

AUDIT OPTION

“Independent auditor’s report

To init innovation in traffic systems SE, Karlsruhe

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, the consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2020, the consolidated balance sheet as of 31 December 2020, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2020, 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 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance, 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 which are not typical of management reports contained in section “Responsibility Statement by the Legal Representatives” of the group management report. This relates to any information whose disclosure in the group management report is not required pursuant to Sections 315, 315a or Sections 315b to 315d HGB [“Handelsgesetzbuch”: German Commercial Code].

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 Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020, 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 2020. 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. First-time consolidation of the DResearch Fahrzeugelektronik Group

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

By agreement dated 28 April 2020, init SE acquired 51 per cent of the shares in the group of DResearch Fahrzeugelektronik GmbH, Berlin and Derovis GmbH, Berlin, indirectly via its wholly owned subsidiary iris-GmbH infrared & intelligent sensors, Berlin. The remaining 49 per cent of the shares will be acquired as of 1 January 2022. Pursuant to IFRS 3, the acquisition was treated as a business combination and accounted for using the acquisition method. For the purchase price allocation, the identifiable assets acquired and liabilities assumed of the acquired entity were measured at fair values. Due to the estimation uncertainty involved in the measurement of assets and liabilities in connection with purchase price allocation, especially against the background of the COVID-19 pandemic, as well as due to the overall material effects of the acquisition on the net assets, financial position and results of operations of the init group, we determined this to be a key audit matter.

Auditor's response

During our audit of the acquisition of the group of DResearch Fahrzeugelektronik GmbH, Berlin and Derovis GmbH, Berlin, at first we inspected and verified the contractual agreements, and reconciled the purchase price paid as consideration for the acquired business operations with the documents made available to us. Building on this, we then assessed the acquisition statement of financial position at fair values at the date of first-time consolidation. Among other things, we assessed the measurements underlying the models and the measurement parameters and assumptions applied for appropriateness, also against the background of the effects of the COVID-19 pandemic. In light of the special aspects involved in the determination of fair values in connection with the purchase price allocation, we consulted with our valuation specialists. In addition to this, we verified the calculation of the difference from acquisition accounting. Furthermore, we assessed the disclosures in the notes to the financial statements required in accordance with IFRS 3. Overall, we were satisfied that the accounting treatment of this acquisition was appropriate and the estimates and assumptions made by the executive directors are plausible and adequately explained.

Our audit procedures did not lead to any reservations relating to the first-time consolidation of the DResearch Fahrzeugelektronik Group.

Reference to related disclosures

For information on the first-time consolidation, please refer to the disclosures under Section 3 "Accounting policies and consolidation principles" of the notes to the financial statements.

2. 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 effective progress (revenue recognition over time) of the respective performance obligations. The percentage of completion of unfinished and incomplete performance obligations as of the reporting date is calculated using the cost-to-cost 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 reviewing significant contracts and analyzing 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 allocation of costs regarding the amount and the related project using orders, evidence of performance as well as supplier invoices. We also examined samples of costs reported by every employee involved on a project by reconciling the incurred hours with the recorded hours 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. We obtained explanations and evidence from the project managers for significant deviations from previous-year assumptions for costs recorded in the reporting period. We assessed the compliance of the accounting and measurement principles applied by init innovation in traffic systems SE for the recognition of revenues with the IFRS framework and the relevant IFRSs standards. 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.

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 based on a sample of construction contracts.

In addition, we assessed the disclosures on revenue recognition required by IFRS 15 made in the notes to the consolidated financial statements of init innovation in traffic systems SE.

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.

3. 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 beyond those needed to process the construction contract, particularly for hardware components. 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 realizable value. To ensure the measurement of inventories at the lower of these values, the company determined the expected net realizable values, as far as they can be estimated taking into account the current price development

against the background of the COVID-19 pandemic, with the help of age-specific percentage allowances that are based on experience and evaluations of past projects. The determination of the allowances applied is based on assumptions from past experience and is therefore 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 COVID-19 pandemic, 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 on a sample basis. In addition, we recalculated the system-based implementation of the impairments calculated using the defined allowances on a sample basis. 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) AktG ["Aktiengesetz": German Stock Corporation Act] as well as for their CVs. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG on the German Corporate Governance Code, which is part of the declaration on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance published on the website stated in the group management report and the abovementioned disclosures which are not typical of 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 from the CEO;
- 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 GCGC 2020 and init share.
- 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 in accordance with Section 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file INIT SE_KA+KLB_ESEF 31122020.zip and prepared for publication purposes complies in all material respects with the requirements of Section 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 this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable 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 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Section 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). 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 reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

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 Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the *Bundesanzeiger* [German Federal Gazette].

The supervisory board is responsible for overseeing the preparation of 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 Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform 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.



Audit Option

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 26 June 2020. We were engaged by the Supervisory Board on 2 November 2020. 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,
- Tax advisory as well as
- Review of interim financial statements.

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

Stuttgart, March 22 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Werling

Derosa

Wirtschaftsprüfer

Wirtschaftsprüfer