

AUDITOR'S REPORT

“INDEPENDENT AUDITOR'S REPORT

To init innovation in traffic systems SE, Karlsruhe

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of init innovation in traffic systems SE, Karlsruhe, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of init innovation in traffic systems SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 paragraph 3 clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section

of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

- ① Recoverability of goodwill
- ② Revenue recognition from long-term projects
- ③ Valuation of inventories

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

① **Recoverability of goodwill**

- ① Goodwill totalling TEUR 12,488 (5.08 % of the balance sheet total or 10.73 % of equity) is recognised in the consolidated financial statements of the company. Goodwill is subjected to an impairment test once a year or on an ad hoc basis in order to determine a possible need for depreciation. The impairment test is carried out at the level of the groups of cash-generating units to which the respective goodwill is allocated. As part of the impairment test, the carrying amount of the respective cash-generating units including goodwill is compared with the corresponding recoverable amount. The recoverable amount is generally determined on the basis of the value in use. The basis for the valuation is regularly the present value of future cash flows of the respective group of cash-generating units. The present value is determined using discounted cash flow models. The starting point is the Group's approved medium-term plan, which is updated with assumptions about long-term growth rates. Expectations about future market development and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using

the weighted average cost of capital of the respective group of cash-generating units. As a result of the impairment test, no need for impairment was determined. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. With this background information and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

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

- ② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated, we focused our testing on the parameters used to determine the discount rate applied and assessed the calculation model. To reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company.

Considering the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

- ③ The Company's disclosures on goodwill are contained in number 21 of the notes to the consolidated financial statements.

② Revenue recognition from long-term projects

- ① In the consolidated financial statements of the company as at 31 December 2022, the income statement shows revenues of TEUR 191,252, of which TEUR 82,218 were realised from project business over a specific period. Contract assets of TEUR 14,763 and contract liabilities of TEUR 9,745 are recognised in the balance sheet as at 31 December 2022.

The init SE group generates a significant proportion of its revenues from long-term project business for local public transport providers. When sales are realised over a period of time, the sales revenues are recorded on the basis of the progress of work, which is determined as the ratio of the actual contract costs incurred to the anticipated total costs. The degree of completion is determined according to the ratio of the costs incurred to the expected total costs (input-based method). In view of the complex production processes, the period-based revenue recognition requires in particular an effective internal budgeting and reporting system including a concurrent project controlling as well as a functioning internal control system.

- ② Taking into account the knowledge that there is an increased risk of misstatement in the financial statements due to the complexity and the estimates and assumptions to be made, we assessed the processes and controls established by the Group for revenue recognition from long-term customer-specific contracts. Our specific audit procedures included testing controls as well as substantive audit procedures, in particular assessing the process of properly identifying performance obligations and classifying the performance of services in a given period or at a given point in time, assessing the cost accounting system and other relevant systems supporting the accounting for customised contracts, assessing the proper recognition and allocation of direct costs and the amount and allocation of overhead, as well as assessing the project costings underlying the customised contracts and the determination of the progress of performance.

With this information, the correct application of the accounting standard on revenue recognition is complex and is based in part on estimates and assumptions made by the and assumptions of the legal representatives. Therefore, the matter was of particular significance for our audit.

Through consistent audit procedures performed as part of the audit of the operating subsidiaries, we ensured that we adequately addressed the inherent audit risk in revenue recognition from project business across the Group. We were able to satisfy ourselves that the systems and processes in place, as well as the controls in place, are adequate and that the estimates and assumptions made by the legal representatives for revenue recognition from long-term project business are sufficiently documented and substantiated.

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

③ Valuation of inventories

- ① The consolidated financial statements of init SE show inventories of TEUR 42,091 (17.13 % of the balance sheet total).

To ensure its long-term ability to supply customers, the init SE group acquires a stock of hardware components that exceeds the requirements of the project business. Due to the high degree of individualisation of customer orders and the general technical development, hardware in particular is kept in the inventories as spare parts in the long term. Inventories are generally valued at the lower of acquisition or production cost and expected net realisable value. In order to ensure that the inventories are valued at the lower value, the init SE group determines the expected net realisable value with the use of discounts based on experience and evaluations of past projects. In addition, the init SE group carries out case-by-case assessments for the inventories. The valuation of inventories is thus based to a significant extent on the estimates and assumptions of the legal representatives. Against this background and due to the amount of this significant item, we considered this matter to be of particular importance for our audit.

- ② As part of the audit, we obtained an understanding of the process of determining the acquisition and production costs and possible devaluation requirements of the inventories. As part of our risk-oriented audit approach, we assessed, among other things, the appropriateness of the process in relation to the determination of acquisition and production costs and possible devaluation requirements and the appropriateness and effectiveness of the implemented control measures, including the company's IT system used, in relation to the valuation of inventories. Within the scope of the expressive audit procedures, in addition to analytical audit procedures, we have, among other things, traced the methodical procedure for carrying out the determination of the cost of production and defined further audit procedures on a sample basis. The audit procedures included, above all, a

critical appraisal of the results of the devaluation routines, questioning the employees responsible for inventory valuation about the plausibility of the assumptions and estimates made about the possible usability of the inventories, and comparing the estimates with the devaluations made in previous years.

Overall, we were able to satisfy ourselves that the estimates and assumptions made by the legal representatives for the valuation of the inventories are sufficiently documented and justified.

- ③ The Company's disclosures on the valuation of inventories are included in section 3 "Estimates and assumptions", section 5 "Cost of sales" and section 17 "Inventories" in the notes to the consolidated financial statements.

Other Information

The legal representatives are responsible for the other information. The other information comprises

- the corporate governance statement pursuant to § 289f HGB and § 315d HGB
- the separate non-financial report on compliance with §§ 289b to 289e HGB and §§ 315b to 315c HGB
- all other parts of the annual report - without further cross-references to external information - with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit, we have a responsibility to read the other information referred to above and, in doing so, consider whether the other information is

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

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for

such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 paragraph 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file `initse-INIT SE_KA+KLB_ESEF 31122022.zip` and prepared for publication purposes complies in all material respects with the requirements of § 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 paragraph 3a

HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 paragraph 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 paragraph 1 clause 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 paragraph 1 clause 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 paragraph 1 HGB for the electronic reporting format, whether due to fraud or error.

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

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 paragraph 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 paragraph 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 May 2022. We were engaged by the supervisory board on 19 January 2023. We have been the group auditor of the init innovation in traffic systems SE, Karlsruhe, without interruption since the financial year 2022.

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

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 paragraph 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Stuttgart, 28 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft



Ehrenmann
Wirtschaftsprüferin
(German public auditor)



Pflumm
Wirtschaftsprüferin
(German public auditor)

