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Kapsch TrafficCom

Financial Report 2022/23

of Kapsch TrafficCom AG
as of March 31, 2023.

Management Report and Financial Statements 2022/23.

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MANAGEMENT REPORT.

1 Business performance and economic situation.

1.1 Business performance.

1.1.1 Economic environment.

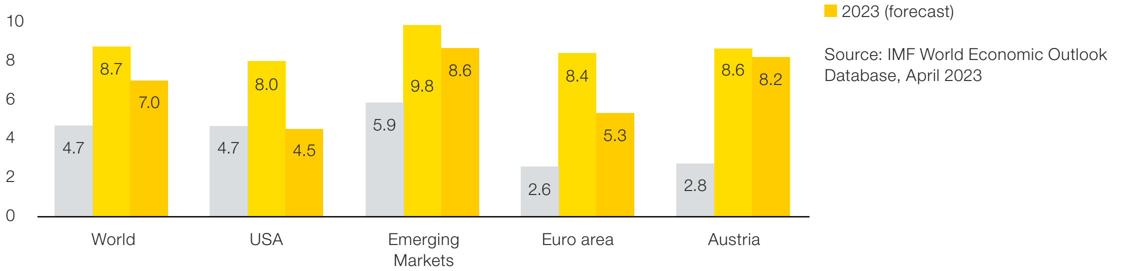
- Supply chain situation in the electronics industry remains tense.
- Conflict in the Ukraine led to downturn in economic environment.
- Inflation, interest rates and exchange rates result in high forecast uncertainty.

The global economy began to recover from the effects of the COVID 19 pandemic in the financial year 2022/23. However, the conflict in the Ukraine that began in February 2022 caused a downturn in the economic environment. Inflation subsequently increased significantly in many countries, driven by rising prices for energy, food, and raw materials, as well as labor shortages and disruptions in supply chains. Key interest rates were raised continuously in several steps over the course of the financial year 2022/23.

Global supply chain situation.
Massive COVID restrictions were in force in China until the end of 2022, as a consequence of which the global supply chain situation remained tense, particularly in the electronics industry. In the tolling sector, this led to bottlenecks and long delivery times for individual electronic parts required in particular for the production of components. According to IHS Markit, delivery times in 2022 were still a factor of four longer than before COVID, and prices had risen by 15% to 20%. According to the analysis, delivery times shortened again in 2022 compared to 2021, but the impact on prices was not noticeable until 2022 and is still apparent in 2023. The mixed situation of the ongoing Russia-Ukraine conflict, inflation and uncertainty about further developments is still seen as a major challenge, at least in the first half of 2023.

Inflation.
The conflict in the Ukraine led to substantial increases in energy prices, which in turn led to a significant rise in inflation. According to the International Monetary Fund (IMF), the global inflation rate reached an average of 8.7% in 2022, compared to 4.7% in the previous year. In Austria, it was 8.6% in 2022 (previous year: 2.8%), thus close to the Euro area inflation rate of 8.4% (previous year: 2.6%). The development in the first quarter of 2023 indicates that thereby the peak was reached. For Kapsch TrafficCom, inflation plays a significant role, especially in connection with personnel costs.

Inflation 2021–2023.
(in %)

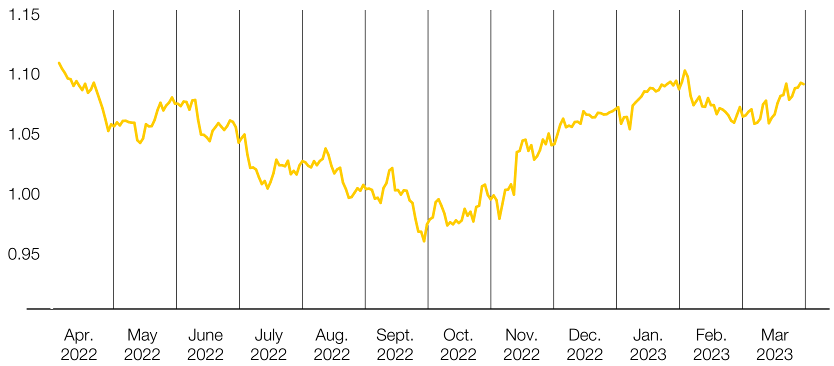


Source: IMF World Economic Outlook Database, April 2023

Interest rates.
Due to the high inflation rate, the European Central Bank (ECB) and the Federal Reserve (FED) in the USA decided to raise their interest rates significantly. The ECB raised key interest rates – the rate for main refinancing operations, the rates on the marginal lending facility and the deposit facility – in several steps from 0.00% in March 2022 to 3.50%, 3.75% and 3.00% respectively in March 2023. The FED also raised interest rates in eight steps from 0.00% in March 2022 to a range of 4.75% to 5.00% in March 2023.

Currencies.
For Kapsch TrafficCom, the development of the US Dollar (USD) is of particular importance in the foreign exchange markets. The influence of the currency on the business development results from the internationality of the Group with a large number of projects as well as locations in the USA and other countries where invoicing is done in USD. In the financial year 2022/23, the Euro (EUR) was significantly weaker on average than the US Dollar, with the conflict in the Ukraine playing a major role in this development. The average for the reporting period was 1.04 EUR/USD (previous year: 1.16) with a maximum of 1.11 on April 1, 2022 and a minimum of 0.96 on September 28, 2022.

EUR-USD development.



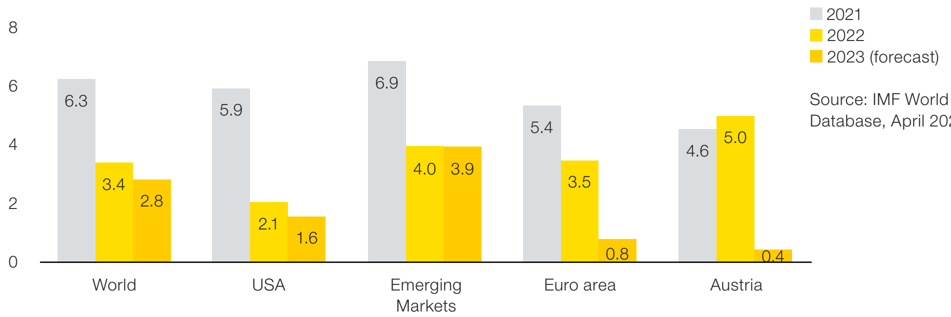
Source: European Central Bank, April 2023

Global economic performance.
The IMF reports a global GDP growth rate of 3.4% for 2022 (previous year: 6.3%). Due to the rise in inflation, the associated increases in key interest rates by the central banks and the Ukraine conflict, a global growth rate of 2.8% is expected for 2023. The forecast is therefore below the historical (2000-2019) annual average of 3.8%.

Global economic performance 2022: +3.4%

In regional terms, emerging and developing countries are the growth drivers, with a GDP growth of 4.0% in 2022 and a forecasted 3.9% in 2023. The lower forecasts for the USA and the Euro zone, on the other hand, reflect the effects of higher inflation rates and key interest rate increases. The effects of the Ukraine conflict are particularly impacting the Euro zone due to its high dependence on energy from Russia.

GDP growth 2021–2023.
(in %)



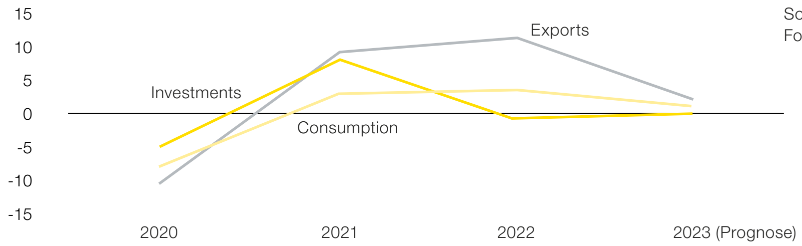
Source: IMF World Economic Outlook Database, April 2023

Austria.
The weakening of the global economic environment and, in particular, the effects of the Ukraine conflict in Europe were also reflected in Austria's economic performance. GDP growth averaged 5.0% in 2022, after 4.6% in the previous year. According to the Austrian Institute of Economic Research (WIFO), the plus in 2022 was mainly due to a strong first half of the year, especially in industrial production, as well as in the services sector given the rapid recovery from the COVID-19 pandemic.

BIP in Austria 2022: +5.0%.

This momentum was slowed as of fall 2022 by weaker household consumption and lower investment due to uncertainties and high energy prices. In addition, declining international demand impacted production and exports. The IMF forecasts GDP to remain largely stagnant at +0.4% in 2023.

Export, investment & consumption growth in Austria 2020–2023.
(in %)



Source: WIFO Economic Forecast, March 2023

1.1.2 Definition of market.

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

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 environmental impact.

Target markets.
Kapsch TrafficCom addresses the market for Intelligent Transportation Systems (ITS). These support and optimize traffic (including infrastructure, vehicles, users and industry) and use information and communication technologies for this purpose.

Market for Intelligent Transportation Systems with a volume of EUR 26.3 billion in the year 2022.

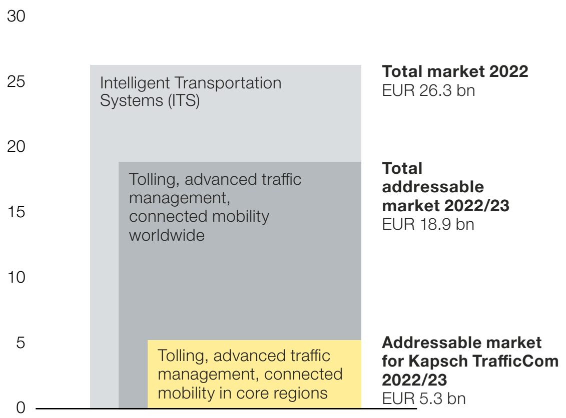
Grand View Research places the market size for ITS globally at EUR 26.3 billion in 2022 (USD 28.25 billion, converted at an exchange rate of 0.93 as of December 31, 2022), and expects it to grow at a compound annual growth rate (CAGR) of 8.3% from 2023 to 2030.

Within the ITS market, Kapsch TrafficCom focuses on tolling and tolling services as well as traffic management and demand management. Core regions of business activity are EMEA (Europe, Middle East, Africa), Americas (North, Central and South America) and APAC (Asia-Pacific).

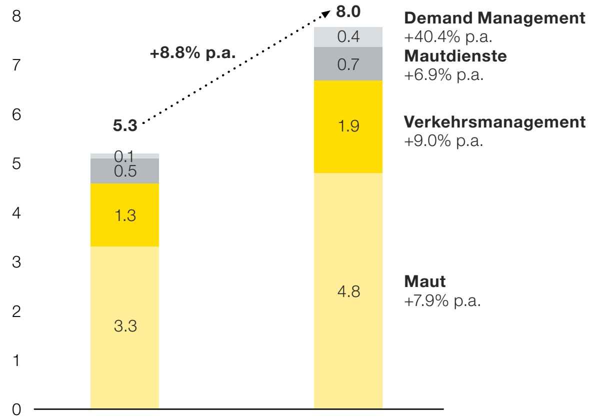
Addressable market.
The addressable market for the company had a volume of EUR 5.3 billion in the financial year 2022/23 according to internal calculations. The market is expected to grow at an average annual rate of 8.8% to EUR 8.0 billion until financial year 2027/28.

Focus on niche market with a volume of EUR 5.3 billion. (2022/23).

Addressable market 2022/23.
(in EUR billion)



Addressable market for Kapsch TrafficCom 2022/23–2027/28.
(in EUR billion)



Market drivers.

Kapsch TrafficCom has 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 traffic management and tolling solutions are recognized tools for influencing traffic and means of transportation.

Need for traffic 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, houses cannot be moved at will 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. This results in two consequences: the increased use of public transport and shared means of transportation, and – if no appropriate countermeasures are taken – more extensive congestion. In addition, the trend toward electric vehicles will continue. While this reduces immediate CO_2 emissions, the particulate matter problem will remain.

Connected mobility. Technological advances in the exchange of information between vehicles (vehicle-to-vehicle, V2V), between vehicles and traffic infrastructure (vehicle-to-infrastructure, V2I), and in the area of autonomous driving are rapid. Already today, these developments are enabling increasingly better and more extensive applications for better driving comfort and greater driving safety. In addition, the new communication channels and the enormous volumes of data enable substantial improvements in traffic 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. Due to the use of large amounts of data, the protection of personal data and how it is handled is becoming increasingly 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 will enter the market.
- Intelligent traffic infrastructure can be achieved with more affordable sensors, modules, and connection technologies. Specific domain knowledge and the need for customer-specific solutions will remain significant, however.
- New solutions can be rolled out quickly on a global scale.

1.1.3 Business performance 2022/23.

Kapsch TrafficCom recorded slight business growth in the financial year 2022/23, as expected, but EBIT was significantly below expectations. This was caused in particular by the significant increase in component prices and inflation-related rising personnel costs as well as negative margin adjustments in existing customer projects. The significantly restructured and reduced cost base in the past years could not compensate for these effects.

Despite the challenging economic environment – with rising prices and supply difficulties as well as uncertainties regarding the further development of the surrounding economic factors – Kapsch TrafficCom also recorded numerous successes in the reporting period.

The sale of the Spanish public transport business was not only a significant strategic milestone, it also contributed substantially to the result achieved.

Project successes. In the financial year 2022/23, several implementation projects were completed and entered the operation phase, including tolling systems in California and New York as well as a traffic management system in Mexico. In South Africa, the contract for the tolling system in Gauteng province was extended until mid-December 2023.

Especially in urban areas, efficient traffic management is increasingly becoming a necessity. Kapsch TrafficCom was able to win several new urban projects in the reporting period:

- In Sweden, the implementation of a new multi-lane free-flow system was commissioned in Gothenburg. The system covers a complex urban area and is one of the largest urban tolling projects in the world in terms of the number of toll stations and toll plazas.
- In the United Arab Emirates, Kapsch TrafficCom has been selected to work with the capital of the Emirate of Sharjah to develop the next stage of intelligent traffic management. This centralized control system will improve traffic flow and be able to control it in a coordinated manner via a traffic control center.
- In Spain, Kapsch TrafficCom will implement its Kapsch Mobility Data Platform in the city of Seville, which will facilitate intelligent mobility management in the future: The system will be fed with data from sensors, cameras and existing traffic systems throughout the city, enabling city authorities to manage and predict mobility needs and traffic flows in real time.

New tolling projects are also increasingly incorporating sustainable aspects, such as tolling passenger cars based on vehicle emission status, distance traveled, and vehicle type in a pilot project in Norway, or systems in France and Norway that allow automatic payment of the toll fee without stopping.

Technological advancement. Kapsch TrafficCom is considered a pioneer in the field of communication between vehicles and other information sources or receivers (“V2X communication”). In the reporting period, great progress was achieved in the “digitization of the road”. Instead of the segmentation of the traffic system that is still common today, Kapsch TrafficCom is focusing on solutions for so-called corridor orchestration (Orchestrated Connected Corridors; OCC) with a singular technology service offering, both in urban areas and on highways. Initial projects in Austria, the USA and Australia are already pointing the way to this future.

With these developments, Kapsch TrafficCom also sees its Strategy 2027 confirmed, which focuses with new technologies and platforms on a sustainable portfolio and on a sustainable Kapsch TrafficCom Group.

1.2 Financial and non-financial performance indicators.

1.2.1 Results of operations.

Revenues of Kapsch TrafficCom AG reached EUR 155.1 million in the financial year 2022/23, and increase above to the previous year's figure of EUR 153.1 million. In the tolling segment, revenues amounted to EUR 129.8 million (previous year EUR 126.5 million). In the traffic management segment, revenues decreased from EUR 26.6 million in the previous year to EUR 25.3 million in the financial year 2021/22.

Personnel expenses increased slightly to EUR 41.1 million compared to EUR 41.1 million in the previous year. The average number of employees increased by 16.

Other operating expenses of EUR 65.3 million were increased by EUR 27.7 million (previous year: EUR 37.6 million). This is mainly driven by increased consulting services and impairment of loans.

The operating result of Kapsch TrafficCom AG amounted to EUR -40.6 million in the reporting period, compared to EUR 5.4 million in the previous year, which represents a significant increase of other operating expenses.

The financial result reduced significantly from EUR 21.3 million in the previous year to EUR -66.8 million and is mainly related to the write-downs of financial assets by EUR 84.5 millions.

1.2.2 Net assets position.

Total assets of EUR 418,1 million as of the balance sheet date March 31, 2023 decreased by EUR 63,9 million compared to the end of the financial year 2021/22 (March 31, 2022: EUR 482.0 million).

Fixed assets decreased by EUR 82,7 million to EUR 249.2 million as of March 31, 2023 (previous year: EUR 331.9 million). The change mainly results from the decrease in financial assets totaling EUR 76.9 million in financial year 2022/23.

Inventories decreased from EUR 14.6 million to EUR 6.0 million, due to the decrease in services not yet invoiced in the amount of EUR 8.7 million.

Group receivables, including receivables from companies in which participations are held (incl. loans), increased fro m EUR 144.6 million in the previous year to EUR 174.2 million in the reporting year 2022/23. Cash and cash equivalents of EUR 2.0 million decreased by EUR 5.9 million compared to the previous year (EUR 7.9 million).

At EUR 151.7 million, equity was lower than the comparative figure of EUR 250.4 million as of March 31, 2022. The equity ratio of 36.3% as of March 31, 2023 decreased compared to the previous year (previous year: 52.0%).

Non-current liabilities decreased from EUR 141.3 million in the previous year to EUR 89.9 million as of the balance sheet date March 31, 2023. The main reason for this change was the reclassification from non-current to current in financial year 2022/23. Group liabilities increased by EUR 25.1million compared to the previous year (EUR 52.7 million). Other liabilities Increased from EUR 3.0 million in the previous year to EUR 6.6 million as of March 31, 2023.

1.2.3 Financial position.

Net cash flow from operating activities amounted to EUR -30.6 million, compared to EUR 64.9 million in the same period of the previous year, which is attributable to the negative result from operating activities and the increase in net working capital.

The net cash flow from investing activities of EUR 18.4 million (previous year: EUR -41.3 million) resulted mainly from the sale of an investment, dividend income and interest payments

The net cash flow from financing activities of EUR 2.0 million (previous year: EUR -40.3 million) resulted mainly from the rise of new loans, mainly from affiliated companies and interest payments

Cash and cash equivalents as of March 31, 2023 amounted to EUR 2.0 million (March 31, 2022: EUR 7.9 million).

1.2.4 Non-financial information.

Kapsch TrafficCom Group prepares a separate consolidated non-financial report that fulfils the legal requirements pursuant to section 267a of the Austrian Commercial Code (UGB).

1.3 Research and development.

In the financial year 2022/23 Kapsch TrafficCom invested 5% of its revenues in generic development, development support and product management.

In line with the corporate strategy "Strategie 2027" Kapsch TrafficCom launched a multi-year Technology Transformation program in financial year 2021/22. The goal of this program is to safeguard the company's technological leadership. The emphasis is on advancing an agile way of working, developing the company's technology stack faster and more flexibly as well as adapting the current product and solution portfolio to the ever-evolving market requirements.

With a strong focus on customers and their needs, the transformation is based on four pillars:

- **Product portfolio.** In the product area, the product management teams were strengthened. They were also given responsibility to manage and steer the portfolio by means of a holistic view and a portfolio strategy aimed at consolidation and optimization. This identifies commonalities and synergies and builds on intelligent platforms.
- **Technology stack.** The technology stack evolution will allow Kapsch TrafficCom to accelerate the migration to the cloud as well as the adoption of new technologies and architectures. The technology stack is the frame for standardizing and developing technologies.
- **Organisation and processes.** At Kapsch TrafficCom, the necessary organizational setup is already in place. It is based on the two Application Centers (former: Solution Centers) Tolling and Traffic, responsible for the activity within their respective domain. The technology & platforms (former Corporate Technology) function is responsible for the governance, security guidance, development infrastructure and tools. Furthermore it is responsible for cross-domain smart platforms such as in data and video. Product management is in charge of the company's product portfolio. The newly created software excellence function acts as a center of excellence to drive and accelerate the adoption of the best and state of the art software development practices.
- **Culture.** Fostering and nurturing a culture of collaboration, curiosity and innovation is the fourth pillar of transformation and a key success factor.

In the financial year 2022/23, the patent portfolio of Kapsch TrafficCom was further optimized. The focus was on topics of high strategic importance. As of March 31, 2023, the patent portfolio consisted of 116 patent families (compared to the previous year, three patent families expired) with 820 individual patents and 46 pending patent applications. In the financial year, two new patent families were filed in the fields of tolling and demand management.

Focused patent strategy:
> Patent monitoring
> Freedom to operate
> Improved market knowledge

Kapsch TrafficCom strives to mitigate the risk of patent infringements and to foster the patenting of new ideas. Hence, the Intellectual Property Rights (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. Based on these patent analyses and the expertise gained from them, Kapsch TrafficCom also intends to file more of its own patents in order to secure its freedom to operate and its unique selling proposition for its products and solutions.

In addition, the global patent monitoring system was further expanded. Its task is to analyze patent applications from competitors and in relevant technology segments in order to gain a better overview of competitors' strategies.

The development expenses of Kapsch TrafficCom AG amounted to EUR 43.6 million in the financial year 2022/23 (previous year: EUR 40.9 million).

2 Anticipated development and risks.

2.1 Outlook to financial year 2023/24.

Management expects revenue growth in the single-digit percentage range and a slight improvement in the operating result (EBIT) for the financial year 2023/24. The focus will remain on new business as well as on consistent cost and liquidity management and on the improvement of the financial indicators.

Expectation for financial year 2023/24:
> Slight increase in revenues
> Slight improvement in earnings (EBIT)

Revenues.
In the course of the past financial year, there was a broad recovery from the effects of the COVID 19 pandemic. New business momentum improved, particularly in the regions Americas and Asia-Pacific. This led to numerous new orders, which will be reflected in the revenues of the coming years. In addition, the management also sees a good project pipeline.

In the EMEA region, the contract for the tolling system in Gauteng Province, South Africa, was last extended until mid-December 2023. In the Americas region, a further increase in revenues is expected, in particular in South America Kapsch TrafficCom sees growth potential. Business in the APAC region should again increase strongly, although the share of total revenues is still very low (2022/23: 5.7%).

The situation in the supply chain was still tense at the beginning of financial year 2023/24. An improvement, at least in terms of volumes, is expected for the further course, which means that the resulting restrictions in Kapsch TrafficCom's ability to deliver and the impact on revenues should not materialize. It remains to be seen to what extent component prices will return to a reasonable level.

EBIT (operating result).
Inflation reached new highs worldwide at the end of 2022. The subsequent decline suggests that the peak has passed. Nevertheless, Kapsch TrafficCom expects costs to continue to rise for the time being. This will affect all areas, and further increases are expected in wages and salaries as well. In addition, further increases in interest rates are to be expected. The reduction in the cost base that has taken place is proving to be particularly valuable in this context.

In previous years and also in the past financial year, project risks arose which led to negative margin adjustments. As these projects have been increasingly processed, the risks have now been significantly reduced.

Liquidity.
The progress of projects should have a positive impact on liquidity in the future. In addition, Kapsch TrafficCom has agreed with its main financial partners in May 2023 on a restructuring of the financing to ensure financial stability.

In Germany, Kapsch TrafficCom continues to wait for further developments after the termination of the contracts by the customer. Kapsch TrafficCom had most recently reached an interim arbitration award in March 2022, which affirmed a claim for compensation on the merits. In the current phase of the arbitration proceedings, the amount of the claim will be decided.

Dividend.
As the profit of Kapsch TrafficCom is fully subject to the distribution ban pursuant to Section 235 (2) of the Austrian Commercial Code (UGB), no resolution on the distribution of profit or a proposal in this regard is required. Management aims to resume dividend payments as soon as it is economically justifiable and permissible from the company's perspective and ideally to return to the suspended dividend policy. The core of this policy was the payment of a minimum dividend of either EUR 1.00 per share or one third of consolidated earnings per share, whichever was higher.

Non-financial targets.
The company's non-financial targets can be found in the separate Non-Financial Report.

Strategy 2027.
The continuing global megatrends as well as the increasing awareness and legal requirements for climate and environmental protection are increasing the need for comprehensive and intelligent transportation solutions. Kapsch TrafficCom is convinced that it is addressing the right issues with its Strategy 2027 and continues to implement it consistently. According to the strategy, the financial goals are to increase revenues to approximately EUR 1 billion by 2027 (financial year 2027/28) and to reach a double-digit EBIT margin. Both targets will not be achievable by 2027 in view of the current corporate and market situation.

Kapsch TrafficCom relies on strategic partnerships, particularly in the area of connected mobility. In terms of urban traffic management, significant project successes were achieved in the past year, and the contribution of the solutions to sustainable mobility is increasingly proving to be a powerful argument. Kapsch TrafficCom is becoming a green, CO2-neutral company with a green portfolio that contributes to climate protection.

2.2 Risk report.

2.2.1 Risk management.

The enterprise-wide risk management process (Enterprise Risk Management, ERM) of the Kapsch TrafficCom Group is based on the international risk management standard COSO Enterprise Risk Management — Integrated Framework.

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 Audit Committee is informed immediately by the Executive Board about important events. The Supervisory Board also deals with the effectiveness of the risk management system as part of its monitoring of the Executive Board. The assessment of the effectiveness of the risk management system in accordance with Rule 83 of the Austrian Corporate Governance Code (ÖCGK) is carried out once a year by the auditor of the annual financial statements.

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.

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. The unexpected outbreak of the fighting in Ukraine, the accompanying sanctions against Russia and Belarus, and the resulting global supply chain difficulties have increased both the uncertainty regarding new orders and the risk of being unable to service existing projects and ongoing contracts. The ability to provide materials and services for projects in a timely manner was limited. Previous assumptions, in particular about the expected timing of new customer orders, had to be questioned and in some cases had to be revised. In addition, the massive COVID restrictions in force in China until the end of 2022 led to a continued tense supply chain situation, especially in the electronics industry.

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.

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.

Contracts may entail liabilities relating to a loss of profit by customers, product liabilities and other liabilities. Kapsch TrafficCom strives to include appropriate limitations of liability in contracts. However, there can be no assurance that all contracts will contain sufficient limitations of liability or that they will be enforceable 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 Kapsch TrafficCom does not succeed in developing innovative systems, components, solutions and services in line with market requirements, this may be detrimental to its competitive position.

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

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.

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.

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 covenants in connection with loan agreements.

Liquidity risk is counteracted by ongoing Group-wide cash flow planning. This enables potential liquidity bottlenecks to be identified at an early stage and appropriate countermeasures to be taken in time.

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 to a significant extent on key personnel, in particular technical experts with many years of specific experience. In addition, the ability to recruit qualified employees with state-of-the-art technology knowledge, to integrate them into the Company and to retain them in the long term is of high importance for the success of the Group. The loss of important employees in key positions and difficulties in recruiting personnel can have a negative impact on the success of the Group.

Kapsch TrafficCom is taking attractive measures to counteract personnel risk.

Kapsch TrafficCom has been proactively implementing measures to counteract this risk for two years. These include, for example, an internal career and training platform that allows employees to advance their careers autonomously and away from approval processes. Attractive offers such as bonus systems or further training opportunities additionally support these efforts. A periodic employee survey as well as an "OpenLine2CEO" to Georg Kapsch enable the management to identify current concerns, worries and wishes as well as the general mood and to respond appropriately.

2.2.6 Legal risk.

IA 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 Cyber-risk.

As a core process of ISO/IEC 27001, Kapsch TrafficCom has a uniform risk management process for information security that is integrated into corporate risk management. The structured approach to considering risks related to information security is derived from Kapsch TrafficCom's business processes and represents a holistic approach. The risk management process is implemented in all companies whose IT is fully integrated into the Group IT, regardless of whether they are formally certified in accordance with ISO/IEC 27001 or not.

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.

The early identification of opportunities opens up new 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 arise from so-called change requests – requests for changes from customers that only arise in the course of project execution. These change requests result in extensions to the contractual delivery components and are priced and paid for separately.
- In addition, the increasing financing requirements of infrastructure projects and the growing need to relieve government budgets are creating opportunities both to open up new tolling markets in so-called emerging and developing countries and to expand activities in already developed markets.
- The global rise in traffic volumes and the associated impact on the environment and society open up further opportunities in the area of mobility solutions, as, for example, toll collection, traffic management and demand management are increasingly being used as controlling instruments in environmental and traffic policy. In both segments, this creates opportunities to further develop and market the portfolio in line with the new requirements.
- Furthermore, demands with regard to increasing the productivity of vehicles and vehicle operations, as well as the rising comfort expectations of travelers, are opening up opportunities by expanding the functionalities of existing systems. This offers opportunities to acquire new customers or to serve both public-sector customers and end customers with new concepts. This particularly applies in the area of tolling services.

Other opportunities. Continuous innovation, technical advancements and the acquisition of new technologies by means of corporate acquisitions create opportunities for Kapsch TrafficCom to improve efficiency and performance of customer systems and 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. Due to the geographic diversification, the continuous expansion of the product and solution portfolio as well as the development of new business models through selected new ITS solutions, the business activities of Kapsch TrafficCom could be positioned more broadly without the need to step outside the core business area. The concentration of risk in individual regions and in individual large projects was thereby reduced.

Conflict in the Ukraine and effects of the COVID 19 pandemic. The global economy began to recover from the effects of the COVID 19 pandemic in the financial year 2022/23. However, the global supply chain situation in the electronics industry remained tense due to the COVID restrictions that continued to be in place in China. Kapsch TrafficCom also recorded a decline in revenues, especially in component sales. In addition, there were more delays in invitations to tender and the awarding of contracts. These delays were further increased by the outbreak of the conflict in the Ukraine and the accompanying sanctions against Russia. The sanctions imposed at the same time against Belarus meant that supply opportunities to this country had to be re-evaluated. To date, however, there has been no significant impact 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 the financial year 2022/23. This aims to increase efficiency and at the same time reduce risk in the Group as well as to show alternative courses of action to management.

The uniform documentation of all controls is being advanced.

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

Central elements of the ICS are 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 OneStream on a monthly basis. The financial information is reviewed at Group level by Kapsch TrafficCom AG and forms the basis for interim reporting.

The Executive Board informs the Supervisory Board in regular meetings about the economic development in the form of consolidated presentations consisting of segment reporting, earnings development with budget and year-on-year comparison, forecasts, consolidated financial statements, personnel and order development as well as selected key financial figures.

The ICS is implemented locally and monitored centrally.

In accordance with local requirements, responsibility for the implementation and monitoring of the internal control system lies with the relevant local management. The management of the individual subsidiaries is responsible for establishing and designing an internal control system in line with the requirements of the respective company with regard to the accounting process and for ensuring compliance with the Group-wide guidelines and regulations.

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. There are no legal or statutory caps or restrictions on the exercise of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2023. In connection with the refinancing, KAPSCH-Group Beteiligungs GmbH has pledged 25% plus one share in Kapsch TrafficCom AG in favor of the banks as of the balance sheet date, which also results in restrictions customary in the market with respect to the transfer of the shares and a corresponding requirement for the consent of the banks.

KAPSCH-Group Beteiligungs GmbH is a wholly owned subsidiary of DATAX HandelsgmbH, whose shares are held (partly indirectly, partly directly) in equal parts by Traditio-Privatstiftung and Children of Elisabeth-Privatstiftung, two private foundations under the Austrian Private Foundation Act. Each of these private foundations is managed by its own Executive Board, with no individual serving on both Boards. The beneficiaries of these private foundations are Georg Kapsch and members of his family (Traditio-Privatstiftung) as well as Elisabeth Kapsch and members of her family (Children of Elisabeth-Privatstiftung). There was no other shareholder holding more than 10% of the voting rights in Kapsch TrafficCom AG as of March 31, 2023. In the financial year 2022/23, Kapsch TrafficCom did not acquire or dispose of any treasury 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 as well as the modification of the articles of association.

The Executive Board is authorized until September 28, 2026, with the approval of the Supervisory Board, to increase the Company's share capital in one or more tranches by up to 10% and to determine the issue price as well as the terms of issue. Shareholders' subscription rights to the new shares issued from the authorized capital are excluded. The Company currently has no conditional capital authorizing the Executive Board, with the approval of the Supervisory Board, to issue shares without (further) referral to 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 142 million, or are related to individual customer contracts.

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.

In accordance with 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/en/ir/Corporate-Governance.

Vienna, June 13, 2023

Georg Kapsch Chief Executive Officer	Andreas Hämmerle Executive Board member	Alfredo Escribá Gallego Executive Board member

FINANCIAL STATEMENTS.
Primaries.

Balance sheet as at March 31, 2023.

in EUR		March 31, 2022		March 31, 2023
ASSETS				
A. Fixed assets				
I. Intangible assets				
1. Industrial property and similar rights and assets, and licenses in such rights and assets		19,500,142		14,078,562
2. Prepayments made and assets under construction		194,494		101,913
Total intangible assets		**19,694,635**		**14,180,475**
II. Tangible assets				
1. Leasehold improvements		895,808		526,441
2. Technical equipment and machinery		373,104		385,711
3. Other equipment, factory and office equipment		1,187,323		1,354,258
4. Prepayments made and assets under construction		187,670		100,469
Total tangible assets		**2,643,905**		**2,366,880**
III. Financial assets				
1. Shares in affiliated companies		216,829,943		141,450,206
2. Loans to affiliated companies		53,199,073		55,904,949
thereof with a remaining maturity of more than one year	0		0	
3. Participating interests		39,511,998		35,252,933
4. Securities		4,375		4,375
Total financial assets		**309,545,389**		**232,612,463**
Total fixed assets		**331,883,930**		**249,159,817**
B. Current assets				
I. Inventories				
1. Merchandise		2,898,318		2,953,843
2. Services not yet invoiced		11,318,539		2,666,997
3. Prepayments made		418,447		361,815
Total inventories		**14,635,304**		**5,982,656**
II. Receivables and other assets				
1. Trade receivables		5,186,305		5,530,315
thereof with a remaining maturity of more than one year	0		0	
2. Receivables from affiliated companies		80,882,658		105,463,383
thereof with a remaining maturity of more than one year	18,401,937		13,034,678	
3. Receivables from companies in which the Company has a participating interest		10,542,269		12,869,357
thereof with a remaining maturity of more than one year	9,302,081		12,274,083	
4. Other receivables and assets		10,726,888		8,186,014
thereof with a remaining maturity of more than one year	0		0	
Total receivables and other assets		**107,338,120**		**132,049,069**
III. Cash on hand, cash at banks		**7,949,501**		**1,985,608**
Total current assets		**129,922,925**		**140,017,333**
C. Prepaid expenses and deferred charges		**1,704,251**		**1,575,121**
D. Deferred tax assets		**18,444,698**		**27,323,377**
TOTAL ASSETS		**481,955,804**		**418,075,647**

Balance sheet as at March 31, 2023.

in EUR		March 31, 2022		March 31, 2023
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		120,008,724		21,319,208
thereof prior period unappropriated retained earnings brought forward	98,739,168		120,008,724	
Total shareholders' equity		**250,408,724**		**151,719,208**
B. Accruals and provisions				
1. Accruals for severance payments		5,378,124		4,859,885
2. Other accruals and provisions		18,594,428		20,371,911
Total accruals and provisions		**23,972,552**		**25,231,796**
C. Accounts payable				
1. Promissory note bonds		31,507,988		31,507,988
thereof convertible	0		0	
thereof with a remaining maturity of less than one year	7,988		23,007,988	
thereof with a remaining maturity of more than one year	31,500,000		8,500,000	
2. Bank loans and overdrafts		113,965,463		113,980,572
thereof with a remaining maturity of less than one year	34,997,463		69,880,572	
thereof with a remaining maturity of more than one year	78,968,000		44,100,000	
3. Prepayments received		419,747		1,154,537
thereof with a remaining maturity of less than one year	419,747		1,154,537	
thereof with a remaining maturity of more than one year	0		0	
4. Trade payables		5,916,518		8,669,831
thereof with a remaining maturity of less than one year	5,916,518		8,669,831	
thereof with a remaining maturity of more than one year	0		0	
5. Payables to affiliated companies		52,301,649		77,454,268
thereof with a remaining maturity of less than one year	28,113,055		46,050,115	
thereof with a remaining maturity of more than one year	24,188,594		31,404,153	
6. Payables to companies in which the Company has a participating interest		427,357		380,847
thereof with a remaining maturity of less than one year	427,357		380,847	
thereof with a remaining maturity of more than one year	0		0	
7. Other liabilities		3,035,806		6,597,330
thereof taxes	71,649		73,532	
thereof social security payables	744,039		801,886	
thereof with a remaining maturity of less than one year	3,035,806		6,597,330	
thereof with a remaining maturity of more than one year	0		0	
Total accounts payable		**207,574,528**		**239,745,374**
D. Other current liabilities and deferred income		**0**		**1,379,270**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**481,955,804**		**418,075,647**

Income statement.

in EUR		2021/22		2022/23
1. Net sales		153,081,761		155,126,193
2. Change in services not yet invoiced		-6,352,804		-8,651,541
3. Other operating income				
a) Income from the retirement of fixed assets excluding financial assets		7,476		125
b) Income from the reversal of accruals and provisions		4,165,947		4,023,864
c) Other		12,146,341		12,937,314
		16,319,764		16,961,303
4. Cost of materials and other purchased services				
a) Cost of materials		-22,763,253		-31,626,342
b) Cost of purchased services		-49,741,048		-57,550,908
		-72,504,301		-89,177,250
5. Personnel expenses				
a) Wages		-42,675		0
b) Salaries		-30,881,999		-34,076,763
c) Social benefits		-10,156,355		-8,776,378
thereof expenses for pensions	-306,545		-87,885	
thereof expenses for severance payments and contributions to staff provision funds	-1,758,004		40,453	
thereof expenses for statutory social security, payroll-related taxes and mandatory contributions	-7,896,847		-8,437,931	
		-41,081,029		-42,853,140
6. Depreciation and amortization of fixed tangible and intangible assets		-6,460,966		-6,696,635
7. Other operating expenses		-37,590,787		-65,346,741
thereof taxes not included in line 16	-134,612		-128,842	
8. Subtotal of lines 1 to 7		**5,411,639**		**-40,637,952**
9. Income from participating interests		32,333,205		10,873,116
thereof from affiliated companies	32,333,205		10,873,116	
10. Other interest and similar income		3,900,849		4,611,127
thereof from affiliated companies	3,886,946		4,130,688	
11. Income from the disposal of fixed financial assets		25,393,615		7,137,922
12. Expenses on fixed financial assets		-36,469,963		-84,452,993
thereof write-downs	-36,469,963		-84,452,993	
thereof relating to affiliated companies	-36,469,963		-76,000,493	
13. Interest and similar expenses		-3,813,628		-5,000,433
thereof relating to affiliated companies	-372,784		-757,076	
14. Subtotal of lines 9 to 13		**21,344,078**		**-66,831,260**
15. Loss before taxation (subtotal of lines 8 and 14)		**26,755,717**		**-107,469,212**
16. Taxes on income		-5,486,161		8,779,696
thereof recharged to group parent	0		0	
thereof deferred taxes	-5,434,355		8,878,679	
17. Loss after taxation		21,269,556		-98,689,516
18. Net loss for the year		**21,269,556**		**-98,689,516**
19. Prior period unappropriated retained earnings brought forward		98,739,168		120,008,724
20. Unappropriated retained earnings		**120,008,724**		**21,319,208**

Notes to the financial statements.

A. General principles.

The financial statements as at March 31, 2023 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. Section 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.

Fighting in Ukraine and effects of the COVID 19 pandemic. In the Businessyear 2022/23 the global economy started to recover from the COVID-19 pandemic. Kapsch TrafficCom also experienced declines in revenues, especially in component sales. In addition delays in tenders and order placements as well as delays in the supply chain. These delays were further aggravated by the outbreak of the fights in Ukraine and the related sanctions against Russia. The new sanctions imposed at the same time against Belarus have resulted in led to a re-evaluation of supply opportunities to this country. To date, however, there have been no significant material impact on the risk situation of Kapsch TrafficCom.

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 800 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 0.00 (prior year: EUR 5,430 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.

In the previous year, the option of recognizing deferred tax assets for tax loss carryforwards (internal loss carryforwards that are kept evident within the group and offset against future positive tax results) was used for the first time. in the financial year 2022/23 this approach was applied again.

Deferred tax assets for existing tax loss carryforwards are recognized to the extent that sufficient deferred tax liabilities are available, or there are convincing substantial indications that future taxable profit will be available against which the temporary differences can be utilized (planning horizon of 8 years, with the Group applying appropriate deductions in later planning periods due to greater uncertainties in the utilisation of the loss carryforwards).

Deferred taxes are determined with a tax rate of 23% for all differences that will reverse in the following fiscal years (previous year: 25% for short term temporary differences, and 23% for all other temporary differences) and 23%, without taking discounting into account.

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” (June 2022, available in German only) pursuant to accepted actuarial methods in accordance with IAS 19 using the projected unit credit method.

A discount rate of 4.00% (prior year: 1.0%) was used for the calculation of the provisions for anniversary bonuses and a discount rate of 3.95% (prior year: 0.95%) for the calculation of accruals for severance payments. A rate of 3.0% (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 ANG 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, 2022**	**Additions**	**Disposals**	**Transfers**	**Balance March 31, 2023**
I. Intangible assets					
1. Industrial property and similar rights and assets, and licenses in such rights and assets	48,924,555	478.962	0	0	49,403,517
2. Prepayments made and assets under construction	194,494	113,163	-205,744	0	101,913
	49,119,049	**592,124**	**-205,744**	**0**	**49,505,429**
II. Tangible assets					
1. Leasehold improvements	6,538,418	0	0	0	6,538,418
2. Technical equipment and machinery	2,337,605	195,432	-534	0	2,532,502
3. Other equipment, factory and office equipment	7,147,698	410,937	-65,092	0	7,493,544
4. Prepayments made and assets under construction	187,670	56,455	-143,657	0	100,469
	16,211,391	**662,824**	**-209,283**	**0**	**16,664,933**
III. Financial assets					
1. Shares in affiliated companies	265,078,046	5,276,268	-462,078	0	269,892,237
2. Loans to affiliated companies	74,705,233	2,705,876	0	0	77,411,110
3. Participating interests	51,427,615	0	0	0	51,427,615
4. Securities	4,375	0	0	0	4,375
	391,215,270	**7,982,145**	**-462,078**	**0**	**398,735,337**
Total fixed assets	**456,545,710**	**9,237,093**	**877,104**	**0**	**464,905,699**

in EUR	Accumulated amortization/depreciation Balance April 1, 2022	Additions	Disposals	Write-ups	Transfers	Balance March 31, 2023	Net book values Balance March 31, 2023	Balance March 31, 2022
I. Intangible assets								
1. Industrial property and similar rights and assets, and licenses in such rights and assets	29,424,413	5,900,542	0	0	0	35,324,955	14,078,562	19,500,142
2. Prepayments made and assets under construction	0	0	0	0	0	0	101,913	194,494
	29,424,413	**5,900,542**	**0**	**0**	**0**	**35,324,955**	**14,180,474**	**19,694,635**
							0	0
II. Tangible assets							**0**	**0**
1. Leasehold improvements	5,642,611	369,366	0	0	0	6,011,977	526,441	895,808
2. Technical equipment and machinery	1,964,500	182,824	-534	0	0	2,146,790	385,712	373,104
3. Other equipment, factory and office equipment	5,960,375	224,002	-65,062	0	0	6,139,286	1,354,258	1,187,323
4. Prepayments made and assets under construction	0	0	0	0	0	0	100,469	187,670
	13,567,486	**796,193**	**-65,626**	**0**	**0**	**14,298,053**	**2,366,880**	**2,643,905**
							0	0
III. Financial assets							**0**	**0**
1. Shares in affiliated companies	48,248,103	80,193,928	0	0	0	128,442,031	141,450,206	216,829,943
2. Loans to affiliated companies	21,506,160	0	0	0	0	21,506,160	55,904,950	53,199,073
3. Participating interests	11,915,618	4,259,650	0	0	0	16,174,683	35,252,932	39,511,998
4. Securities	0	0	0	0	0		4,375	4,375
	81,669,881	**84,453,578**	**0**	**0**	**0**	**166,122,874**	**232,612,463**	**309,545,389**
Total fixed assets	**124,661,781**	**91,150,313**	**-65,626**	**0**	**0**	**215,745,882**	**249,159,817**	**331,883,930**

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	2021/22	2022/23
	in EUR k	in EUR
In the following financial year	4,896	3,696,314.52
In the next 5 financial years	9,885	12,190,752.21

Financial assets.

Loans.

Loans amounting to EUR 55,904,949.26 (prior year: EUR 53,199 k) granted to affiliated companies, EUR 0 have a residual term of more than one year (prior year: EUR 0).

Shares in affiliated companies and participations as well as loans to affiliated companies.

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

Figures as at March 31, 2023	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	12,440	2,799	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95.00	2,269	-2,937	1)
Kapsch Components GmbH & Co KG, Vienna	100.00	4,700	73	1)
Kapsch Components GmbH, Vienna	100.00	148	4	1)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100.00	193,075	22	1)
Kapsch Telematic Services GmbH, Vienna	93.00	11,813	6,487	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100.00	316	97	1)
Kapsch TrafficCom Ltd., Middlesex, United Kingdom	100.00	1,210	221	1)
Artibrain Software Entwicklungsgesellschaft mbH, Vienna	100.00	38	-4	1)
Kapsch TrafficCom Russia o.o.o., Moscow, Russia	100.00	208	-193	1)
Kapsch TrafficCom France SAS, Paris, France	30.20	294	-863	1)
Electronic Toll Collection (Pty) Ltd., Cape Town, South Africa	9.62	10,150	8,116	1)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100.00	1,485	466	1)
KTS Beteiligungs GmbH, Vienna	100.00	534	4	1)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates	49.00	426	318	1)
Kapsch Telematic Services IOOO, Minsk, Belarus	99.00	2,333	3,853	1)
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	51.00	39	1	1)
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	100.00	16,690	834	1)
tolltickets GmbH, Rosenheim, Germany	100.00	-5,117	-2,596	1)
Kapsch TrafficCom S.A.S., Bogota, Colombia	100.00	-1,022	-1,588	1)
Intelligent Mobility Solutions Limited, Lusaka, Zambia	51.00	-13,670	-2,525	1)
MTS Maut & Telematik Services GmbH, Berlin, Germany	100.00	1,774	-1,689	1)
Kapsch TrafficCom Dominican Republic S.R.L., Santo Dominigo, Dominican Republic	99.00	-559	-491	1)
Kapsch TrafficCom Norway AS, Oslo, Norway	100.00	5	0	1)
SIMEX, Integracion de Sistemas, S.A.P.I. de C.V. Mexico City, Mexico	69.50	5,015	5	1)
Kapsch TrafficCom Peru S.A.C., Lima, Peru	99.93	-204	23	1)
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	22.03	1,461	-1,867	1)
Kapsch TrafficCom Ireland Limited, Dublin, Ireland	100.00	300	187	1)
Kapsch Telematic Services Sp.z.o.o., Warzaw, Poland	100.00	4,128	3,291	1)
b) Participating interests				
Traffic Technology Services Inc., Beaverton, United States	42.44	2,211	-2,993	1)
MoKA SAS, Paris, France	50.00	252	1	2)
autoTicket GmbH, Berlin, Germany	50.00	-23,255	-4,125	2)

1) Figures as at March 31, 2023 (IFRS)
2) Figures as at December 31, 2022 (local law)

As of December 22, 2022 Kapsch TrafficCom AG sold all shares in Arce Mobility Solutions, S.A., Spain, the related profit had an amount of 7.1 million.

On the 29 of March 2023 were 100% of shares in Kapsch Telematic Services Sp.z.o.o., Poland from Kapsch Telematic Service GmbH in the amount of EUR 4,875,000.00 million acquired.

Of the **write-down on shares in affiliated companies** totaling EUR 80,193,927.86 in financial year 2022/23, EUR 72,236,312.86 relates to Kapsch TrafficCom B.V., Amsterdam, Netherlands, EUR 3,850,249.00 relates to tolltickets GmbH, Rosenheim, Germany, EUR 2,002,329.00 relates to Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina, EUR 1,099,938.00 relates to Kapsch TrafficCom Russia OOO, Moscow, Russia, EUR 1,000,000.00 relates to Kapsch Beteiligungs GmbH, Vienna and EUR 5,099.00 relates to UAB Kapsch TafficCom Lietuva, Villinius, Lithuania.

The **write-down on participaion** in the amount of 4,259,065.00 EUR is realted to Traffic Technology Service Inc., USA.

In the financial year 2022/23 no **write-up on shares in affiliated companies** were progressed.

EUR 63,345,088.01 of all shares in affilated companies are related to Kapsch TrafficCom B.V., Amsterdam, Netherlands. This company is acting as a holding company of the Kapsch TrafficCom Northamerika group. Additionally Kapsch TrafficCom AG has loan receivables in the amount of EUR 55,904,949.46 related to US-Entities.

Current assets.

Inventories.
Valuation allowances in the amount of EUR 3,253,696.22 (prior year: EUR 3,155 k) were set up for inventories.

Receivables.
Receivables from affiliated companies pertain to trade receivables in the amount of EUR 84,781,775.30 (prior year: EUR 57,519 k), loan receivables in the amount of EUR 14,693,399.54 (prior year: EUR 23,364 k) and receivables resulting from dividends in the amount of EUR 5,988,207.66 (prior year: EUR 0,00 k).

Receivables from companies in which the company has a participating interest pertain to loan receivables in the amount of EUR 12,274,083.47 (prior year: EUR 10,167 k) and trade receivables in the amount of EUR 595,274.01 (prior year: EUR 375 k).

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 6,660,412.58 (prior year: EUR 9,967 k) that will affect cash flow only after the balance sheet date.

Deferred tax assets.
Deferred tax assets in the amount of EUR 2,313,406.97 (prior year: EUR 2,751 k) result 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 2,146,917.29 (prior year: EUR 2,485 k).

Deferred tax assets are recognized for tax loss carryforwards (internal loss carryforwards from group taxation) to the extent that this tax benefit is likely to be offset by future taxable income. The company has recognized deferred tax assets for tax losses of EUR 25,009,970.00 (previous year: EUR 15,694 k) that can be offset against future taxable income. (related on the tax calculation planning)

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 2021 Annual General Meeting resolved to create new authorized capital of up to 10% of the share capital, excluding shareholders’ subscription rights. The Executive Board is authorized until September 28, 2026, with the approval of the Supervisory Board, to increase the company’s share capital in one or more tranches by up to 10% and to set the issue price and the issue conditions. The shareholders’ subscription rights to the new shares issued from the authorized capital are excluded. The company currently has no conditional capital that authorizes the Management Board, with the approval of the Supervisory Board, to issue shares without (repeated) consideration by the Annual General Meeting.

Authorization of repurchase of shares.
As of March 31, 2023, Kapsch TrafficCom held, as in the previous year, no treasury shares, no shares retained for options retained for options and no conversion rights.

Proposed appropriation of retained earnings.
Since the balance sheet profit is entirely subject to the distribution ban in accordance with section 2, 235 UGB, there is no resolution on the appropriation of profit or a proposal for this.

Amount subject to a prohibition of profit distribution.
According to section 2, 235 UGB, the whole unappropriated retained earnings are not available for distribution.

Accruals and provisions.

Other accruals and provisions include the following items:

	March 31, 2022	March 31, 2023
	in EUR k	in EUR
Project-based accruals and provisions (including impending losses)	7,451	7,009,683.07
Invoices not yet received (excl. projects)	5,047	5,049,143.39
Personnel-related accruals and provisions (including vacation accruals of EUR 2,507,273.22; prior year: EUR 2,301 k)	4,190	4,333,833.83
Restructuring costs	10	183,750.00
Warranties and liabilities for construction flaws, as well as production and system defects	1,506	1,432,710.89
Other accruals and provisions	390	2,362,790.06
Total	**18,594**	**20,371,911.24**

Accounts payable.

Of the payables bank loans and overdrafts in the amount of EUR 0.00 (prior year: EUR 12,500 k) have a remaining maturity of more than 5 years.

As at June 9, 2016 five promissory note bonds were issued.

The remaining tranches as at the balance sheet date March 31, 2023 are as follows:

Tranche	Interest rate	Interest fixing and interest payment	Repayment
EUR 23 million	6M EURIBOR + 150 Bp	semmi-annual	June 16, 2023
EUR 8.5 million	2.26%	yearly	June 26, 2026

Regarding the refiancing please see detailed report in the paragraph **subsequent events**

Payables to affiliated companies refer to loans in the amount of EUR 31,404,203.54 (prior year: EUR 24,189 k), payables for purchased shares in Kapsch Telematic Services Sp.z.o.o. amount of EUR 4.872.000,00, as well as trade payables.

Other liabilities include expenses in the amount of EUR 3,118,827.48 (prior year: EUR 2,928 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), the loan for acquisitions in the amount of EUR 30,354,000.00 (prior year: EUR 37,140 k) as well as the export loan in the amount of EUR 17,900,000,00 (prior year: EUR 17,900 k) are secured by bill of exchange.

Contingent liabilities and other financial obligations.

	March 31, 2022	March 31, 2023
	in EUR k	in EUR
Assumption of liabilities on behalf of subsidiaries	34,589	33,875,965.26
Bank guarantees for the performance of contracts relating to projects	25,280	35,391,240.03
Payment guarantees	161	160,873.40
Performance bonds	169,300	163,785,118.31
Other guarantees (security deposits, bid bonds and sureties)	5,377	886,887.27
Total	**234,706**	**234,100,084.27**

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 7,752,203.37 (prior year: EUR 8.4 million).

German infrastructure charge.

In 2018 the joint venture autoTicket GmbH (autoTicket), Germany, was commissioned to levy the German infrastructure charge (“passenger vehicle toll”). Moreover in a separate contract the Group company MTS Maut & Telematik Services GmbH (MTS), Germany, had been awarded the contract for the “automatic control of the passenger vehicle toll”.

On June 18, 2019, the European Court of Justice (ECJ) ruled contrary to expectations that the passenger vehicle toll in its planned form, where in Germany accredited vehicles receive a tax relief simultaneously, violates the principles of the European Union. The customer terminated on the following day the contracts for the implementation and operation of the passenger vehicle toll effective September 30, 2019.

The operating parties of the terminated contract for the project “Toll collection” are Kapsch TrafficCom, CTS EVENTIM and autoTicket. In December 2019, they jointly asserted claims in the amount of around EUR 560,000 k against the Federal Republic of Germany. The responsible minister is disputing this claim. This matter will therefore need to be resolved before an arbitration tribunal.

In March 2022 Kapsch TrafficCom received an interim arbitration award which affirms a claim for compensation of autoTicket against the Federal Republic of Germany on the merits. In the following phase of the arbitration proceedings, the amount of the claim will be decided.

The financial claims that the operating parties have against the Federal Republic of Germany and the resulting claims that Kapsch TrafficCom has against autoTicket on the basis of both contractual services and the position as shareholder will be clarified in arbitration proceedings and are not capitalized on the balance sheet date as they represent a contingent claim.

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, 2023	Nominal amount	Number	Fair value [1]	Book value	Balance sheet item
Type of financial instrument					
FX Rate Swap (07/2023)		1	240.308,77	0.00	n/a
Interest rate-related products					
Interest rate swap (12/2026)		1	1.418.479,49	0.00	n/a
Interest rate swap (09/2027)		1	2.055.612,57	0.00	n/a

1) A positive amount in this column refers to a positive fair value, a negative amount to a negative fair value.

Figures as of March 31, 2022	Nominal amount	Number	Fair value [1]	Book value	Balance sheet item
Type of financial instrument					
Interest rate-related products					
Interest rate swap (12/2026)	EUR 25,000,000	1	574,032.85	0.00	n/a
Interest rate swap (09/2027)	EUR 25,000,000	1	971,064.39	0.00	n/a

1) A positive amount in this column refers to a positive fair value, a negative amount 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, 2022	March 31, 2023
	in EUR k	in EUR
Toll	126,525	129,806,747.25
Traffic management	26,556	25,319,445.76
Total net sales by field of activity	**153,082**	**155,126,193.01**
Domestic	17,192	12,639,318.57
European Union, excl. Austria	56,731	54,749,231.88
Non-European Union	79,158	87,737,642.55
Total net sales by region	**153,082**	**155,126,193.00**

The item **salaries** includes income from changes in provisions for anniversary bonuses in the amount of EUR 197,376.12 (prior year: expense in the amount of EUR 56 k).

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

	March 31, 2022	March 31, 2023
	in EUR k	in EUR
Expenses for severance payments	1,352	-481,810.64
Contributions to staff provision funds	407	441,358.12
Total	**1,758**	**-40,452.52**

Expenses for the auditor.

Expenses for the auditor amount to EUR 222,350.00 (prior year: EUR 280 k) and are broken down as follows:

	March 31, 2022	March 31, 2023
	in EUR k	**in EUR**
Audit of the financial statements	55	68,940.00
Other assurance services	189	146,765.00
Other services	35	6,630.00
Total	**280**	**222,335.00**

Other operating expenses

The change in the operating expenses is mainly driven by write-downs of loans and receivables in the amount of EUR 23.5 million (prior year EUR 396 k).

Financial result.

The main impact in the financial result is affected by the write-downs of related companies and in which the company has a participating interest. Also a main impact have the sell of the shares of Arce Mobility Solutions, S.A, Spain.

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, whereby an allocation to the group parent only takes place in the event of a taxable profit. Tax losses are carried forward in the form of an internal loss carryforward and offset against future positive results.

F. Other disclosures.

Disclosures on board members and staff.

The average number of staff during financial year 2022/23 was 432 salaried employees (prior year: 414 salaried employees, 2 waged workers).

In financial year 2022/23, the remuneration of the Executive Board amounted to EUR 1,974 k (prior year: EUR 2,105 k). A one-time severance payment of EUR 2,478 k was made for the premature termination of an Executive Board mandate, in the previous year. Expenses for severance payments and pensions for managing directors amounted to EUR 36 k (prior year: EUR 1.613 k). Thus, in total the compensation paid to members of the Executive Board in financial year 2022/23 amounted to EUR 1,974 k (prior year: EUR 4.583 k).

With regard to Supervisory Board members EUR 120,000.00 (prior year: EUR 121 k) were recognized as expenses (including travel expenses).

As in the previous year, no advances or loans were granted to members of the Board of Management or the Supervisory Board, and no guarantees were given in their favour.

The following persons served on the Executive and Supervisory Board:

Executive Board.

Georg Kapsch (Chairman)
Alfredo Escribá Gallego
Andreas Hämmerle (since July 1, 2021)
André Laux (until October 20, 2021)

Supervisory Board.

Franz Semmernegg (Chairman)
Harald Sommerer (Deputy-Chairman)
Sonja Hammerschmid
Sabine Kauper

delegated by the Works Council:

Claudia Rudolf-Misch
Christian Windisch

Subsequent events.

On 31 May 2023, Kapsch TrafficCom AG reached an agreement with its major financial creditors (including the creditors of the promissory note of the promissory note loans maturing on 16 June 2023). Existing financing in the amount of EUR 106.3 million was extended until May 25, 2025, and new financing was also concluded by this date, with which half of the 7-year promissory note loans (EUR 11.5 million) will be repaid, and one of these promissory note loan creditors will provide an amount of EUR 4.25 million as an additional loan. The goal is a material reduction of net debt by at least EUR 60 million and in the longer term to a level of net debt to EBITDA of 3.0x.

New financings are subject to increased terms and conditions customary in the market; in addition, the financial creditors are entitled to a repayment premium in certain cases (also for existing financings). In order to achieve the targeted reduction in current net debt, the Company is committed to early repayments from surplus cash (cash sweep), from extraordinary inflows and from pending proceedings, as well as to waiving dividend payments. The Company’s dividend policy therefore remains suspended.

The main shareholder KAPSCH-Group Beteiligungs GmbH is supporting the restructuring – in addition to the loans of EUR 5 million already granted at the end of 2022 – by pledging all of its shares in the company, this currently corresponds to around 63.3% of the company’s share capital.

The Company further undertakes to utilize the entire existing authorized capital in the amount of 10% of the Company’s share capital (corresponding to 1.3 million new shares of the Company) in order to create sufficient liquidity, whereby the majority shareholder KAPSCH-Group Beteiligungs GmbH is entitled to contribute financial support already provided.

Beyond this, there were no events after the balance sheet date to report.

Vienna, June 13, 2023

Georg Kapsch
Chief Executive Officer

Andreas Hämmerle
Executive Board member

Alfredo Escribá Gallego
Executive Board member

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 13, 2023

Georg Kapsch
Chief Executive Officer

Andreas Hämmerle
Executive Board member

Alfredo Escribá Gallego
Executive Board member

AUDITOR'S REPORT.

Report on the Financial Statements.

We draw attention to the fact that the English translation of this auditor's report according to section 274 UGB (Austrian Company Code) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Audit Opinion.
We have audited the financial statements of Kapsch TrafficCom AG, Vienna, which comprise the balance sheet as at March 31, 2023, 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, 2023, 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.

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 and participating interests.

Description.
As a holding company, Kapsch TrafficCom AG, Vienna, holds material shares in affiliated companies (book values in the amount of EUR 141,450k) and participating interests (book values in the amount of EUR 35,253k) as at March 31, 2023. Moreover, loans in the amount of EUR 55,905k as well as loan receivables from affiliated companies in the amount of EUR 14,693k as well as loan receivables from participating interests in the amount of EUR 12,274k 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). Write-ups are made if the reasons for the write-down no longer apply.

Valuation of shares in affiliated companies and participating interests as well as loans and loan receivables 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 2022/23, the following write-downs on the participating interests and shares in affiliated companies recognized were made based on these tests for write-downs:

Amounts in kEUR	Write down in the financial year 2022/23
Shares in affiliated companies	
Kapsch TrafficCom B.V., Amsterdam, the Netherlands	-72,236
tolltickets GmbH, Rosenheim, Germany	-3,850
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	-2,002
Kapsch TrafficCom Russia OOO, Moskau, Russia	-1,100
Kapsch Beteiligungs GmbH, Wien, Austria	-1,000
UAB Kapsch TrafficCom Lietuva, Vilnius, Lithuania	-5
Participating interests	**-80,193**
Traffic Technology Services, Inc., Beaverton, USA	-4,259
Total	**-84,452**

In the financial year 2022/23, the following write-downs on loan receivables from affiliated companies and participating interests were made based on the expected business development.

Amounts in kEUR	Write down in the financial year 2022/23
Loans and receivables from affiliated companies	
Kapsch TrafficCom Services USA Inc., McLean, USA	-9,664
tolltickets GmbH, Rosenheim, Germany	-4,438
Intelligent Mobility Solutions, Lusaka, Sambia	-1,241
Other	-13
Loans and receivables from participating interests	**-15,356**
Traffic Technology Services, Inc., Beaverton, USA	-2,350
Total	**-17,706**

No need for impairment was identified for loans to affiliated companies.

EUR 63,345k (after the write-downs were made) 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 55,925k exist vis-à-vis the US companies (subsidiaries/sub-subsidiaries of Kapsch TrafficCom B.V., Amsterdam, the Netherlands).

The material US sub-subsidiary Kapsch TrafficCom USA Inc., McLean, US, incurred significant losses in the prior financial years which mainly resulted from considerable cost overruns and adjustments to planned costs and margins for material projects. As a result, the management identified, resolved on and implemented measures which are expected to lead to a positive development of results in the future. In North America, the financial year 2022/23 was still significantly affected by these restructuring measures and by a period of consolidation and reorganization. Albeit to a lesser extent than in the prior years, margins for some implementation projects in the US also had to be further adjusted. Kapsch TrafficCom USA Inc., McLean, US, continues to make a negative contribution to earnings (negative EBIT amounting to EUR 4,484k compared to EUR 28,489k in the prior year). As a result of the test for write-downs, a write-down in the amount of EUR 72,236k on the participating interest in Kapsch TrafficCom B.V., Amsterdam, the Netherlands, was recognized. The valuation of the remaining participating interests as well as of the loans to and loan receivables from the US companies continues to depend on whether a return to profitable business planning is achieved in the future.

Following the outbreak of the war in Ukraine in March 2022, sanctions resulted in an impact on Kapsch TrafficCom's business in Russia and Belarus. Despite the existing sanctions and the associated supply restrictions in Belarus, there are currently no material negative effects, especially in the important operation of the Austrian-wide toll system for cars and trucks, which runs until 2032. Business in Russia was discontinued and the participating interest in the subsidiary in Russia was written off in the financial year 2022/23 (EUR 1,100k).

Management believes that no further diminutions or increases in value (up to a maximum of the amount of acquisition cost) apply to shares in affiliated companies, participating interests as well as loans to and loan receivables from affiliated companies and participating interests as at March 31, 2023 and that, consequently, no further write-downs or write-ups are required.

Testing participating interests for write-downs requires management to make significant estimates as to the future market development and the probability of winning individual major contracts during the planning period. This is particularly true for implementation projects with regard to tolling systems in the Tolling segment, where the order inflow is very volatile and contracts are usually awarded based on invitations to tender, which usually is associated with certain uncertainties. Moreover, there is significant area of judgement involved in the valuation, in particular with regard to the discount rate and the assumptions for the terminal value. With regard to the financial statements, there is a risk of an overstatement of participating interests due to these estimation uncertainties and it was therefore identified as key audit matter

Audit approach and key observations.
We evaluated the appropriateness of forward-looking estimates and significant assumptions as well as the relevant valuation models, involving our internal experts for valuation.

Thereby, we first gained an understanding of the planning system and process and the planning model and valuation models. We examined whether the assumptions used in the budget are in line with the plans drawn up by the Executive Board with the support of an external expert in the restructuring concept and approved by the Supervisory Board. We analyzed and critically assessed the essential drivers for future development (such as revenues, expenses, project planning, investments, changes in working capital) as well as the essential risks for possible deviations from the planning assumptions and discussed them in meetings with the management and the external advisor, involving internal restructuring experts. The assumptions regarding the discount rate and the growth rate were checked by means of external market and industry data, and the calculation model was tested for mathematical accuracy.

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 suitable to assess the valuation of the shares in affiliated companies and the participating interests as well as the loans and loan receivables. The assumptions and valuation 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“ as well as “Loans to affiliated companies” and “Current assets, Receivables”.

2 Estimates and assumptions in project accounting.

Description.
Services not yet invoiced as at March 31, 2023 amount to EUR 2,667k, project-related accruals and provisions (including accruals for impending losses) amount to EUR 7,010k. 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.
Within the framework of our risk-based audit approach, we 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 approval of order calculation upon the conclusion of new contracts as well as approval of the ongoing recalculation. In the course of our detailed audit procedures, we requested the project valuations for samples of projects and reperformed the calculation of the accruals/deferrals for these projects based on plan revenue and costs as well as the costs incurred up until the balance sheet date. We looked at project requests, customer contracts, Supervisory Board minutes, the project budgeting tool as well as detailed cost estimates 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 made use of, among others, historical experience regarding the accuracy of estimates of largescale projects carried out in the past.

The valuation methods used and the underlying assumptions in the valuation of the project are reasonable and comply with the provisions of the UGB.

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 Termination of the contract for the commissioning for the collection of the German infrastructure charge in the financial year 2019/20 and current status.

Description.
In 2018, the participating interest autoTicket GmbH, Germany, was awarded the contract to collect the infrastructure charge (passenger vehicle toll) in Germany. Additionally and prior to this, the subsidiary 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 ruling in which it held that the infrastructure charge planned in Germany (passenger vehicle toll) is incompatible with EU law. On the following day, the customer (the Federal Republic of Germany) terminated the contracts for the installation and operation of the passenger vehicle toll effective September 30, 2019.

The operating parties of the terminated contract relating to the project “passenger vehicle toll” are Kapsch TrafficCom AG, Vienna, CTS EVENTIM AG & Co KGaA, Germany, and autoTicket GmbH, Germany. In December 2019, they jointly asserted claims against the Federal Republic of Germany in the amount of EUR 560m. These claims are contested by the competent ministry, and recourse to arbitration has been taken. The independent arbitration tribunal commenced its activities in the spring of 2020.

By interim award dated March 22, 2022, the arbitration tribunal ruled that the claims asserted by autoTicket GmbH, Germany, for compensation and reimbursement of expenses (reimbursement of gross enterprise value of autoTicket GmbH, Germany, and compensation for the cost incurred by handling the operating agreement) against the Federal Republic of Germany were justified on their merits. The arbitration tribunal will rule on the amount of the claims in the now ongoing phase of the arbitration proceedings.

In the financial statements, an assessment as to particularly the recognition of contingent receivables and the completeness and appropriateness of the disclosures in the notes had to be made. It was therefore identified as key audit matter.

Audit approach and key observations.
In the course of our audit, we discussed the status of the arbitration proceedings and the interim award with the Group’s Executive Board and legal department and gathered information, if available, on events after the balance sheet date.

As at the reporting date March 31, 2023, we obtained external confirmations from the lawyers advising the Company regarding the matter. We evaluated whether there is still no recognition of a compensation claim required based on the interim award from March 2022 confirming the merits of the claims but not their amounts.

The disclosure of the financial claims asserted by the operating parties against the Federal Republic of Germany, the amount of which has to be confirmed in the ongoing phase of the arbitration proceedings, as a contingent receivable is appropriate.

The presentation of the disclosures in the notes is appropriate.

Reference to related disclosures.
The Company's information on the termination of the contract for the commissioning for the collection of the German infrastructure charge and on the pending arbitration proceedings can be found, in particular, in Section D. Comments on items in the balance sheet under “German infrastructure charge”.

4 Recognition of deferred taxes.

Description.
In the financial statements, deferred tax assets in the amount of EUR 27,323k are reported which are mainly attributable to internal loss carry-forwards from group taxation. The Company recognizes deferred tax assets up to the extent it is probable that sufficient taxable profits will be available against which the temporary differences as well as unused tax loss carry-forwards can be utilized. In the case of a history of losses, capitalization only occurs to the extent that there is convincing substantial evidence that sufficient taxable income will be available in the future. The planning horizon in this context is eight years, whereby discounts are made for planning years further in the future beyond the detailed planning period of 4 years.

The recognition of deferred taxes requires management to make significant estimates as regards future market and business development within the planning horizon, which is usually subject to a degree of uncertainty. With regard to the financial statements, there is a risk of an overstatement of deferred tax assets due to these estimation uncertainties, and they were therefore identified as key audit matter.

Audit approach and key observations.
We examined whether the assumptions used in the future cash flows are in line with the multi-year plan prepared by the Executive Board with the help of external advisors in the restructuring concept and approved by the Supervisory Board, and we analyzed and critically assessed the essential drivers for future development (such as net sales and expenses). Furthermore, we analyzed and critically assessed the extrapolation of the future cash flows for the projection period beyond the multi-year plan as well as the adjustments to the results of the plan calculations regarding taxes. The calculation model was tested for mathematical accuracy and the tax rates used were reconciled with external sources. We evaluated in particular whether there is convincing evidence that sufficient taxable profits will be available against which the unused tax loss carryforwards can be utilized. Further, we evaluated whether the disclosures on deferred taxes provided in the notes are appropriate.

The model used by the Company is suitable to recognize deferred tax assets in accordance with the provisions of the UGB. The assumptions used in the valuation are reasonable. The disclosures in the notes required by UGB are complete.

Reference to related disclosures
The Company's disclosures on the recognition of deferred taxes are included in Section C. Accounting and valuation methods under “Deferred tax assets” as well as Section D. Comments on items in the balance sheet under “Deferred tax assets”.

5 Restructuring of financing.

Description.
As at March 31, 2023, bank loans and overdrafts amount to EUR 113,981k (thereof with a remaining maturity of less than one year amounting to EUR 69,881k) and promissory note bonds amount to EUR 31,508k (thereof with a remaining maturity of less than one year amounting to EUR 23,008k).
The adverse business development in the financial year 2022/23, particularly with regard to profitability and the associated liquidity and debt, has led management to prepare a comprehensive restructuring concept in mid-March 2023 with the help of an external advisor, which includes measures to improve profitability and reduce working capital, but is also intended to create a basis for sustainable future growth. This restructuring concept also forms the basis for the refinancing agreement concluded in May 2023.

On May 31, 2023, Kapsch TrafficCom AG, Vienna, reached an agreement on a comprehensive refinancing of short-term financial liabilities (including promissory note bonds) with its major financial creditors. Existing financing in the amount of EUR 81.4 million was extended until May 25, 2025, and new financing was concluded by this date. This includes a refinancing agreement of 50% of the promissory note bond in the amount of EUR 11.5 million maturing in mid-June 2023 and the provision of EUR 4.25 million as an additional operating loan by a promissory note creditor. In this context, the Company has agreed to make early repayments from surplus cash and cash equivalents (cash sweep), from extraordinary inflows and from pending proceedings, and to not distribute any dividends. In the course of the refinancing, additional customary covenants and conditions were agreed with the financial creditors, compliance with which will be closely monitored and reported on by the external advisors in the future. The main shareholder KAPSCH-Group Beteiligungs GmbH, Vienna, pledged all its shares held in the Company (around 63.6% of the share capital) as collateral. The Company also undertook to utilize the entire existing authorized capital to the extent of 10% of the share capital.

The measures for ensuring sufficient liquidity implemented by management in the prior years were continued in the financial year 2022/23.

Due to the material impact of the refinancing on the assets and liabilities and financial situation as well as the going concern assumption of the Company, this was identified as key audit matter.

Audit approach and key observations.
We assessed the restructuring concept prepared by the management with the help of an external advisor with regard to the appropriateness of the forward-looking estimates and key assumptions as well as the calculation model used, involving internal restructuring experts.

In this process, we first gained an understanding of the planning process and model. We examined whether the assumptions used in the future cash flows are in line with the plan prepared by the Executive Board with the help of external advisors in the restructuring concept and approved by the Supervisory Board. We analyzed and critically assessed the essential drivers for future development (such as net sales and cost planning, changes in working capital as well as liquidity planning) as well as the essential risks for possible deviations from the planning assumptions and discussed them in meetings with the management and the external advisor. We interviewed the management and the external advisor on the status of the implementation of the measures. We have inspected the latest status report from early June on the implementation status of the measures.

We checked the agreements on refinancing and assessed the resulting impact on the assets and liabilities, financial situation and results of operations as well as the going concern assumption of the Company and assessed the related disclosures made by the Executive Board in the financial statements.

Moreover, we assessed the management's measures implemented to ensure sufficient liquidity and checked whether the monitoring implemented by management in this regard (daily monitoring of the group-wide liquidity portfolio and weekly 12-weeks cash flow forecasts) continue to be performed.

Based on the information we have collected and as agreed in the refinancing agreement, regular monitoring and external reporting will be carried out by the external advisor in the future to ensure ongoing and appropriate monitoring of liquidity and compliance with the intended implementation of the measures from the restructuring concept. A relevant report was not yet available at the moment.

Reference to related disclosures.
The Company's disclosures on refinancing are included in the notes under "Significant events after the balance sheet date" in Section F. "Other disclosures".

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 7, 2022. We were appointed by the Supervisory Board on March 24, 2022. We have audited the Company's financial statements 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 Christina Decker, Austrian Certified Public Accountant.

Vienna, June 13, 2023

PwC Wirtschaftsprüfung GmbH

signed
Christina Decker
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 always refers to people of all gender categories.

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 with successful projects in more than 50 countries. Innovative solutions in the application fields of tolling, tolling services, traffic management and demand management contribute to a healthy world without congestion.

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.

Kapsch TrafficCom, headquartered in Vienna, has subsidiaries and branches in more than 25 countries and is listed in the Prime Market segment of the Vienna Stock Exchange (ticker symbol: KTCG). In its 2022/23 financial year, about 4,000 employees generated revenues of EUR 553 million.

>>> www.kapsch.net

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