



AUDITOR'S REPORT

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"INDEPENDENT AUDITOR'S REPORT"

To init innovation in traffic systems SE, Karlsruhe

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

Audit Opinions

We have audited the consolidated financial statements of init innovation in traffic systems SE, Karlsruhe, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of init innovation in traffic systems SE, which is combined with the management report of the company, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the disclosures in the section "Assessment of the appropriateness and effectiveness of the RMS and ICS" of the group management report that are marked as unaudited.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the disclosures in the section "Evaluation of the appropriateness and effectiveness of the RMS and ICS" referred to above.

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

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to



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subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

- ① Impairment of the goodwill
- ② Revenue recognition from project business
- ③ Valuation of inventories

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

- ① Issue and problem definition
- ② Audit approach and findings
- ③ Reference to further information

In the following, we present the key audit matters:

① Recoverability of goodwill

- ① Goodwill totalling EUR 12,488 thousand (4.79% of total assets or 10.35% of equity) is reported in the company's consolidated financial statements as at 31 December 2023. Goodwill is subjected to an impairment test once a year or on an ad hoc basis in order to determine a possible need for amortisation. The impairment test is carried out at the level of the groups of cash-generating units to which the respective goodwill is allocated. As part of the impairment



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test, the carrying amount of the respective cash-generating units, including goodwill, is compared with the corresponding recoverable amount. The recoverable amount is generally determined on the basis of the value in use. The measurement is generally based on the present value of future cash flows of the respective group of cash-generating units. The present value is determined using discounted cash flow models. The Group's approved medium-term planning forms the starting point, which is extrapolated using assumptions about long-term growth rates. Expectations about future market developments and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using the weighted average cost of capital of the respective group of cash-generating units. No need for impairment was identified as a result of the impairment test.

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

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

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

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

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

② Revenue recognition from project business

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

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



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time requires in particular an effective internal budgeting and reporting system, including an ongoing project costing system and a functioning internal control system.

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

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

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

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

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

③ Valuation of inventories

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

The init SE group acquires a stock of hardware components available beyond the requirements of the project business in order to ensure long-term delivery capability to customers. Due to the high degree of customisation of customer orders and the general technical development, hardware in particular is held as spare parts in inventories for the long term.

Inventories are generally measured at the lower of cost and expected net realisable value. To ensure that inventories are measured at the lower value, the init SE group determines the expected net realisable values with the aid of discounts based on experience and evaluations of past projects. In addition, the init SE group carries out case-by-case analyses for inventories. The valuation of inventories is thus based to a large extent on the estimates and assumptions of the legal representatives. Against this background and due to the amount of this significant item, this matter was of particular significance for our audit in our view.

- ② As part of our audit, we gained an understanding of the process for determining the acquisition and production costs and possible write-downs of inventories. As part of our risk-oriented audit approach, we assessed, among other things, the appropriateness of the process in relation to the determination of acquisition and production costs and possible impairment losses and the appropriateness and effectiveness of the control measures implemented, including the IT system used by the Company in relation to the measurement of inventories. As part of our substantive



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audit procedures, in addition to analytical audit procedures, we reviewed, among other things, the methodology used to determine the cost of sales and defined further audit procedures on a test basis. The audit procedures primarily included critically assessing the results of the write-down routines, questioning the employees responsible for inventory valuation on the plausibility of the assumptions and estimates made regarding the potential realisability of inventories and comparing the estimates with the write-downs made in previous years.

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

- ③ The init SE group's disclosures on the measurement of inventories are contained in Note 3 "Accounting policies", section: "Estimates and assumptions", Note 5 "Cost of sales" and Note 17 "Inventories" in the notes to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information comprises the information included in the section "Assessment of the appropriateness and effectiveness of the RMS and ICS" of the Group management report that is labelled as unaudited and is not part of the audited content of the Group management report.

The other information also includes

- the declaration on corporate governance pursuant to Section 289f HGB and Section 315d HGB
- the separate non-financial report on compliance with Sections 289b to 289e HGB and Sections 315b to 315c HGB
- all other parts of the annual report - excluding cross-references to external information - with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

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

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

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

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

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities,



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financial position and financial performance of the Group. Furthermore, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or error) or error.

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

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

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

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

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

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



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

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



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

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

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

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

Audit opinion

We have performed an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the file INIT_SE_KA+KLB_ESEF_31122023.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

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



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Basis for the audit opinion

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

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

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

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

Auditor's responsibilities for the audit of the ESEF documents

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

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



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

Other disclosures pursuant to Article 10 EU-APrVO

We were elected as group auditor by the annual general meeting on 25 May 2023. We were engaged by the supervisory board on 8 January 2024. We have been the group auditor of init innovation in traffic systems SE, Karlsruhe, without interruption since the financial year 2022.

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

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

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

AUDITOR RESPONSIBLE FOR THE AUDIT

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

Stuttgart, 19 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Ehrenmann

Wirtschaftsprüferin

(German public auditor)

Pflumm

(German public auditor)