> Annual Report 2021

init

> **Annual Figures** of the init group (IFRS)

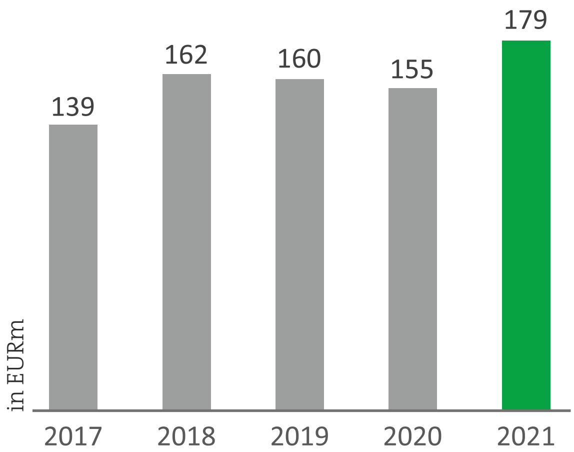
EURk

Balance Sheet (31/12)	**2021**	**2020**	**Difference**
Balance Sheet Total	216,900	226,645	–9,745
Shareholders' Equity	102,624	90,522	12,102
Subscribet Capital	10,040	10,040	0
Equity Ratio (in %)	47.3	40.0	7.3
Debt Capital	114,276	136,123	–21,847
Non-current Assets	94,368	96,597	–2,229
Current Assets	122,532	130,048	–7,516
Cash	28,158	32,211	–4,053
Income Statement (01/01 – 31/12)			
Revenues	176,659	180,668	–4,009
Gross Profit	62,674	62,167	507
EBIT	17,566	19,642	–2,076
EBITDA	27,413	28,891	–1,478
Consolidated Net Profit	12,445	14,943	–2,498
Earnings per Share (in EUR)	1.25	1.50	–0.25
Dividend* (in EUR)	0.55*	0.55	0
Cash Flow			
Cash Flow from operating activities	16,007	24,437	–8,430
Share			
Issue Price (in EUR)	5.10	5.10	
Peak Share Price (in EUR)	30.40	37.60	–7.20
Bottom Share Price (in EUR)	48.50	15.25	33.25

**dividend to be proposed to the AGM 2022*

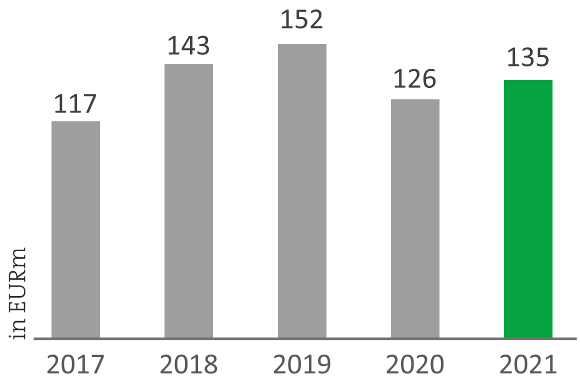
Order income EUR 179m

— Incoming orders at an historical high —



Order backlog EUR 135m

— very strong basis for the coming fiscal year —



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Matthias Kühn, Dr. Gottfried Greschner, Jennifer Bodenseh, Dr. Jürgen Greschner

LETTER TO THE SHAREHOLDERS

Dear shareholders,

At the present time, the peak of the coronavirus crisis and the conflict between Russia and Ukraine, it is not easy to look ahead with optimism. Europe and the world community found and continue to find themselves facing what can only be described as existential challenges. While the consequences of the coronavirus now seem to be manageable, it is not possible to predict how the attack on Ukraine and the sanctions that have been imposed will impact international economic relationships. It is therefore difficult to develop reliable plans and forecasts for the future.

Nonetheless, even in these uncertain times, we must live up to our corporate responsibility and plot the course for the stable and positive development of our group. Where we were able, during the last year that is exactly what we did and we are satisfied with the result. Despite all the obstacles - staff shortages due to the pandemic, worldwide disruption of supply and delivery chains, - we were able to uphold our high level of revenues and earnings. Our stockpiling coupled with a multi-pillar procurement policy had a very positive effect.

The fact that we were able to achieve record incoming orders of almost EUR 180m, underlines just how future-proof our numerous innovative products are. The structure of incoming orders reveals a new and encouraging trend: We can see that our group is increasingly translating incoming orders into short-term revenues. This makes us less dependent on the individual large-scale projects and the revenue potential is increased.

Orders in the area of electromobility are becoming increasingly important. In response to this, init has developed eMOBILE. The integrated software product suite combines all processes from planning of duty rosters and blocks, depot and charging management through to range monitoring and prediction as well as consumption analysis. For our partner KEOLIS, we installed eMOBILE in two of Europe's largest e-bus fleets. These lighthouse projects give us a decisive advantage in this future area, both in the European and US markets.

eMOBILE is part of our nextGen innovation campaign which we will present at the leading trade fair, IT-TRANS from 10 to 12 May 2022 in Karlsruhe and which will enable our customers to take a big step forward in their digital transformation process. Our innovative solution MOBILEguide for passenger guidance and information on real-time occupancy rates raises the bar considerably in this regard. The patented process calculates the current occupancy of the cars, taking into account the boarding and alighting estimates for the next stop. The information is available not only via the app but can also be displayed on the platforms. This allows passengers to choose services and trains with lower occupancy levels. Thanks to optimised boarding and alighting times, it also reduces waiting times at stations. Existing infrastructure can therefore be used more efficiently which makes it an attractive business proposition.

As a major player in the transformation of mobility, our technology supports public transport companies with the implementation of this transformation. Numerous digitalisation projects are in the planning stages or have already been initiated. Important components in these initiatives are mobility platforms which combine different types of travel and various mobility providers. Other components include flexible cashless payment systems, convenient on-demand transport offerings and the use of artificial intelligence in the automation of processes, for example disruption management. One of the many advantages of our systems is greater IT security and this is an issue that transport companies in particular must address due to its importance for any functioning society.

The demand for cloud-capable systems will increase in the future and in fact, many of our solutions already work cloud-based. We are currently setting up a Ticketing-as-a-Service-Cloud for Germany. This will enable public transport companies to offer their customers convenient bank and credit card ticketing without incurring high initial costs. This is an important innovation for the German market and one which we consider to be highly promising.

The potential here is evidenced by the development of our subsidiary HanseCom, which has doubled its revenues in just a few years and whose customers include almost all large as well as medium sized and small public transport companies and networks in German speaking countries. HanseCom is also on the verge of a breakthrough internationally with its mobile ticketing solutions, for example with the first US project in Spokane.

This brief summary has hopefully demonstrated that our business continues to be buoyed by the sustainable growth trend. This is expected to result in an increasing number of tenders for digitalisation projects in the public transport sector, for which, as the international leading provider of integrated solutions for planning, dispatching, telematics and ticketing for buses and trains, we are well prepared.

However, it is impossible to determine how severely our plans and our customers' financial situation will be impacted by the consequences of the confrontation between Russia and western democracies. As in the past year, we therefore approach the current year with cautious planning. The past financial year proves that the course we have taken was and remains the right one. And if the situation returns to normal, we will once again be able to exploit our organic growth potential to the full extent.

We ask you, our shareholders, to continue to place your trust in us!

Sincerely yours,

For the Managing Board

Dr. Jürgen Greschner

CSO and Deputy Chairperson

MANAGING BOARD OF INIT SE

Dr.-Ing.
Gottfried Greschner

Chief Executive Officer (CEO)

Date of birth: 1946
Nationality: German

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

Task Area
- Business Development
- Production
- Purchasing
- Strategy

Dipl.-Kfm. Dr.
Jürgen Greschner

Chief Sales Officer (CSO) and Deputy Chief Executive Officer

Date of birth: 1961
Nationality: German

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

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

B.A.
Jennifer Bodenseh

Chief Financial Officer (CFO)

Date of birth: 1986
Nationality: German

Vita
- Since 2018 Chief Financial Officer (CFO)

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

Dipl.-Ing. (FH)
Matthias Kühn

Chief Operating Officer (COO)

Date of birth: 1973
Nationality: German

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

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

The curriculum vitae of each Managing Board member, containing detailed information, you will find on the website under Investor Relations / Corporate Governance.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The coronavirus pandemic had an impact on everyone's existence, business and social life. The expected recovery in 2021 was unfortunately considerably less pronounced due to new variants of the coronavirus. Our group was confronted by major challenges in 2021. Major investments were postponed. However, this had no effect on our order intake. We were even able to achieve a historic record of incoming orders this year. As expected, it was not possible to repeat the previous year's record figures set for revenues and earnings. However, the targets were almost reached.

Earnings were burdened not only by the coronavirus pandemic but also by supply bottlenecks and price increases by suppliers. init countered the latter with an expansive inventory policy. Shorter product cycles require ever higher development costs that have to pay off in shorter intervals.

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

The Managing Board and Supervisory Board, with their different responsibilities, also worked successfully together to safely steer init through these turbulent times. The coming years will be challenging. The current geopolitical situation has resulted in new uncertainties. The conflict between Russia and Ukraine is posing major challenges to Europe and the entire global community. It is not yet possible to foresee the economic consequences. We will stay abreast of this situation and consider it in our planning.

However, we are convinced that init, with its business model and its corporate strategy which is geared towards growth, will be able to remain successful in future and achieve exceptional success.

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

The Supervisory Board formed an audit committee as of 1 October 2021. It prepares the decisions of the Supervisory Board on the annual and consolidated financial statement as well as quarterly statements during the year, the proposal to the Shareholders' Meeting to elect the auditor and the agreement with the auditor. Furthermore, the audit committee is responsible for the tendering of a new auditor for the audit of the annual and the consolidated financial statements. The audit committee also monitors the independence of the auditor, evaluates the additional services rendered by the auditor and assesses the quality of the statutory audit. It advises and monitors the Managing Board in issues related to financial reporting, the operating effectiveness of the internal control system, the risk management system, the internal audit system as well as compliance. The audit committee effectively supported the entire Supervisory Board in its work in the reporting year and reported on its preparatory work on the agreed-upon topics in the subsequent meeting.

In the last Supervisory Board meeting, the Supervisory Board performed a self-evaluation of its efficiency in 2021. 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 on their own initiative and with init's support.

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

MEETINGS OF THE SUPERVISORY BOARD AND AUDIT COMMITTEE

Meetings are convened at least once a quarter. In 2021, a total of five Supervisory Board meetings took place, one of which was a strategy meeting. All Supervisory Board members were present at all meetings.

The audit committee met once in the reporting year. In this first meeting, the audit committee dealt solely with the tendering procedure for a new auditor for the annual and consolidated financial statements for the 2022 financial year. All members were present.

The Supervisory Board also met five times without the Managing Board. All Supervisory Board members were present at all meetings.

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

Based on the reports by the Managing Board, the following areas were discussed regularly in the meetings of the Supervisory Board: the economic situation including business and liquidity planning, incoming orders, order backlog, potential risks, compliance issues, the internal control system, the internal audit system, legal disputes, key business transactions, projects of particular importance, critical subsidiaries as well as the medium-term and long-term corporate strategy including organisational issues as well as human resources planning and development. The key points included the changes due to the COVID-19 pandemic and procurement issues, particularly the effects on the order situation, result of operations and financial position as well as the resulting need for action.

The Audit Committee also focused in detail on sustainability issues. In particular, it ensures that the Managing Board incorporates social and ecological considerations into its strategy

There was also a special focus on the following topics in the 2021 financial year:

- Status of business processes and the new ERP software
- Change to the schedule of responsibilities for the Managing Board
- Amendments to the rules of procedure of the Supervisory Board
- Discussion of the 2020 annual and consolidated financial statements as well as of the dependent company report and the non-financial group report with the involvement of the auditor
- Adoption of the 2020 annual financial statements, approval of the 2020 consolidated financial statements, release of the 2020 non-financial group report as well as discussion of the proposal by the Managing Board for the appropriation of profits
- Proposal of audit firm for 2021
- The quarterly statements and the 2021 half-year financial report

- Adoption of the proposals for resolutions for the agenda for the (virtual) 2021 Shareholders' Meeting and of the report of the Supervisory Board for 2020
- 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
- Approval of the Declaration of Compliance with the German Corporate Governance Code as amended 16 December 2019
- Approval for the tendering procedure for a new audit firm
- Approval of the resolution for proposal to form an audit committee
- Resolution on the Audit Committee Chair
- Efficiency review of the Supervisory Board
- Introduction of ISO 27001
- Presentation of current ticketing systems
- Resolution on percentage of women in the Managing and Supervisory Board
- Reappointment of Dr. Gottfried Greschner, Dr. Jürgen Greschner, Mr. Matthias Kühn and Ms. Jennifer Bodenseh as Managing Board members of init SE effective as of 1 April 2022
- Resolution to convene a virtual Shareholders' Meeting in 2022
- Status of cyber security

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 2021 were prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements dated 31 December 2021 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 Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed by the Shareholders' Meeting as auditor of init innovation in traffic systems SE and group auditor. They all received 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 22 March 2022. The auditors responsible reported on the significant audit results, in particular also on the key audit matters. For init SE, these were the revenue recognition from long-term contracts and the measurement of inventories for the init group as well as the measurement of shares in affiliated companies for the annual financial statement of init SE. In addition, the auditor reported on the internal control and risk management system in relation to the financial reporting process, on services rendered in addition to the audit and on its independence as defined in 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 computations contained in the financial statements had been adequately tested and were consistent. No objections were raised. The Supervisory Board therefore agree with the results of the audit. The annual financial statements of init innovation in traffic systems SE prepared by the Managing Board and the consolidated financial statements of the init group were approved; the annual financial statements of init innovation in traffic systems SE 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 30,442,337.93 will be recommended at the Shareholders' Meeting on 18 May 2022: distribution of a sum total of 55 cents per dividend-bearing no-par value share. The remaining amount is to be carried forward. The Supervisory Board endorsed this proposal.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor, also audited the report on the relationships with affiliated companies ("dependent company report") prepared by the Managing Board in accordance with Section 312 AktG ["Aktiengesetz": German Stock Corporation Act]. The auditor issued the following 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,
- payments of the company for the legal transactions referred to in the report were not inappropriately high and
- in connection with the measures listed in the report there was nothing to imply an assessment substantially different from that of the Managing Board."

The 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 22 March 2022.

CORPORATE GOVERNANCE CODE

The Supervisory Board actively implemented and monitored compliance with the German Corporate Governance Code. On 27 September 2021, the Managing Board and the Supervisory Board jointly issued an updated Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 AktG and made it permanently available to shareholders on the company's website.

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

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

NON-FINANCIAL GROUP REPORT (ESG REPORT)

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

The "Taxonomy Regulation" topic refers to the Regulation (EU) 2020/852 (Taxonomy) dated 18 June 2020, which aims to ensure companies perform sustainable economic activities. In the first step, this report identified init's share of taxonomy-ready activities and an analysis of economic activities was prepared. This topic is developed on an ongoing basis. The audit committee and the Supervisory Board audited the 2021 non-financial group report (ESG report) to be prepared in accordance with Section 315 HGB in accordance with Section 171 (1) AktG, in case of doubt we were assisted by external consultants. It came to the conclusion that the non-financial group report is in compliance with the relevant provisions and there are no objections to be raised. The non-financial group report (ESG report) is available on the init SE website in the section Financial Reports.

The Supervisory Board would like to thank all employees and the Managing Board for their personal contribution in financial year 2021. Our thanks also go to our shareholders, customers and business partners for the trust they have placed in us.

Karlsruhe, March 2022

On behalf of the Supervisory Board

Dipl.-Kfm. Hans-Joachim Rühlig

Chairperson

SUPERVISORY BOARD OF INIT SE

Dipl.-Kfm. Hans-Joachim Rühlig

Chairperson

About
- Date of birth: 1948
- Nationality: German
- First elected: 2011
- Term expires: 2022
- Independent within the meaning of CGK C6

Audit Commitee
- Chairperson since 2021

Vita
- Independent management consultant
- Former Managing Board Member of Ed. Züblin AG, Stuttgart, Germany
- Independent member of Advisory Board of DResearcj Fahrzeugelektronik GmbH, Berlin, Germany
- Member of Supervisory Board of foundation building industry, Stuttgart, Germany

Dipl.-Ing. Ulrich Sieg

Deputy Chairperson

About
- Date of birth: 1949
- Nationality: German
- First elected: 2014
- Term expires: 2022
- Independent within the meaning of CGK C6

Vita
- Consultant specializing in public transportation
- Former Deputy Chief Executive Officer and Managing Board Member of Hamburger Hochbahn AG, Germany
- Member of Advisory Board of HanseCom Public Tranpsort Ticketing Solutions GmbH, Hamburg, Germany

Further Supervisory Board mandate:

Member of the Supervisory Board of SECURITAS Holding GmbH, Dusseldorf, Germany

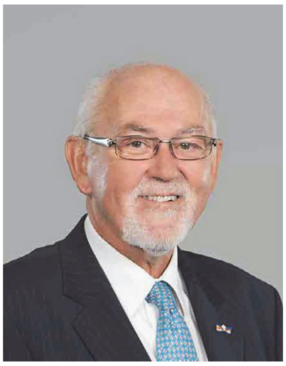
Dipl.-Ing. (FH), M.A., Christina Greschner

Member

About
- Date of birth: 1977
- Nationality: German
- First elected: 2019
- Term expires: 2022
- Not independent within the meaning of CGK C6

Audit Commitee
- Member since 2021

Vita
- Consultant activity
- Since 2007 various management positions with the init group
- Extensive knowledge of the init group
- International experience
- Examination for "Qualified Supervisory Board" at Deutsche Börse Examination for "Qualified Supervisory Board member on the Audit Committee" at Deutsche Börse



Drs. Hans Rat

Member

About
- Date of birth: 1945
- Nationality: Dutch
- First elected: 2012
- Term expires: 2022
- Independent within the meaning of CGK C6

Vita
- Consultant public transport
- Honory Secretary General of UITP
- Former Secretary General of the International Association of Public Transport UITP
- Managing Director of Beaux Jardins B.V., Schoonhoven, Netherlands

The curriculum vitae of each Supervisory Board member, containing detailed information, you will find on the website under Investor Relations / Corporate Governance.

STATEMENT ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289F (2) HGB AND PRINCIPLE 22 DCGK 2020

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

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

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In compliance with the Section 161 of the German Stock Corporation Act (AktG), the Managing Board and the Supervisory Board of a listed stock corporation are required each year to declare compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the Federal Official Gazette and to disclose any deviation from these recommendations. The Declarations of Compliance with the Code are accessible on the company's website for a period of five years. Since the Code 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 27 September 2021. The Declaration below relates to the Code version of 16 December 2019, which was published in the Federal Official Gazette on 20 March 2020. Owing to the size of the firm and company-specific features, the Managing Board and Supervisory Board declare that the recommendations have been and are adhered to with the following exceptions:

B. COMPOSITION OF THE MANAGING BOARD

B.5. An age limit should 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, special expertise and many years of experience.

C. COMPOSITION OF THE SUPERVISORY BOARD

I General requirements

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

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

D. WORK METHODS OF THE SUPERVISORY BOARD

II Cooperation within the Supervisory Board and with the Managing Board

D.4. Chairperson of the audit committee

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

D.5. Nomination Committee

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

G. REMUNERATION OF THE MANAGING BOARD AND SUPERVISORY BOARD

I Remuneration of the Managing Board

The contracts of init SE's Managing Board members have been concluded for three years and end as of 31 March 2022. The Shareholders' Meeting 2021 approved the remuneration system of the Managing Board. However, the recommendations can only be applied for new or extended appointments.

II Remuneration of the Supervisory Board

G.17 The remuneration of the Supervisory Board members should appropriately take into account the larger amount of time required of the Chairperson and the Deputy Chairperson of the Supervisory Board and the Chairperson and committee members

The larger amount of time required of the Chairperson of the Supervisory Board was appropriately taken into account for the remuneration. The larger amount of time required does not apply to the Deputy Chairperson of the init Supervisory Board.

An audit committee was formed for the first time as of 1 October 2021. The remuneration system of the Supervisory Board, which was approved in the Shareholders' Meeting 2021, does not provide for any additional remuneration for the work of the audit committee.

STATEMENT ON CORPORATE GOVERNANCE

Managing Board

The Managing Board is the management body of the listed European Company (Societas Europaea, SE). 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 corporate strategy with the Supervisory Board. Furthermore, it ensures that legal rules, official regulations and company-internal guidelines are adhered to and works with the Supervisory Board with a view to ensuring that all employees of the group comply with them.

The Managing Board of init currently has four members who together bear responsibility for corporate management. As the central task of corporate management, it develops the strategic orientation of the company, ensures that the risks of business activities are handled responsibly by means of a suitable internal control and risk management system and ensures that legal requirements and internal guidelines are observed within the company (compliance). It also decides on the appointment of management positions and sets targets for the percentage of women in the two management levels below the Managing Board. Diversity aspects are taken into account in the selection process, but the focus is on the professional and personal qualifications of the individual persons.

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

Supervisory Board

The Supervisory Board advises and monitors the Managing Board in the management of the company. Decisions of fundamental importance to the company are subject to the approval of the Supervisory Board and are set out in the rules of procedure of the Managing Board. In addition, transactions with related parties may, by law, require the prior approval of the Supervisory Board.

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

- The members of the Managing Board should have many years of management experience and should have experience in a broad range of professions as far as possible
- At least one member of the Managing Board should have international management experience
- At least one member of the Managing Board should have a technical education
- At least one member of the Managing Board should have an education in business studies
- The Managing Board in its entirety should have many years of experience in the areas of development, production, sales, finance and personnel management
- The Supervisory Board has set a target for the percentage of women in the Managing Board This is explained in one of the sections below

According to the Supervisory Board's assessment, the composition of the Managing Board as of 31 December 2021 corresponds to the specified diversity policy. 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 were stipulated, as this would restrict the Supervisory Board in selecting suitable Managing Board members. init operates in a market that requires flexibility, special expertise and many years of experience.

At init, the Supervisory Board is solely composed of shareholder representatives and, in accordance with the articles of incorporation, of four persons. These are appointed for three years. The Supervisory Board endeavours in its entirety to provide a competence profile that ensures that the Managing Board of init is supervised competently and given informed advice. Each member of the Supervisory Board also ensures that he or she has sufficient time to perform his or her duties. With the exception of one member of the Supervisory Board, other members of the Supervisory Board do not have any business or personal relationship to the Managing Board of init or a controlling shareholder. Therefore, the Supervisory Board of init can be considered to be independent.

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

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

The Supervisory Board formed an audit committee as of 1 October 2021. It prepares the decisions of the Supervisory Board on the annual and consolidated financial statements as well as quarterly statements during the year, the proposal to the Shareholders' Meeting to elect the auditor and the agreement with the auditor. Furthermore, the audit committee is responsible for the tendering procedure for a new auditor for the audit of the annual and consolidated financial statements. The audit committee also monitors the independence of the auditor, evaluates the additional services rendered by the auditor and assesses the quality of the statutory audit. It advises and monitors the Managing Board in issues related to financial reporting, the operating effectiveness of the internal control system, the risk management system, the internal audit system as well as compliance. The audit committee supports the entire Supervisory Board in its work and reports on its preparatory work on the agreed upon topics in the subsequent meeting. The Supervisory Board has laid down rules of procedure, which are available on the website of the company, and convenes regular meetings at least once a quarter and, unless otherwise stipulated, adopts decisions based on a simple majority of the votes cast. A resolution of the Supervisory Board adopted in writing by means of fax or e-mail, by telephone or using electronic means of communication or a combination of the above-mentioned means of communication is permitted in accordance with the articles of incorporation of init. Precise details on the form in which resolutions are adopted are determined by the Chairperson. The Chairperson of the Supervisory Board draws up a written record of resolutions passed outside meetings.

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

Details about the activities of the Supervisory Board and their independence as well as their CVs are provided in the "Report of the Supervisory Board" section of this Annual Report.

Cooperation within the Supervisory Board and with the Managing Board

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

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

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

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 the meetings.

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

Shareholders' Meeting and rights of shareholders

At the Shareholders' Meeting, shareholders exercise their rights, in particular their right to information, and use their voting rights. The Shareholders' Meeting decides on all matters assigned to it by law, particularly the appropriation of profits, the discharge of the Managing Board and the Supervisory Board, the election of members of the Supervisory Board and the auditor. It also decides in its advisory nature 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 a recommendation on the approval of the remuneration report for the preceding financial year.

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. Due to reasons of planning uncertainty, the next annual Shareholders' Meeting will also only be possible as a virtual meeting of shareholders with limited participation rights. 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 electronically via their custodian banks.

The Shareholders' Meeting of init is generally held within the first six months of the financial year and it is chaired by the Chairperson of the Supervisory Board. He or she determines the order of the agenda items and the type and form of voting. The Chairperson is empowered to impose appropriate restrictions on the right to ask questions and to speak at the on-site event for the entire Shareholders' Meeting , for individual agenda items 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, 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 statement on corporate governance. The statements of the past five years are also accessible on the website.

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

Compliance and Ethical Guidelines

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

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

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

Human rights

init recognises its responsibility to uphold and protect human rights. That is why they have been integrated in the Ethical Guidelines. Specifically, init condemns all forms of child and forced labour. We respect civil, political, economic, social and cultural rights. However to be able to protect human rights in a globally connected society, we look beyond the boundaries of the init group and expect our contractual partners and subcontractors to also follow these Ethical Guidelines. Therefore, they are integrated into contracts and include further regulations to ensure compliance with human rights and laws. In oder to identify risks regarding potential breaches of the Ethical Guidelines at an early stage and to counteract them, init has implemented measures that are described in more detail below.

Violation regarding human rights were not identified within init in the reporting year 2021.

Combatting corruption and bribery

Combatting corruption and bribery is a high priority for init, as strict compliance with legal regulations and the avoidance of breaches in connection with corruption form the basis for our business activities. We aim to maintain ethically, morally and legally irreproachable conduct in all areas of the company. Furthermore, init strives to keep all employees up to date on the topic of combatting corruption.

Our Ethical Guidelines prescribe a specific code of conduct and stipulate that corruption and bribery are not tolerated by our company. They include specific rules, such as ones on the granting or acceptance of benefits, the documentation of business transactions and the comprehensive, truthful and lawful provision of information to employees, shareholders, the capital market, the media and other stakeholders.

Moreover, init's Managing Board maintains an active exchange with the management of all the consolidated companies. Once a year, the Managing Board members meet with the managing directors of the group companies. At this annual management meeting, management is again made aware of the topic of combatting corruption and bribery in particular, and the code of conduct, in order to establish it further at the group companies and among the company's own employees.

Breaches regarding corruption and bribery were not identified in the init group in the reporting year 2021.

Ensuring Compliance

On the Managing Board of init, the CFO is responsible for compliance. The respective management as well as legal departments within the group coordinate compliance topics locally. Our flat hierarchies enable quick response to (alleged) compliance cases. The internal processes ensure that any compliance infringements are reported by management and legal departments to the Managing Board of init which in particularly severe cases also informs the Supervisory Board. In the reporting year, an audit committee was formed within the Supervisory Board, which monitors the Managing Board also in issues related to the operating effectiveness of the internal control system and compliance.

In addition, a risk matrix with compliance-related topics was drawn up as part of risk management in the year under review. This is reviewed and updated annually in order to evaluate new topics, identify the need for action and derive measures for compliance with any laws and regulations.

As the customers of init are mainly public transport companies or associations in Germany and abroad, public procurement and the formalised procurement system of the public sector are of decisive economic importance. Public procurement is highly structured and regulated by public procurement law. Public procurement law protects the transparency and comprehensibility of decisions through its regulations on competition. These legal regulations in procurement law must be observed at all times by public customers as well as by participating bidders such as init, from needs assessment to the tendering phase through to awarding of the contract and order fulfilment.

The Managing Board of init has approved a list of countries in order to counteract risks that may arise from international business activities, for example, geographical risks. This list defines the countries in which the init group can have sales activities. For this purpose, clusters were prepared on the basis of official indices of various NGOs in accordance with industry specific risks and criteria. Well defined internal rules and procedures apply to different clusters, in order to perform sales activities in the countries included in a cluster. This process ensures early and careful assessment of business activities.

We require and encourage the reporting of all processes that indicate a criminal offence or a systematic breach of laws or internal rules. To this end, an online whistleblower system was created in 2018 which enables employees as well as customers, business partners and third parties to report improper conduct, either anonymously or in person. The system is accessible to all and is available on init’s website. Furthermore, the Ethical Guidelines contain a reference to the whistleblower system. The system immediately forwards every report to the Legal department or the Managing Board, where it is reviewed and processed to the dual control system. In addition init has developed a manual which defines the internal processes, their documentation and the systematic processing of notifications. The company’s preventive and control measures include generally the dual control principle, which is set out for the companies in a set of signature rules.

Here you can find the Ethical Guidelines of init.

Accounting and auditing

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

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

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

On 19 May 2021, the Shareholders' Meeting of init passed a resolution to elect Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor and group auditor for the 2021 financial year, as proposed by the Supervisory Board. The individual auditors responsible at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are Mr. Werling (since the consolidated financial statements 31 December 2016) and Mr. Kresin (since the consolidated financial statements 31 December 2021).

The tender for the engagement for audit of the financial statements for the 2022 financial year was initiated in 2021. The Supervisory Board of init will propose a new audit firm to the Shareholders' Meeting 2022; the shareholders will decide on the new appointment.

Remuneration of the Managing Board and Supervisory Board

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

The contracts of init Managing Board members have been concluded for three years and end as of 31 March 2022. The Shareholders' Meeting on 19 May 2021 approved the remuneration system of the Managing Board. However, the remuneration system as well as therecommendations of the Corporate Governance Code can only be applied for new or extensions of appointment.

Dr. Gottfried Greschner, Dr. Jürgen Greschner, Mr. Matthias Kühn and Ms. Jennifer Bodenseh were reappointed to the Managing Board of init effective 1 April 2022.

The members of the Supervisory Board receive remuneration that is appropriate to their tasks and the status of the company. It is determined by resolution of the Shareholders' Meeting. The larger amount of time required of the Chairperson of the Supervisory Board was appropriately taken into account for the remuneration. The Deputy Chairperson of the init Supervisory Board does not require a larger amount of time. The previous remuneration system of the Supervisory Board does not provide for any additional remuneration for the work of the audit committee. This has been taken into account in the new remuneration system that will be proposed to the 2022 Shareholders' Meeting.

In a binding capacity, the Shareholders' Meeting also approves the remuneration system for the Supervisory at least every four years. The init Shareholders' Meeting on 19 May 2021 approved the remuneration system of the Supervisory Board.

The Managing Board and Supervisory Board prepare an annual remuneration report in accordance with the legal requirements. The Shareholders' Meeting will pass a resolution on the approval of the remuneration report for the preceding financial year for the first time from 2022 and yearly thereafter in an advisory capacity.

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

Equal participation of women and men in management positions

When appointing the company's executives, the Managing Board considers the principle of diversity, and in particular endeavours to achieve the appropriate consideration of women for such positions. 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 for the positions in the Managing Board.

The amendments to the German Stock Corporation Act due to the "Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions" required new resolutions. The proportion of women in the Managing Board and Supervisory Board of init still stands at 25 per cent, which also corresponds to the target figure.

The proportion of women at the first management level below the Managing Board now stands only at 33 per cent, due to a reorganisation. The proportion at the second management level remains at 43 per cent. The Managing Board will strive to ensure that the proportion of women does not fall below 20 per cent at the first management level and 28 per cent at the second management level below the Managing Board These targets were set in order to ensure sufficient flexibility in appointing suitable persons.

Karlsruhe, 21 March 2022

For the Supervisory Board	For the Managing Board
Hans-Joachim Rühlig Chairperson	Jennifer Bodenseh CFO

WIDE PRICE RANGE IN 2021 LONG-TERM OUTPERFORMANCE OF THE DAX

Following the crisis year 2020, 2021 was again an extremely turbulent year on the stock markets. Despite the coronavirus pandemic and supply bottlenecks worldwide, the important international stock exchange indexes repeatedly reached new records, particularly in the first half of the year. However, from November onwards the outlook became gloomier as the spread of the omicron variant resulted in a major slump in economic activity and as rising prices for commodities and energy kindled inflation at the same time. Consequently, prices on the stock exchanges softened across the board, undoing the price gains achieved previously. The German stock exchange index DAX, which hit an historical high in mid-November, dropped subsequently, but nevertheless closed the year 2021 with a gain of almost 16 per cent.

The year 2021 also presented init shareholders with an unusually wide range of prices. Until the end of August, the init share set one record after another in several phases of profit taking and reached an all-time high of EUR 48.50. With rapidly deteriorating general conditions such as pandemic-related disruptions in supply chains as well as the associated economic slowdown in Germany and other industrialised economies, technology stocks like the init share which were trading at relatively high prices dropped sharply. At EUR 33.30 as of 31 December 2021, the increase for 2021 came to just 4 per cent.

However, the upside potential of the init share is still considerably better than that of the DAX or TecDAX. Compared to the first price listing on 24 July 2001 of EUR 5.10, the init share price has increased more than six times over, outperforming the DAX **by more than 500 per cent**. Additionally, the first init shareholders who invested in the company from the beginning have now received, through regular dividends since 2007, over EUR 6 per share more than their original investment.

The init share as an innovative technology share, with digitalisation as its business model since its formation, is expected to continue benefiting from this megatrend. Analysts who have been following init for some time therefore see price targets of EUR 50 to 52.50 based on the growth potential of our company.

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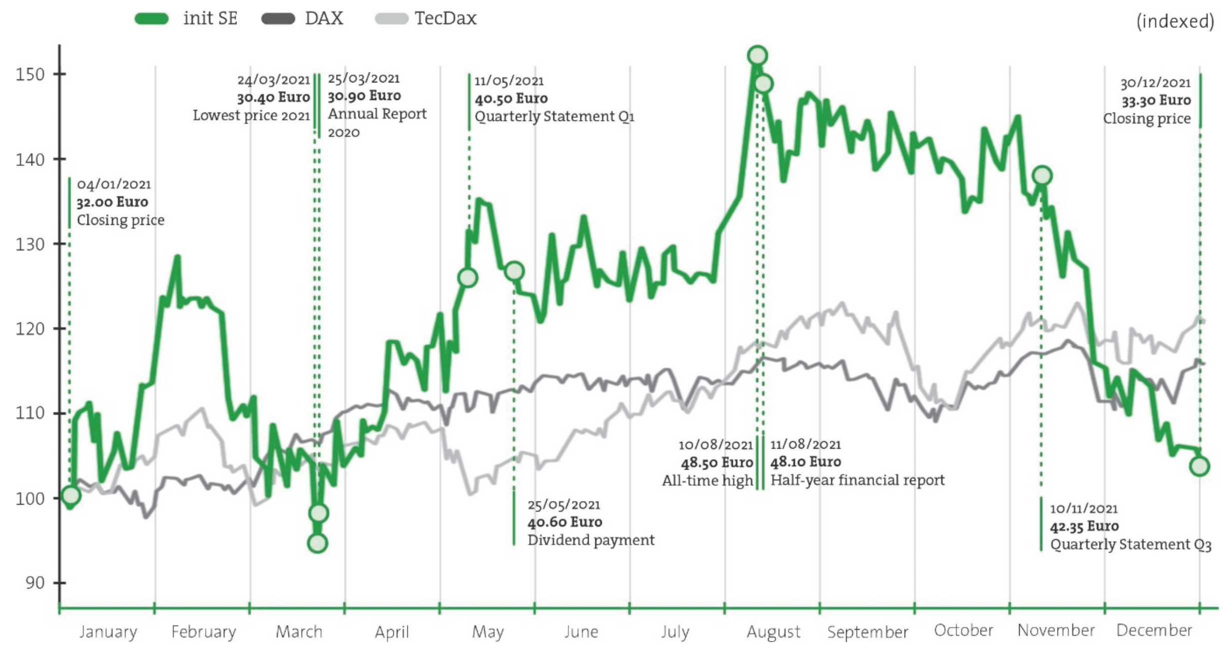

0,55

EUR dividend

proposal to the AGM 2022

SHAREHOLDERS' MEETING AGAIN VIRTUAL IN 2022

The dynamic growth in the 2020 financial year enabled the payment of a 37.5 per cent higher dividend following the second virtual Shareholders' Meeting on 19 May 2021. The Shareholders' Meeting unanimously approved the increase in dividend to EUR 0.55 per share (previous year: EUR 0.40) proposed by the Managing Board and the Supervisory Board.

At this year's Shareholders' Meeting, we will propose an increase in dividend of EUR 0.55. The Shareholders' Meeting planned for 18 May 2022 will be held virtually one more time. From April 2022 shareholders can find all required documents on the virtual Shareholders' Meeting on the homepage of our company at https://www.initse.com/ende/investors/shareholders-meeting/.

INVESTOR DAY PLANNED

In times of the coronavirus pandemic and the associated restrictions for events and personal meetings, our investor relations work continues to focus on digital events and virtual conferences with interested investors. This was true for the Equity Forum of the German stock exchange in November 2021 as well as for the press and analyst conference at the end of March 2021.

The press and analyst conference for this year on 24 March 2022, at which the Annual Report 2021 will be presented, will also be conducted virtually. However, we are planning to again conduct an Investor Day as an on-site event. We plan to invite interested current and potential investors to Karlsruhe in June this year.

BUY-BACK OF 20,000 SHARES

Under the share buy-back programme, which was approved by the Managing Board with the authorisation of the Shareholders' Meeting, a total of 20,000 treasury shares were acquired in the period from 9 March 2021 through 26 March 2021 at a purchase price totalling EUR 667,096.25 (without additional charges).

The repurchased shares are to be used for existing and future employee stock ownership plans, incentive programmes for executives, as acquisition currency and/or sold to third parties for cash.

Capital market based figures	FY 2021	FY 2020
High (EUR)	48.50	37.60
Low (EUR)	30.40	15.25
Start price (EUR)	32.00	23.90
Closing price (EUR)	33.30	33.30
Market capitalisation (EURm)	334.3	334.3
Average daily trading volume (shares)*	7,146	9,150
Dividend per common share (EUR)	**0.55	0.55
Earnings per share (EUR)	1.25	1.50

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

Shareholder structure as of 31 December 2021	per cent
Dr. Gottfried Greschner (directly and indirectly held, parties related to him)	41.94
Corporate bodies	4.70
Employee shares (locked up)	0.52
Treasury shares init SE	1.04
Free float	51.80

COMBINED MANAGEMENT REPORT

init innovation in traffic systems SE, Karlsruhe

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GROUP PRINCIPLES

Group Business Model

Organisational structure of the group

The init group (hereinafter also referred to as init) is one of the few providers of integrated planning, dispatching, telematics and ticketing solutions for buses and trains. Since 1983, init has been supporting transport companies in making public transport more attractive, more reliable, more punctual and more efficient.

init develops, produces, integrates, installs, maintains and operates software and hardware products that help transport companies meet their operational needs and requirements. These include planning, management and optimisation of operations as well as fare management.

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, it also enables transport companies to reduce their costs and/or boost their economic efficiency.

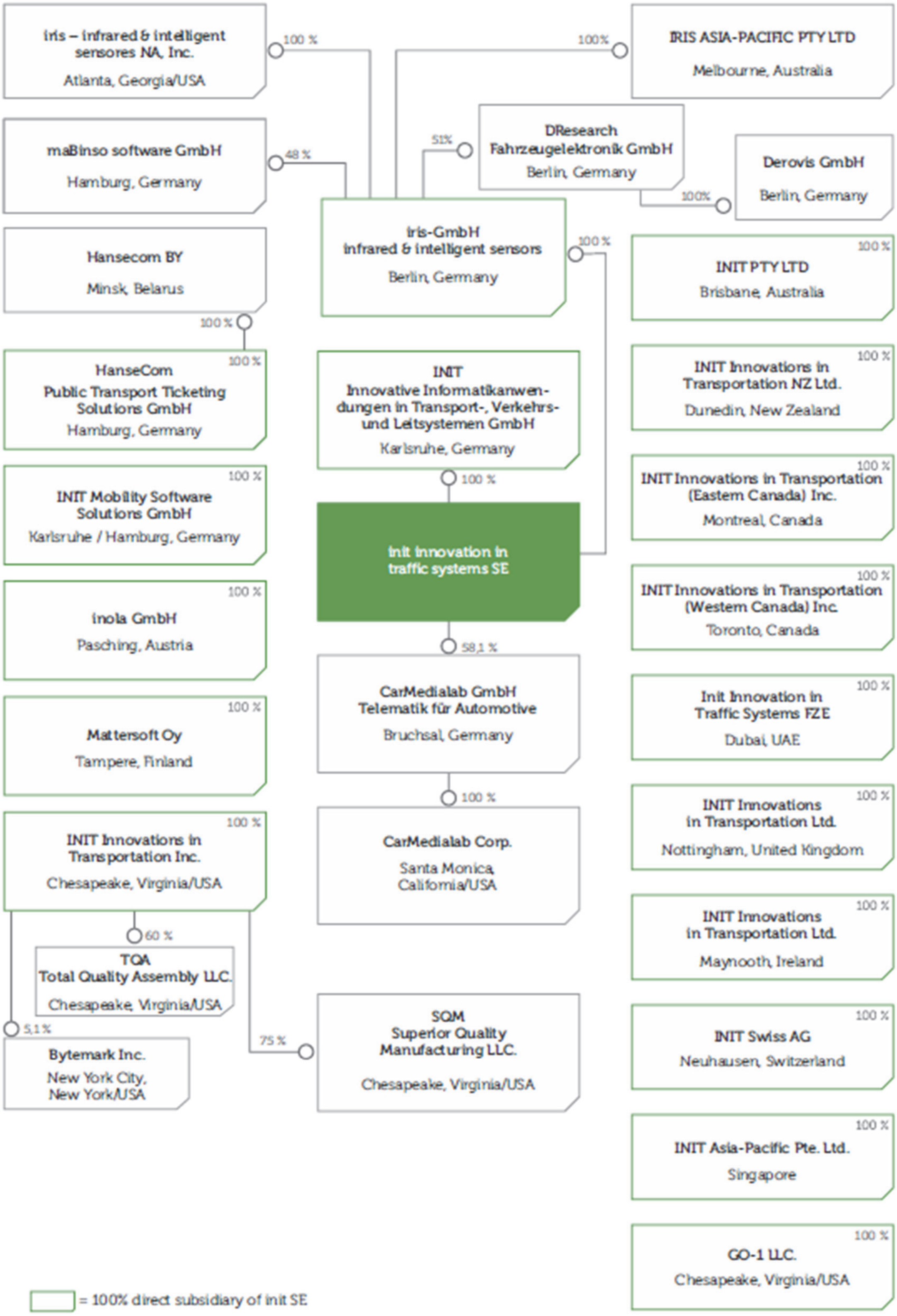
With the help of our products, CO_2 emissions that are harmful to the climate and environmental damage are reduced and resources conserved. init's system solutions can put transport companies in a better position to meet society's growing mobility requirements and assert themselves in a competitive environment.

The init group has grown sustainably and continuously. Subsidiaries and branch offices around the globe guarantee customer proximity and in-depth understanding of local market requirements.

As of 1 January 2021, the entity initperdis GmbH (Hamburg) was merged with initplan GmbH (Karlsruhe), both wholly owned subsidiaries of the init group. Following the merger, the company name was changed to INIT Mobility Software Solutions GmbH. The aim was better utilisation of development and sales resources, so that the requirements of transport companies can be addressed faster. The merger was entered in the commercial register on 23 March 2021.

Effective as of 28 October 2021, INIT GmbH (Karlsruhe) concluded a trust agreement with init SE (Karlsruhe) regarding the shares of iris-GmbH infared & intelligent. INIT GmbH remains the beneficial owner. init SE is the legal owner of iris-GmbH.

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


iris – infrared & intelligent sensores NA, Inc.
Atlanta, Georgia/USA
100 %
maBinso software GmbH
Hamburg, Germany
48 %
Hansecom BY
Minsk, Belarus
100 %
HanseCom Public Transport Ticketing Solutions GmbH
Hamburg, Germany
100 %
INIT Mobility Software Solutions GmbH
Karlsruhe / Hamburg, Germany
100 %
inola GmbH
Pasching, Austria
100 %
Mattersoft Oy
Tampere, Finland
100 %
INIT Innovations in Transportation Inc.
Chesapeake, Virginia/USA
100 %
60 %
TQA Total Quality Assembly LLC
Chesapeake, Virginia/USA
5,1 %
Bytemark Inc.
New York City, New York/USA
75 %
SQM Superior Quality Manufacturing LLC.
Chesapeake, Virginia/USA
51%
DResearch Fahrzeugelektronik GmbH
Berlin, Germany
iris-GmbH infrared & intelligent sensors
Berlin, Germany
100 %
INIT Innovative Informatikanwendungen in Transport-, Verkehrs- und Leitsystemen GmbH
Karlsruhe, Germany
100 %
init innovation in traffic systems SE
58,1 %
CarMedialab GmbH Telematik für Automotive
Bruchsal, Germany
100 %
CarMedialab Corp.
Santa Monica, California/USA
100%
IRIS ASIA-PACIFIC PTY LTD
Melbourne, Australia
100%
Derovis GmbH
Berlin, Germany
100 %
INIT PTY LTD
Brisbane, Australia
100 %
INIT Innovations in Transportation NZ Ltd.
Dunedin, New Zealand
100 %
INIT Innovations in Transportation (Eastern Canada) Inc.
Montreal, Canada
100 %
INIT Innovations in Transportation (Western Canada) Inc.
Toronto, Canada
100 %
Init Innovation in Traffic Systems FZE
Dubai, UAE
100 %
INIT Innovations in Transportation Ltd.
Nottingham, United Kingdom
100 %
INIT Innovations in Transportation Ltd.
Maynooth, Ireland
100 %
INIT Swiss AG
Neuhausen, Switzerland
100 %
INIT Asia-Pacific Pte. Ltd.
Singapore
100 %
GO-1 LLC.
Chesapeake, Virginia/USA
= 100% direct subsidiary of init SE

Business processes

The value-added chain in 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 transportation companies. 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 to the test series right through to serial production.

In order to meet the "Buy America"–requirements in the US business, init also runs two production operations in the US. The company Superior Quality Manufacturing LLC., Chesapeake, Virginia, USA (SQM) produces various devices from the init product range. With Total Quality Assembly LLC., Chesapeake, Virginia/US (TQA), init has built up a cable production operation in partnership with a supplier.

It is one of the top management priorities of the init group to further optimise production processes, the associated reduction in manufacturing costs while maintaining quality standards at a consistently high level. Production processes are reviewed on an ongoing basis and optimised if necessary to keep production costs as low as possible as well as to ensure the supply capability.

init takes care when selecting producers or service providers to ensure that no dependencies arise in the case of high-quality standards. This generally allows init to switch suppliers quickly should a business partner be unavailable. Despite global shortages in raw materials and supply bottlenecks, init with its requirements analysis and corresponding stockpiling in 2021 largely ensured the supply capability of our products. The related risks have been considered accordingly in the risk section of the management report.

Key markets and competitive position

Our integrated solutions for planning, dispatching, telematics and electronic fare collection systems make us a partner to transport companies on four continents. init has successfully realised numerous projects for more than 1,100 public transport companies worldwide during a corporate history that spans 39 years In addition to this project system business, many other customers are added through the supplier business. To this end, init operates a global network of subsidiaries that deliver local support for projects and look after customers.

The most significant operative units in Germany with a total of 794 employees are located at the Karlsruhe, Berlin and Hamburg sites, where software and hardware products are developed and new technologies are researched and implemented. The group's strategy is defined at the Karlsruhe location. The biggest group companies outside Germany are in North America, with a total of 138 employees, in Dubai (United Arab Emirates) with 18 employees and in the UK with 11 employees.

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.

init has thus assumed a leading position in the worldwide market for planning, dispatching, telematics and ticketing solutions in public transport. init systems currently manage more than 160,000 vehicles around the world.

External influencing factors

User-friendly ticketing systems, reliable passenger information and fast transport links help public transport companies to enhance the attractiveness and efficiency of their services. Especially during pandemics, hygiene and distancing concepts are indispensable for higher acceptance and use of public transport. Environmental issues such as the reduction of CO_2 and particulate matter emissions continue to influence the development of public transport.

Over 90 per cent of our customers are public or state-subsidised transport companies. For this reason, request for tenders for new projects are often only issued when the corresponding state funding is available. Funding cuts and public budget consolidation measures thus indirectly have a major influence on the init group's business development.

Corporate control, objectives and strategy

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

The corporate **control** of the init group is managed via annual planning of revenues and earnings before interest and taxes (EBIT), which are reviewed on a regular basis using variance analyses. Accordingly, revenues and EBIT are considered to be the key performance indicators.

Financial objectives

The init group's objective is to continue increasing its revenues significantly with integrated systems, innovations and new fields of application in the long term. This long-term growth trajectory was also impacted in phases by the effects of the coronavirus crisis on public transport systems and their operators – our customers. Additionally, there were disruptions in the global supply chains in the second half of 2021, which also had effects on ongoing projects, leading to revenues of EUR 176.7m in 2021 in the group and thus slightly below the previous year by 2.2 per cent, nevertheless in the range of our expectations.

It is the strategic target of the company to achieve average long-term growth in revenues of 10-15 per cent per year. Additionally, it is intended to continuously increase both the absolute and the relative EBIT. The company strives for a minimum EBIT of 10 per cent. The share price should be raised appropriately. The EBIT margin is the ratio of EBIT to revenues. In financial year 2021, the EBIT margin amounted to 9.9 per cent (previous year: 10.9 per cent).

Non-financial objectives

Customer satisfaction

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

Employee qualification and know-how

Our employees are also a significant factor for our success. 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. The vast majority of these training activities were carried out virtually due to developments in 2021. More than 7,400 training hours were completed in internal and external training measures in 2021.

Some 65 per cent of init's permanent employees have a university degree, particularly in the fields of information technology, electrotechnology, high-frequency technology, physics, mathematics, industrial engineering, information technology, applied computer science, international business and business studies. init maintains very close contact with Karlsruhe Institute of Technology (KIT) and universities of applied sciences in the Karlsruhe area in order to keep track of the latest technological developments and to identify technical changes early on. In connection with this, we provide students with practical work in part-time positions and supervise theses, at bachelors and masters 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. In the reporting year this was generally only possible via digital channels due to the coronavirus pandemic.

As a full-service provider, init develops, produces, integrates, installs and maintains hardware and software solutions for all important tasks within transport companies. Our strategy: init concentrates on innovative mobility concepts that secure a technological advantage for forward-looking transport companies to make their services more attractive, more efficient and faster.

Group non-financial statement and ESG Report

For financial year 2021, init has submitted a group non-financial statement (ESG Report) in accordance with Sections 289b, 289c, 315b, 315c HGB, which will be published simultaneously with the annual report in a separate group non-financial report on the website at: https://www.initse.com/ende/investors/financial-reports.

Research and Development

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

The unit's great importance is reflected in the expenditures of financial year 2021. The init group spent EUR 12.6m (previous year: EUR 11.0m) on the development of new products and the refinement of existing ones, irrespective of customer. This is equivalent to 7.1 per cent of revenues (previous year: 6.1 per cent). Products are also developed and refined with finance from customers as part of projects. The volume of such projects amounted to EUR 35.2m in the reporting year (previous year: EUR 35.5m). As in the previous year, no development costs were capitalised.

EUR 12.6 m

was invested in basic and further developments in 2021.

We attach great value to the high standard of qualification among our research and development employees and also 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 500 init hardware and software developers worked at the Karlsruhe, Braunschweig, Bruchsal, Berlin, Hamburg, Maynooth, Minsk, Pasching, Tampere and Seattle sites in financial year 2021 on new products and product concepts as well as on further developing existing products. In addition, numerous new customised software developments and interfaces were realised.

In order to be able to provide answers and solutions to the future requirements of customers at an early stage, init continues to participate with its own research team in research and funded projects with a wide range of focal points.

In 2020, init participated in the **SDIKA** project to develop a concept for a secure digital identity for various citizen services. The focus of the project was on sovereignty and interoperability in order to give people and organisations a free choice of settings and allow them to approve their data themselves. Within the project, init is looking into use cases in the field of mobility and incorporating the regiomove mobility platform into the existing SDI infrastructure on a prototype basis. We have been in the implementation phase of the project since August 2021 and plan to complete it by 2024.

Transport organizations and local authorities face growing challenges due to the increase in traffic within cities in Germany. As part of the **LogIKTram** project, which commenced in March 2021, a tram prototype will be developed for the largely automated goods transport in city tram vehicles. init is cooperating in research for an innovative information and communication platform, which will ensure the secure, reliable and economical transportation of goods using the public transport network. LogIKTram is part of the joint project regioKArgo for the city of Karlsruhe and the whole region.

The project **KARL** (Artificial Intelligence for Work and Learning in the Karlsruhe region), which started in April 2021, examines the impact of artificial intelligence on the work environment and business organizations. The aim of the project is to design and test human-centered, transparent and learning supportive AI-assisted work and learning systems. init will analyse AI-based assistants to support dispatchers in transport companies.

The aim of the **KIMonoS** research project (an AI-based Mobility-on-Demand platform in Saarland) is to implement parts of the public transport system according to demand and to integrate them into the public transport network. With the help of the innovative routing algorithm and virtual stops, a prototype for an operation in rural areas with ridesharing is being implemented. In this way, the needs of passengers in rural areas can be better served and public transport can react more flexibly to demands.

The **DaKiMo** research project started in October 2021. It aims to demonstrate how mobility data can be processed with the help of artificial intelligence and enriched with additional data on traffic conditions or weather for example, to provide intelligent information for citizens and business. The goal is to promote resource-efficient and sustainable mobility. As part of the project, init will contribute its expertise in public transport data structures and with its project partners, will process the different data from the mobility environment using AI methods.

In autumn 2020, init officially entered the **SPEAKER** research project as associate partner, which was continued in 2021. In a consortium with reputed partners from all business areas, a German-made B2B voice assistant platform will emerge from this project. init will test and demonstrate the SPEAKER platform's suitability for industry-specific cases in public transport.

ECONOMIC REPORT

Macroeconomic environment

Following the coronavirus crisis in 2020, the hopes of a strong economic recovery in 2021 were high, and initially confirmed by the development in the first half of the year. However, in the second half of the year and in the last quarter of 2021 in particular, new waves of infections due to new COVID-19 variants, supply disruptions with their repercussions on industrial production and consumption as well as strongly increasing procurement and energy prices led to a rapid turnaround. According to the International Monetary Fund (IMF, World Economic Outlook, January 2022), the global economic development has stalled.

The latest economic data indicates that the growth momentum remained weak in the fourth quarter. Compared to the previous projections, growth prospects for the global economy prepared by the ECB experts in their macroeconomic projections in December 2021 were revised downwards.

The German economy was hit particularly hard, even contracting in the fourth quarter of 2021. While the COVID-19-related restrictions particularly hindered private consumption, supply bottlenecks for raw materials and intermediate products as well as rising energy prices affected the industrial production. Overall, based on the recent data for 2021, the German Federal Statistical Office projects growth of 2.8 per cent, thus the slump in the crisis year of 2020 (4.6 per cent) could not be recovered yet.

The situation for the euro area as a whole is more positive. Although growth in the euro area in 2021 was weaker than initially expected, at 5.2 per cent it recovered faster than in Germany.

In the US and the United Kingdom, the renewed flare-up of COVID-19 infections affected the economic performance already in the third quarter of 2021, while lack of personnel in some sectors also led to disruptions in the United Kingdom. However, following major downslides in the previous year (down 3.4 and 9.4 per cent), both these economies remain on a growth trajectory for 2021 as a whole (up 5.6 and 7.2 per cent).

The consequences of the wave of the Omicron variant of the coronavirus, and above all the war in Ukraine which broke out at the end of February 2022, are likely to act as a drag on global growth beyond the first quarter of 2022. While the IMF was still forecasting global economic growth of 4.4 per cent in January 2022, its economists now expect the war in Ukraine to have severe consequences, without being able to put a number on them yet (IMF Statement dated 5 March 2022). The effects of the war and the resulting sanctions have led to a negative shock for both inflation and economic growth in many countries. Prices for energy and raw materials have soared, which is impacting private demand and causing additional disruptions to supply chains and industrial output. For the US, the world's largest economy and one of the most important markets for init, the IMF has made a significant downward revision. Here, the economic performance is projected to grow by just 4 per cent, instead of the previous projection of 5.2 per cent. The IMF reduced its growth forecast for the euro area, init's most important region for sales apart from North America, for this year by 0.4 percentage points to 3.9 per cent. Expectations of a recovery in leading countries such as Germany, France, Spain and Italy in particular were scaled down.

The IMF stressed once again that economic forecasts are currently subject to a high degree of uncertainty. The risk factors it referred to are the prolongation of the coronavirus crises as a result of new mutations of the virus, and the associated disruption to the global economy, the risk of China's isolation, and the exacerbation of global supply chain problems, due in part to geopolitical tensions between China, Russia, Ukraine and the industrialised Western nations. Stricter monetary policy, which could become necessary in order to tackle surprisingly high rates of inflation, could also exacerbate the conditions on the global financial markets and have a dampening effect via rising interest rates and exchange rate fluctuations.

The IMF proposes a coordinated global strategy in order to manage these risks. Among other things, it is recommending more restrictive monetary policy in order to keep inflation under control, as well as further investment to tackle climate change. The IMF envisages more far-reaching, globally coordinated initiatives to reduce harmful greenhouse gas emissions and replace fossil fuels. These also include investing in smart infrastructure, and the increased expansion and conversion of emission-free local public transport. Measures at a national level should also be subsidised by international finance initiatives. This also presents opportunities to make progress on the necessary digitalisation and the implementation of technologies in the transport sector, as well as in other parts of the economy.

Sector-specific developments

In addition to long-term megatrends such as population growth, urbanisation and the development of smart cities, local public transport and the market for init's solutions were characterised by new requirements in the reporting period.

In the short and medium term, our customers (the transport companies) have had to and will need to overcome the challenges presented by the coronavirus crisis. Their main priority is to ensure their ability to operate and their performance. This was made more difficult by lost earnings as a result of coronavirus. The Association of German Transport Companies (Verband Deutscher Verkehrsunternehmen, VDV) estimates that the utilisation of local public transport capacity most recently amounted to about two thirds, and that pre-coronavirus levels will not be achieved again until 2023. At the same time, investment is required in system modifications, as well as to ensure that climate targets are met as part of the transport transition.

The governments of industrialised nations have also provided bailouts for the local public transport sector. In Germany, for example, the federal and state governments agreed to contribute equally to offset the losses in income, which are estimated to amount to around seven million euros based on the VDV's calculations.

A USD 30b COVID emergency fund was set up in the US to cover transport companies' deficits, and similar programmes are in place in init's other core markets.

The investment programmes aimed at protecting the climate, reducing greenhouse gas emissions and achieving a sustainable transport transition extend further into the future. The German Federal Ministry of Transport, for example, has promised billions of euros for investment in digitalisation and the expansion of the local public transport network as part of its climate protection programme. This is also supported by the expansion of the financial leeway offered by the GVFG ["Finanzierungsspielräume des Gemeindeverkehrsfinanzierungsgesetzes": German Municipal Transport Finance Act]. GVFG funds are now also available for the accelerated procurement of electric buses and the expansion of urban rail systems.

One visible expression of the priority given by the new government to this transformation process is the restructuring and renaming of the Federal Ministry of Transport and Digital Infrastructure.

At the opening of the VDV's second digital summit, the responsible State Secretary stressed that the new government is focusing in particular on integrated and seamless mobility, digital ID and tickets, and self-driving vehicles (VDV, press release dated 19 January 2022).

The digital transformation of local public transport is a priority for the VDV (VDV, press release dated 19 January 2022). The VDV sees potential with regard to the optimisation of operating processes as well as new, digital products and services for passengers.

In December 2021, the European Commission unveiled a comprehensive package of climate protection measures aimed at achieving the target of reducing greenhouse gas emissions by 55 per cent by 2030. The package contains more than 12 proposed legislative amendments, which still need to be discussed and decided on by the European Parliament and the individual member states. The transport sector plays an important role in this regard. One of the priorities is digitalisation.

The intention is for a combination of measures to reduce road traffic emissions and accelerate the transition to mobility with zero greenhouse gas emissions. The International Association of Public Transport (UITP) sees the programme as a milestone because it advances the local public transport sector to an unprecedented degree. For example, 424 cities would now have to develop “Sustainable Urban Mobility Plans” for the expansion of sustainable mobility systems such as local public transport.

The Global Climate Change Conference held in Glasgow in November 2021 also brought about a broad consensus on the reinforcement of measures to tackle climate change. At the conference, the UITP presented solutions for reducing greenhouse gas emissions by expanding local public transport systems.

The proposals could benefit local public transport providers in a number of ways, because with their low-emissions and increasingly climate-neutral mobility services, buses and trains contribute towards achieving Europe’s climate goals. According to the UITP, switching to electric buses is essential in this regard.

In the future, member states should incorporate the establishment of public and non-public infrastructure for alternative fuels (such as charging infrastructure for electric buses at depots) into their national strategies.

Since 2 August 2021, local public transport operators have therefore been required to make sure that at least 45 per cent of the new vehicles they procure have low or zero emissions. This ratio is even set to rise to 65 per cent between 2025 and the end of 2030. This is expected to result in higher investments for an effective infrastructure for vehicles with alternative drive systems. The European Commission has announced corresponding support for the establishment of infrastructure for alternative fuels and the use of bus charging and refuelling infrastructure.

This transformation places completely new demands on operational control and requires, above all, optimised charging management. Electromobility experts are keenly looking at Bergen, the second biggest city in Norway, where the second largest fleet of electric vehicles for the local public transport in Northern Europe is currently being set up. The operator relies on the leading technology in this sector, which is mainly being provided by init’s subsidiaries CarMedialab and Mattersoft.

Developments such as these and new technological innovations such as autonomous driving promote demand for platform solutions and efficient system architecture like that already offered by init – with the possibility to integrate new partners and their data smoothly and quickly. As it is difficult and takes a long time to build a network, the efficient use of existing systems and multimodal connectivity of all modes of transport on one mobility platform are gaining more significance.

What such a platform can look like is shown by the regiomove project in Karlsruhe, which in future will connect the existing mobility offers, from rental bikes to bus and tram connections, with each other via a central portal. regiomove is a flagship project for the Mobility as a Service trend (MaaS). The app for passengers is already in use.

For intermodal use of transport systems, particular significance will be attached to the simple and easy purchase of tickets by passengers (smart ticketing) and to the settlement of cash flows between the cooperating transport companies. This requires uniform, secure booking and payment with simultaneous optimisation of the related sales processes and costs. This requires an efficient background system that includes tariff management, revenue sharing, simple integration of third-party systems and various identification media (credit cards, smart cards, smartphones) as well as the setting up of a multimodal mobility platform. Smart ticketing systems are a key component of init's product range.

The mobility transition (including the changes brought about by the coronavirus pandemic), which is being accelerated by climate change, is demanding new, digital products and services from transport companies, among other things. One service for passengers is the provision of vehicle capacity utilisation data in real time, for example, and the presentation of alternative travel options in the event of disruptions. The technical solutions for this are already available, and part of init's range of products.

The digitalisation of public mobility is being supported by government investment programmes around the world.

According to the German Federal Ministry of Transport and Digital Infrastructure, several billion euros are made available for this purpose in Germany each year (BMDV aktuell, 2022).

In the US, the Biden administration is providing USD 39b to fund the expansion of local public transport (infrastructure programmes, US Department of Transportation, November 2021).

In Canada as well, the government hopes to provide CAD 14.9b to fund the expansion of local public transport in order to improve the connection of rural areas while also reducing carbon dioxide emissions. This programme includes new subway lines, urban light railway lines and trams, electric buses, smart transport infrastructure and the creation of new regional transport systems.

Similar programmes are also being planned in other parts of the world as part of the implementation of the COP 26 resolutions. This should lead to an increased number of invitations to tender for digitalisation projects.

Business performance

Distribution of revenues in the init group traditionally depends on the investment behaviour of the public transport companies. They 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.

Revenues amounting to EUR 40.5m (Q1 2020: EUR 40.3m) were generated in the first quarter of 2021. Revenues were thus around 1 per cent above the previous-year figure and were in line with our expectations.

In the second quarter of 2021 the group generated overall revenues of EUR 44.2m (Q2 2020: EUR 41.1m). This meant that revenues for the first half of the year rose to EUR 84.7m, which is 4 per cent higher than the figure of EUR 81.4m for the same period in the previous year.

Revenues amounting to EUR 40.4m (Q3 2020: EUR 49.6m) were generated in the third quarter of 2021. This meant that revenues for the first nine months of 2021 came to EUR 125.1m, which is about 5 per cent below the figure for the previous year (EUR 130.9m).

In the fourth quarter of 2021 the init group generated revenues of EUR 51.6m (Q4 2020: EUR 49.7m), which made it the strongest quarter in the current financial year.

Net assets, financial position and results of operations

Results of operations

The init group recorded **revenues** of EUR 176.7m for financial year 2021 (previous year: EUR 180.7), which is only just below the target of EUR 180m. Revenues fell by around 2 per cent in comparison to the previous year, which was below the long-term average rate of growth on account of the coronavirus pandemic and the shortage of materials.

At EUR 17.6m, earnings before interest and taxes **(EBIT)** were slightly lower than we expected (EUR 18m to EUR 20m) for financial year 2021 (previous year: EUR 19.6m). This can mainly be attributed to bottlenecks in the supply chains for materials combined with the increase in procurement costs due to the global shortage of raw materials. EBIT includes a non-recurring effect from the adjustment of a purchase price liability amounting to EUR 0.6m.

The group was able to maintain its EBIT margin at the minimum level of 9.9 per cent in financial year 2021 (previous year: 10.9 per cent), despite the effects referred to above.

The group generated 68.6 per cent of its total revenues outside Germany (previous year: 73.8 per cent). North America remains the strongest market, despite a fall in revenues. The volume of revenues came to EUR 65.3m in 2021 (previous year: EUR 75.8m). As in the previous year, the main contribution here came from the revenues generated by e-ticketing projects in San Diego, CA , Seattle, WA and Los Angeles, CA.

Revenues in Germany increased significantly year on year. Almost offsetting the decline in North America. Revenue rose to EUR 55.6m (previous year: EUR 47.3m).

At EUR 35.1m, revenues in Europe (excluding Germany) were slightly below the previous-year level (previous year: EUR 37.7m).

In the other countries (United Arab Emirates, Australia and New Zealand), a slight year-on-year increase in revenues was recorded. Revenues there increased to EUR 20.7m (previous year: EUR 19.9m).

EUR 176.7 m

Init group consolidated revenues in the financial year 2021.

Gross profit rose to EUR 62.7m (previous year: EUR 62.2m). The gross margin comes to 35.5 per cent and is therefore above the previous-year level (previous year: 34.4 per cent).

Sales and marketing expenses increased year on year to EUR 19.7m (previous year: EUR 18.0m). Around EUR 1.2m of this is accounted for by DResearch Fahrzeugelektronik Group (DVS/DFE), which was not included in the expenses for the previous year until the second quarter of 2020. The rest of the increase is in line with our expectations, and serves the purpose of further growth.

Administrative expenses rose year on year to EUR 17.4m (previous year: EUR 16.8m). This slight increase is due to the inclusion of DResearch Fahrzeugelektronik Group's expenses from the second quarter of 2020.

Research and development costs of EUR 12.6m were up by around EUR 1.6m on the previous year (previous year: EUR 11.0m). This increase in expenses is concentrated on new developments in the field of digitalisation due to increased market requirements.

At EUR 4.3m, **other operating income** was up year on year (previous year: EUR 3.3m). This mainly includes rental income, public subsidies, cash received from value adjustments on receivables and benefits in kind.

The **foreign currency gains** of EUR 0.4m (previous year: EUR 0.0m) chiefly comprise unrealised gains and unrealised losses from the measurement of receivables and liabilities in foreign currencies. The net results of currency hedging transactions are in addition to this.

Net interest income (balance of interest income and interest expense) totalled EUR -1.0m (previous year: EUR -0.9m) and resulted mainly from the property financing at the locations in Karlsruhe, the share of interest on the pension provisions, the purchase for the remaining shares of iris GmbH, the purchase of the shares of DResearch Fahrzeugelektronik Group (DVS/DFE), the financing of the new ERP system and the euro loans taken out during the year.

Consolidated net profit fell by EUR 2.5m year on year to EUR 12.4m (previous year: EUR 14.9m), mainly due to the trend for revenues and the increased expenses previously mentioned. Earnings per share amounted to EUR 1.25 (previous year: EUR 1.50). The tax rate of 24.8 per cent (previous year: 20.2 per cent) is higher than in the previous year due to the sharp improvement in the results of the German consolidated tax group, which led to an increase in tax expenses on account of the relatively high rate of tax.

Total comprehensive income rose from EUR 10.9m in the previous year to EUR 16.6m. Despite the fall in consolidated net profit, this increase was achieved thanks to substantial unrealised currency gains amounting to EUR 3.5m (previous year: currency losses of EUR 3.6m). Please refer to the comprehensive income statement for more information on the development.

Incoming orders

The init group won new contracts with a total volume of EUR 179.2m in financial year 2021. This was the highest figure for incoming orders in the group's history. Incoming orders rose significantly by EUR 24.6m from the previous year's figure of EUR 154.6m, which was an increase of more than 15 per cent.

One important reason for this increase is the large METRO Houston contract, which was signed in April 2021. This contract includes an ID-based ticketing system and has a volume of around USD 30m.

In addition to the major order placed by METRO Houston, high growth was also generated in the area of electromobility for public transport companies.

EUR 179.2 m

Highest volume of incoming orders in the company's history.

37.5 per cent of orders were generated in the North American market. Of the other incoming orders, 31.7 per cent were from Germany, 18.6 per cent from the rest of Europe and 12.2 per cent from other countries.

Incoming orders in North America rose sharply to around USD 76.2m in financial year 2021 (previous year: USD 54.7m). This increase is due to a large number of small and medium-sized projects as well as the major METRO Houston contract.

Incoming orders in Germany fell slightly to EUR 56.7m in 2021 (previous year: EUR 60.3m). Orders were received for a number of small and medium-sized projects. These are projects with a volume of less than EUR 5m.

Incoming orders in the rest of Europe of EUR 33.4m were down in relation to the previous year's figure of EUR 38.2m. Here as well, a number of new smaller and medium-sized projects were won.

In the other countries, incoming orders increased year on year to EUR 21.8m (previous year: EUR 11.6m), Some projects that had been planned in the previous year were postponed until financial year 2021 on account of the coronavirus pandemic.

The fall in incoming orders in Germany and the rest of Europe was offset by increases in the US and other countries.

EUR **135.4** m

Order backlog at year-end stood at EUR 135.4m.

Order backlog at year-end stood at EUR 135.4m (previous year: EUR 125.8m). We expect that approximately 70 per cent of revenues in 2022 will result from processing this order backlog.

Our market is still characterised by a large number of new international tenders. Our long-term customer relationships secure a stable business base for init, as they normally lead to follow-up orders and maintenance and service contracts. We recorded incoming orders of more than EUR 60m in 2021 as a result of additional deliveries, maintenance contracts and order extensions alone.

Financial position

One of the priorities for the group's management is to maintain and further reinforce the init group's capital structure, which is key for continuing to enjoy the confidence of our stakeholders. As in the previous year, the init group's financial position in financial year 2021 can therefore be described as solid.

Capital structure

Liabilities to banks as of 31 December 2021 amounted to EUR 29.3m (previous year: EUR 37.5m) and mainly relate to real estate and acquisition financing, financing of the new ERP system, the purchase of the shares in the DResearch Fahrzeugelektronik Group and euro loans taken out to increase financial headroom. Project delays may lead to delayed payments because the milestones are accepted by the customer at a later date. The non-current portion of the liabilities to banks results from the real estate financing of Kaeppelestrasse 4, 8, 8a and 10 of EUR 1.0m (previous year: EUR 1.4m). Furthermore, there are long-term loans for acquisition financing of EUR 7.4m (previous year: EUR 8.4m), long-term investment loans of EUR 2.3m (previous year: EUR 4.0m) as well as another long-term loan of EUR 4.6m (previous year: EUR 6.2m) The loans have different dates of maturity until 2026.

Overall, non-current liabilities fell by EUR 14.5m to EUR 47.4m. Part of this relates to the long-term loans mentioned above. Provisions also decreased and amounted to EUR 13.2m (previous year: EUR 14.2m). These mainly related to pensions and warranties. Lease liabilities also fell to EUR 12.4m (previous year: EUR 13.9m). Deferred tax liabilities decreased to EUR 5.3m (previous year: EUR 5.8m).

Short-term liabilities also decreased compared to the previous year to EUR 66.9m (previous year: EUR 74.2m). This change primarily comprises a decrease of EUR 8.2m to EUR 7.1m in contract liabilities from POC (previous year: EUR 15.2m) and a decrease of EUR 3.0m to EUR 8.6m in current provisions. Trade payables fell by EUR 0.6m. Short-term lease liabilities were virtually unchanged in comparison to the previous year at EUR 3.2m (previous year: EUR 3.2m). Other liabilities, on the other hand, increased by EUR 4.6m to EUR 24.5m, which can be attributed to the payment of the contractually agreed purchase price to the DResearch Fahrzeugelektronik Group in January 2022. Income tax liabilities also rose by EUR 2.4m to EUR 3.4m.

The group's static debt-equity ratio (debt capital divided by equity capital multiplied by 100) is 28.6 per cent (previous year: 41.4 per cent) and thus decreased owing to the effects cited above. The dynamic debt-equity ratio (net debt capital divided by EBITDA) is 0.5 (previous year: 0.6). Compliance with the specified limit for the dynamic leverage ratio is anticipated in the future as well.

Investments

Investments amounting to EUR 3.7m (previous year: EUR 7.2m) include some of the procurement of the new ERP system in addition to replacement and expansion investments.

Liquidity

Operating cash flow amounted to EUR 16.0m, which is down year on year (previous year: EUR 24.4m). This can be attributed to a EUR 2.5m fall in consolidated net profit and a strong reduction in payments received on account, contractual liabilities and provisions. These effects were offset by a sharp fall in trade receivables.

Net working capital (current assets less current liabilities) comes to EUR 41.2m (previous year: EUR 41.1m). Cash flow from investing activities amounted to EUR -3.4m (previous year: EUR -14.6m), and related to investments in the new ERP system as well as replacement and expansion investments. In the previous year, cash flow from investing activities was mainly influenced by the purchase of shares in DResearch Fahrzeugelektronik Group and the acquisition of the remaining shares in iris-GmbH, Berlin.

Cash flow from financing activities amounted to EUR -17.7m (previous year: EUR -2.8m), and mainly results from the repayment of short-term and long-term loans as well as the distribution of the dividend.

Cash and cash equivalents, including securities that can be sold in the short term, came to EUR 28.2m at the end of December 2021 (previous year: EUR 32.2m).

Net assets

The init group's net assets can be described as solid in financial year 2021.

Total assets fell slightly year on year as of 31 December 2021 to EUR 216.9m (previous year: EUR 226.6m). This was mainly due to the reduction of short-term and long-term liabilities, which are discussed in more detail in the section on the capital structure. Equity at year-end increased to EUR 102.6m (previous year: EUR 90.5m). As a result, due to the fall in total assets, the equity ratio fell to 47.3 per cent, which is well below the figure of 40.0 per cent for the previous year.

Performance of init SE pursuant to HGB

General information

In addition to the init group report, the following also summarises the performance of init SE.

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

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

Results of operations

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

The revenues of init SE amounted to EUR 6.8m (previous year: EUR 8.5m) and were generated largely through services provided for INIT GmbH, INIT Mobility Software Solutions GmbH, INIT Nottingham and INIT Montreal as well as through rental income. In a deviation from the planning, internal intercompany allocations were reduced in the reporting year, which meant that the projected figures for revenues were not achieved in financial year 2021. Earnings before taxes amounted to EUR 14.7m (previous year: EUR 3.6m) and was therefore significantly above our projection of around EUR 2.5m. Earnings before taxes includes income from investments of EUR 6.6m. EUR 5.3m of this relates to the subsidiary Init Innovation in Traffic Systems FZE, EUR 1.1m to INIT Innovations in Transportation Inc., and EUR 0.2m to Mattersoft Oy. Moreover, it contains the profit transfer of INIT GmbH of EUR 11m and income from INIT Mobility Software Solutions GmbH amounting to EUR 0.1m. init SE also exceeded its target for EBIT by a substantial margin on account of the positive deviation in the results of INIT GmbH.

Net assets and financial position

Other financial ratios of relevance to init SE are liquidity and the equity ratio, and these are discussed in the following. As of the reporting date, liquid funds including securities totalled EUR 0.2m (previous year: EUR 0.2m). The change in cash and cash equivalents during the year resulted chiefly from cash paid out in repayments and interest for real estate 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 payment obligations.

The assets mainly comprise financial assets, land and buildings, receivables from associated companies and other assets. A list of financial assets can be found in the notes.

Total assets of init SE amounted to EUR 58.2m (previous year: EUR 56.1m), while the equity ratio was 86.7 per cent and declined compared to financial year 2021 (previous year: 77.6 per cent).

As in the previous year, the net assets, financial position and results of operations of init SE can be regarded as solid.

Non-financial objectives

The annual average number of employees of init SE was 75 (previous year: 59). Of these, 37 on average were full-time staff (previous year: 34).

In total, employees took part in 40 internal and external continuing training measures in 2021.

Opportunities and risks of future development

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

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

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

Expected business development and outlook

For financial year 2022, we expect revenues, which relate to intercompany allocations, to reach the level seen in financial year 2021.

The development of init SE largely depends on the performance of its operating subsidiaries, and is currently subject to a heightened degree of uncertainty relating to the ongoing development of the coronavirus pandemic and the Ukraine crisis. On this basis, init SE is projecting EBIT of EUR 4.9m. The largest of the operating companies, INIT GmbH, is expected to generate positive earnings in accordance with HGB in the range between EUR 3m and EUR 3.5m.

Closing statement to the dependent company report

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

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

Principles and objectives of financial management

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

Employees

One important goal is the reinforcement of the init group's ongoing growth. In order to ensure this and complete ongoing customer projects on time, the workforce was again enlarged in financial year 2021. It will be necessary to bolster the workforce again in financial year 2022 in order to support customers' projects as well as further growth. In particular, we will thus strengthen our development capacity to meet the challenges in the ticketing business, digitalisation, autonomous driving and electromobility.

Headcount

Overall, in financial year 2021, the init group had an average of 1,055 employees (previous year: 1,009) including temporary workers, research assistants and students writing their theses. The number of employees working part-time rose to 186 (previous year: 162).

In addition, 24 employees were pursuing apprenticeships as IT specialists, IT systems electrical engineers, warehousing specialists, industrial clerks or office clerks or were studying electrical engineering, mechatronics, information technology, industrial engineering or business studies at universities of cooperative education.

Overall picture of the economic situation

The Managing Board takes a positive overall view of the course of business in 2021, despite the continuation of the coronavirus pandemic and the associated supply bottlenecks. At EUR 176.7m, revenues are only just below our projected target of EUR 180m. EBIT of EUR 17.6m was likewise only just below our projected target range of between EUR 18m and EUR 20m.

The trend for incoming orders was very encouraging, amounting to a record high of EUR 179.2m in financial year 2021. This meant that the init group was able to achieve growth of more than 15 per cent in relation to the previous year (previous year: EUR 154.6m).

A good foundation has been laid for financial year 2022 with the existing order backlog of EUR 135.4m as of 31 December 2021. The init group's financial position is still solid thanks to the growth of earnings in financial year 2021, and was further reinforced.

Operating cash flow came to EUR 16.0m in 2021, which is lower than in the previous year (EUR 24.4m). Because of the growth of the order backlog and incoming orders, we expect operating cash flow in financial year 2022 to be higher than in financial year 2021. We would like to share our success with our shareholders fairly and therefore intend to distribute dividends as in the past. The Managing Board proposes a dividend of 55 cents per share for financial year 2021.

FORECAST, OPPORTUNITIES AND RISKS

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

Outlook

Global economic conditions have changed dramatically since the end of February 2022. While the consequences of the coronavirus crisis now at least appear to be manageable, there is no way of knowing how the military conflict between Russia and Ukraine will impact international economic relations in the short, medium and long term.

The disruptions to the supply chains for raw materials and energy exacerbated by this, and the financial and trading restrictions associated with the imposed sanctions, will affect both global growth and the conditions on the markets for init's products.

The global economy is at least expected to grow by less than the 4.4 per cent predicted by the IMF in January 2022. This is expected to affect all major industrialised nations.

At the time of preparation of the financial statements for financial year 2021, it was not yet clear to what extent the forecasts for growth would need to be revised. This will above all depend on whether and how quickly the situation in Ukraine de-escalates and international relations return to normal.

It is not possible at present to reliably assess how much this will impact the operations of our customer transport companies around the world. The crucial factor will be the extent to which public funds for investment are scaled down or diverted to other areas.

Fundamentally speaking, however, the growth factors fueling demand in our market (such as population growth, urbanisation and the fight against climate change in the form of the mobility transition) remain intact. Investment programmes will continue to be set up around the world to specifically promote digitalisation and the expansion of local public transport.

Contracts in the field of electromobility are becoming increasingly important for transport companies. Through its participation in lighthouse projects in Europe, init is one step ahead of the competition in this future field. This should also have spillover effects for the international business.

As a participant in the mobility transition, we use our technologies to help transport companies with the implementation. This also includes flexible, cashless payment systems, and the use of artificial intelligence to automate processes and to provide passengers with information. In this context, thanks to its innovative MOBILE-ITCS nextGen guidance system, init has the capability to integrate all new, specific requirements of transport providers as well as the e-mobility revolution. This demand could give rise to a large number of projects in which both existing and new customers upgrade their existing systems to state-of-the-art technology.

In order to enable transport companies to introduce cashless open payment ticketing very rapidly and without the need for significant investment (including alongside existing fare management systems), init will offer ticketing as a service (TaaS) in future. This is a promising new development, and not just for the German market.

These factors offer potential for organic growth in the longer term. The record for incoming orders of around EUR 180m that was achieved in 2021 underscores this, and lays a solid foundation for the performance of business in the current year.

We cannot currently know, however, to what extent the confrontation between Russia and the Western democracies will affect our customers' plans and finances. The past year has shown us that we need to be prepared for anything. The direction we took proved to be correct, which is why we are once again keeping our planning conservative for the year in progress.

Our business is still based on sustainable growth trends and the worldwide efforts to transform the transport systems. This is expected to result in an increasing number of tenders for digitalisation projects, for which we are well prepared as the international leading provider of integrated solutions for planning, dispatching, telematics and ticketing for buses and trains.

In light of of the new geopolitical risks that emerged after the end of the reporting period, economic development in 2022 is also expected to be moderate, which will have to be considered in our short-term planning. However, we assume that if global general conditions normalise further, we will again be able to achieve our long-term targets in the coming years.

The Managing Board is exercising caution with respect to its planning at the moment on account of past delays due to the coronavirus crisis, as well as the current general economic uncertainties as a result of the conflict between Russia and Ukraine. More will also be invested in technological innovation in financial year 2022. The focus is also on improving existing programmes for employees, as well as attracting new employees. The target for consolidated revenues in 2022 has been set at between around EUR 190m and EUR 200m. Earnings before interest and taxes (EBIT) are expected to be in the range of between EUR 15m and EUR 20m. However, starting from 2023, init should again return to its sustainable growth trajectory of around 10-15 per cent annual average growth.

Risk management system (RMS) and internal control and risk management system (ICS)

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

The aim of a risk management system (RMS) is not to avoid all risks but to manage identified risks. After all, to realise one's plan and take advantage of the resulting opportunities, risks must be entered into. It is a matter of weighing up these risks. We understand risk to mean any negative deviation from our projected results, while opportunities are a positive deviation. Thus, risk management also means opportunity management.

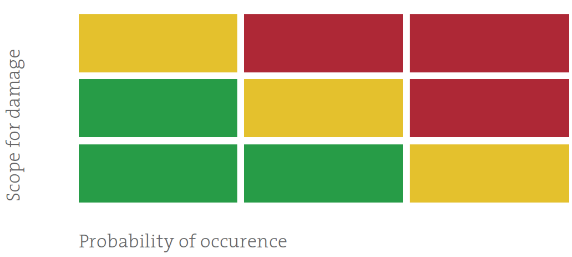
Risks are evaluated on the basis of the probability of a risk occurring and its potential scope for damage after the measures that have been taken (net view), with the risk graded as low, moderate or high. The scope for damage is viewed in terms of its effect on net profit.

	Probability of occurrence (%)	Scope for damage EUR m
low	0 < ≤ 33	< 0.5
moderate	33 < ≤ 66	0.5 to 3
high	66 < ≤ 100	> 3

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

The specifications of the new version of the IDW PS 340 audit standard, including the changes in relation to risk-bearing capacity and the aggregation of risk, were implemented in financial year 2021. In all other respects, the RMS was left unchanged in the reporting period.

Risk classes



Risk class (RK)
low moderate high

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

The individual processes in the companies are analysed, potential risks are identified and corresponding controls are assigned. The results are documented in a matrix and regularly updated. The results of this self-assessment are reviewed each year and the processes identified as needing action are reported to the Managing Board and discussed in the Managing Board. 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.

Internal control and risk management system pertaining to the group financial reporting process

The primary objective of init'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.

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

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

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

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

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

- Identification of key areas of risk and control relevant to the financial reporting process.
- Controls designed to monitor the financial reporting process and reporting on its results to the Managing Board in regular board meetings.
- Preventive control measures for the group's accounting and finance and in operating and performance-related corporate processes that generate material information for the preparation of the consolidated financial statements including the combined management report; this includes a separation of functions and predefined authorisation processes in relevant areas.
- Uniform accounting is primarily ensured through a group accounting manual.
- Accounting data is regularly spot checked for completeness and accuracy.
- The subsidiaries provide the parent company with monthly reports on their business development and submit monthly financial statements. Monthly reports are presented for ongoing projects

as well. Major foreign companies in the group are visited once or twice a year. Particular focus is placed here on a discussion of special issues and an examination of these companies' figures and projects. Due to the coronavirus crisis in the reporting year, on-site visits were replaced with video teleconferencing.
- Measures exist to ensure proper IT-based processing of accounting-related facts and figures.

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

Risks

A multinational technology-oriented company such as init is faced with a number of risks that could affect its net assets, financial position and results of operations. Geopolitical conflicts such as the current situation in Ukraine can also influence many of the risks described below.

The risks are broken down into and described in risk categories that may have a considerable impact on the net assets, financial position and results of operations of the init group.

The reporting is based on individual risk assessments of the areas of business planning, procurement, human resources, revenues, project management, IT, financial risks and legal and fiscal risks. Risk assessments are carried out annually for the Business Planning, Sales, Procurement and HR units, and also on an ad hoc basis if any significant changes occur outside the assessment period. Financial, legal, tax and project risks are assessed at least every quarter. IT risks are monitored as part of the company's ISO27001 certification (information security management), and also assessed at least once a year. The potential for as yet unknown risks or risks that are considered negligible today to also impact the net assets, financial position and results of operations cannot be fully ruled out.

Business planning risks

Risks from developing new markets (RC: moderate)

Entering into new markets entails different risks, particularly regarding economic, social, technological, ecological and legal conditions. The costs for overcoming the entry barriers and hedging risks may have a significant impact on the financial position of the company. Analysis of the potential market and market entry analyses are performed to minimise these risks, by also involving external experts.

Risks from founding new entities (RC: moderate)

For the sustained economic success of our group, the achievement of our strategic goals and the exploitation of existing market opportunities, we as a company are present in many countries with our own entities. Just like developing new markets, founding and integrating new entities entails a series of risks. To minimise these risks, we always perform a comprehensive legal and economic review. Skilled and trustworthy personnel are as important as installing a comprehensive reporting structure. Regular communication, on-site visits, reviews and group policies (e.g., dual control principle) help us to detect irregularities and implement measures for a successful integration.

Risk category	Probability of occurrence	Scope for damage
Risk from developing new markets	low	high
Risks from founding new entities	low	high
Risks from irregularities in company	moderate	moderate

Sales risks

Business environment and competition (RC: moderate)

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

Market development and trends (RC: low)

New societal topics such as urbanisation, climate-neutrality or smart cities as well as new mobility topics such as digitalisation, autonomous driving or electromobility require permanent monitoring of market development and trends and demand openness towards new requirements and needs of the society and transport companies. Through our sales, marketing, development and research activities, we ensure that we address the new trends and developments at an early stage to allow us to exploit opportunities resulting from them. Suggestions and wishes of our customers are incorporated in our development activities.

Industry and customers (RC: low)

Our customers are public and private transport companies as well as companies from the supply industry. Public transport companies are dependent on public investments and subsidies. On the one hand, this reduces the risk of bad debts; on the other, delays, postponements and cancellations, e.g., due to a poor government financial situation, can diminish market potential and lead to dependency on individual customers. We deem this risk to be low due to our comprehensive sales activities (new customer acquisition, tapping new potential in Germany and other countries and expansion of the performance spectrum).

Sales market (RC: high)

The turbulence that is currently being observed on the markets is leading to more pronounced fluctuations in sales prices, and entails risks for revenues and project calculations. Cost trends on procurement markets are monitored, the outcomes of invitations to tender are analysed, and the potential offered by new sales markets is assessed in order to combat this risk. Despite the countermeasures that have been introduced, we currently class this risk as high on account of the significant probability of occurrence. With regard to the development of the markets moving forwards, we expect the turbulence to settle, or the general price level to rise.

Risk category	Probability of occurrence	Scope for damage
Environment and competition	moderate	moderate
Market development and trends	low	low
Industry and customers	low	moderate
Sales market	high	moderate

Procurement risks

Risks arising from the procurement market (RC: high)

Other risks on the procurement market stem from the shortage of materials and the difficulties associated with the supply chains for various raw materials, including microchips and semiconductor products in particular. Risks also arise as a result of substantial fluctuations in the cost of some materials, as well as the discontinuation of components. We counter these risks by concluding master agreements, maintaining inventories well in advance, and obsolescence management. A high level of inventories is maintained to ensure supply capability. Nevertheless, we currently consider these risks to be high on account of the ongoing shortages of materials, the noticeable increase in the number of discontinuations, and rising prices.

Risks arising from changes in standards and regulations regarding our components are minimised through timely tests and long-term planning.

Although currently there have been no significant delays in delivery and product defects or warranty claims against init which have a considerable impact on the net assets, financial position and results of operations of the group, future claims cannot be completely ruled out. Due to the current spread of the coronavirus, higher risks of delays in delivery at our suppliers cannot be precluded.

Risk category	Probability of occurrence	Scope for damage
Fluctuations in cost of materials	high	moderate
Discontinuation of parts	moderate	high

Human resources risks

Lack of applicants/skilled labour (RC: moderate)

The experience, individual expertise and professional competence and qualifications of the employees are the key to the success of the init group. The labour market situation in Germany, and particularly in the technology region of Karlsruhe, remains very difficult. There are challenges in recruiting qualified personnel and in keeping them in the company in the long term. init counters personnel risks by operating a long-term personnel policy, intensifying the measures for personnel development and various additional benefits.

Risks from the loss of (key) personnel (RC: moderate)

The loss of key personnel can have a significant impact on ongoing customers projects and contracts. To support our employees and their families, we offer various programmes related to health management such as free health check-ups. Thanks to our stand-in arrangements, we estimate the impact on projects and contracts to be moderate.

The pandemic (RC: low)

Due to the current development related to the spread of the coronavirus, there is an elevated health risk for our employees and their families. We have made all possible arrangements and safeguards to counter this risk and follow the recommendations of the Robert Koch Institute.

Risk category	Probability of occurrence	Scope for damage
Lack of applicants/skilled labour	moderate	moderate
Loss of key personnel	moderate	moderate
Pandemic	moderate	low

Project risks

Project risks (RC: high)

A crucial success factor for the init group is project management. For each major project, init implements a project plan for constant progress monitoring. Project risks are analysed regularly by controlling in cooperation with the project lead and project contact persons. The projects are analysed both 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 for the purpose of a variance analysis. There are currently three projects that we consider to be critical. The risks associated with these projects include risks of an increased clarification efforts with customers, e.g., to explain system features, customer-side delays in the commissioning of certain system functionalities, contractual clarifications with regard to additional customer orders within the project, and development risks in the event of unexpected technical problems, for example. These risks are inherent to (software) projects, and appropriate measures to improve the situation have already been implemented.

Further project risks arise from the coronavirus pandemic, particularly from the restrictions on contact and travel. To ensure the safety of our employees and our customers' employees, appointments were conducted via video teleconferencing. Additional hygiene concepts have to be prepared and complied with for appointments requiring physical attendance. Flexibility in planning is still indispensable due to the dynamic changes in the pandemic containment measures. These requirements result in a higher planning effort and an elevated planning risk for init, which may lead to delays in projects.

IT risks

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

Risks relating to tangible assets (RC: high)

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

IT risks related to user behaviour (RC: high)

Given the rise in cyber crime, there is an increased risk of security incidents as a result of incorrect action by a user (e.g., harmful email attachments) or inadequate protective measures (such as access management).

Despite the extensive technical measures that we have in place, the regular implementation of new security technologies and recurring awareness training for employees, it is not possible to fully exclude a residual level of risk.

Risk category	Probability of occurrence	Scope for damage
Loss of tangible assets	high	high
Risks relating to network connections and the software used	high	high

Financial risks

Exchange rate risk (RC: low)

Contracts concluded in foreign currencies involve exchange rate risks that can affect revenues, purchase prices, the valuation of receivables, currency reserves and liabilities and therefore consolidated earnings as well. init counters these foreign exchange risks with active exchange rate management. Forward exchange transactions and options may be used. Since init also tries to remain open to opportunities and focus on active currency management, possible ensuing losses cannot be ruled out. We consider the exchange rate risk to be low thanks to our active currency risk policy. A sensitivity analysis on this subject is provided in note 31 of the notes to the consolidated financial statements.

Loan risk (RC: moderate)

Long-term loans of around EUR 6m are subject to minimum capital requirements. A dynamic debt-equity ratio may not be exceeded. As of the reporting date, one contract has been arranged in the group that is subject to minimum requirements. A dynamic debt-equity ratio of 3.5 has been applied for a loan with an outstanding balance of around EUR 6m as of the reporting date. If the requirements are exceeded, the loans may be called in immediately in each case. On account of the intensive monitoring and planning of this indicator, we consider the probability of occurrence to be low, although the consequences if it were to occur could be significant.

Prefinancing (RC: moderate)

In addition, contractually established payment terms could change over time to our disadvantage, with the result that we could encounter cash flow predictability risks and liquidity risks.

Risk relating to the coronavirus crisis (RC: low)

So far, we have felt only a few effects of the crisis on our business activities. The effects include the postponement of incoming orders by our customers into the subsequent year. However, there were no negative effects on our revenues and earnings planning. Our management regularly discusses the development of the crisis and reviews any possible effects on our planning. The safety of our employees has top priority. We implement the new regulations in a timely manner and also always comply with the recommendations of the RKI.

Price hike and inflation risk (RC: high)

The sales and procurement risks previously mentioned (increasing turbulence and rising prices in sales markets, reduced cancellation intervals for component cancellations and rising prices in the procurement markets) are further exacerbated by the inflation risk. The measures we have implemented help us to mitigate the effects of price hikes and rising inflation, but it is not possible to influence the actual cause. The price hike and inflation risk is therefore considered to be critical.

Risk category	Probability of occurrence	Scope for damage
Exchange rate risk	moderate	low
Loan risk	low	high
Prefinancing	moderate	moderate
Risk from the coronavirus crisis	low	moderate
Price hike and inflation risk	moderate	high

Legal and fiscal risks

Legal risks (RC: low)

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

Fiscal risks (RC: moderate)

The init group operates in various countries around the world and is therefore subject to countless legal and tax regulations. In the individual companies, multiple years have not yet been finally assessed for tax. Because of differing interpretations, particularly of cross-border matters, by the tax authorities in various jurisdictions, negative consequences for the net asset, financial position and results of operations cannot be precluded. Due to our increasing globalisation, we consider this risk to be moderate.

Risk category	Probability of occurrence	Scope for damage
Legal risks	low	moderate
Fiscal risks	moderate	moderate

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 or terror attacks. For this reason, contingency plans have been developed to ensure that business operations can resume, preventive measures have been established and, wherever possible, insurance has been obtained.

Group risk management consolidates the information described about risks and opportunities from the individual organisational units in order to obtain an overall picture. The overall situation with regard to the group's risks is derived from the individual risks described.

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

In this context, individual risks and the overall risk situation of the init group have not changed significantly compared to the previous year, although it is not possible at present to reliably predict the impact of the conflict between Russia and Ukraine on the individual risks described above or global economic growth. There are currently no identifiable risks that could, either individually or in combination with other risks, jeopardise the continuation of the group as a going concern. The possibility of setbacks on the path towards sustained realisation of growth and profitability targets cannot be excluded.

From today's perspective, the aforementioned risks do not prevent the init group from achieving or even exceeding the respective goals and plans, in particular considering the solid net assets, financial position and results of operations and regarding the positive industry-specific general conditions.

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

Opportunities

While the IMF was still forecasting global economic growth of 4.4 per cent in January 2022, its economists now see severe consequences for the war between Russia and Ukraine. but do not want to put an exact figure on this yet (IMF Statement dated 5 March 2022). The effects of the war and the resulting sanctions have led to a negative shock for both inflation and economic growth in many countries. Prices for energy and raw materials have soared, which is impacting private demand and causing additional disruptions to supply chains and industrial output. This is impacting global growth and the conditions on the market for init's products.

The current forecasts are therefore subject to a high degree of uncertainty. The speed with which the conflict can be contained and economic relations can be normalised will be crucial moving forward.

Irrespective of this, however, additional investment is essential in order to combat climate change and its potentially catastrophic consequences for the world as a whole. The Intergovernmental Panel on Climate Change and IMF recommend more far-reaching, globally coordinated initiatives to reduce harmful greenhouse gas emissions and replace fossil fuels. These also include investing in smart infrastructure, and the increased use of emission-free local public transport. Measures at a national level should also be subsidised by international finance initiatives. This presents opportunities for progress with the necessary digitalisation and the implementation of technologies in the transport sector.

Investment programmes aimed at protecting the climate, reducing greenhouse gases and achieving a sustainable transport transition extend far into the future, and present init with opportunities for long-term growth. The German Federal Ministry of Transport, for example, has promised billions of euros for investment in digitalisation and the expansion of the local public transport network as part of its climate protection programme. The financial leeway being offered in connection with the GVFG is also being increased, as a result of which GVFG funds are now also available for the accelerated procurement of electric buses and the expansion of urban rail systems. The German federal government also wants to focus in particular on seamlessly integrated mobility, digital tickets and autonomous driving.

The German federal government's climate policy targets, such as making public transport CO_2 neutral by 2045, require major investments in this area. It is planned to achieve a reduction in greenhouse emissions of at least 70 per cent by as soon as 2030. Local public transport can play an important part in this. The German federal government aims to double the number of passengers by 2030 and cut private transport by half. To increase capacities, from 2025 EUR 2b will be made available annually for the new construction and expansion of public transport. The clear priority are new construction projects and their swift implementation. The climate policy targets and the related reduction in emissions will not only be driven forward in Germany. The EU aims to reduce greenhouse emissions by 55 per cent by 2030, while Joe Biden recently raised the CO_2 reduction target for the US to 50 per cent. The US is primarily focusing on the transport sector. Here too we expect to see major investments in order to achieve the ambitious targets.

The intention is for a combination of measures to reduce road traffic emissions and accelerate the transition to mobility with zero greenhouse gas emissions. For example, 424 cities now have to develop “Sustainable Urban Mobility Plans” for the expansion of sustainable mobility systems such as local public transport. The Global Climate Change Conference held in Glasgow in November 2021 (COP 26) also brought about a broad consensus on the reinforcement of measures to tackle climate change.

The proposals could benefit local public transport providers in a number of ways, because with their low-emission and increasingly climate-neutral mobility services, buses and trains have an important part to play in achieving Europe's climate goals. Switching to electric buses is essential in this regard.

This transformation places completely new demands on operational control and requires, above all, optimised charging management. To this end, init has developed the e-MOBILE integrated software product suite, which optimises all processes from the planning of services and procedures and depot and charging management to range forecasting and consumption analysis. init is currently equipping two of Europe's biggest electric bus fleets with this for its partner KEOLIS. These lighthouse projects put Europe a step ahead of the competition in this future field. This also entails spillover effects for North America, where there is significant catch-up potential.

In order to enable transport companies to introduce cashless open payment ticketing very rapidly and without the need for significant investment (including alongside existing fare management systems), init will offer ticketing as a service (TaaS) in future. This is made possible by a cloud-based platform that transport companies can very easily use to enter the desired tariffs and best pricing options, and process all payments, via a browser application. The necessary hardware can be leased if desired. This allows transport companies to offer the best possible service with a minimum of expenditure, on the basis of very attractive conditions.

Smart ticketing is currently growing internationally at a very fast pace. The announced expansion of transport infrastructure in Germany and the US could present new market opportunities for our company.

Digitalisation also allows transport companies to offer new products and services. In the future, IT systems will be able to provide more wide-ranging and precise information for passengers and independently identify situations, and be provided via the cloud and the Internet. Automated or partially automated processes also reduce response times, and help ensure a high-quality service.

The RESPONSEassist system – a passenger information and disruption management system developed by init – offers instant passenger information in just a few clicks. The partially automated system integrates scheduling, passenger information and operating documentation processes, and therefore also supports the work of the control room at an entirely new level. It enables schedulers to process disruptions more efficiently while meeting operating reporting requirements at the same time. Precise passenger information that can be consistently distributed via all channels with a single click is also generated on a largely automated basis.

At the same time, machine learning (AI) is used to improve every kind of forecast, from anticipated arrival times to vehicle occupancy. This is also a defining characteristic of MOBILEguide, an innovative new passenger direction and occupancy management solution. Using a patented process, the system not only takes the current utilisation of vehicles into account but also the number of people expected to board and alight at each stop. This produces more reliable information than previous solutions have ever been able to provide. Passengers who receive information via passenger information apps can now choose the connections with the lowest occupancy rates. The same information can also be used by rail systems to ensure that passengers are distributed better between individual carriages and platform sections. This means that informed passengers can wait where seats are expected to be vacant after passengers alight. In this way, MOBILEguide enables comfortable and safe travel, reduces the trains' waiting times at stations and optimises the utilisation of the existing infrastructure. In a model calculation carried out for a global metropolis, init's passenger management services were shown to reduce journey times using metro lines by about 2.2 per cent. This allows 7.2 million more passengers per year to be transported by the line in question using existing infrastructure and without the need for additional vehicles.

Digitalisation is also presenting transport companies with new possibilities in the fields of planning and scheduling. init's MOBILE-PERDIS nextGen cloud and browser-based HR scheduling system, for example, allows applications to be accessed anywhere and at any time, using a variety of end devices. New modules complement the existing range of functions.

MOBILE-PERDIS nextGen is another element of init's "nextGen" innovation initiative, which is being presented at the IT-TRANS trade fair in Karlsruhe from 10 to 12 May 2022. init has also enhanced its established solutions for transport on demand. These also include the COPILOTapp optimisation app, the central MOBILE-FLEX module with AI-based route optimisation, and the incorporation of a ride pooling module.

init has also made the transition to a new generation in the field of corresponding vehicle equipment. The COPILOTpc3 on-board computer raises the bar with respect to performance and is easy to install and dismount, which means that it is fully operational within a short space of time.

With this wide range of new and enhanced solutions, init enables transport companies to digitalise more of their processes and tasks with little effort. This presents additional potential for growth in the short-term product business.

As one of the leading international providers of integrated solutions for planning, dispatching, telematics and ticketing for buses and trains, init is increasingly transforming from a technology service provider to a service partner of transport companies, also taking over customer service for them. This segment is growing strongly and still secures high customer loyalty with contract terms of more than ten years.

REPORTING IN ACCORDANCE WITH SECTION 315A (1) 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 fully paid up. 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 3,380,500 shares in init SE. This is around 34.0 per cent of the capital stock. As of 31 December 2021, init SE held a total of 104,037 treasury shares (31 December 2020: 109,365).

There are no shares with special rights.

No voting control exists for shares held by employees.

Please refer to Note 43 in the consolidated financial statements for notifications pursuant to Section 21 (1) of the German Securities Trading Act (WpHG).

Conditional capital

By means of a resolution of the company's Shareholders' Meeting on 19 May 2021, the company's capital stock was increased by up to EUR 5,000,000 by issuing up to 5,000,000 new bearer shares ("Conditional capital 2021"). The conditional capital increase was made solely for the purpose of granting shares, on the exercise of option or conversion rights or on the performance of option or conversion obligations, to holders of bonds with warrants attached and convertible bonds issued as authorised by the Annual General Meeting of 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.

Authorised capital

On 15 May 2019, the company's Shareholders' Meeting adopted a resolution according to which the Managing Board is authorised in the period until 15 May 2024, with the approval of the Supervisory Board, to increase the capital stock of the company once or gradually by issuing a total of 1,004,000.00 new voting or non-voting no-par value bearer shares ("Authorised capital 2019"). Capital increases may be effected against cash or non-cash contribution. The Managing Board is also authorised, subject to the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights particularly in the following cases:

- for a capital increase against cash contribution, up to a total of 10 per cent of the existing capital stock, provided the issue amount of the new shares is not significantly below the market price of listed shares of the same category and carrying the same rights.
- Where necessary, to grant subscription rights for new shares in the same scope that they would be entitled to if they exercised their conversion and/or option rights or fulfilled their conversion and/or option obligations;
- the fractional amounts arising from the exercise ratio;
- to tap into additional capital markets;
- for a capital increase against non-cash contribution for acquisition of companies, their components or investments in companies or other assets (even if a component of the purchase price is paid in cash in addition to shares) or as part of business combinations or mergers;
- to provide up to 250,000 new shares as employee shares

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

By means of a resolution of the company's Shareholders' Meeting on 19 May 2021, the company's capital stock was increased by up to EUR 5,000,000 by issuing up to 5,000,000 new bearer shares ("Conditional capital 2021"). The conditional capital increase was made solely for the purpose of granting shares, on the exercise of option or conversion rights or on the performance of option or conversion obligations, to holders of bonds with warrants attached and convertible bonds issued as authorised by the Annual General Meeting of 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.

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

CORPORATE GOVERNANCE REPORT

With regard to the required declaration by the management, please refer to the Corporate Governance Report in the Annual Report 2021 which is available on the Internet at: https://www.initse.com under the tab Investor Relations – Corporate Governance.

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

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, 22 March 2022

The Managing Board

Dr. Gottfried Greschner

Dr. Jürgen Greschner

Jennifer Bodenseh

Matthias Kühn

CONSOLIDATED FINANCIAL STATEMENTS

init innovation in traffic systems SE, Karlsruhe (IFRS)

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CONSOLIDATED INCOME STATEMENT

for the financial year 2021 (IFRS)

EUR '000	Notes no.	**01/01/ to 31/12/2021**	01/01/ to 31/12/2020
Revenues	4, 36	176,659	180,668
Cost of sales	5	-113,985	-118,501
Gross profit		62,674	62,167
Sales and marketing expenses	13	-19,665	-17,986
General administrative expenses	13	-17,369	-16,823
Research and development expenses	6, 21	-12,563	-10,964
Other operating income	7	4,277	3,329
Other operating expenses		-421	-289
Foreign currency gains and losses	8	362	28
Expenses and income from associated companies	22	271	180
Earnings before interest and taxes (EBIT)		17,566	**19,642**
Interest income		21	93
Interest expenses		-1,046	-999
Earnings before taxes (EBT)		16,541	**18,736**
Income taxes	9, 23	-4,096	-3,793
Net income		12,445	**14,943**
thereof attributable to equity holders of parent company		12,413	14,924
thereof non-controlling interests		32	19
Income and basic earnings per share in EUR	11	1.25	1.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year 2021 (IFRS)

EUR '000	Notes no.	**01/01/ to 31/12/2021**	01/01/ to 31/12/2020
Net income		12,445	**14,943**
Items to be reclassified to the income statement:			
Net gains (+) / losses (-) on currency translation	30	3,462	-3,552
Items not to be reclassified to the income statement:			
Actuarial gains (+) / losses (-) on defined benefit obligations (DBO) for pensions after taxes		706	-444
Total other comprehensive income		4,168	**-3,996**
Total comprehensive income		16,613	**10,946**
thereof attributable to equity holders of parent company		16,581	10,927
thereof non-controlling interests		32	19

CONSOLIDATED BALANCE SHEET

as of 31 December 2021 (IFRS)

Assets

EUR ’000	Notes no.	31/12/2021	31/12/2020
Current assets			
Cash and cash equivalents	14, 32	28,158	32,211
Marketable securities and bonds	15, 32	39	40
Trade accounts receivable	16, 32	32,038	38,650
Contract assets	16, 32	21,628	22,174
Receivables from related parties	35	3	174
Inventories	17	34,338	32,626
Income tax receivable	23	2,805	966
Other current assets	18	3,523	3,207
Current assets, total		122,532	**130,048**
Non-current assets			
Property, plant and equipment	19	55,668	57,363
Investment property	20	1,360	1,401
Goodwill	21	12,488	12,488
Other intangible assets	21	16,783	18,582
Interests in associated companies	22	841	570
Deferred tax assets	23	3,926	3,102
Other assets	24	3,302	3,091
Non-current assets, total		94,368	**96,597**
Assets, total		**216,900**	**226,645**

Liabilities and shareholders' equity

EUR '000	Notes no.	31/12/2021	31/12/2020
Current liabilities			
Bank loans	25, 32	14,061	17,480
Trade accounts payable	25, 32	6,932	7,541
Contract liabilities	16, 25	7,075	15,246
Advance payments received	25	2,468	1,360
Income tax payable	25	3,444	1,011
Provisions	28	8,609	11,627
Other current liabilities	25, 26	24,281	19,924
Current liabilities, total		66,870	**74,189**
Non-current liabilities			
Bank loans	25, 32	15,279	19,979
Deferred tax liabilities	23	5,284	5,793
Pensions accrued and similar obligations	29	10,822	11,767
Provisions	28	2,403	2,439
Lease liabilities	27	12,404	13,896
Other financial liabilities	26	1,214	8,060
Non-current liabilities, total		47,406	**61,934**
Equity			
Attributable to equity holders of the parent company			
Subscribed capital	30	10,040	10,040
Additional paid-in capital	30	7,587	6,619
Treasury shares	30	-2,467	-2,384
Surplus reserves and consolidated unappropriated profit	30	87,344	80,327
Other reserves	30	-100	-4,268
		102,404	**90,334**
Non-controlling interests		220	188
Shareholders' equity, total		102,624	**90,522**
Liabilities and shareholders' equity, total		**216,900**	**226,645**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2021 (IFRS)

	Attributable to equity holders			
Notes no.	30	30	30	
EUR '000	Subscribed capital	Additional paid-in capital	Treasury shares	
As of 31/12/2019	**10,040**	**5,688**	**-582**	
Net income				
Other comprehensive income				
Total comprehensive income				
Dividend paid out				
Share-based payments		931	442	
Acquisition of subsidiaries				
Acquisition of treasury shares			-2,244	
Rounding				
As of 31/12/2020	**10,040**	**6,619**	**-2,384**	
As of 31/12/2020	**10,040**	**6,619**	**-2,384**	
Net income				
Other comprehensive income				
Total comprehensive income				
Dividend paid out				
Share-based payments		968	584	
Acquisition of treasury shares			-667	
Rounding				
As of 31/12/2021	**10,040**	**7,587**	**-2,467**	

	of the parent company					Non-controlling interests	Shareholders' equity, total
	30	29					
		Other reserves					
	Surplus reserves and consolidated unappropriated profit	Difference from pension valuation	Difference from currency translation	Securities marked to market	Total		
	70,505	**-3,802**	**3,531**	**-1**	**85,379**	**168**	**85,547**
	14,924				14,924	19	14,943
		-444	-3,552		-3,996		-3,996
	14,924	-444	-3,552		10,928	19	10,947
	-4,085				-4,085		-4,085
	-17				1,356		1,356
	-1,000				-1,000		-1,000
					-2,244		-2,244
						1	1
	80,327	**-4,246**	**-21**	**-1**	**90,334**	**188**	**90,522**
	80,327	**-4,246**	**-21**	**-1**	**90,334**	**188**	**90,522**
	12,413				12,413	32	12,445
		706	3,462		4,168		4,168
	12,413	706	3,462		16,581	32	16,613
	-5,396				-5,396		-5,396
					1,552		1,552
					-667		-667
	87,344	**-3,540**	**3,441**	**-1**	**102,404**	**220**	**102,624**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year 2021 (IFRS)

EUR '000	**01/01/ to 31/12/2021**	01/01/ to 31/12/2020
Cash flows from operating activities:		
Net income	12,445	14,943
Amortisation and depreciation	9,847	9,249
Gains or losses on the disposal of fixed assets	81	-30
Change in provisions and accruals	-4,261	2,747
Changes in inventories	-703	-4,122
Change in trade accounts receivable and contract assets	11,306	1,716
Change in other assets, not provided by / used in investing or financing activities	-2,173	529
Changes in trade accounts payable	-2,150	-658
Change in advance payments received and contract liabilities	-7,577	176
Change in other liabilities, not provided by / used in investing or financing activities	-1,520	-995
Amount of other non-cash income and expenses	712	882
Adjustment IFRS 15 retrospective modified method	0	0
Net cash from operating activities	16,007	24,437
Cash flow from investing activities:		
Payments received on disposal of property, plant and equipment	281	284
Investments in property, plant and equipment and other intangible assets	-3,681	-7,152
Investment property	0	0
Investment in subsidiaries less acquired cash	0	-7,766
Net cash flows used in investing activities	-3,400	-14,634
Cash flow from financing activities:		
Dividend paid out	-5,454	-4,030
Cash payments for the purchase of treasury shares	-667	-2,244
Payments received from bank loans	7,673	18,899
Redemption of bank loans	-15,782	-11,511
Change in current and non-current lease liabilities	-3,506	-3,916
Net cash flows used in financing activities	-17,736	-2,802
Net effects of currency translation and consolidation changes in cash and cash equivalents	1,076	-964
Changes in cash and cash equivalents	-4,053	6,037
Cash and cash equivalents at the beginning of the period	32,211	26,174
Cash and cash equivalents at the end of the period	28,158	32,211

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

NOTES

init innovation in traffic systems SE, Karlsruhe

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1. Information about init

init innovation in traffic systems SE, Kaeppelestrasse 4–10 Karlsruhe, Germany ("init SE") was established on 18 August 2000 as the holding company of the init group. The init group is an international system supplier of transportation telematics (telecommunications and information technology, internationally also called Intelligent Transportation Systems or ITS). init SE is a stock exchange listed company, ISIN DE0005759807, and has been in the regulated market (Prime Standard) since 1 January 2003.

2. Accounting principles

The consolidated financial statements and the comparative previous-year's figures were prepared in compliance with the International Financial Reporting Standards (IFRSs). The consolidated financial statements of init SE and its subsidiaries are consistent with the IFRSs applicable 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 (EUR k / EUR '000).

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

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

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

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

The following standards are applicable for the first time in the financial year 2021; however, there is no impact on the financial position, performance and cash flows of the init group:

Standard	Title
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Reform of Refinancing Rates (phase 2)
IFRS 16	COVID-19-Related Rent Concessions

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 2021 financial year. The group did not opt to adopt these standards early.

Standard	Title	Adoption
IAS 16	Proceeds before Intended Use	January 2022
Amendments to IFRS 3, IAS 16, IAS 37	Business combinations; property, plant and equipment; provisions, contingent liabilities and contingent assets	January 2022
Improvements to IFRSs (2018-2020)		January 2022
IAS 1	Presentation of Financial Statements: Classification of Liabilities and Disclosures on Accounting Policies	January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	January 2023

EU endorsement outstanding:

The IASB has issued the following standards and interpretations listed below whose application was not yet mandatory in financial year 2021. These standards and interpretations have not yet been endorsed into EU law and were not applied by the group.

Standard	Title	Publication by IASB
Amendments to IAS 1	Presentation of Financial Statements	January 2020
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction	May 2021

The standards and interpretations listed above will be applied when they take effect within the European Union. There are no plans to adopt the new standards early in the init group. init does not expect this to have any significant effect on the financial position, net assets and results of operations.

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 2021. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

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

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

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

List of companies included in the consolidated financial statements:

Name	Registered office	Share as of 31/12/2021	Share as of 31/12/2020
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] [2]	Karlsruhe/Hamburg, Germany	100%	100%
INIT Innovations in Transportation Ltd. ("INIT Nottingham")	Nottingham, UK	100%	100%
INIT Swiss AG ("INIT Neuhausen")	Neuhausen, Switzerland	100%	100%
initperdis GmbH ("initperdis")[3]	Hamburg, Germany	0%	100%
INIT Asia-Pacific Pte. Ltd. ("INIT Singapore")	Singapore	100%	100%
CarMedialab GmbH ("CML")	Bruchsal, Germany	58.1%	58.1%
CarMedialab Corp. ("CML Corp.")	Santa Monica / California, USA	58.1%	58.1%
TQA Total Quality Assembly LLC ("TQA")	Chesapeake/Virginia, USA	60%	60%
SQM Superior Quality Manufacturing LLC ("SQM")	Chesapeake/Virginia, USA	75%	75%
GO-1 LLC ("GO-1")	Chesapeake/Virginia, USA	100%	100%
iris-GmbH infrared & intelligent sensors ("iris")	Berlin, Germany	100%	100%
iris – infrared & intelligent sensors NA, Inc. ("iris Atlanta")	Atlanta/Georgia, USA	100%	100%
inola GmbH ("inola")	Pasching, Austria	100%	100%
HanseCom Public Transport Ticketing Solutions GmbH ("HanseCom")	Hamburg, Germany	100%	100%
INIT innovation in transportations NZ Limited ("INIT Dunedin")	Dunedin, New Zealand	100%	100%
Mattersoft Oy ("Mattersoft")	Tampere, 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 ("Hansecom Minsk")	Minsk, Belarus	100%	100%
Derovis GmbH ("Derovis")	Berlin, Germany	51%	51%
DResearch Fahrzeugelektronik GmbH ("DResearch")	Berlin, Germany	51%	51%

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

2) formerly: initplan GmbH, Karlsruhe

3) Merged into IMSS in 2021

Name	Registered office	Share as of 31/12/2021	Share as of 31/12/2020
Associated companies (at equity)			
maBinso software GmbH ("maBinso")	Hamburg, Germany	48.0%	48.0%
Bytemark Inc. ("Bytemark")	New York, USA	5.1%	5.1%

On 24 April 2020, iris-GmbH infared & intelligent sensors, Berlin (iris-GmbH), acquired a 51 per cent stake in the DResearch Fahrzeugelektronik Group (DVS/DFE). The DResearch Fahrzeugelektronik Group, consisting of DResearch Fahrzeugelektronik (DFE) as the development and production unit and Derovis GmbH (DVS) as the marketing and sales unit for electronic on-board vehicle systems, is active in the growth market of video recording and transmission systems in public transport. The remaining 49 per cent of the shares were acquired as of 1 January 2022.

In July 2020, init acquired the remaining 25.5 per cent of the shares in iris-GmbH, Berlin.

Company formations in 2021 and 2020

No new companies were formed in 2020 and 2021.

Business combinations in 2021 and 2020

There were no business combinations in 2021.

DResearch Fahrzeugelektronik Group, Berlin

By M&A agreement dated 24 April 2020, iris-GmbH or the group acquired a 100 per cent stake in DResearch Fahrzeugelektronik Group (Derovis/DResearch). The shares will be acquired in two tranches.

The first tranche amounting to 51 per cent of the shares was acquired on 24 April 2020. Control was transferred to the group on this date and Derovis/DResearch was fully consolidated.

The second tranche for the rest of the 49 per cent shares was acquired by iris-GmbH with effect from 1 January 2022.

On account of the contractually agreed acquisition of the remaining shares, no non-controlling interests were to be reported for the second tranche in the consolidated financial statements as of 31 December 2020 as well as in the consolidated financial statements as of 31 December 2021, as the beneficial ownership in DResearch Fahrzeugelektronik Group (Derovis/DResearch) was already transferred to init on acquisition of the first tranche.

The DResearch Fahrzeugelektronik Group, consisting of DResearch as the development and production entity, and Derovis as the marketing and sales entity for electronic on-board vehicle systems, is active in the growth market of video recording and transmission systems for public transport. In this field, DResearch und Derovis – both of which, like iris-GmbH, are based in Berlin – already occupy a leading position.

For this assessment, init made a significant discretionary decision on the basis of facts and circumstances to ensure that the effect resulting from the purchase of the second tranche in connection with the business combination achieved in stages is appropriately taken into account in the consolidated financial statements as of 31 December 2020 and as of 31 December 2021.

As part of this assessment, init has reviewed whether the general conditions of the transaction grant a present right to income associated with the ownership interest subject to the subsequent acquisition of the shares. In this case, the shares of the second tranche would be accounted for as if they had been acquired by the group together with the first tranche.

Indicators for the existence of the present right of the acquirer to receive income associated with the ownership interest and are subject to acquisition at a later date are pricing, voting rights, dividend rights and the issuance of a call option.

The purchase price should be structured in such a way that it is fixed or determinable to the extent that it does not correspond to the fair value of the shares (or an amount that corresponds to the fair value). Consequently, the fluctuations in the fair value of the shares to be acquired are attributable to the acquirer. The amount of the purchase price for the second tranche is determined by the contractual provisions in the company purchase agreement and is payable to the seller in four instalments on specified dates. The first, third and fourth instalments of the purchase price payment are subject to an earn-out clause, which may result in init having to pay an amount in addition to the fixed base price to the seller. In the opinion of the group management, this amount is not subject to any significant fluctuations or significant future judgements. The first purchase price payment of EUR 1,410k was due at short notice and was recognised in current other financial liabilities as of 31 December 2020. The second to fourth instalments are due as follows: EUR 1,568k as of 31 December 2021, EUR 4,974k as of 17 January 2022 and EUR 1,518k as of 31 December 2022. init had recognised other non-current financial liabilities of EUR 8,060k as of 31 December 2020. Due to the payments made and changes in assumptions related to the earn-out, there are other current financial liabilities of EUR 6,253k and non-current financial liabilities of EUR 1,215k as of 31 December 2021. Against this background, init recognised an adjustment in the income statement for a purchase price liability of EUR 616k.

A further indicator is the restriction of voting rights and the entitlement to dividends associated with the ownership interest that are subject to the subsequent acquisition. This restriction can be given, for example, by the parent company being able to prevent distributions to the non-controlling interests (by gaining control) or by the exercise price for the payment of dividends to the non-controlling interests being reduced. The company purchase agreement stipulates that all profits for financial years 2019, 2020 and 2021 will be retained. The profits of the financial year 2022 and distributable but undistributed profits of earlier financial years are solely attributable to the purchaser. Consequently, in this respect there is a restriction on the voting rights and dividend entitlements associated with the ownership interest, which are subject to the subsequent acquisition.

According to the company purchase agreement, init will acquire the remaining 49 per cent of the shares (second tranche) at the abovementioned purchase price as of 1 January 2022.

Against this background, init accounted for the business combination achieved in stages as if 100 per cent of the shares had been acquired as of 24 April 2020 and no shares for non-controlling interests were reported in the consolidated financial statements as of 31 December 2020 and 31 December 2021. Therefore, the goodwill acquired was recognised in full. Likewise, the liabilities arising in connection with the acquisition of the second tranche were accounted for in the consolidated financial statements as of 31 December 2020 accordingly.

After all value-determining facts and circumstances were known for the DResearch Fahrzeugelektronik Group, the purchase price allocation was completed in the second quarter of 2020. As of the acquisition date 24 April 2020, the fair value of identifiable assets and liabilities of the DResearch Fahrzeugelektronik Group were as follows:

EUR ’000	
Assets	
Cash and cash equivalents	2,234
Receivables and other assets	2,292
Inventories	1,753
Property, plant and equipment	1,151
Intangible assets (customer base/technology)	10,326
Total	**17,756**

EUR ’000	
Liabilities	
Payables	1,337
Provisions	2,252
Deferred tax liabilities	3,151
Total	**6,740**
Fair value of net assets and liabilities	11,016
Goodwill	3,454
Total consideration for business combination	**14,470**

The total consideration for the acquisition amounts to EUR 14,470k, of which EUR 2,234k stems from the compensation for the cash received. The purchase price of EUR 5,000k has already been paid in cash. This is also intended for future purchase price payments.

The fair value of trade accounts receivable amounts to EUR 2,093k. This corresponds to the gross amounts of the contractual receivables. We assume that all receivables are fully recoverable.

The customer base acquired was valued using the multi-period excess earnings method and recognised in the amount of EUR 7,375k. A useful life of nine years was applied.

The licences acquired were valued using the relief from royalty method and recognised in the amount of EUR 2,788k. A useful life of eight years was applied.

The goodwill of EUR 3,454k is covered by expected additional business from the portfolio expansion, as the product range of the init group will be expanded in particular by video recording and transmission systems for public transport

In 2020, revenues of EUR 10,601k and earnings before taxes of EUR 1,229k were included in the consolidated financial statements for the DResearch Fahrzeugelektronik Group. Had the DResearch Fahrzeugelektronik Group been included in the consolidated financial statements as of 1 January 2020, the consolidated result would have increased by EUR 452k and revenues by EUR 3,527k.

Cash outflow due to the business combination:

EUR '000	
Purchase price (included in cash flow from investing activities)	14,470
Cash acquired with the subsidiary	2,234
Actual cash paid due to company acquisition	2,766
Actual cash paid still outstanding due to the business combination	9,470

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 purchase method. The acquisition costs of a business combination are calculated on the basis of transferred consideration 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 step acquisitions, the previously held equity by the acquirer is remeasured at fair value at the date of acquisition and the resulting gain or loss is recognised through profit and 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 a contingent consideration constituting an asset or liability are reported through profit or loss or in other comprehensive income. A contingent consideration classed as equity is not revalued. Its subsequent payment is reported in the shareholders' equity. Where a contingent consideration does not fall within the scope of IFRS 9, it is measured in agreement with the relevant IFRS.

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. All positive differences (goodwill) arising from the initial consolidation are capitalised and subjected to an impairment test in line with IFRS 3 "Business Combinations" / IAS 36 "Impairment of Assets". Negative differences are recognised through profit or loss immediately after acquisition. In case of de-consolidations, the remaining carrying amounts of the credit differences are taken into account proportionally when calculating the disposal result. Measurement using the equity method is based on the same principles, with goodwill being reported in the investments.

Receivables and payables as well as expenses and income between consolidated companies are offset against each other. Assets from intragroup services are adjusted by intercompany profits. Deferred taxes are recognised to reflect temporary valuation differences from consolidation processes.

Currency translation

The financial statements of the subsidiaries of init SE are prepared in their functional currency according to IAS 21 “The Effects of Changes in Foreign Exchange Rates”. The functional currency of INIT Chesapeake, TQA, INIT Montreal, INIT Toronto, INIT Brisbane, INIT Dubai, INIT Nottingham, SQM, INIT Neuhausen, CML Corp., INIT Singapore, GO-1, iris Atlanta, INIT Dunedin and iris Melbourne corresponds to their national currency. When translating financial statements in a foreign currency to the currency of the init group (euro), the assets and liabilities are converted using the current rate on the reporting date, whereas the shareholders’ equity is converted using the historical exchange rate. Items of the consolidated income statement are converted taking as basis the average currency exchange rate of the year. The resulting conversion differences are shown cumulatively in a separate item in the shareholders’ equity (other reserves).

Transactions in a currency other than the functional currency are converted with the exchange rate on the date of the transaction. Any resulting currency conversion differences are recognised through profit or loss.

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. The actual amounts may deviate from these estimates. The coronavirus did not have any significant effect on the estimates and assumptions for the consolidated financial statements for financial year 2021.

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

Assumptions and estimates are required for the recognition and measurement of contract assets. There are uncertainties regarding the degree of completion. This is dependent on the assumptions for future hours to be worked, material expenses and possible contract extensions. For further information, please refer to note 16.

Goodwill

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

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

Pensions and other post-employment benefits

The expenditure from defined benefit plans is calculated using actuarial methods, made on the basis of assumptions relating to discount rates, future wage and salary increases, mortality and future pension increases. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainties. For further information, please refer to note 29.

Development costs

Development costs are capitalised as per the accounting principles and measurement methods presented. In order to calculate the values to be capitalised, corporate management must make assumptions on the amount of cash flow expected in the future from assets, on the interest rates to be applied and on the timeframe for the influx of expected future cash flows generated by assets. Research and development costs are expensed as incurred. In certain cases, development costs are capitalised (please refer to the explanations on other intangible assets in the note 21).

Furthermore, estimates are also necessary for the reporting of value adjustments on doubtful receivables and of contingent liabilities and other provisions. They are also needed when determining the fair value of non-current property, plant, equipment and intangible assets and when recognising deferred taxes on unused tax losses.

Inventories

Inventories are required to be stated at the lower value of acquisition or production cost and the net realisable value in accordance with IAS 2.9. In order to secure the lowest of both values, init determines inventories by means of experience and evaluation of the markdown from previous projects. Alongside this standardised approach, init carries out a case-by-case review of the inventories. Typical reasons for a markdown of the inventories are faulty products or technical obsolescence. Goods as well as work in process and finished products are combined in one position. The devaluation was calculated on a portfolio basis and taken into account to reduce profit. Please refer to our comments on inventories in note 5 and 17.

Right-of-use assets and lease liabilities

The group uses the incremental borrowing rate to calculate the net present value of the 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 of interest is determined for each asset category and region of the leased asset; as of 31 December 2021 it stood at 1.45 per cent for buildings, vehicles and small IT devices and 1.6 per cent for leases, where the estimates of the lease term have changed. The incremental borrowing rate of interest for other lease agreements is determined based on the asset.

Extension and termination options have to be considered for the determination of the lease period of contracts and the useful life. init determines the duration of a lease as the contract period including potential extension options that are highly likely to be exercised. Multiple contracts contain extension and termination options. The group regularly reviews whether a conclusive event has taken place or significant circumstances have occurred that can impact the end of lease contracts and thus, an extension or an early termination become probable.

Especially contracts for office buildings include extension and termination options with potentially significant impact. Extension and termination options are taken into account once their exercise is seen as predominantly likely. Termination options are not currently considered in the group as the termination of the current lease agreements is presumed to be unlikely. Please refer to the comments on right-of-use assets in note 19 and lease liabilities in note 27.

Revenue recognition

init develops, manufactures, integrates, installs, maintains and operates software and hardware for transportation companies and provides related services. Revenues from contracts with customers are recognised in terms of time and period, when the power of disposition of goods or services is transferred to the customer. The amount that the group is expected to receive in exchange for these goods or services is recognised as consideration. Project business as well as support and maintenance were identified as significant sources of revenue. The project business involves the following significant performance obligations: delivery and installation of a complete system including the related software and hardware components as well as the necessary development services. In the project business the performance assessment is input-related (cost-to-cost-method). The group has come to the conclusion that revenues from delivery and set-up of an entire system must be recognised over a period of time, as the customer benefits from the group's performance and consumes it at the same time. The fact that another company would not have to redo the installation services the group has delivered so far, proves the service benefits for the customer so far and that the customer uses the service of the group while the group delivers it. The group has concluded that the input-based methodology 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 in relation to total expected hours worked and hardware components for completion of service. Revenues are recognised over time. Individual dependencies between single contracts may exist, e.g., project contracts with maintenance and support agreements concluded at the same time. Maintenance is provided after successful completion of the project; hence diverse contract combinations are given.

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 of transfer of risk.

Contract terms with individual customers are considered in order to determine the transaction price, therefore, it is assumed that contractually promised goods and services are 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 init group. However, penalties are often included in the project contract terms. These penalties are weighted based on past probabilities and reduced revenue. In our experience the probability therefore is very low.

As a general rule, no financing components exist in 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 significant financing component since the agreed milestones within a project are usually less than a year apart. The difference between performance of service and payment is settled within a year. 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 in line with maintenance services. One group company offers the statutory warranty for the repair of defects. Provisions are recognised for these assurance-type warranties in accordance with IAS 37. Refer to the accounting policy on warranty provisions in note 28 “Provisions”.

According to IFRS 15, additional costs for the initiation of a contract and certain contract fulfilment costs have to be recognised as an asset. No significant direct costs to obtain a contract have been incurred and capitalised in the init group. Travel expenses and salary of sales employees were recognised as expenses.

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 provides goods or services, a contract liability is recognised when the payment is made or falls due. The usual terms of payment of our receivables are 30 days without deduction/discount.

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

Interest income is realised when interest has accrued.

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

Public subsidies and European Union subsidies

Public subsidies 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. The expense-related subsidies are recorded as income as planned over the period required to offset them against the appropriate expenses which they are to compensate.

Financial instruments and other financial assets

The market value was used to determine the fair value of listed securities and bonds. The fair value of the derivative financial instruments and loans was calculated by discounting expected future cash flows using prevailing market interest rates. Due to the short maturities of cash and cash equivalents, trade receivables, other assets, trade accounts payable and other liabilities, it is assumed that the fair values correspond to the carrying amounts.

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

Allowances for individual receivables are recognised when it is probable that the invoices issued will not be settled in full. The write-off of a receivable against the any value adjustment is made when all possibilities to collect the receivables have been exhausted and these are to be regarded as irrecoverable.

Cash and cash equivalents

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

Marketable securities and bonds

Securities are allocated to 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 item in the shareholders’ equity.

Trade accounts receivable and contract assets

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A receivable is recognised when there is an unconditional right to consideration from the customer (i.e., maturity occurs automatically through the passage of time). After initial recognition, receivables are measured at amortised cost less any impairment losses. For trade receivables and contract assets, init applies a simplified method to calculate 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 overall maturity ECL. The group has prepared an allowance matrix based on its past experience of credit losses, adjusted for forward-looking factors specific to the borrower and the economic environment. Likewise, impairment losses are also recognised on contract assets if penalties are foreseeable or indications of default by the borrower can be identified. Other gains and losses are recognised in profit or loss when the receivables are derecognised or impaired. Contract assets represent the balance of costs incurred plus the results of unbilled projects and advance invoices issued.

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 of conclusion of the contract and, in the following periods, are measured at their fair value. 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 current prices of derivative financial instruments that do not meet the hedge accounting criteria are immediately recognised through profit or loss. In contrast, the adjustment of order values to the current prices on the reporting dates for projects invoiced in a foreign currency always has a counter-effect on the revenue recognition.

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 currently not applied by the group.

Inventories

Inventories are measured at their acquisition or production costs on the reporting date at the time of their addition. The lower value out of acquisition or production costs and net selling price is recorded on the balance sheet date. If the net selling price of inventories previously written off has increased, their value is raised appropriately up to the maximum of their acquisition or production costs. 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, any depreciation and other production-related expenses. Borrowing costs are reported as an expense in the period in which the debts were accrued.

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less scheduled depreciation. The depreciation of the historical acquisition 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 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 depreciation periods apply for the right-of-use assets:

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

Please refer 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 is treated as investment property. The value is determined using the cost method. The depreciation of the financial investments follows the straight-line method over a useful life and is realised over a period 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. Corresponding income is recognised on a straight-line basis over the term of the lease. No finance leases for the group as lessor exist.

Other intangible assets

Other intangible assets include customer base 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.

Interests in associated companies

The interests in associated companies comprise investments in companies accounted for at equity. On acquisition, these are measured at acquisition costs. Subsequent measurement takes into account the pro rata results of the company, the profit distributions effected and any impairments to be recognised on the investment rate. 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 that an impairment of value has occurred, the carrying amounts of the assets are compared with their prospective 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 lower of cost or market.

Deferred tax assets and deferred tax liabilities

The company determines its deferred income taxes using the balance sheet approach. Accordingly, deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 as income taxes to account for the tax consequences of differences between the balance sheet measurements of assets and liabilities and the corresponding tax assessment bases, as well as for the future utilisation of unused tax losses. The deferred tax assets and deferred tax liabilities are calculated on the basis of the prevailing tax rates for the taxable profit in the year in which the differences are expected to be reversed. The effect of changes in the tax rates on deferred tax assets and deferred tax liabilities is accounted for in the period in which the amendment of the law takes effect. An income tax rate of 31.0 per cent was applied for consolidation entries, otherwise the income tax rate of the local company was applied. Deferred tax assets for the unused tax losses carried forward of a subsidiary are recorded to the extent that taxable income is likely to be available for these, so that the loss carried forward can actually be used. The company calculates deferred tax liabilities on the difference between proportionate 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 individually choose the timing of the profit distribution of subsidiaries or reinvestment and therefore recognises deferred taxes only on outside-basis-differences when distribution is planned or foreseeable.

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

Other long-term assets

The company holds 25 kg gold. The gold is measured at fair value.

Financial liabilities

Financial liabilities are carried at amortised cost.

Lease liabilities (short- and long-term)

init as lessee

The group applies a single approach and valuation for all leases (with the exception of short-term leases and leases with a low value). Lease liabilities are recognised showing 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 incentives and 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 change in the estimate due to a significant event over which the lessee has control, whether it is reasonably certain that an option to extend will be exercised or not.

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

Provisions

The provisions are taken into account where a past event has led to a current liability, their utilisation is more likely than not, and the amount of the liability can be estimated reliably. Provisions are measured at their settlement amount and not offset against positive profit contributions. Provisions are only set up for legal or constructive liabilities vis-à-vis third parties. Non-current provisions are discounted.

Pensions accrued and similar obligations

The pensions accrued 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 equivalent to the term. A yield curve is therefore required which, depending on the term, represents a yield for AA-rated corporate bonds.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

4. Revenues

Revenues are composed of the following amounts:

EUR '000	2021	2020
Revenues resulting from the application of the POC method	81,784	89,320
Revenues from delivery projects	40,523	37,607
Revenues from maintenance contracts	36,445	32,167
Revenues from additional and replacement deliveries	17,907	21,574
Total	**176,659**	**180,668**

Several projects for which revenue had already been recognised in 2020 were impacted in 2021 by additional work on unforeseeable cost increases. If knowledge of the additional costs incurred, the percentage of completion of these orders as of 31 December 2020 would have has consequently been estimated lower. Furthermore, in 2021, some projects resulted in a lower valuation due to new findings adjustments to the estimate of total remuneration for the contract in question. If these new findings had already been known as of 31 December 2020 in each case, the Changes in estimates a decrease in contract assets and an increase in contract liabilities as of December 31, 2020 of a total of EUR 2,984k. Revenue in 2020 would then have been higher by this amount.

The total amount of benefit obligations not yet settled by the end of the financial year is EUR 74,114k.

Please refer to note 25 for information on contract liabilities sold.

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	2021	2020
Cost of materials and purchased services	53,211	57,258
Personnel expenses	44,929	43,515
Amortisation and depreciation	6,522	6,193
Rental expenses	1,656	1,781
Travel and entertainment costs	984	1,007
Valuation adjustments on inventories	179	224
Valuation adjustments on trade accounts receivable	-310	515
Other	6,814	8,009
Total	**113,985**	**118,502**

The value adjustments of trade accounts receivables comprise amortization and depreciation of EUR 428k and an offsetting reversal of EUR 738k.

As in the previous year, the vehicle costs as well as repair and maintenance expenses are included in the item "Other". On the other hand, they include income from the reversal of provisions of EUR 1,371k (previous year: EUR 913k).

6. Research and development expenses

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

EUR '000	2021	2020
Software	10,946	9,330
Hardware	1,617	1,634
Total	**12,563**	**10,964**

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

7. Other operating income

Other operating income primarily includes allocated benefits in kind and rental income. Additionally, EUR 381k (previous year: EUR 665k) results from public subsidies and subsidies from the European Union. Income from operating leases amounted to EUR 287k (previous year: EUR 285k).

8. Foreign currency gains and losses

EUR '000	2021	2020
Balance of unrealised currency gains and losses	3,391	-4,410
Balance of realised currency gains and losses	-2,491	3,775
Currency gains / losses from consolidation transactions	-538	663
Total	**362**	**28**

The realised and unrealised gains and losses almost solely result from effects arising from USD and CAD items due to strong fluctuations in exchange rates. Of the realised currency losses, the majority arises from unrealised currency losses from the previous year.

9. Income taxes

EUR '000	2021	2020
Current income tax	5,436	3,726
Deferred income tax	-1,340	68
Total	**4,096**	**3,793**

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

EUR '000	2021	2020
Profit before income tax	16,541	18,737
Theoretical income tax expenditure at 31.0%	5,128	5,808
Tax rate differences for foreign subsidiaries	-1,440	-1,409
Tax effect of non-deductible / taxed expenses / income	318	-471
Tax effects of tax-free increases in net worth	5	0
Taxes relating to other periods	-91	-62
Tax effects from results of associated companies	-82	56
Other	258	-129
Effective income tax expenditure	**4,096**	**3,793**
Effective income tax expenditure in %	**24.8**	20.2

The effective tax rate in 2021 is above the previous year as higher net income was realised in companies with a tax rate equal to the theoretical tax rate and below the theoretical tax rate of 31.0 per cent. This is primarily attributable to the net income of companies with a lower tax rate.

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

EUR '000	2021	2020
Changes to deferred tax assets	-824	86
Changes to deferred tax liabilities	-508	-3,174
Offset and recognised in equity	257	-138
Addition from initial consolidation recognised directly in equity	0	3,151
Currency adjustments	-265	143
Deferred tax expense (+) / income (-)	**-1,340**	**68**

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	2021	2020
Financial assets at amortised cost	21	93
Interest expenses from financial liabilities at acquisition cost	-774	-692
Interest expenses for pensions	-59	-107
Other	-47	-42
Interest expenses from leases	-166	-157
Total	**-1,025**	**-905**

Currency effects:

EUR '000	2021	2020
Financial assets at amortised cost	-3,802	4,417
Financial liabilities recognised at cost	56	284
Financial assets and liabilities reported at fair value through profit or loss	830	-451
Total	**-2,916**	**4,250**

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 profit due 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, there were no diluted earnings per share.

	2021	2020
Net profit (shareholders of the parent company) in EUR ‘000	12,445	14,943
Weighted average number of shares outstanding	9,934,597	9,957,103
Basic earnings per share in EUR	1.25	1.50

12. Paid and proposed dividends

EUR ’000	**2021**	2020
Ordinary dividends declared and paid during the financial year	5,467	3,982
Ordinary dividends proposed at the Shareholders’ Meeting for approval (on 31 December, not reported as liability) Dividend for 2021: 55 cents per share (2020: 55 cents per share)	5,463	5,461

13. Personnel expenses

Personnel expenses totalled EUR 83,174k (previous year: EUR 78,144k).

Cost of sales includes the following amounts:

EUR ’000	**2021**	2020
Wages and salaries	37,664	36,065
Social security contributions	5,989	5,912
Pension costs	882	1,075
Share-based payment expense	394	464

Sales and marketing expenses include the following amounts:

EUR ’000	**2021**	2020
Wages and salaries	11,773	10,568
Social security contributions	1,685	1,516
Pension costs	281	301
Share-based payment expense	234	275

General administrative expenses include the following amounts:

EUR '000	2021	2020
Wages and salaries	9,942	9,395
Social security contributions	1,346	1,175
Pension costs	271	265
Share-based payment expense	150	175

Research and development expenses include the following amounts:

EUR '000	2021	2020
Wages and salaries	10,341	8,957
Social security contributions	1,872	1,684
Pension costs	350	319

NOTES ON THE CONSOLIDATED BALANCE SHEET

14. Cash and cash equivalents

EUR '000	Fair values 2021	Fair values 2020
Cash in banks (current accounts)	28,131	25,972
Short-term deposits (fixed-term deposits/call money)	27	6,239
Total	**28,158**	**32,211**

15. Marketable securities and bonds

This item refers to marketable securities and bonds with a total fair value of EUR 39k (previous year: EUR 40k). Due to the assumption of a permanent impairment, the fair value (market value on the reporting date) of the securities and bond issues was reduced by EUR 1k (previous year: EUR 3k), and this impairment was recognised as an expense.

16. Trade accounts receivable and contract assets

EUR '000	2021	2020
Gross trade accounts receivable	33,503	43,353
Less cumulative value adjustments	-1,465	-4,703
Subtotal	32,038	**38,650**
Contract assets	21,628	22,174
Total	**53,666**	**60,824**

The value adjustments for trade accounts receivable developed as follows:

EUR '000	2021	2020
As of 01/01	4,703	4,602
Addition	583	963
Utilised	-3,232	0
Unused amounts reversed	-875	-611
Currency effects	286	-287
Increase through acquisition of subsidiaries	0	35
As of 31/12	**1,465**	**4,703**

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

The past due trade accounts receivable amount to EUR 13.8m (previous year: EUR 19.3m), whereby the projects in Dubai account for EUR 1.3m of this amount (previous year: EUR 3.2m). Of the past due trade accounts receivable in Dubai, around EUR 0.2m (previous year: EUR 3.2m) was written down. The receivable in Dubai of EUR 3.2m, which had already been written down, was derecognised in financial year 2021.

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

At the reporting date, there were no indications to suggest that debtors of the trade receivables and contract assets which were not subject to value impairment would not meet their financial obligations.

Production orders

The production orders valued on the reporting date using the percentage of completion method but not yet completed are as follows:

EUR '000	2021	2020
Costs accrued plus profits from projects not yet invoiced	191,999	241,624
Less payments received	-177,446	-234,696
Balance	**14,553**	**6,928**
Of which: contract assets	21,628	22,174
Of which: contract liabilities	7,075	15,246

17. Inventories

EUR '000	2021	2020
Raw materials and supplies	3,727	3,391
Goods and work in process and finished products	29,910	29,235
Advance payments to suppliers	701	0
Total	**34,338**	**32,626**

Goods as well as work in process and finished products are combined in one position. The impairment loss was determined on a flat-rate basis and taken into account in the cost of sales (note 5).

18. Other current assets

EUR '000	2021	2020
Derivative financial instruments	28	288
Prepaid expenses	1,403	852
Other tax refund claims	1,008	886
Cost to obtain a contract	39	59
Cost to fulfil a contract	121	224
Due from personnel	336	305
Other	588	593
Total	**3,523**	**3,207**

The increase in the deferred income item is mainly attributable to new maintenance contracts with a period beyond the end of the year.

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

The tax refund claims are mainly input tax refund claims against European countries inside and outside the EU as well as North America.

The capitalised costs to obtain a contract and current costs to fulfil a contract are amortised over the duration of the project based on the percentage of completion.

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

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

EUR ’000	Land and buildings	Plant and machinery	Furniture, fixtures and office equipment	Right of use	Prepayments and assets under construction
Acquisition and production costs					
As of 01/01/2020	34,856	4,760	12,369	15,033	1,363
Additions in current financial year	882	892	2,262	8,526	1,498
Disposals in current financial year	89	113	679	1,205	229
Reclassifications in current financial year	3,141	-344	751	0	-3,525
Currency differences	-1,056	-178	-374	-282	0
Acquisition of subsidiaries	1	134	120	0	897
As of 31/12/2020	37,735	5,151	14,449	22,072	4
Amortisation and depreciation					
As of 01/01/2020	4,558	2,759	7,726	2,532	0
Additions in current financial year	797	640	2,294	3,365	0
Disposals in current financial year	89	112	656	1,205	0
Reclassifications in current financial year	0	0	-24	0	0
Currency differences	-88	-131	-247	-70	0
As of 31/12/2020	5,178	3,156	9,093	4,622	0
Carrying amount as of 31/12/2020	**32,557**	**1,995**	**5,356**	**17,450**	**4**

The property, plant and equipment essentially concern the administration buildings at Kaeppelestrasse 4 and 4a in Karlsruhe, the building in Chesapeake, USA, as well as office equipment and technical equipment. Depreciation follows the straight-line method over the average useful life of the asset. Scheduled depreciation in 2021 totalled EUR 7,385k (previous year: EUR 7,096k) and is included in the consolidated income statement under “Cost of sales”, “Sales and marketing expenses” and “General administrative expense”. The individual figures can be found in note 21.

Currently there are no restrictions on the right of disposal. The loans for financing the two administration buildings are fully secured by land charges in the amount of EUR 1.4m (previous year: EUR 1.7m).

Right-of-use assets

The carrying amounts of the rights of use 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 01/01/2021	16,174	978	170	128	17,450
Additions in financial year	1,272	305	5	81	1,663
Disposals in current financial year	-350	-9	-3	-93	-455
Depreciation expense	-2,466	-603	-24	-30	-3,123
Currency differences	236	15	-26	78	303
As of 31/12/2021	14,866	686	122	164	15,838

EUR '000	Office buildings	Vehicles	IT equipment	Other	Total
As of 01/01/2020	11,511	754	96	140	12,501
Additions in financial year	7,491	821	143	71	8,526
Disposals in current financial year	-865	-242	-31	-68	-1,206
Depreciation expense	-1,759	-355	-27	-20	-2,161
Currency differences	-204	0	-11	5	-210
As of 31/12/2020	16,174	978	170	128	17,450

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 2,434k as of year-end 2021, and iris-GmbH, Berlin with a right of use of EUR 3,353k and DResearch Fahrzeugelektronikgruppe (DVS/DFE) of EUR 2,526k. The additions comprise the offices of iris Inc., Atlanta, occupied in 2021 and the exercising of the extension options for a number of buildings. The additions were significantly higher in 2020 on account of the newly rented offices of iris-GmbH Berlin and the offices of the acquired company DResearch Fahrzeugelektronikgruppe (DVS/DFE).

EUR 1,663k (previous year: EUR 8,526k) of the additions relate to the capitalisation of leases in accordance with IFRS 16. EUR 1,272k (previous year: EUR 7,491k) of these relate to office buildings and EUR 305k (previous year: EUR 821k) to motor vehicles. A newly signed rental agreement was capitalised for the first time in the previous year. The remaining additions to rights of use came from the small IT equipment and miscellaneous asset classes. Depreciation of rights of use in the 2021 financial year amounted to EUR 2,466k (previous year: EUR 1,759k) from the office buildings asset class, a further EUR 603k (previous year: EUR 355k) from motor vehicles, and the remainder from small IT equipment and miscellaneous. Thereof EUR 859k are attributable to the extensions of contracts.

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

20. Investment property

EUR '000	2021	2020
Acquisition costs as of 01/01	1,579	1,603
Additions in financial year	0	0
Currency differences	21	-24
Acquisition costs as of 31/12	1,600	1,579
Depreciation as of 01/01	178	123
Additions in financial year	60	57
Currency differences	2	-2
Depreciation as of 31/12	240	178
Carrying amount as of 31/12	**1,360**	**1,401**

Composition of earnings from investment property during the reporting period:

EUR '000	2021	2020
Rental income from investment property	287	285
Direct operating expenses* used to generate rental income	23	21

including maintenance and repairs

Composition of earnings from investment property during the reporting period: 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 1.4m (previous year: EUR 1.4m). The buildings are depreciated on a straight-line basis over a useful life of 50 or 27.5 years.

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

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

21. Goodwill and other intangible assets

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

EUR '000	Goodwill	Internally generated software	Customer base, licences and others
Acquisition and production costs			
As of 1/1/2020	9,035	8,483	18,690
Additions in current financial year	0	0	1,618
Disposals in current financial year	0	0	49
Acquisition of subsidiaries	3,453	0	10,326
Currency differences	0	0	-4
As of 31/12/2020	12,488	8,483	30,580
Amortisation and depreciation			
As of 1/1/2020	0	8,483	9,925
Additions in current financial year	0	0	2,123
Disposals in current financial year	0	0	49
Currency differences	0	0	-1
As of 31/12/2020	0	8,483	11,998
Carrying amount as of 31/12/2020	**12,488**	**0**	**18,582**

Scheduled amortisation and depreciation for property, plant and equipment and other intangible assets of EUR 9,812k (previous year: EUR 9,214k) is included in the income statement items under "Cost of sales" (EUR 6,522k), "Sales and marketing expenses" (EUR 1,952k) and "General administrative expenses" (EUR 1,338k). EUR 2,426k of the depreciation in the previous year is attributable to the right-of-use assets to be recognised in accordance with IFRS 16.

Impairment test of goodwill

So far, no impairment of goodwill was necessary.

The recoverable amount of the cash-generating units is determined on the basis of the calculation of the economic benefit of 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 was 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 interest rate applied for the discounting of the equity is 12.2 per cent before taxes (previous year: 12.0 per cent).

The following assumptions taken as a basis for the calculation of the economic benefit involve forecast uncertainties:

- Revenues
- Free cash flow
- Discount rate
- The coronavirus did not have any significant effects here as it only results in projects being shifted into other periods at the most.

Revenues: Revenues are planned on the basis of the order backlog, the open and announced tenders, offers made and past experience. Increasing revenues (up 10.0 per cent p.a.) are expected 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 the planned EBIT minus notional taxes, investments and changes in the net working capital as well as the addition of depreciation. Past experience supports the basis of this determination.

Discount rate: The discount rate reflects the estimate of the company management with regard to the risks relating to the cash-generating units. An interest rate of 8.4 per cent (previous year: 8.3 per cent) for the weighted capital structure was applied taking into account the peer group. Cash flows arising after the period of three years are determined using a growth discount 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. In no scenario considered possible would the recoverable amount of the cash-generating unit fall below the carrying amount.

Other intangible assets

Customer base, licences and others:

The licences include external software costs as well as programming and consulting of EUR 2,137k (previous year: EUR 1,988k). Scheduled amortisation amounts to EUR 478k (previous year: EUR 468k) and is included in the income statement item “Cost of sales”.

The capitalised technology and the capitalised customer base from the takeover of iris-GmbH in 2016 amount to EUR 4,876k (previous year: EUR 5,389k). Scheduled amortisation amounts to EUR 513k (previous year: EUR 513k) and is included in the income statement item “Cost of sales”.

The capitalised customer base from the takeover of HanseCom in 2016 amounts to EUR 875k (previous year: EUR 1,013k). Scheduled amortisation amounts to EUR 138k (previous year: EUR 138k) and is included in the income statement item “Cost of sales”.

The capitalised technology and the capitalised customer base from the takeover of Mattersoft in 2018 amount to EUR 776k (previous year: EUR 905k). Scheduled amortisation amounts to EUR 129k (previous year: EUR 129k) and is included in the income statement item “Cost of sales”.

The capitalised technology and the capitalised customer base from the takeover of the DResearch Group in 2020 amount to EUR 8,119k (previous year: EUR 9,287k). Scheduled amortisation amounts to EUR 1,168k (previous year: EUR 875k) and is included in the consolidated income statement under “Cost of sales” (EUR 265k), “Sales and marketing expenses” (EUR 854k) and “General administrative expense” (EUR 49k).

22. Interests in associated companies

The associated company maBinso software GmbH, Hamburg, is not publicly listed. The business of maBinso is the creation, sale and operation of software as well as the related consulting for public transport. The net profit amounts to EUR 614k (previous year: EUR 452k). The pro-rata result of the init group for 2021 is EUR 271k. No dividend payout was made in the 2021 financial year. Amortisation of investments in associated companies was not required.

23. Deferred tax and income tax assets

The deferred tax assets and liabilities are as follows:

EUR '000	2021	2020
Deferred tax assets		
Receivables	88	89
Inventories	2,070	1,888
Other assets	888	742
Provisions	776	597
Pensions accrued and similar obligations	1,524	2,194
Total deferred tax assets	**5,346**	**5,510**
Deferred tax liabilities		
Contract assets	1,252	1,997
Other assets	814	902
Property, plant and equipment	341	469
Goodwill	2,526	2,893
Other intangible assets	1,610	1,761
Other liabilities	161	178
Total deferred tax liabilities	**6,704**	**8,200**

As of 31 December 2021, the unused tax losses carried forward came to EUR 1,157k (previous year: EUR 2,160k). The resulting deferred tax assets that have not been recognised total around EUR 359k (previous year: EUR 665k). For the planning horizon, it is unsure whether it will be possible to offset these unused tax losses against future tax payments. Unused tax losses can be carried forward indefinitely. Additionally, tax losses regarding the German tax group were not considered when recognizing deferred tax assets. This is attributable to uncertainties in recoverability, among other things, due to the tax loss carryforwards relating to the core business activities. These tax losses may therefore recur in the future. Accordingly, these tax loss carryforwards have not been taken into account in the calculation of deferred taxes for reasons of materiality.

As of 31 December 2021, there were no deferred tax liabilities on retained earnings of subsidiaries since no significant 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 61.9m (previous year: EUR 53m).

In the reporting period deferred tax assets and deferred tax liabilities of EUR 1,420k were netted. This results in reported balance sheet values of EUR 3,926k in deferred tax assets and EUR 5,284k in deferred tax liabilities.

The income tax assets of EUR 2,805k were primarily incurred in Germany and North America.

24. Other non-current assets

EUR '000	2021	2020
Asset value of pension liability insurance	1,436	1,355
Security deposits*	453	425
Gold stock	1,282	1,248
Other*	131	63
Total	**3,302**	**3,091**

* 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.

No non-current financial assets are overdue.

25. Liabilities

	31/12/2021			31/12/2020		
		Remaining term			Remaining term	
EUR '000	**Total**	< 1 year	> 5 years	Total	< 1 year	> 5 years
Bank loans (short- and long-term)	29,340	14,061	0	37,459	17,480	760
Trade accounts payable	6,932	6,932	0	7,541	7,541	0
Contract liabilities	7,075	7,075	0	15,246	15,246	0
Advance payments received	2,468	2,468	0	1,360	1,360	0
Income tax payable	3,444	3,444	0	1,010	1,010	0
Other liabilities (non-current)	24,281	24,281	0	19,923	19,923	0

Almost 71 per cent of the contract liabilities from the previous year of EUR 15,246k were translated into revenues in 2021.

Terms relating to the above financial liabilities:

The bank loans of EUR 29,340k (previous year: EUR 37,459k) relate to long-term loans of EUR 1,014k (previous year: EUR 1,373k) for financing the buildings at Kaeppelestrasse 4, 8 / 8a and 10 which are fully secured by a land charge and the resultant current share of EUR 359k (previous year: EUR 359k). In addition, there are loans for acquisition financing of EUR 9,862k (previous year: EUR 11,345k), investment loans of EUR 3,698k (previous year: EUR 5,410k) as well as a long-term loan of EUR 6,250k (previous year: EUR 7,915k). There are also euro loans amounting to EUR 8,157k (previous year: EUR 11,054k).

A long-term loan of EUR 6,250k is subject to minimum capital requirements. A dynamic debt ratio of 3.5 must not be exceeded. If the covenants are exceeded, the loan falls due immediately for repayment. Due to the close monitoring and planning of this KPI, as well as the current liabilities and EBITDA, init does not expect that this KPI will be exceeded in the future.

The following credit and guarantee lines exist:

EUR '000		Overall line	Of which, cash line	Of which, guarantee	Cash or guarantee
Banks	**2021**	102,118	5,018	42,500	54,600
Credit insurance companies	**2021**	17,000	0	17,000	0
Bond line for USA and Canada	**2021**	71,306	0	0	0
Banks	2020	91,924	4,824	42,500	44,600
Credit insurance companies	2020	17,000	0	17,000	0
Bond line for USA and Canada	2020	60,738	0	0	0

The credit and guarantee lines are sufficient to finance the further growth of the company. On 31 December 2021, the draw down of the cash line totalled EUR 8,157k (previous year: EUR 11,054k), that of the guarantee lines EUR 12,572k (previous year: EUR 13,771k), and that of the bond line EUR 71,306k (previous year: EUR 60,738k).

No interest is charged on the trade accounts payable.

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

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

26. Other liabilities (non-current and current)

	31/12/2021			31/12/2020		
		Remaining term			Remaining term	
EUR '000	**Total**	< 1 year	> 1 years	Total	< 1 year	> 1 years
Tax liabilities	1,919	1,919	0	2,628	2,628	0
Due to personnel	7,659	7,659	0	7,186	7,186	0
Derivative financial instruments	114	114	0	11	11	0
Social security liabilities	393	393	0	359	359	0
Liabilities for services not invoiced by subcontractors	21	21	0	424	424	0
Lease liabilities	15,622	3,218	12,404	17,100	3,204	13,896
Sundry	12,171	10,955	1,216	14,171	6,111	8,060
Total	**37,899**	**24,279**	**13,620**	**41,879**	**33,819**	**21,956**

The sundry other liabilities mainly contain deferred income from prepaid maintenance contracts of EUR 3,493k (previous year: EUR 3,270k) and a non-current financial liability from purchase price payments from the acquisition of DResearch Group of EUR 1,215k (previous year: EUR 8,060k). The associated current share is included in the current financial liabilities. In 2021, the liabilities were reduced by EUR 615k due to non-applicable planning assumptions. With the exception of lease liabilities, there are no other liabilities with a residual term of more than five years.

The "Sundry" item includes current financial liabilities of EUR 7,463k (previous year: EUR 2,841k).

27. Lease liabilities (short-and long-term)

The maturities of lease liabilities are as follows:

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

as of 31/12/2020 EUR '000	Office buildings	Vehicles	IT equipment	Other	Total
Within 1 year	2,450	563	58	133	3,204
More than 1 and up to 5 years	8,646	624	379	45	9,694
More than five years	4,202	0	0	0	4,202

The annual rental liabilities of the init group totalled EUR 2,704k, of which EUR 578k is attributable to renting the office building in Karlsruhe (lease expires 2026). Thereof EUR 853k are attributable to the extensions of contracts.

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

EUR '000	2021
As of 01/01/2021	17,100
Additions	2,016
Interest increase	13
Payments	-3,507
As of 31/12/2021	15,622
thereof current	3,219
thereof non-current	12,403

EUR '000	2020
As of 01/01/2020	12,554
Additions	7,398
Interest increase	275
Payments	-3,127
As of 31/12/2020	17,100
thereof current	3,204
thereof non-current	13,896

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

EUR '000	2021	2020
Depreciation expense during the financial year	3,123	2,160
Interest expenses on lease liabilities	167	157
Expenses relating to short-term leases	154	150
Expenses relating to low-value leases	57	24
Total amount recognised in profit or loss	3,501	2,491

28. Provisions

EUR '000	As of 01/01/2021	Currency differences	Utilised	Unused amounts reversed	Addition	**As of 12/31/2021**
Provisions for warranties	4,879	-122	780	330	915	4,806
Provisions for unrealised costs	4,527	-163	275	638	595	4,372
Provisions for anticipated losses related to projects	2,266	-34	0	1,468	17	849
Other provisions	2,395	-15	1,683	446	704	985
Total	**14,067**	**-334**	**2,738**	**2,882**	**2,231**	**11,012**

The decrease in other provisions is primarily attributable to the payment of the coronavirus bonus recognised under provisions in the previous year.

The provisions for warranties were calculated on the basis of a percentage of average sales in the past two years determined from empirical figures in the past. In the above table, both current and non-current provisions for warranties have been presented (EUR 2,403k each).

The provisions for unrealised costs essentially concern work still outstanding for invoiced orders. It has a very low estimation uncertainty and is expected to affect cash within one year.

The provisions for anticipated losses related to projects were set up on the grounds of significant technological requirements as well as various new developments in one project and were determined in the concurrent project calculations.

29. Pensions accrued and similar obligations

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

The following parameters were taken into consideration:

Discount rate in per cent (previous year)	1.01 (0.54)
Biometric basis	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	**2021**	2020
Defined benefit obligation (DBO) at the beginning of the year	12,195	11,564
Service cost	82	101
Interest cost	65	114
Actuarial gains (-) / losses (+)	-963	643
Pension payments	-114	-227
DBO at the end of the year	11,265	**12,195**
Plan assets	-443	-428
Pensions accrued	10,822	**11,767**

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	**2021**	2020
Fair value of the plan assets at the beginning of the year	428	415
Interest income from plan assets	3	4
Financial actuarial gains (+) / losses (-)	-6	-1
Contributions to the plan assets by the group	9	10
Fair value of the plan assets at the end of the year	**434**	**428**

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

EUR '000	**2021**	2020
Service cost	82	101
Interest cost	65	114
Expenses for pension payments	**147**	**215**

In the income statement, service costs are reported in "Cost of sales" (EUR 65k), "Marketing and selling expenses" (EUR 12k) and "General and administrative expenses" (EUR 5k) and the interest expense in the respective item.

EUR '000	**2021**	2020
Cumulated amount of the actuarial gains included in the shareholders' equity, after deducting deferred taxes	-3,540	-4,246

EUR '000	**2021**	2020
Defined benefit obligation (DBO) as of 31/12	11,265	12,195
Experience adjustments	-157	-265

The pension provisions attributable to key management personnel totalled EUR 4,576k (previous year: EUR 5,110k). Of this, an amount of EUR 674k (previous year: EUR 744k) pertains to two former Managing Board members.

Sensitivities of the principal actuarial assumptions

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

Implications for the DBO	+0.5% actuarial interest rate	-0.5% actuarial interest rate	+1 year life expectancy	-1 year life expectancy
2021	-971	644	414	-838
2020	-1,283	415	222	-1,202

The same method was applied in the calculation of the sensitivity of the DBO as for the calculation of the defined benefit obligation.

Asset / Liability Matching Strategy

Reinsurance contracts in the amount of EUR 201k (previous year: EUR 186k) have been entered into to compensate risks. A further EUR 242k (previous year: EUR 242k) has been deposited on a pledged bank account. Due to the small amount involved, the excess obligations are financed from current cash flows.

Future cash flows

Expected pension payments (EUR ’000):

2022	2023	2024	2025	2026	2027-2031
348	359	376	395	404	2,168

Previous year

2021	2022	2023	2024	2025	2026-2030
312	353	364	382	400	2,150

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

Defined contribution plans

In the 2002 financial year, init changed its pension plan regulations for new commitments. Accordingly, the company no longer makes any new, direct commitments. The expense for defined contribution plans amounts to EUR 795k (previous year: EUR 1,015k). Thereof attributable to key management personnel EUR 164k (previous year: EUR 176k).

30. Equity

Subscribed capital

The capital stock is divided into 10,040,000 no-par bearer shares each accounting for EUR 1.00 of the capital stock. The shares have been issued and are fully paid in.

Shares outstanding:

	2021	2020
As of 01/01	9,930,635	10,003,066
Acquisition of treasury shares	-20,000	-96,753
Issue of shares to Managing Board, managing directors and key personnel	25,328	19,298
Issue of shares to employees	0	5,024
As of 31/12	**9,935,963**	**9,930,635**

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

Managing Board	Number of shares
Dr. Gottfried Greschner, CEO *	3,380,500
Dr. Jürgen Greschner, CSO	84,100
Jennifer Bodenseh, CFO	6,486
Matthias Kühn, COO	10,180

Supervisory Board	Number of shares
Hans-Joachim Rühlig	0
Ulrich Sieg	0
Christina Greschner	371,523
Drs. Hans Rat	0

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

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

Conditional capital

The company's Shareholders' Meeting adopted a resolution on 19 May 2021 to create conditional capital of EUR 5,000,000. The company's capital stock may be increased by up to EUR 5,000,000 by issuing up to 5,000,000 new bearer shares. The conditional capital increase was made solely for the purpose of granting shares, on the exercise of option or conversion rights or on the performance of option or conversion obligations, to holders of bonds with warrants attached and convertible bonds issued as authorised by the Shareholders' Meeting of 19 May 2021.

Authorised capital

On 15 May 2019, the company's Shareholders' Meeting adopted a resolution according to which the Managing Board is authorised in the period until 15 May 2024, with the approval of the Supervisory Board, to increase the capital stock of the company once or several times up to 1,004,000.00 by issuing new voting or non-voting no-par value bearer shares ("Authorised capital 2019"). The capital increases may be carried out against cash and/or non-cash contributions. The Managing Board is also authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights, in particular in the following cases:

- for a capital increase against cash contribution, up to a total of 10 per cent of the existing capital stock, provided the issue amount of the new shares is not significantly below the market price of listed shares of the same category and carrying the same rights.
- insofar as it is necessary to grant a subscription right to new shares to the extent to which they would be entitled after exercising the conversion and/or option rights or after fulfilling the conversion and/or option obligations;
- for the fractional amounts resulting from the subscription ratio;
- to open up additional capital markets;
- for a capital increase against contributions in kind for the acquisition of companies, parts of companies or interests in companies or other assets (even if a purchase price component is paid out in cash in addition to the shares) or within the scope of company mergers or amalgamations;
- to transfer up to 250,000 new shares as employee shares.

Additional paid-in capital

The additional paid-in capital on 31 December 2021 amounted to EUR 7,587k, of which EUR 3,141k resulted from the premium of the shares sold at the time of the initial public offering. Due to the sale of treasury stock in 2007, the additional paid-in capital increased by EUR 514k. In the period from 2005 to 2020, a total amount of EUR 2,964k was transferred to recognise the expenses from the share-based payments (see note 37). EUR 968k was transferred in 2021.

Treasury shares

As of 1 January 2021 there were a total of 109,365 treasury shares. Based on the resolutions passed at the Shareholders' Meeting of 13 May 2015 and 26 June 2020, the company was authorised to purchase treasury shares. On 8 March 2021, a decision was taken to repurchase up to 20,000 shares. 20,000 shares were repurchased from 9 March to 26 March 2021 at an average price of EUR 33.35.

Within the scope of the incentive scheme for members of the Managing Board and managing directors, a total of 25,328 shares were transferred with a vesting period of five years during which time shares cannot be resold (note 37). On 31 December 2021, there were consequently 104,037 treasury shares.

Using the cost method, the company's treasury shares were valued at acquisition cost at EUR 2,467k (previous year: EUR 2,384k) and openly deducted from the equity capital. The total of 104,037 shares as of 31 December 2021 corresponds to an imputed share of EUR 104,037 (1.04 per cent) of the capital stock. The shares were repurchased at an average price of EUR 23.71 per share. The treasury shares were repurchased for use as consideration within the scope of business combinations and to acquire other companies or parts of companies or participations, or, where required, to open up additional capital markets or to issue them to employees and members of the Managing Board.

Surplus reserves and consolidated unappropriated profit

The item surplus reserves and consolidated unappropriated profit in the amount of EUR 87,344k (previous year: EUR 80,327k) contains the retained earnings of init SE and results of init SE and the consolidated subsidiaries generated since group affiliation.

Other reserves

Difference from pension measurement: The actuarial gains and losses are recorded through other comprehensive income.

Difference from currency translation: This reserve is used to record differences due to translating financial statements from foreign currencies into the reporting currency.

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

Capital management

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

31. Objectives and methods of financial risk management

The main non-derivative financial instruments used by the company include cash, securities, trade accounts receivable and loans. The purpose of the securities and bonds is the investment of 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 dealings 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 currency losses.

In addition, init holds 25 kg of gold. The value of gold is subject to fluctuations as it is marked to market on the reporting date. The changes in value are reported in the income statement. 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 in the following.

Foreign currency risk

Due to foreign revenues, the change in exchange rates constitutes 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 secured transaction. The group usually only enters into hedging transactions once a firm commitment has been made.

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

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

If the value of the euro relative to the foreign currencies relevant for init on 31 December 2020 had appreciated by 10 per cent, the operating result would have been EUR 850k lower. The resulting appreciation of forward exchange transactions would have totalled EUR 1,440k. As a counter-effect, it would also have resulted in expenses of EUR 2,290k owing to cash in banks, accounts receivable and liabilities in foreign currency. If, on the other hand, the value of the euro relative to all foreign currencies relevant for init on 31 December 2020 had depreciated by 10 per cent, the operating result would have been EUR 1,080k higher. This breaks down as follows: EUR 1,719k relates to forward exchange transactions, compensated for by appreciation of cash in banks, accounts receivable and liabilities in foreign currency of EUR 2,799k.

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 with reference to predefined milestones. Furthermore, the trade accounts receivable are checked once a fortnight for receipt of payment and if necessary dunned. The final bad debt losses for 2021 totalled EUR 3,233k (prior year: EUR 0k). These resulted from the impaired receivables from a general contractor's agreement in Dubai that now constitute actual bad debts. Please refer to note 16.

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

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

Interest change risk

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

Liquidity risk

On 31 December 2021, the financial liabilities of the group had the following maturities. The particulars are based on contractual, non-discounted payments plus agreed or anticipated interest expenses (cash flows).

In order to curb liquidity risks, the liquidity of the init group is controlled by the corporate headquarters. The main aim is to ensure a minimum liquidity of each company to ensure solvency at all times. Our current projects provide the largest source of liquidity. In addition to these current revenues, the init group secures the liquidity risk through appropriate lines of credit that can be drawn as needed. For information on available credit lines, please refer to the comments in note 25.

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

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

The derivative financial liabilities and assets result in payments totalling EUR 5,589k and payments receivable totalling EUR 5,502k.

As of 31 December 2020, the future cash flows from the financial liabilities were as follows:

EUR '000	Carrying amount	2021	2022	2023-2025	> 2025
Non-derivative financial liabilities					
Other financial liabilities	55,906	28,220	6,821	20,106	759
Derivative financial liabilities and assets without a hedging relationship					
Derivative financial liabilities	11	11	0	0	0
Derivative financial assets	-288	-288	0	0	0
Total		**-277**	**0**	**0**	**0**

The derivative financial liabilities and assets result in payments totalling EUR 15,746k and payments receivable totalling EUR 16,024k.

32. Explanatory notes on the 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 2021 compared to 31 December 2020 and shows their classification in appropriate measurement categories according to IFRS 9.

	2021	2020
ASSETS		
Financial assets at amortised cost	**82,752**	**94,106**
Cash and cash equivalents	28,158	32,211
Trade accounts receivable	32,038	38,650
Receivables from related parties	3	174
Contract assets	21,628	22,174
Other financial assets (current)	925	897
Financial assets reported at fair value through other comprehensive income	**39**	**40**
Marketable securities and bonds	39	40
Financial assets measured at fair value through profit or loss	**28**	**288**
Derivative financial instruments	28	288
EQUITY AND LIABILITIES		
Financial liabilities reported at amortised cost	**44,949**	**55,901**
Bank loans (current and non-current)	29,340	37,459
Trade accounts payable	6,932	7,541
Other liabilities (non-current)	7,463	2,841
Other liabilities (non-current)	1,214	8,060
Financial liabilities measured at fair value through profit or loss	**114**	**11**
Derivative financial instruments	114	11

The carrying amounts of bank loans correspond to their fair values.

Hierarchy of fair values to IFRS 13

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

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

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

Level 3: Inputs are input parameters that have a material impact on the calculated fair value, but which 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 31/12/2021	Level 1:	Level 2:	Level 3:
Financial assets measured at fair value through profit or loss				
Derivative financial instruments	28	0	28	0
Financial assets available for sale				
Marketable securities and bonds	39	39	0	0
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	114	0	114	0

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

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

EUR '000	Fair value as of 31/12/2020	Level 1:	Level 2:	Level 3:
Financial assets measured at fair value through profit or loss				
Derivative financial instruments	288	0	288	0
Financial assets available for sale				
Marketable securities and bonds	40	40	0	0
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	11	0	11	0

Over the course of the reporting periods which ended 31 December 2021 and 31 December 2020, there were neither reclassifications between the fair value categories of Level 1 and Level 2 nor any reclassifications to or from the fair value category of Level 3.

The measurement of fair value at Level 2 in the current financial year and the previous year is as follows: derivative financial instruments are determined by discounting the expected future cash flows over the remaining term of the contract at the closing rate.

The measurement of fair value at Level 3 in the current financial year is as follows: The fair value was determined using the discounted cash flow method, taking into account the following parameters: price developments, discount rate and sales value of the properties.

Hedging transactions

The derivative financial instruments used to hedge future cash flows relate exclusively to foreign exchange risks in regard to the expected monies received predominantly in US dollars and pound sterling from firm transactions. The following derivative financial instruments were concluded:

	Nominal value		Market value	
EUR '000	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
Forward exchange transactions (sale) in USD	5,587	15,746	-86	278

33. Contingencies and other liabilities

Contingent liabilities

Contingent liabilities of the previous year from open technical specifications of EUR 171k do not exist in the current financial year.

No other contingent liabilities existed on 31 December 2021.

Legal disputes

Within the scope of current business, init SE along with other group companies is involved in legal disputes that could have an impact on the financial situation of the group. Legal disputes are subject to many uncertainties, and the outcome of individual actions cannot be predicted with any certainty.

To hedge against risks arising from such disputes, the relevant group companies have set up appropriate provisions in their balance sheets where the dispute concerns an event before the reporting date and where a liability is likely, and its amount can be determined with sufficient accuracy. Please refer to note 28.

Over and above this, these disputes are not, in our estimation, expected to have any significant sustained effect on the net assets, financial position and results of operations of the init group.

OTHER DISCLOSURES

34. Additional notes on the cash flow statement

The cash flow from operating activities includes proceeds from interest amounting to EUR 21k (previous year: EUR 86k) and interest payments amounting to EUR -581k (previous year: EUR -395k). Furthermore, the cash flow from operating activities includes payments for income taxes in the amount of EUR 1,801k.

Cash outflows due to leases amounted to EUR 3,466k (previous year: EUR 3,184k), thereof EUR 172k (previous year: EUR 418k) is attributable to cash flow from operating activities and a further EUR 3,294k (previous year: EUR 2,766k) to cash flow from financing activities.

The cash flows for investments in property, plant and equipment mainly relate to maintenance of capacities and expansion investments. In the previous year, cash flow from investing activities also included cash outflows for the acquisition of subsidiaries.As in the previous year there were no inflows from dividend distributions. Outflow for dividends on init shares totalled EUR 5,467k (previous year: EUR 3,982k).

35. Related party transactions

The companies included in the consolidated financial statements and the associated companies are listed in the Section basis of consolidation.

	Associated companies		Other related parties	
EUR '000	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
Trade accounts receivable and other income	989	2,558	0	0
Trade accounts payable and other expenses	650	325	575	575
Receivables on 31/12	3	174	0	0
Payables on 31/12	0	0	0	0

Associated companies

Amounts owed by associated companies mainly result from trade accounts receivables from Bytemark and have a remaining term of less than one year. These are reported in the balance sheet under accounts receivable due from related parties.

Other related party transactions

init SE rents an office building in Kaeppelestrasse 6 in Karlsruhe with 67.39 per cent from Dr. Gottfried Greschner GmbH & Co. Vermögens-Verwaltungs KG, Karlsruhe and with 32.61 per cent from Eila Greschner. The monthly rent payments are approximately EUR 46k (total annual rent: EUR 547k). The rent is contractually fixed until 30 June 2026. Total payments of EUR 9k (previous year: EUR 8k) made to family members of Managing Board members were recognised under personnel expenses.

Terms and conditions of business transactions with related parties and persons

Sales to, and purchases from, related parties and persons are made under generally accepted market terms. There are no guarantees at all for accounts receivable or payable in regard to related parties and persons. The group did not accrue any cumulative value adjustments for accounts receivable from related parties and persons for the financial year to 31 December 2021 (previous year: EUR 0k).

Remuneration of persons in key management positions

The members of the Managing Board of init SE and the managing directors of INIT GmbH are considered to be persons in key management positions. For details on their remuneration, please refer to note 40.

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).

Revenues 01/01 to 31/12

EUR '000	2021	%	2020	%
Germany	55,534	31.5	47,298	26.2
Rest of Europe	35,062	19.8	37,674	20.8
North America	65,332	37.0	75,793	42.0
Other countries (Australia, UAE)	20,731	11.7	19,903	11.0
Group total	**176,659**	**100.0**	**180,668**	**100.0**

The revenue information given above is based on the location of the customer.

Non-current assets 31/12

EUR '000	2021	%	2020	%
Germany	57,362	76.9	61,497	78.9
Rest of Europe	1,795	2.4	2,147	2.8
North America	14,938	20.0	13,653	17.5
Other countries (Australia, UAE)	556	0.7	619	0.8
Group total	**74,651**	**100.0**	**77,916**	**100.0**

The non-current assets consist of property, plant and equipment, investment property, intangible assets and interests in associated companies.

37. Share-based payments

Employee shares

In 2021 and 2020, there were no share-based payments for employees.

Equity-settled management bonuses

A further management bonus for 2021 in the form of 750 or 1,500 shares will be granted to the Managing Board, if EBIT exceeds EUR 8m after deduction of all bonuses. Furthermore, for each EUR 1m of profit that exceeds the amount of EUR 8m up to EUR 15m, another 150 or 300 shares are granted as a bonus. In the same way, a further 250 or 500 shares are granted as bonuses for EUR 1m profit in excess of EUR 15m. The amount 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 legal claim may be made to payment of this bonus in the form of shares, even where 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 an equity settled bonus, the amount of which depends on the level EBIT. A total of 25,328 shares (previous year: 19,298) with a vesting period of five years were granted to the managing directors and to key personnel. The taxes relating to the share transfer are borne by the group.

On 31 December 2021, the valuation was based on 22,501 shares (previous year: 26,400). The fair value on the basis of the market price of these equity instruments at the time of the commitment to the members of the Managing Board amounted to EUR 513k (EUR 37.15 per share) (previous year: EUR 598k) and EUR 265k (EUR 30.50 per share) (previous year: EUR 315k) for the managing directors. These amounts were recorded in 2021 as expenses.

38. Subsequent events

Global economic conditions have changed dramatically since the end of February 2022. While the consequences of the coronavirus crisis now at least appear to be manageable, there is no way of knowing how the military conflict between Russia and Ukraine will impact international economic relations and init in the short, medium and long term.

The disruptions to the supply chains for raw materials and energy exacerbated by this, and the financial and trading restrictions associated with the imposed sanctions, will affect both global growth and the conditions on the markets for init's products as well as the company in Belarus.

There are no other known events after the balance sheet date that have a material impact on the net assets, financial position and results of operations.

39. Employees, Managing Board and Supervisory Board

Employees

The annual average number of employees was as follows:

	2021	2020
Employees Germany	824	784
Employees Rest of Europe	50	52
Employees North America	138	138
Employees Other countries	43	35
Total	**1,055**	**1,009**

Managing Board

The following members make up the Managing Board of init SE:

Dr. Gottfried Greschner, Karlsruhe	Dipl.-Ing. (Chairperson) (CEO)
Dr. Jürgen Greschner, Pfinztal	Dipl.-Kfm. (Deputy Chairperson) (CSO)
Jennifer Bodenseh, Landau	Bachelor of Arts (B.A.) (CFO)
Matthias Kühn, Karlsruhe	Dipl.-Ing. (FH) (COO)

Dr. Gottfried Greschner is a member of the foundation board of Majolika-Stiftung für Kunst- und Kulturförderung, Karlsruhe.

Supervisory Board

The members of the Supervisory Board of init SE are:

Dipl.-Kfm. Hans-Joachim Rühlig, Ostfildern, Germany, Chairperson	Independent Management Consultant Former Financial Managing Director of Ed. Züblin AG, Stuttgart, Germany Member of the Advisory Board of DResearch Fahrzeugelektronik GmbH, Berlin, Germany Managing Board Member of Stiftung Bauwesen, Stuttgart, Germany
Dipl.-Ing. Ulrich Sieg, Jork, Germany, Deputy Chairperson	Consulting engineer specialising in public transportation Member of the Supervisory Board of SECURITAS Holding GmbH, Düsseldorf, Germany Member of the Advisory Board of HanseCom Public Transport Ticketing Solutions GmbH, Hamburg, Germany Member of the Managing Board of VDV Stiftung Führungsnachwuchs
Dipl.-Ing. (FH), M.A. Christina Greschner Karlsruhe, Germany, Member	Advisory role
Drs. Hans Rat, Schoonhoven, the Netherlands, Member	Consultant Public Transport Managing Director of Beaux Jardins B.V., Schoonhoven, the Netherlands

40. Disclosure of the compensation of key management personnel

The members of the Managing Board received total remuneration of EUR 2,819k (previous year: EUR 3,059k). This total includes fixed salaries of EUR 1,782k (previous year: EUR 1,693k), variable remuneration in the form of management bonuses of EUR 210k (previous year: EUR 240k), and EUR 827k (previous year: EUR 1,126k) in the form of shares, including the income tax payable thereon. The managing directors of INIT GmbH, who are not members of the Managing Board of init SE, received total remuneration of EUR 1,132k (previous year: EUR 1,049k). This total includes fixed salaries of EUR 923k (previous year: EUR 929k), variable remuneration in the form of management bonuses of EUR 114k (previous year: EUR 0k) and EUR 95k (previous year: EUR 120k) in the form of shares. This amount includes EUR 231k (previous year: EUR 317k) for two former members of the Managing Board.

The total remuneration of the Supervisory Board members (including expense allowances) for 2021 amounted to EUR 400k (previous year: EUR 364k). This includes a variable share of EUR 250k (previous year: EUR 239k) and is distributed as follows:

EUR '000	Fixed	Variable
Dipl.-Kfm. Hans-Joachim Rühlig	50	100
Dipl.-Ing. Ulrich Sieg	25	50
Dipl.-Ing. (FH), M.A. Christina Greschner	25	50
Drs. Hans Rat	25	50

In the 2021 financial year, the members of the Supervisory Board received EUR 0k (previous year: EUR 0k) for consulting activities.

41. Auditor

Group auditor Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, received compensation for audits of EUR 351k (previous year: EUR 333k), which was recorded as expenses. Expenditure for tax consulting services amounted to EUR 53k (previous year: EUR 70k). Other assurance services incurred costs of EUR 0k (previous year: EUR 0k), and other services, of EUR 0k (previous year: EUR 8k).

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 27 September 2021, and was made available to the shareholders on our website at https://www.initse.com/ende/investors/corporate-governance.html.

43. Notifications under Section 26 (1) WpHG (German Securities Trading Act)

On 4 February 2021, Universal-Investment private limited company, Frankfurt am Main, Germany, informed us according to Section 33 (1) WpHG that its voting rights via shares in init innovation in traffic systems SE, Karlsruhe, Germany, exceeded the 3 per cent threshold of the voting rights on 1 February 2021 and on that day amounted to 3.003 per cent (this corresponds to 301,485 voting rights). On 8 February 2021, the company informed us that the threshold of three per cent of voting rights was again no reached on 3 February 2021. The share of voting rights on this day stood at 2.97 per cent (corresponding to 298,485 voting rights).

44. Approval of consolidated financial statement

At the Managing Board meetings on 8 March 2022 and 11 March 2022, the consolidated financial statements and the combined management report of init SE as of 31 December 2021 issued by the Managing Board were approved for submission to the Supervisory Board. Approval for publication of the consolidated financial statements is scheduled for 22 March 2022.

Karlsruhe, 22 March 2022

The Managing Board

Dr. Gottfried Greschner　　Dr. Jürgen Greschner

Jennifer Bodenseh　　Matthias Kühn

AUDIT OPTION

Independent auditor's report

To init innovation in traffic systems SE, Karlsruhe

Report on the audit of the consolidated financial statements and of the group management report

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 income statement, consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2021, the consolidated balance sheet as of 31 December 2021, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including the recognition and measurement principles presented therein. In addition, we have audited the group management report, which is combined with the management report of init innovation in traffic systems SE for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 315d German Commercial Code (HGB), which is published on the website stated in the group management report and is part of the group management report. We have also not audited the content of the disclosures extraneous to management reports contained in section "Responsibility Statement by the Legal Representatives" of the group management report. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 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 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, and

- the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the declaration on corporate governance and the content of the abovementioned section "Responsibility Statement by the Legal Representatives" of the group management report.

Pursuant to Section 322 (3) Sentence 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 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 entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) 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 opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenues from construction contracts

Reasons why the matter was determined to be a key audit matter

The init group mainly generates its revenues from project development work for local public transport suppliers. These projects are generally long-term construction contracts; income from these contracts is recognized based on the progress (revenue recognition over time) of the respective performance obligations. The percentage of completion of incomplete performance obligations as of the reporting date is calculated using the estimated total costs (input-based method). We defined this subject matter as a key audit matter for our audit because the application of the revenue recognition over time method requires judgment by management related to the performance obligations identified in contracts, remaining total contract costs and total contract revenues. Changes in these judgments may lead to a significant increase or decrease in revenues and in net profit or loss for the period. Regarding revenue recognition, there is also a risk of error or infringement, whether due to fraud or error, when determining the achievement of performance targets and forecasts.

Auditor's response

As part of our audit we relied on a controls-based approach and assessed and tested the underlying corporate processes. Furthermore, we also performed substantive audit procedures.

Our audit procedures included the review and assessment of new significant contracts as well as modifications or adjustments to contracts and the analysis of the identified performance obligations. The audit also included reviewing whether the progress of the project with regard to the contract values and the share of the costs incurred was determined correctly. For this purpose, we particularly reviewed the recognition of costs in terms of their amount and the allocation of costs to the related project using orders, evidence of performance and supplier invoices. We also examined samples of costs reported by every employee involved on a project by reconciling the hours allocated to the projects with the hours recorded by individual employees and obtained an understanding of the hourly rates used for the calculation for individual employee groups. Furthermore, we tested the recognized future costs for plausibility and assessed the budget history to draw conclusions regarding reliability of the future cost estimates, including the consideration of expected cost increases. We obtained explanations and evidence from the project managers for significant deviations from previous-year assumptions for costs recorded in the reporting period as well as future costs. We assessed the compliance of the accounting and measurement principles applied by the init group for the recognition of revenues with the IFRS framework and the relevant IFRS standards.

In assessing the contract analysis performed by the executive directors, we evaluated in particular whether the requirements to recognize revenue over a period of time have been met for construction contracts.

With regard to further application of IFRS 15, we examined the processes implemented by init innovation in traffic systems SE for determining the necessary disclosures in the notes to the financial statements as well as their completeness and appropriateness.

To mitigate the inherent audit risk of this audit field, we ensured a group-wide consistent audit by issuing corresponding instructions to the component auditors.

Our audit procedures did not lead to any reservations relating to the accounting treatment of revenues from construction contracts.

Reference to related disclosures

The company's disclosures on revenue recognition from construction contracts are to be found in the "Revenue Recognition" section of Section 3 "Accounting policies and consolidation principles" and in Section 4 "Revenues" in the notes to the income statement in the notes to the consolidated financial statements.

2. Measurement of inventories

Reasons why the matter was determined to be a key audit matter

The init group procures a significant amount of hardware for processing construction contracts. To safeguard long-term supply to customers, the init group procures and stores significant inventories of hardware components beyond those needed to process the construction contract. Due to the high level of customization and the general technical development, the majority of these hardware components can only be used as spare parts for past contracts. These are recognized at the lower of cost or net realisable value. To ensure a measurement of inventories at the lower of these values, the company determines the expected net realisable values with the help of percentile age-specific allowances that are based on experience and evaluations of past projects. Therefore, the determination of allowances applied is subject to judgement by the executive directors of the company.

Auditor’s response

Taking into account the fact that there is an elevated risk of misstatements in the accounting due to the estimates and assumptions being made, we examined the valuation processes implemented by the init group and verified the allowances used. For this purpose, also against the background of the ongoing COVID-19 pandemic, for a sample of projects we discussed the expected sales or processing periods for significant inventories with project managers, checked the procedure of past projects for consistency with the assumed sales or processing periods, thus reviewing the appropriateness of the allowances. In addition, we recalculated the system-based implementation of the impairments calculated using the defined allowances. To mitigate the inherent audit risk of this audit field, we ensured a group-wide consistent audit by issuing corresponding instructions to the component auditors.

Our audit procedures did not lead to any reservations relating to the measurement of inventories.

Reference to related disclosures

Further disclosures on the measurement of inventories are to be found in section “Estimates and assumptions” and “Inventories” section of Section 3 “Accounting policies and consolidation principles” and in Section 5 “Costs of sales” in the notes to the income statement as well as in Section 17 “Inventories” in the notes to the statement of financial position in the notes to the consolidated financial statements of the company.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board according to Section 171 (2) German Stock Corporation Act (AktG) as well as for their CVs. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the statement on corporate governance and the remuneration report. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance mentioned above and the abovementioned disclosures extraneous to management reports contained in section “Responsibility Statement by the Legal Representatives” of the group management report. The other information also comprises the non-financial report, of which we received a version prior to issuing this auditor’s report. Furthermore, the other information comprises additional parts to be included in the annual report, of which we obtained a version prior to issuing this auditor’s report, in particular:

- Letter to the Shareholders
- Managing Board of init SE
- Report of the Supervisory Board
- Supervisory Board of init SE

- Statement on corporate governance pursuant to Section 289f (2) HGB and Principle 22 DCGK 2021
- init share and
- Multi-period overview of the group key figures (IFRS)

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 and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to 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. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our 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 Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to 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 group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached file INIT SE_KA+KLB_ESEF 31122021.zip (SHA-256-checksum:
[INIT SE_KA+KLB_ESEF 31122021.zip 350d4f729d14de7c4f3bc694580a67e594ab9e8ef1b0963ccd9abd8aedb 4575b]) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance 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 relates neither to the information contained in these renderings nor to any other information contained in the abovementioned electronic file.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

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

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the engagement. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Shareholders' Meeting on 19 May 2021. We were engaged by the Supervisory Board on 18 November 2021. We have been the auditor of init innovation in traffic systems SE without interruption since financial year 2001.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

- Voluntary audit of annual financial statements,

- Formal audit of the remuneration report and

- Tax services.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Peter Werling.

Stuttgart, 22 March 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Werling	Kresin
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

IMPRINT

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> **Five-Year FIinancial Summary** of the init group (IFRS)

TEUR

Balance Sheet (31/12)	**2021**	**2020**	**2019**	**2018**	**2017**
Balance Sheet Total	216,900	226,645	200,398	168,461	176,805
Shareholders' Equity	102,624	90,522	85,547	75,762	73,309
Subscribet Capital	10,040	10,040	10,040	10,040	10,040
Equity Ratio (in %)	47.3	40.0	42.7	45.0	41.5
Debt Capital	114,276	136,123	114,851	92,699	103,49
Non-current Assets	94,368	96,597	76,684	62,109	64,191
Current Assets	122,532	130,048	123,714	106,35	112,614
Cash	28,158	32,211	26,174	20,620	19,763
Income Statement (01/01 – 31/12)					
Revenues	176,659	180,668	156,46	135,711	130,55
Gross Profit	62,674	62,167	53,238	45,979	42,662
EBIT	17,566	19,642	16,240	6,372	8,563
EBITDA	27,413	28,891	23,453	10,942	12,763
Consolidated Net Profit	12,445	14,943	11,335	2,439	3,644
Earnings per Share (in EUR)	1.25	1.50	1.13	0.24	0.37
Dividend* (in EUR)	0.55*	0.55	0.40	0.12	0.22
Cash Flow					
Cash Flow from operating activities	16,007	24,437	21,132	12,809	2,051
Share					
Issue Price (in EUR)	5.10	5.10	5.10	5.10	5.10
Peak Share Price (in EUR)	30.40	37.60	23.80	22.00	20.47
Bottom Share Price (in EUR)	48.50	15.25	12.15	13.80	13.51

**dividend to be proposed to the AGM 2022*

> Financial Calendar 2022

Q1

24 March

Publication Annual Report 2021
Press and Analyst Conference (virtual)

Q2

12 May

Publication Quarterly Statement 1/2022

18 May

Annual General Meeting 2022 (virtual)

Q3

10 August

Publication Half-Year Financial Report 2022

Q4

10 November

Publication Quarterly Statement 3/2022

28-29 November

Equity Forum (one-on-one meetings)