Financial Report 2020/21

of Kapsch TrafficCom AG as of March 31, 2021.

Kapsch TrafficCom

Management Report and Financial Statements 2020/21.

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MANAGEMENT REPORT.

1 Business performance and economic situation.

1.1 Business performance.

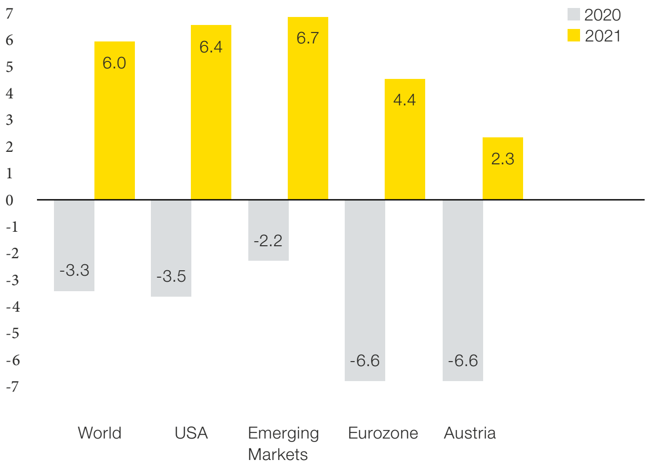
1.1.1 Economic environment.

Global economy.
In 2020, global business activity was marked by the COVID-19 pandemic and the ensuing economic crisis. Aggregate output registered a decrease by 3.3% (previous year: +2.8%), which constitutes the deepest global recession in decades. Worldwide trade was adversely affected by a disruption of supply chains caused by far-reaching restrictions to fight the pandemic, most notably in the spring of 2020. Overall, the volume of goods exchanged around the globe was 5.3% below the preceding year's level. The second half of 2020, however, saw a gradual economic recovery thanks to substantial fiscal and monetary support in many parts of the world. Industrial production, in particular, showed increasingly strong signs of resilience.

Global economic development: -3.3%.

Looking to 2021, economists predict a return to growth despite persistently high levels of infection.

GDP growth 2020 and 2021.
(in %)



USA.
The economic impact of the global crisis on the United States was less severe than expected in 2020. The gross domestic product went down by only 3.5%, owing to a relatively low dependence on exports.

US economy went down by 3.5%.

With a projected growth rate of 6.4% in 2021, the US is even among the global growth engines in the foreseeable future. This is primarily due to the USD 1.9 trillion stimulus package launched in March 2021 ("American Rescue Plan"). In addition, the US Federal Reserve's loose monetary policy continues to have a stabilizing effect on the economy. Both the tense situation on the labour market and the subdued level of consumer confidence improved noticeably in the first quarter of 2021. By contrast, the protracted trade conflict between the US and China remains a major challenge.

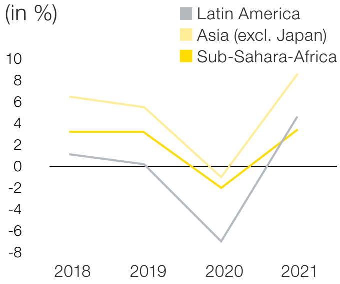
Emerging markets and developing economies.
The emerging and developing economies faced significant challenges in 2020 as a result of their limited capacities to deal with the fallout from the crisis. Overall, economic activity declined by 2.2% (previous year: +3.6%). Emergency funds provided by multilateral organizations helped to address the economic and social consequences of the pandemic, at least to some extent.

Economic activity of emerging markets and developing economies: -2.2%.

Asia. On a regional level, the emerging Asian economies continued to develop most dynamically. Contrary to the global trend, the Chinese economy even expanded by 2.3% in 2020 due to massive public investment and strict containment measures. The ASEAN-5 economies (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) are also set to witness a return to strong growth of up to 5% in 2021.

GDP growth 2018–21.

(in %)



Commonwealth of Independent States (CIS). The Commonwealth of Independent States (CIS) was confronted with the additional economic burden of collapsing oil prices at the height of the crisis. In Russia, the largest market in the region, this led to a GDP contraction of 3.1% in 2020. A trend reversal occurred in the second half of 2020, though, as the alliance OPEC+ managed to agree on historic production cuts. The recovery of the oil price to pre-crisis levels in the first quarter of 2021 is expected to benefit the oil-exporting countries of the MENAP region (Middle East, North Africa, Afghanistan, Pakistan) as well.

Following a recession in 2020, economists predict a rebound in GDP growth to over 3% for said group of states.

Latin America and Africa. Latin America was hit the hardest by the COVID-19 pandemic. Regional output dropped by 7.0% in 2020, thus entrenching the north-south divide on the American continent even further. The situation in Sub-Saharan Africa proved less dire, with economic activity slowing down by only 1.9%. Growing debt levels, however, continue to pose a significant problem in this region despite temporary debt service suspension offered by official lenders. As far as 2021 is concerned, recovering commodity prices are expected to foster economic growth in Africa as well as in Latin America.

Europe.

The export-driven European economy was particularly exposed to the crisis in 2020.

European Union (EU). With aggregate GDP contracting by 6.3%, the European Union witnessed a deeper recession than in the aftermath of the 2008/09 financial and economic crisis.

EU economy contracted by 6.3%.

Regarding the prospects of recovery, a mixed picture is to be expected: While Europe's leading industrial powerhouses like Germany are more likely to make up for pandemic-induced losses as early as in 2021 thanks to reinvigorated global demand, the tourism-dependent economies in the south are set to take longer to bounce back. On the positive side, much-needed investment projects should result from the EUR 750 billion recovery fund agreed upon in July 2020. Another encouraging achievement in the year under review was the new trade and cooperation agreement between the EU and the UK, which entered into force at the beginning of 2021.

Eurozone. Economic activity in the Eurozone decreased by 6.6% in 2020 (previous year: +1.3%). First and foremost, this decline was attributable to the challenging situation in the service sector and to weak private consumption. The inflation rate shifted away from the European Central Bank's (ECB) medium-term target of 2% and averaged a mere 0.3%.

For 2021, an increase to 1.4% is predicted. Apart from its continuous low-interest policy, the ECB has also remained committed to bond purchases under the PEPP stimulus package ("Pandemic Emergency Purchase Programme"). A return of the Eurozone economy to its pre-crisis level is currently projected for the spring of 2022.

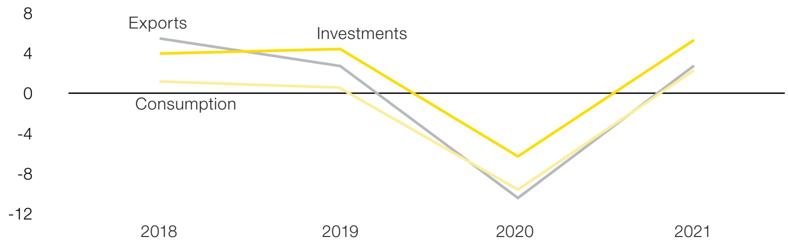
Central and Eastern Europe. Economic activity in Central and Eastern Europe (CEE) slowed as well in 2020. Disruptions in international supply and value chains, for instance, led to a GDP decrease ranging between 5.0% (Hungary) and 5.6% (Czech Republic) in Austria's neighbouring countries. The best-performing economy in the Western Balkans, Serbia, was much less affected by the crisis and registered a GDP drop of only 1.0%. Looking ahead, new growth opportunities for the CEE region may arise not only from expected EU transfers under the recovery fund, but also from the reshoring of strategically important production processes, especially from Asia.

Austria.

GDP decline of 6.6% in Austria.

The Austrian economy was marked by a GDP decline of 6.6% in 2020. Despite signs of recovery over the summer months and a steady expansion of industrial production in the second half of the year, the downside effects of the pandemic-related containment measures could be mitigated only partially. The tourism and service sectors, in particular, bore the brunt of the restrictions. The national inflation rate was once again noticeably higher than the corresponding Eurozone value, averaging 1.8% in 2020.

Export, investment & consumption growth in Austria 2018–21.
(in %)



Turning to 2021, economists forecast a moderate growth rate of around 2%, primarily driven by government-supported investment activities of Austrian businesses.

1.1.2 Definition of market.

Kapsch TrafficCom is a globally recognized provider of transportation solutions for sustainable mobility. Innovative solutions in the application areas of Tolling and Tolling Services as well as Transportation Management and Demand Management contribute to a healthier world without traffic jams.

Vision and mission.
Kapsch TrafficCom's mission is to develop innovative transportation solutions for sustainable mobility. Road users should be able to arrive at their destination conveniently, safely, efficiently, and on time with a minimal amount of environmental pollution. Kapsch TrafficCom's vision is to probe the limits of mobility for the benefit of a healthy world without traffic jams.

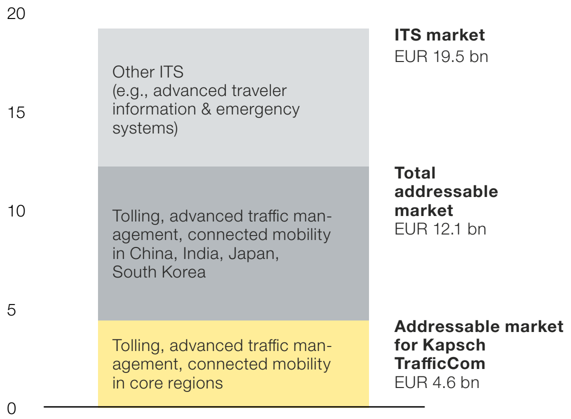
Target markets.
Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS) to achieve its vision and mission. Intelligent transportation systems support and optimize transportation (including infrastructure, vehicles, users and industry). They use information and communication technologies for this. In the ITS market, Kapsch TrafficCom focuses on the segments of Tolling and Tolling Services as well as Transportation Management and Demand Management.

Focus on niche markets with volumes of EUR 4.6 billion (year 2020).

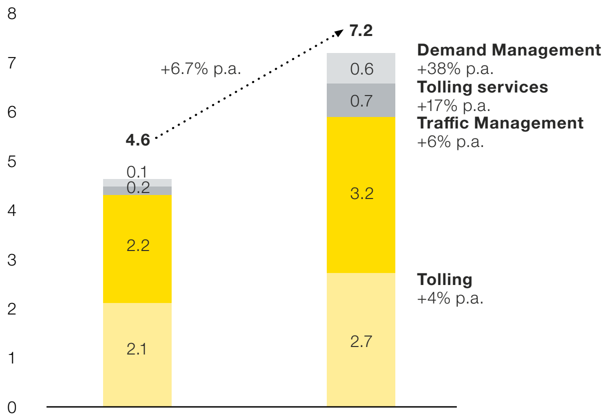
Core regions of business activity are Europe, the Americas, as well as Oceania (Australia and New Zealand).

Addressable market.
The addressable market for the company in 2020 had a volume of EUR 4.6 billion. It is expected that the market will grow annually by an average of 6.7% to EUR 7.2 billion in 2027.

Addressable market in 2020.
(in EUR billion**)**



Addressable market for Kapsch TrafficCom 2020–2027.
(in EUR billion)



Market drivers.
Kapsch TrafficCom identified the following market drivers:

Environmental protection. The Paris Agreement is an important global climate protection agreement and was adopted in December 2015 at the Paris Climate Change Conference. The European Commission ("European Green Deal") and U.S. President Biden are pursuing a reduction in greenhouse gas emissions. Road traffic plays a significant role here, as it is responsible for a substantial portion of the greenhouse gas emissions. Both transportation management and tolling solutions are recognized tools for influencing traffic and means of transportation.

Need for transportation infrastructure and its maintenance. Studies expect not only an increase in the global population, but also more private vehicles on the roads. As the volume of vehicles grows, it will be inevitably necessary to increase investments in road construction and maintenance. This is usually extremely expensive. At the same time, the increasing number of hybrid or electric vehicles is having a negative impact on mineral oil tax revenues. This means that an increase in the need for alternative financing models, including tolling solutions, can be assumed.

Urbanization. The percentage of people living in cities is increasing. Whereas in 1800 only 2% of the world's population was urban, in 2007 for the first time more than half of the world's population lived in cities. Based on a current figure of around 56%, the United Nations forecasts that the urban population will account for more than 60% of the population in 2030 and around 68% in 2050. At the same time, the world's population will rise from around 7.9 billion people today to 8.5 billion in 2030 and 9.7 billion in 2050. It is precisely in urban areas that private and professional mobility gives rise to major challenges. After all, buildings cannot simply be moved any which way to expand roads or even rebuild them. Furthermore, as the urban population grows, there will be an increase in the volume of business within a city as well as with business partners outside of the city. Since products must be delivered, a higher urban population tends to bring about an increase in the volume of transportation.

New means of transportation and services. Analysts expect that urban passenger traffic will more than double by 2050. Autonomous vehicles could intensify this trend. The existing road infrastructure will not be able to meet these needs, resulting in two consequences: the greater use of public transportation and shared means of transportation as well as—if not countered in an appropriate manner—more traffic jams. Furthermore, the shift toward electric vehicles will continue. Although this will reduce direct CO_2 emissions, the particulate matter problem will remain.

Connected mobility. Rapid technological progress is being made in vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication as well as in the area of autonomous driving. Already today, these developments are enabling increasingly better and more extensive applications for better driving comfort and greater driving safety. Furthermore, the new communications paths and enormous quantities of data will allow for substantial improvements in transportation management.

Data and artificial intelligence. Open data and open interfaces enable more extensive and higher-performing applications. The connected mobility is an important data source. Machine learning and artificial intelligence create new opportunities for data analysis, simulation, forecasting, and management.

Data security. The use of extensive quantities of data makes the protection of personal data and the handling of it more important.

Fundamental changes in the business environment of Kapsch TrafficCom. The aforementioned market drivers have already sparked the following trends:
- While the ITS industry relied heavily on hardware in the past, it is increasingly shifting towards software platforms. More and more, module solutions and cloud applications are playing a role.
- Offered services put the focus on the user and are integrated into platforms and devices preferred by them.
- Payment solutions are integrated into vehicle technology, and new payment technologies are being launched on the market.
- Intelligent transportation infrastructure can be achieved with more affordable sensors, modules, and connection technologies. Specific domain knowledge and the need for customer-specific solutions will remain important, however.
- New solutions can be rolled out quickly on a global scale.

1.1.3 Course of business.

Management took an optimistic look at the future to begin the financial year 2020/21. Some negative effects from the previous year would negatively impact the new financial year, but the assumption was that the worst was behind the company. What only became apparent over the course of the year, however, was the scope of the repeatedly necessary margin adjustments in North America and the impact of COVID-19. Therefore, it was even more important to initiate the “Mission re/invent” program before summer 2020 in order to introduce short-term cost reduction measures and create the basis for sustainable growth.

At the beginning of October 2020, it was clear that another negative EBIT was to be anticipated. The consequence of this was that management suspended the existing dividend policy for the foreseeable future and announced that no dividend was to be expected for financial year 2020/21. Furthermore, the company began to work on a restructuring concept that would strengthen and complement the measures laid out in Mission re/invent.

Mission re/invent.
This is a transformation program that will be implemented in three overlapping parts:
- Part 1 is referred to as “re/charge” and was started before summer 2020. It will come to an end on March 31, 2021. The goal was to identify, initiate, and implement cost savings for financial years 2020/21 and 2021/22.
- Part 2 is called “re/focus.” The main goal is to reduce the complexity of the corporate structure and internal processes. This should increase the efficiency of the organization and produce sustainable cost savings. Re/focus began in Q3 2020/21 and will run for one year.
- Part 3 is named “re/launch” and stands for a transformation process based on the strategy 2027. Re/launch began in Q4 2020/21 and will also run for one year.

A central goal was and is a sustainable reduction of the company’s cost basis, so that operating profits can be generated even with substantially lower revenues than in previous years. At the same time, the company should be set up for future growth. As financial year 2020/21 progressed, it became increasingly clear that the expectations for revenues and profit would have to be rolled back more and more. That is why a restructuring plan was prepared in the third quarter on top of the activities in Mission re/invent.

It identifies, for example, the following measures that were implemented to reduce costs or are in the process of implementation:
- High degree of standardization in the product portfolio. This will decrease development and maintenance costs.
- Consolidation of development locations.
- Use of synergies and merging of competences, primarily in the area of project implementation.
- Adjustment of manager-to-employee ratio to reduce management levels.
- Reduction in personnel, reassignment of positions, reduction in expenditures for external employees.
- Adjustment of lease space and optimization of capacity utilization in existing space.

The restructuring program was largely implemented in financial year 2020/21; some of the expenses related to the measures will be recognized in the following financial year, however. A few individual steps in the implementation process will first take place over the course of financial year 2021/22.

Kapsch TrafficCom is working on improving the collaboration between global areas and transferring more autonomy and decision-making power to the local teams. This should enable the company to succeed in focusing more on the needs of customers locally and doing this more efficiently.

COVID-19.
The impact of COVID-19 on Kapsch TrafficCom appeared to be minimal at the beginning of the financial year. The most obvious change was the shift of large parts of staff to home office. In this context, the company profited from its outstanding IT infrastructure. Naturally, the number of business trips and thus travel expenses fell substantially. As the year progressed, four developments were observed:
- Revenues from the profitable Components segment suffered as a result of decreased transportation volume. They were more than a third lower relative to the same period in the previous year. Revenues from tolling services also fell substantially due to the lower transportation volume – in Europe by around two-thirds relative to the budget.
- There were more delays, on the one hand, in tenders and contract awards – these related primarily to the implementation business – and, on the other, in the supply chain in individual cases.
- Visibility regarding new business decreased significantly.
- The acquisition of new business was sluggish throughout the entire financial year.

1.2 Financial and non-financial performance indicators.

1.2.1 Results of operations.

Net sales of Kapsch TrafficCom AG reached EUR 129.1 million in financial year 2020/21, thus down by 32.8% on the previous year (EUR 191.9 million). The Tolling segment (formerly: Electronic Toll Collection, ETC) generated net sales in the amount of EUR 104.3 million (previous year EUR 170.7 million). The Traffic Management segment (formerly: Intelligent Mobility Solutions, IMS) exhibited an increase in net sales from EUR 21.2 million in the previous year to EUR 24.8 million in financial year 2020/21.

Thanks to restructuring measures, the Company managed to decrease personnel expenses by EUR 1.5 million to EUR 40.7 million (previous year EUR 42.2 million). The average number of staff decreased by 39 persons.

Other operating expenses were down by EUR 1.5 million from EUR 48.2 million to EUR 46.6 million.

The operating result (EBIT) of Kapsch TrafficCom AG amounts to EUR -45.0 million in the reporting year compared to EUR -11.4 million in the previous year, mainly resulting from the decline in net sales.

The financial result improved significantly from EUR -8.9 million in the previous year to EUR 3.4 million, primarily resulting from higher income from participating interests.

1.2.2 Net assets position.

Total assets of EUR 501.6 million at the balance sheet date March 31, 2021 decreased by EUR 18.4 million compared to the end of financial year 2019/20 (March 31, 2020: EUR 519.9 million).

Fixed assets decreased by EUR 30.9 million to EUR 286.8 million as at March 31, 2021 (previous year: EUR 317.7 million). This change mainly results from the write-down on shares in affiliated companies at a total of EUR 29.3 million in financial year 2020/21. Inventories decreased from EUR 31.9 million to EUR 21.6 million due to value adjustments in the amount of EUR 9.9 million. Intercompany receivables (including loans) increased from EUR 169.7 million in the previous year to EUR 192.9 million in the reporting year 2020/21. Liquid funds of EUR 24.6 million declined by EUR 2.9 million compared to the previous year (previous year: EUR 27.6 million).

At EUR 229.1 million, equity was below the amount of EUR 255.0 million as at March 31, 2020. At 45.7%%, the equity ratio decreased as at March 31, 2021 as compared to the previous year (previous year: 49.1%).

Long-term liabilities decreased from EUR 192.8 million in the previous year to EUR 144.8 million as at the balance sheet date March 31, 2021 due to partial reclassification to short-term bank loans and overdrafts and other liabilities. Group payables increased by EUR 13.9 million as compared to the previous year (EUR 31.3 million). Other liabilities increased from EUR 3.3 million in the previous year to EUR 47.3 million as at the balance sheet date March 31, 2021. The main reason for this change was the reclassification from long-term to short-term of the parts of promissory note bonds that were due for redemption in mid-June 2021 (EUR 43.4 million).

1.2.3 Financial position.

The net cash flow from operating activities amounted to EUR 6.8 million after EUR 33.4 million in the comparative prior-year period.

At EUR -18.8 million (previous year: EUR -62.8 million), the net cash flow from investing activities mainly results from an increase in financial loans to affiliated companies in the amount of EUR 7.8 million and other financial investments in the amount of EUR 9.5 million as well as a positive net cash flow resulting from the sale of Q-Free ASA, Norway.

The net cash flow from financing activities in the amount of EUR 9.0 million (previous year: EUR 37.3 million) resulted from the partial repayment of bank loans.

Cash and cash equivalents amounted to EUR 24.6 million as at March 31, 2021 (March 31, 2020 EUR 27.6 million).

1.2.4 Non-financial information.

Kapsch TrafficCom Group prepares a separate consolidated non-financial report that complies with the legal requirements of Section 267a Austrian Commercial Code (UGB).

1.3 Research and development.

The established structure with Solution Centers and a Corporate Technology function ensures a tight alignment of the company's solution portfolio, the technology capabilities and innovation with the company's strategy.

Solution Centers oversee a specific market segment. Their task is to define, develop, market – in close cooperation with the sales regions – and manage the products and solutions in their area of responsibility. Furthermore, the Solution Centers are involved in the delivery of technical solutions and support the sales regions to ensure a seamless delivery of customer-specific solutions.

Corporate Technology is a cross-functional organization supporting the Solution Centers. Major objectives and tasks are:
> to identify and evaluate emerging new technologies as a key lever to stay competitive
> to develop and integrate solutions involving and impacting different Solution Centers
> to provide and manage tools, processes, and company-internal development environments
> to develop and maintain common services and modules used by the Solution Centers
> to support with IPR (intellectual property rights) issues

In line with Strategy 2027, Kapsch TrafficCom has started a technology transformation program that will be the foundation for all of the company's future activities in the area of technology.

The aims of this program are to strengthen, adapt and evolve the product and solution portfolio as well as technologies in accordance with the new corporate strategy. Key elements of this program are:
> Innovation as a strategic competitive advantage.
> Agility to be competitive in a fast-changing environment.
> Evolution of technologies and solutions towards the business models envisioned in Strategy 2027.
> Adaptation of the organization and its capabilities.

In financial year 2020/21 Kapsch TrafficCom's patent portfolio was reduced to strictly focus on the Company's core business areas.

Patents which were not in use or with outdated technology were abandoned. As of March 31, 2021, the patent portfolio consisted of 140 patent families (compared to the previous year, 23 were abandoned and three expired) with 1,054 individual patents and 81 patent applications.

Amtech Systems, LLC filed lawsuits against Kapsch TrafficCom in November 2020 in US Federal District Court in Texas and the International Trade Commission. Both lawsuits allege Kapsch TrafficCom infringement of Amtech-held US patents related to RFID technology for multi-protocol readers and tolling transponders. Kapsch TrafficCom denies infringement of the patents and is vigorously defending the lawsuits.

Kapsch TrafficCom strives to mitigate the risk of patent infringements and to foster the patenting of new ideas. Hence, the IPR management focusses on supporting product management and product development. Patent analysis in various areas ensures that products and solutions are actually free to operate. Patent applications of competitors as well as in other relevant technology segments are analyzed to gain a better overview of the strategies of competitors.

Kapsch TrafficCom has major development sites in Austria, Sweden, Argentina, the USA, Canada and Spain. These sites all around the globe support the research and development initiatives in the areas of programming, systems engineering and various other related technology activities. On March 31, 2021, Kapsch TrafficCom employed worldwide 762 engineers (previous year: 942 engineers) for its research and development activities.

The research and development expenses of Kapsch TrafficCom AG amounted to EUR 39.3 million in financial year 2020/21 (previous year: EUR 43.9 million).

2 Anticipated development and risks.

2.1 Outlook.

After two negative years with extensive restructuring, financial year 2021/22 should be a period of stabilization and solidification until a dynamic course of growth is pursued again. So that this can be implemented over the long term, it is necessary to have a stable foundation.

Management of Kapsch TrafficCom assumes that positive results will be generated again in the financial year 2021/22 and has the following expectations:

Net sales.
A decent growth in net sales should be assumed despite the ongoing low visibility in regards to new business. Ultimately, the focus in North America, the most important growth market of the company, is on the stabilization of the organization as a result of extensive restructuring measures. New business is being pursued there with special attention paid to the implementation risk and the margins In South Africa, the running contract with the South African National Roads Agency (SANRAL) is expected to end in December 2021. The project contributes around EUR 3.7 million per month to Group revenues at the present time.

EBIT (operating result).
The implemented measures to reduce the cost basis should show success and make the EBIT positive again. In this context, follow-up effects and additional expenses in connection with the restructuring must be expected in particular in Q1 2021/22. For the full year, management expects an EBIT margin in the lower single-digit percentage range.

Dividend.
The Executive Board, as already discussed, will not propose a dividend payout for the loss year of 2020/21 at the AGM 2021. A distribution also appears unlikely for the following financial year due to the planned investments in the context of the implementation of the Strategy 2027.

Management will make every effort to pay out distributions again and ideally return to the suspended dividend policy as soon as it is economically feasible from the company's point of view. The core of this policy was the payout of a minimum dividend of either EUR 1.00 per share or one-third of the consolidated net profit for the period per share – depending on which of these two values was higher.

In order to protect the company's capital base against unanticipated developments, the Executive Board of the forthcoming AGM will propose that authorization for a capital increase be granted. This resolution on the capital increase should make it possible to raise the share capital by up to 1.3 million shares, which equates to 10%.

2.2 Risk report.

2.2.1 Risk management.

In financial year 2020/21, Corporate Risk & Opportunity Management was integrated into the Group Risk & Internal Audit department. The goal of this was to strengthen the “combined assurance,” i.e., the coordinated and integrated cooperation between entrepreneurial positions with a direct or indirect connection to risk and to improve existing governance structures. As a result, the focal points of the formerly autonomous department, Enterprise Risk Management (ERM), and project-related risk management are now effectively supported by the Audit and Insurance department and synergy effects will be used as much as possible.

ERM aims at an early identification, assessment, and management of those risks that can affect the achievement of the strategic and operating objectives of the company. The primary goal is not risk avoidance. It is much more a question of the controlled and conscientious handling of risks and the timely recognition and exploitation of opportunities that arise. ERM makes a valuable contribution to corporate management.

As part of ERM, major risks are identified, quantified, and globally aggregated on a quarterly basis. The risk report derived from this enables the concise assessment and monitoring of the major business risks. The report is sent to the Executive Board, the Audit Committee of the Supervisory Board, and the first reporting level.

The project-oriented risk management encompasses both customer projects and internal development projects. Using institutionalized processes, an analysis of all relevant risks and opportunities is already carried out in the course of offer preparation. Consequently, a basis is created for decisions and for the timely planning and implementation of control measures.

Risk management entails the identification, assessment and control of risks.

Measures in connection with the COVID-19 pandemic. The corporate management of Kapsch TrafficCom set up an interdisciplinary task force group at the beginning of the pandemic to intensively address the coronavirus and its impact on the company. The team held frequent discussions and is in close contact with regional management and the members of the Executive Board. The task force consists of members of the departments Business Continuity Management, Facility Management, Information Security, International Subsidiaries, Management Systems & IT, Global IT, Human Resources, Management System HSSEQ & Process Management, Marketing & Communication, Travel Management, and the Works Council.

The main generic risks and opportunities of Kapsch TrafficCom and the general handling of these risks are briefly discussed in the following.

2.2.2 Industry-specific risks.

Volatility of new orders. Kapsch TrafficCom’s most relevant customer groups include government agencies and municipal authorities as well as private concessionaires, public-private partnerships and consumers. Larger contracts are usually tendered. Until a contract is actually awarded to Kapsch TrafficCom, there are a number of uncertainty factors both within and outside of the company’s area of influence. For example, political changes, appeals or lawsuits by unsuccessful bidders can lead to a delay in the awarding of a contract, to its cancellation or to a modification of the tender. There is also the risk that offers made by Kapsch TrafficCom will not succeed for technological, financial, formal or other reasons.

Geographic diversification and expansion of the product portfolio contribute to stabilizing revenues.

The continuous expansion into new business areas that are compatible with the core business of Kapsch TrafficCom is intended not only to increase revenue but also to smooth over revenue spikes in the interest of more stable revenue development. This is to be achieved through increasing geographic diversification, by further broadening the customer and product portfolios, and by increasing the share of revenue from operations (technical and commercial operations of systems usually built by the company). The latter is usually commissioned on a long-term basis and is therefore characterized by better predictable revenues.

The economic situation of relevant national economies, possible government investment programs, changes in political priorities, an increasing focus on sustainability, trade conflicts, military conflicts or epidemics can have a significant impact on incoming orders. For example, the sudden and rapid spread of COVID-19 has increased uncertainty with regard to new incoming orders. Previous assumptions, particularly regarding the expected time of new customer orders had to be questioned and revised in some cases.

Risks of project execution. Intelligent mobility solutions are frequently ambitious and technologically complex systems, that must be implemented within a strict time frame. However, the final project environment cannot be fully analyzed and taken into account during the preparation of an offer. Therefore, uncertainties remain with regard to integration efforts for third-party systems, efforts for interfaces and other factors accelerating or delaying the handling of projects. Unavoidable dependencies on suppliers and service providers can also have a negative effect on the quality and timely completion of a project. All of these factors affect the risk of missed deadlines and/or system and product defects.

Technical challenges and tight schedules produce typical project risks.

In connection with the installation of systems, Kapsch TrafficCom is generally contractually obligated to issue performance and delivery date guarantees. If the contractual services are not fulfilled or if deadlines are exceeded, penalties and damages usually have to be paid, in some cases even damages for lost toll revenue. Significant missed deadlines can also result in premature termination of a contract by the customer. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or failed implementation of a project could reduce the chances of success in future tenders. There is also the risk that projects of Kapsch TrafficCom cannot be realized at the previously calculated costs. Due to the strong social opposition to toll systems that is sometimes encountered, the risk of a late or limited start to toll collection exists, which can have further consequences on revenues, profitability and payment flows in the operation project.

Kapsch TrafficCom employs project management methods and project risk management procedures based on the IPMA (International Project Management Association) standards in order to minimize such risks in projects.

Long-term contracts with public agencies. For many projects, contracts are awarded by public agencies. Framework agreements and service contracts in connection with toll or traffic management projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous for Kapsch TrafficCom. Some multi-year contracts contain demanding requirements regarding the targeted performance of the implemented systems, components and processes. Failure to meet these requirements can result in considerable contractual penalties, obligations to pay damages or termination of the contract. On the other hand, in some contracts substantial bonus payments may be earned in the case of over-performance. Moreover, in the case of long-term contracts, the achievable margins can also differ from the original calculations due to changes in costs.

Liabilities arising from contracts may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While Kapsch TrafficCom aims to include appropriate limitations to its liability in contracts, it is still impossible to guarantee that all contracts contain sufficient limitations to the Group's liability or that these limitations can be enforced under applicable law.

2.2.3 Strategic risks.

Ability to innovate. The strong market position of Kapsch TrafficCom is based to a large extent on its ability to develop high quality, efficient and reliable systems, components, products and services. Kapsch TrafficCom is committed to ongoing and consistent innovation. In order to maintain its high technological standards, Kapsch TrafficCom invests a considerable portion of its revenues in research and development activities. However, if the Group does not succeed in developing innovative systems, components and products that meet the needs of the market, this can be detrimental to the competitive position of Kapsch TrafficCom.

An ongoing and consistent innovation process supports the strong market position.

Since the striving for innovation leadership is based to a large extent on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative impacts on the market position of Kapsch TrafficCom. The company therefore places great importance on protecting technologies and the company's internal know-how, such as through patents and non-disclosure agreements with contractual parties. Moreover, it is possible that newly developed systems, components, products or services could infringe on the intellectual property rights of third parties.

Acquisition and integration of companies as part of the Group's growth. The Group can grow internationally both organically and through selected acquisitions or the establishment of joint ventures. In the course of these activities, it is necessary to overcome a number of challenges in order to achieve the desired goals and synergies and to realize the expected opportunities from the acquisition of new technologies and market know-how.

The international growth is opening up new opportunities but also poses risks.

Country risk. Due to the further expansion of business activities in countries outside of Europe, Kapsch TrafficCom is subject to increased political risk in these countries. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate projects in these countries as well as to make funds available or withdraw them again. Interference with the property rights of Kapsch TrafficCom or problems with business practices and activities may also arise. Kapsch TrafficCom includes these risks in the evaluation of such projects.

2.2.4 Financial risks.

Foreign exchange risk. As a global company, Kapsch TrafficCom maintains branches, offices and subsidiaries in many countries outside the euro zone. In the course of implementing projects outside the euro zone, transaction risks arise from possible exchange rate fluctuations that can be reflected in the consolidated financial statements as exchange rate losses or gains. Kapsch TrafficCom strives as far as possible to avoid these transaction risks in the amount of the net currency positions from the respective projects or to hedge them, if necessary. However, because the net currency position at the respective payment flow deadlines is often difficult to predict, hedging is only possible to a limited extent. The remaining exchange rate risk is accepted and included in the business planning. Due to the conversion of individual financial statements of the subsidiaries outside the euro zone into the group currency of the euro, Kapsch TrafficCom is also subject to a translation risk. In addition, long-term disadvantageous exchange rate changes can also cause a change in the position of Kapsch TrafficCom relative to competitors, such as when products or services based on a euro-cost structure can no longer be offered at competitive prices outside the euro zone.

Financial risks arise from exchange rate and interest fluctuations as well as loans. Sufficient liquidity increases flexibility and the ability to take quick action.

Liquidity risk. Sufficient financial resources have to be available for Kapsch TrafficCom to meet its payment obligations at all times. Medium- and long-term financing must be available in order to carry out large-scale projects, such as implementing a nation-wide toll system under agreed delayed payment terms from the client, and to acquire other companies. Additionally, implementing large-scale projects often requires the provision of significant bank guarantees to secure bid obligations (bid bonds) or to secure possible warranty claims (performance bonds).

In financing agreements, Kapsch TrafficCom is subject to the usual limitations of its business policy, such as with regard to taking on additional borrowings, the use of assets as collateral or the provision of guarantees and sureties in favor of third parties. The availability of financing and bank guarantees depends not only on market conditions but in particular on the net assets, financial position and earnings situation of Kapsch TrafficCom. A lack of liquid assets (even if the Group is otherwise essentially solvent), of financing or of bank guarantees could in turn have an extremely adverse impact on the net assets, financial position and earnings situation of Kapsch TrafficCom. The Group is constantly checking the observance of all convenants in connection with loan agreements.

Furthermore, the liquidity risk is addressed by ongoing group-wide cash flow planning. Potential liquidity shortages can be identified this way and adequate countermeasures can be taken in good time.

Interest rate risk. Within the framework of project financing, the Group regularly agrees to variable interest rates that are tied to market interest rates (e.g. Euribor). In this context, there is an interest rate risk, which — where material — is hedged by suitable financial instruments.

Credit risk. Kapsch TrafficCom is exposed to the risk of non-payment by customers. The main customers of Kapsch TrafficCom are to a large extent state agencies, especially in connection with the implementation or operation of nation-wide or regional toll and traffic management systems. Kapsch TrafficCom also acts as a subcontractor to third parties (concessionaires, general contractors, etc.) in public sector projects. The scope of a potential non-payment varies depending on the size of the order and can have a noticeable impact on the earnings situation in the case of individual large projects. In principle, however, the customers for such large projects are public agencies. The creditworthiness of new and existing customers is evaluated, and hedging is performed according to the assessment of the existing non-payment risk. In addition, Kapsch TrafficCom takes advantage of offers from public institutions, such as OeKB (Oesterreichische Kontrollbank AG), EKN (Exportkreditnämnden; Swedish National Export Credits Guarantee Board) and MIGA (Multilateral Investment Guarantee Agency), to hedge against the non-payment risk on the basis of guarantees. There is also a risk that counterparties of both original and derivative financial instruments (including financial institutions assumed to have good credit ratings) cannot meet their payment liabilities when due. A payment default or the need to impair receivables could have an extremely adverse impact on the net assets, financial position and earnings situation of Kapsch TrafficCom.

2.2.5 Personnel risk.

The success of Kapsch TrafficCom depends heavily on key personnel with many years of experience. More-over, the Group's ability to recruit qualified staff, integrate them into the company and retain them over the long term is critical. The loss of key personnel and difficulties in the recruitment of personnel could adversely affect the success of the Group.

Kapsch TrafficCom is taking attractive measures to counteract personnel risk.

Kapsch TrafficCom employs attractive measures to counteract this risk, such as incentive schemes and opportunities for training and further education. A periodical employee survey supports Management to raise current concerns, worries and wishes as well as the general mood situation.

2.2.6 Legal risk.

A large number of regulations and legal requirements must be observed in connection with participation in public sector tenders, the establishment and operation of toll and mobility solutions, acquisitions and cooperations as well as capital market issues. It may take a considerable administrative, technical and commercial effort to capture, monitor and enforce all compliance requirements. If applicable regulations or official requirements cannot be met or fulfilled, this can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

The expansion of business activities into new regions and into select new business fields tends to increase the risk of patent violations or the violation of intellectual property rights (IPR), which could result in financial damages from lawsuits, court actions and settlement proceedings. Kapsch TrafficCom attempts to counteract this risk as far as possible by performing an evaluation of possible IPR violations prior to entry into new markets or regions, for example. However, it is not possible to completely avoid this risk.

2.2.7 IT risk.

As a technology company, Kapsch TrafficCom is exposed to common IT risks in terms of the security, confidentiality and availability of data. To this end, Kapsch TrafficCom has introduced an IT risk management system based on the Corporate Risk and IT Security Application Method (CRISAM®) and is also certified according to ISO/IEC 27001 (Information Security Management) in many locations. Additionally, the toll system operation procedures of Kapsch TrafficCom in the region of Germany, Austria and Switzerland have been certified according to ISO 20000 (IT Service Management – similar to ITIL®), and CRISAM® has been implemented within the Group as an IT risk management tool.

2.2.8 Opportunities.

The enterprise risk management approach of Kapsch TrafficCom not only addresses risks but also encompasses the regular identification, evaluation and management of opportunities. The goal of these efforts is to manage the strategic orientation of the product portfolio and market activities through the early identification of opportunities and to develop corresponding potential.

Market opportunities exist in geographic diversification as well as increasing expansion of the customer and product portfolios, driven in part by the following factors.

Opportunities also arise with change requests from customers during the execution of a project. These change requests result in an expansion of the contractual components and are priced and paid separately.

Due to the increasing financing requirements of infrastructure projects and the growing need to relieve state budgets, there exists an opportunity to develop new markets, both in emerging and developing countries, as well as an opportunity to expand our activities into already developed markets.

The global rise in traffic volumes and the associated impact on the environment and society open up opportunities in the area of mobility solutions because measures such as tolling, traffic management and demand management are increasingly being employed as controlling instruments of environmental and traffic policy. In both segments this is creating opportunities to further develop and market the portfolio according to the new requirements.

The drive to increase the productivity of vehicles and vehicle operations as well as the rising comfort expectations of travelers also open up new opportunities for expanding the functionality of existing systems. Opportunities are available to attract new customers or to serve both public contractors and end customers with new concepts. Special mention should be made of opportunities in the area of tolling services.

Other opportunities. Constant innovation, technical advancements and the acquisition of new technologies through company acquisitions create opportunities for Kapsch TrafficCom to improve the efficiency and performance of customer systems as well as to gain a technological edge over competitors with regard to the performance and functionality of the offered systems.

2.2.9 Overall assessment of the risk situation.

From the current perspective, no risks have been identified that could endanger the continued operations of Kapsch TrafficCom. Through the geographic diversification as well as the continued broadening of the product and solution portfolio and the development of new business models through selected new ITS solutions, the business model of Kapsch TrafficCom has been expanded without necessitating a departure from the core business field. The concentration of risk in individual regions and individual large products was reduced in this way.

Impact of the COVID-19 Pandemic. The global economy in 2020 was dominated by the COVID-19 pandemic and the associated economic crisis. Kapsch TrafficCom, too, experienced a drop in sales especially for components, due to the decreased transportation volume. There were more delays, on the one hand, in tenders and contract awards and, on the other, in the supply chain in individual cases. In addition, visibility relating to new business decreased significantly. Overall, however, there was no significant effect of the COVID-19 pandemic on the risk situation of Kapsch TrafficCom.

2.3 Internal control system (ICS) with respect to the accounting process.

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was advanced again in financial year 2020/21, and internal work processes were checked for compliance, accuracy, correctness, expediency and economic efficiency by the internal audit department. This aims to increase efficiency and at the same time reduce risk in the group and showing alternative courses of action to management.

Compliance with the internal control system is evaluated by Internal Audit.

The processes for group accounting and reporting are based on an accounting manual (IFRS Accounting Manual) that is issued and regularly updated by Kapsch Group. It specifies the main accounting and reporting requirements based on International Financial Reporting Standards (IFRS) throughout the Group. Another important basis of the ICS is the group guidelines, work instructions and process descriptions.

The central elements of the ICS process include regular execution of the principle of dual control and the segregation of duties as well as defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and compliance with relevant legal regulations. In this regard, Kapsch TrafficCom acts based on international standards and best practices, such as COSO Enterprise Risk Management — Integrated Framework.

The accounting of business transactions in Kapsch TrafficCom is managed by a variety of software solutions. In a number of countries, the accounting has been outsourced to local tax accountants due to the small size of the subsidiaries. The individual companies submit reporting packages to the head office on a monthly basis containing all relevant accounting data pertaining to the income statement, the balance sheet and the cash flow accounting. This data is then entered into the central consolidation system (Hyperion Financial Management) on a monthly basis. The financial information is verified at the group level within Kapsch TrafficCom AG and forms the basis for the quarterly reporting in accordance with IFRS.

The Supervisory Board is kept informed of business developments by the Executive Board during regular meetings by way of consolidated presentations consisting of segment reporting, earnings development analysis containing comparisons of current figures with figures from the budget and the previous period as well as selected financial figures, forecasts, group financial statements and changes in the number of employees and order intake.

Local Management is responsible for implementing and monitoring the internal control system in accordance with the local requirements. The managing directors of the individual subsidiaries are ultimately responsible for establishing and designing internal control and risk management processes that meet the needs of the given company in view of accounting procedures as well as for ensuring compliance with the group-wide rules and guidelines. In order to provide better support to the management teams of the subsidiaries, an ICS-coordinator was established within the Finance department of Kapsch TrafficCom AG. This coordinator is responsible for the ongoing development of the ICS in the material individual companies of Kapsch TrafficCom Group, for initiating the improvement of identified weaknesses and for periodically reporting the status of ICS implementation to the Audit Committee of the Supervisory Board.

The internal control system is implemented locally and monitored centrally.

3 Other disclosures.

3.1 Disclosures on capital, share, voting and control rights and related agreements.

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2021. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. As at March 31, 2021, there were no other shareholders who held more than 10% of the voting rights in Kapsch TrafficCom AG. In financial year 2020/21 Kapsch TrafficCom did not acquire or sell any of its own shares and did not hold any as of the balance sheet date.

No shares with special control rights exist. No restrictions exist with respect to the exercising of the voting right by employees with capital participation. There are no special provisions regarding the appointment and recall of the members of the Executive Board and the Supervisory Board or modification of the articles of association. Neither authorized capital nor conditional capital currently exists at the company, which empowers the Executive Board to issue shares with the approval of the Supervisory Board and without (renewed) consideration by the annual general meeting. Conventional “change of control” clauses, which may lead to termination of the contract, relate to financing agreements, such as the promissory note bond (“Schuldscheindarlehen”) and further financing, totaling about EUR 183 million, or to various customer contracts in North America. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

3.2 Corporate Governance Report.

According to C-rule 61 of the Austrian Corporate Governance Code, it is pointed out that the consolidated corporate governance report can be accessed on the internet at https://www.kapsch.net/ktc/ir/Corporate-Governance.

Vienna, June 15, 2021

Georg Kapsch
Chairman of the Executive Board

André Laux
Member of the Executive Board

Alfredo Escribá Gallego
Member of the Executive Board

FINANCIAL STATEMENTS.

Primaries.

Balance sheet as at March 31, 2021.

In EUR		March 31, 2020		March 31, 2021
ASSETS				
A. Fixed assets				
I. Intangible assets				
1. Industrial property and similar rights and assets, and licenses in such rights and assets		20,741,081		18,877,849
2. Prepayments made and assets under construction		211,571		474,251
Total intangible assets		**20,952,653**		**19,352,100**
II. Tangible assets				
1. Leasehold improvements		1,608,031		1,252,301
2. Technical equipment and machinery		462,519		371,966
3. Other equipment, factory and office equipment		1,545,373		1,418,753
Total tangible assets		**3,615,923**		**3,043,020**
III. Financial assets				
1. Shares in affiliated companies		199,735,418		177,011,189
2. Loans to affiliated companies		50,350,677		48,541,759
thereof with a remaining maturity of more than one year	50,350,677		0	
3. Participating interests		43,063,831		38,844,708
4. Securities		4,375		4,375
Total financial assets		**293,154,302**		**264,402,031**
Total fixed assets		**317,722,878**		**286,797,151**
B. Current assets				
I. Inventories				
1. Merchandise		7,750,382		3,517,127
2. Services not yet invoiced		23,676,746		17,671,343
3. Prepayments made		424,680		434,111
		31,851,808		**21,622,581**
II. Receivables and other assets				
1.Trade receivables		8,571,038		8,864,647
thereof with a remaining maturity of more than one year	0		0	
2. Receivables from affiliated companies		117,312,672		135,702,582
thereof with a remaining maturity of more than one year	0		45,684,896	
3. Receivables from companies in which the Company has a participating interest		2,077,380		8,699,033
thereof with a remaining maturity of more than one year	1,134,050		7,617,298	
4.Other receivables and assets		9,792,562		7,232,143
thereof with a remaining maturity of more than one year	0		0	
Total receivables and other assets		**137,753,653**		**160,498,405**
II. Cash on hand, cash at banks		**27,590,404**		**24,641,137**
Total current assets		**197,195,865**		**206,762,122**
C. Prepaid expenses and deferred charges		**2,277,290**		**1,995,865**
D. Deferred tax assets		**2,712,339**		**6,001,457**
TOTAL ASSETS		**519,908,372**		**501,556,595**

Balance sheet as at March 31, 2021.

In EUR		March 31, 2020		March 31, 2021
SHAREHOLDERS' EQUITY AND LIABILITIES				
A. Shareholders' equity				
1. Share capital called up and paid in		13,000,000		13,000,000
Share capital subscribed	13,000,000		13,000,000	
2. Capital reserves		117,400,000		117,400,000
3. Unappropriated retained earnings		124,617,212		98,739,168
thereof prior period unappropriated retained earnings brought forward	139,363,669		124,617,212	
Total shareholders' equity		**255,017,212**		**229,139,168**
B. Accruals and provisions				
1. Accruals for severance payments		7,747,159		6,564,989
2. Other accruals and provisions		16,910,396		22,665,816
Total accruals and provisions		**24,657,555**		**29,230,806**
C. Accounts payable				
1. Promissory note bonds		75,303,455		74,886,478
thereof convertible	0		0	
thereof with a remaining maturity of less than one year	0		43,386,478	
thereof with a remaining maturity of more than one year	75,303,455		31,500,000	
2. Bank loans and overdrafts		125,709,463		117,137,463
thereof with a remaining maturity of less than one year	17,497,463		29,997,463	
thereof with a remaining maturity of more than one year	108,212,000		87,140,000	
3. Prepayments received		651,513		548,233
thereof with a remaining maturity of less than one year	651,513		548,233	
thereof with a remaining maturity of more than one year	0		0	
4. Trade payables		3,970,949		2,114,769
thereof with a remaining maturity of less than one year	3,970,949		2,114,769	
thereof with a remaining maturity of more than one year	0		0	
5. Payables to affiliated companies		30,184,609		44,994,052
thereof with a remaining maturity of less than one year	30,184,609		27,009,084	
thereof with a remaining maturity of more than one year	0		17,984,968	
6. Payables to companies in which the Company has a participating interest		1,110,429		160,591
thereof with a remaining maturity of less than one year	1,110,429		160,591	
thereof with a remaining maturity of more than one year	0		0	
7. Other liabilities		3,303,188		3,345,037
thereof taxes	74,817		66,623	
thereof social security payables	815,580		751,456	
thereof with a remaining maturity of less than one year	3,303,188		3,345,037	
thereof with a remaining maturity of more than one year	0		0	
Total accounts payable		**240,233,605**		**243,186,622**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**519,908,372**		**501,556,595**

Income statement.

In EUR	2019/20		2020/21	
1. Net sales		191,930,368		129,066,571
2. Change in services not yet invoiced		-4,874,677		-6,005,403
3. Other operating income				
a) Income from the retirement of fixed assets excluding financial assets		15,918		19,574
b) Income from the reversal of accruals and provisions		317,775		457,835
c) Other		4,054,002		7,535,076
		4,387,696		8,012,485
4. Cost of materials and other purchased services				
a) Cost of materials		-37,223,239		-21,771,702
b) Cost of purchased services		-69,042,412		-61,455,064
		-106,265,651		-83,226,766
5. Personnel expenses				
a) Wages		-129,134		-85,955
b) Salaries		-32,085,268		-31,946,951
c) Social benefits		-9,983,301		-8,631,183
thereof expenses for pensions	-97,500		-18,750	
thereof expenses for severance payments and contributions to staff provision funds	-1,431,804		-366,850	
thereof expenses for statutory social security, payroll-related taxes and mandatory contributions	-8,184,259		-8,062,961	
		-42,197,702		-40,664,089
6. Depreciation and amortization of fixed tangible and intangible assets		-6,247,351		-5,543,548
7. Other operating expenses		-48,159,723		-46,633,110
thereof taxes not included in line 16	-287,486		-316,127	
8. Subtotal of lines 1 to 7		**-11,427,041**		**-44,993,860**
9. Income from participating interests		19,390,140		38,127,937
thereof from affiliated companies	19,390,140		38,127,937	
10. Other interest and similar income		6,230,901		6,087,823
thereof from affiliated companies	6,163,024		5,854,645	
11. Income from the disposal of fixed financial assets		0		1,930,329
12. Expenses on fixed financial assets		-32,144,743		-30,687,174
thereof write-downs	-32,137,373		-29,326,227	
thereof relating to affiliated companies	-26,490,357		-30,687,174	
13. Interest and similar expenses		-2,397,018		-12,058,083
thereof relating to affiliated companies	-291,133		-8,849,848	
14. Subtotal of lines 9 to 13		**-8,920,721**		**3,400,831**
15. Loss before taxation (subtotal of lines 8 and 14)		**-20,347,761**		**-41,593,029**
16. Taxes on income		5,601,304		15,714,985
thereof recharged to group parent	5,489,539		12,710,720	
thereof deferred taxes	153,043		3,289,118	
17. Loss after taxation		-14,746,457		-25,878,044
18. Net loss for the year		**-14,746,457**		**-25,878,044**
19. Prior period unappropriated retained earnings brought forward		139,363,669		124,617,212
20. Unappropriated retained earnings		**124,617,212**		**98,739,168**

Notes to the financial statements.

A. General principles.

The financial statements as at March 31, 2021 have been prepared in accordance with the financial reporting requirements of the UGB (Austrian Company Code) as amended.

In preparing these financial statements, the previous form of presentation has been maintained.

The financial statements, prepared under Austrian generally accepted accounting principles, present a true and fair view of the assets and liabilities, the financial situation of the Company, as well as its results of operations.

Accounting and valuation methods are based on generally accepted accounting principles. Ssection 201 para. 2 UGB was adhered to, as were the provisions on classification and valuation of balance sheet and income statement items under sections 195 to 211 and 222 to 235 UGB. The income statement was prepared in accordance with the total expenditure format.

The principle of completeness was observed in preparing the financial statements. With regard to the valuation, the Company's ability to continue as a going concern was assumed.

The principle of individual valuation was applied in the valuation of assets and liabilities.

Taking into account the principle of prudence, the Company only reported the profits realized as of the balance sheet date. All identifiable risks and impending losses occurred until the balance sheet date were taken into account.

Estimates are based on prudent assessment. If statistical experience exists for similar circumstances, it was taken into account by the Company in its estimates.

The impact of COVID-19 on Kapsch TrafficCom AG appeared to be minimal at the beginning of the financial year. The most obvious change was the shift of large parts of staff to working from home. Naturally, the number of business trips and thus travel expenses fell substantially. In the course of the year, sales in the components business decreased and more delays occurred with regard to tenders and the awarding of contracts on the one hand – this mainly affected the installation business – and with regard to certain parts of the supply chain on the other hand.

B. Group relations.

The Company is a 63.291% subsidiary of KAPSCH-Group Beteiligungs GmbH, Vienna, and thus is related to its shareholder and its affiliated companies as a group company.

DATAX HandelsgmbH, Vienna, prepares the consolidated financial statements for the largest group of companies. These consolidated financial statements are deposited at the Commercial Court Vienna.

The Company prepares the consolidated financial statements for the smallest group of companies.

With regard to the disclosure on the legal and economic relations with affiliated companies, the protection-of-interest clause pursuant to section 242 UGB was used.

C. Accounting and valuation methods.

The previously applied accounting and valuation methods have been maintained.

1. Fixed assets.

Purchased intangible assets and tangible assets are valued at acquisition cost less scheduled straight-line amortization/depreciation charged according to the estimated useful life of the assets.

Low-value fixed assets with individual acquisition costs of less than EUR 400 were fully written off in the year of acquisition or production.

1.1 Intangible assets.

Acquired IT software is amortized based on a useful life of between four and eight years.

In the reporting year, intangible assets in the amount of EUR 3,357,993.14 (prior year: EUR 6,156 k) were acquired from affiliated companies.

1.2 Tangible assets.

Tangible assets were depreciated on a straight-line basis over the following useful lives:

	Years
Investments in leasehold buildings	2-12
Technical equipment and machinery	2-5
Other equipment, factory and office equipment	2-15

No write-downs were charged in the financial year.

Additions to fixed assets are depreciated according to the date of their initial use.

1.3 Financial assets.

Financial assets are stated at acquisition costs or the lower market values at the balance sheet date. Write-downs/write-ups are made only in case a diminution/increase in value is expected to be permanent.

Write-ups to fixed assets.
Write-ups to fixed assets are made if the reasons for the write-down no longer apply. The maximum amount written up is the net book value resulting from taking into account the scheduled amortization/depreciation that would have had to be charged in the meantime.

2. Current assets.

2.1 Inventories.

The stocks of purchased goods, recorded by means of electronic data processing, were stated using the moving average price method. Inventories denominated in foreign currencies were stated using the exchange rate at the date of acquisition. Where required, write-downs were made to the lower replacement costs. A proportional deduction from acquisition or production cost was made for goods with diminished usability or marketability, which was derived from the respective inventory turnover ratio.

Services not yet invoiced were stated at acquisition or production cost which include direct costs as well as proportionate material and production overheads.

In case of long-term contracts, no administrative and selling overheads were capitalized, directly attributable finance cost was capitalized depending on the project. At the balance sheet date, there are no services not yet invoiced for which finance cost was capitalized. Expenses for social benefits were not included. To provide for losses from pending transactions arising from the projects, the asset affected is written off or provisions are set up.

2.2 Receivables and other assets.

Receivables and other assets were stated at nominal values. Identifiable risks were considered in the valuation of the individual receivables by write-downs. Non-interest-bearing receivables or receivables bearing particularly low interest were discounted.

Receivables in foreign currencies are translated using the exchange rate at the date of the original transaction or the lower bank buying rate prevailing at the balance sheet date.

2.3 Cash on hand, cash at banks.

Cash on hand and cash at banks denominated in foreign currencies are reported using the exchange rate at the date of the original transaction or the lower rate prevailing at the balance sheet date.

3. Prepaid expenses and deferred charges.

Prepaid expenses include payments effected before the balance sheet date as far as they relate to expenses for a specific time after the balance sheet date.

4. Deferred tax assets.

Deferred tax assets are recognized on differences between the valuation according to company law and the valuation according to tax law with respect to assets, accruals and provisions, accounts payable, prepaid expenses and deferred charges as well as deferred income which are expected to decrease in later financial years.

As a compensation of current tax assets with current tax liabilities was legally possible, deferred tax assets were offset against deferred tax liabilities.

5. Accruals and provisions.

The accruals and provisions were set up in accordance with the principle of prudence at the estimated amounts.

The accruals for **severance payments and the provisions for anniversary bonuses** were calculated as stated in the AFRAC (Austrian Financial Reporting and Auditing Committee) opinion 27 “Accruals for pensions and severance payments, provisions for anniversary bonuses and comparable obligations falling due in the long term under the provisions of the Austrian Company Code” (December 2020, available in German only) pursuant to accepted actuarial methods in accordance with IAS 19 using the projected unit credit method.

A discount rate of 0.4% (prior year: 0.5%) was used for the calculation of the provisions for anniversary bonuses and a discount rate of 0.35% (prior year: 0.45%) for the calculation of accruals for severance payments. A rate of 2.5% (prior year: 2.5%) was assumed for salary increases. Furthermore, the calculation was based on the earliest possible retirement age in accordance with the transitional statutory provisions and the mortality tables AVÖ 2018-P for salaried employees. Staff turnover rates were determined based on the period of service.

The interest rate used is the interest rate at the balance sheet date.

All changes in personnel-related accruals and provisions (including interest expense) were recorded entirely in personnel expenses.

In accordance with the principle of prudence, **other accruals and provisions** take into account all risks identifiable at the time the balance sheet was prepared and all liabilities uncertain as to their amounts or bases. Other accruals and provisions were stated at the best possible estimate of the settlement amount.

6. Accounts payable.

In accordance with the principle of prudence, accounts payable were valued at the settlement amount.

Payables in foreign currencies are translated using the exchange rate at the date of the original transaction or the higher bank selling rate prevailing at the balance sheet date.

Exchange gains or losses from foreign currency valuation are recorded entirely in the operating result (other operating income or other operating expense).

D. Comments on items in the balance sheet.

Assets.

Movements in fixed assets:

	Acquisition cost				
in EUR	**Balance April 1, 2020**	**Additions**	**Disposals**	**Transfers**	**Balance March 31, 2021**
I. Intangible assets					
1. Industrial property and similar rights and assets, and licenses in such rights and assets	44,164,131	5,317,689	-7,142,147	269,613	42,609,285
2. Prepayments made and assets under construction	211,571	532,293	0	-269,613	474,251
	44,375,702	**5,849,982**	**-7,142,147**	**0**	**43,083,537**
II. Tangible assets					
1. Leasehold improvements	6,623,147	23,005	-127,893	0	6,518,258
2. Technical equipment and machinery	2,753,869	32,472	-599,591	0	2,186,751
3. Other equipment, factory and office equipment	7,329,915	212,123	-312,308	0	7,229,730
	16,706,930	**267,600**	**-1,039,792**	**0**	**15,934,739**
III. Financial assets					
1. Shares in affiliated companies	212,271,520	8,030,805	-1,428,808	0	218,873,517
2. Loans to affiliated companies	71,856,838	0	-1,808,919	0	70,047,919
3. Participating interests	54,979,448	1,515,212	-5,734,335	0	50,760,326
4. Securities	4,375	0	0	0	4,375
	339,112,181	**9,546,017**	**-8,972,061**	**0**	**339,686,137**
Total fixed assets	**400,194,814**	**15,663,599**	**-17,154,001**	**0**	**398,704,413**

in EUR	Accumulated amortization/depreciation Balance April 1, 2020	Additions	Disposals	Transfers	Balance March 31, 2021	Net book values Balance March 31, 2021	Balance March 31, 2020
I. Intangible assets							
1. Industrial property and similar rights and assets, and licenses in such rights and assets	23,423,050	4,741,713	-4,433,326	0	23,731,437	18,877,849	20,741,081
2. Prepayments made and assets under construction	0	0	0	0	0	474,251	211,571
	23,423,050	**4,741,713**	**-4,433,326**	**0**	**23,731,437**	**19,352,100**	**20,952,653**
II. Tangible assets							
1. Leasehold improvements	5,015,116	378,734	-127,893	0	5,265,957	1,252,301	1,608,031
2. Technical equipment and machinery	2,291,350	122,597	-599,162	0	1,814,785	371,966	462,519
3. Other equipment, factory and office equipment	5,784,541	319,664	-293,229	0	5,810,977	1,418,753	1,545,373
	13,091,007	**820,996**	**-1,020,285**	**0**	**12,891,718**	**3,043,020**	**3,615,923**
III. Financial assets							
1. Shares in affiliated companies	12,536,102	29,326,227	0	0	41,862,328	177,011,189	199,735,418
2. Loans to affiliated companies	21,506,160	0	0	0	21,506,160	48,541,759	50,350,677
3. Participating interests	11,915,618	0	0	0	11,915,618	38,844,708	43,063,831
4. Securities	0	0	0	0	0	4,375	4,375
	45,957,880	**29,326,227**	**0**	**0**	**75,284,106**	**264,402,031**	**293,154,302**
Total fixed assets	**82,471,936**	**34,888,936**	**-5,453,611**	**0**	**111,907,262**	**286,797,151**	**317,722,878**

Financial obligations of the Company from the use of tangible assets not recognized in the balance sheet amount to:

Obligations from rental and lease agreements	2019/20	2020/21
	in EUR k	in EUR
In the following financial year	7,351	7,542,385
In the next 5 financial years	18,904	15,753,753

Financial assets.

Loans.

Loans amounting to EUR 48,541,758.95 (prior year: EUR 0 k) granted to affiliated companies have a residual term of less than one year. However, it is planned to extend the term of the loan or to convert it into equity.

Shares in affiliated companies and participating interests.

Supplementary disclosures pursuant to section 238 para. 1 subsec. 4 UGB

Figures as at March 31, 2021	Share in %	Shareholders' equity in EUR k	Result of financial year in EUR k	FN
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100.00	26,813	-3,878	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95.00	2,948	323	1)
Kapsch Components GmbH & Co KG, Vienna	100.00	7,218	1,440	1)
Kapsch Components GmbH, Vienna	100.00	138	7	1)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100.00	143,045	35	1)
Kapsch Telematic Services GmbH, Vienna	93.00	5,713	4,811	1)
Kapsch TrafficCom S.r.l.´a socio unico, Milan, Italy	100.00	20	101	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100.00	330	230	1)
Kapsch TrafficCom Ltd., Middlesex, United Kingdom	100.00	948	86	1)
Artibrain Software Entwicklungsgesellschaft mbH, Vienna	100.00	46	-1	1)
Kapsch TrafficCom Russia o.o.o., Moscow, Russia	100.00	352	-64	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	668	129	1)
Electronic Toll Collection (Pty) Ltd., Cape Town, South Africa	9.62	5,789	28,965	1)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100.00	4,827	-3,631	1)
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	100.00	54	-11	1)
KTS Beteiligungs GmbH, Vienna	100.00	685	451	1)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates	49.00	80	-54	1)
Kapsch Telematic Services IOOO, Minsk, Belarus	99.00	1,932	3,869	1)
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	51.00	37	2	1)
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	100.00	19,542	9,161	1)
tolltickets GmbH, Rosenheim, Germany	100.00	-629	-196	1)
Kapsch TrafficCom S.A.S., Bogota, Colombia	100.00	571	-525	1)
Intelligent Mobility Solutions Limited, Lusaka, Zambia	51.00	-13,103	-4,880	1)
MTS Maut & Telematik Services GmbH, Berlin, Germany	100.00	3,509	-695	1)
Kapsch TrafficCom Dominican Republic S.R.L., Santo Dominigo, Dominican Republic	99.00	397	307	1)
Kapsch TrafficCom Norway AS, Oslo, Norway	100.00	6	0	1)
SIMEX, Integracion de Sistemas, S.A.P.I. de C.V. Mexico City, Mexico	69.50	3,956	341	1)
Kapsch TrafficCom Peru S.A.C., Lima, Peru	99.93	-191	-180	1)
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	22.03	2,190	-1,225	1)
Kapsch TrafficCom Ireland Limited, Dublin, Ireland	100.00	24	24	1)
b) Participating interests				
Traffic Technology Services Inc., Beaverton, United States	42.19	9,800	-1,671	1)
MoKA SAS, Paris, France	50.00	251	1	2)
autoTicket GmbH, Berlin, Germany	50.00	-12,399	-12,783	2)

1) Figures as at March 31, 2021 (IFRS)
2) Figures as at December 31, 2020 (local law)

By purchase agreement dated September 30, 2020, Kapsch TrafficCom AG acquired the remaining 35% shares in tolltickets GmbH, Rosenheim, Germany.

By purchase and assignment agreement dated October 28, 2020, Kapsch TrafficCom AG sold its 75.5% participating interest in FLUIDTIME Data Services GmbH, Vienna, Austria.

As at November 26, 2020, Kapsch TrafficCom AG sold its 99% participating interest in Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic, to S&T AG, Linz, Austria.

In November and December 2020, Kapsch TrafficCom AG sold its 15.4% company shares in Q-Free Asa, Trondheim, Norway.

Of the **write-down on shares in affiliated companies** totaling EUR 29,326,226.85 in the financial year 2020/21, EUR 14,744,600.20 relates to Kapsch TrafficCom AB, Jönköping, Sweden, EUR 8,994,551.57 to Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa, EUR 4,902,761.00 to Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina, EUR 364,755.00 to Kapsch TrafficCom S.r.l.´a socio unico, Milan, Italy, EUR 134,317.00 to Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina, EUR 77,499.00 to Antibrain Software Entwicklungsgesellschaft mbH, Vienna, EUR 72,134.00 to KTS Beteiligungs GmbH, Vienna, EUR 34,999.00 to Kapsch Components GmbH, Vienna, and EUR 610.08 to Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan.

EUR 121,876 k of the shares in affiliated companies relates to Kapsch TrafficCom B.V., Amsterdam, the Netherlands, acting as holding company of the Kapsch TrafficCom North America Group. Moreover, loans to and loan receivables from affiliated companies in the amount of EUR 82,336k exist vis-à-vis the US companies (subsidiaries/sub-subsidiaries of KTC TrafficCom BV).

While the material US sub-subsidiary Kapsch TrafficCom USA Inc., McLean, US, had already incurred a loss in the financial year 2019/20, further significant losses in the amount of EUR 66,080k were incurred in financial year 2020/21 which mainly result from considerable cost overruns and adjustments to planned costs and margins for material projects. In response to the losses and the reasons for the losses identified in the financial year, management — assisted by external consultants — identified, resolved on and implemented measures which are expected to already lead to a positive development of results in the next financial year 2021/22. Based on this test for write-downs and on the multi-year plan updated in March 2021, no need for a write-down exists neither for the participating interest recognized in Kapsch TrafficCom B.V., Amsterdam, the Netherlands, nor for the outstanding loan receivables from and loans to the US companies as at March 31, 2021. The valuation depends on whether measures that have already been implemented and further measures that are still being implemented in the course of the “mission re/invent” program become effective, and whether a return to profitable business planning is achieved.

Current assets.

Inventories.
Valuation allowances in the amount of EUR 9,866,255.34 (prior year: EUR 8,028 k) were set up for inventories.

Receivables.
Receivables from affiliated companies pertain to trade receivables in the amount of EUR 71,643,302.12 (prior year: EUR 78,964 k), loan receivables in the amount of EUR 46,181,683.84 (prior year: EUR 38,349 k) and receivables resulting from tax allocation in the amount of EUR 17,877,595.93 (prior year: EUR 5,490 k).

Receivables from companies in which the Company has a participating interest pertain to loan receivables in the amount of EUR 7,617,298.33 (prior year: EUR 1,134k) and trade receivables in the amount of EUR 1,081,734.34 (prior year: EUR 943k).

Other receivables and assets mainly include research bonuses, receivables from fiscal authorities, accrued receivables and other receivables.

Other receivables include income in the amount of EUR 6,088,930.76 (prior year: EUR 5,313 k) that will affect cash flow only after the balance sheet date.

Deferred tax assets.
Deferred tax assets result mainly from temporary differences from accruals for severance payments, outstanding annual write-downs on shares in affiliated companies and participating interests as well as from fixed assets, and also include the amounts of the subsidiary Kapsch Components GmbH & Co KG, Vienna, whose taxable result is attributable to Kapsch TrafficCom AG, Vienna.

Deferred taxes include long-term temporary differences in the amount of EUR 5,428,715.59 (prior year: EUR 2,648 k).

Shareholders’ equity and liabilities.

Shareholders’ equity.

Disclosures on share capital.
The registered share capital of the Company amounts to EUR 13,000,000.00. The share capital is fully paid in. The total number of shares issued is 13,000,000. The shares are no-par value bearer shares.

Authorized capital.
The Annual General Meeting of Kapsch TrafficCom AG on September 10, 2019 authorized the Executive Board of Kapsch TrafficCom, for the duration of a period of 30 months, pursuant to section 65 para. 1 subsec. 8 as well as paras. 1a and1b AktG (Austrian Stock Corporation Act):

a. to purchase own shares on the stock exchange and over-the-counter up to a total amount of 10% of the share capital, also by excluding the shareholders’ pro rata disposal rights,
b. to determine a method of selling or using shares in a manner other than via the stock exchange or a public offer and also to exclude the shareholders’ pro rata subscription rights (exclusion of subscription rights),
c. to decrease the share capital of the Company by redeeming own shares without further resolution by the Annual General Meeting.

As at March 31, 2021, Kapsch TrafficCom AG has no own shares.

Proposed appropriation of retained earnings.
The Company intends to distribute no dividend and to carry forward the full amount of unappropriated retained earnings fully to the next financial year.

Amount subject to a prohibition of profit distribution.
According to section 235 UGB, unappropriated retained earnings in the amount of EUR 6,001,457.15 (prior year: EUR 2,712 k) resulting from deferred tax assets are not available for distribution..

Accruals and provisions.

Other accruals and provisions include the following items:

	March 31, 2020	March 31, 2021
	in EUR k	in EUR
Project-based accruals and provisions	8,463	11,582,729.85
Invoices not yet received (excl. projects)	968	4,641,913.05
Personnel-related accruals and provisions (including vacation accruals of EUR 2,300,913.46; prior year: EUR 2,638 k)	5,240	4,340,069.63
Restructuring costs	0	730,924.00
Warranties and liabilities for construction flaws, as well as production and system defects	396	510,745.19
Other accruals and provisions	1,843	859,434.45
Total	**16,910**	**22,665,816.17**

Accounts payable.

Of the payables, promissory note bonds in the amount of EUR 8,500,000.00 (prior year: EUR 8,500 k) and bank loans and overdrafts in the amount of EUR 20,000,000.00 (prior year: EUR 60,000 k) have a remaining maturity of more than 5 years. .

As at June 9, 2016, five promissory note bonds in the following amounts were issued:

Tranche	Interest rate	Interest fixing and interest payment	Repayment
EUR 26 million	1.22%	yearly	June 16, 2021
EUR 4.5 million	6M EURIBOR + 120 Bp	semi-annual	June 16, 2021
USD 14.5 million	3M LIBOR + 170 Bp	quarterly	June 16, 2021
EUR 23 million	6M EURIBOR + 150 Bp	semi-annual	June 16, 2023
EUR 8.5 million	2.26%	yearly	June 16, 2026

Due to the result in the financial year 2020/21 not all financial covenants could be complied with. Kapsch TrafficCom AG agreed on a new credit agreement with affected banks. This agreement confirms that, despite the non-compliance with the key figures agreed on as at the balance sheet date, the affected banks continue the consisting financing as well as future collaboration.

Additionally, in May 2021, new and uniform covenants for the upcoming two years were agreed with all banks which are based on the Group's planned development of results outlined in the restructuring concept. These covenants take into account that loans are redeemed in a timely manner as agreed. For a transitional period of two years, these covenants stipulate a certain relation of net debt to EBITDA (based on the IFRS group figures) for each quarter. Moreover, a certain equity ratio is to be achieved at the subsequent balance sheet dates. In the case these covenants are not achieved for the quarters/balance sheet dates and are not improved by implementing any measures such as the use of subsidies or subordinated loans, the lender is entitled to immediately call in the loan.

Payables to affiliated companies pertain to trade payables with the exception of liabilities resulting from tax allocation in the amount of EUR 0.00 (prior year: EUR 3,990 k).

Other liabilities include expenses in the amount of EUR 3,018,655.44 (prior year: EUR 2,921 k) that will affect cash flow only after the balance sheet date.

Collateral securities.

The export promotion loan recognized in the amount of EUR 1,425,462.56 (prior year: EUR 1,425 k) as well as the loan for acquisitions in the amount of EUR 10,712,000.00 (prior year: EUR 14,284 k) are secured by bill of exchange.

Contingent liabilities and other financial obligations.

in EUR	March 31, 2020	March 31, 2021
Assumption of liabilities on behalf of subsidiaries	42,653,954.55	36,296,807.47
Bank guarantees for the performance of contracts relating to projects	44,663,515.93	31,010,920.90
Payment guarantees	254,458.00	160,873.40
Performance bonds	192,044,713.28	153,342,613.93
Other guarantees (security deposits, bid bonds and sureties)	596,234.94	1,384,070.18
Total	**280,212,876.70**	**222,195,285.88**

In addition, Kapsch TrafficCom AG, Vienna, provided performance bonds for export transactions and projects of Kapsch TrafficCom AB, Jönköping, Sweden, at a contract value of EUR 8,587,142.24 (prior year: EUR 13.0 million).

As per April 24, 2019, the Company declared its intention to provide Kapsch Telematic Services spol. s.r.o., Prague, Czech Republic, with the necessary liquid funds to settle its liabilities until June 30, 2021.

Financial obligations and contingent liabilities vis-à-vis autoTicket GmbH, Berlin, Germany, relating to the agreement regarding the collection of infrastructure charges in Germany (passenger vehicle toll) dated December 30, 2018 (Operator Agreement):

In 2018, the joint venture autoTicket GmbH (autoTicket), Germany, was awarded the contract to collect the infrastructure charge (passenger vehicle toll) in Germany. Additionally and prior to this, the Group company MTS Maut & Telematik Services GmbH, Germany, was commissioned as the sole service contractor for the automatic control system of the German passenger vehicle toll in a separate award procedure. On June 18, 2019, the European Court of Justice (ECJ) published a surprising decision with far-reaching consequences: The German infrastructure charge (passenger vehicle toll) in its planned form and the simultaneous tax relief for passenger vehicles registered in Germany violate the principles of the European Union. On the following day, the customer terminated the contracts for the implementation and operation of the passenger vehicle toll effective September 30. The operating parties of the terminated contract relating to the project "passenger vehicle toll" are Kapsch TrafficCom, CTS EVENTIM and autoTicket. In December 2019, they jointly asserted claims against the Federal Republic of Germany in the amount of approximately EUR 560,000 k. However, the competent minister contested this claim and this matter is therefore to be resolved by an arbitration tribunal. Such proceedings might last for several years. The independent arbitration tribunal commenced its activities in the spring of 2020. Due to confidentiality provisions, more detailed information on these disputes cannot be disclosed.

In the operating agreement, the shareholders of autoTicket GmbH, Berlin, Germany, issued a limited-term joint and several liability declaration for an amount of around EUR 300,000 k to the Federal Republic of Germany, represented by the German Federal Motor Transport Authority ("Kraftfahrtbundesamt"). The independent arbitration tribunal commenced its activities in the spring of 2020 and is expected to make a decision on the legality of the basis of these claims in the fall of 2021. A claim is unlikely on account of the current state of proceedings and a legal appraisal.

Derivative financial instruments.

At the balance sheet date, derivative financial instruments break down as follows and are included in the following balance sheet items:

Figures as of March 31, 2021	Nominal amount	Number	Fair value [1]	Book value	Balance sheet item
Type of financial instrument					
Currency-related products					
Currency forward contracts	0.00	0	0.00	0.00	
Interest rate-related products					
Interest rate swap	USD 7,500,000	1	-26,233.18	26,233.18	other accruals and provisions
Interest rate swap (12/2026)	EUR 30,000,000	1	-272,942.92	272,942.92	other accruals and provisions
Interest rate swap (09/2027)	EUR 30,000,000	1	-93,001.07	93,001.07	other accruals and provisions

[1] A positive figure in the column refers to a positive fair value, a negative figure to a negative fair value.

Figures as of March 31, 2021	Nominal amount	Number	Fair value [1]	Book value	Balance sheet item
Type of financial instrument					
Currency-related products					
Currency forward contracts	ZAR 76,500,000	1	-1,831.94	1,831.94	other accruals and provisions
Interest rate-related products					
Interest rate swap	USD 7,500,000	1	-113,390.28	113,390.28	other accruals and provisions
Interest rate swap (12/2026)	EUR 30,000,000	1	-201,489.52	201,489.52	other accruals and provisions
Interest rate swap (09/2027)	EUR 30,000,000	1	59,145.76	n/a	n/a

[1] A positive figure in the column refers to a positive fair value, a negative figure to a negative fair value.

The fair value corresponds to the market value.

E. Comments on income statement items.

Breakdown of net sales.

	March 31, 2020	March 31, 2021
	EUR k	EUR
Toll (formerly: Electronic Toll Collection, ETC)	170,683	104,273,897.20
Traffic management (formerly: Intelligent Mobility Solutions, IMS)	21,247	24,792,674.05
Total net sales by field of activity	**191,930**	**129,066,571.25**
Domestic	12,467	12,657,220.70
European Union, excl. Austria	75,375	54,562,933.93
Non-European Union	104,088	61,846,416.62
Total net sales by region	**191,930**	**129,066,571.25**

The item **salaries** includes income from changes in provisions for anniversary bonuses in the amount of EUR 232,281.97 (prior year: expenses in the amount of EUR 298 k).

Expenses for severance payments and contributions to staff provision funds include the following::

	March 31, 2020	March 31, 2021
	EUR k	EUR
Income from expenses for severance payments	1,024	-37,149.51
Contributions to staff provision funds	408	403,999.87
Total	**1,432**	**366,850.36**

Expenses for the auditor.

Expenses for the auditor amount to EUR 307,803.70 (prior year: EUR 296 k) and are broken down as follows:

	March 31, 2020	March 31, 2021
	EUR k	EUR
Audit of the financial statements	54	54,656.00
Other assurance services	133	148,275.20
Other services	109	104,872.50
Total	**296**	**307,803.70**

Financial result.

Interest and similar expenses include write-downs on loan receivables in the amount of EUR 8,581k (prior year: EUR 0k).

Taxes on income.

The Company is member of a tax group. Parent of the tax group is KAPSCH-Group Beteiligungs GmbH, Vienna. In accordance with section 9 para. 1 KStG (Austrian Corporate Income Tax Act), the relevant tax result of the respective group member is allocated to the relevant tax result of the participating group member or the group parent in the respective financial year. Pursuant to section 7 para. 2 KStG, the income is determined at the group parent based on the consolidated result of the group and taxed. Tax is allocated using the stand-alone method.

Receivables resulting from tax allocation amount to EUR 17,877,595.93 (prior year: EUR 5,490 k) and liabilities resulting from tax allocation amount to EUR 0.00 (prior year: EUR 3,990 k), with the tax rate applicable to deferred taxes being 25%.

F. Other disclosures.

Disclosures on board members and staff.

The average number of staff during the financial year 2020/21 was 436 including 432 salaried employees and 4 waged workers (prior year: 469 salaried employees, 6 waged workers).

In the financial year 2020/21, total remuneration of the Executive Board amounted to EUR 1,605 k (prior year: EUR 2,522 k), income from expenses for severance payments and pensions for managing directors amounted to EUR 283 k (prior year: EUR 214 k).

With regard to Supervisory Board members EUR 120,000.00 (prior year: EUR 122 k) were recognized as expenses.

The following persons served on the Executive and Supervisory Board:

Executive Board.

Mag. Georg Kapsch (Chairman)
André Laux
Alfredo Escribá Gallego, MSc, MBA

Supervisory Board.

Franz Semmernegg (Chairman)
Harald Sommerer (Deputy Chairman since September 9, 2020)
Kari Kapsch (Deputy Chairman until September 9, 2020)
Sabine Kauper

delegated by the Works Council:

Christian Windisch
Claudia Rudolf-Misch

Subsequent events.

In the first quarter of the financial year 2021/22, the Company succeeded in obtaining a special loan under the control bank refinancing framework (KRR – Kontrollbank Credit Line) hedged by Oesterreichische Kontrollbank in the amount of approximately EUR 18 million. The loan represents an additional liquidity reserve for the Company.

Moreover, an agreement between the financing Austrian banks and Kapsch TrafficCom AG was reached in May 2021 according to which the term of bank loans and overdrafts with a remaining maturity of less than one year (with the exception of ongoing redemptions) was extended until April 30, 2023. New uniform financial covenants were agreed which are included in the disclosures on accounts payable.

Mr. Andreas Hämmerle will be a new member of the Kapsch TrafficCom AG Executive Board in the position of CFO as of July 1, 2021.

No further subsequent events occurred that would have to be reported.

Vienna, June 15, 2021

Georg Kapsch
Chairman of the Executive Board

André Laux
Member of the Executive Board

Alfredo Escribá Gallego
Member of the Executive Board

Statement of all Members of the Executive Board.

Pursuant to Sec. 124 (1) Stock Exchange Act 2018.

We declare to the best of our knowledge that the Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the Management Report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, June 15, 2021

Georg Kapsch	André Laux	Alfredo Escribá Gallego
Chairman of the Executive Board	Member of the Executive Board	Member of the Executive Board

Auditor´s Report.

Report on the Financial Statements.

Audit Opinion.
We have audited the financial statements of Kapsch TrafficCom AG, Vienna, which comprise the balance sheet as at March 31, 2021, the income statement for the financial year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at March 31, 2021, and of its financial performance for the financial year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion.
We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Emphasis of Matter.
We draw attention to the disclosures made by management in the notes to the financial statements (disclosures on shares in affiliated companies and participating interests), describing the fact that the valuation of the participating interest in Kapsch TrafficCom B.V., Amsterdam, the Netherlands, as well as the loans to and loan receivables from the US group companies depends on whether the measures that have already been implemented and further measures that are still being implemented in the course of the "mission re/invent" program become effective, and whether a return to profitable business planning is achieved.

Our audit opinion is not modified in respect of this matter.

Key Audit Matters.
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
> Description
> Audit approach and key observations
> Reference to related disclosures

1 Valuation of shares in affiliated companies and participating interests as well as loans to and loan receivables from affiliated companies.

Description.
As a holding company, Kapsch TrafficCom AG, Vienna, holds material shares in affiliated companies (book values in the amount of EUR 177,011k) and participating interests (book values in the amount of EUR 38,845k) as at March 31, 2021. Moreover, loans to and loan receivables from affiliated companies and participating interests in the amount of EUR 102,341k exist.

Pursuant to section 204 para. 2 UGB, shares in affiliated companies and participating interests as well as loans are to be written down in case a diminution in value occurs that is expected to be permanent. Pursuant to section 207 UGB, the strict lower of cost or market principle is to be taken into account for current assets (loan receivables).

Valuation of shares in affiliated companies and participating interests requires management to make material estimates on future market developments and the probability of the subsidiaries winning contracts in the planning period. Moreover, there is a significant area of judgement involved in the valuation, in particular with regard to the discount rate and the long-term growth rate. With regard to the financial statements, there is a risk of an overstatement of shares in affiliated companies and participating interests due to these estimation uncertainties and it was therefore identified as key audit matter.

In the financial year 2020/21, the following write-downs on the participating interests recognized were made based on these tests for write-downs, and the following book values (of adjusted shares in affiliated companies after the write-downs were made) exist as at March 31, 2021:

Entity (amounts in EUR k)	Write-down in the financial year 2020/21	Book value after write-down as at March 31, 2021
Shares in affiliated companies		
Artibrain Software Entwicklungsgesellschaft mbH, Vienna	78	0
Kapsch Components GmbH, Vienna	35	0
Kapsch TrafficCom AB, Jönköping, Sweden	14,744	0
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	4,902	1,038
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	1	0
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	8,995	5,587
Kapsch TrafficCom S.r.l.´a socio unico, Milan, Italy	365	135
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	134	423
KTS Beteiligungs GmbH, Vienna	72	1,863
Total	**29,326**	

In the financial year 2020/21, the following write-downs on loan receivables from affiliated companies were made based on the expected business development, and the following book values (after the write-downs were made) exist as at March 31, 2021:

Entity (amounts in EUR k)	Write-down in the financial year 2020/21	Book value after write-down as at March 31, 2021
Loan receivables from affiliated companies		
Kapsch TrafficCom S.r.l.´a socio unico, Milan, italy	418	0
tolltickets GmbH, Rosenheim, Germany	830	311
LCC national operator of telematic services, Russia	360	0
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	5,766	0
Streetline Inc. Foster City, United States of America	499	0
Electronic Toll Collection (Pty) Ltd., Cape Town, South Africa	260	0
Intelligent Mobility Solutions Limited, Lusaka, Zambia	448	0
Total	**8,581**	

The write-downs of loan receivables are stated under interest and similar expenses.

EUR 121,876k of the shares in affiliated companies relate to Kapsch TrafficCom B.V., Amsterdam, the Netherlands, which acts as holding company of the Kapsch TrafficCom North America Group. Moreover, loans to and loan receivables from affiliated companies in the amount of EUR 82,336k exist vis-à-vis the US companies (subsidiaries/sub-subsidiaries of KTC TrafficCom BV).

While the material US sub-subsidiary Kapsch TrafficCom USA Inc., McLean, US, had already incurred a loss in the financial year 2019/20, further significant losses in the amount of EUR 66,080k were incurred in the financial year 2020/21 which mainly result from considerable cost overruns and adjustments to planned costs and margins for material projects. In response to the losses and the reasons for the losses identified in the financial year, management – assisted by external consultants – identified, resolved on and implemented measures which are expected to already lead to a positive development of results in the next financial year 2021/22. Based on this test for write-downs and on the multi-year plan updated in March 2021, no need for a write-down exists neither for the participating interest recognized in Kapsch TrafficCom B.V., Amsterdam, the Netherlands, nor for the outstanding loan receivables from and loans to the US companies as at March 31, 2021. The valuation depends on whether measures that have already been implemented and further measures that are still being implemented in the course of the “mission re/invent” program become effective, and whether a return to profitable business planning is achieved.

Management believes that no further diminution in value applies to shares in affiliated companies, participating interests as well as loans to and loan receivables from affiliated companies as at March 31, 2021 and that, consequently, no write-downs are required.

Audit approach and key observations.
In combination with our assessment of the valuation of the most significant shares in affiliated companies and participating interests, we checked the corresponding valuation models. In doing so, we checked the valuation methods used by management and assessed the parameters applied (planned cash flows and discount rates). We evaluated whether the models used are in line with accepted valuation principles and whether the assumptions made are plausible and appropriate.

With regard to the companies stated above, we checked and recalculated whether the need for a write-down based on previous business results and the earnings outlook exists.

The valuation models used by the Company are appropriate to assess the valuation of the participating interests. The assumptions and parameters used in the valuation are reasonable.

Reference to related disclosures.
For further information, reference is made to the notes to the financial statements of Kapsch TrafficCom AG, Vienna, Section D. Comments on items in the balance sheet “Shares in affiliated companies and participating interests”.

2 Estimates and assumptions in project accounting.

Description.
A material part of net sales in the financial year is generated from the project business.

Services not yet invoiced as at March 31, 2021 amount to EUR 17,671k and project-related accruals amount to EUR 11,583k. Implementation projects, in particular, require an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the project margin. Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. The major projects of the Company usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks.

Due to the material impact of the major projects, in particular during the construction phase, on the Company’s financial position and financial performance and the considerable estimates involved in the accounting for these contracts, there is the risk that the project revenue, the result and the project-related balance sheet items contain a material misstatement, and this was therefore identified as key audit matter.

Audit approach and key observations.
lWithin the framework of our risk-based audit approach, we have gained an understanding of the processes and internal controls relevant for the accounting of construction contracts and tested the effectiveness of selected internal controls. This mainly referred to internal controls in connection with the release of order calculation upon the conclusion of new contracts, approval of the ongoing recalculation and status reports on major projects. In the course of our detailed audit procedures, we requested the project valuations for the major construction contracts and reperformed the calculation of the accruals/deferrals based on plan revenue and costs as well as the costs incurred up until the balance sheet date. Based on samples we looked at project requests, customer contracts, Supervisory Board minutes, the project budgeting tool as well as detailed cost estimates for individual significant projects and held discussions with the project managers and the management team regarding the status of the project, project risks and planning assumptions. In assessing the appropriateness of the estimates, a particular focus was on the review of the regular update of plan assumptions, in particular on the planned cost to complete and the planned project margin. In doing so, we have, among others, made use of historical experience regarding the accuracy of estimates of large-scale projects carried out in the past.

The valuation methods applied and the underlying assumptions for the valuation of projects are reasonable.

Reference to related disclosures.
For further information, reference is made to the notes to the financial statements of Kapsch TrafficCom AG, Vienna, Section C. Accounting and valuation methods “2.1. Inventories” and “5. Accruals and provisions” as well as Section D. Comments on items in the balance sheet under “Accruals and provisions”.

3 Restructuring measures.

Description.
Prompted by the negative business development in the financial year 2020/21, which was further intensified by COVID-19, management initiated the program “mission re/invent” at group-level, which includes short-term cost cutting measures but is also intended to serve as basis for sustainable future growth. The implementation of “mission re/invent” affects the Company in areas such as the following:

- Identifying cost savings, particularly relating to staff and procurement
- Reducing complexities in the corporate structure
- Consolidation of development sites (such as the closure of the location in Sweden)
- Increasing the focus on strategic activities (such as company sales or expansion of existing participating interests).

As at March 31, 2021, accruals for restructuring measures relating to expenses resulting from the termination of employment relationships in the amount of EUR 731k exist.

The accounting of restructuring measures includes discretionary judgments by management. Accruals for restructuring are to be stated at the best possible estimate taking into account any risks and uncertainties. This also includes a considerable impact on the Company's financial position and financial performance, and the restructuring measures were therefore identified as key audit matter.

Audit approach and key observations.
As regards the restructuring measures implemented by the Company, we checked whether a constructive obligation to restructure arose as at March 31, 2021. Management provided us with a detailed, formal restructuring plan which we discussed with the managing directors and, at regular intervals, with the heads of department in charge of implementing the restructuring concept.

We evaluated the restructuring plan in detail and checked whether it is adequate for raising justified expectations among the affected persons.

The Company appointed an external consultant to support the implementation of the restructuring measures, and we critically assessed this consultant's reporting to the management.

Based on samples, we checked the accruals which mainly include expenses resulting from the termination of employment relationships, using the detailed documentation and agreements with the affected persons that have been provided to us.

The restructuring expenses accrued by the Company and recognized in the income statement are reasonable.

Reference to related disclosures.
The Company's disclosures on the restructuring measures are included, in particular, in the comments made under "Accruals and provisions" under Section D. Comments on items in the balance sheet.

4 Compliance with financial covenants.

Description.
From the bank loans and overdrafts existing as at March 31, 2021, loans in the amount of EUR 108,212k and promissory note bonds in the amount of EUR 74,886k include agreements on the compliance with financial covenants. Owing to the result of the financial year 2020/21, the Company was not able to comply with all the financial covenants agreed. Prior to the end of the financial year ending as at March 31, 2021, Kapsch TrafficCom AG, Vienna, concluded waivers with the financing banks involved, under which compliance with these financial covenants as at the balance sheet date is not required until the end of the subsequent financial year.

In these waivers, the financing banks declare that
- they acknowledge non-compliance with the covenants agreed as at the balance sheet date;
- non-compliance with the financial covenants as at March 31, 2021 does not constitute a reason for terminating the loan agreement;
- until March 31, 2022, compliance with the financial covenants agreed is not required;
- higher margins may be applied, if need be.

Moreover, it is laid down that negotiations with the financing banks involved are being conducted, according to which new uniform financial covenants are to be agreed no later than by June 30, 2021, focusing on the budgets for the coming years.

These new financial covenants were agreed with all banks in May 2021.

As regards promissory note bonds, non-compliance with the financial covenants agreed as at the balance sheet date does not result in the liability being terminated early or falling due, but may result in higher financing costs, if need be. Therefore, no waiver was issued.

Furthermore, measures for ensuring sufficient liquidity were implemented.

The material impact on the Company's financial position with regard to the maturity of liabilities and further potential consequences of non-compliance with financial covenants results in the risk that the maturities are misstated in the financial statements, and this was therefore identified as key audit matter.

Audit approach and key observations.
We recalculated the financial covenants determined on a consolidated basis and checked the mathematical accuracy of the calculation. We reconciled the underlying input data for the calculation of the financial covenants with the consolidated financial statements of Kapsch TrafficCom AG, Vienna, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

As regards the waivers, we analyzed the banks' consent that compliance with financial covenants and the settling of certain obligations would not be required and that the obligations would therefore not fall due, and checked whether these waivers of the banks were issued

- before the balance sheet date March 31, 2021 and
- for a period of at least 12 months as of the balance sheet date March 31, 2021,

so that, as at March 31, 2021, it is still permissible to state a maturity of more than one year for the amount not repayable in the next financial year.

Based on these waivers, we checked and verified the maturities of more than one year of the corresponding liabilities recognized in the balance sheet as at March 31, 2021 which are not due within the next financial year.

Moreover, we assessed the measures implemented to ensure sufficient liquidity and the controls implemented by management in this regard (daily monitoring of the group-wide liquidity stock and weekly 12-weeks cash flow forecasts) and analyzed the respective reporting.

Reference to related disclosures.
The Company's disclosures on these waivers are included in the notes to the financial statements under "Liabilities" in Section D. Comments on items in the balance sheet.

Responsibilities of Management and the Audit Committee for the Financial Statements.

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also::

- identify and assess the risks of material misstatement of the financial statements, 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. The risks 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 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 the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements.

Comments on the Management Report for the Company.

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report.

Opinion.

In our opinion, the management report for the Company was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243a UGB, and is consistent with the financial statements..

Statement.

Based on the findings during the audit of the financial statements and due to the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation.

We were elected as statutory auditor at the ordinary general meeting dated September 9, 2020. We were appointed by the Supervisory Board on March 1, 2021. We have audited the Company for an uninterrupted period since 2002.

We confirm that the audit opinion in the “Report on the Financial Statements” section is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner.

Responsible for the proper performance of the engagement is Felix Wirth, Austrian Certified Public Accountant.

Vienna, June 15, 2021

PwC Wirtschaftsprüfung GmbH

Felix Wirth
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor’s report is only allowed if the financial statements and the management report are identical with the German audited version. This auditor’s report is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of section 281 para. 2 UGB apply.

Disclaimer.
Certain statements in this report are forward-looking statements. They contain the words “believe,” “intend,” “expect,” “plan,” “assume,” and terms of a similar meaning. Forward-looking statements reflect the beliefs and expectations of the company. Actual events can deviate significantly from the expected developments, due to a range of factors. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. Kapsch TrafficCom AG disclaims any obligation to update forward-looking statements made herein.

This report was created with care and all data has been checked conscientiously. Nevertheless, the possibility of layout and printing errors cannot be excluded. Differences in calculations may arise due to the rounding of individual items and percentages. The English translation is for convenience; only the German version is authentic.

When referring to people, the authors strive to use both the male and female forms as far as possible (for example: he or she). For readability reasons, occasionally only the masculine form is used. However, it is always referred to women, men and non-binary persons.

This report does not constitute a recommendation or invitation to purchase or sell securities of Kapsch TrafficCom.

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Kapsch TrafficCom

Kapsch TrafficCom is a globally renowned provider of transportation solutions for sustainable mobility. Innovative solutions in the application fields of tolling, tolling services, traffic management and demand management contribute to a healthy world without congestion.

Kapsch TrafficCom has brought projects to fruition in more than 50 countries around the globe. With one-stop-shop solutions, the company covers the entire value chain of customers, from components to design and implementation to the operation of systems.

Headquartered in Vienna, Kapsch TrafficCom has subsidiaries and branches in more than 25 countries. It has been listed in the Prime Market segment of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). In its 2020/21 financial year, around 4,660 employees generated revenues of EUR 505 million.

>>> www.kapsch.net/ktc

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