

Awards
- Bearer of the Federal Cross of Merit on ribbon
- Velte Prize
- Honorary senator of the Karlsruhe University of Music

SUPERVISORY BOARD

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

About
Year of birth: 1977
Nationality: German
First appointment: 2019
Term of office: until 2024

Audit Committee
Member until 30 June 2023 – specialising in audit

Personnel and Nominating Committee
Member since 1 July 2023

Vita
- Advisory activity
- 2007-2017 various management positions at init group
- 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

Dr. Johannes Haupt
Member

About
Year of birth: 1961
Nationality: German
First appointment: 2023
Term of office: until 2024

Audit Committee
Chairperson since 1 July 2023 - specialising in audit

Vita
- Management consultant and shareholder and Chairperson of the Advisory Board of Regionique Produktfabrik GmbH, Ettlingen
- Chairperson of the Advisory Board of Baumann Maschinenbau Solms GmbH&Co.KG
- Former CEO of Blanc&Fischer family holding und Chairperson of the Board of the sub-groups

Additional Supervisory Board mandate
- Deputy Chairperson of Lenze SE, Aerzen
- Deputy Chairperson of TAKKT AG, Stuttgart

Additional mandates in similar control committees
- Member of the Board of ACO Group SE, Büdelsdorf

Dipl.-Ing.
Andreas Thun
Member

About
Year of birth: 1955
Nationality: German
First appointment: 2022
Term of office: until 2024

Vita
- Independent entrepreneur
- Sole shareholder and General Manager of Landsensor GmbH
- Former Managing Director and shareholder of iris-GmbH infrared & intelligent sensors
- Deputy Chairman of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin until 6 June 2023

The competence profile and the rules of procedure of the Supervisory Board of init SE are available on the company's website under Investor Relations / Corporate Governance.

CORPORATE GOVERNANCE REPORT

pursuant to Section 289f (2) and Section 315d 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 understandable 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 minimum of five years. Since the GCGC was introduced in 2002, our company has complied regularly with almost all its recommendations.

The Managing Board and Supervisory Board of init issued the most recent Declaration of Compliance pursuant to Section 161 AktG on 1 July 2023. The Declaration below relates to the GCGC in the version released on 28 April 2022, which was published in the Federal Official Gazette on 27 July 2022. 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 still adhered to, with the following exceptions:

B. Composition of the Managing Board

B.5 An age limit shall be specified for the 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, specialist expertise and many years' experience.

C. Composition of the Supervisory Board

I General requirements

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

C.8 The reasons why a member of the Supervisory Board is still considered independent despite their being a long-standing member of the board should be explained.

The Supervisory Board deems Mr. Hans-Joachim Rühlig to still be independent as his membership on the Supervisory Board of more than twelve years does not necessarily preclude independence as long as there are no other indications to suggest a lack of independence. There are no such indications in this case.

The persons intended to be elected to the Supervisory Board should provide assurance, based on their professional expertise, skills and experience, integrity, ethical conduct, independence and personality that they can responsibly carry out the duties of a supervisory board member of a leading international technology firm for the mobility sector. The Supervisory Board of init SE is convinced that a strict general restriction on membership of 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. 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.

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 the product portfolio of init 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 10-15 per cent per year. Additionally, it is intended to continuously increase EBIT in both absolute and relative figures. The company strives for a minimum EBIT margin of 10 per cent. The share price should increase 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 margin (with all other things being equal), average revenue growth of 10-15 per cent in 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 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 higher time commitment of the Chair and the Deputy Chair of the Supervisory Board as well as of the Chair and the members of committees

The increased time commitment of the Chairperson of the Supervisory Board was appropriately taken into account in the remuneration. The increased time commitment 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 value sustainably. 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 it works with the Supervisory Board to ensure that all group employees comply with them.

Dr. Marco Ferber became the CFO of init SE effective 1 March 2023. Jörg Munz was appointed Chief Human Resources Officer (CHRO), a newly created position on the Managing Board effective 1 May 2023. This new position was created to address the growing requirements placed upon human resources, especially with regard to the complexity of the work environment and the need to attract and retain talented and motivated employees. The growing shortage of specialists, especially in the German domestic market, is one of the greatest challenges for the init business model.

The Managing Board of init therefore has five members who together bear responsibility for corporate management. As the central task of corporate management, it develops the strategic direction of the company, ensures that the risks of business activities are handled responsibly by means of a comprehensive internal control 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 individuals.

The init Managing Board is actively involved in and manages the day-to-day operations of the respective business units. In keeping with responsible business management practices, it is therefore very closely connected to the company's key stakeholders, customers, suppliers, employees, shareholders and investors. This enables it to react 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 Managing Board's rules of procedure. 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 its members. He coordinates the work of the Supervisory Board and represents 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. When screening candidates for a Managing Board position, the basic eligibility criteria, from the Supervisory Board's perspective are their technical qualifications for the area of special responsibility they are going to manage, their proven leadership skills, their prior performance and their knowledge of the market and the company. As part of the assessment, the Supervisory Board also takes into account the personality that would best complement the panel of the Managing Board (diversity). The Supervisory Board understands diversity as an eligibility criteria means diverse and complementary profiles, professional and personal experience and international experience, as well as appropriate gender representation. The Supervisory Board also takes the following aspects into account when making its decision:

- The members of the Managing Board should have many years' management experience and as far as possible 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 group operates or intends to initiate new business
- 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' experience.

In the assessment of the Supervisory Board, the composition of the Managing Board corresponds to the diversity concept in all regards except female representation on the board. At init, the Supervisory Board is solely composed of shareholder representatives and, in accordance with the articles of incorporation, of six persons. These are appointed for one year. The Supervisory Board endeavours, in its entirety, to provide a competence profile that ensures that the init Managing Board 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 Chairman of the Supervisory Board, Hans-Joachim Rühlig, as well as members Michaela Dickgießer, Johannes Haupt and Ulrich Sieg are independent of the company. 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.

The persons intended to be elected to the Supervisory Board should provide assurance, based on their professional expertise, skills and experience, integrity, ethical conduct, independence and personality that they can responsibly carry out the duties of a supervisory board member of 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. 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.

Potential conflicts of interest, the number of Supervisory Board members and diversity are also given appropriate consideration when appointing members to the Supervisory Board. When nominations are made 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 attached to every candidate proposal. The Supervisory Board has drawn up a profile of skills and experience for the entire board, which is also taken into account when making 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 its resolutions by a simple majority of votes, unless otherwise required. A resolution of the Supervisory Board adopted in writing by fax or email, telephone or electronically, or a combination is permitted in accordance with init's articles of incorporation. 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 that are passed outside of meetings.

The Supervisory Board members undertake the required continues training on their own initiative and with init's support. In addition, the Supervisory Board regularly evaluates the efficiency of its activities in the form of a self-assessment of both the board itself and its committees, using detailed guidelines. In particular, matters regarding organisation, information provision, personnel and how the members of the Supervisory Board perceive their role are all addressed.

Details about the activities of the Supervisory Board members as well as their presentation can be found in the "Supervisory Board Report" section of this Annual Report.

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

Qualification matrix for the Supervisory Board

Requirements	Hans-Joachim Rühlig* /***	Ulrich Sieg**	Michaela Dickgießer**	Christina Greschner**	Johannes Haupt*	Andreas Thun
Knowledge of the mobility sector	x	x	x	x		x
At least one member with professional knowledge of accounting	x				x	
At least one member with professional knowledge of auditing	x		x	x	x	
Knowledge of internal controls, risk management systems and M&A	x				x	
Knowledge in the field of corporate governance and German stock corporation law	x			x	x	
One member with professional knowledge of human resource management	x	x	x	x	x	x
One member with knowledge of the regions and markets in which init group operates or intends to initiate new business		x	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	x	x
Independence of the Supervisory Board members	x	x	x		x	

* Member of the Audit Committee
** Member of the Personnel and Nominating Committee
*** Chairperson of the Supervisory Board

Audit committee

The audit committee prepares Supervisory Board decisions 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 engagement agreement with the auditor. In addition, the audit committee is responsible for inviting tenders for a new auditor for the audit of the annual and the consolidated financial statements. Moreover, 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 appropriateness and 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 topics in the subsequent meeting.

One 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 remit of accounting and external auditing. The audit committee, in its previous and current composition meets these requirements.

Hans-Joachim Rühlig was the audit committee chairperson until 30 June 2023 and has been an ordinary member of the committee since 1 July 2023. Due to his many years' service as the CFO of an internationally active corporation, he has particular knowledge and experience in the application of accounting principles, internal control and risk management systems, as well as experience in M&A transactions, tax legislation and financing issues. Christina Greschner was an ordinary member of the committee until 30 June 2023 and has completed the course and examination certified by Deutsche Börse which qualifies her to act as the "Professional oversight on the audit committee". She therefore has the necessary expertise in the audit of financial statements. In addition, this course qualifies her for sustainability reporting within the audit committee. She also benefits from her extensive knowledge of the init group, which she has acquired in the past through various management positions within the init group. Johannes Haupt took over as chair of the audit committee on 1 July 2023. Due to his many years' experience as the CEO of various companies, he possesses specialist knowledge in the field of financial statement audits and accounting as well as sustainability reporting.

Personnel and nomination committee

On 1 July 2023, the Supervisory Board created a personnel and nomination committee. This committee focuses on the personnel issues relating to the Supervisory Board and the Managing Board and searches for successors to fill positions on the Managing Board and Supervisory Board. It submits proposals for the remuneration system of the Managing Board and the Supervisory Board and reviews this system at regular intervals. According to Article 8 (2) of the Supervisory Board's rules of procedure, the personnel and nomination committee only has an advisory function unless the Supervisory Board empowers it by resolution to make decisions on behalf of the full Supervisory Board. The chairperson of the committee is Ulrich Sieg. Other members are Michaela Dickgiesser and Christina Greschner. All members demonstrate a wealth of experience in typical personnel matters.

Cooperation within the Supervisory Board and with the Managing Board

The init Supervisory Board and Managing Board 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, European legal provisions and 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 about 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 active contact between meetings.

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

Shareholders' Meeting and rights of shareholders

At the Shareholders' Meeting, shareholders exercise their rights, in particular their right to receive information, and 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 on 6 June 2024 with the shareholders in physical attendance unless extraordinary events necessitate a sudden change. As in the past, we intend to foster personal contact with our 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.

As a rule, init's annual Shareholders' Meeting is held within the first six months of the financial year. Generally, the Supervisory Board Chairperson chairs the Shareholders' Meeting. He or she determines the order of 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 at the latest while 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. The statements of the past five years are also accessible on the website.

At the time these documents are published, all the information is also made available on the company's website and can be accessed 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 Managing Board and Supervisory Board members on the website. The website includes a financial calendar covering all key dates.

Internal control system (ICS) and risk management system (RMS)

The risk management system (RMS) consists of systematic and continuous identification and assessment of risks as well as the management and monitoring of identified risks. It is a systematic method that is centrally steered and applied throughout the entire group. The RMS also integrates the internal control system (ICS) and the compliance management system, which is used to monitor compliance with legal requirements. This involves analysing individual processes in the companies, identifying potential risks and assigning corresponding controls. While the overall responsibility for the ICS and RMS lies with the Managing Board, local management bears responsibility for implementing the ICS and ensuring its appropriateness and effectiveness. The Managing Board and the directors of the various functions regularly review the system on a samples basis taking into account the group's risk structure, e.g., using interviews and reports, to test its appropriateness and effectiveness.

In spite of these safeguards there are inherent limits, which means that the appropriateness and effectiveness of the ICS can never be conclusively assessed. Over the reporting year the Managing Board was not made aware of any circumstances indicating that the ICS and RMS were not appropriate or effective in all material regards.

Compliance and Ethical Guidelines

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

Our 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. Ethical Guidelines of init SE.

According to the management's rules of procedure, the CFO is responsible for compliance. The respective management as well as legal departments within the group coordinate compliance topics locally. Our flat hierarchies and the whistleblower system implemented by the Managing Board enable us to react quickly to (suspected) compliance cases. The internal processes of our compliance management system ensure that any breaches of compliance are reported by lower management and the legal departments to the Managing Board. The Managing Board regularly informs the Supervisory Board about compliance issues, particularly in the case of serious breaches. The Supervisory Board has constituted an audit committee that monitors the appropriateness and effectiveness of the system of internal controls, advising the Managing Board on compliance issues at regular intervals, and which also reports to the full Supervisory Board.

More information on social matters, the protection of human rights and combatting corruption and bribery can be found in our separate ESG report. Init's sustainability programme covers these areas as well as environmental matters and employee concerns. ESG report of init.

Accounting and auditing

The auditor supports the Supervisory Board and, in advance the audit committee in monitoring the management of the company, particularly with regard to accounting issues, 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.

Init's annual financial statements and combined management report are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared in accordance with Section 315e HGB on the basis of 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 on all significant findings and events that arise during the audit. The committee is also informed if, during the performance of the audit, any facts are identified that indicate that the Declaration of Compliance with the German Corporate Governance Code issued by the Managing Board and Supervisory Board is incorrect. The audit committee also monitors the independence of the auditor, evaluates the additional services provided by the auditor and assesses the quality of the audit.

The init Shareholders' Meeting on 25 May 2023 adopted the Supervisory Board's proposal to elect PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, as the independent auditor of the separate financial statements and consolidated financial statements for the 2023 financial year. This audit firm was first engaged for the 2022 financial year. The Engagement Partners are Andrea Ehrenmann (since reporting cycle for the2022 financial year) and Birgit Pflumm (since reporting cycle for the 2022 financial year).

Remuneration of the Managing Board and Supervisory Board

The Supervisory Board decides on a transparent and understandable 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 current remuneration system was approved at the Shareholders' Meeting on 18 May 2022.

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. In a binding capacity, the Shareholders' Meeting also approves the remuneration system for the Supervisory Board at least every four years. The init Shareholders' Meeting on 25 May 2023 approved the current remuneration system for 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 corresponding auditor's report 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.

Female representation on the Supervisory Board stands at 33 per cent, which surpasses the set target of 25 per cent. With regard to the Managing Board, the set target, also of 25 per cent, could not be met and currently stands at 0 per cent. It proved impossible, despite an intensive search, to find a suitable female candidate in the time available who possessed, in addition to professional qualifications, in-depth expertise in project business and the corresponding industry experience to fill the position of Chief Financial Officer. With regard to the newly created position of Chief Human Resources Officer on the Managing Board, it was deemed more sensible to appoint the existing Head of Human Resources to the position. This circumstance notwithstanding, it remains our objective to meet the target for female representation on the Managing Board when appointing new members to 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 64 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. These targets were set in order to ensure sufficient flexibility in appointing suitable persons.

Karlsruhe, 19 March 2024

For the Managing Board	For the Supervisory Board
Gottfried Greschner	Hans-Joachim Rühlig
Chairperson	Chairperson

THE SHARE

Turbulence on capital markets continues with the year finishing on a positive note

Over the past year the capital markets continued to be marked by the ramifications of unresolved international crises: the war in Ukraine raged unabated, the geopolitical confrontation between China and the United States persisted and fears of inflation and high interest rates hampered economic activity. In addition, the conflict in the Middle East flared up again at the end of the year, with the crisis hindering the free flow of goods and triggering a rise in the price of oil and commodities. These factors created massive turbulence on the capital markets which suffered a number of setbacks.

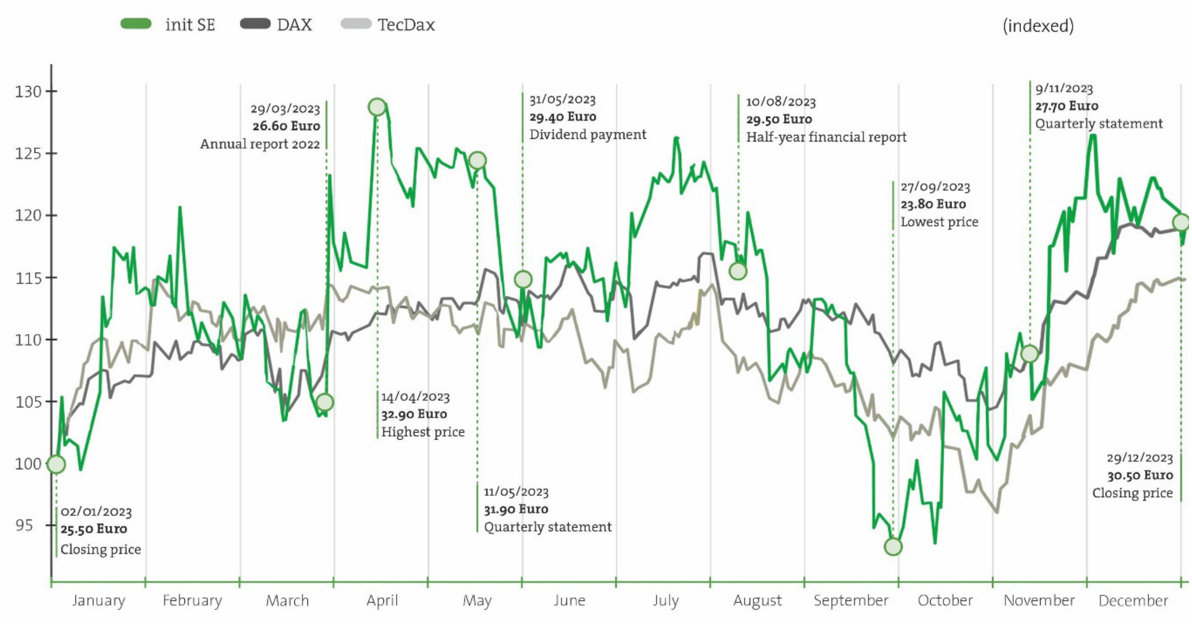
Surprisingly, a positive trend emerged towards the end of the year that resulted in double-digit gains in share prices, both in the United States as well as in the euro zone and even in Germany, which is currently troubled by recession. An important factor fuelling the booming stock prices lies in the comparatively rapid fall in inflation, which most recently came to just 2.4 per cent in the euro zone compared to more than 8 per cent in the previous year. This has fuelled hopes of falling interest rates in 2024, which usually results in higher stock prices. In addition, the global economy remained robust which was reflected in surprisingly high corporate profits posted in the year. The MSCI World stock market index, comprising roughly 1,600 stocks from companies in 23 industrialised nations, rose by approximately 22 per cent by the end of the year.

This also boosted the DAX German stock market index, in spite of numerous negative developments affecting the domestic economy. After retesting its annual lows in October, the index recovered and gained 20.3 per cent for 2023, marking the most rapid growth since 2012. In particular, high-growth tech stocks, which suffered the most from the rise in interest rates and is the segment to which init belongs, were ultimately able to close 2023 on a good note. The TecDAX, which comprises the leading German tech stocks, rose by 14.3 per cent.

By contrast, the init share reacted more sensitively to recent developments. After publication of the business figures for 2022 and the outlook for 2023, the share price reached an annual high of EUR 32.90 by mid-April. Following this peak, the init share generally mirrored the trend of the TecDAX, albeit swinging more dramatically both upwards and downwards. By the end of September, the price dropped in one such downswing to its annual low of just under EUR 24.00. It then rebounced, supported by a number of share repurchases and boosted by the news of a major contract win in the United States. At the end of the year, the init share was again trading above the EUR 30 mark and closed 2023 up 19 per cent (disregarding the dividend yield of roughly 2 per cent). Taking a long-term perspective, the init share outperforms both the DAX and the TecDAX.

According to the press and in the assessment of numerous analysts that have been monitoring init for some time, the init share continues to be regarded as a growth stock with high upside potential. They have consequently rated the share as a “buy” and set price targets between EUR 42.50 and EUR 52.50.

THE SHARE



Capital market based figures	FY 2023	FY 2022
High (EUR)	32.90	38.10
Low (EUR)	23.80	17.00
Start price (EUR)	25.50	35.75
Closing price (EUR)	30.50	25.45
Market capitalisation (EURm)	306.2	255.5
Average daily trading volume (shares)*	5,840	5,701
Dividend per share (EUR)	0.70**	0.60
Special dividend per share (EUR)	-	0.10
Earnings per share (EUR)	1.54	1.66

Shareholder structure (in %)	31/12/2023	31/12/2022
Dr. Gottfried Greschner (directly and indirectly held, parties related to him)	42.38	41.99
Corporate bodies	4.82	4.71
Employee shares (locked up)	0.50	0.47
Treasury shares init SE	1.99	1.40
Free float	50.31	51.43

*all German stock exchanges

**proposal to the next Shareholders' Meeting

Special dividend and extended Supervisory Board

The init shareholders had good reason to celebrate at the Shareholders' Meeting held on 25 May 2023, the first meeting to be held with participants in physical attendance after Covid restrictions were lifted. The dividend was raised to EUR 0.60 per share (2022: EUR 0.55 per share). In addition, a one-off special dividend of EUR 0.10 per no-par value share was paid out to mark the company's 40-year anniversary. There was a large majority in favour of both this proposal for the appropriation of earnings and also the discharge of the Managing Board.

The shareholders also approved the proposal from the Supervisory Board to expand the governing body. It now has six members instead of the four to date. In addition to the existing members of the Supervisory Board, Hans-Joachim Rühlig, (Dipl.-Ing.), Ulrich Sieg, (Dipl.-Ing.), Christina Greschner (Dipl.-Ing. (FH)) and Andreas Thun (Dipl.-Ing.), two new members were elected, the insurance specialist Prof. Michaela Dickgießer and the experienced top manager, Dr. Johannes Haupt. At 33 per cent, the proportion of women on the Supervisory Board therefore also exceeds the previous target.

Multiple share buyback programmes implemented

During the reporting year, the init Managing Board seized the opportunity to repurchase shares to service its existing and future employee stock participation plans, executive incentive programmes or to use as consideration for acquisitions. In total, 91,384 shares were purchased in the 2023 financial year for a total price of EUR 2.7 million.

0.70

EUR dividend for FY 2023

Proposal to the Shareholders' Meeting 2024

Shareholders' Meeting 2024

The next Shareholders' Meeting is scheduled to be held in Karlsruhe on 6 June 2024 as a face-to-face event. The Managing Board and Supervisory Board propose distributing a dividend for the 2023 financial year of the same amount as the previous year, of EUR 0.70.

All of the necessary documents for the Shareholders' Meeting will be available on the company's website at the end of April.

COMBINED MANAGEMENT REPORT

init innovation in traffic systems SE, Karlsruhe

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 worldwide. 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.

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, CO_2 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.

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 referred to below as the combined management report. The annual financial statements of init SE, which are compiled in accordance with the HGB accounting framework, and the combined management report will be published in the online Company Register simultaneously with the consolidated financial statements.

The basis of consolidation changed as follows: Init Innovation Traffic Systems L.L.C, Dubai, UAE, was founded effective 10 January 2023 as a wholly-owned subsidiary of init SE. IHC IB Public Transport Solutions Unipessoal LDA, Lisbon, Portugal, was founded effective 15 February 2023. This entity was founded primarily to create additional development capacities. Hansecom BY, Minsk, Belarus, has been in liquidation since 1 December 2022. All of its business activities were wound down 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 in the first quarter of 2024.

Business processes

The value 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 rank among the primary management goals of the init group. Production processes are constantly monitored and optimised 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 on 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 2023. 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 unique 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 886 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 150 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 Russia and Belarus region.

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

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, thereby facilitating the transition from private transport to more climate-friendly public transport. As discussed in the comments on the macroeconomic environment, exploiting the potential afforded by digitalising public transport is one of the key factors that needs to be addressed if the ambitious climate goals are to be reached. Government programmes have been announced in practically all of the regions of relevance to init. These now need to be drawn on by our customers as calls to tender for new projects will only materialise when the corresponding funding is made available. Substantial market potential will open up for init as these funds are used.

At the same time, our markets remain heavily fragmented. After a long debate, the finance for the Deutschland-Ticket introduced in 2023 was finally confirmed for 2024. It remains to be seen whether, these funds are secured for the medium term. To a certain extent, the Deutschland-Ticket has encouraged a trend towards standardisation. At the same time, due to the lack of clarity in the requirements, a lot more work had to be put in by both customers and init. However, flat-fee pricing models actually create additional challenges for the accuracy of passenger counts, which have actually become legal requirements for the registration of new vehicles in Baden-Württemberg and Bavaria. With its highly precise solutions for passenger counting, init can exploit additional growth potential arising from this trend.

In addition to the above trends, init has created a very solid foundation for SmartTicketing systems in North America now that it has concluded ten projects in the region. The recent win of a major project for Metropolitan Atlanta Rapid Transit Authority (MARTA) is a sign of the positive impact of these reference projects and promises further growth and earnings potential.

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 five 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 shareholders.

From a commercial perspective, the business of the init group is **steered** on the basis of the **revenues** 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 (KPIs) and constitute the central reference points for incentive programmes for managers and the members of the Managing Board.

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 growing its revenue by selling integrated systems, innovations and tapping into new fields of application in the markets targeted by the business. After recording declining revenues in 2021 due to the corona crisis, init was not able to realise its targeted long-term corridor of between 10-15 per cent revenue growth p.a. in the year 2022, with it recording revenue growth of just 8.3 per cent. The challenges posed by global supply chain disruptions in 2023, which have been exacerbated by the crisis in Ukraine and the surging Middle East conflict, were countered successfully once again: init was able to raise its revenues to EUR 210.8m, 10.2 per cent above the previous year, boosted by its forward-looking strategic sourcing policy. This represent the mid-point of the corridor forecast in the Annual Report 2022 of EUR 200 - 220m. With such vigorous revenue growth, init lies once again within its long-term target corridor.

The second core objective of init lies in steadily growing its EBIT in real figures while maintaining a minimum EBIT margin of 10 per cent. The EBIT margin is measured as the ratio of EBIT to revenues. EBIT in the financial year 2023 amounted to EUR 21.0m and therefore matches the level of the previous year (EUR 21.0m) and lies in the lower third of the forecast corridor for financial year 2023 of EUR 20-25m. The EBIT margin comes to 10.0 per cent (previous year: 11.0 per cent) and is therefore at the lower end of our mid-range target.

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. Yet, customer satisfaction as an indicator is not relevant to the financial steering 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 2023, 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 11,000 training hours (2022: more than 9,400 training hours) were completed in internal and external training measures in 2023.

Some 65 per cent of init’s permanent employees have a university degree, particularly in the fields of information technology, electro-technology, high-frequency technology, physics, mathematics, industrial engineering, information technology, 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 2023, 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 by using technical innovation. As part of this endeavour, 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, enhance the efficiency and appeal of local public transport.

The unit's importance is reflected in the expenditures of financial year 2023. The init group spent EUR 20.0m (previous year: EUR 16.3m) on the basic development of non-customer-specific new products and the refinement of existing ones. This is equivalent to 9.5 per cent of revenues (previous year: 8.5 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 recognition of internally developed software for new product developments of EUR 6.9m (previous year: EUR 2.8m).

20.0

EUR m

was invested in 2023 in 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 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 2023 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-subsidised projects with a diverse range of subjects. Our research team works with a large number of partners on solutions for future challenges.

The U-hoch-3 "Unbeschwert urban unterwegs" research project [a project to promote universal access in urban mobility] was successfully concluded at the end of November 2023. Since June 2019 init has been a member of a consortium made up of six partners from the private sector and the field of scientific research to find ways of forecasting occupancy rates and provide them in real time. The research extends to machine learning algorithms for real-time forecasts of passenger numbers and the occupancy rates of multiple-use spaces in vehicles. A new VDV standard has been drawn up for transferring the data. init will use the research findings to expand the functionality of its passenger counting and passenger information products.

In October 2023 the "ABSOLUT II" project began [Automated Self-Organising Bus Shuttle between Leipzig and the BMW-Terminal] led by LVB (Leipzig's public transport operator). Together with nine project partners, init is addressing the issue of how the safety driver in autonomous vehicles can be replaced by a technical supervisor working from a fixed-location control centre. init is using the results to further adapt its product portfolio to the future challenges associated with autonomous vehicles.

Together with 12 project partners, init started work on the regioKArgo Tram Train project in October 2023. This element of the wider regioKArgo initiative has the objective of developing combined goods and passenger transport with automated loading and unloading and to demonstrate its feasibility in real-world conditions on public railway lines. At init the project is categorised as a follow-up project from logIKTram. RegioKArgoTramTrain is therefore a continuation of the research into the reliable and economically viable integration of goods transport in public transport networks.

ECONOMIC REPORT

Macroeconomic environment

The year 2023 was overshadowed by major global political crises, most of all the ongoing war in Ukraine, the potential escalation between China and the U.S. and the renewed outbreak of hostilities in the Middle East, with the associated restrictions on world trade and global supply chains. This situation was exacerbated by a rapid rise in energy and commodity prices, which resulted in high inflation rates worldwide, with key lending rates being raised multiple times in succession. These sharp buy and sell-side shocks resulted in a sudden slow-down of the global economy. The situation eased noticeably in the fourth quarter and global economic production eventually rose by 3.1 per cent in the reporting period.

Consequently, the IMF forecasts for the current year have brightened, especially since the pace of growth in the Chinese economy has accelerated and the public finances and economies of many countries, such as the United States, have proven to be robust. Inflation is waning more rapidly than expected in most regions and both supply-side problems and restrictive fiscal policies are easing.

In addition, higher public and private-sector spending in some industrial countries is fuelling the upturn. On the supply-side of the equation, an economic expansion is visible as employment levels rise and supply chain problems are resolved. However, the upturn has not been felt everywhere, with growth in the euro zone significantly more subdued. The reasons here lie in low consumer confidence, the persistent impacts of high inflation and high energy prices as well as weak interest-sensitive capital expenditure.

In its World Economic Outlook from January 2024 the International Monetary Fund (IMF) believes the global economy is starting to pick up again and revised its growth forecast upwards by 0.2 percentage points in comparison to October 2023. However, at 3.1 per cent, global economic growth in 2024 remains well below the historical average of 3.8 per cent. Likewise, the growth of 3.2 percent forecast for 2025 will not be enough to establish any sustained rise in global prosperity.

Among the core markets served by the init group, the United States economy developed better than expected in October 2023 with growth of 2.5 per cent in 2023, stronger than initially assumed. Even though the Federal Reserve kept its key rate at a high level, the economy has not been as heavily burdened by the fiscal tightening as many experts had feared. Although, there are still no signs of a rapid easing of monetary policies or the resulting rise in demand, the IMF raised its growth forecast for the U.S. economy to 2.1 per cent for 2024 (previously: 1.5 per cent). Growth of 1.7 per cent (previously: 1.8 per cent) is anticipated for 2025.

With regard to Canada, which has also been an important growth region for init in the past, the IMF has become more pessimistic about growth prospects. The economic rebound in 2023 of 1.1 per cent was more sluggish than expected. Even though growth in the USA’s northern neighbour will pick up to 1.4 per cent in 2024 and 2.3 per cent in 2025, this actually represents slower growth than was projected in October (down 0.2 percentage points for 2024 and down 0.1 percentage points for 2025, respectively).

Economic developments in the euro zone will still be affected by the impacts of the war in Ukraine on energy and commodity prices as well as the hurdles facing global trade. As a result, the economy grew by just 0.5 per cent in the year 2023. Slight growth of 0.9 percent is forecast for 2024 on the basis of falling (energy) prices and an increase in real incomes, with a stronger recovery of 1.7 per cent forecast from 2025. However, this implies that the IMF is more pessimistic about the euro area than it was in its October outlook.

Germany, which as the home market of init solutions is of particular significance for demand, slipped into recession during the reporting period, with its economic output contracting by 0.3 per cent. This puts Germany at the end of the field in the euro zone. According to the IMF, the situation is only expected to improve marginally in 2024 and 2025. According to the analyses of the economic experts, Germany's weak growth is due to both internal and external factors. In terms of exports, weaker demand from China and an increase in geopolitical tensions have had a negative impact. In terms of the domestic economy, differences of opinion in the ruling coalition and the associated uncertainty among consumers and businesses alike is dimming expectations, along with rising (energy) costs.

For this reason, the IMF is only forecasting a weak economic recovery of just 0.5 per cent in 2024. This is just half of the growth rate forecast by the IMF in its October 2023 Outlook. Although a slight acceleration to 1.6 per cent is forecast for 2025, this is also down 0.4 percentage points. To stimulate growth, the IMF is of the opinion that priority should be given to policy measures that improve planning certainty for the benefit of both businesses and private households. This will involve clarifying the sources of finance for the planned climate protection projects and projects to facilitate the transformation of the economy and transport beyond 2025. This would create a reliable foundation for investment decisions by transport operators.

According to the economic experts at the IMF, the economic prospects for the United Kingdom, an important market for init systems in the past, will closely match those of Germany. The forecast is for a moderate rise in growth from 0.5 per cent in 2023 to 0.6 per cent in 2024 followed by 1.6 per cent in 2025, provided that inflation rates allow for a relaxation in financial conditions and permits real incomes to recover. Nevertheless, compared to the October outlook, the forecast for the year 2025 has been marked down by 0.4 percentage points.

The IMF forecasts are based on the assumption that prices for energy and other commodities will decline over the course of 2024 and 2025 and that interest rates will be scaled back in the world's major economies. Should any further exogenous shocks occur, resulting in renewed price spikes and higher costs, there would be no alternative but to revise growth rates downwards. For example, the conflict in the Middle East could continue to escalate and spread to a region where 35 per cent of the world's oil and 14 per cent of the world's gas exports originate. The rebel attacks in the Red Sea, through which 11 per cent of world trade passes, and the ongoing war in Ukraine pose downside risks to the economy in the view of the IMF experts, in that the global recovery could be disturbed by rising prices for food, energy and transport.

The emerging markets in Asia, China and India in particular, are becoming ever more significant to global economic development. The IMF projects that the growth rate of 5.4 per cent in 2023 will sink to 5.2 per cent in 2024 and 4.8 per cent in 2025. However, this implies a rise of 0.4 percentage points for 2024 compared to the forecast made in October 2023. This can be primarily attributed to the Chinese economy, which is projected to grow by 4.6 per cent in the year 2024 and again by 4.1 per cent in 2025. This represents an upwards correction of 0.4 percentage points for 2024 compared to the October outlook, which the economists based on government spending. Growth in India is anticipated to remain strong at 6.5 per cent in both 2024 and 2025. This represents an upwards adjustment of 0.2 percentage points for both years compared to October.

The governments of advanced economies eased their fiscal policies in the year 2023. For 2024, the IMF expects that the fiscal policies of a number of industrial nations, emerging markets and developing countries will be tightened in order to restore budgetary headroom and curb the rise in sovereign debt.

However, a period of greater fiscal easing than considered in these projections, with an associated decline in interest rates, could result in higher growth. In addition, the IMF considers it possible that the increasing use of AI-based software, such as that increasingly offered by init to its international customers, could generate a substantial increase in productivity and income. This effect will be most rapidly felt in the advanced economies.

Here the IMF recommends a sustained period of fiscal consolidation while simultaneously protecting priority investments. By these, the IMF principally means investments to adapt to climate change and investments in public infrastructure, such as digital transformation and the reduction of emissions and the promotion of green technologies in public transport.

Sector-specific developments

Global initiatives

A business environment that is characterised by volatility, uncertainty, complexity and ambiguity puts the plans of the players in the transport sector to the test on a daily basis. As the Union Internationale des Transports Publics (UITP) explains in its recent report on the state of the industry, there are four major themes that need to be addressed by transport operators globally in order to provide sustainable mobility to everyone.

First and foremost, of these is addressing climate change and implementing the resolutions of the 28th UN Climate Change Conference (COP28) held in Dubai in November 2023. The conference found that a third of all countries around the globe had not yet made any specific statements on how to incorporate their public infrastructure in their mandatory climate change plans ("Nationally Determined Contributions"). Another third has not yet allocated any funding to their plans and mitigation measures.

UITP therefore makes a call for public transport to be shifted centre-stage in the move towards sustainable development strategies and the fight against climate change. It is high time to develop the corresponding capacities and leverage the potential of public transport to decarbonise our mobility systems and protect our natural world on which life depends. In the coming ten years, the public transport sector must invest USD 208 b per year to improve, expand and electrify public transport infrastructure if the climate goals are to be reached.

UITP calls on state and government leaders around the world to prioritise investment in public transport and double its use by 2030, particularly in cities, which are responsible for 75 per cent of global CO_2 emissions. Investment programmes 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. According to UITP, stable investment and reliable financial planning are the keys to success.

As part of the global strategy to transition to clean energy and to implement this progressively, UITP sets a second priority on advancing the electrification of public transport networks. However, the necessary transformation of transport systems must be accompanied by a reduction of the dependency of many people on private transport, an expansion of multi-modal mobility platforms and by improving access to public transport. For instance, it has to be ensured that all those who live in urban environments can use public transport safely, frequently, and access it easily without encountering any barriers within ten walking minutes of their home.

UITP views “paratransit” as an important solution and the third priority, particularly in terms of universal access to public transport systems. Paratransit is a term for on-demand transport systems that is aimed at transporting elderly or disabled persons whose mobility is restricted and is used particularly in North America. UITP calls for the integration of paratransit services as an element of a sustainable public transport network. Innovative AI-based solutions to optimise planning and dispatching processes, such as those developed and implemented by init for many years already, are needed for this aspect of the mobility transition.

The fourth major and very pressing challenge for public transport systems that UITP identifies is the shortage of skilled labour. Labour shortages, particularly of drivers and other technical trades, are already an issue in many countries. The shortage of skilled professionals has a direct impact on the level and quality of public transport and could have a dramatic impact on operations in the mid- to long-term. UITP therefore recommends rallying all available resources to combat it. This extends to the effective use of AI-based solutions such as the personnel assignment system from init, which allows drivers’ or operators’ “best-choice of routes and duty rosters” to be drawn up and updated continuously. This not only increases flexibility but also staff satisfaction among drivers, a scarce resource. In this way, it also counters the problem of driver shortages for public transport operations. This avoids restricted availability for fixed route services, low fare receipts and annoyed passengers. A dispatching assistance system for control centres that init developed within the framework of the KARL research project [“*KARL - Künstliche Intelligenz für Arbeit und Lernen in der Region Karlsruhe*”: Artificial Intelligence for work and education in the Karlsruhe region], moves in the same direction.

The significance of AI-based solutions was also underscored at the COP28 within the context of digitalising public transport. Together with the Climate Technology Centre and Network (CTCN) and COP28 Presidency, the Technology Executive Committee (TEC) hosted a high-level event of climate action initiatives to discuss various aspects of using AI for climate protection. One example is using AI-based models to warn of pending catastrophes or to improve the efficiency and reliability of systems and optimise network operations. This necessitates substantial investment not just in hardware and vehicles, but also in systems and software. This creates opportunities for driving forward the required digital transformation and implementing new technologies, such as those offered by init, in the public transport sector.

The key points of focus will set the agenda on the market for integrated solutions for planning, dispatching, telematics and ticketing solutions for buses and trains in the coming years. At a global level, investments to reduce emissions and promote green technologies should be increased. The transport ministers of the G7 countries underscored this in a joint statement at their meeting in Ise-shima from 16-18 June 2023.

Investment programmes can also be expected to arise in the course of the implementation of the global and national plans to combat climate change and the resolutions of the 28th UN Climate Change Conference (COP28). Public transport systems and sustainable mobility with zero-emission vehicles have been assigned particular significance. This trend should lead to an increasing number of calls to tender for digital transformation and climate protection projects in the field of public transport, some of which could reach nine-figure sums.

Regional initiatives in init's core markets: Europe

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. All 27 EU member states have committed to making the EU the first climate neutral continent by 2050. Correspondingly, transport operators are expected to choose low-emission or zero-emission vehicles when making purchases for their fleets. This will be supported by measures taken by the member states of the EU to establish the corresponding charging and tank infrastructure. 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).

In addition, the EU is supporting 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 comes to approximately two trillion euro for the period up to 2027.

Furthermore, the European Commission has enacted legislation to promote multimodal digital mobility services (MDMS). In the process, the existing EU Directive on Intelligent Transport Systems (ITS) was expanded to include new services such as multimodal information, booking and ticketing services (e.g. apps for searching and booking trips, car-sharing or bike-sharing), and communication between vehicles, infrastructure and automated mobility.

In Germany, too, the government (BMDV: Federal Ministry for Digital and Transport) has earmarked several billion euros for the digital transformation and expansion of public transport networks as part of its climate protection program, in addition to stepping up its regular regional funding for financing public transport by EUR 1.5 b (to over EUR 10 b) from 2023 onwards.

In this context, the funds assigned within the framework of the GVFG ["Bundes-Gemeindeverkehrs-Finanzierungsgesetz": Federal-Municipal Transportation Financing Act] were increased to EUR 1 b per year. From 2025, the funding will be increased to EUR 2 b per year and rise by 1.8 per cent per year from 2026 onwards. In addition, assistance will be provided to larger municipal infrastructure projects 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. A number of model projects have been provided with funding of up to EUR 150m until the end of 2025, with a focus on rural areas.

The Federal Ministry for Digital and Transport Affairs (BMDV) is also providing assistance to smaller and medium-sized municipalities in underdeveloped regions to set up and expand mobility stations. A sum of roughly EUR 12m has been earmarked for this purpose. As points of departure, destinations or transfer points, mobility stations boost inter- and multimodality. People can then freely choose which modes of transport best fit their needs for their trip from door to door. Mobility stations link various kinds of transport (e.g., private transport/public transport) and modes of transport (private/shared cars/buses/trains etc.). The projects must always contain a digital transformation element, such as the ability to book sharing offers online.

In addition, BMDV supports municipalities with sustainable mobility planning. Assistance is provided for the creation of sustainable urban mobility plans (SUMPs) as defined by the EU Commission or the cost of rolling these forward to the future. The funding ratio lies at 65 per cent. Municipalities with tight budgetary constraints can even receive funding of up to 80 per cent. Using SUMPs it is possible to make mobility solutions that are low in emissions, protect the climate, are digital, multimodal, inclusive, payable and durable. Citizens are closely involved in the process.

Traffic in Germany will increase significantly across all modes of transport – this was recently confirmed by the long-range traffic forecast issued by the BMDV for the period up to 2051. The BMDV is relying on artificial intelligence to support municipalities with the task of meeting the increasing demand for mobility in a way that has minimal environmental impact. In the AIAMO ("Artificial Intelligence and Mobility") model project, twelve partners in the fields of research and business are working on making mobility data already carried by municipalities more accessible and evaluating it intelligently. The Federal Government is funding this project to the tune of EUR 16.7m.

With its open-technology, "Funding Guideline for Alternative Powertrains in Public Transport" the Federal Ministry for Digital and Transport (BMDV) is subsidising 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 roughly EUR 1.75 b. Based on the first applications, funding assistance has so far been provided for roughly 4,200 buses and more than 120 public transport operators. In its third round, this funding program has recently been extended to 5,000 buses.

Furthermore, the BMDV has selected Hamburg as a "Metropolitan Mobility Model Region". init has installed its eMOBILE-ITCS system for the city, which allows all electric vehicles to be modelled 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 Deutschland-Ticket app, users can already secure digital access today to a simple and easy-to-use Deutschland-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 are a game-changer in the development of public transport and new mobility solutions ("Mobility as a Service) and are becoming increasingly popular. Municipalities, transport associations and public transport operators can apply for government assistance with innovative model projects in the field of public transport. The Federal Ministry for Digital and Transport (BMDV) has set aside EUR 160m until 2026 for this purpose.

Regional initiatives in init's core markets: North America

Smart ticketing is also an element of the innovations that the U.S. government will promote under its Infrastructure Investment and Jobs Act (IIJA) that has assigned USD 108.2 b to the development of public transport. In addition, the US Congress passed climate protection legislation setting aside spending with a volume of roughly USD 400 b.

Furthermore, the U.S. Department of Transportation (USDOT) is continuing its SMART Grants Program (Strengthening Mobility and Revolutionising Transportation). As part of the "Investing in America" agenda set up by the President, subsidies of up to USD 500m will be made available to municipalities over a period of five years for them to improve the efficiency and safety of transport using intelligent transport systems. In phase one of the SMART Program, the goal is to finance innovations that solve real transport problems by setting up data and technology capacity.

Within the framework of its climate plan, the Canadian government has committed to providing additional funding for public transport for the long term. Over the coming eight years, CAD 14.9 b will be invested in expanding large metropolitan transport systems, electrifying bus fleets and in innovative public transport solutions for rural areas (including on-demand services through to sharing offers). This includes CAD 3 b per year in government funding for intelligent transport systems and setting up the supporting infrastructure.

Business performance

Distribution of revenues 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 revenues. This seasonality was once again evident in financial year 2023.

Revenue amounting to EUR 38.5m was generated in the first quarter of 2023 (Q1 2022: EUR 35.6m). Revenue was thus up by approximately 8 per cent on the previous-year.

In the second quarter of 2023, the group generated revenue of EUR 51.1m (Q2 2022: EUR 45.1m). Revenue for the first half of the year thus rose to EUR 89.6m, which is 11 per cent above the figure of EUR 80.7m for the same period in the previous year.

Revenue amounting to EUR 53.4m (Q3 2022: EUR 50.5m) was generated in the third quarter of 2023. Revenue for the first nine months of 2023 thus came to EUR 143.0m, which is about 9.1 per cent above the figure for the same period of the previous year (30 September : EUR 131.1m).

In the fourth quarter of 2023 the group generated revenues of EUR 67.8m (Q4 2022: EUR 60.1m). Revenue was therefore EUR 7.7m or 12.8 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 2023, the init group recorded **revenues** of EUR 210.8m (previous year: EUR 191.3m) which therefore lies within the set planning corridor of between EUR 200-220m. In comparison to the previous year, revenue rose by roughly EUR 19.5m or 10.2 per cent and is therefore within the corridor set for long-term growth.

Revenue in Germany increased sharply on the previous year, rising by EUR 18.0m or 32.9 per cent. At EUR 72.7m (previous year: EUR 54.7m) revenue in Germany is therefore on a par with our other strong market, North America. The core business of integrated fleet management systems in Germany played a major role in this regard.

210.8

EUR m

Consolidated revenues in financial year 2023 +10.2 per cent on the previous year – representing another record in our corporate history

Of our total revenues, 65.5 per cent (previous year: 71.4 per cent) was generated outside of Germany. The strongest regional market in this regard was North America, where revenues were kept at a high level. The volume of revenues in this region thus came to EUR 70.1m in 2023 (previous year: EUR 71.0m). As in the previous year, major fare management systems for such metropolitan regions as Seattle, Washington and Houston, Texas were material items to this result.

At EUR 42.8m, revenues in Europe (excluding Germany) were up roughly EUR 2.9m or 7.3 per cent on the previous year (previous year: EUR 39.9m).

Other countries recorded stable revenues in comparison to the previous year. Revenue in this segment dipped slightly by EUR 0.3m or 1.3 per cent to EUR 25.3m (previous year: EUR 25.6m). The main factor in this regard was a decrease in the Middle East due to the conclusion of a project in the previous year that could be largely compensated by other markets.

Earnings before interest and tax (**EBIT**) came to EUR 21.0m in the financial year 2023, within our expectations of EUR 20 to 25m (previous year: EUR 21.0m). This development is primarily due to the increase of revenues and a simultaneous decrease in the gross margin and inflation-induced cost increases.

The EBIT margin of the Group in financial year 2023 decreased on the previous year to 10.0 per cent (previous year: 11.0 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 back to historic figures in the coming years as the business environment stabilises.

Earnings before interest, tax, depreciation and amortisation (**EBITDA**) came to EUR 32.4m in the year 2023 (previous year: EUR 31.2m). The EBITDA margin in financial year 2023 of 15.3 per cent is roughly one percentage point below the previous year (previous year: 16.3 per cent) due to the decline in the EBIT margin.

The **gross profit** rose by EUR 3.7m or 5.0 per cent to EUR 80.4m (previous year: EUR 76.6m). The gross margin comes to 38.1 per cent and is therefore down on the previous-year (previous year: 40.0 per cent). The slight decline in the gross margin in 2023 compared to the previous year can be attributed to the fact that the previous year 2022 benefited from a more favourable sales mix coupled with beneficial balance sheet reviews. However, it lies well above the gross margin recorded in the years 2021 and 2020.

Sales and marketing expenses increased by 8.4 per cent year-on-year to EUR 26.1m (previous year: EUR 24.1m). The increase originates from the greater volume of sales activities and the fact that travel expenses, trade fairs and exhibitions have returned to normal levels, 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 14.4 per cent year-on-year to EUR 23.4m (previous year: EUR 20.4m). The increase is mainly due to a rise in personnel expenses and higher legal expenses and consulting fees, an increase in the amortisation of the ERP platform after it went live and relocation expenses at various branch offices.

Research and development expenses of EUR 13.0m are down by roughly EUR 0.5m on the high level set in the previous year (previous year: 13.5m). The continuing high level of spending on research and development is concentrated on new developments related to the digital transformation of public transport. In addition, we invested EUR 6.9m in internally generated software, which has been capitalised under internally generated intangible assets. As a result, init invested a total of almost EUR 20m or 9.5 per cent (previous year: 8.6 per cent) of its revenues in basic development and product development.

At EUR 3.3m, **other operating income** was down by EUR 0.6m or 15.3 per cent on the income of the previous year (EUR 3.9m). 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 gains/losses on currency translation** of 0.1m (previous year: EUR -0.8m) 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 -1.7m (previous year: EUR -0.7m) 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 DResearch Fahrzeugelektronik Gruppe (DVS/DFE) and the reduction of short-term 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. Yet, the general increase in interest rates could not be fully mitigated.

Consolidated net income of EUR 15.2m is down approximately EUR 1.3m or 7.9 per cent on the previous year (previous year: EUR 16.5m). With EBIT remaining stable, the change is primarily due to higher net interest expenses. The tax rate of 21.4 per cent is up slightly year-on-year (previous year: 18.6 per cent). This is a result of a different regional distribution of earnings and the effect of different tax rates in the various tax regimes.

Total comprehensive income decreased by EUR 8.7m or 40.3 per cent from EUR 21.5m in the previous year to EUR 12.8m. The decrease can be attributed to the slight decline in consolidated net income plus the burdens of unrealised exchange rate losses of EUR 2.3m (previous year: a gain of EUR 2.5m) and a small negative measurement difference in the pension provision of EUR -0.04m (previous year: a gain of EUR 2.5m). 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 225.0m in financial year 2023. This sets another new record and marks the highest volume of incoming orders in the group’s history. Incoming orders rose significantly by EUR 10.9m on the baseline of EUR 214.1m set in the previous year. This corresponds to a growth rate of 5.1 per cent.

225.0

EUR m

Incoming orders up 5.1 per cent on the previous year – setting a new record in the company’s history

Important factors in this regard were follow-up orders received from two long-standing customers in Germany and the United States. New technologies and system enhancements could be placed with both customers, accounting for new orders of EUR 30m.

Continuing strong demand from our existing customers contributed to our success in 2023. Sales of solutions from the nextGen innovation campaign in the fields of fare management and ITCS continued to grow, as did business with system upgrades in various vehicle fleets. In the field of electromobility three major customers were won for the Smart Charging division, with orders received from STIB in Brussels, Ayalon Highways in Israel and TMB Barcelona. Our subsidiary, CarMedialab was able to prevail over the international competition to win these contracts that were put out to public tender. In addition, our subsidiaries, HanseCom and iris have developed extremely well and are making a substantial contribution to our excellent order situation.

Germany accounts for 39.8 per cent of incoming orders, which are generated from either existing customers or new customers won during the financial year. Incoming orders in North America eased, resulting in this region accounting for 31.7 per cent of the group's total incoming orders. Incoming orders in the rest of Europe dipped slightly to 20.6 per cent. Other countries managed to increase their incoming orders to 7.9 per cent.

Incoming orders in North America slid by -17.3 per cent in financial year 2023, decreasing by EUR -14.9m to roughly EUR 71.2m (previous year: EUR 86.1m). However, the previous year was particularly buoyant as it benefited from the follow-up contract from METRO Houston for over USD 40m. A number of follow-up orders were received from existing customers in the year 2023, such as TriMet Portland. The resolution of the Metropolitan Atlanta Rapid Transit Authority (MARTA) to award init with a major contract for electronic fare management, which was announced in an ad hoc report on 13 November 2023 was not signed until after the close of the financial year 2023. Consequently, this contract will be reflected in incoming orders in financial year 2024.

The same applies to the contract for the iBus2 project received from Transport for London (TfL) which was made public in an ad hoc announcement on 4 March 2024. Consequently, this contract is also not included in the order backlog as of 31 December 2023.

175.1

EUR m

Order backlog up 8.6 per cent or EUR 14.2m on the previous year

The order backlog at year-end stood at EUR 175.1m (previous year: EUR 163.7m). We expect that the work needed to service the orders already on the books will secure a large share of our revenues for 2024. 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. Due to the very positive development of the market, init participates in ever larger and ever more complex calls to tender. 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.

Financial position

One of the priorities for the group's management is to further strengthen the init group's capital structure, which is key to enjoying the continued confidence of our stakeholders. As in the previous year, the init group's financial position in financial year 2023 can therefore be described as very solid. In the financial year, init started to restructure its 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 46.3 per cent is marginally down on the previous year, when it came to 47.4 per cent. This is due to a disproportionate increase of debt, bank debt in particular, as equity rose by EUR 4.0m in real terms or 3.4 per cent to EUR 120.6m (previous year: EUR 116.6m). Liabilities to banks increased from EUR 38.0m to EUR 45.3m, a rise of 19.2 per cent.

Capital structure

Liabilities to banks as of 31 December 2023 amounted to EUR 45.3m (previous year: EUR 38.0m) and mainly relate to real estate and acquisition financing, financing of the new ERP system, the purchase of 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 0.4m (previous year: EUR 0.7m) for the properties located at Käppelestrasse 4, 8, 8a and 10 and a number of innovation loans totalling EUR 21.4m (previous year: EUR 10.0m). In addition, there are long-term loans of EUR 2.5m to finance corporate acquisitions (previous year: EUR 4.9m). There are also long-term investment loans of EUR 0.2m (previous year: EUR 1.1m) and another long-term loan of EUR 1.2m (previous year: EUR 2.9m). The loans fall due at different times before the end of 2032.

According to the consolidated balance sheet, non-current liabilities rose by EUR 5.9m and come to a total of EUR 61.5m of this increase an amount of EUR 6.1m is attributable to long-term loans. Pension provisions increased slightly by EUR 0.3m to EUR 7.6m (previous year: EUR 7.3m). Other non-current provisions mainly relate to warranties. Non-current lease liabilities have hardly changed, closing the year at EUR 20.2m (previous year: EUR 21.2m). Deferred tax liabilities increased slightly to EUR 6.3m (previous year: EUR 5.2m).

According to the consolidated balance sheet, current liabilities increased by EUR 6.8m to EUR 78.4m (previous year: EUR 73.6m). This change can be mainly attributed to an increase of EUR 1.2m in bank loans, an increase of EUR 6.6m in contract liabilities to EUR 16.4m (previous year: EUR 9.8m) and an increase of EUR 2.2m in trade accounts payable to EUR 11.9m. The increase of EUR 1.9m in advanced payments received to EUR 3.1m also contributed to the rise in current liabilities. Current provisions decreased by EUR 2.6m. Current lease liabilities only rose slightly on the previous year to EUR 3.8m (previous year: EUR 3.3m). Income tax liabilities amounted to EUR 5.6m, up EUR 1.6m on the previous year (previous year: EUR 3.9m). By contrast, other liabilities and advanced payments received declined by EUR 4.6m.

The group's static debt ratio (measured as current and non-current liabilities to banks divided by equity and multiplied by 100) comes to 37.6 per cent and is therefore only up slightly on the previous year (32.6 per cent) despite the increase in equity. This is due to the disproportionate increase in borrowings in comparison to the previous year. The dynamic debt-equity ratio (net debt capital divided by EBITDA) stands at 0.6 (previous year: -0.1).

Investments

Capital expenditures for property, plant and equipment and other intangible assets came to EUR 12.5m (previous year: EUR 10.0m) and, in addition to replacements of furniture, fixtures and office equipment of EUR 4.1m, include investments in data-processing software and standard applications of EUR 1.5m as well as internally generated software, of EUR 6.9m.

Liquidity

Operating cash flow dropped sharply on the previous year to EUR 8.0m (previous year: EUR 24.4m). Revenue growth, especially in the strong fourth quarter, and the continued easing of global supply chains led to a rise in net working capital. In combination with high capital spending, particularly on internally generated software as part of the nextGen innovation campaign, net liquidity decreased significantly in comparison to the previous year.

Net working capital (current assets less current liabilities) comes to EUR 60.7m (previous year: EUR 42.5m). Cash flow from investing activities came to EUR -13.5m (previous year: EUR -10.5m) and mainly consists of investments in software of EUR 1.5m (previous year: EUR 2.8m), replacements and investments to expand other plant and equipment and furniture, fixtures and other operating equipment of EUR 2.5m (previous year: 2m) as well as the first-time recognition of internally-generated software of EUR 6.9m (previous year: EUR 2.8m).

The cash flow from financing activities came to EUR -6.8m (previous year: EUR -2.2m) and is mainly a result of new borrowings and, on the other hand, dividend payments and the payments made in the course of share repurchase programmes conducted in the financial year.

Cash and cash equivalents, including highly liquid securities, came to EUR 27.3m at the end of December 2023 (previous year: EUR 40.1m).

Net assets

As in past years, the financial position of the init group in financial year 2023 can be described as stable and robust.

Total assets rose by EUR 16.7m on the previous year or 6.8 per cent to EUR 260.5m as of 31 December 2023 (previous year: EUR 245.7m).

This results from the decrease of EUR 12.7m in cash and cash equivalents, a decline of 31.8 per cent, to EUR 27.3m (previous year: EUR 40.1m) which was more than compensated by an increase of EUR 5.5m in intangible assets to EUR 25.5m (previous year: EUR 20.0m) and increases of EUR 7.2m in inventories, EUR 6.8m in contract assets and EUR 8.3m in trade receivables. The increase in intangible assets originates primarily from the recognition of development work performed within the framework of the nextGen Cloud innovation campaign and other forward-looking software platforms. The increase in inventories can still be largely attributed to the effects of our risk-based sourcing strategy that puts priority on having stocks available to customers in the face of great uncertainties in global supply chains as well as the decision to extend the depth of production in the United States in light of the “Buy America” initiative. The increase in contract assets is in line with the rapid growth in revenues in the fourth quarter in relation to the annual average.

The increase in current and non-current bank loans totalling EUR 7.3m serves to fund further growth and create greater financial headroom. Equity increased by EUR 4.0m to EUR 120.6m by year-end (previous year: EUR 116.6m). This marks the net effect of the consolidated net income for the year of EUR 15.2m after offsetting dividend distributions (EUR -6.9m), payments for share repurchases (EUR -2.7m) and exchange losses from foreign currency translation (EUR -2.3m). The equity ratio decreased slightly to 46.3 per cent (previous year: 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, marketing 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, IFRS 16 and deferred taxes.

Results of operations

init SE is steered using annual projections for revenues and earnings before taxes and interest.

The revenues of init SE amounted to EUR 6.8m in financial year 2023 (previous year: EUR 6.8m) 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 tax of EUR 15.3m were generated (previous year: EUR 11.3m). Earnings before taxes includes income from investments of EUR 9.4m. EUR 3.0m of this relates to the subsidiary INIT Innovation in Traffic Systems FZE, EUR 6.2m to INIT Innovations in Transportation Inc., and EUR 0.2m to Mattersoft Oy. Moreover, it contains the profit transfer from INIT GmbH of EUR 14.4m. Personnel expenses came to EUR 9.2m (previous year: EUR 7.1m). Other operating expenses, including the cost of materials, amounted to EUR 6.6m (previous year: EUR 5.2m).

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 0.5m (previous year: EUR 1.6m) and are therefore down approximately EUR 1.1m on the previous year. The change in cash and cash equivalents during the year resulted chiefly from cash paid out for payments of principal 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.

init SE covers 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 98.1m on the reporting date (previous year: EUR 75.6m), while the equity ratio declined compared to financial year 2022 to 59.8 per cent (previous year: 69.1 per cent).

The assets mainly comprise financial assets, land and buildings and receivables from affiliated companies. With regard to financial assets, shares in affiliated companies rose slightly on the previous year and closed at EUR 34.1m (previous year: EUR 32.5m), primarily on account of the shares purchased in CarMedialab GmbH, Bruchsal. A list of the shareholdings can be found in the notes. Loans to affiliated companies rose slightly in the reporting year and now stand at EUR 13.4m (previous year: EUR 12.0m).

The increase in assets is financed by the net income for the year of EUR 15.2m (previous year: EUR 8.2m) and the increase of EUR 13.1m in bank loans to EUR 28.3m (previous year: EUR 15.3m), relating to the mortgage financing of the buildings at Käppelestrasse 4, 4a, 8/8a and 10 in Karlsruhe, loans for the purchase of other companies and long-term innovation loans. The mortgage loans are fully secured by land charges.

Non-financial performance indicators

The annual average number of employees at init SE came to 94 (previous year: 77). Of these, 44 on average were full-time staff (previous year: 39).

In total, employees took part in 34 internal and external advanced training measures in 2023.

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

The development of init SE materially depends on developments at its operating subsidiaries and is currently subject to a higher level of uncertainty due to the ramifications of the Ukraine crisis, the conflict in the Middle East and the widespread geopolitical tensions on the global economy. Furthermore, the high inflation rates that are still seen worldwide could have a negative impact on the development of business.

Against the backdrop of a higher order backlog within the init group, we are forecasting revenue for the entire group in the current financial year to lie within our mid-range growth corridor and above the level reached in financial year 2023. The revenue of init SE is expected to rise significantly, especially now that a number of tasks previously performed decentrally have been bundled at the group's parent as shared services and charged to the subsidiaries. In light of the quality of earnings generated in financial year 2023, init SE, as the parent company of the group, is, by contrast, only forecasting a slight rise in earnings before interest and taxes.

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 – wherever this makes sense – 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

A key objective of the init group is to generate sustainable profitable growth. In order to ensure this and complete ongoing customer projects on time, the workforce was once again enlarged in financial year 2023. It will be necessary to bolster the workforce again in financial year 2024 in order to secure work on customers' projects as well as to address 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 2023, the init group had an average of 1,140 employees (previous year: 1,098) including temporary workers, research assistants and students writing their theses. The number of employees working part-time rose to 206 (previous year: 202).

In addition, 25 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 review of the economic situation

Despite the unstable business environment and geopolitical tensions, the Managing Board generally views business in 2023 positively, now that the coronavirus pandemic has ended. Revenue of EUR 210.8m lies within our budget range of EUR 200 to 220m. EBIT of EUR 21.0m was within our forecast target corridor of between EUR 20m and EUR 25m.

Incoming orders are at a record level of EUR 225.0m for the financial year. The init group was thus able to raise its order intake by 5.1 per cent on the previous year (previous year: EUR 214.1m).

A good foundation has been laid for financial year 2024 with the existing order backlog of EUR 175.1m as of 31 December 2023. Thanks to the earnings growth in financial year 2023, the init group's financial position is stable and has even been strengthened further.

Cash flow from operating activities comes to EUR 8.0m in 2023 and is therefore not entirely satisfactory given the revenue growth in the fourth quarter. However, this is just a snapshot.

We would also like our shareholders to participate in our business success. Due to the pleasing development of business in 2023, the Managing Board proposes a dividend of 70 cents.

Looking forward to financial year 2024 we view our prospects with optimism.

FORECAST, OPPORTUNITIES AND RISKS

The achievement of 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

The business model of init innovation in traffic systems SE has proven to be very resilient over the course of 2023, which was plagued by external crises. The early change of course in our value chain and the discernible growth trends in the market for init solutions allowed us to meet our growth targets and set new records.

Recent wins in the course of competitive tenders for major projects are particularly pleasing. Incoming orders of EUR 225m during financial year 2023 breaks the record set in the previous year. Of particular note is that these projects will run for a number of years and include maintenance and service contracts with terms of over ten years. This provides us with a solid foundation to keep growing our business.

Our market for integrated intelligent mobility solutions for buses and trains is undergoing a major transformation worldwide and is breaking into new territory, characterised by such trends as the digital transformation, electromobility, mobility as a service (MaaS), smart ticketing and the increasing use of artificial intelligence. The latter necessitates suitable tools to gather, prepare and analyse the volumes of data available (in real-time). This requires the kind of apps and software that init can offer as the global leader in digital solutions for buses and trains.

With init's "nextGen" software and hardware solutions, transport operators can quickly respond to the latest developments and sustainably improve their economic position. To keep their systems properly functioning and prepare for future challenges, the kinds of products and services developed, implemented and operated by init are of vital importance. The focus is being increasingly placed on the digital transformation and decarbonisation of vehicle fleets as well as the switch to low-emission vehicles and seamless integration in operating processes. With its specialised products and systems, init can secure a sustainable future and enable both qualitative and quantitative growth.

In light of the global efforts to transform transport systems, we have already registered a rising number of calls for tenders for digital transformation projects. In addition, there is an increasing trend to award projects with clearly defined specifications without first putting them out to tender. As the global leader in integrated planning, dispatching, telematics and ticket solutions for buses and trains, init can profit from this trend over the long term.

A prerequisite is that the transport operators have sufficient funds available for their investments or have government backing. On the one hand, public bodies are under pressure to consolidate their budgets. On the other, they are also under pressure to combat climate change and invest in intelligent (transport) infrastructure to secure a better future. If the current trend of an easing in budget policies currently observed in some countries continues, this could unleash further growth stimulus for the init group.

Conservative planning requires that the human resources needed to address this growth are also available. To ensure sufficient human capital, we have increasingly invested in diversifying our international locations over recent years. In addition, we initiated an internal “cultural programme” that has the goal of empowering our employees “enterpreneurs within the enterprise”.

This should also be viewed in light of the fact that init is increasingly evolving from being a supplier of technology towards becoming a service provider for transport operators, i.e. one that also renders services to them. This is substantiated by the trend seen in recent tender wins of growing demand for our maintenance and service packages, where we perform operating functions for our customers. Given the contractual terms of more than ten years, this also secures high customer retention and quantifiable cash flow for the long term.

Based on these factors and our current order backlog, we anticipate sustained growth for the coming year. In specific terms, we are forecasting **revenues** of between **EUR 240m and 260m.** **EBIT** should lie between **EUR 24m and 28m.** This indicates that init should reach its mid-range goals of generating revenue growth of 10 to 15 per cent per annum and a minimum EBIT margin of 10 per cent of revenues.

If the financing perspectives for our customer base of transport operators continue to develop positively – which a growing number of investment programmes substantiate –it is possible that growth will accelerate in the coming years.

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 all areas of the group’s operations. Risk management is based on the guidelines laid out in ISO 31000.

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.

Using risk management, risks are allocated to the areas of business planning, sales & marketing, procurement, human resources, project management, IT, financial risks and legal risks. Risk owners are assigned to each of these areas.

In cooperation with the risk manager, the risk owners review the risks in their sphere of responsibility at least once a year. During this review, the risk position of each area is assessed to determine whether all risks and risk mitigation measures have been considered and are up to date for the purposes of the risk assessment. The period covered by this analysis is set at one year.

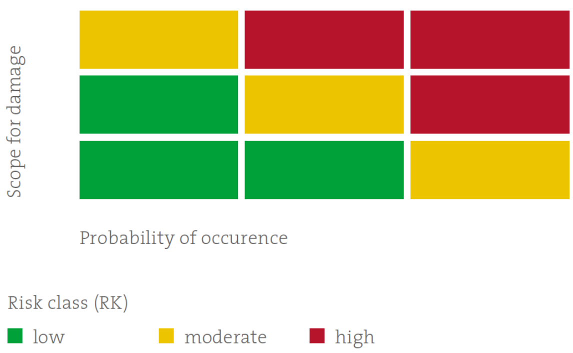
Suitable mitigation measures that are also economically viable need to be defined for each risk. Such measures can reduce the probability of loss and the exposure. Existing measures also need to be reviewed.

Furthermore, all risks are positioned on a risk matrix based on their probability and exposure based on defined criteria (net risk position). The assessment is presented by the level of risk: low, medium and high.

	Probability (%)	Exposure (EURm)
low	0 < probability ≤ 33	< 0.5
medium	33 < probability ≤ 66	0.5 to 3
high	66 < probability ≤ 100	> 3

Based on these parameters, a matrix with nine fields results, allowing the risk categories to be identified. The high risk category stands for critical risks that could have a significant impact on our results (primarily EBIT) due to the probability of occurrence and the exposure at risk.

Risk classes



The results are regularly reported to the Managing Board, each quarter at the very least.

Internal control system (ICS)

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 processes laid out in the quality management system (ISO 9001) create the foundation for this.

The RMS and the ICS are conceived based on the internationally recognised framework for internal control systems produced by the Committee of Sponsoring Organisations 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 based on their risk priority, 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 considering any significant interdependencies.

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.

The financial reporting by init SE and its subsidiaries, which itself is based on the entries made in the various entities, forms the underlying database 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 based on 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.
- Measures exist to ensure proper IT-based processing of accounting-related facts and figures.

Furthermore, the group has 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 yet unknown risks or risks that are considered negligible today to also impact the risk position 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 risk position of the init group and any changes compared to the previous year. In addition, the full list of risks for each division is presented in table form.

Business planning risks

In contrast to the previous year, patent risks have been allocated to legal risks. From a holistic perspective, the risk assessment remains unchanged.

Risk category	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 of expertise specific to init	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

ESG risk: Governance (risk category: medium/ previous year: medium)

ESG risks related to governance 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. We assess the overall risk category as medium.

Sales risks

There were no changes affecting the risk assessment of sales risks.

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

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 low risk category.

Price erosion in sales markets (risk category: medium / previous year: medium)

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. Day-to-day monitoring of purchase costs, analyses of the results of the tenders submitted and validation of new markets and sales opportunities help us to control and mitigate the risk and potential exposure. The past years have shown that the purchase market and sales market are structurally coordinated and that customers generally accept price increases in negotiations.

Procurement and logistics risks

Risk category	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	low	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 because of substantial fluctuations in the cost of some materials, also due to the ongoing crises, as well as the discontinuation of components. This could impact our financial position and financial performance as well as our ability to meet orders.

We counter these risks by concluding master agreements, maintaining inventories well in advance, and managing product obsolescence. Nevertheless, the current situation on the buy-side markets poses a risk that is not to be underestimated. For this reason, we continue to assess price and cost volatility as high risk. To date we have been able to counter the increasing number of terminations announced for assemblies and components, which is having a resulting impact on our ability to meet orders, by keeping sufficiently high stocks and entering into corresponding master agreements. We do not perceive any change on the previous year.

Human resources risks

In terms of human resources, there has been no change in the risk assessment compared to the previous year.

Risk category	Probability	Exposure	Risk category
Fluctuations in personnel expenses	medium	low	low
Risks from the loss 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

Project risks

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

Project management is a key success factor for the init group. 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. At present, no projects are assigned to the medium or high-risk categories.

IT risks

Risks relating to information technology are assessed as part of the risk management process and ISO27001 certification. Compared to the previous year, changes were made to risk management to adopt the presentations used in the course of the certification process. init has taken out liability and financial loss insurance to reduce its financial exposure to information security risks.

Risk category	Probability	Exposure	Risk category
Risk of data loss/manipulation due to unauthorised network access	low	high	medium
Risk of data loss/manipulation due to unauthorised access via remote maintenance and malware	medium	high	high
Risk of employees being manipulated by cyber-attacks	medium	medium	medium
Risk of data loss/manipulation due to unauthorised access via patch and change management systems/software	medium	medium	medium
Risk of unauthorised access to sensitive data due to defective or out-of-date records in authorisation systems	low	medium	low
Personnel-related IT risks (loss of resources; breach of compliance)	low	medium	low

Risk of data loss/manipulation due to unauthorised network access (risk category: medium / previous year: medium) and the risk of data loss/manipulation due to unauthorised access via remote maintenance tools and software (risk category: high/ previous year: medium)

In light of the growing risk of cybercrime, there is an elevated risk of a security incident leading to the disclosure, loss and manipulation of data via unauthorised access to the infrastructure used, such as the network, software or tools. As a result, business processes may be temporarily disrupted. In spite of implementing and constantly developing extensive technical and organisational measures and raising the awareness of our employees on a regular basis, we assess the risk to be higher than in the previous year.

Risk of employees being manipulated by cyberattacks (risk category: medium / previous year: n/a)

The threat of phishing, social engineering and malware is constantly rising. There is a risk that employees are called upon to act or disclose confidential information/business secrets, resulting in losses for init. This risk is countered by raising employee awareness using regular training and awareness tests, and improving network security and making processes more robust (e.g. for changing payment-related data).

Risk of data loss/manipulation due to unauthorised access via patch and change management systems/software (risk category: medium / previous year: n/a)

Security updates are being more frequently released in the case of high common vulnerability scoring system (CCVS) scores that necessitate immediate action by IT and user-administrators. Testing of security updates and updating the affected systems is ensured by means of monitoring and setting up the corresponding processes. Zero day exploits, which become known but for which no patch is available, are another critical item. Systems are modified and updated based on clearly defined change management procedures to ensure their functionality and secure configuration.

Risk of unauthorised access to sensitive data due to defective or out-of-date records in authorisation systems (risk category: low / previous year: n/a)

Protection against unauthorised access to information and systems is ensured by means of a clearly defined user authorisation concept that is based on the principles of “need to know” and “least privilege”. Authorisations are regularly reviewed by IT, assisted by established processes that rigorously remove or delete user accounts when an employee switches their department or leaves the organisation.

Personnel-related IT risks (loss of resources; breach of compliance) (risk category: low / previous year: n/a)

This risk refers to the aspect of having sufficient human resources to perform the tasks incumbent upon information security, but also to the risk of conscious or unconscious breaches of init’s policies and guidelines. This risk is countered by ensuring that applicants for open job positions possess the necessary qualifications and by providing employees with internal training and awareness-raising measures.

Financial risks

In contrast to the previous year, the risk of forward exchange contracts has been deleted as such instruments are currently only used to a very small extent. Given the current exposure, no material losses can occur.

Risk category	Probability	Exposure	Risk category
Short-term euro loans: interest risk and liquidity risk	high	low	medium
Bad debts	low	low	low
Currency risks	medium	low	low
Tax risks	low	medium	low
Liquidity risk due to stocking up inventories, financing projects in advance and past-due accounts	medium	low	low
Credit risk	low	low	low
Risk of rising prices and inflation	high	medium	high

Risk of rising prices and inflation (risk category: high / previous year: high)

The market risks referred to 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 risk of rising prices and inflation is therefore still considered to be high.

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 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. In addition, the current inverse interest curves indicate that short-term interest rates can be expected to fall.

Legal risks

At present, init SE and its subsidiaries only face a few legal disputes. In-house lawyers oversee these proceedings. 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 category	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 related to international data protection requirements and laws	low	low	low
Patent risks	low	low	low

Notwithstanding the litigation referred to above, the risks identified under the legal risks category are deemed to be low on account of the measures we have taken.

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 reasonable, insurance has been obtained.

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 any violations of applicable laws. 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 not changed significantly on the previous year, both in terms of the individual risks and 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, however, cannot be fully excluded.

Based on the knowledge at hand, the risks described above do not hinder the init group from reaching its respective goals and planning targets. We are convinced that the established risk management system will enable risks within the company to be identified and addressed at an early stage. At present, there is no reason to believe that the group is exposed to any going concern risks, either individually or in combination.

Assessment of the appropriateness and effectiveness of the RMS and ICS[1]

As described above, the risk management system (RMS) consists of the systematic and continuous identification and assessment of risks as well as the management and monitoring of the risks identified. It is a systematic method that is centrally steered and applied throughout the entire group. The RMS also integrates the internal control system (ICS) and the compliance management system, which is used to monitor compliance with legal requirements. This involves analysing the individual processes in the companies, identifying potential risks and assigning corresponding controls. While the overall responsibility for the ICS and RMS lies with the Managing Board, local management bears responsibility for implementing the ICS and ensuring its appropriateness and effectiveness. Taking account of the risk structures of the group, the Managing Board and the directors of the various functions regularly review the system on a samples basis, e.g. using interviews and reports, to test its appropriateness and effectiveness.

In spite of these safeguards, there are inherent limits, which means that the appropriateness and effectiveness of the ICS can never be conclusively assessed. Over the reporting year, the Managing Board did not become aware of any circumstances indicating that the ICS and RMS were not appropriate or effective in all material regards.

[1] The paragraph marked above contains information that lies outside of the disclosures required in the management report, which is therefore outside of the audit scope (“other information”).

Opportunities

In its latest "World Economic Outlook" (WEO) from January 2024, the International Monetary Fund (IMF) perceives a general improvement in growth prospects for the global economy, partly because the budgets and economies of many countries – such as China and the United States – have proven to be very resilient. In addition, higher public-sector spending in some industrial countries is fuelling the upturn. A period of fiscal easing is considered in the projections, with the associated decline in interest rates possibly resulting in higher growth.

The IMF recommends that advanced economies in Europe, North America and Asia should focus on fiscal consolidation over a sustained period while simultaneously protecting priority investments. By these, the IMF principally means investments to adapt to climate change and investments in public infrastructure, such as digital transformation and the reduction of emissions and the promotion of green technologies in public transport.

The more government funding is available and provided the faster and more intensively transport operators can master the transformation to green energies. In specific terms, this means more calls to tender for major projects and contracts for the digital transformation of public transport and electrification of its vehicles. As a global player, init will benefit from the additional growth opportunities afforded by this sector.

init is one the major suppliers of technology for all of the topics that need to be addressed by public transport operators worldwide, according to UITP (The International Association of Public Transport) in its latest report, if sustainable mobility is to be secured for everyone.

First and foremost of these is addressing climate change and implementing the resolutions of the 28th UN Climate Change Conference (COP28) held in Dubai in November 2023. Public transport was put at the centre of the strategies needed to decarbonise mobility systems. In the coming ten years, annual investments of USD 208 b are needed to improve, expand and electrify public transport infrastructure if the climate goals are to be reached.

In particular, the use of artificial intelligence (AI) has been given a special role. Together with the Climate Technology Centre and Network (CTCN) and COP28 Presidency, the Technology Executive Committee (TEC) hosted a high-level event within the framework of climate action initiatives at the COP28 to discuss various aspects of using AI for climate protection. One example is using AI-based models to improve the efficiency and reliability of traffic systems and optimise network operations. This necessitates substantial investment not just in hardware and vehicles, but most of all, systems and software as well. This creates opportunities for driving forward the required digital transformation and implementing new technologies, such as those offered by init, in the public transport sector.

As part of the global strategy to transition to clean energy and to implement this progressively, a second priority has been placed on advancing the electrification of public transport networks. For instance, 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. All 27 EU member states have committed to making the EU the first climate neutral continent by 2050. Correspondingly, transport operators are expected to choose low-emission or zero-emission vehicles when making purchases for their fleets. This will be supported by measures taken by the member states of the EU to establish the corresponding charging and tank infrastructure.

Similar programmes can also be expected to arise in the course of the implementation of the global and national plans to combat climate change and the resolutions of the 28th UN Climate Change Conference

(COP28). This should result in an increasing number of tenders for digital transformation and climate protection projects in the field of public transport, some of which can be expected to hit nine-digit sums. As a provider of integrated planning, dispatching, telematics and ticketing solutions for buses and trains, init can benefit from this development.

Electromobility constitutes a paradigm shift, the scope of which first needs to be understood. Before the first electric buses are purchased, a range of different operating scenarios need to be simulated and the implications for capital expenditure, operating costs and operating processes examined. The MOBILE-PLAN planning system from init offers perfect support for both this and the ensuing operational and personnel assignment planning. The parameters include the range, consumption and charging technology used by the buses and the charging infrastructure.

Transport operators who convert their fleets to electromobility are facing the challenge of sustainably minimising their power costs. Optimising the charging procedure and being able to exactly forecast the range of electric buses is of key importance. The MOBILEcharge intelligent charging system from CarMedialab, an init subsidiary, and the MOBILErange forecasting system from init address these needs effectively. MOBILEcharge ensures that the vehicles are always charged on time, as needed and as cost-effectively as possible. For instance, MOBILEcharge can achieve savings of up to 20 percent in electricity costs for fleets of 10 buses or more, as has been demonstrated in practice. Knowing the precise range of electric vehicles is also vital for fleet operations. Ideally, the forecast should map the actual power consumption over the course of the day's operations. In this way, the MOBILErange software from init contributes to reducing the energy costs of public transport operators still further. To encourage energy-efficient behaviour, init developed the MOBILEefficiency driver assistance system to support driving patterns that conserve resources. Given the high savings potential, demand for this init solution could rise substantially in future.

However, the necessary transformation of transport systems must be accompanied by an expansion of multi-modal mobility platforms and by improving access to public transport. In 2023, the European Commission enacted legislation 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 (MaaS). regiomove is a blueprint for other cities that would like to be seen as examples of climate-neutral intelligent transport hubs offering multimodal, clean and environmentally friendly mobility solutions. The regiomove app bundles mass transport solutions and alternative sharing solutions without the users having to switch between apps, not even for payments. They merely enter their intended route and the app automatically delivers the most suitable mode of transport along with the best connections and the latest offers. This concept is increasingly gaining importance as it connects different public transport offers resulting in a mobility mix tailored to individual demands. An increasing number of "smart cities" intend to put this concept into practice and are therefore looking for solutions, such as regiomove from init.

In addition, HanseCom, a wholly-owned subsidiary of init, offers the Deutschland-Ticket in the city, which is currently the most comprehensive mobility platform for public transport in Germany. With the new Deutschlandticket app, users obtain simple and easy-to-use digital access to the Deutschland-Ticket. This single cheap ticket grants users access to all local and some regional public transport services throughout Germany and avoids the need for passengers to understand the local fare structures. This trendsetting solution could spread to other regions, opening up additional market potential in international business.

Smart ticketing projects such as the nationwide Deutschland-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. Smart ticketing is also an element of the innovations that the US government intends to promote under its Infrastructure Investment and Jobs Act (IIJA) by assigning UDS 108.2 b to the development of public transport.

init software is bringing public transport in North America up to date with such projects as "MARTA". The Metropolitan Atlanta Rapid Transit Authority (MARTA) has decided in favour of a smart ticketing solution from INIT Inc., the U.S. subsidiary of init, which adds a new service dimension for its riders. The modern AFC 2.0-System (Automated Fare Collection) ordered by MARTA combines ticketing and contactless payment for all of its buses, trains and trams in the Atlanta metropolitan region. In future, any of its roughly 500,000 daily passengers will be able to use a simple "tap and go" service at any stop or in any vehicle operated by MARTA (or its partners) to purchase their fare using their mobile device, credit card or customer card via contactless payment

The contract awarded by MARTA is an important lighthouse project in light of the 2026 World Cup and the associated global spotlight placed on Atlanta, one of the venues. As well as enhancing the service provided to passengers, the init solution also relieves transport operators of all the payment and clearing processes associated with the payments. There is huge potential demand for this, and not just in North America. With a volume of over USD 100m earmarked for the investment phase, MARTA is the largest ticketing project conducted by init to date. The number of tenders of a comparable volume is growing, not just in North America. If these are won, init could experience even more rapid growth.

UITP views "paratransit" as an important solution and a priority task for ensuring access to public transport systems. Paratransit is a term for on-demand transport systems that is aimed at transporting elderly or disabled persons whose mobility is restricted and is used particularly in North America. More than this, paratransit services should become an integral component of a sustainable public transport network. Innovative AI-based solutions to optimise planning and dispatching processes, such as those developed and implemented by init for many years already, are needed for this aspect of the mobility transition.

In Honolulu, init has installed a widely recognised system in the United States that acts as a reference project for many other public transport operators. Under this system, minivans operate on an on-demand basis, which can be booked using a cost-efficient app terminal to validate and buy tickets. Taxi drivers can also download the app to their personal mobile device. In addition to the in-vehicle functions, the app automates the billing of the service and data transfer to a central database.

Accessibility to the public transport system should be barrier-free for everyone. In a pioneering collaboration with the Land Transport Authority of Singapore and the advocacy group for people with special needs SG Enable, init also worked on a project to pay better attention to the specific mobility demands of people with visual, hearing or mobility impairments. This culminated in the ASSISTIVEtravel travel assistance programme, an app that offers user's needs-based support at every stage of the journey. The features include optimal ease-of-use and external vehicle announcements for visually impaired as well as information for bus drivers whether passengers with special needs wish to board or alight, or internal announcements transmitted to passengers' hearing aids. The successful project has already won multiple awards and serves as a reference project worldwide.

Another major and very pressing challenge for public transport systems lies in the shortage of skilled labour. Labour shortages, particularly of drivers and other technical trades, are already an issue in many countries. The shortage of skilled professionals has a direct impact on the service level and quality of public transport. UITP therefore recommends rallying all available resources to combat it. This extends to the effective use of AI-based solutions such as the MOBILE-PERDIS nextGen personnel assignment system from init, which allows "the best choice of routes and duty rosters" to be drawn up for drivers or transport operators and allows them to be updated continuously. This not only increases flexibility but also staff satisfaction among drivers, a scarce resource. In this way, it also counters the problem of driver shortages for public transport operations. This avoids restricted availability for fixed route services, low fare receipts and annoyed passengers. A dispatching assistance system for control centres that init developed within the framework of the KARL research project ["*KARL - Künstliche Intelligenz für Arbeit und Lernen in der Region Karlsruhe*": Artificial Intelligence for work and education in the Karlsruhe region], moves in the same direction. Here again, great growth opportunity is emerging around the world for such solutions.

init has been optimising processes for the planning and dispatching of transport fleets for many years. Data is the foundation on which AI is built. Whether historical or real-time traffic data, ticketing data, timetables or fleet management: data is now available in great detail and this is used by init software solutions to train algorithms used in day-to-day operations. The application can map changes and trends more precisely and rapidly. This allows it to make more accurate forecasts of departure times, optimise routing and to respond to the latest events, such as accidents or traffic jams.

In a pilot project between init and Golden Gate Bridge, Highway & Transport District in San Francisco, AI-based software significantly improved the reliability of bus departure predictions from 49 per cent to over 85 per cent.

Another field of application is the analysis and forecasting of vehicle occupancy with the goal of improving the information available to passengers. This is precisely what MOBILEguide offers, our system for providing information on occupancy rates and steering passenger flows, which, in terms of reliability, outperforms customary systems. The information this system obtains can then be presented in the Intermodal Transport Control System, MOBILE-ITCS for use by transport operators. However, the most important feature is the dissemination of occupancy rates using the channels used to provide passenger information, such as the apps or websites of the transport operators.

Another example of the use of AI in public transport is the MOBILE-FLEX solution, which provides integrated booking, dispatching and route optimisation for on-demand transport solutions. For passengers, smooth transportation from the start of their journey to the stop where they board the bus or train (first mile), and from the final stop (e.g. the main train station) to their actual destination (last mile) is becoming increasingly important. As a result, public transport companies are starting to recognise the importance of coordinated on-demand services, for example in rural areas or during off-peak periods.

With MOBILE-FLEX, init offers a product that supports all common forms of on-demand operation, from fixed-route services with individual on-demand stops, to corridor operations, to flex routing with ride pooling. An AI-based optimisation algorithm efficiently and easily links passengers' travel requests. The system's excellent performance allows short booking deadlines based on real-time vehicle positions as well as ride pooling with virtual stops, addresses or geo-coordinates. By specifying fixed points and departure times (for the strategic positioning of vehicles, such as depots or stations), MOBILE-FLEX combines the flexibility of modern flex routing with the operational requirements of public transport. Smaller and more economic vehicles coupled with fewer but better utilised trips can result in a classical win-win situation for both operators and passengers.

The increasing use of AI-based software will leverage substantial productivity gains and higher revenue. AI can contribute towards making public transport safer, more efficient and more environmentally friendly, and therefore raise it to the next level. For this reason, the EU and the Federal Ministry for Digital and Transport (BMDV) are providing billions in subsidies across all modes of transport for the development and testing of innovative technologies. If these programmes are implemented rapidly, they will open up additional growth opportunities for init.

Overall, the Managing Board is positive about the development of opportunities. Developments in the 2023 financial year show an improved opportunity landscape compared to the previous year.

REPORTING IN ACCORDANCE WITH SECTION 315A HGB IN CONJUNCTION WITH SECTION 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 3,425,000 shares in init SE. This is around 34.1 per cent of the capital stock. As of 31 December 2023, init holds 199,739 treasury shares (31 December 2022: 140,185 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 for the possibility to create 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 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

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 2023, which is available on the Internet at: https://www.initse.com under the tab Investor Relations – Corporate Governance.

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED INCOME STATEMENT

for the financial year 2023 (IFRS)

EUR'000	Notes no.	**01/01 to 31/12/2023**	01/01 to 31/12/2022
Revenues	4, 36	210,801	191,252
Cost of sales	5	-130,409	-114,690
Gross profit		80,392	76,562
Sales and marketing expenses	6	-26,110	-24,097
General administrative expenses	6	-23,395	-20,443
Research and development expenses	6, 21	-13,026	-13,506
Other operating income	7	3,302	3,897
Other operating expenses		-418	-831
Foreign currency gains and losses	8	132	-754
Expenses and income from associated companies	22	143	177
Earnings before interest and taxes (EBIT)		21,020	**21,005**
Interest income	10	278	24
Interest expenses	10	-2,017	-750
Earnings before taxes (EBT)		19,281	**20,279**
Income taxes	9, 23	-4,130	-3,778
Net income		15,151	**16,501**
thereof attributable to equity holders of the parent company		15,185	16,524
thereof non-controlling interests		-34	-23
Basic and diluted earnings per share in EUR	11	1.54	1.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year 2023 (IFRS)

EUR'000	**01/01 to 31/12/2023**	01/01 to 31/12/2022
Net income	15,151	**16,501**
Items to be reclassified to the income statement:		
Net gains (+) / losses (-) on currency translation	-2,333	2,510
Items not to be reclassified to the income statement:		
Actuarial gains (+) / losses (-) on defined benefit obligations (DBO) for pensions after taxes	-37	2,481
Total other comprehensive income	-2,370	**4,991**
Total comprehensive income	12,781	**21,492**
thereof attributable to equity holders of the parent company	12,815	21,515
thereof non-controlling interests	-34	-23

CONSOLIDATED BALANCE SHEET

as of 31 December 2023 (IFRS)

Assets

EUR'000	Notes no.	31/12/2023	31/12/2022
Current assets			
Cash and cash equivalents	14, 32	27,303	40,050
Marketable securities and bonds	15, 32	30	29
Trade accounts receivable	16, 32	43,496	35,222
Contract assets	16, 32	21,560	14,763
Inventories	17	49,275	42,091
Income tax receivables		1,440	1,551
Other assets	18	4,766	3,976
Current assets, total		147,870	**137,682**
Non-current assets			
Property, plant and equipment and right-of-use assets	19	64,055	65,037
Investment property	20	1,351	1,352
Goodwill	21	12,488	12,488
Other intangible assets	21	25,494	20,045
Interests in associated companies	22	777	778
Deferred tax assets	23	4,826	4,849
Other assets	24	3,617	3,516
Non-current assets, total		112,608	**108,065**
Assets, total		**260,478**	**245,747**

Liabilities and shareholders' equity

EUR'000	Notes no.	31/12/2023	31/12/2022
Current liabilities			
Bank loans	25, 32	19,665	18,460
Trade accounts payable	25, 32	11,961	9,747
Contract liabilities	16, 25	16,364	9,745
Advance payments received	25	3,117	1,171
Income tax payable	25	3,616	3,947
Provisions	28	4,009	6,625
Lease liabilities	27	3,752	3,336
Other liabilities	25, 26	15,923	20,533
Current liabilities, total		78,407	**73,564**
Non-current liabilities			
Bank loans	25, 32	25,680	19,575
Deferred tax liabilities	23	6,297	5,172
Pensions accrued and similar obligations	29	7,636	7,336
Provisions	28	1,705	2,373
Lease liabilities	27	20,187	21,172
Non-current liabilities, total		61,505	**55,628**
Equity			
Attributable to equity holders of the parent company			
Subscribed capital	30	10,040	10,040
Additional paid-in capital	30	6,879	6,575
Treasury shares	30	-5,441	-3,517
Reserves and consolidated unappropriated profit	30	106,159	98,369
Other reserves	30	2,521	4,891
		120,158	**116,358**
Non-controlling interests		408	197
Shareholders' equity, total		120,566	**116,555**
Liabilities and shareholders' equity, total		**260,478**	**245,747**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2023 (IFRS)

		Attributable to equity holders	
Notes no.	30	30	30
EUR'000	Subscribed capital	Additional paid-in capital	Treasury shares
As of 01/01/2022	**10,040**	**7,587**	**-2,467**
Net income			
Other comprehensive income			
Total comprehensive income			
Dividend paid out			
Addition to the reserves			
Share-based payments		-1,012	761
Acquisition of treasury shares			-1,811
Rounding			
As of 31/12/2022	**10,040**	**6,575**	**-3,517**
As of 01/01/2023	**10,040**	**6,575**	**-3,517**
Net income			
Other comprehensive income			
Total comprehensive income			
Dividend paid out			
Addition to the reserves		4	
Share-based payments		300	820
Acquisition of subsidiaries			
Acquisition of treasury shares			-2,744
Rounding			
As of 12/31/2023	**10,040**	**6,879**	**-5,441**

as of 31 December 2023 (IFRS)

	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		
	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**
	98,369	**-1,059**	**5,951**	**-1**	**116,358**	**197**	**116,555**
	15,185				15,185	-34	15,151
		-37	-2,333		-2,370		-2,370
	15,185	-37	-2,333		12,815	-34	12,781
	-6,943				-6,943		-6,943
	-452				-448	-10	-458
					1,120		1,120
						255	255
					-2,744		-2,744
	106,159	**-1,096**	**3,618**	**-1**	**120,158**	**408**	**120,566**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year 2023 (IFRS)

EUR'000	01/01 to 31/12/2023	01/01 to 31/12/2022
Cash flows from operating activities:		
Net income	15,151	16,501
Amortisation and depreciation	11,235	10,200
Gains or losses on the disposal of fixed assets	17	-35
Change in provisions and accruals	-2,929	-5,679
Change in inventories	-7,803	-7,063
Change in trade accounts receivable and contract assets	-16,558	5,936
Change in other assets not provided by / used in investing or financing activities	-863	632
Change in trade accounts payable	2,988	2,633
Change in advance payments received and contract liabilities	8,807	1,236
Change in other liabilities not provided by / used in investing or financing activities	-3,627	-1,276
Amount of other non-cash income and expenses	1,563	1,297
Net cash from operating activities	7,981	24,382
Cash flow from investing activities:		
Payments received on disposal of property, plant and equipment	36	304
Investments in property, plant and equipment	-4,088	-4,328
Investments in other intangible assets	-8,423	-5,643
Investment property	-29	0
Investments in subsidiaries less acquired cash	-1,072	-1,110
Cash paid/received for financial assets	-23	0
Securities	2	0
Capital contributions and loans to associated companies	143	240
Net cash flows used in investing activities	-13,454	-10,537
Cash flow from financing activities:		
Dividend paid out	-6,932	-5,465
Payments received from equity contributions	246	0
Cash payments for the purchase of treasury shares	-2,744	-1,811
Payments received from bank loans	25,970	22,512
Redemption of bank loans	-18,660	-13,817
Payments of principal on lease liabilities	-4,411	-3,513
Payments of interest on lease liabilities	-265	-130
Net cash flows used in financing activities	-6,796	-2,224
Net effects of currency translation and consolidation changes in cash and cash equivalents	-478	271
Change in cash and cash equivalents	-12,747	11,892
Cash and cash equivalents at the beginning of the period	40,050	28,158
Cash and cash equivalents at the end of the period	27,303	40,050

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

NOTES

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

NOTES

1. Information about init

init innovation in traffic systems SE, Kaeppelestrasse 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 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 business model, init qualifies as 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 became mandatory for the first time in financial year 2023.

Standard	Title
IAS 1	Disclosures of accounting policies
IAS 8	Definition of accounting estimates
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
IAS 12	International Tax Reform—Pillar Two Model Rules
IFRS 17	Insurance contracts
IFRS 17	First-time adoption of IFRS 17 and IFRS 9 – comparative information

Only the adoption IAS 12 had any impact on the financial position or performance of the init group.

The amendment to IAS 12 limits the application of the “initial recognition exception” (IRE). This now requires deferred taxes to be recognised on transactions that lead to equal deductible and taxable temporary differences upon initial recognition. Typically, this affects the accounting for leases by the lessee and restoration obligations.

The amendments apply retrospectively to comparative periods.

The impact of applying IAS 12 to the leases carried by the init group are as follows:

EUR’000	31/12/2022	2022	01/01/2022
Deferred tax assets prior to offsetting	105	0	70
Deferred tax liabilities prior to offsetting	108	0	132
Deferred tax liabilities presented in the consolidated balance sheet	3	0	62
Consolidated unappropriated profit	-3	0	-62
Deferred tax expense	0	59	0

Due to the low impact on the consolidated balance sheet and consolidated income, the init group has refrained from adjusting the figures for the comparative period. The comparative figures are presented in the section on deferred taxes.

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 financial year 2023. The group opted not to early-adopt these standards.

Standard	Title	Adoption
IAS 1	Classification of liabilities as current or non-current	January 2024
IFRS 16	Lease liability in a sale and leaseback	January 2024
IAS 1	Non-current liabilities with covenants	January 2024

EU endorsement outstanding

The IASB issued the following standards whose application was not yet mandatory in financial year 2023. These standards have not yet been endorsed into EU law and were not applied by the group.

Standard	Title	Publication by IASB
IAS 21	Lack of exchangeability	January 2025
IAS 7 / IFRS 7	Supplier finance arrangements	May 2023

The above standards will be applied when they come into force in 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 2023. 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. This includes:

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

Name	Registered office	Share as of 31/12/2023	Share as of 31/12/2022
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	74.5%	58.1%
CarMedialab Corp. ("CML Corp.")	Santa Monica, California USA	74.5%	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%	100%
DResearch Fahrzeugelektronik GmbH ("DResearch")	Berlin	100%	100%
iris intelligent sensing SASU ("iris SASU")	Montbonnot-Saint-Martin, France	100%	100%
IHC IB Public Transport Solutions, Unipessoal LDA ("Hansecom IB")	Lisbon, Portugal	100%	0.0%
Init Innovation Traffic Systems L.L.C. ("INIT Dubai L.L.C.")	Dubai, United Arab Emirates	100%	0.0%

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

Name	Registered office	Share as of 31/12/2023	Share as of 31/12/2022
Associated companies (at equity)			
maBinso software GmbH ("maBinso")	Hamburg	48.0%	48.0%
Bytemark Inc. ("Bytemark")	New York, USA	0.0%	3.0%

Hansecom Minsk has been in liquidation since 1 December 2022. It is planned to dissolve the entity in the year 2024.

init SE acquired 26.8875 per cent of the shares in CML on 3 April 2023. It sold 10.5 per cent of the shares on the same day. As a result, its stake in this company rose to 74.4875 per cent in the year 2023.

By notification dated 1 August 2023, init was informed of the squeeze out to be conducted at Bytemark Inc. by the co-owner, Siemens. Due to the fact that this entity is insolvent, no further compensation was paid.

Company formations

Init Innovation Traffic Systems L.L.C. in Dubai, United Arab Emirates, was founded on 10 January 2023. This is a wholly-owned subsidiary of init SE. Its capital amounts to AED 1,000,000 and is fully paid in.

IHC IB Public Transport Solutions, Unipessoal LDA, based in Lisbon, Portugal, was founded on 15 February 2023 as a wholly-owned subsidiary of HanseCom. Its capital has been set at EUR 5k 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 based on 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

Transactions denominated in foreign currency and foreign operations are accounted for in accordance with IAS 21.

Transactions in foreign currency are translated into the respective functional currency of the reporting entity of the group using the exchange rates on the date of the transaction (historical rate). Monetary assets denominated in foreign currency are translated using the exchange rate on the reporting date (closing rate). Non-monetary assets and liabilities whose fair value is measured in a foreign currency are translated into the functional currency using the exchange rate on the date on which their fair value is measured. Foreign exchange differences are generally posted through profit or loss. Non-monetary items measured at historical cost are not adjusted.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments as a result of business combinations are translated from the functional currency of the group entities into EUR, the presentation currency of the parent company, using the closing rate. Functional currencies used by subsidiaries include the EUR, USD, CAD, GBP, SGD, AED, AUD, NZD, CHF and BYN. As a simplification, income and expenses of foreign operations are translated into EUR using the annual average exchange rate for the functional currency.

Exchange differences arising from the translation of balance sheet items using the closing rate and from translating income and expenses using the annual average exchange rate are posted to net gains/losses on currency translation under other comprehensive income and presented in the balance sheet 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 due to geopolitical conflicts

Risks arising from the impacts of the current crisis due to the Russian war against Ukraine and the conflict in Middle East 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 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 become net climate neutral by 2030 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 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 for impairment once a year.

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 based on 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.

Development expenses are only recognised when the recognition criteria 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 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. Production costs include all costs directly or indirectly attributable to the production process. Overheads are calculated on the basis of normal employment. 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 based on 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. Key revenue streams have been identified to be the project business, maintenance and support as well as the delivery of goods business (supply projects, aftermarket and spare parts). 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 based on 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 benefits from 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 generally 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
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
Other financial liabilities (current)	At amortised cost

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 passing 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 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 for 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 consist of customer bases acquired in business combinations and licenses.

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

Development expenses meeting the recognition criteria are presented as internally-generated intangible assets in accordance with IAS 38. For more information on this matter, please refer to note 21.

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 based on 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 per cent 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 reserve is kept as an investment and held as an alternative form of payment. For this reason, changes in its fair value are considered on the reporting date. These fair value adjustments are posted through profit or loss. Due to the fact that the gold is kept in reserve and not for sale in the short term, it is presented under non-current assets.

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 used 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	2023	2022
Revenue from project business	84,591	82,218
Revenue from support and maintenance contracts	50,208	41,400
Revenue from deliveries of spare parts and replacements	76,002	67,634
Total	**210,801**	**191,252**

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	2023	2022
Cost of materials and purchased services	58,749	48,806
Personnel expenses	53,229	47,962
Amortisation and depreciation	7,218	6,616
Rental expenses	1,240	1,900
Travel and entertainment costs	1,852	1,900
Valuation adjustments on inventories	-146	191
Valuation adjustments on trade accounts receivable	240	-499
Other	8,027	7,814
Total	**130,409**	**114,690**

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 1,795k (previous year: EUR 2,321k).

6. Expenses of indirect functions

Sales and marketing expenses

EUR'000	2023	2022
Personnel expenses	17,464	16,677
Amortisation and depreciation	2,029	2,012
Rental expenses	229	393
Travel and entertainment costs	1,443	1,056
Other	4,945	3,959
Total	**26,110**	**24,097**

As in the previous year, the "Other" item comprises advertising costs, legal expenses and consulting fees, vehicle costs and repair and maintenance expenses. It also includes the effect of offsetting income from the release of provisions.

General administrative expenses

EUR'000	2023	2022
Personnel expenses	14,893	13,361
Amortisation and depreciation	1,973	1,556
Rental expenses	662	299
Travel and entertainment costs	568	590
Other	5,299	4,637
Total	**23,395**	**20,443**

As in the previous year, the "Other" item comprises legal expenses and consulting fees, vehicle costs and repair and maintenance expenses. It also includes the effect of offsetting income from the release of provisions.

Research and development expenses

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

EUR'000	2023	2022
Software	11,549	12,085
Hardware	1,477	1,421
Total	**13,026**	**13,506**

Research and development expenses are at the same level as in the previous year in absolute terms and result from the high intensity of basic development for new products and the continued evolution of existing products.

7. Other operating income

Other operating income consists primarily of government grants from the Federal Government and the EU of EUR 1,300k (previous year: EUR 487k). In addition, EUR 721k (previous year: EUR 814k) results from offsetting benefits in kind. Income from operating leases amounted to EUR 297k (previous year: EUR 296k).

8. Foreign currency gains and losses

EUR'000	2023	2022
Balance of unrealised currency gains and losses	2	-779
Balance of realised currency gains and losses	130	25
Total	**132**	**-754**

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

9. Income taxes

EUR'000	2023	2022
Current income tax	3,191	5,912
Deferred income tax	939	-2,134
Total	**4,130**	**3,778**

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 28 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	2023	2022
Earnings before tax	19,281	20,279
Theoretical income tax expense at 31.0%	5,977	6,286
Tax rate differences for foreign subsidiaries	-1,522	-1,925
Tax effect of non-deductible / taxable expenses / income	716	276
Tax effects of tax-free savings schemes	-2	-245
Taxes relating to other periods	-1,047	-581
Tax effects from the earnings of associated companies	-31	-54
Other	39	21
Effective income tax expense	**4,130**	**3,778**
Effective income tax expense in %	**21.4**	18.6

The tax rate in 2023 lies above that of the previous year but below the theoretical tax rate of 31.0 per cent. The latter 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	2023	2022
Changes to deferred tax assets	23	-1,312
Changes to deferred tax liabilities	1,125	278
Offset and recognised in equity	-17	-1,115
Currency adjustments	-192	15
Deferred tax expense (+) / income (-)	**939**	**-2,134**

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	2023	2022
Financial assets at amortised cost	279	24
Interest expenses from financial liabilities at acquisition cost	-1,527	-568
Interest expenses from pensions	-303	-107
Interest expenses from leases	-265	-130
Other	78	55
Total	**-1,738**	**-726**

Currency effects

EUR'000	2023	2022
Financial assets at amortised cost	-246	644
Financial liabilities at amortised cost	246	228
Financial assets and liabilities measured at fair value through profit or loss	45	198
Total	**45**	**1,070**

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.

	2023	2022
Net income (shareholders of the parent company) in EUR '000	15,151	16,524
Weighted average number of shares outstanding	9,877,366	9,924,714
Basic earnings per share	1.54	1.66

12. Paid and proposed dividends

EUR'000	2023	2022
Ordinary dividends declared and paid during the financial year	6,923	5,465
Ordinary dividends proposed at the Shareholders' Meeting for approval (not reported as a liability on 31 December) Dividend for FY 2023: 70 cents per share (FY 2022: 60 cents per share)	6,913	5,942
Special dividends proposed at the Shareholders' Meeting for approval (not reported as a liability on 31 December) Special dividend for FY 2023: 0 cents per share (FY 2022: 10 cents per share)	0	990

13. Personnel expenses

Personnel expenses totalled EUR 98,574k (previous year: EUR 91,465k).

Cost of sales includes the following amounts:

EUR'000	2023	2022
Wages and salaries	43,878	40,109
Social security contributions	7,436	6,197
Pension costs	1,332	1,184
Share-based payment expense	583	472
Total	**53,229**	**47,962**

Sales and marketing expenses include the following amounts:

EUR'000	2023	2022
Wages and salaries	14,820	14,278
Social security contributions	1,953	1,844
Pension costs	373	337
Share-based payment expense	318	217
Total	**17,464**	**16,676**

General administrative expenses include the following amounts:

EUR'000	2023	2022
Wages and salaries	12,828	11,439
Social security contributions	1,556	1,456
Pension costs	307	326
Share-based payment expense	203	140
Total	**14,894**	**13,361**

Research and development expenses include the following amounts:

EUR'000	2023	2022
Wages and salaries	10,789	11,176
Social security contributions	1,918	1,967
Pension costs	280	323
Total	**12,987**	**13,466**

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. Cash and cash equivalents

EUR'000	2023	2022
Cash in banks (current accounts)	27,256	40,027
Short-term deposits (fixed-term deposits/call money)	47	23
Total	**27,303**	**40,050**

15. Marketable securities and bonds

This item refers to marketable securities and bonds with a total fair value of EUR 30k (previous year: EUR 29k). Due to the assumption of a permanent rise in its value, the securities and bond issues were written up by EUR 2k to their fair value on the reporting date (previous year: impairment loss of EUR 10k), with the gain posted through profit or loss.

16. Trade accounts receivable and contract assets

EUR'000	2023	2022
Gross trade accounts receivable	44,514	36,072
Less cumulative loss allowances	-1,018	-850
Subtotal	43,496	**35,222**
Contract assets	21,560	14,763
Total	**65,056**	**49,985**

The loss allowances for trade accounts receivable developed as follows:

EUR'000	2023	2022
As of 01/01	850	1,465
Addition	247	0
Utilised	-6	-165
Unused amounts reversed	-53	-468
Currency effects	-20	18
As of 31/12	**1,018**	**850**

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

Revenue from project business that is recognised over time but not yet completed as of the reporting date is presented as follows:

EUR'000	2023	2022
Costs incurred plus the results of unbilled projects	187,829	207,020
Less advance payments received	-182,634	-202,002
Balance	**5,195**	**5,018**
thereof: contract assets	21,560	14,763
thereof: contract liabilities	16,364	9,745

17. Inventories

EUR'000	2023	2022
Raw materials, consumables and supplies	16,533	5,211
Goods, work in progress and finished products	29,053	34,309
Advance payments to suppliers	3,690	2,571
Total	**49,276**	**42,091**

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	2023	2022
Derivative financial instruments	0	6
Prepaid expenses	2,124	1,879
Other tax refund claims	806	1,119
Incremental costs of obtaining contracts	56	103
Due from personnel	771	437
Other	1,009	432
Total	**4,766**	**3,976**

The increase in prepaid expenses is mainly attributable to new support and maintenance contracts with a term 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 in the states of 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	Prepayments and assets under construction	Total
Acquisition and production costs					
As of 01/01/2023	40,845	5,457	18,030	0	64,332
Additions in current financial year	605	1,005	2,476	2	4,088
Disposals in current financial year	0	472	749	0	1,221
Reclassifications in current financial year	0	-1,319	624	-2	-697
Currency differences	-424	-100	-97	0	-621
Acquisition of subsidiaries	0	0	0	0	0
As of 12/31/2023	41,026	4,571	20,284	0	65,881
Amortisation and depreciation					
As of 01/01/2023	7,606	3,662	12,529	0	23,797
Additions in current financial year	1,269	439	2,340	0	4,048
Disposals in current financial year	0	446	721	0	1,167
Reclassifications in current financial year	0	-1,043	346	0	-697
Currency differences	-62	-69	-66	0	-197
As of 12/31/2023	8,813	2,543	14,428	0	25,784
Carrying amount as of 31/12/2023	**32,213**	**2,028**	**5,856**	**0**	**40,097**

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 2023 totalled EUR 4,048k (previous year: EUR 4,081k) 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 0.7m (previous year: EUR 1.0m).

EUR'000	Land and buildings	Plant and machinery	Furniture, fixtures and office equipment	Prepayments and assets under construction	Total
Acquisition and production costs					
As of 01/01/2022	39,245	4,902	15,985	14	60,146
Additions in current financial year	475	543	2,740	570	4,328
Disposals in current financial year	191	118	823	0	1,132
Reclassifications in current financial year	580	8	-4	-584	0
Currency differences	736	122	132	0	990
Acquisition of subsidiaries	0	0	0	0	0
As of 31/12/2022	40,845	5,457	18,030	0	64,332
Amortisation and depreciation					
As of 01/01/2022	6,339	3,084	10,893	0	20,316
Additions in current financial year	1,202	582	2,297	0	4,081
Disposals in current financial year	8	106	752	0	866
Reclassifications in current financial year	0	0	0	0	0
Currency differences	73	102	91	0	266
As of 31/12/2022	7,606	3,662	12,529	0	23,797
Carrying amount as of 31/12/2022	**33,239**	**1,795**	**5,501**	**0**	**40,535**

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 01/01/2023	23,522	791	78	111	24,502
Additions in financial year	2,326	849	136	431	3,742
Disposals in financial year	-319	-558	0	-60	-937
Amortisation and depreciation	-3,146	-16	-59	-36	-3,257
Currency differences	-90	0	-2	0	-92
As of 12/31/2023	22,293	1,066	153	446	23,958

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

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 11,270k as of year-end 2023, and iris-GmbH, Berlin with a right of use of EUR 2,780k and DResearch Fahrzeugelektronikgruppe (DVS/DFE) of EUR 2,011k. Additions consist of the new rental agreements associated with the two new companies in the group (HanseCom IB, INIT Dubai L.L.C.) as well as the effect of exercising options to prolong leases for some buildings and vehicles.

Depreciation of right-of-use assets in the 2023 financial year amounted to EUR 3,100k (previous year: EUR 2,571k) recorded on office buildings, EUR 573k (previous year: EUR 573k) on motor vehicles, and the remainder on small IT equipment and miscellaneous. Of this amount, EUR 106k is attributable to the prolongation of contracts in the financial year.

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

The residual value of property, plant and equipment and right-of-use assets came to EUR 64,055k (previous year: EUR 65,037k).

20.Investment property

EUR'000	2023	2022
Acquisition costs as of 01/01	1,616	1,600
Additions in financial year	28	0
Currency differences	-9	16
Acquisition costs as of 31/12	1,635	1,616
Depreciation as of 01/01	264	240
Additions in financial year	22	22
Currency differences	-2	2
Depreciation as of 31/12	284	264
Carrying amount as of 31/12	**1,351**	**1,352**

Composition of earnings from investment property during the reporting period:

EUR'000	2023	2022
Rental income from investment property	297	296
Direct operating expenses* used to generate rental income	28	27

* 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 1,351m (previous year: EUR 1,352m). The buildings are depreciated on a straight-line basis over a useful life of 50 or 27.5 years.

There was a small addition to historical cost in the financial year related to the recognition of real estate acquisition tax of EUR 22k.

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	Licenses
Acquisition and production costs				
As of 01/01/2023	12,488	11,275	24,376	9,494
Additions in current financial year	0	6,938	0	1,498
Disposals in current financial year	0	0	0	21
Currency differences	0	0	0	-19
Reclassifications	0	0	0	-10
As of 12/31/2023	12,488	18,213	24,376	10,942
Amortisation and depreciation				
As of 01/01/2023	0	8,483	11,679	4,938
Additions in current financial year	0	8	1,948	1,014
Disposals in current financial year	0	0	0	20
Currency differences	0	0	0	-3
Reclassifications	0	0	0	-10
As of 12/31/2023	0	8,491	13,627	5,919
Carrying amount as of 31/12/2023	**12,488**	**9,722**	**10,749**	**5,023**

EUR'000	Goodwill	Internally generated software	Customer base	Licenses
Acquisition and production costs				
As of 01/01/2022	12,488	8,483	24,376	6,697
Additions in current financial year	0	2,792	0	2,850
Disposals in current financial year	0	0	0	59
Currency differences	0	0	0	6
Reclassifications	0	0	0	0
As of 31/12/2022	12,488	11,275	24,376	9,494
Amortisation and depreciation				
As of 01/01/2022	0	8,483	9,731	4,559
Additions in current financial year	0	0	1,948	433
Disposals in current financial year	0	0	0	55
Currency differences	0	0	0	1
As of 31/12/2022	0	8,483	11,679	4,938
Carrying amount as of 31/12/2022	**12,488**	**2,792**	**12,697**	**4,556**

Regular amortisation and depreciation for property, plant and equipment and other intangible assets of EUR 11,220k (previous year: EUR 10,184k) is included in the income statement under "Cost of sales" (EUR 7,218k), "Sales and marketing expenses" (EUR 2,029k) and "General administrative expenses" (EUR 1,973k).

The additions of software under internally-generated intangible assets during the financial year include development projects that have not yet been put into use of EUR 6,938k.

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 based on 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 11.7 per cent (previous year: 11.2 per cent).

The following assumptions involve forecast uncertainties:

- Revenue
- Free cash flow
- Discount rate

Revenues: Revenues are planned based on the order backlog, the open and announced tenders, offers made and past experience. Revenues are 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 7.7 per cent (previous year: 7.8 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 of 1, 2 or 3 percentage points in the interest rate, respectively, did not reveal any need to record an impairment loss on goodwill. Likewise, a respective decrease of 6, 9 or 12 percentage points in revenues compared to the baseline planning did not reveal any need to record an impairment loss on goodwill. A decrease of 6, 9 or 12 percentage points in free cash flow on the baseline planning did not reveal any need to record 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 6,938k (previous year: EUR 2,792k) were recognised as internally generated intangible assets in the financial year. Amortisation of EUR 8k was recorded (previous year: EUR 0k). The remaining carrying amount therefore comes to EUR 9,722k on the reporting date (previous year: EUR 2,792k).

Customer bases and licenses

The licences include external software costs as well as programming and consulting of EUR 5,023k (previous year: EUR 4,556k). The new ERP system was recognised in the financial year at historical costs of EUR 1,170k. Licenses were amortised by EUR 1,014k (previous year: EUR 433k) and the depreciation for the new ERP amounts to EUR 695k (previous year: EUR 0k).

Customer bases include the customer bases acquired during the acquisitions of iris-GmbH in 2016 of EUR 3,850k (previous year: EUR 4,363k), HanseCom in 2016 of EUR 599k (previous year: EUR 737k), Mattersoft in 2018 of EUR 517k (previous year: EUR 646k) and DResearch Group in 2020 of EUR 5,783k (previous year: EUR 6,951k).

The associated amortisation amounts to EUR 1,948k (previous year: EUR 1,948k).

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 309k (previous year: EUR 348k). The pro-rata result of the init group for 2023 is EUR 143k. A distribution of EUR 144k was paid out in the financial year 2023. Amortisation of investments in associated companies was not required.

23. Deferred taxes

Deferred tax assets and liabilities are allocable to the line items of the balance sheet as follows:

EUR'000	2023	2022	2022*
Deferred tax assets			
Receivables	574	346	346
Inventories	2,029	1,840	1,840
Other assets	1,917	1,330	1,330
Provisions	634	1,004	1,004
Pensions accrued and similar obligations	1,513	1,439	1,439
Total deferred tax assets	**6,667**	**5,959**	**5,959**
Deferred tax liabilities			
Contract assets	916	841	841
Other assets	23	624	624
Property, plant and equipment	772	454	457
Technology and customer base	3,090	2,164	2,164
Other intangible assets	2,895	1,721	1,721
Other liabilities	441	479	479
Total deferred tax liabilities	**8,137**	**6,283**	**6,286**

* previous year figures presented after considering deferred taxes arising from leases

As of 31 December 2023, unused tax losses came to EUR 906k (previous year: EUR 422k). The associated deferred tax assets have not been recognised and amount to approximately EUR 152k (previous year: EUR 89k). 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 2023, 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 80.7m (previous year: EUR 73.7m).

In the reporting period deferred tax assets and deferred tax liabilities of EUR 1,841k were netted. This results in reported balance sheet values of EUR 4,826k for deferred tax assets and EUR 6,296k for deferred tax liabilities.

The income tax assets of EUR 1,440k mainly relate to Germany and North America.

24. Other non-current assets

EUR'000	2023	2022
Asset value of pension liability insurances	1,633	1,541
Security deposits*	475	457
Gold stock	1,496	1,362
Other*	12	156
Total	**3,616**	**3,516**

* 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

	12/31/2023			31/12/2022		
		Remaining term			Remaining term	
EUR'000	**Total**	< 1 year	> 5 years	Total	< 1 year	> 5 years
Bank loans (current and non-current)	45,345	19,665	7,778	38,035	18,460	5,556
Trade accounts payable	11,961	11,961	0	9,747	9,747	0
Contract liabilities	16,364	16,364	0	9,745	9,745	0
Advance payments received	3,117	3,117	0	1,171	1,171	0
Income tax payable	3,616	3,616	0	3,947	3,947	0
Other liabilities (current)	15,923	15,923	0	20,533	20,533	0

In the previous year, other current liabilities included the current portion of lease liabilities.

The contract liabilities from the previous year of EUR 9,745k were almost fully settled in 2023.

Terms relating to the above financial liabilities:

The bank loans of EUR 45,345k (previous year: EUR 38,035k) consist of the non-current portion of long-term loans of EUR 397k (previous year: EUR 655k) 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 258k (previous year: EUR 359k). In addition, there are loans for acquisition financing of EUR 4,944k (previous year: EUR 7,403k), investment loans of EUR 26,060k (previous year: EUR 13,279k) as well as a long-term loan of EUR 2,917k (previous year: EUR 4,583k). There are also euro loans amounting to EUR 10,770k (previous year: EUR 11,756k).

A long-term loan of EUR 2,917k has minimum capital requirements (covenants) attached. 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 cash lines and bank guarantees are in place:

EUR'000		Overall line	thereof cash line	thereof guarantee	Cash or guarantee
Banks	**2023**	103,998	6,898	42,500	54,600
Credit insurance companies	**2023**	84,600	0	84,600	0
Banks	2022	102,279	5,179	42,500	54,600
Credit insurance companies	2022	84,827	0	84,827	0

The cash lines and bank guarantees are sufficient to finance the further growth of the company. As of 31 December 2023, EUR 7,556k had been drawn on the cash lines (previous year: EUR 12,756k) and EUR 76,878k on the lines of bank guarantees (previous year: EUR 88,025k).

Of the total credit lines of EUR 188,598k available to the group (previous year: EUR 187,106k), an amount of EUR 104,164k had not been drawn (previous year: EUR 86,325k).

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 (current and non-current)

	12/31/2023			31/12/2022		
		Remaining term			Remaining term	
EUR'000	**Total**	< 1 year	> 1 years	Total	< 1 year	> 1 years
Tax liabilities	3,270	3,270	0	3,132	3,132	0
Due to personnel	10,743	10,743	0	9,981	9,981	0
Social security liabilities	542	542	0	516	516	0
Liabilities for unbilled services from subcontractors	13	13	0	0	0	0
Lease liabilities	23,939	3,752	20,187	24,508	3,336	21,172
Sundry	1,355	1,355	0	6,906	6,906	0
Total	**39,862**	**19,675**	**20,187**	**45,043**	**23,871**	**21,172**

The "Sundry" item includes current financial liabilities of EUR 1,162k (previous year: EUR 2,403k).

27. Lease liabilities (current and non-current)

The maturities of lease liabilities are as follows:

as of 31/12/2023 EUR'000	Office buildings	Vehicles	IT equipment	Other	Total
Within 1 year	3,196	477	47	32	3,752
Between 1 and 5 years	9,222	564	113	27	9,926
More than 5 years	10,261	0	0	0	10,261

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

Future lease payments (undiscounted) break down into the following maturity bands:

as of 31/12/2023 EUR'000	Office buildings	Vehicles	IT equipment	Other	Total
Within 1 year	3,510	511	53	33	4,107
Between 1 and 3 years	5,385	546	52	21	6,004
Between 3 and 5 years	4,487	52	55	11	4,605
More than 5 years	10,885	0	0	0	10,885

as of 31/12/2022 EUR '000	Office buildings	Vehicles	IT equipment	Other	Total
Within 1 year	3,015	410	51	52	3,528
Between 1 and 3 years	5,527	332	27	44	5,930
Between 3 and 5 years	4,334	44	2	14	4,394
More than 5 years	12,240	0	0	4	12,244

The annual lease liabilities of the init group total EUR 3,510k, of which EUR 657k is attributable to the rented office building in Karlsruhe (lease expires at the end of 2042).

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

EUR'000	2023
As of 01/01/2023	24,508
Additions	3,842
Interest expenses	265
Payments	-4,676
As of 12/31/2023	23,939
thereof current	3,752
thereof non-current	20,187

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

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

EUR'000	2023	2022
Depreciation expense during the financial year	4,195	3,200
Interest expense on lease liabilities	265	130
Expenses relating to short-term leases	0	2
Expenses relating to leases for low-value assets	33	32
Total amount recognised in profit or loss	4,493	3,364

28. Provisions

EUR'000	As of 01/01/2023	Currency differences	Utilised	Unused amounts reversed	Addition	As of 12/31/2023
Provisions for warranties	4,746	-35	1,090	2,324	2,114	3,411
Provisions for onerous projects	573	0	0	43	305	835
Other provisions	3,679	-20	190	2,860	859	1,468
Total	**8,998**	**-55**	**1,280**	**5,227**	**3,278**	**5,714**

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

The provisions for warranties were calculated based on a percentage of average sales in the past two years determined from empirical figures in the past. The provisions for non-contractual costs essentially consist of the costs of work to be performed on a goodwill basis for contracts with customers that have already been billed.

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

There are both defined benefit plans and defined contribution plans in place for the employees of init SE, INIT GmbH and IMSS. 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 a number of years now.

The following parameters were taken into consideration:

Discount rate in per cent (previous year)	3.16 (3.69)
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	2023	2022
Defined benefit obligation (DBO) at the beginning of the year	7,779	11,265
Service cost	33	63
Interest cost	280	112
Actuarial gains (-) / losses (+)	54	-3,596
Pension payments	-67	-65
DBO at the end of the year	8,079	**7,779**
Plan assets	-443	-443
Pension provisions	7,636	**7,336**

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	2023	2022
Fair value of the plan assets at the beginning of the year	443	434
Interest income from plan assets	0	2
Financial actuarial gains (+) / losses (-)	0	4
Contributions to the plan assets by the group	0	3
Fair value of the plan assets at the end of the year	**443**	**443**

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

EUR'000	2023	2022
Service cost	33	63
Interest cost	280	112
Expenses for pension payments	**313**	**175**

In the income statement, service costs are reported under "Cost of sales" (EUR 26k), "Sales and marketing expenses" (EUR 5k) and "General and administrative expenses" (EUR 2k) and the interest expense in the respective item.

EUR'000	2023	2022
Accumulated actuarial gains carried under shareholders' equity, after deducting deferred taxes	-1,096	-1,059

EUR'000	2023	2022
Defined benefit obligation (DBO) as of 31/12	8,079	7,779
Experience adjustments	-333	-174

The pension provisions attributable to key management personnel totalled EUR 4,121k (previous year: EUR 3,802k). Of this, an amount of EUR 450k (previous year: EUR 429k) 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
2023	-179	748	696	-182
2022	-309	353	388	-400

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

Pension insurance 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):

2024	2025	2026	2027	2028	2029/2033
397	416	426	434	454	2,312

Previous year

2023	2024	2025	2026	2027	2028/2032
376	394	413	423	432	2,294

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

Defined contribution plans

In the 2002 financial year, init changed its pension plan regulations for new commitments. Accordingly, the company no longer enters into any new direct commitments. The expense for defined contribution plans amounts to EUR 575k (previous year: EUR 944k). Of this amount, EUR 174k (previous year: EUR 141k) is attributable to key management personnel.

30. Equity

Subscribed capital

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

Shares outstanding:

NOTES

	2023	2022
As of 01/01	9,899,815	9,935,963
Purchase of treasury shares	-91,384	-67,236
Issue of shares to Managing Board, managing directors and key personnel	31,830	22,791
Issue of shares to employees	0	8,297
As of 31/12	**9,840,261**	**9,899,815**

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

Managing Board	Number of shares
Dr. Gottfried Greschner, CEO *	3,425,000
Dr. Jürgen Greschner, CSO	95,300
Dr. Marco Ferber, CFO	0
Matthias Kühn, COO	15,780
Jörg Munz, CHRO	1,755

Supervisory Board	Number of shares
Hans-Joachim Rühlig	0
Ulrich Sieg	0
Michaela Dickgießer	0
Christina Greschner	371,523
Dr. Johannes Haupt	0
Andreas Thun	0

* Of this, 3,340,000 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 33 (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 a possibility of utilising conditional 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 2023 amounted to EUR 6,879k, 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 2023, a total amount of EUR 3,224k was transferred to additional paid-in capital to cover the expenses from share-based payments (see note 37). The change in 2023 is due to the measurement of share-based payments and the shares issued.

Treasury shares

As of 1 January 2023, treasury stock comprised 140,185 shares. Based on resolutions passed at the Shareholders' Meeting of 26 June 2020, the company was authorised to purchase treasury shares. A resolution for the first share repurchase was passed on 16 January 2023. Consequently, 27,667 shares were repurchased from 17 January to 24 February 2024 at an average price of EUR 28.98. A resolution for another share repurchase was passed on 26 April 2023. A total of 35,000 shares were repurchased at an average price of EUR 30.63 in the period from 27 April to 21 July 2023. In addition, in accordance with the resolution from 9 November 2023, a total of 28,717 shares were repurchased at an average price of EUR 30.29 during the period from 9 November to 19 December 2023.

In 2023, 31,830 shares were transferred to the incentive plan for members of the Managing Board and managing directors with a five-year lock up period. Consequently, on 31 December 2023, the company held 199,739 treasury shares.

The company's treasury shares were valued at their cost price of EUR 5,441k (previous year: EUR 3,517k) (cost method) and deducted from equity capital on the face of the balance sheet. The total of 199,739 treasury shares as of 31 December 2023 corresponds to an imputed share of EUR 199,739 (2.0 per cent) in the capital stock. The average repurchase price was EUR 30.02 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 106,159k (previous year: EUR 98,369k) contains the revenue reserves carried by init SE and the retained earnings generated by init SE and its consolidated subsidiaries since group affiliation.

Other reserves

The Group presents the effect of remeasuring pension provisions (pension revaluation reserve), the gains and losses of foreign currency translation (foreign currency translation reserve) and the effect of securities marked to market, all of which are posted directly to equity and not through profit or loss, under other reserves. The pension revaluation reserve records the actuarial gains and losses posted to other comprehensive income. The foreign currency translation reserve is used to record differences arising from translating financial statements denominated in foreign currency into the presentation currency. The reserve for securities marked to market records any changes in the fair value of available-for-sale financial instruments.

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 a high equity ratio. The group has shown a consistently high equity ratio of over 40 per cent over the last few years. At the Shareholders' Meeting 2021, a resolution to create a possibility for utilising 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.

The sensitivities to an appreciation or depreciation of the euro are presented below:

	12/31/2023		31/12/2022	
Sensitivity in EUR '000	+10% appreciation of the EUR	-10% depreciation of the EUR	+10% appreciation of the EUR	-10% depreciation of the EUR
Forward exchange contracts	0	0	-97	91
Cash at banks, receivables and liabilities	-702	858	-1,591	1,944
Impact on profit or loss and on equity	**-702**	**858**	**-1,688**	**2,035**

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 totalled EUR 6k in 2023 (previous year: EUR 166k). These resulted from previously impaired receivables that now constitute actual bad debts. Reference is made to note 16.

The gross carrying amount of trade receivables came to EUR 44,514k on the reporting date (previous year: EUR 36,072k) and breaks down by due date as follows:

	12/31/2023			31/12/2022		
Past due by	Receivables in EUR k	Default ratio	Specific loss allowance in EUR k	Receivables in EUR k	Default ratio	Specific loss allowance in EUR k
not past due	33,783	2.0%	645	29,974	2.0%	625
31 - 60 days	6,012	3.0%	181	1,768	2.0%	72
61 - 90 days	1,524	4.0%	55	642	3.0%	0
91 - 180 days	1,267	4.0%	52	1,825	4.0%	70
more than 180 days	1,928	4.0%	85	1,862	5.0%	83

The probability of expected credit losses on contractual assets of EUR 21,560k (previous year: EUR 14,763k) is set at 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

As of 31 December 2023, the financial liabilities of the group fell due as follows. 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 maintain a minimum liquidity at 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 2023, the future cash flows relating to financial liabilities were as follows:

EUR'000	Total	2024	2025	2025/2027	> 2028
Non-derivative financial liabilities					
Other financial liabilities	57,986	32,305	7,208	10,695	7,778
Lease liabilities	28,376	4,635	3,750	8,979	11,012
Derivative financial liabilities and assets without a hedging relationship					
Derivative financial assets	0	0	0	0	0
Total		**0**	**0**	**0**	**0**

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

EUR'000	Total	2023	2024	2024/2026	> 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	12,444
Derivative financial liabilities and assets without a hedging relationship					
Derivative financial assets	-6	-6	0	0	0
Total		**-6**	**0**	**0**	**0**

Derivative financial assets resulted in cash outflows totalling EUR 942k and cash inflows totalling EUR 948k.

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 2023 compared to 31 December 2022 and shows their classification to the corresponding measurement categories according to IFRS 9.

	2023	2022
ASSETS		
Financial assets at amortised cost	**92,359**	**90,035**
Cash and cash equivalents	27,303	40,050
Trade accounts receivable	43,496	35,222
Contract assets	21,560	14,763
Financial assets reported at fair value through other comprehensive income	**30**	**29**
Marketable securities and bonds	30	29
Financial assets measured at fair value through profit or loss	**0**	**6**
Derivative financial instruments	0	6
EQUITY AND LIABILITIES		
Financial liabilities reported at amortised cost	**58,661**	**50,185**
Bank loans (current and non-current)	45,345	38,035
Trade accounts payable	11,961	9,747
Other liabilities (current)	1,355	2,403
Financial liabilities measured at fair value through profit or loss	**0**	**0**

Hierarchy of fair values pursuant to IFRS 13

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

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques, which 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 31/12/2023	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Derivative financial instruments	0		0	
Available-for-sale financial assets				
Marketable securities and bonds	30	30	0	0

All investment property is allocated to Level 3 of the fair value hierarchy.

For further information regarding "Assets measured at fair value / Investment property" please refer to note 20.

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	0	6	0
Available-for-sale financial assets				
Marketable securities and bonds	29	29	0	0

During the reporting periods ending 31 December 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value measurement of level-2 financial instruments in the reporting year and 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 based on the following technique: 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 with regard to expected cash flows received predominantly in US dollars and pound sterling from firm transactions. The following derivative financial instruments were concluded:

	Nominal value		Market value	
EUR'000	12/31/2023	31/12/2022	12/31/2023	31/12/2022
Forward exchange transactions (sale) in USD	0	942	0	6

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

Cash of EUR 143k (previous year: EUR 244k) was received from profit distributions from maBinso. Cash outflow for dividends on init shares totalled EUR 6,932k (previous year: EUR 5,465k).

The change in liabilities reflected in the cash flow from financing activities is presented in the following table:

		cash-effective		non-cash-effective	
EUR'000	31/12/2022	Repayments	Borrowings	Currency	12/31/2023
Liabilities to banks	38,035	18,660	25,970		45,345
Lease liabilities	24,508	4,042	3,569	-96	23,939

		cash-effective		non-cash-effective	
EUR'000	31/12/2021	Repayments	Borrowings	Currency	31/12/2022
Liabilities to banks	29,340	13,817	22,512		38,035
Lease liabilities	15,622	3,507	12,254	139	24,508

35. Related party transactions

The companies included in the consolidated financial statements and the associated companies are listed in the section based on consolidation.

	Associated companies		Other related parties	
EUR'000	**12/31/2023**	31/12/2022	**12/31/2023**	31/12/2022
Trade accounts receivable and other income	1,432	970	0	0
Trade accounts payable and other expenses	471	351	659	576

Other transactions with related parties

Related parties include persons in key management positions and their close family members.

In this regard, init SE leases its office building in Käppelestrasse 6 in Karlsruhe from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe (67.39 per cent) and from Eila Greschner (32.61 per cent). The monthly rental payments amount to approximately EUR 54k (total annual rent: EUR 642k).

In addition, total payments of EUR 9k (previous year: EUR 9k) made to family members of Managing Board members were recognised under personnel expenses.

Terms and conditions of business transactions with related parties

Transactions 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 and the Supervisory Board of init SE are considered to be persons in key management positions. For details on their remuneration, please refer to note 40.

Provisions for the variable remuneration of members of the Managing Board contain an amount of EUR 1,461k (previous year: EUR 948k) which will be settled in the short term.

There are open provisions for obligations towards the members of the Supervisory Board of EUR 263k (previous year: EUR 272k), which will also be settled at short notice.

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	2023	%	2022	%
Germany	72,674	34.5	54,668	28.6
Rest of Europe	42,755	20.3	39,949	20.9
North America	70,067	33.2	71,006	37.1
Other countries (Australia, UAE)	25,305	12.0	25,629	13.4
Group	**210,801**	**100.0**	**191,252**	**100.0**

The information on revenues given above is based on the customer's location.

Non-current assets 31/12

EUR'000	2023	%	2022	%
Germany	73,072	79.7	69,402	79.6
Rest of Europe	1,933	2.1	1,794	2.1
North America	15,382	16.8	15,545	17.8
Other countries (Australia, UAE)	1,290	1.4	471	0.5
Group	**91,677**	**100.0**	**87,212**	**100.0**

Non-current assets consist of property, plant and equipment, investment property, intangible assets and interests in associates.

37. Share-based payments

Equity-settled management bonuses

A further management bonus for the year 2023 in the form of 1,050 or 2,100 shares will be granted to the Managing Board, if EBIT comes to or exceeds EUR 12m after deduction of all bonuses. Furthermore, for each EUR 1m of profit that exceeds the amount of EUR 12m up to EUR 15m, 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 1m 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 by bonuses extended 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, 31,830 shares (previous year: 22,791) were transferred 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 financial year 2023, the valuation was based on 35,024 shares (previous year: 30,720). The fair value on the basis of the market price of these equity instruments issued for the benefit of the members of the Managing Board amounted to EUR 662k (EUR 30.5 per share) (previous year: EUR 404k; EUR 24.5 per share) and EUR 442k (EUR 33.20 per share) (previous year: EUR 424k; EUR 29.85 per share) for managing directors. These amounts were recorded as expenses in 2023.

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:

	2023	2022
Employees Germany	887	863
Employees Rest of Europe	77	53
Employees North America	150	142
Employees Other countries	26	40
Total	**1,140**	**1,098**

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)
Dr. Marco Ferber, Seeheim-Jugenheim	Dipl.-Kfm. (CFO from 1 March 2023)
Matthias Kühn, Karlsruhe	Dipl.-Ing. (FH) (COO)
Jörg Munz, Kandel	MBA (CHRO from 1 May 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 business consultant Member of the Management Board of Stiftung Bauwesen, Stuttgart Member of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin until 6 June 2023
Dipl.-Ing. Ulrich Sieg, Jork, Germany, Deputy Chairperson	Consulting engineer specialised in the field of public transport Member of the Advisory Board of HanseCom Public Transport Ticketing Solutions-GmbH, Hamburg Member of the Management Board of VDV-Stiftung Führungsnachwuchs Member of the Supervisory Board of SECURITAS Holding GmbH, Düsseldorf
Prof. Michaela Dickgießer, Karlsruhe, Member (from 25 May 2023)	Head of Business Development, MRH Trowe AG Holding Member of the Management Board of Kronberg Academy Stiftung Member of the Management Board of FEDORA, Paris, France Member of the Management Board of Stiftung Hilfe mit Plan Member of the Management Board of Hildegard Zadek Stiftung Member of the Music Committee of the Association of Arts and Culture of the German Economy
Christina Greschner (Dipl.-Ing. (FH), MA) Karlsruhe, Member	Advisory role
Dr. Johannes Haupt, Ettlingen, Member (from 25 May 2023)	Business consultant Shareholder and Chairman of the Advisory Board of Regionique Produktfabrik GmbH, Ettlingen Chairman of the Advisory Board of Baumann Maschinenbau Solms GmbH&Co.KG Deputy Chairman of the Supervisory Board of Lenze SE, Aerzen Deputy Chairman of the Supervisory Board of TAKKT AG, Stuttgart Member of the Administrative Board of ACO Group SE, Büdelsdorf
Andreas Thun, (Dipl.-Ing.) Wandlitz, OT Lanke, Brandenburg, Germany	Sole shareholder and Managing Director of Landsensor GmbH Deputy Chairman of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin until 6 June 2023

40. Disclosure of the compensation of key management personnel

The remuneration of key management personnel in the Group that is subject to mandatory disclosure relates to the remuneration of the members of the Managing Board and Supervisory Board.

Total remuneration of the Managing Board came to EUR 3,777k in the reporting year (previous year: EUR 2,481k). This total breaks down into EUR 2,242k (previous year: EUR 1,630k) for short-term benefits, EUR 288k (previous year: EUR 150k) for post-employment benefits and EUR 1,247k (previous year: EUR 701k) for share-based payments.

The members of the Managing Board received benefits of EUR 2,242k in the reporting year that were due in the short term (previous year: EUR 1,630k). The short-term benefits include fixed remuneration components of EUR 1,850k (previous year: 1,346k), incidental benefits of EUR 108k (previous year: EUR 63k) and performance-based remuneration totalling EUR 284k (previous year: EUR 221k). The performance-based remuneration is made up of the STI. The annual bonus (STI) is a short-term, annually determined performance-based remuneration component, which is granted annually in case of success. The amounts payable under the STI are determined based on reaching a minimum EBIT. For more information on share-based payments, please refer to note 37.

The total remuneration of the Supervisory Board for 2023 amounted to EUR 266k (previous year: EUR 291k). The amount consists of benefits that fall due in the short term. They contain a variable component of EUR 64k (previous year: EUR 125k) that is determined on the basis of reaching a minimum EBIT. They were allocated to the members as follows:

EUR'000	Fixed	Variable	Total
Hans-Joachim Rühlig (Dipl.-Kfm.)	65	20	85
Ulrich Sieg (Dipl.-Ing.)	30	10	40
Prof. Michaela Dickgießer	19	7	26
Christina Greschner (Dipl.-Ing. (FH), MA)	33	10	43
Dr. Johannes Haupt	27	7	34
Andreas Thun (Dipl.-Ing.)	25	10	35
Total	**199**	**64**	**263**

41. Auditor

At the annual shareholders' meeting on 25 May 2023, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as the auditor of the consolidated financial statements.

Under expenses was recorded for audit services an amount of EUR 572k (previous year: EUR 359k) and for the confirmation services an amount of EUR 24k (previous year: EUR 23k) of the independent auditor of the consolidated financial statements.

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 1 July 2023, and was made available to the shareholders on our website at:

https://www.initse.com/ende/investors/corporate-governance/

43. Notifications under Section 33 (1) WpHG (German Securities Trading Act)

No notifications as defined by Section 33 (1) WpHG were received in the financial year.

We received the following notification during the preparation of the annual financial statements:

On 4 March 2024, Union Investment Luxembourg S.A., Senningerberg, Luxemburg, informed us according to Section 33 (1) WpHG that its voting rights via shares in init innovation in traffic system SE, Karlsruhe, Germany, fell short of the 3 per cent threshold of the voting rights on 1 March 2024 and on that day amounted to 2.98 per cent (this corresponds to 299,302 voting rights).

44. Approval of the consolidated financial statements

The consolidated financial statements and group management report of init SE compiled by the Managing Board for the year ended 31 December 2023 were approved at the meeting of the Managing Board on 18 March 2024 for issue to the Supervisory Board.

Karlsruhe, 18 March 2024

The Managing Board

Dr. Gottfried Greschner   Dr. Jürgen Greschner   Dr. Marco Ferber

Matthias Kühn   Jörg Munz

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, 18 March 2024

The Managing Board

Dr. Gottfried Greschner   Dr. Jürgen Greschner   Dr. Marco Ferber

Matthias Kühn   Jörg Munz

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 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 balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, 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 management report of the company, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the disclosures in the section "Assessment of the appropriateness and effectiveness of the RMS and ICS" of the group management report that are marked as unaudited.

In our opinion, based on the findings of our 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 Section 315e (1) HGB 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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying Group management report as a whole provides a suitable 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. Our opinion on the group management report does not cover the content of the disclosures in the section "Evaluation of the appropriateness and effectiveness of the RMS and ICS" referred to above.

Pursuant to § 322 Abs. 3 Satz 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 Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and 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 companies 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) (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 judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our view, the following matters were of most significance in our audit:

❶ Impairment of the goodwill

❷ Revenue recognition from project business

❸ Valuation of inventories

We have structured our presentation of these key audit matters as follows:

① Issue and problem definition

② Audit approach and findings

③ Reference to further information

In the following, we present the key audit matters:

❶ Recoverability of goodwill

① Goodwill totalling EUR 12,488 thousand (4.79% of total assets or 10.35% of equity) is reported in the company's consolidated financial statements as at 31 December 2023. Goodwill is subjected to an impairment test once a year or on an ad hoc basis in order to determine a possible need for amortisation. 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 measurement is generally based on 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 Group's approved medium-term planning forms the starting point, which is extrapolated using assumptions about long-term growth rates. Expectations about future market developments 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. No need for impairment was identified as a result of the impairment test.

The result of this valuation is highly dependent on the assessment of the legal representatives with regard to the future cash flows of the respective group of cash-generating units, the discount rate used, the growth rate and other assumptions and is subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, among other things, we analysed the methodology used to perform the impairment test. After comparing the future cash flows used in the calculation with the Group's approved medium-term planning, we assessed the appropriateness of the calculation, in particular by reconciling it with general and industry-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 used can have a material impact on the amount of the enterprise value calculated in this way, we intensively analysed the parameters used to determine the discount rate applied and evaluated the calculation method. In order to take account of the existing forecast uncertainties, we reviewed the sensitivity analyses prepared by the Group.

In doing so, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, are sufficiently covered by the discounted future cash flows, taking into account the information available.

The valuation parameters and assumptions applied by the executive directors are consistent overall with our expectations and are also within the ranges that we consider to be reasonable.

③ The disclosures of the init innovation in traffic systems SE group on goodwill are contained in Note 21 "Goodwill and other intangible assets" in the notes to the consolidated financial statements.

❷ Revenue recognition from project business

① In the company's consolidated financial statements as at 31 December 2023, revenue of EUR 210,801 thousand is reported in the income statement, of which EUR 84,591 thousand was realised over time from project business. Contract assets in the amount of EUR 21,560 thousand and contract liabilities in the amount of EUR 16,364 thousand are recognised in the balance sheet as at 31 December 2023.

The init SE group generates a significant proportion of its revenues from long-term project business for local public transport providers. When revenue is recognised over a period of time, revenue is recognised on the basis of the stage of completion, which is calculated as the ratio of the actual contract costs incurred to the expected total costs. The stage of completion on the balance sheet date is determined according to the ratio of costs incurred to the expected total costs (input-based method). In view of complex production processes, revenue recognition over time requires in particular an effective internal budgeting and reporting system, including an ongoing project costing system and a functioning internal control system.

Against this background, the correct application of the accounting standard for revenue recognition must be considered complex and is based in part on estimates and assumptions by the legal representatives. The matter was therefore of particular significance for our audit.

② Taking into account the knowledge that there is an increased risk of misstatements in the financial reporting due to the complexity and the estimates and assumptions to be made, we assessed the processes and controls established by the Group for recognising revenue from customer-specific contracts. Our specific audit procedures included the testing of controls and substantive audit procedures, in particular the assessment of the process for the proper identification of performance obligations and the classification of performance in a specific period or at a specific point in time, the assessment of the cost accounting system and other relevant systems to support the accounting of customer-specific contracts, the assessment of the proper recognition and allocation of direct costs and the amount and allocation of overhead surcharges as well as the assessment of the project calculations underlying the customer-specific contracts and the determination of the stage of completion.

Through consistent audit procedures as part of the audit of the operating subsidiaries, we ensured that we adequately addressed the inherent audit risk in the recognition of revenue from the project business throughout the Group.

We were able to satisfy ourselves that the systems, processes and controls in place are appropriate and that the estimates and assumptions made by the executive directors for revenue recognition from the project business are adequately documented and substantiated.

③ The init SE group's disclosures on revenue recognition from project business are contained in Note 3 "Accounting policies", section: "Revenue recognition" and Note 4 "Revenue" of the notes to the consolidated financial statements.

❸ **Valuation of inventories**

① Inventories amounting to EUR 49,275 thousand (18.92% of total assets) are reported in the consolidated financial statements of init innovation in traffic systems SE as at 31 December 2023.

The init SE group acquires a stock of hardware components available beyond the requirements of the project business in order to ensure long-term delivery capability to customers. Due to the high degree of customisation of customer orders and the general technical development, hardware in particular is held as spare parts in inventories for the long term.
Inventories are generally measured at the lower of cost and expected net realisable value. To ensure that inventories are measured at the lower value, the init SE group determines the expected net realisable values with the aid of discounts based on experience and evaluations of past projects. In addition, the init SE group carries out case-by-case analyses for inventories. The valuation of inventories is thus based to a large extent on the estimates and assumptions of the legal representatives. Against this background and due to the amount of this significant item, this matter was of particular significance for our audit in our view.

② As part of our audit, we gained an understanding of the process for determining the acquisition and production costs and possible write-downs of 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 impairment losses and the appropriateness and effectiveness of the control measures implemented, including the IT system used by the Company in relation to the measurement of inventories. As part of our substantive audit procedures, in addition to analytical audit procedures, we reviewed, among other things, the methodology used to determine the cost of sales and defined further audit procedures on a test basis. The audit procedures primarily included critically assessing the results of the write-down routines, questioning the employees responsible for inventory valuation on the plausibility of the assumptions and estimates made regarding the potential realisability of inventories and comparing the estimates with the write-downs made in previous years.

Overall, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the valuation of inventories are adequately documented and substantiated.

③ The init SE group's disclosures on the measurement of inventories are contained in Note 3 "Accounting policies", section: "Estimates and assumptions", Note 5 "Cost of sales" and Note 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 information included in the section "Assessment of the appropriateness and effectiveness of the RMS and ICS" of the Group management report that is labelled as unaudited and is not part of the audited content of the Group management report.

The other information also includes

- the declaration on corporate governance pursuant to Section 289f HGB and Section 315d HGB
- the separate non-financial report on compliance with Sections 289b to 289e HGB and Sections 315b to 315c HGB
- all other parts of the annual report - excluding 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 opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is 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, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives 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 Section 315e (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. Furthermore, management is 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. accounting fraud or error) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible 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, management is 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, management is 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 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 [Institute of Public Auditors in Germany] (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.

- During the audit, we exercise professional judgement and maintain professional scepticism. In addition
- 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.
- Conclude on the appropriateness of management's 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. We draw our conclusions on the basis of 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 Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are 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 legal representatives in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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 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, the actions taken or safeguards applied to address independence threats.

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 STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on the audit of the electronic reproduction of the consolidated financial statements and the Group management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Audit opinion

We have performed an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the file INIT SE_KA+KLB_ESEF 31122023.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproduction of the consolidated financial statements and of the group management report contained in the above-mentioned file in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit practice complies with the quality management system requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) have been applied.

Responsibility of the legal representatives 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 reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgement and maintain professional scepticism. In addition

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, 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 opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the reporting date regarding the technical specification for this file.

- Evaluate whether the ESEF documents enable a consistent XHTML reproduction of the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) according to Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Other disclosures pursuant to Article 10 EU-APrVO

We were elected as group auditor by the annual general meeting on 25 May 2023. We were engaged by the supervisory board on 8 January 2024. We have been the group auditor of 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 EU Audit Regulation (audit report).

NOTE ON ANOTHER MATTER - USE OF THE AUDITOR'S REPORT

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the "Report on the audit of the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Section 317 (3a) HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

AUDITOR RESPONSIBLE FOR THE AUDIT

The German Public Auditor responsible for the engagement is Andrea Ehrenmann."

Stuttgart, 19 March 2024

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

ppa. Ehrenmann	B. Pflumm
Ehrenmann	Pflumm
Wirtschaftsprüferin	
(German public auditor)	(German public auditor)

IMPRINT

Contact:

init
innovation in traffic systems SE
Kaeppelestraße 4–10
D-76131 Karlsruhe

P.O. Box 3380
D- 76019 Karlsruhe
Tel. +49.721.6100.0
Fax +49.721.6100.399

info@initse.com
www.initse.com

Text:

init
info@initse.com

Sebastian Brunner, Munich
sebastian.brunner@brunner-communications.de

Picture Credits:
Andrea Fabry

Illustration title/envelope:
init SE

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Disclaimer:

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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.

NOTICES

FIFE-YEAR FINANCIAL SUMMARY

of the init group (IFRS)

EURk	2023	2022	2021	2020	2019
BALANCE SHEET (31/12)					
Balance Sheet Total	260,478	245,747	216,900	226,645	200,398
Shareholders' Equity	120,566	116,555	102,624	90,522	85,547
Subscribet Capital	10,040	10,040	10,040	10,040	10,040
Equity Ratio (in %)	46.3	47.4	47.3	40.0	42.7
Debt Capital	139,912	129,192	114.276	136,123	114,851
Non-current Assets	112,608	108,065	94,368	96,597	76,684
Current Assets	147,870	137,682	122,532	130,048	123,714
Cash	27,303	40,050	28,158	32,211	26,174
INCOME STATEMENT (01/01 – 31/12)					
Revenues	210,801	191,252	176,659	180,668	156,464
Gross Profit	80,392	76,562	62,674	62,167	53,238
EBIT	21,020	21,005	17,566	19,642	16,240
EBITDA	32,255	31,205	27,413	28,891	23,453
Consolidated Net Profit	15,151	16,501	12,445	14,943	11,335
Earnings per Share (in EUR)	1.54	1.66	1.25	1.50	1.13
Dividend (in EUR)	0.70*	0.60	0.55	0.55	0.40
Special dividend (in EUR)		0.10			
CASH FLOW					
Cash Flow from operating activities	7,981	24,382	16,007	24,437	21,132
SHARE					
Issue Price (in EUR)	5.10	5.10	5.10	5.10	5.10
Peak Share Price (in EUR)	32.90	38.10	48.50	37.60	23.80
Bottom Share Price (in EUR)	23.80	17.00	30.40	15.25	12.15

* dividend to be proposed to the AGM 2024

// FINANCIAL CALENDAR 2024

Q1

21 March

Publication Annual Report 2023
Press and Analyst Conference (virtual)

15 May

Publication Quarterly Statement 1/2024

Q2

6 June

Annual General Meeting 2024
face-to-face in Karlsruhe

Q3

13 August

Publication Half-Year Financial Report 20244

Q4

13 November

Publication Quarterly Statement 3/2024

25–27 November

Equity Forum
(one-on-one meeting in Frankfurt)

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