Annual Financial Report 2020/2021

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2021

Assets in kEUR	Note	31/03/2021	31/03/2020
Non-current assets			
Property, plant and equipment	5.1.1.	12,323	11,994
Intangible assets	5.1.2.	3,715	3,777
Other financial assets	5.1.3.	169	169
Other non-financial assets	5.1.4.	401	515
Deferred income tax assets	5.1.5.	597	588
		17,205	**17,043**
Current assets			
Trade and other receivables	5.2.1.	10,904	13,134
Income tax receivables	5.2.1.	66	18
Cash and cash equivalents	5.2.2.	48,424	35,101
		59,394	**48,253**
Total assets		**76,599**	**65,296**

Equity and liabilities in kEUR	Note	31/03/2021	31/03/2020
Equity			
Capital and reserves attributable to the Parent Company‘s equity holders			
Share capital	5.3.	11,000	11,000
Capital reserves	5.3.1.	19,513	15,190
Treasury shares	5.3.2.	0	-2,013
Other reserves		-1,055	-884
Adjustment item for currency conversion		359	409
Retained earnings		7,181	5,513
		36,998	**29,215**
Non-controlling interest		2,254	2,254
		39,252	**31,469**
Non-current liabilities			
Provisions for severance payments	5.4.1.	3,911	3,464
Deferred income tax liabilities	5.1.5.	416	444
Other payables	5.4.3.	5,443	5,636
Investment grants	5.6.	104	0
		9,874	**9,544**
Current liabilities			
Trade and other payables*	5.5.1.	8,074	8,306
Liabilities for income taxes	5.5.2.	5,571	2,989
Contract liabilities*	5.5.3.	13,828	12,988
		27,473	**24,283**
Total equity and liabilities		**76,599**	**65,296**

*Due to a reclassification of the contract liabilities resulting from service contracts amounting to kEUR 280 from trade and other payables into the contract liabilities, the previous year’s values were adjusted.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2020/2021 FISCAL YEAR

in kEUR	Note	2020/2021	2019/2020
Sales revenue	**6.1.**	**55,090**	**51,056**
Other operating income	6.2.	394	249
Expenses for purchased services		-2,477	-2,237
Employee benefits expenses	6.3.	-27,510	-24,261
Depreciation and amortisation expenses	6.4.	-5,668	-5,071
Other operating expenses	6.5.	-5,943	-8,027
Operating result		**13,886**	**11,709**
Finance income	6.6.	3	4
Finance expenses	6.6.	-109	-53
Result before income taxes		**13,780**	**11,660**
Income taxes	6.7.	-4,050	-3,107
Result for the year		**9,730**	**8,553**
Other result (possible reclassification in result for the year):			
Change in adjustment item for currency conversion		-50	63
Other result (no reclassification in result for the year):			
Revaluation effects – severance payments net deferred income taxes		-171	-66
Other result		**-221**	**-3**
Total result		**9,509**	**8,550**
Result for the year attributable to:			
Equity holders of the Parent Company		8,818	7,708
Non-controlling interest		912	845
Total result attributable to:			
Equity holders of the Parent Company		8,597	7,705
Non-controlling interest		912	845
Earnings per share in terms of the results for the year for result attributable to the equity holders of the Parent Company in the fiscal year (expressed in EUR per share)			
basic	9.1.1.	0.80	0.72
diluted	9.1.2.	0.80	0.72

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2020/2021 FISCAL YEAR

in kEUR	Note	2020/2021	2019/2020
Cash flows from operating activities			
Operating result		**13,886**	**11,709**
Adjustments in non-cash items			
Depreciation and amortisation expenses	6.4.	5,668	5,071
Effects from currency conversion		7	-76
Changes in non-current provisions		447	239
Revaluation effects – severance payments	5.4.1.	-228	-88
Changes in other non-financial assets recognised in profit and loss	5.1.4.	114	-39
Profit/loss from disposal of property, plant and equipment		-107	16
		19,788	**16,832**
Adjustments in net current assets			
Changes in trade and other receivables (without income tax receivables)		1,949	-1,246
Changes in trade and other payables (without income tax and lease liabilities)*		-296	1,147
Changes in contract liabilities*		1,034	-286
Changes in investment grants	5.6.	104	0
		2,791	**-385**
Cash generated from operations		**22,579**	**16,447**
Interest received		3	0
Interest paid		-68	-12
Income taxes paid		-1,502	-2,328
Net cash generated from operating activities		**21,012**	**14,107**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	5.1.1. 5.1.2.	-4,527	-4,376
Proceeds from sale of property, plant and equipment and intangible assets		229	15
Acquisition of subsidiaries less cash acquired		0	-480
Net cash used in investing activities		**-4,298**	**-4,841**
Cash flows from financing activities			
Redemption of lease liability		-1,594	-1,436
Sale of treasury shares		6,336	0
Dividend distribution		-7,150	-5,361
Payments to non-controlling interest		-912	-480
Payments for the repayment of loans		0	-126
Net cash used in financing activities		**-3,320**	**-7,403**
Changes in cash and cash equivalents		**13,394**	**1,863**
Changes in cash and cash equivalents			
Cash and cash equivalents at beginning of period		35,101	33,170
Effect of exchange rates changes		-71	68
Increase		13,394	1,863
Cash and cash equivalents at end of period	**5.2.2.**	**48,424**	**35,101**

*Due to a reclassification of the contract liabilities resulting from service contracts from trade and other payables into the contract liabilities, the previous year's values were adjusted.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2020/2021 FISCAL YEAR

		Attributable to equity holders of the Parent Company								
in kEUR	Note	Share capital	Capital reserves	Treasury shares	Other reserves	Adjustment item for currency conversion	Retained earnings	Total	Non-con-trolling interest	Total equity
Balance at 31 March 2019		**11,000**	**15,190**	**-2,013**	**-818**	**346**	**3,165**	**26,870**	**936**	**27,806**
Other result		0	0	0	-66	63	0	-3	0	-3
Result for the year		0	0	0	0	0	7,708	7,708	845	8,553
Total result		**0**	**0**	**0**	**-66**	**63**	**7,708**	**7,705**	**845**	**8,550**
Dividend		0	0	0	0	0	-5,361	-5,361	-480	-5,841
First time consolidation of subsidiaries		0	0	0	0	0	0	0	953	953
Balance at 31 March 2020	**5.3.**	**11,000**	**15,190**	**-2,013**	**-884**	**409**	**5,513**	**29,215**	**2,254**	**31,469**

		Attributable to equity holders of the Parent Company								
in kEUR	Note	Share capital	Capital reserves	Treasury shares	Other reserves	Adjustment item for currency conversion	Retained earnings	Total	Non-con-trolling interest	Total equity
Balance at 31 March 2020		**11,000**	**15,190**	**-2,013**	**-884**	**409**	**5,513**	**29,215**	**2,254**	**31,469**
Other result		0	0	0	-171	-50	0	-221	0	-221
Result for the year		0	0	0	0	0	8,818	8,818	912	9,730
Total result		**0**	**0**	**0**	**-171**	**-50**	**8,818**	**8,597**	**912**	**9,509**
Dividend		0	0	0	0	0	-7,150	-7,150	-912	-8,062
Sale of treasury shares		0	4,323	2,013	0	0	0	6,336	0	6,336
Balance at 31 March 2021	**5.3.**	**11,000**	**19,513**	**0**	**-1,055**	**359**	**7,181**	**36,998**	**2,254**	**39,252**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2021

1) Company details

Fabasoft is a European software manufacturer and provider of cloud services. Fabasoft's software and cloud services ensure the consistent capture, organisation, secure storage and context-sensitive finding of all digital business documents as well as the media-neutral multi-channel publishing of digital contents.
Fabasoft AG with its headquarters at Honauerstrasse 4, 4020 Linz, Austria is the Group Parent Company.
Company shares have been quoted in the Prime Standard of the Frankfurt Stock Exchange (WKN (D) 922985).
The reporting period for the consolidated financial statements is from 1 April 2020 to 31 March 2021.

2) Accounting policies

2.1. Basis of preparation

The consolidated financial statements were drawn up according to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the company law regulations of Section 245a of the Austrian Commercial Code.

The consolidated financial statements are prepared in thousands of Euros (kEUR), as are entries in the notes.

2.1.1. New and amended standards used for the first time in the fiscal year

When drawing up the consolidated financial statements the following changes to the IAS, IFRS or interpretations and the newly published standards and interpretations were observed, in as far as these had been published in the Official Journal of the European Union and had become effective by 31 March 2021:

Standard	Contents	To be applied to new fiscal years as of
Framework	Amendment to the references to the framework in the IFRS	January 2020
IAS 1, IAS 8	Amendments to IAS 1 and IAS 8: Definition of materiality	January 2020
IFRS 3	Amendments to IFRS 3: Definition of a business	January 2020
IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform	January 2020
IFRS 16	COVID-19-related rent concessions	January 2020

The IASB (International Accounting Standards Board) published its revised conceptual framework for financial reporting in March 2018. The revised framework is structured into a new introductory explanation on the status and purpose of the conception framework and another eight chapters. Together with the revised conceptual framework, the IASB has also issued amendments to references to the conceptual framework in the IFRS.

The amendments to IAS 1 and IAS 8 create a uniform and exact definition of the materiality of financial statement information, which is intended to bring about a harmonisation of the conceptual framework for financial reporting, IAS 1 and IAS 8 as well as the IFRS practice statement "Making Materiality Judgements". The amendment to IFRS 3 concerns an adjustment of the definition of a business.

The amendments to IFRS 9, IAS 39 and IFRS 7 modify specific requirements of hedge accounting, so that the hedging relationships concerned are permitted to continue during the period of uncertainty until such time as the underlying transactions effected by the existing benchmark interest rate or hedging instruments are adjusted as a result of the current reforms of the benchmark interest rates.

In May 2020 the IASB published the amendment to IFRS 16 with regard to rent concessions granted as a direct consequence of the COVID-19 pandemic. This provides lessees with an exemption from assessing whether a COVID-19 pandemic-related rent concession is a lease modification. Lessees who avail themselves of the relief are required to account for every change in the leasing payments arising from the COVID-19-related rent concessions in the same way they would account for the change under application of IFRS 16, as if they were not lease modifications.

In as far as these are individually applicable, the regulations indicated have been implemented in these consolidated financial statements. This had no significant impact on the representation of the assets, liabilities, financial position and profit or loss.

2.1.2. Standards, interpretations and amendments to standards published which are not yet mandatory and have not been used earlier by the Group

The following standards and interpretations were introduced or amended by 31 March 2021, the application of which was, however, not yet mandatory for the 2020/2021 fiscal year:

Standard	Content	Adopted and to be applied to new fiscal years as of
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform (Phase 2)	January 2021

Standard	Content	Not adopted and to be applied to new fiscal years as of
AIP 2018 - 2020	Amendments and clarifications of various IFRS	January 2022
IFRS 17	Insurance contracts	January 2023
IFRS 10, IAS 28	Sales or contributions of assets	Postponed indefinitely
IAS 1	Classification of liabilities with regard to current or non-current	January 2023
IFRS 3	Reference to framework	January 2022
IAS 16	Proceeds before intended use	January 2022
IAS 37	Cost of fulfilling a contract with regard to onerous contracts	January 2022

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are intended to mitigate the effects on financial reporting that arise when an existing benchmark interest rate is replaced by an alternative interest rate. The amendments provide practical relief in particular with regard to modifications necessitated by the IBOR reform. In addition, hedge account relationships are to be permitted to continue with adjusted documentation even if the interest rate benchmark is replaced.

Annual improvements to the IFRS relate to amendments to IFRS 1, IFRS 9, IFRS 16 und IAS 41.

IFRS 17 regulates the principles with regard to the identification, method, valuation, reporting and the notes for insurance contracts and it replaces IFRS 4 Insurance Contracts as of 1 January 2023.

The amendments to IFRS 10 and IAS 28 clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business pursuant to IFRS 3.

The amendments to IAS 1 only relate to the presentation of liabilities as current and non-current in the balance sheet and not to the level at which or date on which assets, liabilities, income or expenses are recognized or the information to be disclosed on such items.

IFRS 3 has been updated to reflect the fact that references now relate to the current 2018 conceptual framework for financial reporting and no longer to the 1989 conceptual framework.

The amendments to IAS 16 now explicitly forbid the deduction of any net income from the procurement cost of an item of property, plant and equipment.

IAS 37 has been adapted to specify the scope of fulfilment costs in the case of onerous contracts. All directly attributable costs, i.e. the incremental cost of fulfilling the contract (e.g. directly attributable work and material costs) and any allocation of other costs relating directly to fulfilling the contract (e.g. proportional depreciation of property, plant and equipment used for fulfilment of several contracts), are to be treated as fulfilment costs.

From today's perspective there are no significant impacts to be expected on the assets, liabilities, financial position and profit or loss of the Group arising from the above listed new versions or amendments.

2.2. Consolidation

The annual financial statements of subsidiaries included in the consolidated financial statements were drawn up Group-wide on 31 March 2021 and in accordance with IFRS, as adopted by the EU.

Subsidiaries are all companies controlled by the Group. The Group controls an associated company when it possesses power of disposition over the company and there exists a risk burden as a result of or entitlement to variable returns from its involvement in the associated company and the Group has the capability to use its power of disposition over the associated company in such a way that it influences the amount of variable returns of the associated company.

The consolidation of an associated company starts on the day on which the Group obtains control of the company. It ends when the Group loses control of the associated company.

The final consolidation of subsidiaries occurs on the day the control over the company comes to an end. The revenue and expenses are included in the consolidated statement of comprehensive income until the date the consolidation ends.

All subsidiaries of the Group appear fully consolidated in the consolidated financial statements.

2.2.1. Consolidation scope

The scope of consolidation is determined according to the principles of IFRS 10.

Non-Group shares owned by non-controlling shareholders are listed separately as part of equity.

As at the balance sheet date, 31 March 2021, the following companies in addition to Fabasoft AG, as the Parent Company, have been fully consolidated and are included in the consolidated financial statements:

Entity	Location of Headquarters	Type of business activity	Direct share of Fabasoft AG as a %	Non-controlling shareholder share as a %
Fabasoft International Services GmbH	Linz/Austria	Group professional services	100	-
Fabasoft R&D GmbH	Linz/Austria	Research & Development	100	-
Fabasoft Austria GmbH	Linz/Austria	Operative business Austria	100	-
Mindbreeze GmbH	Linz/Austria	Information Insight products	76	24
Fabasoft Deutschland GmbH	Frankfurt am Main/ Germany	Operative business Germany	100	-
Xpublisher GmbH	Munich/Germany	Content Editing and Publishing products	60	40
Fabasoft Schweiz AG	Bern/Switzerland	Operative business Switzerland	100	-

Entity	Location of Headquarters	Type of business activity	Indirect share of Fabasoft AG as a %	Non-controlling shareholder share as a %
Mindbreeze Corporation	Chicago/USA	Operative Mindbreeze business USA	76	24
Xpublisher Inc.	Chicago/USA	Operative Xpublisher business USA	60	40

The proportion of voting rights in the subsidiaries held directly by the Parent Company is not different from the proportion of shares held. There are neither joint ventures nor associates.

2.2.2. Changes to the scope of consolidation

The scope of consolidation has not been changed during the reported period. Please refer to section 9.7 with regard to the acquisition of shares in Mindbreeze GmbH after the balance sheet date.

2.2.3. Consolidation methods

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition corresponds with the fair value of the assets obtained, the issued equity instruments and the resultant or assumed debts at the transaction date (date of purchase). Costs attributed directly to the acquisition are not capitalised. Assets, liabilities and contingent liabilities identified in the course of a business consolidation are valued at their fair value at the time of acquisition in the first time consolidation, independently of the shares held by non-controlling shareholders.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

All accounts receivable and payable, expenditure and earnings resulting from offsetting between the entities in the consolidation scope are eliminated. Interim results from intercompany trade are also eliminated where they are not of minor importance.

The accounting and valuation principles of subsidiaries were amended where necessary to ensure standard, Group-wide accounting.

Transactions with non-controlling interests without loss of control are treated as transactions with Group equity holders. Any difference arising from the acquisition of a non-controlling interest between the paid service and the respective share of the book value of the net assets of the subsidiary is included in equity. Profits and losses arising from the sale of non-controlling shares are likewise recorded in equity.

The Group decides on an individual basis in the case of any company acquisition whether the non-controlling interests in the company acquired are recognised at the fair value or using the proportional share of net assets of the company acquired.

2.2.4. Currency translation

The functional and reporting currency of Fabasoft AG is the Euro. The annual financial statements of subsidiaries in foreign currency were converted using the respective mean rate. Whereby the exchange rates at the balance sheet date were applied for assets and liabilities, historical exchange rates for equity and for the items of the consolidated statement of comprehensive income the average exchange rates for the fiscal year. Differences between these foreign currency translations are recorded in equity as part of the other result. Conversion differences in receivable and payable monetary amounts from/to a foreign business that are neither planned nor likely to be fulfilled and are therefore part of the net investments in the foreign business are initially recorded under other result and then transferred from equity to profit and loss in the event of a sale.

Exchange rate differences when converting transactions and monetary assets and liabilities into foreign currencies are taken into account using the exchange rates valid at the time of the transaction or valuation.

Non-monetary items, which are valued at historical acquisition or production costs in a foreign currency, are converted using the exchange rate on the day of the transaction.

The following exchange rates were applied for the foreign currency translation:

	Exchange rate as at 31 March	Average rate throughout the fiscal year
Swiss Francs		
2021	1.1080 CHF	1.07692 CHF
2020	1.0550 CHF	1.09562 CHF
US Dollars		
2021	1.1736 USD	1.16548 USD
2020	1.0928 USD	1.11004 USD

2.3. Property, plant and equipment and intangible assets

Property, plant and equipment and purchased intangible assets are valued at cost, less scheduled depreciation and amortisation and impairment where applicable. Depreciation is linear based on the expected useful life.

Scheduled depreciation and amortisation (without IFRS 16 leasing assets) are assessed based on the following Group-wide useful economic lifetimes:

Intangible assets	2 to 10 years
Structural investments in third party buildings	5 to 10 years
Office furniture and equipment	2 to 15 years

The Fabasoft Group holds no assets with indefinite useful lives with the exception of goodwill.

In the case of a disposal or another type of deconsolidation, the purchase/production costs and the corresponding accumulated depreciation relating to the assets are derecognised from the balance sheet. Any profits or losses created as a result are included in the result of the year.

2.4. Impairment of specific non-current assets

Property, plant and equipment and intangible assets are monitored to ascertain whether changing circumstances and events indicate that the current net book value is not recoverable. In the case of goodwill a relevant test is conducted annually or if there are indications of a need for impairment. Impairments will be devalued by the amount to which the net book value exceeds the recoverable amount of the asset. The recoverable amount corresponds to the fair value less the cost of disposal and the value in use of an asset. For the purpose of calculating impairments, assets are grouped to the lowest level where separate cash inflows are feasible (cash-generating units). Non-monetary assets for which impairment was reported in the past are examined on each balance sheet date, in order to establish if a reversal is to be recognised. Reversals for goodwill are prohibited.

2.5. Research and Development

An intangible asset arising from development shall be recognised only if all of the following can be demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
b) The intention to complete the intangible asset and use or sell it.
c) The ability to use or sell the intangible asset.
d) How the intangible asset will generate probable future economic benefits. Among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset can be demonstrated.
e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Research and development expenditure is recorded as an expense (see section 9.2).

2.6. Leases

Fabasoft entered into leasing relationships as the lessee. Where such a leasing contract exists pursuant to IFRS 16, a right-of-use asset is recognised on the asset side and a corresponding lease liability on the liability side. In the case of short-term leases and leases where the underlying asset has a low value, the Group exercised its right not to recognise an asset and a corresponding liability in compliance with IFRS 16.5. Leased assets for which the right in accordance with IFRS 16.5 was exercised are not material.

2.7. Non-financial assets

Pursuant to IFRS 15, non-financial assets refer as an asset to capitalised expenses connected with the initiation or acquisition of a contract with a customer (contract acquisition costs). The contract acquisition costs refer to employee benefits expenses and are recognised at the time of the conclusion of the contract. They must be subjected to regular amortisation via employee benefits expenses in dependence on how the services, to which the contract acquisition costs refer, are transferred to the customer.

2.8. Other financial assets

Other financial assets relate to investment certificates, which are classified pursuant to IFRS 9.

Other financial assets are valued subsequent to initial recognition at fair value. Fluctuations in the fair value are recognised in profit and loss at each reporting date.

2.9. Trade and other receivables

Trade and other receivables are recognised at the transaction price pursuant to IFRS 15 and accounted for at amortised cost using the effective interest method less necessary allowances.

Where impairment is concerned IFRS 9 has a impairment model based on expected losses (expected credit loss model). A considerable part of the consolidated sales and receivables derives from business with customers from the public sector. For this reason the Group has had a very low level of defaults on receivables and impairment in the past. The same is also expected for the future in the case of existing receivables. There were no defaults on receivables in the public sector in the last five fiscal years. Likewise defaults on receivables in the private sector have always been low. On 31 March 2021 there was an impairment of only kEUR 7 (see section 5.2.1). Historical data on actually incurred defaults are first used to determine the default rate. However, the Group also takes future-related information and expectations into account for the determination of the default rates in addition to the historical perspective. Based on the analysis carried out with regard to the customer structure and the credit rating of the customers as well as defaults observed in the past, there are no significant impacts on the amount of risk provision calculated according to the expected credit loss model.

Receivables in foreign currencies are valued at the market price valid on the balance sheet date of 31 March 2021.

2.10. Service contracts

The recognition of revenue in the case of service contracts is effected, in compliance with IFRS 15 over time. According to IFRS 15.35c, sales revenue is to be recognised over time if no asset is created with an alternative use and Fabasoft has an enforceable right to payment for performance completed to date.

Profits from a service contract will be entered in the balance sheet according to the degree of completion as soon as they can be valued reliably. The determination of the degree of completion is based on the ratio of contract costs incurred prior to the balance sheet date to the total contract costs estimated on the balance sheet date. Losses are entered in their entirety in the balance sheet at the earliest possible point after detection.

Insofar as an asset is created from a service contract, disclosure is made as trade receivables, insofar an unconditional right to payment arises. Disclosure is made under “receivables from service contracts” if the company performs its contractual obligations before the customer pays or payment is due. Pursuant to IFRS 15, receivables from service contracts constitute contract assets.

Insofar as a liability arises from a customer contract, disclosure is made under “liabilities from service contracts” in the balance sheet item contract liabilities as soon as payment is effected or due.

2.11. Cash and cash equivalents

Cash and cash equivalents are valued at the market value. Credit at financial institutions in foreign currencies is valued at the market price valid on the balance sheet date of 31 March 2021.

2.12. Employee benefits

2.12.1. Provisions for severance payments

The provision for severance payments for employees corresponds to the present value of the performance-related commitment (defined benefit obligation, DBO) as at the balance sheet date. The DBO is calculated yearly by an independent expert actuary using the projected unit credit method. Actuarial profits or losses are recorded in accordance with IAS 19 under other result.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating primarily to the terms of the related provisions for severance payments.

Statutory requirements call for each employee of an Austrian Group company, who joined the company before 1 January 2003, to receive a one-time severance payment upon dismissal by the employer or at the time of retirement. The amount depends on the number of years’ service and the applicable rate of compensation at the time the action arises.

The company has potential direct obligations to employees who joined the company up to and including 2002, for which provisions were created and measured in accordance with IAS 19.

As a result of legal regulations, a monthly contribution of 1.53 % of the employee’s gross salary is paid into a provision fund for employees of Austrian Group companies who joined the company after 31 December 2002. Consequently, the employee acquires a title against the provision fund and not against the company.

The provision for severance payments for the Managing Board of Fabasoft AG was calculated according to the Managing Board contracts.

2.12.2. Pension obligations

The pension provision for the Managing Board of Fabasoft AG was calculated based on the contractual pension approvals.

The pension approvals for the Managing Board of Fabasoft AG are financed by fixed payments to pension reinsurance agreements. The amount of the cover assets is based on regularly obtained confirmations from insurance companies.

In the 2014/2015 fiscal year, pension approvals were amended to the effect that the respective claim of the person entitled to the benefit applies only to the extent of the cover asset on the respective balance sheet date of the existing pension reinsurance agreements. As a consequence, the commitment is set to the amount of the cover asset. The commitment and cover asset (plan assets) are offset on the balance sheet based on the congruency, pledging and the insolvency-proof nature of the asset. There are no portions of the provisions for pensions that are not covered by reinsurances.

2.13. Trade and other payables

Trade and other payables are specified at the beginning at fair value and are entered in the balance sheet at amortised cost using the effective interest method.

Payables in foreign currencies are valued at the market price valid on the balance sheet date of 31 March 2021.

2.14. Sales revenue

Pursuant to IFRS 15 revenue must be recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The revenue from the sale of one-off licences constitute a right of use of the intellectual property and are recognised in compliance with IFRS 15 after control is transferred at a point in time. Sales revenue from licensing to project partners are deemed realised when the product is sold to the project partner who has no right of return.

Revenue from software update, cloud service and appliance agreements as well as support services are recognised over time, as, in compliance with IFRS 15, the customer obtains the benefit of the service of the company during the provision of the service. Revenue from consulting and training activities are also recognised during the provision of the service over time. Sales revenue from service contracts based in fixed-price projects are recognised according to performance progress in compliance with the degree of completion (see section 2.10).

2.15. Accounting of government grants and investment grants

Government grants are only recorded if there is reasonable assurance that the company will fulfil the associated conditions and the grants will in fact be awarded. A grant as compensation for already incurred expenses is recorded, subject to the requirement of appropriate security, as income in the period in which the respective entitlement arises. These grants are recognised as other operating income. Accounting of investment grants is effected according to the gross method, there is therefore no reduction in the acquisition costs, but reporting as a separate liability item. Accounting is not carried out before the corresponding assets are capitalised. The liability item is dissolved in accordance with the useful life of the underlying investment and reported as other operating income.

2.16. Income taxes

Taxes on income are recorded according to cause and are based on profits from the corresponding fiscal year.

As of the 2006 year of assessment Fabasoft AG operates as a top-tier leading group in accordance with Austrian tax law. The following subsidiaries are included as Group members in the 2021 year of assessment:
(1) Fabasoft International Services GmbH, (2) Fabasoft R&D GmbH, (3) Fabasoft Austria GmbH and (4) Mindbreeze GmbH.

Deferred income tax is calculated on the basis of temporary differences between the fiscal values and the IFRS values of assets and liabilities according to each country-specific tax rate. Deferred income tax liabilities are declared under non-current liabilities, deferred income tax assets are declared under non-current assets.

Deferred income tax assets concerning tax loss carryforwards and deductible temporary differences are included in the balance sheet if it is likely that the company will have sufficient results to be taxed.

Deferred income tax liabilities that occur through temporary differences in connection with interests in subsidiaries and associated companies are determined unless the Group can specify the time of the reversal of the temporary differences and it is likely that the temporary differences will not reverse due to this influence in the foreseeable future.

Deferred income tax assets and liabilities are offset if there is an appropriate, enforceable legal claim regarding offsetting and if the deferred income tax assets and liabilities concern income tax which is levied by the same revenue authority for either the same tax subject or different tax subjects that intend to bring about the adjustment on a net basis.

2.17. Scope of discretion and estimates

The preparation of the consolidated financial statements in accordance with the generally accepted accounting and valuation methods requires the use of estimates and assumptions that affect the extent and the disclosure of the reported assets and liabilities on the balance sheet date and the income and expenses recorded in the reporting period. Although these estimates are calculated to the best knowledge based on current transactions, actual values may deviate from these estimates.

The following lists the critical discretionary parameters:

Service contracts
Profits from a service contract will be entered in the balance sheet using the percentage of completion method as soon as they can be valued reliably.

Estimated figures refer to the final profits and the determination of the degree of completion on the balance sheet date.

The Group calculates the degree of completion based on the ratio of the services already provided up to the balance sheet date against the total scope of the services to be provided. If the degree of completion was set 10 percentage points higher or lower, this would result in an increase in sales revenue/receivables of kEUR 405 or a reduction in sales revenue/receivables of kEUR 498.

Provisions for severance payments
Statutory requirements call for each employee of an Austrian Group company, who joined the company before 1 January 2003, to receive a one-time severance payment upon dismissal by the employer or at the time of retirement. The amount depends on the number of years' service and the applicable rate of compensation at the time the action arises.

The company has potential direct obligations to employees who joined the company up to and including 2002, for which provisions were created and measured in accordance with IAS 19.

Obligations for the provision for severance payments for the members of the Managing Board of Fabasoft AG are included in the Managing Board contracts.

If the calculations were based on an interest rate of -0.48 % (instead of 0.37 %) the expense for severance payments (incl. other result) in the 2020/2021 fiscal year would be kEUR 296 higher and the provision for severance payments would be kEUR 4,207 (instead of kEUR 3,911). With an interest rate of 1.22 % the expense for severance payments (incl. other result) in the 2020/2021 fiscal year would be kEUR 266 lower and the provision for severance payments would thus be kEUR 3,645 (instead of kEUR 3,911).

If the calculations were based on an increase in remuneration of 3.07 % (instead of 2.57 %) the expense for severance payments (incl. other result) in the 2020/2021 fiscal year would be kEUR 164 higher and the provision for severance payments amount to kEUR 4,075 (instead of kEUR 3,911). In the case of an increase in remuneration of 2.07 % the expense for severance payments (incl. other result) in the 2020/2021 fiscal year would be kEUR 157 lower and the provision for severance payments amount to kEUR 3,754 (instead of kEUR 3,911).

Goodwill
As presented in section 2.4, an annual impairment test is conducted for the recognised goodwill. These must be based on assumptions such as future cashflows or discount rates. The relevant sensitivities are listed in section 5.1.2.

Deferred income tax assets
Deferred income tax assets are recognised for all unused tax loss carryforwards to the extent that it is probable that taxable income will be available against which the losses carried forward can actually be utilized. The estimation of the expected time and amount of the future taxable income and the future tax planning strategy play a decisive role in the calculation of the amount of the deferred income tax assets claims eligible for capitalisation. If, based on this forecast, an existing loss carryforward is not expected to be utilised within an appropriate period of five years, this loss carryforward is not capitalised.

Accounting of leases
IFRS 16 requires estimates that influence the valuation of leasing liabilities and usage rights. These include, among others, the determination of contracts that fall under IFRS 16, the lease terms of contracts and the incremental borrowing rate used for the discounting of future payment obligations. The incremental borrowing rate is derived from the risk-free rate of the underlying term, adjusted to the country, currency and corporate risk.

Allowances for receivables
As soon as a loss is deemed probable trade receivables are value adjusted. Indicators for a need of value adjustment include if a customer is in significant financial difficulties, a high probability of bankruptcy, financial reorganisation or a default in payments.

2.18. Segment reporting

Reporting about the business segments is conducted in a way that corresponds to that of the reporting to the main decision maker. The main decision maker is responsible for decisions concerning the allocation of resources to the business segments and for the evaluation of its earning power. The Managing Board of Fabasoft AG was deemed to be the main decision maker.

Invoicing prices between segments are based on standard market conditions.

3) Subsidiaries with material non-controlling interests

Mindbreeze GmbH has significant non-controlling interests. Below is a summary of financial information before intragroup eliminations for the Mindbreeze GmbH and its subsidiary Mindbreeze Corporation, drawn up in accordance with IFRS, as applicable in the EU.

Summarised balance sheet in kEUR	Mindbreeze	
	31/03/2021	31/03/2020
Current assets	12,968	11,644
Current liabilities	-8,102	-7,668
Current net assets	**4,866**	**3,976**
Non-current assets	1,558	2,036
Non-current liabilities	-214	-225
Non-current net assets	**1,344**	**1,811**
Total net assets	**6,210**	**5,787**
Thereof net assets allocated to non-controlling interests	1,490	1,389

Summarised income statement in kEUR	Mindbreeze	
	2020/2021	2019/2020
Sales revenue	13,180	12,402
Result before income taxes	5,829	5,025
Income taxes	-1,606	-1,139
Result for the year	4,223	3,886
Other result	0	0
Total result	**4,223**	**3,886**
Thereof total result allocated to non-controlling interests	1,014	933

Summarised cash flow statement in kEUR	Mindbreeze	
	2020/2021	2019/2020
Cash generated from operations	8,104	6,999
Interest paid	0	0
Income tax payments	-1,213	-757
Net cash generated from operating activities	**6,891**	**6,242**
Net cash used in investing activities	**-811**	**-757**
Net cash used in financing activities	**-3,841**	**-2,031**
Net increase in cash and cash equivalents	**2,239**	**3,454**

4) Financial instruments

Financial instruments are agreements which lead the one company to financial assets and at the same time lead the other company to a financial liability or an equity instrument. According to IFRS 9, these include original financial instruments such as trade receivables and payables or financing receivables and liabilities. Derivative financial instruments, which are employed for example as hedging to secure against risks from changes in exchange rates and interest rates, are also included. No derivative financial instruments were used in the 2020/2021 fiscal year.

The following methods and assumptions were used to calculate the fair value for the respective financial instruments:

In view of daily and short-term maturities, the carrying value of cash and cash equivalents, short-term investments, current receivables and payables can be deemed as an appropriate approximation for fair value.

Other financial assets relate to securities (investment certificates). The fair values are derived from the current market value.

The amount reported under other payables measured at fair value constitutes the earn-out components from the acquisition of Xpublisher GmbH. The discounted cash flow method was used for the evaluation. The probabilities of attaining the performance indicators upon which the earn-out depends were weighted. On attainment of the specific performance indicators, the undiscounted, potentially payable amount in the fiscal years ending on 31 March 2022, 31 March 2023 or 31 March 2024 is kEUR 1,900. No earn-out payment is made should the specific performance indicators fall short of the targets.

Based on the relevant balance sheet items, the following table shows the classification according to IFRS 9 and the values of the financial instruments.

The financial instruments on 31 March 2021 break down as follows:

Balance sheet item in kEUR	Category to IFRS 9	Book value	Fair Value – Level II (through profit and loss)	Fair Value – Level III (through profit and loss)	Amortised costs
Cash and cash equivalents	At amortised costs	48,424	0	0	48,424
Trade and other receivables*	At amortised costs	9,945	0	0	9,945
Other financial assets	At fair value through profit and loss	169	169	0	0
Other payables*	At fair value through profit and loss	1,669	0	1,669	0
Trade and other payables*	At amortised costs	1,765	0	0	1,765

*Book values cannot be adjusted with the respective balance sheet item as this itemisation applies only to financial instruments.

The financial instruments on 31 March 2020 broke down as follows:

Balance sheet item in kEUR	Category to IFRS 9	Book value	Fair Value – Level II (through profit and loss)	Fair Value – Level III (through profit and loss)	Amortised costs
Cash and cash equivalents	At amortised costs	35,101	0	0	35,101
Trade and other receivables*	At amortised costs	12,504	0	0	12,504
Other financial assets	At fair value through profit and loss	169	169	0	0
Other payables*	At fair value through profit and loss	1,661	0	1,661	0
Trade and other payables*	At amortised costs	1,529	0	0	1,529

*Book values cannot be adjusted with the respective balance sheet item as this itemisation applies only to financial instruments.

Allowances for trade and other receivables are declared set off with trade and other receivables. Cumulative allowances amount to kEUR 7 (previous year kEUR 5). In the 2020/2021 fiscal year an impairment loss for financial assets amounting to kEUR 2 (previous year kEUR 2) was recorded under other operating expenses.

The following shows the net results from financial instruments:

in kEUR	2020/2021	2019/2020
Interest from loans and receivables (cash and cash equivalents)	-72	-12
Interest from other financial assets	1	1
Foreign currency expenses from loans and receivables (cash and cash equivalents)	-17	-25
Interest from loans and receivables (trade and other receivables)	2	3
Impairment loss from loans and receivables	-2	-2
Interest from other liabilities	-8	-6
Total	**-96**	**-41**

4.1. Primary financial instruments

The financial instruments reported in the balance sheet consist of securities, cash and cash equivalents, receivables and supplier credits. Accounting policies apply to the primary financial instruments listed against the respective balance sheet items.

4.2. Credit risk

In respect of financial assets all the amounts specified likewise represent the maximum credit and non-payment risk as there are no general offsetting agreements. The receivables risk can be regarded as low due to the client structure and the desired financial scatter. The risk of non-payment for other primary financial instruments declared on the asset side is equally low, since the contractual parties here are made up of financial institutions with an excellent credit rating.

The risk with regard to the safety and retention of value of assets at financial and insurance institutions and the claims against these institutions that in principle cannot be ruled out, is counteracted by the selection of institutions with a high credit rating and a broad scatter over various institutions.

4.3. Liquidity risk

Due to the extent of the existing cash and cash equivalents there is no significant liquidity risk. The Group has no bank liabilities. All the financial liabilities reported have short-term maturities, with the exception of leasing liabilities and the earn-out liabilities in connection with the acquisition of Xpublisher GmbH.

Maturity structure of financial liabilities and leases liabilities on 31 March 2021:

in kEUR	Book value	Up to one year	1 to 5 years	More than 5 years
Earn-out liability*	1,669	0	1,695	0
Trade and other payables	1,765	1,765	0	0
Lease liabilities (IFRS 16)	5,422	1,645	3,651	156

Maturity structure of financial liabilities and leases liabilities on 31 March 2020:

in kEUR	Book value	Up to one year	1 to 5 years	More than 5 years
Earn-out liability*	1,661	0	1,695	0
Trade and other payables	1,529	1,529	0	0
Lease liabilities (IFRS 16)	5,415	1,408	3,710	342

*In the event of the occurrence of the earn-out conditions (see section 4) the amount due for payment is kEUR 1,900.

4.4. Interest rate risk

Interest rate risk in terms of the fair value occurs in the case of other financial assets. As these can be converted into cash at short notice, the interest rate risk can be classified as insignificant.

4.5. Exchange rate risk

In particular, currency risks arise where receivables, liabilities or credits at financial and insurance institutions exist in a currency other than the functional currency of the company. Cash and cash equivalents in foreign currencies are in Swiss Francs and US Dollars.

Cash and cash equivalents

in kEUR	31/03/2021	31/03/2020
Euro	47,254	33,737
US Dollars	838	407
Swiss Francs	332	957
Total	**48,424**	**35,101**

The following table shows the sensitivity of the Group result before tax (due to the foreign currency valuation of the cash and cash equivalents) compared to a basically possible exchange rate change judged to be fair and to currencies that are of major relevance to the Group and its effect on the valuation of credit at financial institutions. The development of the rate of the reporting currency EUR against the foreign currencies is taken as a basis.

in kEUR	Rate development 2020/2021	Effect on result before tax 2020/2021	Effect on result before tax 2019/2020
US Dollars	+10 % (1.29096)	-76	-37
	-10 % (1.05624)	93	45
Swiss Francs	+10 % (1.21880)	-30	-87
	-10 % (0.99720)	37	106

Trade receivables in foreign currencies

in kEUR	31/03/2021	31/03/2020
Euro	7,087	9,476
US Dollars*	314	909
Canadian Dollars	4	0
Swiss Francs*	644	786
Total	**8,049**	**11,171**

*Trade receivables in foreign currency are retained primarily in foreign subsidiaries with the relevant foreign currency as functional currency.

5) Notes to the consolidated balance sheet

5.1. Non-current assets

5.1.1. Property, plant and equipment

in kEUR	Buildings (IFRS 16) and structural investments	Office furniture and equipment	Total
As at 31 March 2019			
Cost or valuation	3,832	13,812	17,644
Accumulated depreciation	-3,215	-8,665	-11,880
Net book value 31 March 2019	**617**	**5,147**	**5,764**
Addition from first time adoption of IFRS 16	5,565	377	5,942
Net book value 1 April 2019	**6,182**	**5,524**	**11,706**
2019/2020 fiscal year			
Opening net book value 31 March 2019	617	5,147	5,764
Addition from first time adoption of IFRS 16	5,565	377	5,942
Net book value 1 April 2019	**6,182**	**5,524**	**11,706**
Additions	1,102	4,063	5,165
thereof IFRS 16	306	500	806
Depreciation charges	-1,613	-3,264	-4,877
thereof IFRS 16	-1,184	-285	-1,469
Closing net book value	**5,671**	**6,323**	**11,994**
As at 31 March 2020			
Cost or valuation	10,498	17,450	27,948
Accumulated depreciation	-4,827	-11,127	-15,954
Net book value	**5,671**	**6,323**	**11,994**
thereof IFRS 16	**4,780**	**593**	**5,373**
2020/2021 fiscal year			
Opening net book value 31 March 2020	5,671	6,323	11,994
Additions	2,378	3,781	6,159
thereof IFRS 16	1,415	407	1,822
Disposals	-109	-227	-336
thereof IFRS 16	-109	-107	-216
Depreciation charges	-1,712	-3,710	-5,422
thereof IFRS 16	-1,340	-316	-1,656
Net exchange differences	-10	-62	-72
Closing net book value	**6,218**	**6,105**	**12,323**
As at 31 March 2021			
Cost or valuation	12,855	19,609	32,464
Accumulated depreciation	-6,637	-13,504	-20,141
Net book value	**6,218**	**6,105**	**12,323**
thereof IFRS 16	**4,740**	**575**	**5,315**

No foreign capital interest for property, plant and equipment has been capitalised.

The leasing activities accounted for pursuant to IFRS 16 include leased buildings and leased vehicles.

5.1.2. Intangible assets

in kEUR	Goodwill	Internally developed software	Customer relationships and orderbacklog	Software licences and other rights	Total
As at 31 March 2019					
Cost or valuation	0	0	0	495	495
Accumulated depreciation	0	0	0	-348	-348
Net book value	**0**	**0**	**0**	**147**	**147**
2019/2020 fiscal year					
Opening net book value	0	0	0	147	147
Additions	2,825	541	304	154	3,824
thereof from first time consolidation	2,825	541	304	5	3,675
Depreciation charges	0	-81	-27	-86	-194
Closing net book value	**2,825**	**460**	**277**	**215**	**3,777**
As at 31 March 2020					
Cost or valuation	2,825	541	304	650	4,320
Accumulated depreciation	0	-81	-27	-435	-543
Net book value	**2,825**	**460**	**277**	**215**	**3,777**
2020/2021 fiscal year					
Opening net book value	2,825	460	277	215	3,777
Additions	0	0	0	184	184
Depreciation charges	0	-108	-30	-108	-246
Closing net book value	**2,825**	**352**	**247**	**291**	**3,715**
As at 31 March 2021					
Cost or valuation	2,825	541	304	834	4,504
Accumulated depreciation	0	-189	-57	-543	-789
Net book value	**2,825**	**352**	**247**	**291**	**3,715**

No internally generated intangible assets were capitalised in the 2020/2021 fiscal year (previous year kEUR 0).

Goodwill from the acquisition of Xpublisher GmbH is included in the intangible assets amounting to kEUR 2,825 (previous year kEUR 2,825).

This goodwill is allocated to the cash-generating unit (CGU) "Xpublisher GmbH" and is tested annually in the fourth quarter for impairment, whereby the recoverable amount of the CGU is determined by the calculation of the value in use. This is carried out using the discounted cashflow method with a five-year detailed planning phase and subsequent perpetuity. The discount rate used (WACC) is 7.16 % after taxes (previous year 8.91 %) or 9.15 % before taxes (previous year 11.33 %), the growth rate of the perpetuity was assumed to be 2 % (previous year 2 %). The growth in sales revenue is based on the experience values of the management. The discount rate used is based on a risk-free rate calculated on the basis of the Svensson method. This is adjusted by a risk premium that reflects the specific risk of the CGU and the heightened risk of an equity investment. It is based on external information that corresponds to the internal estimates of the management.

The impairment test conducted does not result in a need for value adjustment.

The following sensitivity analyses indicate the impact of the value in use:

		Change in value in use
Change in the discount rate by	1 %	-2,685
	-1 %	3,990
Change in growth in perpetuity by	1 %	3,142
	-1 %	-2,122
Change in annual free cashflows by	10 %	1,524
	-10 %	-1,524

The sensitivities indicated would not result in the need for value adjustment.

5.1.3. Other financial assets

in kEUR	2020/2021	2019/2020
Start of fiscal year	169	169
Fair value changes	0	0
End of fiscal year	**169**	**169**

Other financial assets consist in their entirety of investment certificates. These are classified as long-term securities as there is no intention of selling them within the next twelve months.

5.1.4. Other non-financial assets

The contract acquisition costs recognised under other non-financial assets in compliance with IFRS 15 break down as follows:

in kEUR	2020/2021	2019/2020
Start of fiscal year	515	476
Dissolution	-278	-218
Impairment	0	0
Allocation	164	257
End of fiscal year	**401**	**515**

5.1.5. Deferred income taxes

Deferred income taxes are calculated as follows:

in kEUR	01/04/2020	Changes of statement of comprehensive income	31/03/2021
Provisions for non-current employee obligations	733	126*	859
Fixed assets	-322	10	-312
Service contracts	-2	-33	-35
Contract acquisition costs	-129	12	-117
Current-value depreciation pursuant to Section 12 of the Corporate Tax Law	19	-6	13
Loss carryforwards	289	-100	189
Other provisions	0	1	1
Deferred income tax assets	**588**	**10**	**597**
Service contracts	-362	50	-312
Fixed assets	-221	84	-137
Loss carryforwards	137	-125	12
Deferred income	0	23	23
Contract acquisition costs	0	-5	-5
Other provisions	2	1	3
Deferred income tax liabilities	**-444**	**28**	**-416**
Deferred income taxes	**144**	**38**	**182**

*thereof kEUR 57 were reported as part of the other result and offset with the revaluation effects from severance payments.

Write-downs on subsidiaries and receivables from the current-value depreciation pursuant to Section 12 of the Corporate Tax Law that amount to kEUR 50 and have not yet been deducted have resulted in kEUR 13 deferred taxes in the balance sheet.

Deferred income tax receivables for loss carryforwards on 31 March 2021 are as follows:

in kEUR	Existing loss carryforwards	Tax rate	Assessed deferred income taxes	Non-assessed deferred income taxes
Mindbreeze Corporation	162	7,5 %	12	0
Xpublisher GmbH	628	30 %	189	0
Fabasoft Schweiz AG	433	21.5 %	0	93

The reported loss carryforwards of the Mindbreeze Corporation are based exclusively on the level of a US state with an effective tax rate of 7.5 %.

Deferred income tax receivables for loss carryforwards on 31 March 2020 were as follows:

in kEUR	Existing loss carryforwards	Tax rate	Assessed deferred income taxes	Non-assessed deferred income taxes
Mindbreeze Corporation	1,072	27 %	289	0
Xpublisher GmbH	458	30 %	137	0

The loss carryforwards in the Mindbreeze Corporation reported in the previous year arose in particular due to the tax-related immediate amortisation of additions of property, plant and equipment.

Further to current planning calculations management assumes that the deferred income tax receivables can be realised.

Realisation of deferred income tax assets:

in kEUR	31/03/2021	31/03/2020
Deferred income tax assets that are expected to be realised after more than 12 months	690	594
Deferred income tax assets that are expected to be realised within 12 months	-93	-6
	597	**588**

Realisation of deferred income tax liabilities:

in kEUR	31/03/2021	31/03/2020
Deferred income tax liabilities that are expected to be realised after more than 12 months	-4	-41
Deferred income tax liabilities that are expected to be realised within 12 months	-412	-403
	-416	**-444**

In compliance with IAS 12.39 no deferred income tax liabilities were recognised for temporary differences in connection with investment in affiliated companies, because the incurred profits in the subsidiaries are indefinitely invested or are not subject to taxation if sold.

5.2. Current assets

5.2.1. Trade and other receivables, income tax receivables

in kEUR	31/03/2021	31/03/2020
Trade receivables	8,049	11,171
Receivables from service contracts	1,732	1,285
Other receivables	274	106
thereof input tax reimbursement	3	9
thereof receivables from tax authorities	66	18
thereof deposits	30	28
thereof social security	41	31
thereof other receivables	134	20
Accrued costs	915	590
Total	**10,970**	**13,152**

Trade receivables are generally recognised with a term of payment of 30 days, there are special agreed due dates with individual customers, which also fall within the short-term segment. There is no variable offset.

Maturity structure of trade receivables:

in kEUR	31/03/2021	31/03/2020
Not yet mature	5,224	9,259
Overdue and depreciated	7	5
Overdue but not depreciated	2,818	1,907
Between 1 and 60 days	1,759	1,130
Between 61 and 90 days	505	22
Between 91 and 180 days	498	463
More than 180 days	56	292

The book values of trade receivables correspond closely to the fair value. Allowances amounting to kEUR 7 (previous year kEUR 5) were formed. There is no further need for value adjustment, in particular due to the branch sector of overdue receivables and payments received after the balance sheet date.

5.2.2. Cash and cash equivalents

in kEUR	31/03/2021	31/03/2020
Cash in hand	8	6
Safe-keeping in bank safes	12,000	0
Credit at financial institutions	35,416	35,095
Total	**48,424**	**35,101**

5.3. Equity

As at 31 March 2021, the company's share capital was kEUR 11,000 (previous year kEUR 11,000). It is comprised of 11,000,000 individual shares (previous year 11,000,000) at a nominal value of EUR 1.00 per share.

The Group considers equity as those components to be declared as such in accordance with IFRS. Equity management focusses on being in a position to maintain the companies operated within the Group as going concerns in a secured and independent manner, on assuring the progress of the topic of growth that is critical for the corporate Group with the aid of the equity base and on investing or expanding investment of utilisable equity in future-proof company participations based on responsible entrepreneurial action and thinking.

Consistent with others in the industry, the Group monitors capital on the basis of the equity ratio. This ratio is calculated as equity divided by total capital. The equity ratio of the Fabasoft Group on the balance sheet date is 51 % (48 % on 31 March 2020).

Based on the authorisation by the Annual General Meeting on 1 July 2019, Fabasoft sold all 277,257 treasury shares on 20 April 2020, which corresponds to 2.52 % of the share capital of the company, by way of a private placement to institutional investors under exclusion of the subscription rights to a placement price of EUR 23.50 per share. The proceeds from the sale strengthen the company's equity and serve the announced corporate interests.

The following resolutions, among others, were made at the Fabasoft AG Annual General Meeting on 29 June 2020:

A dividend of EUR 0.65 per dividend-bearing share shall be paid out for the 2019/2020 fiscal year.

The Managing Board is authorised for the period of 30 months to acquire its own shares pursuant to Section 65 (1) (4) of the Austrian Stock Corporation Act for the purpose of issuing them to employees, company executives and members of the Managing Board of the company or an affiliated company respectively to Section 65 (1) (8) of the Austria Stock Corporation Act and up to a maximum holding of 10% of the total share capital of the company. The equivalent value permissible at repurchase must not exceed 10% above and must not be 20% at the least below the average price at the close of Xetra trading on the Deutsche Börse AG of the last five stock exchange trading days prior to the fixing of the purchase price.

The Managing Board is authorised with the approval of the Supervisory Board to increase the share capital of the company within five years of this amendment to the articles being entered in the company register – possibly in several tranches – by up to nominally EUR 5,500,000.00 through the issue of up to 5,500,000 no-par-value shares both against cash deposit and also pursuant to Section 172 of the Austrian Stock Corporation Act against non-cash contribution to up to EUR 16,500,000.00 and stipulate the conditions of issuance in agreement with the Supervisory Board (authorised capital in the sense of Sections 169 ff Austrian Stock Corporation Act), whereby the Managing Board shall also be authorised to issue the new shares possibly with the exclusion of the subscription rights that the shareholders are otherwise entitled to (Section 170 (2) Austrian Stock Corporation Act).

5.3.1. Reserves

As a result of the sale of treasury shares, the capital reserve increased by kEUR 4,323 to kEUR 19,513 (31/03/2020: kEUR 15,190). The remainder results in an amount of kEUR 12,850 (31/03/2020: kEUR 12,850) from premiums, in an amount of kEUR 2,027 (31/03/2020: kEUR 2,027) from reorganisations and in an amount of kEUR 313 (31/03/2020: kEUR 313) from options programmes.

5.3.2. Treasury shares

No treasury shares were held as at the reporting date 31 March 2021. Please refer to point 5.3 with regard to the sale in the 2020/2021 fiscal year.

5.4. Non-current liabilities

5.4.1. Provisions for severance payments

The following significant actuarial assumptions were made:

	2020/2021	2019/2020
Discount rate	0.37 %	0.85 %
Future salary increases	2.57 %	3.00 %
Fluctuation	1.77 %	3.45 %

The calculation of the provisions for severance payments for employees was effected according to actuarial principles based on the biometric guideline tables AVÖ 2018-P. The retirement age results from the minimum from the retirement age as stipulated in the ASVG (the Austrian General Social Security Act) and the early retirement age due to long insurance period. Fluctuation was calculated on the basis of individual company experience.

Plan duration (average weighted period) amounts to 8.49 years.

Severance payment expenses are derived from the following components:

in kEUR	2020/2021	2019/2020
Service cost	516	129
Interest cost	17	22
Payments into employee severance payment and pension funds	183	158
Total severance payment expenses	**716**	**309**
Revaluation effects		
-/+ Profit/loss from change to economic assumptions	48	74
-/+ Experience gain/loss	180	14
Total revaluation effects (loss)	**228**	**88**

The components of severance payment expenses (current service cost, interest cost, severance payments to be made and payments into employee severance payment and pension funds) are disclosed under employee benefit expenses.

The revaluation effects are reported in other result (net deferred income taxes) and concluded through other reserves.

Provisions for severance payments in kEUR	2020/2021	2019/2020
Value as at 31/3 previous year	**3,464**	**3,225**
Service cost	516	129
Interest cost	17	22
Severance payments made	-314	0
Revaluation effects		
-/+ Profit/loss from change to economic assumptions	48	74
-/+ Experience gain/loss	180	14
Value as at 31/3	**3,911**	**3,464**

The first-time inclusion of performance-related remunerations in the basis for assessment of the provisions for severance payments has resulted in an increase in the provisions for severance payments amounting to kEUR 281 as at 1 April 2020.

5.4.2. Provisions for pensions

As shown under section 2.12, during the 2014/2015 fiscal year the pension approvals were amended to the effect that the respective claim of the person entitled to the extent of the cover asset on the respective reporting date of the existing pension reinsurance agreements. The gross pension obligation is thus specified in the amount of the asset values of the insurance agreements. The commitment and cover asset (plan assets) are offset on the balance sheet based on the congruency, pledging and the insolvency-proof nature of the asset. There are no portions of the provisions for pensions that are not covered by reinsurances.

The asset values amounted to kEUR 4,532 on the reporting date 31 March 2021 (previous year kEUR 4,015).

in kEUR	2020/2021	2019/2020
Service cost	421	421
Interest cost	46	0
Total expenses for pension schemes	**467**	**421**
Revaluation effects (loss)	**50**	**0**

Changes in net liability in kEUR	Defined benefit obligation	Fair value of plan assets	Net liability
Value as at 31/03/2020	**4,015**	**-4,015**	**0**
Service cost	421	0	421
Interest cost/interest income	46	-46	0
Actuarial effects/income from plan assets without interest income	50	-50	0
Contributions paid by the employer	0	-421	-421
Value as at 31/03/2021	**4,532**	**-4,532**	**0**

5.4.3. Other payables

in kEUR	31/03/2021	31/03/2020
Non-current leasing liabilities	3,774	3,975
Liability earn-out	1,669	1,661
Total	**5,443**	**5,636**

5.5. Current liabilities

5.5.1. Trade and other payables

in kEUR	2020/2021	2019/2020
Trade payables	1,483	1,249
Prepayments received	725	678
Current leasing liabilities IFRS 16	1,648	1,440
Payables from other taxes	682	990
Payables for social security payments	429	382
Other current payables	3,107	3,567
thereof short-term employee benefits	3,047	2,943
thereof other payables	60	624
Total	**8,074**	**8,306**

Short-term benefits to employees consist mainly of accruals for as yet non-consumed leave, special payments and performance-related remuneration.

For the purpose of enhanced clarity, a reclassification of the liabilities from service contracts (31/03/2020: kEUR 280) in the balance sheet item contract liabilities was undertaken. The previous year's values were adjusted accordingly.

Maturity structure of trade payables:

in kEUR	31/03/2021	31/03/2020
Not yet mature	1,461	1,055
Overdue	22	194
Between 1 and 60 days	22	194
Between 61 and 90 days	0	0
Between 91 and 180 days	0	0
More than 180 days	0	0

No other payables had matured on 31 March 2021.

The book values correspond closely to the fair value.

5.5.2. Income tax liabilities

in kEUR	2020/2021	2019/2020
Austria	3,013	1,745
Other countries	2,558	1,244
Total	**5,571**	**2,989**

5.5.3. Contract liabilities

Contract liabilities include revenue received from software update, cloud service and appliance agreements as well as support agreements, which will not have an effect on profit until the 2020/2021 fiscal year.

Transfer of contract liabilities:

in kEUR	01/04/2020	Dissolution 2020/2021	Allocation 2020/2021	31/03/2021
Contract liabilities in compliance with IFRS 15	12,988	-12,512	13,352	13,828

This includes contract liabilities resulting from service contracts pursuant to IFRS 15 amounting to kEUR 288 (previous year kEUR 280). With regard to the reclassification of trade and other liabilities please refer to section 5.5.1 of the notes.

The terms of the contract liabilities break down as follows:

in kEUR	31/03/2021	31/03/2020
Up to one year	13,561	12,512
Longer than one year	267	476
Total	**13,828**	**12,988**

5.6. Investment grants

in kEUR	31/03/2021	31/03/2020
Investment premiums	104	0
Total	**104**	**0**

Investment premiums are recognised in the balance sheet item "Investment grants". These are grants from the Austrian Federal Government of up to 14 % of the investments made.

Please refer to section 6.2 with regard to the effects of the dissolution of investment grants recognised in income.

6) Notes to the consolidated statement of comprehensive income

6.1. Sales revenue

For further information on sales revenue, please consult the details on segment reporting section 8.

6.2. Other operating income

in kEUR	2020/2021	2019/2020
Income from disposal of property, plant and equipment	126	15
Other income	268	234
thereof from the dissolution of investment grants	8	0
Total	**394**	**249**

6.3. Employee benefits expenses

in kEUR	2020/2021	2019/2020
Salaries	21,197	18,975
Expenses for severance payments	716	309
Expenses for pension schemes	467	421
Expenses for statutory social contributions	4,741	4,209
Other social welfare expenditure	435	347
Total	**27,556**	**24,261**

6.4. Depreciation and amortisation expenses

in kEUR	2020/2021	2019/2020
Depreciation charges on property, plant and equipment (incl. IFRS 16)	5,422	4,877
Depreciation charges on intangible assets	246	194
Total	**5,668**	**5,071**

6.5. Other operating expenses

in kEUR	2020/2021	2019/2020
Taxes unless included under income taxes	**77**	**107**
Maintenance	364	312
Rental incl. operating costs	1,042	990
Vehicle and leasing expenses	306	345
Operating expenses	**1,712**	**1,647**
Legal and consulting fees	876	1,585
Auditing, bookkeeping and tax advice fees	253	340
Investor Relations	157	126
Insurance premiums	194	176
Personnel recruitment	360	477
Information expenses	271	263
Further education	117	235
Other	424	360
Administrative expenses	**2,652**	**3,562**
Trademark registrations	125	131
Travel expenses	144	783
Advertising	1,162	1,657
Other	71	140
Sales expenses	**1,502**	**2,711**
Other operating expenses	**5,943**	**8,027**

The leasing expenses for short-term leases, which are accounted for pursuant to IFRS 16.6, amount to kEUR 256 in the 2020/2021 fiscal year (previous year kEUR 361). The leasing expenses for leases of low value, which are accounted for pursuant to IFRS 16.6, amount to kEUR 1 in the 2020/2021 fiscal year (previous year kEUR 1).

6.6. Financial result

in kEUR	2020/2021	2019/2020
Interest	-89	-24
thereof interest expenses for leasing liabilities	-10	-10
Foreign currency expense	-17	-25
Total	**-106**	**-49**

In addition to the interest expenses indicated for leasing liabilities, the recognised interest expenses result in particular from credit at financial institutions and earn-out accounting.

6.7. Income taxes

in kEUR	2020/2021	2019/2020
Austria	-2,287	-2,100
Other countries	-1,749	-1,338
Current income taxes	**-4,036**	**-3,438**
Austria	46	10
Other countries	-60	321
Deferred income taxes	**-14**	**331**
Total	**-4,050**	**-3,107**

The tax on the Group's pre-tax profit deviates from the theoretical value, which results from the use of the income tax rate of 25 % applicable in Austria to the result before tax as follows:

in kEUR	2020/2021	2019/2020
Result before income taxes	**13,780**	**11,660**
Tax expenses calculated according to Austrian tax rate 2020/2021: 25 % (previous year: 25 %)	-3,445	-2,915
Tax effects from:		
Foreign tax rates	-356	-212
Tax-free income and other tax-free items	8	14
Currency differences	7	14
Expenses not deductible for tax purposes	-110	-50
Adjustment to deferred income taxes	-131	0
Incidental acquisition costs company acquisition	0	-29
Expenses incurred from the sale of treasury shares	45	0
Change in deferred income taxes from current-value depreciation pursuant to Section 12 Corporate Tax Law	-6	-7
Changes in unapplied deferred income tax assets	-93	126
Non-periodic income tax	31	-48
Declared income tax expenses	**-4,050**	**-3,107**

7) Consolidated cash flow statement

The cash flow statement has been drawn up according to the indirect method. It shows the change in cash and cash equivalents for the Group during the reporting year through the inflow and outflow of funds.

On the cash flow statement, a differentiation is made between cash flows from operating activities, investment and financing activities.

8) Segment reporting

The Group's reporting format is structured according to geographical segments in terms of the location of the assets.

2020/2021 fiscal year in kEUR	Austria	Germany	Switzerland	Other countries	Group
Gross sales	38,277	27,052	3,559	5,945	74,833
Less intersegmental sales	-19,266	-165	-83	-229	-19,743
Sales with external customers	**19,011**	**26,887**	**3,476**	**5,716**	**55,090**
Operating result	9,239	4,998	-506	155	13,886
Depreciation and amortisation expenses	3,711	1,184	127	646	5,668

Reconciliation in kEUR	
Operating result segments	13,886
Financial result Group	-106
Result before income taxes	13,780

2019/2020 fiscal year in kEUR	Austria	Germany	Switzerland	Other countries	Group
Gross sales	36,304	21,753	5,932	4,955	68,944
Less intersegmental sales	-17,636	-133	-71	-48	-17,888
Sales with external customers	**18,668**	**21,620**	**5,861**	**4,907**	**51,056**
Operating result	8,343	3,200	113	53	11,709
Depreciation and amortisation expenses	3,757	575	123	616	5,071

Reconciliation in kEUR	
Operating result segments	11,709
Financial result Group	-49
Result before income taxes	11,660

The main decision makers see the company from a geographical perspective.

The business segments that are subject to reporting generate their sales primarily through the manufacture and sales of software products and the provision of associated services. Sales with non-Group clients likewise result from this business.

Sales amounting to kEUR 10,501 derive from transactions with a single customer in the 2020/2021 fiscal year. These sales are attributable to the segment Germany. Sales amounting to kEUR 6,296 derived from transactions with a single customer in the previous year and these concerned the segment Germany.

The internal reporting is carried out in line with the external reporting according to the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU).

The internal reporting is based primarily on information about profitability. This information is communicated to the main decision makers on a monthly basis in reports which they use as a basis for their decisions.

The “Other countries” segment summarises the activities of the sales companies of the geographical region USA.

Apart from scheduled depreciation and amortisation there were no other significant non-cash items in the individual segments.

Breakdown of sales by products:

in kEUR	2020/2021	2019/2020
Software	26,853	25,756
Service	28,237	25,300
Total	**55,090**	**51,056**

In order to take account of the general trend in the software industry in the reporting – namely the transformation process away from the model of purchasing rights of usage against a one-off fee and in the direction of an ongoing monthly usage fee – a breakdown is now undertaken of sales by recurring revenue from ongoing obligations with varying terms or residual terms (recurring revenue) and sales not based on ongoing obligations (non-recurring revenue).

Breakdown of sales by type of contract:

in kEUR	2020/2021	2019/2020
Recurring revenue	28,659	26,662
Non-recurring revenue	26,431	24,394
thereof software	3,737	4,268
thereof professional services	22,694	20,126
Total	**55,090**	**51,056**

Recurring revenue include in particular software updates, right of use fees for Mindbreeze InSpire, Fabasoft Cloud and Xpublisher products as well as recurring professional services (e.g. for support and operation management).

Non-recurring revenue includes one-off licences (software) and sales of consulting services (professional services).

Sales revenue are recognised over time, with the exception of one-off licenses, whose revenue is recognised at a point in time (see section 2.14).

9) Other statements

9.1. Earnings per share

9.1.1. Basic earnings per share

The basic earnings per share are calculated on the basis of the weighted average of the subscribed capital in the period under review taking into account treasury shares (see section 5.3.2).

	2020/2021	2019/2020
Result for the year attributable to the equity holders of the Parent Company (kEUR)	8,818	7,708
Average number of shares in circulation (units)	10,984,597	10,722,743
Basic earnings per share (in EUR/unit)	0.80	0.72

9.1.2. Diluted earnings per share

The diluted earnings per share are calculated by increasing the average number of shares in circulation by share options.

	2020/2021	2019/2020
Result for the year attributable to the equity holders of the Parent Company (kEUR)	8,818	7,708
Average number of shares in circulation incl. share options (units)	10,984,597	10,722,743
Diluted earnings per share (in EUR/unit)	0.80	0.72

9.2. Expenses for research and development

In the 2020/2021 fiscal year, research and development costs totalled kEUR 13,961 (previous year kEUR 12,049). These were primarily allocated to employee benefits expenses and depreciation for investments.

No expenditure on research and development was capitalised in the 2020/2021 fiscal year as it was not possible to provide in full the documentation of the requirements for the capitalisation as an intangible asset (see section 2.5). Software research and development are cyclical and iteratively closely linked processes. Due to the scrum method applied in the Group these are continuously rolling processes. Moreover, establishing technological feasibility taking competitive costs and customer acceptance into consideration is not possible until shortly before market maturity.

9.3. Other financial obligations

Obligations due to operating lease contracts and rental contracts (incl. leased assets accounted for in accordance with IFRS 16) amount to:

in kEUR	31/03/2021	31/03/2020
Up to one year	1,847	1,798
Between one and five years	5,360	4,174
Total	**7,207**	**5,972**

With the purchase contract dated 13 March 2019 Fabasoft AG acquired a plot area of approx. 11,000 m² (object of purchase 1) and a plot area of approx. 4,500 m² (object of purchase 2). Both objects of purchase are located in the area of the City of Linz. The purchase is agreed subject to a condition precedent. The purchase contract shall not become unconditionally effective unless Fabasoft AG receives the zoning certificate required for a construction management as well as the official permits required for such construction management for the object of purchase 1 by 31 March 2022. The purchase price dependents on the actual zoning and will amount to at least kEUR 4,414 in the event it becomes effective. The conditions precedent had not been fulfilled at the balance sheet date 31 March 2021. For this reason, there is no recognition of this matter in these annual financial statements.

9.4. Details of affiliated persons and employees

9.4.1. Average number of employees

	2020/2021	2019/2020
Fixed employees	317	284

9.4.2. Breakdown of expenses for severance payments

in kEUR	2020/2021	2019/2020
Members of the Managing Board and senior executives	327	92
Other employees	389	217
Total	**716**	**309**

9.4.3. Breakdown of expenses for pensions schemes

in kEUR	2020/2021	2019/2020
Members of the Managing Board	421	421

9.4.4. Managing Board of Fabasoft AG

Prof. Dipl.-Ing. Helmut Fallmann, Linz
Leopold Bauernfeind, St. Peter in der Au

The expenses for continuous emoluments, severance payments and pensions schemes for members of the Managing Board amounted to kEUR 1,569 in the 2020/2021 fiscal year (previous year kEUR 1,434) and are broken down as follows:

in kEUR	2020/2021	2019/2020
Continuous emoluments	966	946
Expenses for severance payments recorded in the result for the year	182	67
Expenses for pensions schemes recorded in the result for the year	421	421
Total	**1,569**	**1,434**

Fabasoft AG and Fabasoft Austria GmbH sold various decorative paintings, which due to renovations undertaken no longer fitted the decor, to Prof. Dipl.-Ing. Helmut Fallmann at the market price of EUR 115,050.00 (excl. value added tax) in total. The purchase price was paid in full on 15 April 2021.

9.4.5. The Supervisory Board of Fabasoft AG

em. o. Univ.-Prof. Mag. Dr. Friedrich Roithmayr, Linz (Chairman of the Supervisory Board)
Dr. Peter Posch, Wels (Member)
FH-Prof.in Univ.Doz.in DIin Dr.in Ingrid Schaumüller-Bichl, Linz (Member)
Prof. Dr. Andreas Altmann, Innsbruck (Member)

For the 2020/2021 fiscal year, emoluments amounting to kEUR 80 (previous year kEUR 80) were paid to the members of the Supervisory Board.

No members of the Managing Board or of the Supervisory Board were guaranteed loans and no liabilities were assumed for the benefit of these persons.

The following members of the Supervisory Board are on the Audit Committee of Fabasoft AG:

em. o. Univ.-Prof. Mag. Dr. Friedrich Roithmayr, Linz (Chairman of the Audit Committee)
Dr. Peter Posch, Wels (Substitute Member)
FH-Prof.in Univ.Doz.in DIin Dr.in Ingrid Schaumüller-Bichl, Linz (Member)
Prof. Dr. Andreas Altmann, Innsbruck (Financial Expert)

9.4.6. Other affiliated companies and employees

Fallmann & Bauernfeind Privatstiftung, Linz, main shareholder of Fabasoft AG
FB Beteiligungen GmbH, Eferding, shareholder of Fabasoft AG and 100 % subsidiary of Fallmann & Bauernfeind Privatstiftung
Mag.a Birgit Fallmann, wife of Prof. Dipl.-Ing. Helmut Fallmann, employee of Fabasoft AG (continuous emoluments kEUR 56, previous year kEUR 56)

9.5. Expenses for auditors

Expenses for the auditors amount to kEUR 160 (previous year kEUR 159) and are divided into the following areas of activity:

in kEUR	2020/2021	2019/2020
Audit of consolidated financial statements	26	25
Audit/Review of annual financial statements of companies included in the consolidated statements	107	102
thereof Fabasoft AG	14	24
thereof Mindbreeze GmbH	13	9
thereof Fabasoft R&D GmbH	13	14
thereof Fabasoft International Services GmbH	7	6
thereof Fabasoft Austria GmbH	13	14
thereof other auditing services	47	35
Review of quarterly statements	23	31
Other services	4	1
Total	**160**	**159**

9.6. COVID-19

The COVID-19 pandemic has had a massive impact on the global economy. The direct economic impact on the Fabasoft Group was still relatively limited in the period under review.

In March 2020 Fabasoft Group changed its company operations to home office wherever circumstances made this necessary. As our customers had also taken the same step, it was possible for the most part to shift project work to video conferences and other forms of electronic cooperation.

Some ongoing implementation projects were postponed or reorganised, in particular in the case of services provided to date by an on-site presence. In certain segments personal contact and customer visits are also important for the sale of products and services. These are still restricted due to the pandemic, which is a great obstacle for new business. No significant differences in the effects of the pandemic were apparent in the segments and products under review (Segment reporting).

Following the implementation of constructional and organisational protective measures in the first six months of the 2020/2021 fiscal year, which also included large-scale and repeat PCR and antigen testing of employees, almost all employees returned to working in the offices of the companies in summer 2020. Due to the subsequent global rise in the number of infections in autumn 2020 and the renewed lockdown that followed as a consequence, Fabasoft adapted to the situation and again changed to working from home and mobile working.

The company does not regard company-wide working from home as an equivalent and permanent alternative to presence in the offices, with all its advantages of direct social interaction and direct creative teamwork. The prevailing legal requirements are strictly implemented within the framework of the company's own prevention concept.

As a Group that successfully implements the core issues of the digital transformation with its extensive and field-proven range of products and services and based on our solid capital resources the Fabasoft Group should remain promisingly positioned even in a difficult market environment marked by the impacts of COVID-19. It is nevertheless impossible to assess what impacts and repercussions the pandemic will have on the overall economy and the relevant Fabasoft customer sectors in the next months and years, and what consequences this will have for the Fabasoft Group.

9.7. Events after the balance sheet date

On 20 April 2021 Fabasoft AG increased its holding in Mindbreeze GmbH from formerly 76 % of the company shares to 85.5 %. The shares were acquired from the Management of Mindbreeze GmbH, whose previous share before the transaction was 24 % and who after the transaction still hold 14.5 %. It is self-explanatory that this has no effect on the equity of Fabasoft AG. Viewed in isolation, the transaction results in a reducing effect on the consolidated equity in Q1 2021/2022 – in relation to the reporting date value as at 31 March 2021 – amounting to approximately one quarter. Due to the fact that the corporate Group has no bank liabilities requiring interest, that all disclosed reporting date liabilities are paid at the latest when due or with discount, that any provision risks in equity and in existing liquidity are secured, that the pay-out of a dividend is checked as planned and due to the reported special effects (see 5.3) that the payment of the purchase price resiliently avoids the risk of negative interest and currency risks, the acquisition of the shareholding constitutes consistent application of the equity strategy (see 5.3) of the corporate Group.

No other significant events for this consolidated financial statements occurred after 31 March 2021.

9.8. Release of consolidated financial statements

These consolidated financial statements were drawn up by the Managing Board on the date specified hereunder and released for publication. The consolidated financial statements and the individual accounts of the Parent Company – which are also included in the consolidated financial statements following adaptation to accounting standards – will be presented to the Supervisory Board for scrutiny on 8 June 2021. The Supervisory Board and, in the event of presentation at the Annual General Meeting, the shareholders may amend the individual accounts of the Parent Company in such a way that also influences the presentation of the consolidated financial statements.

Linz, 7 June 2021

Prof. Dipl.-Ing. Helmut Fallmann (original signature)   Leopold Bauernfeind (original signature)

Managing Board Fabasoft AG

This report includes both the management report of Fabasoft AG and the Group management report. Where required to provide a true and fair view of the actual assets, financial and profit situation, the information has been specified separately.

MANAGEMENT REPORT OF FABASOFT AG AND THE FABASOFT GROUP

1) Report on the business performance and economic situation of Fabasoft AG and the Fabasoft Group

1.1. Business performance of Fabasoft AG and the Fabasoft Group

In the 2020/2021 fiscal year, the Fabasoft Group recorded sales revenue of EUR 55.1 million (EUR 51.1 million in the corresponding period of the previous year).

With EBITDA[1)] at kEUR 19,554 (kEUR 16,780 in the corresponding period of the previous year) EBIT[1)] was kEUR 13,886 (kEUR 11,709 in the corresponding period of the previous year).

This rise in sales revenue (7.9 % compared to the 2019/2020 fiscal year) reflects the positive development of revenue from recurring usage fees for Mindbreeze InSpire and the Fabasoft Cloud offers, an increase in project business as well as the expansion of the corporate group to include the Xpublisher companies. By contrast the business of Fabasoft Schweiz AG saw a significant decline in sales resulting from the loss of a re-tender in the federal sector in 2015.

The growth of the operative result (rise in EBIT of 18.6 % compared to the 2019/2020 fiscal year) derives in particular from the increase in high-margin recurring revenue, especially from the use of appliances (primarily Mindbreeze InSpire) and from cloud services and recurring services such as support and management support. The sound development of project activities also contributed to the growth in the operative result. Significant savings were registered due to the temporary reduction in expenses items as a consequence of the pandemic, e.g. events and travel expenses.

The business with existing customers remained gratifyingly stabile in the period under review and in the lockdown phases imposed due to the pandemic, despite the practical challenges these posed, for example in the execution of projects with customers.

The interest of potential new customers rose sharply in the second half of the fiscal year – not least due to intensified marketing activities and a very positive positioning of products from the group by key branch analysts. However, potential customers still remained reticent and wary, especially where high-volume contracts are concerned.

With a research and development ratio[1)] of 25.3 % of sales revenue, investments in research & development (kEUR 13,961) of the Fabasoft Group (Fabasoft AG has no research and development activities) were again on a very high level compared with the industry as a whole (kEUR 12,049 in the 2019/2020 fiscal year).

These investments were undertaken for research and development in connection with the company's own software production technology and the cloud and appliance offers based on this as well as with underlying issues in the field of digital transformation.

The equity ratio[1)] of the Fabasoft Group on the balance sheet date (31 March 2021) was 51 % (48 % on 31 March 2020).

Cash and cash equivalents increased on the balance sheet date (31 March 2021) from kEUR 35,101 (31 March 2020) to kEUR 48,424.

The Fabasoft Group employed a workforce of 326 on 31 March 2021 (312 on 31 March 2020).

In the 2020/2021 fiscal year the sales revenue of Mindbreeze GmbH and its subsidiary the Mindbreeze Corporation amounted to kEUR 13,180 (kEUR 12,402 in the corresponding period of the previous year). With EBITDA[1)] at kEUR 7,159 (kEUR 6,328 in the corresponding period of the previous year) EBIT[1)] was kEUR 5,833 (kEUR 5,026 in the corresponding period of the previous year).

1.2. Report on the regional presence of the Fabasoft Group

Subsidiaries of Fabasoft AG on the balance sheet date (31/03/2021)

Company	Direct share	Country	Headquarters	Offices
Fabasoft International Services GmbH	100 %	Austria	Linz	Vienna
Fabasoft R&D GmbH	100 %	Austria	Linz	Vienna
Fabasoft Austria GmbH	100 %	Austria	Linz	Vienna
Mindbreeze GmbH	76 %	Austria	Linz	Vienna
Fabasoft Deutschland GmbH	100 %	Germany	Frankfurt am Main	Berlin, Erfurt, Munich
Xpublisher GmbH	60 %	Germany	Munich	
Fabasoft Schweiz AG	100 %	Switzerland	Bern	

Subsidiaries of Mindbreeze GmbH on the balance sheet date (31/03/2021)

Company	Direct share	Country	Headquarters	Offices
Mindbreeze Corporation	100 %	USA	Chicago	Silver Spring

Subsidiaries of Xpublisher GmbH on the balance sheet date (31/03/2021)

Company	Direct share	Country	Headquarters
Xpublisher Inc.	100 %	USA	Chicago

[1)]Definition of the key figures in the management report section 1.4

Changes in the Group structure and company acquisitions
On 20 April 2021 Fabasoft AG increased its holding in Mindbreeze GmbH from formerly 76 % of the company shares to 85.5 %. The shares were acquired from the Management of Mindbreeze GmbH, whose previous share before the transaction was 24 % and who after the transaction still hold 14.5 %.

No acquisitions were undertaken in the Fabasoft Group during the period under review. The Fabasoft Group does not operate any branch offices.

1.3. Financial and non-financial performance indicators of Fabasoft AG and the Fabasoft Group

Financial performance indicators of Fabasoft AG (individual financial statements in accordance with the Austrian Commercial Code)

in kEUR	2020/2021	2019/2020
Sales revenue	3,775	3,413
Result before income taxes	8,166	7,001
EBIT[1)]	-2,868	-2,875
EBITDA[1)]	-1,127	-1,334
Annual net profit	8,832	7,694
Equity	45,081	36,883
Equity ratio[1)]	86 %	86 %
Cash flows from operating activities	8,708	6,875
Cash and cash equivalents at end of period	12,296	7,243
Employees as at 31/3	5	3

Financial performance indicators of the Fabasoft Group (consolidated financial statements in accordance with IFRS)

in kEUR	2020/2021	2019/2020
Sales revenue	55,090	51,056
Result before income taxes	13,780	11,660
EBIT (Operating result)[1)]	13,886	11,709
EBITDA[1)]	19,554	16,780
Result for the year	9,730	8,553
Equity	39,252	31,469
Equity ratio[1)]	51 %	48 %
Cash flows from operating activities	21,012	14,107
Cash and cash equivalents at end of period	48,424	35,101
Employees as at 31/3	326	312

[1)]Definition of the key figures in the management report section 1.4

Non-financial performance indicators of the Fabasoft AG and the Fabasoft Group

Employees as a success factor
The enthusiasm, commitment and talent of employees and their flair for innovation are all basic requirements for sustainable growth. In other words, the promotion and carrier development of employees is of utmost importance in the Fabasoft Group. Training and further education plans are created individually and developed, continuously and demand-oriented. The Fabasoft Academy – the Group's own training unit – coordinates the implementation of the measures and offers a broad spectrum of internal training opportunities. The extensive further education programme is prepared together with internal and external trainers, implemented and expanded all the time, with particular importance being attached to the interplay of knowledge transfer and practical application.

Where education and training are concerned Fabasoft also attaches great importance to externally comprehensible and internationally recognised standards for the acquisition of skills. On the balance sheet date the Fabasoft Group employed 65 certified IPMA standard (senior) project managers, 96 Scrum Master and 25 Product Owner in compliance with Scrum Alliance.

Internal Communication
Fabasoft lives an open communication. The management regularly makes announcements in the scope of "Friday Morning Speeches" relating to enterprise strategy focuses and current organisational, technology and business topics. Innovations and further developments in all product and implementation areas are presented by members of the development teams at the internal "Scrum Demo Days" which are held once a fortnight. All employees have the chance to visit these events in person, follow them using video streaming. The internal monthly Fabasoft Newsletter provides employees with a compact overview of all relevant issues taking place within the Fabasoft Group, such as changes in internal processes, planned events, presentation of new colleagues, information concerning ongoing customer projects or newly acquired customers.

Sustainability at the Fabasoft Group
Fabasoft regards sustainability as taking responsible decisions based on ecological, social and economic aspects (ESG aspects). Another key aspect in this respect is the efficient, careful and economical use of resources. Meetings with customers or training sessions are held online or via the installed video conference system. In line with the concept of sustainability public transport or the electric or hybrid cars designated for this purpose are used wherever possible for business trips. Fabasoft has set up the necessary infrastructure with charging stations installed in its headquarters in Linz and Vienna.

Fabasoft communicates its commitment in this area within the scope of its annual sustainability report, which is an integrated part of the annual report.

Open-source platforms, standards and accessibility
The use of open-source products, the commitment to and realisation of market-relevant standards and the requirements of accessibility is important for both private enterprises and the public sector. The chances and risks resulting from this are described in detail in section 2 of the management report.

1.4. Alternative Performance Measures of the Fabasoft Group

Within the scope of its periodical and obligatory reporting Fabasoft publishes alternative performance measures (APM). These performance measures are not defined in the existing accounting policy pursuant to the International Financial Reporting Standards (IFRS). Fabasoft calculates the APM with the aim of enabling comparability of the performance measures over time or a sectorial comparison. Fabasoft calculates the following APM:

- Nominal change in sales revenue
- EBIT or operating result
- EBITDA
- Equity ratio
- Research & development ratio (will be published in the full annual report)

Nominal change in sales revenue
The nominal change in sales revenue is a relative indicator. It indicates the change in the sales revenue in percent compared to the previous year.

EBIT or operating result
EBIT stands for Earnings Before Interest and Taxes and shows the operative result of a company without the impact of effects arising from inconsistent taxation systems and different financing activities. EBIT (operating result) is calculated as follows:

Reconciliation
Result before income taxes
- Finance income
+ Finance expenses
= EBIT (operating result)

EBITDA
EBITDA stands for Earnings Before Interest, Taxes, Depreciation and Amortisation. In addition to interest and taxes this indicator of success also neutralises the distortionary effects of operative business activities arising from different depreciation methods and valuation latitude. EBITDA is calculated on the same basis as EBIT plus depreciation and amortisation affecting income in the period or less reversals of impairment losses on intangible assets and property, plant and equipment.

Reconciliation
EBIT
+ / – depreciation / amortisation / reversals of impairment losses on intangible property and assets, plant and equipment
= EBITDA

Equity ratio
The equity ratio indicates the proportion of equity in total capital.

$$\frac{\text{Equity}}{\text{Total Capital}} \times 100$$

Research & development ratio
Indicator that sets expenses for research and development in relation to the revenue.

$$\frac{\text{Expenses for research and development}}{\text{Revenue}} \times 100$$

2) Report on the expected development and risks of Fabasoft AG and the Fabasoft Group

2.1. Major opportunities of Fabasoft AG and the Fabasoft Group

Major opportunities for the Fabasoft Group and consequently also for the result of Fabasoft AG are seen in the following areas in particular:

New products and product versions
New versions of existing products were made available and new product offers developed as part of the intensive research and development activities in the 2020/2021 fiscal year. This opens up opportunities for additional business with both new and existing customers. Especially with regard to fresh business, the intention is to create opportunities in new vertical markets and geographies based on innovative marketing and deployment models. Further development of the Fabasoft Business Process Cloud as a platform is an example in this context as is the expansion of the Mindbreeze partner network.

Mindbreeze InSpire
Mindbreeze carries out research and development in the areas of enterprise search, knowledge management and artificial intelligence and is successively opening up new fields of application for these technologies. Mindbreeze offers an appliance (Mindbreeze InSpire) as a ready-to-use product in order to make entry for its customers as simple as possible. The appliance is integrated in the company's IT and is connected to existing data sources with the aid of connectors. The contents of the sources are analysed, linked accordingly and made available for queries and extensive search applications in a knowledge database (index). An increasing number of hybrid operating models are also being offered. Data from different storage locations (on-premises, cloud) are analysed and linked here. However, the data always remains reliably in the storage location. This provides end users with a consistent complete overview (360-degree view).

Mindbreeze InSpire is already being used productively by many international customers. As a result of its growing visibility on the international market and positive evaluations by analyst firms, Mindbreeze is also attracting the attention of large international customers and potential partners. Moreover, analyst firms have positioned Mindbreeze InSpire as a sound and powerful basis with flexible operating models when it comes to the introduction of knowledge management applications and enterprise search. The product offers extensive AI-based functions that go far beyond classic search machines and that analysts already regard as the next generation (Insight Engine, Cognitive Search).

Fast application for business processes in the respective departments that enable use of the product without the need of programming thanks to its Insight App Designer plus the provision of comprehensive connectors for the linking of data sources and functionalities in the standard product are all regarded as fields of particularly high potential that offer the chance of a unique positioning. The analysing and processing of natural language is an important prerequisite for understanding information, one that Mindbreeze addresses with the use of machine learning and in particular natural language processing.

In particular the Mindbreeze InSpire SaaS offer and the hybrid operating model are being used more frequently in addition to appliance product offer. Customers and partners from many different branches were acquired and business with existing customers expanded in the period under review. Further intensification of the marketing and sales activities are planned in order to increase visibility on the market and boost the market position as well as the development and expansion of strategic partnerships.

Fabasoft Business Process Cloud
Cloud computing has become established globally as a usage model wherever effective and needs-oriented utilisation of information technology or the management of processes is required. However, such use is often thwarted especially in Europe due to concerns with regard to data protection and the confidentiality of corporate data. Fabasoft addresses this desire for transparency and security with the following aspects: The software products are developed in Europe and operated in European data centres – based on a European values system for data security, access security, legal compliance and quality standards.

Regular certifications and audits carried out by independent institutions endorse the high standards of quality, security and service. Data are stored synchronously in two separate data centres in the locations selected by the customers. Data transmission and storage can be encrypted. Furthermore, with its appliances (combination of hardware and software) Fabasoft offers customers the possibility of storing data on their own premises.

The Fabasoft Business Process Cloud can be used as a digitisation platform for the time-saving and cost-efficient digital realisation of corporate and project-specific processes on the one hand. On the other it is available as a flexible, ready-to-use standard product for the cross-organisational management of documents and business processes with a focus on business-relevant documents that require a high level of security and compliance. As a platform the Fabasoft Business Process Cloud constitutes the basis for Fabasoft standard products as well as for customer-specific use cases.

The Fabasoft Business Process Cloud, Fabasoft Approve and Fabasoft Contracts are characterised by their simple integration in existing IT landscapes and are highly scalable. The graphical process editor (BPMN 2.0) enables individual modelling of complex approval, test and release processes without the need of any programming knowledge. A high level of user acceptance is achieved thanks to the elegant and intuitive user interface available in different languages.

Fast implementation of customer-specific use cases in the fields of contract management or technical data management are regarded as fields of particularly high potential and a unique selling point. Fabasoft offers out-of-the-box products in this respect: Fabasoft Approve for the management of technical data and documents in industry and Fabasoft Contracts for contract analytics and the audit-compliant life-cycle management of contracts. Intelligent data collection, intelligent capturing or individual dashboards are available, for example, thanks to the integration of parts of the Mindbreeze technology in Fabasoft Contracts. The digital signature based on Fabasoft Secomo technology enables the seamless handling of signing processes without media discontinuity or the involvement of external services. This facilitates the provision of information and enables automated processes. Users benefit from a platform that can cover several use cases without having to change the work environment.

The Fabasoft Business Process Cloud was designed and further developed as an application platform. This means that not only Fabasoft's own cloud products such as Fabasoft Approve and Fabasoft Contracts can be used, but also solutions of partners, which in turn could give rise to opportunities with regard to enhancing the cloud partner business.

Fabasoft Secomo

The encryption appliance Fabasoft Secomo offers the chance of true end-to-end encryption. Data are always transferred in encrypted form with this solution and stored in teamrooms. Both the teamroom and the documents it contains are encrypted. Fabasoft Secomo is also available “as a service” for customers of the Fabasoft Business Process Cloud Enterprise Edition, Fabasoft Approve and Fabasoft Contracts.

Opportunities could arise for the Fabasoft Group in connection with the growing strategic importance of the topics digitisation and data protection in many companies and organisations, which in turn will give rise to a series of concrete implementation needs. Fabasoft sees itself well positioned in this field and with its Cloud products already offers a high-performance portfolio: Where digital document control or digitisation of business processes are concerned on the one hand and as a sound basis for better observance of data protection and compliance directives on the other.

Xpublisher and Xeditor

The Xpublisher editing system standardises and structures contents for high-performance, fast and consistent multi-channel publishing. It facilitates the coordination and compilation of content for different digital publication channels and with the integration of page and book planning enables simple production of magazines, books and documentation.

Xeditor enables the creation and editing of semantic and structured content in XML format without any need of technical knowledge. Document structures are pre-designed in Xeditor and need only be filled in by the authors. This helps with the updating and publication of lengthy documents such as legal texts or technical documentation.

Opportunities could result for Fabasoft from the expansion and development of customer groups from the media branch or publishing in Germany, Austria, Switzerland and North America. Attractive usage and combination options are also envisioned in several Fabasoft business segments – in particular the Fabasoft Business Process Cloud. The integration of Xeditor as an add-on in the Fabasoft Business Process Cloud enables the efficient creation, editing and reviewing of standardised contents. Among other things, this supports companies from industrial environments with the compilation of technical documentation or public authorities with the publication of legal texts.

Freedom of choice for the platform and commitment to standards and accessibility
A significant and unique selling proposition of the Fabasoft Group's on-premises product portfolio is provided by the possibility of using these products on both Microsoft Windows Platform and open source platforms. As a result of the existing cost awareness in both the public and private sectors this cost-efficient option contributes to a positive evaluation of the Fabasoft portfolio.

This open platform strategy is based on a commitment to and the implementation of market-relevant standards and norms in software product development. The aim is to contribute to freedom of choice, accessibility, cost-efficiency and future safety for customers as well as sales and development partners during IT investments.

The cost benefits of open-source platform versions also continue to have a positive effect on the efficiency of the cloud operating model and of the appliance offers, which are similarly based on these platforms.

In addition to platform openness and its commitment to standards Fabasoft also pays great attention to the issue of accessibility. From the standpoint of equal treatment Fabasoft products meet the high standards of barrier-free accessibility thus enabling seamless integration of employees with special needs into the working process.

Sales channels and partnerships
In those countries in which Fabasoft is represented by its own companies and in other selected national markets, development, sales and project partners, including those from outside the public sector, are to be acquired and supported. The existing and well established partner model of Mindbreeze with its focus on value-added resellers was opened up for independent software providers (Independent Software Vendors, ISVs) in the period under review. Thanks to the integration of Mindbreeze InSpire in the software products, these are now in a position to provide their customers with the benefits of AI-based applications without the need for a long development project. Analysing and understanding unstructured and structured information within their own solutions, for example, can now be achieved easily. The aim of expanding the partner program is to build up greater presence in Europe and North America and to develop new customer groups.

Further development of the Fabasoft Business Process Cloud to an application platform in the 2020/2021 fiscal year is an important basis for giving selected cloud partners the possibility of integrating and operating their solutions in the Fabasoft Business Process Cloud. Selection of the partners is effected subject to high standards of quality.

A partner model for the international sale and distribution of Xpublisher and Xeditor is being developed with the aim of boosting the visibility of Xpublisher on the market. Whereby Xpublisher places a high value on exclusivity and quality, i.e. only a small number of partners in each country whose expertise and sales strength make them an ideal supplement to Xpublisher products.

Chances could also arise for the Fabasoft Group from the development of new customer groups, in certain vertical markets, for example.

Digital transformation in public administration
Business with public sector clients depends to a great extent on the budgets of the respective organisations. Business potential for Fabasoft could result from the need expressed by customers to achieve savings and boost efficiency by digitalising administrative work – whether and to what extent this can be realised is at this juncture impossible to estimate. Opportunities could arise for the Fabasoft Group from new projects in connection with the expansion of administrative modernisation and e-Government planned in many European countries and beyond, provided the respective political will is translated into concrete projects and investments. In this context, concrete customer enquiries often result from the highly successful and existing references of the Fabasoft Group.

As a proven provider of many years standing with a high-performance range of products and excellent references, Fabasoft sees itself as very well positioned for upcoming tender procedures in which it will continue to participate intensively.

The growing use of artificial intelligence technologies also in the public administration is steadily changing the interaction with citizens and companies as well as internal work practices. Methods of artificial intelligence, such as machine learning, support work processes through the automatic classification of documents. Natural language processing and natural language understanding enable the proactive provision and processing of information. Fabasoft sees itself well positioned in this area, because Fabasoft products already use Mindbreeze technology for these use cases thus allowing it to participate in the innovations in this field.

Expansion of existing customer relationships in the public sector
There are in some cases interesting opportunities for Fabasoft to expand its business also where major existing customers are concerned. There are currently extensive framework projects in the implementation phase that Fabasoft has won. The electronic records management system "E-Akte Bund" of the Federal Administration in Germany deserves particular mention here. In the E-Akte Bund project the roll-out of the records management system (E-Akte) moves further ahead in the period under review.

In January 2020 the State of Carinthia decided on the state-wide introduction of an electronic records management system (ELAK), which is based on the Fabasoft eGov-Suite. This project is currently in the implementation phase.

Collaboration was further continued with the Austrian Federal Administration, which has been making wide use of the Fabasoft eGov-Suite in the federal ministries for many years. As part of the consistent implementation of the digitisation strategy, the user groups of the Fabasoft eGov-Suite will be further extended in the area of the federal administration (central offices and subordinate agencies) for business case and shared document processing. An extensive innovation project was continued in parallel to this.

New pioneering and efficient forms of collaboration and the fulfilment of tasks are developed and tested in close cooperation with the users, organisations experts, sales and Fabasoft as the manufacturer of the product. Focal points here include modern concepts of mobile use and the supportive use of artificial intelligence technologies.

Certifications
Protection of company data takes high priority at Fabasoft. Targeted and consistent certification and testing in compliance with internationally recognised standards underpins this commitment. Assurance of maximum quality, security and service standards is guaranteed by an integrated management system that is certified in compliance with ISO 9001, ISO 27001 including ISO 27018 and ISO 20000-1, among others. Following Fabasoft's successful performance in a re-certification audit in October 2020, the certificates according to the ISO standards 9001, 27001 including 27018 and 20000-1 were renewed for the another three years by accredited certification bodies.

On a product level this certification strategy was extended to include exacting certification and testing for the Fabasoft Business Process Cloud and for Mindbreeze InSpire SaaS:

The C5 certificate pursuant to the requirements of the catalogue of requirements C5:2020, issued by the BSI (Federal Office for Information Security) is a recognized and reliable substantiation of the high level of information security of the Fabasoft Cloud and of Mindbreeze InSpire SaaS.

The catalogue of requirements of the BSI defines the minimum requirements that cloud service providers must meet. The defined specifications of the framework conditions ensure transparency with regard to jurisdiction and locations, availability and incident handling during regular operation, recovery parameters in emergency operation, availability of the data centres, handling of investigation enquiries from government authorities, as well as certifications or attestations. Fabasoft and Mindbreeze successfully underwent the audit in compliance with the new BSI C5:2020 catalogue of requirements for the first time at the beginning of 2021. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Germany, was commissioned as the auditor. The respective attestations were issued for Fabasoft Business Process Cloud and for Mindbreeze InSpire SaaS for the first time by PwC.

The SOC2 audit was again commissioned and carried out for Fabasoft Business Process Cloud and for Mindbreeze InSpire SaaS in the 2020/2021 fiscal year. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Germany, checked compliance with the Trust Service Criteria (TSC) for Security – published by the American Institute of Certified Public Accountants (AICPA). The audit took the form of an ISAE 3000 Type 2 audit (test of the existence of controls over a period of time); the final results of the audit were reported to Fabasoft and Mindbreeze in an ISAE 3000 SOC2 Type 2 Report.

The Fabasoft Business Process Cloud also holds other certificates such as the "Certified Cloud Service" of TÜV Rheinland, which is renewed regularly. Preparations were made for the new EU Cloud CoC data protection attestation (ISAE 3000 Type 1) in the period under review and submission of the audit.

The design and effectiveness of selected controls with regard to services defined by Fabasoft were tested within the scope of the ISAE 3402 Type 2 audit that was carried out. The independent auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Germany, issued an unrestricted auditor's report without exception.

In addition auditing for the EU Cloud Code of Conduct in compliance with GDPR was further advanced.

2.2. Significant risks and uncertainties for Fabasoft AG and the Fabasoft Group

Significant risks and uncertainties for the Fabasoft Group and consequently also for the result of Fabasoft AG are seen in the following areas in particular:

Pronounced dependency on government business in the German-speaking region
A significant part of Fabasoft's business is generated from government customers, especially in the German-speaking region. Any changes in this customer group, such as the impacts of budget cuts and planned savings, short-term or sustained budget freezes, alterations to product and technology specifications, project priorities or award criteria plus the emergence of new competitors or new offers from existing players can have a considerable effect on the business of the Fabasoft sales companies concerned and as a consequence also on the Fabasoft Group as a whole.

The overall countermeasures adopted in response to these risks include the offer of intensive and high-quality services to existing customers, benefit-generating product and project innovations, and the submission of tenders for new projects that are as competitive as possible. Furthermore, stronger positioning is planned in particular for the new cloud and appliance offers for the expansion of the customer target groups and the sales and distribution channels, both over and above the public sector and beyond the geographical focus on Europe adopted to date.

Risks in business with public sector clients
Projects in the public sector are characterised by lengthy lead times and decision-making processes, complex, highly formal and extensive tendering requirements, allocation procedures that present a challenge on a legal, technical and human level as well as elaborate, expensive and long-drawn-out tests, tight budgets on the part of the clients and strong competitor pressure that is intensified by the public and mostly international nature of the tendering process. In project agreements, such clients frequently specify increasingly stringent contractual requirements (liability, compensation, long-standing fixed price contracts without any adoption of inflation or personnel development costs etc.) that are often non-negotiable.

Dealings in the public sector are also affected by strong seasonal and budgetary fluctuations. Such business uncertainties can jeopardise both the awarding of new projects and the extension of existing contractual conditions and thus have a markedly negative impact on future revenue development. Political events such as elections and shifts of responsibility may also result in a “return to the drawing board” with projects that have already been awarded and reached their final stages. Already ongoing projects may also be interrupted or postponed, due to reasons rooted in the sphere of the customers. Due to the size of many projects in the public sector and the close collaboration between the individual offices of the public sector there is also an increased danger of cluster risks.

Cuts in government budgets represent a considerable risk in the important public sector business.

Risks in direct project business

Where Fabasoft companies provide project services themselves, for example on the basis of fixed price quotations, there is a particular risk of unclear or misunderstood specifications, miscalculations, deadline overshoots, penalties, problems regarding technical implementation or operation, software errors, difficulties with project management, warranty and liability claims (compensation), and issues concerning human resources (for example if key members of staff are unavailable in critical project phases). These risks may affect the Fabasoft companies directly and also indirectly via their subcontractors or suppliers. In order to encounter such risks, Fabasoft uses a tried-and-tested procedures model for project work that is subject to continuous further development.

The implementation of extensive software projects is a process which frequently necessitates significant contributions and involvement on the part of the customer. This also gives rise to certain risks that are partially or entirely beyond the company’s direct scope of influence, but may have a significant impact on the overall success of the project.

Risk concerning subcontractors in project business

Wherever necessary individual companies from the Fabasoft Group work with partners in project business, who act as subcontractors or suppliers for the respective projects. There is a risk in such cases that claims could be made against Fabasoft (e.g. in the form of reduced and/or delayed payment, substitute performance, liabilities, contractual penalties, claims for damages etc.) as the general contractor should these partners not fulfil their contractual commitments or only do so partially or defectively or if, for whatever reason, their services are not accepted by the customer. This could entail both a negative impact on the revenue development of the Fabasoft Group as well as compromise its reputation.

It must also be taken into account that services or partial services purchased externally – e.g. from subcontractors – normally result in the achievement of significantly lower margins than is the case with services provided by own personnel.

General partner business risks

Risks in the partner business lie in particular in the limitation or complete lack of direct customer contact and thus also in the lack of direct customer feedback for Fabasoft and the general dependency on product and sales strategies of the partners in the respective region, the possibility of reduced product loyalty of partners and the danger of the product manufacturer’s reputation also being damaged in the event of problems with the project – if even they may lie within the scope of responsibility of a sales partner. Furthermore, partner business frequently restricts Fabasoft’s opportunities for positioning its own brand, safeguarding company secrets and acquiring additional business. From a commercial point of view, the partner conditions granted reduce the attainable profitability and price margins in the respective individual business transactions.

With partner business in general there may also be the danger of tough competition between partners, for example in the acquisition phase for the same end client, as well as the risk of conflicts between sales channels. A further risk could arise if Fabasoft cannot find sufficient or the right partners to develop and market high-quality software solutions based on the products and technologies of the Fabasoft Group. In the markets in question, this could either render impossible the achievement of the desired breakthrough for the product technology, or the attainment of the penetration level required for sustainable market success.

Competition

The software sector in general and the enterprise content management, enterprise search and cloud computing segments in particular, are undergoing an intensive wave of consolidation that is giving rise to larger and more international competitors with increasingly apparent economies of scale through mergers and acquisitions. There is also still an unabated trend towards smaller manufacturers forming alliances or significantly increasing their capital resources by bringing investors on board, in order to gain a stronger presence in the marketplace. In addition there are signs that software manufacturers who already dominate markets are beginning to enter further market segments with new or new positioned products, which in turn will result in even greater pressure on prices and margins and make the task of acquiring new partners more difficult. Moreover, the acceptance and establishment of new software offers is being further complicated by the increasing degree of saturation and consolidation in the software sector.

Internationalisation

Entering new markets also entails certain risks. A lack of target market knowledge and lower company recognition levels than those in the home market, strong local competition, long lead times, high start-up costs, difficulties in finding staff for key positions, internationalisation and localisation expenses for the products, and possible deficits in communication and control are exemplary note in this context. The aim is to limit these and similar risk factors by additionally concentrating on a partner-oriented model that is intended to reduce the immediate project risks that may arise from the company's own tendering in complex project situations and during project implementation.

General political and economic framework conditions in the individual countries, in particular trade restrictions and contradictions or overlapping in regulatory or tax provisions, could constitute additional risk factors for more intensively internationalised business operations.

Risks concerning company acquisitions

There are fundamental operative risks for acquired companies or parts of companies, as also presented in this report for companies of the Fabasoft Group. There are also specific risks involved in the market review, acquisition and integration phases.

The services of external consultants (investment banks, auditors, legal advisors, etc.) are normally used in the market review phase for identifying takeover candidates, whereby the ensuing fees do not normally depend on success or only do so in part. Frustrating external and internal expenses are incurred where no suitable takeover targets can be found or an acquisition cannot be concluded. Despite the commissioning of external consultants, there are risks involved in the acquisition phase in that the risks or bad debts of the target company are not identified or quantified correctly or that synergy potential or the future business development are not correctly assessed. Risks involved in the integration phase include among others the merging of different corporate cultures, market accesses, management styles, key technologies and corporate processes. As the acquisition procedure is normally carried out confidentially, it is mostly impossible to gain knowledge of the stance of existing customers to an acquisition in advance. For this reason negative reactions of the existing customer base cannot be precluded. Furthermore, keeping key success-critical individuals in the company, and motivated also presents a challenge. There is also the risk in connection with the above-mentioned uncertainties that the acquisition target is purchased at a too high price and that the funds invested might well be lacking elsewhere for the corporate activities of the entire Group. If such risks occur during or after the integration phase, this could lead in particular to negative impacts on sales and revenues and as a consequence on balance sheet valuations and therefore also for the Group as a whole.

Product risks

The development of software products is always subject to the risk of software errors, security gaps and functional restrictions, which even the use of extensive quality management and test procedures can never entirely exclude. Neither can it be ruled out completely that the protected legal positions of third parties are violated in the course of development or project implementation activities. This applies to both Fabasoft and third-party products and technologies on which Fabasoft products are based or with which they interact. Such errors or restrictions may have a negative impact on customer and partner satisfaction, data security, market reputation, chances for new business and the success of implementation and operational projects, or online offers.

In order to reduce these risks, during product development and project implementation, Fabasoft not only employs manual test procedures, but also automated checks. In addition, products and service offers are also being subjected to extensive certification processes, as explained under “Certifications”.

A risk with regard to software products is apparent in the possible deferral of delivery times. This can affect not only Fabasoft’s own products, but also third-party products or technologies on which the products of the Fabasoft Group are based or with which they interact. Such delays could lead to impairment of the company’s market and competitive position, revenue shifts or revenue losses and even consequences such as contractual penalties, liability claims, substitute performance or reversed transactions in the project business. Furthermore, prolonged development times also cause a corresponding increase in development costs. This applies equally to errors, functional deviations or limitations in the course of new product versions or troubleshooting.

Another risk involves third-party products and technologies from the open source area: there is a growing tendency among various providers to commercialise on these licence-free offers by no longer offering specific features or support offers of the free versions but instead incorporating these into fee-based offers. This can result in additional costs for both customers using these platforms or technologies and for Fabasoft – e.g. in the case of operating models – if free alternatives cannot be found in such cases. Even if free alternatives can be found, conversion costs could still be incurred or there could be delays – due, for example, to making the necessary adaptations to the software.

Moreover, the integration of third-party products presents a risk of the function of Fabasoft products being impaired or the danger of these malfunctioning. Fabasoft itself cannot rectify programming errors, security gaps etc. in third-party products as it does not have access to the source code.

In general, it must be said that it is normal for downturns in new business or business with existing customers with regard to the products of the Fabasoft Group to have a negative effect on the development of sales revenue from services, support services and software updates.

Diversification risks
The efforts aimed at reducing the risks of excessive specialisation and thus the dependency upon a narrow and volatile target segment through greater product, market segment and sales channel diversification also create new and increased risk potential. These include: higher marketing and research and development expenses, multiple investment projects for market preparation, risks from strategic planning and increased planning uncertainty, heterogeneous sales and organisational structures, positioning risks and risks arising from a diversified and dislocated organisational and business structure. Special importance is attached to recruitment and internal basic and further training as a defence against these risks. Moreover, internal reporting and controlling measures are continually supplemented and further developed.

Risks concerning dependence on suppliers
In particular in the business field of appliances it is not solely the performance characteristics of the software developed by the Fabasoft Group that determine the quality, performance, security and as a result the overall success of a product a customer uses, but indeed to a large extent the third-party products used. These third-party products include both components of hardware (servers, storage, network components, security components, etc.) and of software (operating systems, database, security technology, etc.). These components – individually or as they interact together – are particularly susceptible to the risks portrayed under IT risks. Additional risks that exist are in particular those of delays, damages or losses that occur during transportation and warehousing between suppliers and the respective Fabasoft company, as well as during the delivery to the customer. There is also the risk of losing a supplier, for instance because a product line is discontinued or the supplier withdraws from the respective market or because of interruptions in production, capacity bottlenecks or other delivery disturbances along the supply chain. Added to this are the risks of disruptions, failures or interruptions in the logistic chain. Due to the delivery times of individual suppliers and in order to ensure we are in a position to deliver to customers at short notice it could be necessary to maintain a stock of third-party products in line with the projected course of business.

It is, however, not possible to make an exact forecast of the course business will take, especially in a dynamically developing business area, and this gives rise to the risks of holding both too low a stock with the entailing restricted delivery capability and holding too high a stock leading to high warehousing costs and problems linked with a model change on the part of the manufacturer and time-limited service agreements of the third-party manufacturers. In addition there is also the risk of delays in delivery due to the applicable export regulations of the respective target country, which all too often require extensive verifications and certificates before the goods can be delivered to the customer.

If a customer experiences a malfunction, then it not only becomes necessary to substantiate if and in what form the malfunction may stem from a Fabasoft product, but also to coordinate the troubleshooting together with the support organisations of the suppliers of the third-party products that may be involved. If, for example, it becomes necessary to replace hardware components, then the process is particularly susceptible to the logistical risks described above and the risk that delays or mistakes may occur on the side of the respective suppliers and their customer service. Altogether, the whole process for handling problems is particularly susceptible to the risks of communication problems, delays and mistakes as well as the risk of different service levels inside and outside the company. These risks would have a negative effect on Fabasoft, regardless of who actually may be responsible for the problem.

The Fabasoft Group seeks to counter the described risks with the help of clearly defined, documented and certified business processes, as well as through the continuing education and further qualification of staff. Concerning interactions with suppliers, the main focus is placed on the careful selection of professional suppliers as well as on appropriate quality management measures.

IT risks

Disruptions for example in the hardware, data storage or network infrastructure, in the software, data transmission lines or on the part of the Internet operator, operating errors, attacks from hackers, for example, DDos attacks, viruses, phishing attacks, Trojans, ransomware and the like or events based on force majeure, can all have a negative impact on the operation of the systems of the company as well as important systems with which these are linked can jeopardise seamless data security and recovery. They can also jeopardise the ability to guarantee perfect data storage and recovery.

One possible consequence of such problems can be the limitation or failure of online services, sales, development and administrative activities and the online presence of the company, including statutory or regulatory prescribed announcements on the website, data error, unauthorised data access or losses as well as a limited ability to make data transmissions. This can lead subsequently to comparable effects on other companies or organisations, which use the company's (online) services for a fee or free of charge. After taking costs and risks into consideration, the company has introduced organisational and technical precautions to provide defined service levels for its internal systems. Nevertheless, the complete exclusion of such risks, especially with regard to the targeted use of criminal energy, espionage resources or weaknesses and backdoors contained in third party components, is not possible.

Risks with regard to information security and data protection

Fabasoft attaches great importance to the protection of confidential information, personal data and intellectual property. Nevertheless, the risk of unauthorised third parties gaining access to this sensitive material cannot be entirely ruled out. In view of the fact that global cyber-attacks against companies in all sectors are increasing in number, intensity and refinement, Fabasoft is making every effort to continue with the expansion of its cyber resilience.

Various organisational, training-specific, systematic and physical barriers and measures have been put into place to prevent unauthorised access and a catalogue of criteria compiled that is to be applied when selecting security-relevant suppliers and service providers has been implemented in the purchasing workflow of Fabasoft. Security-relevant contractors are contractors which potentially have access to internal, confidential or personal data. This access can be a potential risk vis-à-vis Fabasoft customers with regard to service level or contract violations or can have a negative impact on Fabasoft processes.

All security-relevant contractors such as data centres, suppliers of hard and software or special service providers must fulfil requirements defined by Fabasoft – such as the relevant certifications, for example, or contractually defined service levels, security statements, verifiably fulfilled security measures, agreements concerning controller data processing and duly signed confidentiality declarations. The installed information security management system is regularly tested for topicality and effectiveness by means of internal and external audits.

Over and above the purely technical aspects of information security there is also the danger of cyberattacks in combination with manipulation and fraud on the social level (e.g. "fake president" emails). In order to raise the awareness of employees for the resulting risks, Fabasoft regularly carries out professional awareness training courses and simulations of potentially threatening scenarios. In addition Fabasoft products and its cloud services, including the data centres involved, are tested continuously by external auditors and the corresponding test reports and audit certificates compiled, as listed under "Certifications".

In view of the fact that, in addition to damaging the reputation of the company, the occurrence of such risks can have extensive negative financial consequences great attention is paid to this risk field.

Personnel risks

Risks are evident with regard to the finding of a sufficient number of highly-qualified, entrepreneurially-minded managerial specialists in the IT sector for independently responsible leadership and the expansion of existing or restructured business areas and ensuring their long-term loyalty to the company. Currently, the demand for IT professionals largely outweighed the labour market supply. There is therefore a risk that personnel requirements cannot be met on time or subject to economically acceptable conditions.

Furthermore, a risk entails should a larger number of employees, particularly key members of staff, leave the company within a brief period and no replacements can be found in the short-term. This would have negative impacts on the business development and on the ability of the company to meet already agreed obligations and would presumably lead to a negative development of customer satisfaction and revenue even through to possible contractual penalties, liability claims or other disadvantageous consequences for the company, such as damage to reputation, project stops or even transaction reversals.

Understaffing can also lead to possible business potential not being realised or only realised in part. Should suppliers, sales or implementation partners be impacted by such personnel risks, this can also have negative consequences for the company.

Risks due to the global spread of the coronavirus (COVID-19)

The World Health Organisation (WHO) declared the global spread of COVID-19 a health emergency with considerable impacts on the population and the economy.

Fabasoft took immediate measures to counteract these risks as effectively as possible and evaluates these continuously. On the one hand in order to protect employees – in the Fabasoft Group and at the customers – and the public and on the other hand to maintain the operative business.

Quite apart from the general risks of restrictions or even failures of corporate functions in the event of cases breaking out in companies or even the shutdown of locations, there is a risk of the performance of certain on-site services on customers' premises being limited or not possible in the case of massive travel and entry restrictions. Although substitution of such services by an online presence was widely implemented in the period under review, this is not practicable in all scenarios. Personal contact and customer visits have always been important, especially where the sale of products and services in specific segments is concerned.

Especially the development and expansion of business in new regions or business areas is being noticeably afflicted by the massive restrictions on travel possibilities and personal contact.

In particular the appliances business is currently regarded as being potentially susceptible if confronted with logistics or supply chain problems. Closures of production plants or delays in deliveries due to disruptions in the supply chain may have a negative impact on both Fabasoft's partner business (delay in the supply of ordered appliances) as well as its direct business.

The massive impacts of the pandemic on the economy as a whole and as a consequence also on the finances of the public budgets mean there is a far heightened sales risk in both the short and the medium term. This could impact the acquisition of new customers and business with existing customers as well as ongoing projects in the form of shifts in revenue or loss of revenues and profits. It is not possible to forecast the extent of these impacts at this juncture.

Despite the use of modern technology, the change over to working from home involves risks: social interaction is restricted, the creative exchange and flow of ideas as well as discussions and the chance of solving differences and misunderstandings in the near term could suffer. Although companies are providing efficient terminal devices, the connection depends on the bandwidths and service level limitations of the respective Internet connections of the home office. The extensive use of home offices also opens up the additional threat of cyber attacks, which have to be addressed.

Financial risks
Due to the customer structure and the resulting constellation of customer requirements the risk of defaults on receivables is still considered to be relatively low. Especially where usage fees are concerned (Mindbreeze InSpire, Fabasoft Business Process Cloud), such fees are received at the start of the term and are coupled with performance of the service. An interest rate risk occurs in the case of other financial assets. As these can be converted into cash at short notice, the interest risk is therefore deemed immaterial. Exchange rate risks occur mainly when receivables or assets at financial and insurance institutions exist in a currency other than the local currency of the company.

Depending on the extent and duration of a macro-economic shock, – for instance in connection with COVID-19 – higher risks could occur, for example, with regard to the security and impairment of assets at financial and insurance institutions and receivables as well as the difficulty entailed in maintaining the purchasing power of assets and revenues from ongoing obligations in a conceivable highly inflationary overall scenario.

2.3. Forecast report

Shaping the digital transformation
As a manufacturer of software products Fabasoft has specialised in the digitisation and automation of business processes in large organisations. The products of the group serve the creation, traceability and secure processing, consistent publication, semantic search, automatic categorisation and the archiving of electronic business documents, contents and processes.

As essential modules and catalysts of the "digital transformation" these technologies and the implementable solutions they enable are increasingly gaining in relevance for corporate strategy and are widely recognised as future-critical fields of action on the management level in both private enterprises and the public sector.

This awareness in the public sector has taken on a specific form, namely a series of extensive plans and projects on a federal, state and communal level for the introduction of the electronic records management (E-Akte) solution.

The key topics in the private sector included cross-company collaboration, cyber security and data protection plus more efficient and more cost-effective processes linked with enhanced service performance based on a comprehensive overview of customer talks, product presentations and trials.

Transformation of the business: Fabasoft Business Process Cloud, SaaS, Appliances and hybrid models
Pursuant to a general trend in the software industry as a whole, the software product business of the Fabasoft Group continues to undergo a transformation process: the use of software products is moving away from the model of purchasing user rights for these products against a one-off fee – usually linked to a maintenance contract – more in the direction of an ongoing monthly user fee for cloud services, SaaS offers and/or appliances.

The course of this transformation varies currently depending on the target markets: in the case of public tenders it is still primarily the purchase models for the software in the core area of Fabasoft (electronic records management system) that are demanded (the customer then operates the software with the support of Fabasoft in its own data centres). In the case of private customers the interest is becoming increasingly flexible as to whether the desired solution is to be realised as a cloud application, via an appliance or in the form of a classic on-premises project.

Often this decision is only made in the course of the bidder dialogue, taking functional, safety-related, economic and most especially time aspects into consideration. Fabasoft believes it is well positioned in this respect because the available product portfolio provides just such flexibility and also supports hybrid models.

It must be taken into account that the structure of the appliance business differs in its nature from the software licence business: the hardware components of the appliances are purchased by Fabasoft or Mindbreeze, the customer undertakes to pay periodically for the use that is agreed for a fixed period of time. The revenue for use is received monthly and the hardware components are also amortised on a monthly basis.

Fabasoft continues in its endeavours to further extend the direct sales model in those countries where the Fabasoft Group operates via its own companies and which also entails intensive commitment from the project side in the implementation phase, to encompass an indirect, partner-orientated, international sales and marketing model in particular for cloud services and appliances.

The Fabasoft Business Process Cloud as an ecosystem for digital business processes
In line with the growing trend towards digital transformation, the focus in the period under review was on further developing and expanding the Fabasoft Business Process Cloud as a digitisation platform for internal as well as cross-company business processes. Key tasks in this context included strengthening the market presence of existing and future business process solutions and visibility in the individual target markets.

Fabasoft Approve, the business process solution for technical data management, concentrated its efforts on complex processes with suppliers and partners in industry and can be adapted to customer-specific use cases in individual projects. By contrast, the business process solution for contract management, Fabasoft Contracts, is characterised by the possibility of immediate use in different sectors. Integration of components of the Mindbreeze technology ensures a high level of automation, thus generating crucial added value.

Continuous integration of the Xpublisher GmbH products in the Fabasoft Business Process Cloud reflects the consistent development of this strategy. Whereby also establishing these as business process solutions contributes to realising mutual synergy effects: while the functions of the Fabasoft Business Process Cloud upgrade the Xpublisher products on the one hand, existing business process solutions benefit from an expanded application spectrum on the other.

Fabasoft continues to concentrate here on standardisation and speed of utilisation, in order to fulfil customer requirements for solutions that can be used immediately.

The further development of these products on the platform goes hand in hand with the strategy of establishing the Fabasoft Business Process Cloud as an ecosystem for digital business processes, on which solutions for partner companies can also be included in the medium-term. This therefore meets the needs of the current and growing demand on the market for highly scalable and flexible business applications.

Mindbreeze InSpire
The business focus of Mindbreeze in the period under review concentrated primarily on international key account customers and their visions and remits with regard to knowledge management and semantic searches in connection with artificial intelligence technologies.

A special factor of success for Mindbreeze InSpire is seen in the speedy and cost-effective implementation of concrete tasks in the form of department-specific search applications for 360-degree views of company data, regardless of whether these are available in structured or unstructured form or are stored in different data sources.

Experience shows that such customer projects are subject to longer lead times in the decision making and procurement phases and require in their processing a sophisticated skills portfolio both in the Mindbreeze organisation and the partner base.

Mindbreeze has been named a Leader in the "2021 Gartner Magic Quadrant for Insight Engines" published in March 2021 and achieved the highest positioning on the Ability to Execute axis.

Interest in Mindbreeze InSpire on the market remains brisk – due also to the above rating – and there is a promising pipeline for evaluations and proofs of concept ongoing at potential customers. Future growth rates of Mindbreeze will depend to a great extent on both the timeline and success rate in converting this potential in the form of multi-annual contracts as well as further expansion of the partner structure, e.g. through the expansion of the partner programme to include independent software vendors (ISVs) and the development of new marketing channels, especially in North America. For this reason top priority continues to be placed on these challenging topics.

Public sector business
In the area of public sector clients, Fabasoft works with dedicated service organisations for a number of federal, state/canton and municipality key accounts in Austria, Germany and Switzerland and in other countries where it cooperates with selected sales and implementation partners. Business with these established customers generates a stable core revenue, although in times of strict austerity measures in the public sector and heightened competitive pressure this existing business must be continuously maintained by means of innovation, customer-orientation and a leading price-performance ratio. It is planned to strengthen and, where possible, to expand the Fabasoft customer base in this market through new products and performance features, additional services and by extending the user community.

Acquisition of new customers in the public sector is almost exclusively done by way of highly competitive public tenders with the effort and lead times this entails. Especially in Germany, Fabasoft is now in the implementation phases of several major projects. This also necessitates a potential increase in the personnel requirements of the Fabasoft service organisation. In addition Fabasoft will intensify its purchase of subcontractor services for some projects, especially during the large-scale roll-out phase – depending on the customer's own roll-out plans in this context.

With regard to sales revenue from projects with external subcontractors, it must be taken into account that normally a significantly lower proportional contribution to margin can be generated where those services purchased from external subcontractors in the course of the project implementation (expenses for purchased services) are concerned than is the case with internal performance from the Fabasoft Group. Depending on the project, project phase and volume of services called off in a specific phase by customers, these subcontractor services can constitute a substantial part of the total volume of services in a project.

The public sector business beyond the German-speaking regions was developed primarily in collaboration with partners. Existing customers are also kindly willing to show their systems to interested parties from other administrations and to report on their experiences in introducing electronic records management and e-government in general and with Fabasoft in particular. These partners normally carry out project acquisition, project implementation as well as adapting products and services to the local situation with regard to language and content within the scope of customer care and support.

Development of certain expense items
In order to leverage future opportunities and promote the development of the Fabasoft Group, priorities for the use of funds in the coming quarters will be focused on the fields of product innovation, boosting of sales, service and marketing, and – inextricably linked with these topics – in recruiting new talents for Fabasoft and developing the strengths of the existing team.

Further development of the Mindbreeze and Fabasoft Business Process Cloud business is a key factor with regard to the necessary investments: if we succeed as planned in building up and expanding a successful international partner infrastructure, this would entail considerable up-front investments, in particular in international marketing, a trans-regional presence, partner support and the expansion of personnel in this segment. In phases of such expansion efforts a resultant drop in profitability is expected.

Due to the pandemic travel expenses declined drastically in the period under review. Depending on how the easing of national and international restrictions progresses, the travel activities and therefore also the respective expenses this involves in the Fabasoft Group are expected to rise significantly in the forthcoming quarters. A rise is expected in the areas of contact with existing customers and project work and especially in sales and marketing activities and training (e.g. participation in international conferences).

Impact of the coronavirus outbreak
It was clearly seen in the course of the 2020/2021 fiscal year that the negative impacts of the COVID-19 pandemic on the global economy are and will continue to be enormous. The direct economic impact on the Fabasoft Group was still relatively limited in this period thanks to its hitherto strong business with existing customers. However, business with new customers was marked by a pronounced reticence to make investments, especially in the first quarter of the fiscal year. Although this situation improved a little with the upturn of the economic climate in the second quarter of the fiscal year, the renewed lockdown in the autumn of 2020 and its frustrating extension once again led to a more strongly noticeable reticence in customers and potential customers during the remainder of the fiscal year. The delays and postponements in the acquisition of new customers and in ongoing implementation projects experienced to some extent were a direct consequence of this and still remain possible.

It is currently impossible to forecast or quantify the medium-term impacts it will have on the Fabasoft business in the individual countries, due in particular to the fact that we neither know what course this pandemic will take or the imminent restrictions to be imposed to stop the spread of the pandemic, nor how and to what extent it will affect the economy as a whole or the Fabasoft customer sectors. For more information please refer to section 9.6 of the notes to the consolidated financial statements.

Conclusion
As a software and cloud company that successfully implements the core issues of the digital transformation with its extensive and field-proven range of products and services and based on our solid capital resources the Fabasoft Group should remain promisingly positioned even in a difficult market environment marked by the impacts of COVID-19.

Key existing customers also confirm that the joint, consistent, time and location-independent digital access to business documents and corporate processes was a decisive factor for them in successfully mastering the current restrictions and challenges (e.g. cross-company home office). Furthermore, Fabasoft has also registered enquiries from potential new customers who, due to the COVID-19-related working reality, have had to admit the limits of their past digitisation achievements. In particular speedy and efficient finding of information across system boundaries were expressed as requirements and goals.

This is contrasted by the danger that the impacts and repercussions on the overall economy and the relevant Fabasoft customer sectors will, at least temporarily, have a pronounced negative effect on the ability and willingness on the part of the companies concerned to invest even in strategic fields such as digitisation. A marked reticence and wariness was registered in particular in new business with potential customers, especially where high-volume contracts are concerned.

The all-important business with public sector clients was stabile in the period under review. However, at this juncture it is not possible to estimate how the combination of special pandemic-related expenses linked with lower tax revenues will affect the investment willingness and ability of public budgets. Even if – especially at the moment – digitisation is underscored politically as a strategic topic, at present no forecast can be made as to the actual form of pubic budgets in this area nor the timeframe within which such investments will be made.

The company achieved significant market-strategic milestones in the period under review: the outstanding position of Mindbreeze in the Gartner Magic Quadrant, the outstanding position of Fabasoft Approve in the ECM Leaders Quadrants of SoftwareReviews, the retrieval of the federal licence for Fabasoft eGov-Suite in Germany. These successes have resulted in a sharp rise in interest on the market and in customer enquiries. Further development will depend greatly on the extent and the speed with which this positive market response can also be realised in the form of correspondingly large (new) customer orders and in achieving further scaling of the business model.

Even in such a difficult environment, the company intends to take advantage of any opportunities that arise, for example in the recruiting of top-class talents or the pursuit of inorganic expansion and growth options.

Furthermore – and not least considering the solid cash position of the company – the pursuit of what we consider forward-looking and sustainable issues will be given priority over short-term profitability considerations.

3) Report on research and development within the Fabasoft Group (Fabasoft AG does not undertake any research or development)

In the period under review Fabasoft invested approx. 25.3 % of its sales revenue in research and development. There are dedicated product teams within the Fabasoft Group responsible for product-related research and for software development. The development activities of these teams are based on the agile method framework "Scrum", with the aim of creating innovation and added value in compliance with the principles "quality, usability & style". Regular feedback from existing customers, analyst meetings and continuous monitoring of the market are used for the early recognition of market trends and their integration into product development. Moreover, research topics were handled in international partnerships within the framework of digitisation.

Mindbreeze InSpire

The main focus at Mindbreeze in the 2020/2021 fiscal year was on intensive research and consistent further development in the field of artificial intelligence (AI) and its application for selected business areas. Core topics here included the optimisation of existing processes with a particular focus on the extensive use of the latest technological architectures (e.g. high-performance processor configurations working in parallel) and minimising the training of the neural models.

A significant part of the development concerned and continues to concern the ongoing improvement and simplification of 360-degree views for digital twins of a company or an organisation as well as their visualisation.

Where AI is concerned Mindbreeze worked on expanding the platform for natural language processing (NLP) and extending natural language understanding (NLU) applications. So not only customised solutions rely on the Mindbreeze platform with regard to AI, but also standard products from the Fabasoft Group such as Fabasoft Contracts.

Extensions were provided for administrators in the Management Centre, in particular to achieve more convenience for daily tasks.

Another key focus in the area of research and development was the expansion and scaling of data source connections (connectors). In addition to improving existing processes, the team also worked intensively here on new integration patterns for data sources such as ServiceNow or SharePoint Connector, Dropbox or Microsoft Dynamics CRM Online.

The development team also worked continuously and intensively on the issue of further simplifying handling of the overall system during commissioning, configuration and maintenance.

Fabasoft Mindbreeze Enterprise

Thanks to the expansion of search application components for charts and visualisations, user-friendly dashboards for information visualisation in the Fabasoft eGov-Suite and in Fabasoft Folio can be realised in the application context of these products.

Fabasoft Business Process Cloud

In the 2020/2021 fiscal year research and development focussed on the design and development of new functionalities for the digitisation of document-centric business processes. The possibility of signing documents digitally directly in the Fabasoft Business Process Cloud constituted a key focus in this respect. The use of digital signatures means contracts can be signed seamlessly without media discontinuity and corporate processes, such as the conclusion of contracts, designed even more efficiently. Media discontinuities due to the printing, signing and scanning of documents are now a thing of the past. Moreover, Cloud organisations can also store their own signature certificates, which are kept in Fabasoft Secomo, as well as insert visual signatures and text information in the signature process.

The Fabasoft Business Process Cloud was further developed as a digitisation platform in the period under review. To this end a new component architecture was evaluated and implemented. This constitutes a stable basis for higher quality and sustainable further development of the user interface. Microservices were implemented in the field of conversion. They are the basis for fast and efficient scaling of the Fabasoft Cloud services.

With the aim of enabling customers to adapt Fabasoft products to their own requirements without any special product know-how or programming knowledge, the team developed new concepts for the model-based definition of use cases and improved the existing graphic modelling tools (form editor, BPMN process editor).

Where Fabasoft Contracts was concerned, intensive research was carried out on a new AI technology for the automatic classification of contracts and automated recognition of structured data (contract partners, start, duration, period of notice, etc.) from contract documents. The centrepiece of this AI solution is a model trained with Mindbreeze InSpire that undergoes continuous further development.

Another focus of research and development was to support users with the development of data-centric processes by means of an optimised table handling mode, improved filtering of data or the redesign of view settings for the definition of table views. Application integration and the implementation of standard interfaces were reworked to achieve this. Users of Fabasoft teamrooms can now display these directly in the Microsoft Teams interface.

New self-service options are now available for the administration of Fabasoft Business Process Cloud tenants, in particular the configuration of single-sign-on variants with Active Directory and SAML 2.0. This allows customers to setup and activate these login methods themselves. The Fabasoft Business Process Cloud also offers the possibility of defining different authentication servers for different user groups.

The functionalities of the Fabasoft Business Process Cloud are also available in the releases of the Fabasoft Private Cloud (Appliance).

Fabasoft Secomo

The focus of development in the period under review was the adaptation on new platform features and improving testability. Improvements in the auto-update were also undertaken as well as in the support for the automatic monitoring of an update and preliminary work implemented for a containerisation of the service.

Fabasoft Folio
Research and development activities here in the 2020/2021 fiscal year once again concentrated on the optimisation of user-friendliness through the use of the new interface design and the entire re-design of use cases in the product. The newly designed Fabasoft Folio interface enables even more convenient access via different types of end devices and form factors (smartphone, tablet, PC etc.) and is fully compatible with accessibility requirements.

Xpublisher
The Xpublisher development team focussed on the further development of the product to a "Full-Managed service solution", in order to offer customers faster installation and simpler maintenance of the Xpublisher editorial system. A change to "infrastructure as code" was undertaken where architecture is concerned as well as further improvement of the documentation. This enables faster demonstration for potential customers and proof of concepts can be implemented more quickly in the mid-term and based on standards.

A revised interface makes working with the system even more intuitive. The support of editors for technical documentation was also improved in the course of the revision.

With regard to product features for day-to-day operation, a target issue planning solution was developed to enable faster and clearer creation and implementation of new print products for customers. Where development is concerned a move into the Fabasoft IT infrastructure was undertaken, so this can be used as a highly secure development environment.

Xeditor
In the 2020/2021 fiscal year the Xeditor development team concentrated on even simpler and faster configuration to ensure more efficient implementation of proofs of concept and standardised integration at the customer. Additional features were also implemented, such as drag-and-drop and improved processing of tables, to make operation of Xeditor even more intuitive.

Fabasoft eGov-Suite
In the 2020/2021 fiscal year the Fabasoft eGov-Suite development team concentrated on modernising and expanding the register integration of public registers. It is now more convenient for users to conduct searches in the Central Register of Residents in Austria, for example. The resulting developer patterns will be used in future for the development of further register connections (address register, company register, …).

A special focus of the research and development activities was on the field of intelligent document processing for the efficient assignment of business objects (record). A Mindbreeze InSpire integration uses machine learning to both classify documents (e.g. funding letters) and to extract metadata. This information serves to support users in the Fabasoft eGov-Suite and to boost the quality as well as the speed of processes.

Among other things the team also researched the issues "digital signature", "departmental records" and "optimisations in workflow". Partial results are already available for users in the latest version of the Fabasoft eGov-Suite.

The implementation of a dashboard for the visualisation of key performance indicators and other relevant information as an aid to day-to-day work were also undertaken in the period under review. A new aspect of this implementation is that previously calculated data are evaluated in a user context. This is of particular importance for organisational structures.

In addition to these activities the development team accompanied current innovation and roll-out projects at customers' premises in order to collect product feedback from as close as possible to the customers.

Fabasoft app.telemetry
The Fabasoft app.telemetry development team concentrated their efforts in the 2020/2021 fiscal year on the extension of the integration in cloud platforms such as Prometheus or Kubernetes as well as on the expansion or updating of the supported platforms.

4) Report on the stock, purchase and sale of the company's own shares

Share buyback programme Fabasoft AG
No new share buyback programme has been started since the conclusion of the share buyback programme (in accordance with the authorisation of the Annual General Meeting on 6 July 2015).

As at 31 March 2020 the company held 277,257 treasury shares. This corresponds to approximately 2.52 % of the share capital or a proportionate amount of EUR 277,257.00.

In compliance with the authorisation of the Annual General Meeting on 1 July 2019, Fabasoft AG sold all of its 277,257 treasury shares on 20 April 2020 by way of a private placement to institutional investors under exclusion of the subscription rights to a placement price of EUR 23.50 per share. The transaction was more than doubly oversubscribed. The proceeds from the sale strengthen the company's equity base and serve the announced corporate interests.

No treasury shares were purchased in the 2020/2021 fiscal year.

As at 31 March 2021 Fabasoft AG held no treasury shares.

5) Reporting of significant features of the internal control and the risk management system with regard to the financial reporting process at Fabasoft AG and the Fabasoft Group

Information pursuant to Section 243a (2) of the Austrian Commercial Code

The Fabasoft Group has an extensive reporting system based on key figures for the early identification of risks. Finance is the organisational unit responsible for reporting. The data comprises strategic and operative figures that are put together for reporting on a monthly basis. The regular reviews between the Managing Board and the organisational units are used to coordinate the detailed plans for the overall plan, the target/actual comparison and an outlook for the following quarters. In addition to this an internal control system (ICS) has been established as follows: Fabasoft has installed an internal control system in the areas of Human Resources, Purchasing, Revenue Cycle and Tax that uses control points based on the two person principle and appropriate process definitions and guidelines to ensure that laws and standards are complied with and prevent dishonest and unlawful activities.

The ICS guidelines for Human Resources, Purchasing, Revenue Cycle and Tax have been thoroughly documented in writing and each one linked to a coordinated control matrix. These matrices contain all the automated and manual internal controls that must be carried out. The documents (ICS guideline and control matrix) are revised and updated once a year or as required in the event of fundamental changes. Observance of the control points is examined at regular intervals with random checks. Risk management and the internal control system (ICS) contain responsibilities and competencies, apply to all subsidiaries and are administered centrally from the Linz headquarters.

ICS Purchasing
The ICS Purchasing guideline regulates the procurement of goods and services for the entire Fabasoft Group. The aim of ICS Purchasing is to procure the required economic goods and services with the desired quality, in the right amount, with optimum prices and to schedule.

ICS Human Resources
The ICS Human Resources covers all processes in connection with personnel matters within the Fabasoft Group, from recruiting to the employee's last day at work. The aim is to ensure a legally compliant approach in all areas and aspects of human resources, promote employee qualifications and further development and ensure that the accounting procedures for salaries and non-wage labour costs are proper so that human resources are used effectively and economically.

ICS Revenue Cycle
The ICS Revenue Cycle describes all activities and controls within the Fabasoft Group concerning the generation of sales from market reviews and analyses to the receipt of payment from the customer. The aim is to use technology-supported and clearly defined and documented processes and responsibilities to standardise and verify the business activities in the Group's companies (performance status, execution, invoicing, payment, additional financial information).

ICS Tax
The tax control system (ICS Tax) covers all activities, processes and risks in connection with taxes within the Fabasoft Group. The targets it pursues are legal and planning security, reduction of tax risk through the earliest possible binding clarity in tax management for professional matters, reduction of compliance costs and ensuring the prompt and legally compliant levying of taxes.

Annual financial statements and consolidation
The annual financial statements of Fabasoft AG are drawn up in accordance with the Austrian Commercial Code stipulations in force by the Managing Board and approved by the Supervisory Board.

The consolidated financial statements of the Fabasoft Group are drawn up in accordance with the International Finan-cial Reporting Standards (IFRS), as applicable in the European Union (EU), and the commercial stipulations pursuant to Section 245a of the Austrian Commercial Code. The consolidated financial statements are drawn up by the Managing Board and presented to the Supervisory Board for approval and release prior to disclosure.

Interim consolidated financial statements are drawn up in accordance with the International Accounting Standard 34 (IAS 34) and disclosure follows approval by the Managing Board.

The Accounting Manual documents standards and guidelines to ensure smooth processes in accounting and balance sheet preparation. The guidelines specified therein are valid for accounting and balance sheet preparation at Fabasoft AG and its subsidiaries. Furthermore, the Accounting Manual also documents the consolidation process in writing.

The use of IT systems ensures the transparent and clear handling and audit-proof archiving of company data. The systems have interfaces that enable data exchange.

Budget and sales planning is carried out once a year by the managers of the organisational units and is approved by both the Managing and Supervisory Boards.

6) Information on capital, share, voting and control rights and associated obligations

Information pursuant to Section 243a (1) of the Austrian Commercial Code

1. The capital stock of Fabasoft AG is divided into 11,000,000 individual shares.

2. The Managing Board is not aware of any restrictions beyond the scope of legislation that concern voting rights or the transfer of shares.

3. The company has at its disposal the following records of capital interests amounting to at least 10 of one hundred: Fallmann & Bauernfeind Privatstiftung: 42.90 %, 4.46 % thereof indirect via FB Beteiligungen GmbH.

4. There are no shares with special control rights.

5. There is no control over voting rights of employees who are also shareholders.

6. None of the terms relating to the appointment and discharge of the members of the Managing Board deviate from legislation. Resolutions on article amendments in accordance with Section 146 (1) of the Austrian Stock Corporation Act – insofar the nature and purpose of the business is not affected - require a simple majority of the share capital represented at the resolution. The Supervisory Board is required to adhere to a rotation plan in which one member of the Supervisory Board is elected yearly.

7. Authority of the members of the Managing Board that does not arise from legislation and concerns in particular the possibility of issuing or buying back shares:

   Authorised capital:
   Further to the annual general meeting resolution of 29 June 2020 the Managing Board is authorised, pursuant to Section 169 (1) of the Austrian Stock Corporation Act, to increase capital stock by up to EUR 5,500,000.00 to reach a total of up to EUR 16,500,000.00 by 2 October 2025 (entry 56, commercial register FN 98699x at Linz provincial court).

   Acquisition of own shares in accordance with Section 65 (1) (4) of the Austrian Stock Corporation Act:
   Annual general meeting resolution of 29 June 2020 on the authorisation for the acquisition of own shares pursuant to Section 65 (1) (4) of the Austrian Stock Corporation Act for the purpose of issuing them to employees, company executives and members of the Managing Board of the company or an affiliated company for the period of 30 months and up to a maximum holding of 10 per cent of the total share capital of the company. The equivalent value permissible at repurchase must not exceed 10 % and must not be under 20 % of the average price at the close of Xetra trading on the Deutsche Börse AG of the last 5 stock exchange trading days prior to the fixing of the purchase price. Own shares purchased under the terms of this authorisation may not, when added to other own shares already purchased by the company and still in the company's possession, exceed 10 % of the capital stock of the company. The respective repurchase programme and its duration are to be made public.

   Acquisition of own shares in accordance with Section 65 (1) (8) of the Austrian Stock Corporation Act:
   Annual general meeting resolution of 29 June 2020 on authorisation for the acquisition of own shares pursuant to Section 65 (1) (8) of the Austrian Stock Corporation Act for the period of 30 months and up to a maximum holding of 10 per cent of the total share capital of the company. The equivalent value permissible at repurchase must not exceed 10 % and must not be under 20 % of the average price at the close of Xetra trading on the Deutsche Börse AG of the last 5 stock exchange trading days prior to the fixing of the purchase price. Own shares purchased under the terms of this authorisation may not, when added to other own shares already purchased by the company and still in the company's possession, exceed 10 % of the capital stock of the company. The respective repurchase programme and its duration are to be made public.

   This authorisation also encompasses the purchase of shares by subsidiaries of Fabasoft AG (Section 66 Austrian Stock Corporation Act). The purchase can be effected via the stock exchange, by way of a public offering or any other legally permissible means and for every legally permissible purpose.

   The Managing Board is further authorised to withdraw own shares after an effected buyback as well as those own shares part of the stock of Fabasoft AG without requiring a separate resolution from the annual general meeting. The Supervisory Board is authorised to resolve any amendments to the articles arising from the withdrawal of shares.

   This authorisation may be exercised in full or in part as well as in several parts.

   Utilisation and sale of own shares:
   Resolution of the annual general meeting from 29 June 2020 concerning the authorisation, subject to the approval of the Supervisory Board and without the need of a separate resolution from the annual general meeting, to sell or utilise within 5 years, up to and including 29 June 2025, own shares after an effected buyback as well as those own shares of Fabasoft AG part of the stock of Fabasoft AG in a form other than via the stock exchange or by means of a public offering, in particular to utilise own shares

(i) for issue to employees, company executives and/or members of the Managing Board/Management of the company or an affiliated company, including servicing of stock transfer programmes, in particular stock options, Long Term Incentive Plans or other participation programmes;

(ii) to service if necessary any convertible bonds issued;

(iii) as consideration for the acquisition of companies, stakes in companies or other assets and

(iv) for any other legally permissible purpose; and to hereby exclude shareholders' subscription rights (exclusion of subscription rights), whereby the authorisation may be exercised in full or in part as well as in several parts and for the pursuit of several purposes. Within this framework, the Managing Board shall also have the possibility of offering the shares by means of indirect subscription rights, i.e. via an intermediary credit institution. In this case the intermediary credit institution assumes the new shares with the obligation of offering these to shareholders for subscription.

8. With the exception of the information specified under section 9, significant agreements of the company which, as a result of a change of control in the company due to a takeover bid, become effective, change or terminate, and the effects of such agreements, are not disclosed, as this would be extremely damaging to the company, and other legal stipulations state that the company is not expressly obliged to disclose such information.

9. No compensation agreements exist between the company and the members of its Managing Board, Supervisory Board or workforce in the event of a public takeover bid.

Linz, 7 June 2021

Prof. Dipl.-Ing. Helmut Fallmann (original signature)   Leopold Bauernfeind (original signature)

Managing Board Fabasoft AG

CONSOLIDATED FINANCIAL STATEMENTS

Auditor´s Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Fabasoft AG, Linz, and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 March 2021, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Emphasis of matter

The consolidated financial statements of Fabasoft AG for the fiscal year ending 31 March 2020 have been audited by another auditor who gave an unqualified opinion on 26 May 2020 to these financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Impairment of goodwill
See notes section 5.1.2

- **Risk for the annual financial statements**
  Goodwill constituted a share of approximately 4 % of the balance sheet total in the consolidated financial statements of Fabasoft AG as at 31 March 2021.

  Goodwill is subjected to an impairment test by the company at least once a year as well as if and when appropriate. Determination of the recoverable amounts, that represent the measure of value of the impairment test, is effected based on the discounted cashflows. The significant risk involved here lies in particular in the assessment of future cashflows, upon which the determination of impairment is based. These cashflows estimates include assumptions that are influenced by the future market and economic development.

- **Our audit approach**
  During the audit of the impairment of goodwill we carried out the following audit procedures:

- In order to assess the appropriateness of the underlying internal planning, we gained an understanding of the planning process and the design and implementation of the respective internal controls and reconciled the planning data upon which the assessment is based with the current budget figures approved by the Supervisory Board and the medium-term planning.

- We discussed the key assumptions for value determination with the competent employees.

- We assessed the planning accuracy by comparing the planning undertaken in the previous years with the actually occurred values.

- With the assistance of our valuation specialists we verified and assessed the methods for executing the impairment test and determining the cost of capital rates with regard to whether these are consistent with the relevant standards. We assessed the assumptions used to determine the cost of capital rates by reconciling them with market and branch-specific benchmarks with regard to their appropriateness and checked the numerical correctness of the calculation scheme.

- Finally we examined whether the disclosures of Fabasoft AG to goodwill are complete and appropriate in the notes.

Revenue recognition
See notes section 6.1 and 8

- **Risk for the annual financial statements**
  In the 2020/2021 fiscal year Fabasoft AG generated sales revenue amounting to kEUR 55,090, of which kEUR 26,431 are non-recurring sales revenue. Fabasoft AG has defined detailed guidelines, procedures and processes for the accounting of its customer contracts. Assessment of the recognition of revenue in connection with non-recurring revenue entails an inherent risk of error, due to the complexity of Fabasoft AG customer contracts.

- **Our audit approach**
  We verified consistency of the accounting and valuation methods applied by Fabasoft AG for the recognition of non-recurring revenue with the IFRS conceptual framework and IFRS 15. We assessed the structure, establishment and effectiveness of the internal controls with regard to the process for revenue recognition. For a sample of non-recurring revenue, selected based on a statistical sampling method, we:

- gained an understanding of the transaction by examining the underlying contractual agreements and other associated documents as well as through the explanations of Fabasoft AG employees;

- assessed whether recognition of revenue based on a specific time or a specific period of time is justified;
- verified, in the case of revenue recognition based on a specific period of time (in particular fixed-price projects) the resulting revenue recognition using the principles for the determining the percentage of completion.
- Finally we examined whether the disclosures of Fabasoft AG to revenue recognition are complete and appropriate in the notes.

Other Information
Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group'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 intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

- We 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 Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit 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 Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report
In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

- **Opinion**
  In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

- **Statement**
  Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation
We were elected as auditors at the Annual General Meeting on 29 June 2020 and were appointed by the supervisory board on 25 September 2020 to audit the financial statements of Fabasoft AG for the financial year ending on 31 March 2021.

We have been auditors of the Company since the consolidated financial statements at 31 March 2021.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr Mag. Christoph Karer.

Linz, 7 June 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

qualified electronically signed:

Mag. Christoph Karer
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We, Prof. Dipl.-Ing. Helmut Fallmann and Leopold Bauernfeind, as Members of the Managing Board and statutory representatives of Fabasoft AG, both hereby confirm that to the best of our knowledge, the consolidated financial statements drawn up in accordance with the applicable accounting principles present the truest and fairest view possible of the asset, financial and profit position of all the companies included in the consolidation and that the course of business, operating profit and the situation of all the companies included in the consolidation are presented in the Management Report for the Group in such a way that they present the truest and fairest view possible of the asset, financial and profit situation and that the Management Report for the Group also defines all significant opportunities, risks and uncertainties with which the Group is confronted.

Linz, 7 June 2021
Managing Board Fabasoft AG

Prof. Dipl.-Ing. Helmut Fallmann (original signature)
Member of the Managing Board

Leopold Bauernfeind (original signature)
Member of the Managing Board

BALANCE SHEET OF FABASOFT AG, LINZ, AS AT 31 MARCH 2021

Assets in EUR	31/03/2021		31/03/2020	
A. Fixed assets				
I. Intangible assets				
Concessions, industrial property rights and similar rights and benefits as well as licenses deriving from them		226,971.28		118,555.71
II. Property, plant and equipment				
1. Buildings on third-party land		1,181,386.57		518,468.77
2. Other equipment, office furniture and equipment		2,643,289.55		2,066,675.48
		3,824,676.12		**2,585,144.25**
III. Financial assets				
1. Shares in affiliated companies		18,364,306.29		18,364,306.29
2. Investment securities		156,852.66		156,852.66
		18,521,158.95		**18,521,158.95**
		22,572,806.35		**21,224,858.91**
B. Current assets				
I. Trade and other receivables				
1. Trade receivables		75,828.63		0.00
thereof with a remaining term of more than one year	0.00		0.00	
2. Receivables from affiliated companies		16,542,004.90		13,688,108.35
thereof with a remaining term of more than one year	0.00		0.00	
3. Other receivables and assets		325,298.46		176,715.26
thereof with a remaining term of more than one year	500.00		0.00	
		16,943,131.99		**13,864,823.61**
II. Cash and cash equivalents		12,295,837.14		7,242,552.36
		29,238,969.13		**21,107,375.97**
C. Prepaid expenses		**318,915.11**		**169,853.26**
D. Deferred income tax assets		**541,800.00**		**482,800.00**
		52,672,490.59		**42,984,888.14**

Equity and liabilities in EUR	31/03/2021		31/03/2020	
A. Equity				
I. Capital called and paid-up		11,000,000.00		11,000,000.00
Subscribed capital	11,000,000.00		11,000,000.00	
Nominal value of treasury shares		0.00		-277,257.00
Issued capital		**11,000,000.00**		**10,722,743.00**
II. Capital reserves				
Appropriated		22,191,953.75		17,677,624.48
III. Reserves for treasury shares		0.00		277,257.00
IV. Accumulated profit		11,888,787.83		8,205,444.79
thereof profit brought forward	1,055,444.79		511,558.95	
		45,080,741.58		**36,883,069.27**
B. Investment grants		**94,304.96**		**0.00**
C. Provisions				
1. Provisions for severance payments		1,631,236.00		1,401,078.00
2. Tax provisions		3,202,678.00		1,869,540.00
3. Other provisions		2,126,559.48		2,377,094.50
		6,960,473.48		**5,647,712.50**
D. Liabilities				
thereof with remaining term of up to one year	536,970.57		454,106.37	
thereof with a remaining term of more than one year	0.00		0.00	
1. Trade payables		373,208.75		221,594.68
thereof with remaining term of up to one year	373,208.75		221,594.68	
thereof with a remaining term of more than one year	0.00		0.00	
2. Other payables		163,761.82		232,511.69
thereof relating to tax payables	153,949.39		226,690.10	
thereof relating to social securities	9,812.43		5,821.59	
thereof with remaining term of up to one year	163,761.82		232,511.69	
thereof with a remaining term of more than one year	0.00		0.00	
		536,970.57		**454,106.37**
		52,672,490.59		**42,984,888.14**

INCOME STATEMENT OF FABASOFT AG, LINZ, FOR THE PERIOD FROM 1 APRIL 2020 TO 31 MARCH 2021

in EUR	2020/2021		2019/2020	
1. Sales revenue		**3,775,309.43**		**3,412,862.00**
2. Other operating income				
a) Income from the disposal of property, plant and equipment with exception of financial assets		68,413.32		14,616.49
b) Other		23,725.29		11,191.32
		92,138.61		**25,807.81**
3. Employee benefits expense				
a) Salaries		-1,219,662.29		-1,009,183.69
b) Social security expenses		-791,730.52		-611,799.42
thereof expenses for pension schemes	-421,238.66		-421,238.66	
thereof expenses for severance payments and contributions to employee provision funds	-234,495.13		-69,403.67	
thereof expenses for statutory social contributions and from remuneration-based charges and compulsory contributions	-135,996.73		-121,157.09	
		-2,011,392.81		**-1,620,983.11**
4. Depreciation and amortisation of intangible assets and property, plant and equipment		-1,740,803.20		-1,541,261.23
5. Other operating expenses		-2,982,895.60		-3,151,827.53
thereof taxes, provided these do not fall under item 13	-22,169.84		-23,397.51	
6. Subtotal of items 1 to 5		**-2,867,643.57**		**-2,875,402.06**
7. Income from investments		11,106,000.00		9,888,000.29
thereof from affiliated companies	11,106,000.00		9,888,000.29	
8. Income from other securities of the financial assets		1,401.90		1,246.92
9. Other interest and similar income		12.94		279.72
10. Interest and similar expenses		-74,176.46		-13,478.11
11. Subtotal of items 7 to 10		**11,033,238.38**		**9,876,048.82**
12. Result before income taxes (Subtotal of items 6 and 11)		**8,165,594.81**		**7,000,646.76**
13. Taxes on income		666,538.00		693,239.08
thereof deferred income taxes	59,000.00		47,500.00	
thereof tax compensation	2,894,885.00		2,715,536.08	
14. Result after taxes = Annual net profit		**8,832,132.81**		**7,693,885.84**
15. Income from the sale of treasury shares		1,723,953.23		0.00
16. Dissolution of the reserves for treasury shares		277,257.00		0.00
17. Profit brought forward from previous year		1,055,444.79		511,558.95
18. Accumulated profit		**11,888,787.83**		**8,205,444.79**

NOTES FOR THE 2020/2021 FISCAL YEAR OF FABASOFT AG, LINZ

A General policies

These annual financial statements were drawn up in accordance with the accounting principles of the UGB (Austrian Commercial Code) in its currently applicable version taking into consideration the generally accepted accounting principles and in compliance with the general standard to provide the truest and fairest possible view of the net assets, finances and earning performance of the company.

The company is to be classified as a large company pursuant to Section 221 of the Austrian Commercial Code.

The presentation form previously used was retained when drawing up these annual financial statements.

The generally accepted principles were taken into account for the accounting and valuation. Whereby the generally accepted accounting principles codified in Section 201 (2) of the Austrian Commercial Code were adhered to, as were the provisions on classification and valuation of balance sheet and profit and loss account items under Sections 195 to 211 and 222 to 235 of the Austrian Commercial Code.

The profit and loss account is compiled pursuant to the total cost method.

The principle of completeness was adhered to while drawing up the annual financial statements.

The principle of individual evaluation was observed for the assets and liabilities and the assumption of a going concern.

The principle of prudence was taken into account in that only profits actually realised on the reporting date are recognised. All discernible risks and impending losses that arose up to the balance sheet date were taken into consideration.

Expenses and income from the fiscal year were taken into account in the annual financial statements regardless of the date of the respective payments.

Estimates are based on prudent assessments. Insofar statistically ascertainable experience from similar circumstances exists, the company has taken this into account in its estimates.

If assets or liabilities are allocated to several items of the balance sheet, these are shown in that item in which they are recognised.

Amounts with no indication of currency are exclusively Euro amounts.

B Accounting policies

The accounting policies previously applied were retained when drawing up these annual financial statements.

1) Fixed assets

Acquired intangible assets and property, plant and equipment are assessed at purchase cost or production cost and, insofar as subject to depreciation, depreciation takes place based on average useful life using the straight-line method.

Low-value assets with an individual purchase value of less than EUR 800.00 are fully depreciated in the year of acquisition and shown in the statement of fixed assets under additions and disposals.

An average useful life for intangible assets of 2 to 5 years is assumed and for other property, plant and equipment 2 to 15 years.

Unscheduled depreciations on a lower applicable asset value at the closing date take place if impairments are expected to be permanent.

Additions in the first half of the fiscal year are depreciated at the full annual rate; additions in the second half of the fiscal year at one-half the annual rate.

Financial assets are assessed at purchase cost or at the lower applicable asset value at the balance sheet date.

Appreciation to the fixed assets is undertaken when the reasons for the unscheduled depreciation have ceased to apply. The appreciation is made to a maximum of the net carrying amount resulting from consideration of the normal depreciations that would have had to be carried out in the meantime. Pursuant to Section 208 (2) of the Austrian Commercial Code, no appreciation is undertaken for goodwill.

2) Current assets

Trade and other receivables are recognised at the nominal value. In case of foreseeable risks, individual value adjustments are established.

Foreign-currency receivables are assessed at the rate in effect on the day of the transaction or the lower exchange rate on the balance sheet date.

3) Prepaid expenses

Expenses prior to the balance sheet date are declared prepaid expenses if they represent expenses for a specific period after that date.

4) Deferred income tax assets

Deferred income tax assets are recognized for differences between the carrying amounts of assets, provisions, liabilities and prepaid expenses under corporate law and the tax base of assets, which are expected to be reduced in subsequent fiscal years.

Due to the obligation to combine all temporary differences, the netting of differences, which give rise to a deferred income tax liability, with the deferred income tax assets was undertaken. Deferred income tax assets and deferred income tax liabilities were netted, since it was legally possible to offset actual tax refund claims against actual tax liabilities.

5) Investment grants

Investment grants are only recorded if there is reasonable assurance that the company will fulfil the associated conditions, the grants will in fact be awarded and the relevant assets have already been capitalised. Accounting is effected according to the gross method, there is therefore no reduction in the acquisition costs, but reporting as a liability item. This is dissolved in accordance with the useful life of the underlying investment and reported as other operating income.

6) Provisions

6.1. Provisions for pensions

The provisions for pensions were calculated on the basis of contractual pension commitments. The pension plan for the Managing Board is financed by payments to pension reinsurances. The pension commitments were modified in the 2014/2015 fiscal year such that the respective beneficiaries are entitled only to the amount of the cover assets of the existing pension reinsurance contracts at the respective effective date. The gross pension obligation is therefore recognised at the amount of the cover assets of the insurance contracts as at the balance sheet date. The amount of the premium reserve is based on continuously obtained insurance certificates. Pursuant to AFRAC Statement 27, the resulting pension provisions have been offset against the asset values from the pension reinsurances.

6.2. Provisions for severance payments

As at 31 March 2021 there were no employees with a legal entitlement to a severance payment vis-à-vis the company (severance payment old).

The provisions for the Managing Board severance payments are calculated on the basis of the Managing Board contracts.

6.3. Other provisions

All foreseeable risks and uncertain liabilities known at the time the annual financial statement was prepared were taken into account according to the prudence principle. The other provisions were formed to the amount of the settlement.

7) Liabilities

Liabilities are recognized at the settlement amount, taking into account the principle of prudence.

Foreign-currency liabilities are assessed at the rate in effect on the day of the transaction or the higher exchange rate on the balance sheet date.

C Notes on the items of the balance sheet

Assets

1) Fixed assets

Please refer to the statement of fixed assets (attachment to these notes) with regard to the development of the individual items of the fixed assets and the classification of the annual depreciation.

The financial obligations of the company arising from the use of property, plant and equipment not listed in the balance sheet, amount to:

in EUR	in the following fiscal year	in the following 5 fiscal years
Obligations from lease contracts	134,358.06	233,522.40
Obligations from rental contracts	650,181.60	3,250,908.00
	784,539.66	**3,484,430.40**

Previous year:

in EUR	in the following fiscal year	in the following 5 fiscal years
Obligations from lease contracts	112,053.34	291,378.04
Obligations from rental contracts	596,095.92	1,788,287.76
	708,149.26	**2,079,665.80**

The rental and lease expenses for office space and the car fleet for the period under review amount to EUR 744,550.03 (previous year kEUR 645).

With the purchase contract dated 13 March 2019 Fabasoft AG acquired a plot of approx. 11,000 m² (object of purchase 1) and a plot of approx. 4,500 m² (object of purchase 2). Both objects of purchase are located in the area of the City of Linz. The purchase is agreed subject to a condition precedent. The purchase contract shall not become unconditionally effective unless Fabasoft AG receives the zoning certificate required for a construction management as well as the official permits required for such construction management for the object of purchase 1 by 31 March 2022. The conditions precedent had not been fulfilled at the balance sheet date 31 March 2021. For this reason, there is no recognition of this matter in these annual financial statements.

Statement of investments (additional disclosures pursuant to Section 238 (1) (4) of the Austrian Commercial Code)

	Carrying amount of the investment in EUR 31/03/2021	Share in %	Nominal equity	Carrying amount of equity	Annual net profit/ loss
Fabasoft Austria GmbH, Linz	2,328,602.61	100	EUR 800,000.00	EUR 3,289,875.10	EUR 2,133,883.20
Fabasoft Schweiz AG, Bern, Switzerland	462,784.49	100	CHF 100,000.00	CHF 432,881.34	CHF -441,854.87
Fabasoft Deutschland GmbH, Frankfurt/Main, Germany	2,282,933.18	100	EUR 52,000.00	EUR 5,047,123.07	EUR 3,847,216.64
Fabasoft International Services GmbH, Linz	35,000.00	100	EUR 35,000.00	EUR 388,373.00	EUR 196,260.24
Fabasoft R&D GmbH, Linz	5,062,000.00	100	EUR 35,000.00	EUR 2,419,711.51	EUR 1,958,509.81
Mindbreeze GmbH, Linz	3,621,357.14	76	EUR 1,070,000.00	EUR 5,372,147.14	EUR 4,149,618.64
Xpublisher GmbH, Munich, Germany	4,571,628.87	60	EUR 42,000.00	EUR 1,461,379.83	EUR -130,917.35
Total	**18,364,306.29**				

(Previous year)

	Carrying amount of the investment in EUR 31/03/2020	Share in %	Nominal equity	Carrying amount of equity	Annual net profit/ loss
Fabasoft Austria GmbH, Linz	2,328,602.61	100	EUR 800,000.00	EUR 2,755,991.90	EUR 1,638,284.37
Fabasoft Schweiz AG, Bern, Switzerland	462,784.49	100	CHF 100,000.00	CHF 980,236.21	CHF 132,170.68
Fabasoft Deutschland GmbH, Frankfurt/Main, Germany	2,282,933.18	100	EUR 52,000.00	EUR 3,699,906.43	EUR 2,780,103.05
Fabasoft International Services GmbH, Linz	35,000.00	100	EUR 35,000.00	EUR 192,112.76	EUR 142,681.10
Fabasoft R&D GmbH, Linz	5,062,000.00	100	EUR 35,000.00	EUR 3,261,201.70	EUR 2,767,787.04
Mindbreeze GmbH, Linz	3,621,357.14	76	EUR 1,070,000.00	EUR 5,022,528.50	EUR 3,599,571.66
Xpublisher GmbH, Munich, Germany	4,571,628.87	60	EUR 42,000.00	EUR 1,592,297.18	EUR 15,885.29*
Total	**18,364,306.29**				

*Short fiscal year 1 January to 31 March 2020

Investment securities
Securities and pension reinsurance agreements amounting to EUR 4,605,784.94 (previous year kEUR 4,088) are pledged to the benefit of the Managing Board within the framework of a pension provision.

The capitalisation value of the pension reinsurance agreements are reported offset against the pension provisions.

2) Current assets

Trade and other receivables
There are no receivables secured by bill of exchange nor any general value allowances on receivables.

The receivables from affiliated companies include receivables from intergroup offsetting amounting to EUR 2,541,119.90 (previous year kEUR 1,085) and receivables from same-period appropriation of profit and tax compensation amounting to EUR 14,000,885.00 (previous year kEUR 12,604).

3) Deferred income tax assets

The deferred income tax assets concern temporary differences from pension provisions and fiscal seventh-part distribution.

The deferred income taxes include long-term temporary differences amounting to EUR 523,096.27 (previous year kEUR 423)

Equity and liabilities

1) Equity

1.1. Share capital

As at the closing date 31 March 2021 the share capital of the company amounted to EUR 11,000,000.00 (previous year kEUR 11,000).

The total share capital comprises bearer shares (11,000,000 shares) at a nominal value of EUR 1.00 per share.

The shares of Fabasoft AG are listed in the trading segment “Prime Standard” on the Frankfurt Stock Exchange, WKN (D) 922985.

1.2. Authorised capital

Please refer to the resolutions of the Annual General Meeting on 29 June 2020 for information on authorised capital (see section E.4).

1.3. Proposal for the appropriation of earnings

The 2020/2021 fiscal year resulted in a reported net profit of EUR 11,888,787.83.

The Managing Board of Fabasoft AG proposes for the fiscal year from 1 April 2020 to 31 March 2021, that a dividend of EUR 0.85 be disbursed per dividend-bearing no-par value share and, taking into consideration the legal dividend distribution restriction and the shares legally excluded from the entitlement to profits, the remaining net profit is to be carried forward to new account.

1.4. Legal dividend distribution restriction

Pursuant to Section 235 (2) of the Austrian Commercial Code, the amount of EUR 541,800.00 (previous year kEUR 483) from the net profit is blocked from distribution.

1.5. Treasury shares

	Number of shares	Nominal value per share in EUR	Nominal value in EUR	Proportion of the share capital
Stock on 01/04/2020	277,257	1.00	277,257.00	2.52 %
Stock on 31/03/2021	0	1.00	0	0.00 %

Based on the authorisation by the Annual General Meeting on 1 July 2019, Fabasoft sold all 277,257 treasury shares on 20 April 2020, which corresponds to 2.52 % of the share capital of the company, by way of a private placement to institutional investors under exclusion of the subscription rights to a placement price of EUR 23.50 per share. The proceeds from the sale strengthen the company’s equity and serve the announced corporate interests.

The capital reserve increased by EUR 4,514,329.27 to stand at EUR 22,191,953.75 as a consequence of the sale of treasury shares. Furthermore, income of EUR 1,723,953.23 from the sale of treasury shares was recorded. The reserve for treasury shares and the reported deduction of called and paid-up share capital decreased respectively to EUR 0.00.

No treasury shares were held as at the reporting date 31 March 2021.

2) Investment grants

Investment premiums are recognised in the balance sheet item “Investment grants”. These are grants from the Austrian Federal Government of up to 14 % of the investments made. The development of the investment grants is as follows:

Investment grants in EUR	As at 01/04/2020	Allocation	Dissolution	As at 31/03/2021
I. Intangible assets	0.00	23,724.86	2,677.66	21,047.20
II. Property, plant and equipment				
1. Buildings on third-party land	0.00	59,259.13	5,935.76	53,323.37
2. Other equipment, office furniture and equipment	0.00	23,184.47	3,250.08	19,934.39
	0.00	**106,168.46**	**11,863.50**	**94,304.96**

3) Provisions

3.1. Provisions for pensions

Pursuant to AFRAC Statement 27, the provision for pensions is reported offset with the claims from pension reinsurance agreements.

The provisions for pensions arising from the pension obligation described in Section B.6.1 amounts to EUR 4,532,627.70 (previous year kEUR 4,015) as at 31 March 2021. The claims from the pension reinsurance agreements offset against the provisions for pensions amount to EUR 4,532,627.70 (previous year kEUR 4,015) at the same level, whereby no report is made in the balance sheet.

3.2. Other provisions

The other provisions consist of the following provisions:

	31/03/2021 EUR	31/03/2020 kEUR
Earn-out components acquisition of Xpublisher GmbH	1,871,782.64	1,862
Expenses for auditors	29,160.00	49
Performance-related remuneration	3,690.00	0
Not yet consumed holidays	33,890.00	69
Special payments	56,686.84	42
Outstanding invoices received	100,650.00	324
Publications of annual financial statements	29,700.00	30
Others	1,000.00	1
	2,126,559.48	**2,377**

The earn-out components in connection with the acquisition of Xpublisher GmbH, Munich, Germany, are subject to the attainment of fixed operating ratios by 31 March 2024 at the latest and undiscounted amounts to EUR 1,900,000.00.

4) Liabilities

There are no collateral securities and no liabilities with a remaining term of more than 5 years.

Other liabilities include expenses amounting to EUR 16,028.90 (previous kEUR 11), that will not affect payment until after the reporting date.

D Notes on the items of the income statement

1) Sales revenue

The sales revenue amounting to EUR 3,775,309.43 (previous year kEUR 3,413) results from the allocation of expenses of the group holding, Fabasoft AG, Linz, to the affiliated companies.

2) Expenses for severance payments and benefits to employee pension funds

The expenses for severance payments and benefits to employee pension funds include amounts of EUR 4,337.13 (previous year kEUR 3) for employee pension funds.

3) Expenses for pension schemes

The expenses for pension schemes are composed as follows:

	2020/2021 EUR	**2019/2020 kEUR**
Expense for allocation to the pension provision	517,816.77	504
Income from the capitalisation of pension reinsurance agreements	-517,816.77	-504
Payments to the pension reinsurance agreements	421,238.66	421
	421,238.66	**421**

4) Other operating expenses

Other disclosed operating expenses include in particular:

	2020/2021 EUR	**2019/2020 kEUR**
Operating expenses	1,444,202.51	1,274
Administrative expenses	1,403,406.31	1,668
Marketing expenses	113,116.94	186
	2,960,725.76	**3,128**

5) Expenses for the annual auditor

The expenses for the annual auditor are disclosed in the consolidated financial statements of Fabasoft AG, Linz.

E Other statements

1) Group taxation

As of the year of assessment 2021, Fabasoft AG as the group parent and the following group members constitute a group of companies pursuant to Section 9 of the Corporate Tax Law (Austrian Corporate Income Tax Act): (1) Fabasoft International Services GmbH, Linz, (2) Fabasoft R&D GmbH, Linz, (3) Fabasoft Austria GmbH, Linz and (4) Mindbreeze GmbH, Linz.

The positive or negative tax compensation for domestic group members is 25 % of the attributed income. The tax compensations are disclosed in the receivables or liabilities from the affiliated companies. If, upon termination of the corporate group or the group member's withdrawal from the corporate group, following a minimum period pursuant to Section 9 (10) 1st dash of the Corporate Tax Law negative income of the group member which has already been allocated to the group parent has not yet been offset against tax compensations, a final settlement must be made calculated in the amount of the present value of the (fictitious) future tax relief which the group member would likely realise by claiming the remainder of this loss carry forward.

The taxes on income amount to EUR 666,538.00 (previous year kEUR 693) and are subdivided into the following items:

	2020/2021 EUR	2019/2020 kEUR
Current taxes	-2,287,347.00	-2,070
Tax compensations	2,894,885.00	2,716
Deferred income taxes	59,000.00	47
	666,538.00	**693**

2) Mandatory disclosures on bodies and employees

2.1. Average number of employees

	2020/2021	2019/2020
Employees	4	3

2.2. Bodies

The following persons served as members of the Managing Board in the fiscal year:

Prof. Dipl.-Ing. Helmut Fallmann, Linz
Leopold Bauernfeind, St. Peter/Au

No advances or loans were granted to members of the Managing Board or the Supervisory Board. Moreover, no liabilities were assumed for benefit of the members of the Managing Board.

Expenses for continuous emoluments, severance payments and pension schemes for the members of the Managing Board amounted to kEUR 1,617 (previous year kEUR 1,434) in the 2020/2021 fiscal year and are composed as follows:

in kEUR	2020/2021	2019/2020
Continuous emoluments	966	946
Expenses for severance payments	230	67
Expenses for pension schemes	421	421
Total	**1,617**	**1,434**

The Supervisory Board is composed of the following persons:

em. o. Univ.-Prof. Mag. Dr. Friedrich Roithmayr (Chairman)
Dr. Peter Posch (Member)
FH-Prof.^{in} Univ.Doz.^{in} DI^{in} Dr.^{in} Ingrid Schaumüller-Bichl (Member)
Prof. Dr. Andreas Altmann (Member)

Emoluments amounting to EUR 80,000.00 (previous year kEUR 80) were paid to the members of the Supervisory Board in the 2020/2021 fiscal year.

3) Information on the stock option programs

As at the reporting date 31 March 2021 there are no effective stock option programs.

4) Resolutions of the Annual General Meeting on 29 June 2020

The following resolutions, among others, were made at the Fabasoft AG Annual General Meeting on 29 June 2020:

A dividend of EUR 0.65 per dividend-bearing share shall be paid out for the 2019/2020 fiscal year.

The Managing Board is authorised for the period of 30 months to acquire its own shares pursuant to Section 65 (1) (4) of the Austrian Stock Corporation Act for the purpose of issuing them to employees, company executives and members of the Managing Board of the company or an affiliated company respectively to Section 65 (1) (8) of the Austria Stock Corporation Act and up to a maximum holding of 10% of the total share capital of the company. The equivalent value permissible at repurchase must not exceed 10% above and must not be 20% at the least below the average price at the close of Xetra trading on the Deutsche Börse AG of the last five stock exchange trading days prior to the fixing of the purchase price.

The Managing Board is authorised with the approval of the Supervisory Board to increase the share capital of the company within five years of this amendment to the articles being entered in the company register – possibly in several tranches – by up to nominally EUR 5,500,000.00 through the issue of up to 5,500,000 no-par-value shares both against cash deposit and also pursuant to Section 172 of the Austrian Stock Corporation Act against non-cash contribution to up to EUR 16,500,000.00 and stipulate the conditions of issuance in agreement with the Supervisory Board (authorised capital in the sense of Sections 169 ff Austrian Stock Corporation Act), whereby the Managing Board shall also be authorised to issue the new shares possibly with the exclusion of the subscription rights that the shareholders are otherwise entitled to (Section 170 (2) Austrian Stock Corporation Act).

5) Significant events after the balance sheet date

On 20 April 2021 Fabasoft AG increased its stake in Mindbreeze GmbH from formerly 76 % of the company shares to 85.5 %. The shares were acquired from the Management of Mindbreeze GmbH, whose previous share before the transaction was 24 % and who after the transaction still hold 14.5 %.

No other significant events for these annual financial statements occurred after 31 March 2021.

Linz, 7 June 2021

Prof. Dipl.-Ing. Helmut Fallmann (original signature)   Leopold Bauernfeind (original signature)

Managing Board Fabasoft AG

STATEMENT OF FIXED ASSETS OF FABASOFT AG, LINZ, AS AT 31 MARCH 2021

	Acquisition/production costs			
Development of fixed assets in EUR	**As at 01/04/2020**	**Additions**	**Disposals**	**As at 31/03/2021**
I. Intangible assets Concessions, industrial property rights and similar rights and benefits as well as licenses deriving from them	**382,537.88**	**173,434.21**	**0.00**	**555,972.09**
II. Property, plant and equipment				
1. Buildings on third-party land	3,371,902.17	945,700.09	0.00	4,317,602.26
2. Other equipment, office furniture and equipment*	9,306,326.76	1,970,560.84	538,481.80	10,738,405.80
	12,678,228.93	**2,916,260.93**	**538,481.80**	**15,056,008.06**
III. Financial assets				
1. Shares in affiliated companies	18,364,306.29	0.00	0.00	18,364,306.29
2. Investment securities	156,911.16	0.00	0.00	156,911.16
	18,521,217.45	**0.00**	**0.00**	**18,521,217.45**
	31,581,984.26	**3,089,695.14**	**538,481.80**	**34,133,197.60**

*thereof low-value assets according to Section 204 (1a) of the Austrian Commercial Code		53,294.92	53,294.92	

Development of fixed assets in EUR	Cumulated depreciations				Residual carrying amounts	
	As at 01/04/2020	Additions	Disposals	As at 31/03/2021	As at 31/03/2021	As at 31/03/2021
I. Intangible assets Concessions, industrial property rights and similar rights and benefits as well as licenses deriving from them	**263,982.17**	**65,018.64**	**0.00**	**329,000.81**	**226,971.28**	**118,555.71**
II. Property, plant and equipment						
1. Buildings on third-party land	2,853,433.40	282,782.29	0.00	3,136,215.69	1,181,386.57	518,468.77
2. Other equipment, office furniture and equipment*	7,239,651.28	1,393,002.27	537,537.30	8,095,116.25	2,643,289.55	2,066,675.48
	10,093,084.68	**1,675,784.56**	**537,537.30**	**11,231,331.94**	**3,824,676.12**	**2,585,144.25**
III. Financial assets						
1. Shares in affiliated companies	0.00	0.00	0.00	0.00	18,364,306.29	18,364,306.29
2. Investment securities	58.50	0.00	0.00	58.50	156,852.66	156,852.66
	58.50	**0.00**	**0.00**	**58.50**	**18,521,158.95**	**18,521,158.95**
	10,357,125.35	**1,740,803.20**	**537,537.30**	**11,560,391.25**	**22,572,806.35**	**21,224,858.91**

*thereof low-value assets according to Section 204 (1a) of the Austrian Commercial Code	53,294.92	53,294.92

This report includes both the management report of Fabasoft AG and the Group management report. Where required to provide a true and fair view of the actual assets, financial and profit situation, the information has been specified separately.

MANAGEMENT REPORT OF FABASOFT AG AND THE FABASOFT GROUP

1) Report on the business performance and economic situation of Fabasoft AG and the Fabasoft Group

1.1. Business performance of Fabasoft AG and the Fabasoft Group

In the 2020/2021 fiscal year, the Fabasoft Group recorded sales revenue of EUR 55.1 million (EUR 51.1 million in the corresponding period of the previous year).

With EBITDA[1)] at kEUR 19,554 (kEUR 16,780 in the corresponding period of the previous year) EBIT[1)] was kEUR 13,886 (kEUR 11,709 in the corresponding period of the previous year).

This rise in sales revenue (7.9 % compared to the 2019/2020 fiscal year) reflects the positive development of revenue from recurring usage fees for Mindbreeze InSpire and the Fabasoft Cloud offers, an increase in project business as well as the expansion of the corporate group to include the Xpublisher companies. By contrast the business of Fabasoft Schweiz AG saw a significant decline in sales resulting from the loss of a re-tender in the federal sector in 2015.

The growth of the operative result (rise in EBIT of 18.6 % compared to the 2019/2020 fiscal year) derives in particular from the increase in high-margin recurring revenue, especially from the use of appliances (primarily Mindbreeze InSpire) and from cloud services and recurring services such as support and management support. The sound development of project activities also contributed to the growth in the operative result. Significant savings were registered due to the temporary reduction in expenses items as a consequence of the pandemic, e.g. events and travel expenses.

The business with existing customers remained gratifyingly stabile in the period under review and in the lockdown phases imposed due to the pandemic, despite the practical challenges these posed, for example in the execution of projects with customers.

The interest of potential new customers rose sharply in the second half of the fiscal year – not least due to intensified marketing activities and a very positive positioning of products from the group by key branch analysts. However, potential customers still remained reticent and wary, especially where high-volume contracts are concerned.

With a research and development ratio[1] of 25.3 % of sales revenue, investments in research & development (kEUR 13,961) of the Fabasoft Group (Fabasoft AG has no research and development activities) were again on a very high level compared with the industry as a whole (kEUR 12,049 in the 2019/2020 fiscal year).

These investments were undertaken for research and development in connection with the company's own software production technology and the cloud and appliance offers based on this as well as with underlying issues in the field of digital transformation.

The equity ratio[1] of the Fabasoft Group on the balance sheet date (31 March 2021) was 51 % (48 % on 31 March 2020).

Cash and cash equivalents increased on the balance sheet date (31 March 2021) from kEUR 35,101 (31 March 2020) to kEUR 48,424.

The Fabasoft Group employed a workforce of 326 on 31 March 2021 (312 on 31 March 2020).

In the 2020/2021 fiscal year the sales revenue of Mindbreeze GmbH and its subsidiary the Mindbreeze Corporation amounted to kEUR 13,180 (kEUR 12,402 in the corresponding period of the previous year). With EBITDA[1] at kEUR 7,159 (kEUR 6,328 in the corresponding period of the previous year) EBIT[1] was kEUR 5,833 (kEUR 5,026 in the corresponding period of the previous year).

1.2. Report on the regional presence of the Fabasoft Group

Subsidiaries of Fabasoft AG on the balance sheet date (31/03/2021)

Company	Direct share	Country	Headquarters	Offices
Fabasoft International Services GmbH	100 %	Austria	Linz	Vienna
Fabasoft R&D GmbH	100 %	Austria	Linz	Vienna
Fabasoft Austria GmbH	100 %	Austria	Linz	Vienna
Mindbreeze GmbH	76 %	Austria	Linz	Vienna
Fabasoft Deutschland GmbH	100 %	Germany	Frankfurt am Main	Berlin, Erfurt, Munich
Xpublisher GmbH	60 %	Germany	Munich	
Fabasoft Schweiz AG	100 %	Switzerland	Bern	

Subsidiaries of Mindbreeze GmbH on the balance sheet date (31/03/2021)

Company	Direct share	Country	Headquarters	Offices
Mindbreeze Corporation	100 %	USA	Chicago	Silver Spring

Subsidiaries of Xpublisher GmbH on the balance sheet date (31/03/2021)

Company	Direct share	Country	Headquarters
Xpublisher Inc.	100 %	USA	Chicago

[1] Definition of the key figures in the management report section 1.4

Changes in the Group structure and company acquisitions
On 20 April 2021 Fabasoft AG increased its holding in Mindbreeze GmbH from formerly 76 % of the company shares to 85.5 %. The shares were acquired from the Management of Mindbreeze GmbH, whose previous share before the transaction was 24 % and who after the transaction still hold 14.5 %.

No acquisitions were undertaken in the Fabasoft Group during the period under review. The Fabasoft Group does not operate any branch offices.

1.3. Financial and non-financial performance indicators of Fabasoft AG and the Fabasoft Group

Financial performance indicators of Fabasoft AG (individual financial statements in accordance with the Austrian Commercial Code)

in kEUR	2020/2021	2019/2020
Sales revenue	3,775	3,413
Result before income taxes	8,166	7,001
EBIT[1)]	-2,868	-2,875
EBITDA[1)]	-1,127	-1,334
Annual net profit	8,832	7,694
Equity	45,081	36,883
Equity ratio[1)]	86 %	86 %
Cash flows from operating activities	8,708	6,875
Cash and cash equivalents at end of period	12,296	7,243
Employees as at 31/3	5	3

Financial performance indicators of the Fabasoft Group (consolidated financial statements in accordance with IFRS)

in kEUR	2020/2021	2019/2020
Sales revenue	55,090	51,056
Result before income taxes	13,780	11,660
EBIT (Operating result)[1)]	13,886	11,709
EBITDA[1)]	19,554	16,780
Result for the year	9,730	8,553
Equity	39,252	31,469
Equity ratio[1)]	51 %	48 %
Cash flows from operating activities	21,012	14,107
Cash and cash equivalents at end of period	48,424	35,101
Employees as at 31/3	326	312

[1)]Definition of the key figures in the management report section 1.4

Non-financial performance indicators of the Fabasoft AG and the Fabasoft Group

Employees as a success factor
The enthusiasm, commitment and talent of employees and their flair for innovation are all basic requirements for sustainable growth. In other words, the promotion and carrier development of employees is of utmost importance in the Fabasoft Group. Training and further education plans are created individually and developed, continuously and demand-oriented. The Fabasoft Academy – the Group's own training unit – coordinates the implementation of the measures and offers a broad spectrum of internal training opportunities. The extensive further education programme is prepared together with internal and external trainers, implemented and expanded all the time, with particular importance being attached to the interplay of knowledge transfer and practical application.

Where education and training are concerned Fabasoft also attaches great importance to externally comprehensible and internationally recognised standards for the acquisition of skills. On the balance sheet date the Fabasoft Group employed 65 certified IPMA standard (senior) project managers, 96 Scrum Master and 25 Product Owner in compliance with Scrum Alliance.

Internal Communication
Fabasoft lives an open communication. The management regularly makes announcements in the scope of "Friday Morning Speeches" relating to enterprise strategy focuses and current organisational, technology and business topics. Innovations and further developments in all product and implementation areas are presented by members of the development teams at the internal "Scrum Demo Days" which are held once a fortnight. All employees have the chance to visit these events in person, follow them using video streaming. The internal monthly Fabasoft Newsletter provides employees with a compact overview of all relevant issues taking place within the Fabasoft Group, such as changes in internal processes, planned events, presentation of new colleagues, information concerning ongoing customer projects or newly acquired customers.

Sustainability at the Fabasoft Group
Fabasoft regards sustainability as taking responsible decisions based on ecological, social and economic aspects (ESG aspects). Another key aspect in this respect is the efficient, careful and economical use of resources. Meetings with customers or training sessions are held online or via the installed video conference system. In line with the concept of sustainability public transport or the electric or hybrid cars designated for this purpose are used wherever possible for business trips. Fabasoft has set up the necessary infrastructure with charging stations installed in its headquarters in Linz and Vienna.

Fabasoft communicates its commitment in this area within the scope of its annual sustainability report, which is an integrated part of the annual report.

Open-source platforms, standards and accessibility
The use of open-source products, the commitment to and realisation of market-relevant standards and the requirements of accessibility is important for both private enterprises and the public sector. The chances and risks resulting from this are described in detail in section 2 of the management report.

1.4. Alternative Performance Measures of the Fabasoft Group

Within the scope of its periodical and obligatory reporting Fabasoft publishes alternative performance measures (APM). These performance measures are not defined in the existing accounting policy pursuant to the International Financial Reporting Standards (IFRS). Fabasoft calculates the APM with the aim of enabling comparability of the performance measures over time or a sectorial comparison. Fabasoft calculates the following APM:

- Nominal change in sales revenue
- EBIT or operating result
- EBITDA
- Equity ratio
- Research & development ratio (will be published in the full annual report)

Nominal change in sales revenue

The nominal change in sales revenue is a relative indicator. It indicates the change in the sales revenue in percent compared to the previous year.

EBIT or operating result

EBIT stands for Earnings Before Interest and Taxes and shows the operative result of a company without the impact of effects arising from inconsistent taxation systems and different financing activities. EBIT (operating result) is calculated as follows:

Reconciliation
Result before income taxes
- Finance income
+ Finance expenses
= EBIT (operating result)

EBITDA

EBITDA stands for Earnings Before Interest, Taxes, Depreciation and Amortisation. In addition to interest and taxes this indicator of success also neutralises the distortionary effects of operative business activities arising from different depreciation methods and valuation latitude. EBITDA is calculated on the same basis as EBIT plus depreciation and amortisation affecting income in the period or less reversals of impairment losses on intangible assets and property, plant and equipment.

Reconciliation
EBIT
+ / – depreciation / amortisation / reversals of impairment losses on intangible property and assets, plant and equipment
= EBITDA

Equity ratio

The equity ratio indicates the proportion of equity in total capital.

$$\frac{\text{Equity}}{\text{Total Capital}} \times 100$$

Research & development ratio

Indicator that sets expenses for research and development in relation to the revenue.

$$\frac{\text{Expenses for research and development}}{\text{Revenue}} \times 100$$

2) Report on the expected development and risks of Fabasoft AG and the Fabasoft Group

2.1. Major opportunities of Fabasoft AG and the Fabasoft Group

Major opportunities for the Fabasoft Group and consequently also for the result of Fabasoft AG are seen in the following areas in particular:

New products and product versions

New versions of existing products were made available and new product offers developed as part of the intensive research and development activities in the 2020/2021 fiscal year. This opens up opportunities for additional business with both new and existing customers. Especially with regard to fresh business, the intention is to create opportunities in new vertical markets and geographies based on innovative marketing and deployment models. Further development of the Fabasoft Business Process Cloud as a platform is an example in this context as is the expansion of the Mindbreeze partner network.

Mindbreeze InSpire

Mindbreeze carries out research and development in the areas of enterprise search, knowledge management and artificial intelligence and is successively opening up new fields of application for these technologies. Mindbreeze offers an appliance (Mindbreeze InSpire) as a ready-to-use product in order to make entry for its customers as simple as possible. The appliance is integrated in the company's IT and is connected to existing data sources with the aid of connectors. The contents of the sources are analysed, linked accordingly and made available for queries and extensive search applications in a knowledge database (index). An increasing number of hybrid operating models are also being offered. Data from different storage locations (on-premises, cloud) are analysed and linked here. However, the data always remains reliably in the storage location. This provides end users with a consistent complete overview (360-degree view).

Mindbreeze InSpire is already being used productively by many international customers. As a result of its growing visibility on the international market and positive evaluations by analyst firms, Mindbreeze is also attracting the attention of large international customers and potential partners. Moreover, analyst firms have positioned Mindbreeze InSpire as a sound and powerful basis with flexible operating models when it comes to the introduction of knowledge management applications and enterprise search. The product offers extensive AI-based functions that go far beyond classic search machines and that analysts already regard as the next generation (Insight Engine, Cognitive Search).

Fast application for business processes in the respective departments that enable use of the product without the need of programming thanks to its Insight App Designer plus the provision of comprehensive connectors for the linking of data sources and functionalities in the standard product are all regarded as fields of particularly high potential that offer the chance of a unique positioning. The analysing and processing of natural language is an important prerequisite for understanding information, one that Mindbreeze addresses with the use of machine learning and in particular natural language processing.

In particular the Mindbreeze InSpire SaaS offer and the hybrid operating model are being used more frequently in addition to appliance product offer. Customers and partners from many different branches were acquired and business with existing customers expanded in the period under review. Further intensification of the marketing and sales activities are planned in order to increase visibility on the market and boost the market position as well as the development and expansion of strategic partnerships.

Fabasoft Business Process Cloud

Cloud computing has become established globally as a usage model wherever effective and needs-oriented utilisation of information technology or the management of processes is required. However, such use is often thwarted especially in Europe due to concerns with regard to data protection and the confidentiality of corporate data. Fabasoft addresses this desire for transparency and security with the following aspects: The software products are developed in Europe and operated in European data centres – based on a European values system for data security, access security, legal compliance and quality standards.

Regular certifications and audits carried out by independent institutions endorse the high standards of quality, security and service. Data are stored synchronously in two separate data centres in the locations selected by the customers. Data transmission and storage can be encrypted. Furthermore, with its appliances (combination of hardware and software) Fabasoft offers customers the possibility of storing data on their own premises.

The Fabasoft Business Process Cloud can be used as a digitisation platform for the time-saving and cost-efficient digital realisation of corporate and project-specific processes on the one hand. On the other it is available as a flexible, ready-to-use standard product for the cross-organisational management of documents and business processes with a focus on business-relevant documents that require a high level of security and compliance. As a platform the Fabasoft Business Process Cloud constitutes the basis for Fabasoft standard products as well as for customer-specific use cases.

The Fabasoft Business Process Cloud, Fabasoft Approve and Fabasoft Contracts are characterised by their simple integration in existing IT landscapes and are highly scalable. The graphical process editor (BPMN 2.0) enables individual modelling of complex approval, test and release processes without the need of any programming knowledge. A high level of user acceptance is achieved thanks to the elegant and intuitive user interface available in different languages.

Fast implementation of customer-specific use cases in the fields of contract management or technical data management are regarded as fields of particularly high potential and a unique selling point. Fabasoft offers out-of-the-box products in this respect: Fabasoft Approve for the management of technical data and documents in industry and Fabasoft Contracts for contract analytics and the audit-compliant life-cycle management of contracts. Intelligent data collection, intelligent capturing or individual dashboards are available, for example, thanks to the integration of parts of the Mindbreeze technology in Fabasoft Contracts. The digital signature based on Fabasoft Secomo technology enables the seamless handling of signing processes without media discontinuity or the involvement of external services. This facilitates the provision of information and enables automated processes. Users benefit from a platform that can cover several use cases without having to change the work environment.

The Fabasoft Business Process Cloud was designed and further developed as an application platform. This means that not only Fabasoft's own cloud products such as Fabasoft Approve and Fabasoft Contracts can be used, but also solutions of partners, which in turn could give rise to opportunities with regard to enhancing the cloud partner business.

Fabasoft Secomo

The encryption appliance Fabasoft Secomo offers the chance of true end-to-end encryption. Data are always transferred in encrypted form with this solution and stored in teamrooms. Both the teamroom and the documents it contains are encrypted. Fabasoft Secomo is also available “as a service” for customers of the Fabasoft Business Process Cloud Enterprise Edition, Fabasoft Approve and Fabasoft Contracts.

Opportunities could arise for the Fabasoft Group in connection with the growing strategic importance of the topics digitisation and data protection in many companies and organisations, which in turn will give rise to a series of concrete implementation needs. Fabasoft sees itself well positioned in this field and with its Cloud products already offers a high-performance portfolio: Where digital document control or digitisation of business processes are concerned on the one hand and as a sound basis for better observance of data protection and compliance directives on the other.

Xpublisher and Xeditor

The Xpublisher editing system standardises and structures contents for high-performance, fast and consistent multi-channel publishing. It facilitates the coordination and compilation of content for different digital publication channels and with the integration of page and book planning enables simple production of magazines, books and documentation.

Xeditor enables the creation and editing of semantic and structured content in XML format without any need of technical knowledge. Document structures are pre-designed in Xeditor and need only be filled in by the authors. This helps with the updating and publication of lengthy documents such as legal texts or technical documentation.

Opportunities could result for Fabasoft from the expansion and development of customer groups from the media branch or publishing in Germany, Austria, Switzerland and North America. Attractive usage and combination options are also envisioned in several Fabasoft business segments – in particular the Fabasoft Business Process Cloud. The integration of Xeditor as an add-on in the Fabasoft Business Process Cloud enables the efficient creation, editing and reviewing of standardised contents. Among other things, this supports companies from industrial environments with the compilation of technical documentation or public authorities with the publication of legal texts.

Freedom of choice for the platform and commitment to standards and accessibility
A significant and unique selling proposition of the Fabasoft Group's on-premises product portfolio is provided by the possibility of using these products on both Microsoft Windows Platform and open source platforms. As a result of the existing cost awareness in both the public and private sectors this cost-efficient option contributes to a positive evaluation of the Fabasoft portfolio.

This open platform strategy is based on a commitment to and the implementation of market-relevant standards and norms in software product development. The aim is to contribute to freedom of choice, accessibility, cost-efficiency and future safety for customers as well as sales and development partners during IT investments.

The cost benefits of open-source platform versions also continue to have a positive effect on the efficiency of the cloud operating model and of the appliance offers, which are similarly based on these platforms.

In addition to platform openness and its commitment to standards Fabasoft also pays great attention to the issue of accessibility. From the standpoint of equal treatment Fabasoft products meet the high standards of barrier-free accessibility thus enabling seamless integration of employees with special needs into the working process.

Sales channels and partnerships
In those countries in which Fabasoft is represented by its own companies and in other selected national markets, development, sales and project partners, including those from outside the public sector, are to be acquired and supported. The existing and well established partner model of Mindbreeze with its focus on value-added resellers was opened up for independent software providers (Independent Software Vendors, ISVs) in the period under review. Thanks to the integration of Mindbreeze InSpire in the software products, these are now in a position to provide their customers with the benefits of AI-based applications without the need for a long development project. Analysing and understanding unstructured and structured information within their own solutions, for example, can now be achieved easily. The aim of expanding the partner program is to build up greater presence in Europe and North America and to develop new customer groups.

Further development of the Fabasoft Business Process Cloud to an application platform in the 2020/2021 fiscal year is an important basis for giving selected cloud partners the possibility of integrating and operating their solutions in the Fabasoft Business Process Cloud. Selection of the partners is effected subject to high standards of quality.

A partner model for the international sale and distribution of Xpublisher and Xeditor is being developed with the aim of boosting the visibility of Xpublisher on the market. Whereby Xpublisher places a high value on exclusivity and quality, i.e. only a small number of partners in each country whose expertise and sales strength make them an ideal supplement to Xpublisher products.

Chances could also arise for the Fabasoft Group from the development of new customer groups, in certain vertical markets, for example.

Digital transformation in public administration
Business with public sector clients depends to a great extent on the budgets of the respective organisations. Business potential for Fabasoft could result from the need expressed by customers to achieve savings and boost efficiency by digitalising administrative work – whether and to what extent this can be realised is at this juncture impossible to estimate. Opportunities could arise for the Fabasoft Group from new projects in connection with the expansion of administrative modernisation and e-Government planned in many European countries and beyond, provided the respective political will is translated into concrete projects and investments. In this context, concrete customer enquiries often result from the highly successful and existing references of the Fabasoft Group.

As a proven provider of many years standing with a high-performance range of products and excellent references, Fabasoft sees itself as very well positioned for upcoming tender procedures in which it will continue to participate intensively.

The growing use of artificial intelligence technologies also in the public administration is steadily changing the interaction with citizens and companies as well as internal work practices. Methods of artificial intelligence, such as machine learning, support work processes through the automatic classification of documents. Natural language processing and natural language understanding enable the proactive provision and processing of information. Fabasoft sees itself well positioned in this area, because Fabasoft products already use Mindbreeze technology for these use cases thus allowing it to participate in the innovations in this field.

Expansion of existing customer relationships in the public sector
There are in some cases interesting opportunities for Fabasoft to expand its business also where major existing customers are concerned. There are currently extensive framework projects in the implementation phase that Fabasoft has won. The electronic records management system "E-Akte Bund" of the Federal Administration in Germany deserves particular mention here. In the E-Akte Bund project the roll-out of the records management system (E-Akte) moves further ahead in the period under review.

In January 2020 the State of Carinthia decided on the state-wide introduction of an electronic records management system (ELAK), which is based on the Fabasoft eGov-Suite. This project is currently in the implementation phase.

Collaboration was further continued with the Austrian Federal Administration, which has been making wide use of the Fabasoft eGov-Suite in the federal ministries for many years. As part of the consistent implementation of the digitisation strategy, the user groups of the Fabasoft eGov-Suite will be further extended in the area of the federal administration (central offices and subordinate agencies) for business case and shared document processing. An extensive innovation project was continued in parallel to this.

New pioneering and efficient forms of collaboration and the fulfilment of tasks are developed and tested in close cooperation with the users, organisations experts, sales and Fabasoft as the manufacturer of the product. Focal points here include modern concepts of mobile use and the supportive use of artificial intelligence technologies.

Certifications
Protection of company data takes high priority at Fabasoft. Targeted and consistent certification and testing in compliance with internationally recognised standards underpins this commitment. Assurance of maximum quality, security and service standards is guaranteed by an integrated management system that is certified in compliance with ISO 9001, ISO 27001 including ISO 27018 and ISO 20000-1, among others. Following Fabasoft's successful performance in a re-certification audit in October 2020, the certificates according to the ISO standards 9001, 27001 including 27018 and 20000-1 were renewed for the another three years by accredited certification bodies.

On a product level this certification strategy was extended to include exacting certification and testing for the Fabasoft Business Process Cloud and for Mindbreeze InSpire SaaS:

The C5 certificate pursuant to the requirements of the catalogue of requirements C5:2020, issued by the BSI (Federal Office for Information Security) is a recognized and reliable substantiation of the high level of information security of the Fabasoft Cloud and of Mindbreeze InSpire SaaS.

The catalogue of requirements of the BSI defines the minimum requirements that cloud service providers must meet. The defined specifications of the framework conditions ensure transparency with regard to jurisdiction and locations, availability and incident handling during regular operation, recovery parameters in emergency operation, availability of the data centres, handling of investigation enquiries from government authorities, as well as certifications or attestations. Fabasoft and Mindbreeze successfully underwent the audit in compliance with the new BSI C5:2020 catalogue of requirements for the first time at the beginning of 2021. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Germany, was commissioned as the auditor. The respective attestations were issued for Fabasoft Business Process Cloud and for Mindbreeze InSpire SaaS for the first time by PwC.

The SOC2 audit was again commissioned and carried out for Fabasoft Business Process Cloud and for Mindbreeze InSpire SaaS in the 2020/2021 fiscal year. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Germany, checked compliance with the Trust Service Criteria (TSC) for Security – published by the American Institute of Certified Public Accountants (AICPA). The audit took the form of an ISAE 3000 Type 2 audit (test of the existence of controls over a period of time); the final results of the audit were reported to Fabasoft and Mindbreeze in an ISAE 3000 SOC2 Type 2 Report.

The Fabasoft Business Process Cloud also holds other certificates such as the “Certified Cloud Service” of TÜV Rheinland, which is renewed regularly. Preparations were made for the new EU Cloud CoC data protection attestation (ISAE 3000 Type 1) in the period under review and submission of the audit.

The design and effectiveness of selected controls with regard to services defined by Fabasoft were tested within the scope of the ISAE 3402 Type 2 audit that was carried out. The independent auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Germany, issued an unrestricted auditor’s report without exception.

In addition auditing for the EU Cloud Code of Conduct in compliance with GDPR was further advanced.

2.2. Significant risks and uncertainties for Fabasoft AG and the Fabasoft Group

Significant risks and uncertainties for the Fabasoft Group and consequently also for the result of Fabasoft AG are seen in the following areas in particular:

Pronounced dependency on government business in the German-speaking region
A significant part of Fabasoft’s business is generated from government customers, especially in the German-speaking region. Any changes in this customer group, such as the impacts of budget cuts and planned savings, short-term or sustained budget freezes, alterations to product and technology specifications, project priorities or award criteria plus the emergence of new competitors or new offers from existing players can have a considerable effect on the business of the Fabasoft sales companies concerned and as a consequence also on the Fabasoft Group as a whole.

The overall countermeasures adopted in response to these risks include the offer of intensive and high-quality services to existing customers, benefit-generating product and project innovations, and the submission of tenders for new projects that are as competitive as possible. Furthermore, stronger positioning is planned in particular for the new cloud and appliance offers for the expansion of the customer target groups and the sales and distribution channels, both over and above the public sector and beyond the geographical focus on Europe adopted to date.

Risks in business with public sector clients
Projects in the public sector are characterised by lengthy lead times and decision-making processes, complex, highly formal and extensive tendering requirements, allocation procedures that present a challenge on a legal, technical and human level as well as elaborate, expensive and long-drawn-out tests, tight budgets on the part of the clients and strong competitor pressure that is intensified by the public and mostly international nature of the tendering process. In project agreements, such clients frequently specify increasingly stringent contractual requirements (liability, compensation, long-standing fixed price contracts without any adoption of inflation or personnel development costs etc.) that are often non-negotiable.

Dealings in the public sector are also affected by strong seasonal and budgetary fluctuations. Such business uncertainties can jeopardise both the awarding of new projects and the extension of existing contractual conditions and thus have a markedly negative impact on future revenue development. Political events such as elections and shifts of responsibility may also result in a "return to the drawing board" with projects that have already been awarded and reached their final stages. Already ongoing projects may also be interrupted or postponed, due to reasons rooted in the sphere of the customers. Due to the size of many projects in the public sector and the close collaboration between the individual offices of the public sector there is also an increased danger of cluster risks.

Cuts in government budgets represent a considerable risk in the important public sector business.

Risks in direct project business

Where Fabasoft companies provide project services themselves, for example on the basis of fixed price quotations, there is a particular risk of unclear or misunderstood specifications, miscalculations, deadline overshoots, penalties, problems regarding technical implementation or operation, software errors, difficulties with project management, warranty and liability claims (compensation), and issues concerning human resources (for example if key members of staff are unavailable in critical project phases). These risks may affect the Fabasoft companies directly and also indirectly via their subcontractors or suppliers. In order to encounter such risks, Fabasoft uses a tried-and-tested procedures model for project work that is subject to continuous further development.

The implementation of extensive software projects is a process which frequently necessitates significant contributions and involvement on the part of the customer. This also gives rise to certain risks that are partially or entirely beyond the company's direct scope of influence, but may have a significant impact on the overall success of the project.

Risk concerning subcontractors in project business

Wherever necessary individual companies from the Fabasoft Group work with partners in project business, who act as subcontractors or suppliers for the respective projects. There is a risk in such cases that claims could be made against Fabasoft (e.g. in the form of reduced and/or delayed payment, substitute performance, liabilities, contractual penalties, claims for damages etc.) as the general contractor should these partners not fulfil their contractual commitments or only do so partially or defectively or if, for whatever reason, their services are not accepted by the customer. This could entail both a negative impact on the revenue development of the Fabasoft Group as well as compromise its reputation.

It must also be taken into account that services or partial services purchased externally – e.g. from subcontractors – normally result in the achievement of significantly lower margins than is the case with services provided by own personnel.

General partner business risks

Risks in the partner business lie in particular in the limitation or complete lack of direct customer contact and thus also in the lack of direct customer feedback for Fabasoft and the general dependency on product and sales strategies of the partners in the respective region, the possibility of reduced product loyalty of partners and the danger of the product manufacturer's reputation also being damaged in the event of problems with the project – if even they may lie within the scope of responsibility of a sales partner. Furthermore, partner business frequently restricts Fabasoft's opportunities for positioning its own brand, safeguarding company secrets and acquiring additional business. From a commercial point of view, the partner conditions granted reduce the attainable profitability and price margins in the respective individual business transactions.

With partner business in general there may also be the danger of tough competition between partners, for example in the acquisition phase for the same end client, as well as the risk of conflicts between sales channels. A further risk could arise if Fabasoft cannot find sufficient or the right partners to develop and market high-quality software solutions based on the products and technologies of the Fabasoft Group. In the markets in question, this could either render impossible the achievement of the desired breakthrough for the product technology, or the attainment of the penetration level required for sustainable market success.

Competition
The software sector in general and the enterprise content management, enterprise search and cloud computing segments in particular, are undergoing an intensive wave of consolidation that is giving rise to larger and more international competitors with increasingly apparent economies of scale through mergers and acquisitions. There is also still an unabated trend towards smaller manufacturers forming alliances or significantly increasing their capital resources by bringing investors on board, in order to gain a stronger presence in the marketplace. In addition there are signs that software manufacturers who already dominate markets are beginning to enter further market segments with new or new positioned products, which in turn will result in even greater pressure on prices and margins and make the task of acquiring new partners more difficult. Moreover, the acceptance and establishment of new software offers is being further complicated by the increasing degree of saturation and consolidation in the software sector.

Internationalisation
Entering new markets also entails certain risks. A lack of target market knowledge and lower company recognition levels than those in the home market, strong local competition, long lead times, high start-up costs, difficulties in finding staff for key positions, internationalisation and localisation expenses for the products, and possible deficits in communication and control are exemplary note in this context. The aim is to limit these and similar risk factors by additionally concentrating on a partner-oriented model that is intended to reduce the immediate project risks that may arise from the company's own tendering in complex project situations and during project implementation.

General political and economic framework conditions in the individual countries, in particular trade restrictions and contradictions or overlapping in regulatory or tax provisions, could constitute additional risk factors for more intensively internationalised business operations.

Risks concerning company acquisitions
There are fundamental operative risks for acquired companies or parts of companies, as also presented in this report for companies of the Fabasoft Group. There are also specific risks involved in the market review, acquisition and integration phases.

The services of external consultants (investment banks, auditors, legal advisors, etc.) are normally used in the market review phase for identifying takeover candidates, whereby the ensuing fees do not normally depend on success or only do so in part. Frustrating external and internal expenses are incurred where no suitable takeover targets can be found or an acquisition cannot be concluded. Despite the commissioning of external consultants, there are risks involved in the acquisition phase in that the risks or bad debts of the target company are not identified or quantified correctly or that synergy potential or the future business development are not correctly assessed. Risks involved in the integration phase include among others the merging of different corporate cultures, market accesses, management styles, key technologies and corporate processes. As the acquisition procedure is normally carried out confidentially, it is mostly impossible to gain knowledge of the stance of existing customers to an acquisition in advance. For this reason negative reactions of the existing customer base cannot be precluded. Furthermore, keeping key success-critical individuals in the company, and motivated also presents a challenge. There is also the risk in connection with the above-mentioned uncertainties that the acquisition target is purchased at a too high price and that the funds invested might well be lacking elsewhere for the corporate activities of the entire Group. If such risks occur during or after the integration phase, this could lead in particular to negative impacts on sales and revenues and as a consequence on balance sheet valuations and therefore also for the Group as a whole.

Product risks
The development of software products is always subject to the risk of software errors, security gaps and functional restrictions, which even the use of extensive quality management and test procedures can never entirely exclude. Neither can it be ruled out completely that the protected legal positions of third parties are violated in the course of development or project implementation activities. This applies to both Fabasoft and third-party products and technologies on which Fabasoft products are based or with which they interact. Such errors or restrictions may have a negative impact on customer and partner satisfaction, data security, market reputation, chances for new business and the success of implementation and operational projects, or online offers.

In order to reduce these risks, during product development and project implementation, Fabasoft not only employs manual test procedures, but also automated checks. In addition, products and service offers are also being subjected to extensive certification processes, as explained under "Certifications".

A risk with regard to software products is apparent in the possible deferral of delivery times. This can affect not only Fabasoft's own products, but also third-party products or technologies on which the products of the Fabasoft Group are based or with which they interact. Such delays could lead to impairment of the company's market and competitive position, revenue shifts or revenue losses and even consequences such as contractual penalties, liability claims, substitute performance or reversed transactions in the project business. Furthermore, prolonged development times also cause a corresponding increase in development costs. This applies equally to errors, functional deviations or limitations in the course of new product versions or troubleshooting.

Another risk involves third-party products and technologies from the open source area: there is a growing tendency among various providers to commercialise on these licence-free offers by no longer offering specific features or support offers of the free versions but instead incorporating these into fee-based offers. This can result in additional costs for both customers using these platforms or technologies and for Fabasoft – e.g. in the case of operating models – if free alternatives cannot be found in such cases. Even if free alternatives can be found, conversion costs could still be incurred or there could be delays – due, for example, to making the necessary adaptations to the software.

Moreover, the integration of third-party products presents a risk of the function of Fabasoft products being impaired or the danger of these malfunctioning. Fabasoft itself cannot rectify programming errors, security gaps etc. in third-party products as it does not have access to the source code.

In general, it must be said that it is normal for downturns in new business or business with existing customers with regard to the products of the Fabasoft Group to have a negative effect on the development of sales revenue from services, support services and software updates.

Diversification risks

The efforts aimed at reducing the risks of excessive specialisation and thus the dependency upon a narrow and volatile target segment through greater product, market segment and sales channel diversification also create new and increased risk potential. These include: higher marketing and research and development expenses, multiple investment projects for market preparation, risks from strategic planning and increased planning uncertainty, heterogeneous sales and organisational structures, positioning risks and risks arising from a diversified and dislocated organisational and business structure. Special importance is attached to recruitment and internal basic and further training as a defence against these risks. Moreover, internal reporting and controlling measures are continually supplemented and further developed.

Risks concerning dependence on suppliers

In particular in the business field of appliances it is not solely the performance characteristics of the software developed by the Fabasoft Group that determine the quality, performance, security and as a result the overall success of a product a customer uses, but indeed to a large extent the third-party products used. These third-party products include both components of hardware (servers, storage, network components, security components, etc.) and of software (operating systems, database, security technology, etc.). These components – individually or as they interact together – are particularly susceptible to the risks portrayed under IT risks. Additional risks that exist are in particular those of delays, damages or losses that occur during transportation and warehousing between suppliers and the respective Fabasoft company, as well as during the delivery to the customer. There is also the risk of losing a supplier, for instance because a product line is discontinued or the supplier withdraws from the respective market or because of interruptions in production, capacity bottlenecks or other delivery disturbances along the supply chain. Added to this are the risks of disruptions, failures or interruptions in the logistic chain. Due to the delivery times of individual suppliers and in order to ensure we are in a position to deliver to customers at short notice it could be necessary to maintain a stock of third-party products in line with the projected course of business.

It is, however, not possible to make an exact forecast of the course business will take, especially in a dynamically developing business area, and this gives rise to the risks of holding both too low a stock with the entailing restricted delivery capability and holding too high a stock leading to high warehousing costs and problems linked with a model change on the part of the manufacturer and time-limited service agreements of the third-party manufacturers. In addition there is also the risk of delays in delivery due to the applicable export regulations of the respective target country, which all too often require extensive verifications and certificates before the goods can be delivered to the customer.

If a customer experiences a malfunction, then it not only becomes necessary to substantiate if and in what form the malfunction may stem from a Fabasoft product, but also to coordinate the troubleshooting together with the support organisations of the suppliers of the third-party products that may be involved. If, for example, it becomes necessary to replace hardware components, then the process is particularly susceptible to the logistical risks described above and the risk that delays or mistakes may occur on the side of the respective suppliers and their customer service. Altogether, the whole process for handling problems is particularly susceptible to the risks of communication problems, delays and mistakes as well as the risk of different service levels inside and outside the company. These risks would have a negative effect on Fabasoft, regardless of who actually may be responsible for the problem.

The Fabasoft Group seeks to counter the described risks with the help of clearly defined, documented and certified business processes, as well as through the continuing education and further qualification of staff. Concerning interactions with suppliers, the main focus is placed on the careful selection of professional suppliers as well as on appropriate quality management measures.

IT risks

Disruptions for example in the hardware, data storage or network infrastructure, in the software, data transmission lines or on the part of the Internet operator, operating errors, attacks from hackers, for example, DDos attacks, viruses, phishing attacks, Trojans, ransomware and the like or events based on force majeure, can all have a negative impact on the operation of the systems of the company as well as important systems with which these are linked can jeopardise seamless data security and recovery. They can also jeopardise the ability to guarantee perfect data storage and recovery.

One possible consequence of such problems can be the limitation or failure of online services, sales, development and administrative activities and the online presence of the company, including statutory or regulatory prescribed announcements on the website, data error, unauthorised data access or losses as well as a limited ability to make data transmissions. This can lead subsequently to comparable effects on other companies or organisations, which use the company's (online) services for a fee or free of charge. After taking costs and risks into consideration, the company has introduced organisational and technical precautions to provide defined service levels for its internal systems. Nevertheless, the complete exclusion of such risks, especially with regard to the targeted use of criminal energy, espionage resources or weaknesses and backdoors contained in third party components, is not possible.

Risks with regard to information security and data protection

Fabasoft attaches great importance to the protection of confidential information, personal data and intellectual property. Nevertheless, the risk of unauthorised third parties gaining access to this sensitive material cannot be entirely ruled out. In view of the fact that global cyber-attacks against companies in all sectors are increasing in number, intensity and refinement, Fabasoft is making every effort to continue with the expansion of its cyber resilience.

Various organisational, training-specific, systematic and physical barriers and measures have been put into place to prevent unauthorised access and a catalogue of criteria compiled that is to be applied when selecting security-relevant suppliers and service providers has been implemented in the purchasing workflow of Fabasoft. Security-relevant contractors are contractors which potentially have access to internal, confidential or personal data. This access can be a potential risk vis-à-vis Fabasoft customers with regard to service level or contract violations or can have a negative impact on Fabasoft processes.

All security-relevant contractors such as data centres, suppliers of hard and software or special service providers must fulfil requirements defined by Fabasoft – such as the relevant certifications, for example, or contractually defined service levels, security statements, verifiably fulfilled security measures, agreements concerning controller data processing and duly signed confidentiality declarations. The installed information security management system is regularly tested for topicality and effectiveness by means of internal and external audits.

Over and above the purely technical aspects of information security there is also the danger of cyberattacks in combination with manipulation and fraud on the social level (e.g. “fake president” emails). In order to raise the awareness of employees for the resulting risks, Fabasoft regularly carries out professional awareness training courses and simulations of potentially threatening scenarios. In addition Fabasoft products and its cloud services, including the data centres involved, are tested continuously by external auditors and the corresponding test reports and audit certificates compiled, as listed under “Certifications”.

In view of the fact that, in addition to damaging the reputation of the company, the occurrence of such risks can have extensive negative financial consequences great attention is paid to this risk field.

Personnel risks

Risks are evident with regard to the finding of a sufficient number of highly-qualified, entrepreneurially-minded managerial specialists in the IT sector for independently responsible leadership and the expansion of existing or restructured business areas and ensuring their long-term loyalty to the company. Currently, the demand for IT professionals largely outweighed the labour market supply. There is therefore a risk that personnel requirements cannot be met on time or subject to economically acceptable conditions.

Furthermore, a risk entails should a larger number of employees, particularly key members of staff, leave the company within a brief period and no replacements can be found in the short-term. This would have negative impacts on the business development and on the ability of the company to meet already agreed obligations and would presumably lead to a negative development of customer satisfaction and revenue even through to possible contractual penalties, liability claims or other disadvantageous consequences for the company, such as damage to reputation, project stops or even transaction reversals.

Understaffing can also lead to possible business potential not being realised or only realised in part. Should suppliers, sales or implementation partners be impacted by such personnel risks, this can also have negative consequences for the company.

Risks due to the global spread of the coronavirus (COVID-19)

The World Health Organisation (WHO) declared the global spread of COVID-19 a health emergency with considerable impacts on the population and the economy.

Fabasoft took immediate measures to counteract these risks as effectively as possible and evaluates these continuously. On the one hand in order to protect employees – in the Fabasoft Group and at the customers – and the public and on the other hand to maintain the operative business.

Quite apart from the general risks of restrictions or even failures of corporate functions in the event of cases breaking out in companies or even the shutdown of locations, there is a risk of the performance of certain on-site services on customers’ premises being limited or not possible in the case of massive travel and entry restrictions. Although substitution of such services by an online presence was widely implemented in the period under review, this is not practicable in all scenarios. Personal contact and customer visits have always been important, especially where the sale of products and services in specific segments is concerned.

Especially the development and expansion of business in new regions or business areas is being noticeably afflicted by the massive restrictions on travel possibilities and personal contact.

In particular the appliances business is currently regarded as being potentially susceptible if confronted with logistics or supply chain problems. Closures of production plants or delays in deliveries due to disruptions in the supply chain may have a negative impact on both Fabasoft's partner business (delay in the supply of ordered appliances) as well as its direct business.

The massive impacts of the pandemic on the economy as a whole and as a consequence also on the finances of the public budgets mean there is a far heightened sales risk in both the short and the medium term. This could impact the acquisition of new customers and business with existing customers as well as ongoing projects in the form of shifts in revenue or loss of revenues and profits. It is not possible to forecast the extent of these impacts at this juncture.

Despite the use of modern technology, the change over to working from home involves risks: social interaction is restricted, the creative exchange and flow of ideas as well as discussions and the chance of solving differences and misunderstandings in the near term could suffer. Although companies are providing efficient terminal devices, the connection depends on the bandwidths and service level limitations of the respective Internet connections of the home office. The extensive use of home offices also opens up the additional threat of cyber attacks, which have to be addressed.

Financial risks
Due to the customer structure and the resulting constellation of customer requirements the risk of defaults on receivables is still considered to be relatively low. Especially where usage fees are concerned (Mindbreeze InSpire, Fabasoft Business Process Cloud), such fees are received at the start of the term and are coupled with performance of the service. An interest rate risk occurs in the case of other financial assets. As these can be converted into cash at short notice, the interest risk is therefore deemed immaterial. Exchange rate risks occur mainly when receivables or assets at financial and insurance institutions exist in a currency other than the local currency of the company.

Depending on the extent and duration of a macro-economic shock, – for instance in connection with COVID-19 – higher risks could occur, for example, with regard to the security and impairment of assets at financial and insurance institutions and receivables as well as the difficulty entailed in maintaining the purchasing power of assets and revenues from ongoing obligations in a conceivable highly inflationary overall scenario.

2.3. Forecast report

Shaping the digital transformation
As a manufacturer of software products Fabasoft has specialised in the digitisation and automation of business processes in large organisations. The products of the group serve the creation, traceability and secure processing, consistent publication, semantic search, automatic categorisation and the archiving of electronic business documents, contents and processes.

As essential modules and catalysts of the "digital transformation" these technologies and the implementable solutions they enable are increasingly gaining in relevance for corporate strategy and are widely recognised as future-critical fields of action on the management level in both private enterprises and the public sector.

This awareness in the public sector has taken on a specific form, namely a series of extensive plans and projects on a federal, state and communal level for the introduction of the electronic records management (E-Akte) solution.

The key topics in the private sector included cross-company collaboration, cyber security and data protection plus more efficient and more cost-effective processes linked with enhanced service performance based on a comprehensive overview of customer talks, product presentations and trials.

Transformation of the business: Fabasoft Business Process Cloud, SaaS, Appliances and hybrid models
Pursuant to a general trend in the software industry as a whole, the software product business of the Fabasoft Group continues to undergo a transformation process: the use of software products is moving away from the model of purchasing user rights for these products against a one-off fee – usually linked to a maintenance contract – more in the direction of an ongoing monthly user fee for cloud services, SaaS offers and/or appliances.

The course of this transformation varies currently depending on the target markets: in the case of public tenders it is still primarily the purchase models for the software in the core area of Fabasoft (electronic records management system) that are demanded (the customer then operates the software with the support of Fabasoft in its own data centres). In the case of private customers the interest is becoming increasingly flexible as to whether the desired solution is to be realised as a cloud application, via an appliance or in the form of a classic on-premises project.

Often this decision is only made in the course of the bidder dialogue, taking functional, safety-related, economic and most especially time aspects into consideration. Fabasoft believes it is well positioned in this respect because the available product portfolio provides just such flexibility and also supports hybrid models.

It must be taken into account that the structure of the appliance business differs in its nature from the software licence business: the hardware components of the appliances are purchased by Fabasoft or Mindbreeze, the customer undertakes to pay periodically for the use that is agreed for a fixed period of time. The revenue for use is received monthly and the hardware components are also amortised on a monthly basis.

Fabasoft continues in its endeavours to further extend the direct sales model in those countries where the Fabasoft Group operates via its own companies and which also entails intensive commitment from the project side in the implementation phase, to encompass an indirect, partner-orientated, international sales and marketing model in particular for cloud services and appliances.

The Fabasoft Business Process Cloud as an ecosystem for digital business processes
In line with the growing trend towards digital transformation, the focus in the period under review was on further developing and expanding the Fabasoft Business Process Cloud as a digitisation platform for internal as well as cross-company business processes. Key tasks in this context included strengthening the market presence of existing and future business process solutions and visibility in the individual target markets.

Fabasoft Approve, the business process solution for technical data management, concentrated its efforts on complex processes with suppliers and partners in industry and can be adapted to customer-specific use cases in individual projects. By contrast, the business process solution for contract management, Fabasoft Contracts, is characterised by the possibility of immediate use in different sectors. Integration of components of the Mindbreeze technology ensures a high level of automation, thus generating crucial added value.

Continuous integration of the Xpublisher GmbH products in the Fabasoft Business Process Cloud reflects the consistent development of this strategy. Whereby also establishing these as business process solutions contributes to realising mutual synergy effects: while the functions of the Fabasoft Business Process Cloud upgrade the Xpublisher products on the one hand, existing business process solutions benefit from an expanded application spectrum on the other.

Fabasoft continues to concentrate here on standardisation and speed of utilisation, in order to fulfil customer requirements for solutions that can be used immediately.

The further development of these products on the platform goes hand in hand with the strategy of establishing the Fabasoft Business Process Cloud as an ecosystem for digital business processes, on which solutions for partner companies can also be included in the medium-term. This therefore meets the needs of the current and growing demand on the market for highly scalable and flexible business applications.

Mindbreeze InSpire
The business focus of Mindbreeze in the period under review concentrated primarily on international key account customers and their visions and remits with regard to knowledge management and semantic searches in connection with artificial intelligence technologies.

A special factor of success for Mindbreeze InSpire is seen in the speedy and cost-effective implementation of concrete tasks in the form of department-specific search applications for 360-degree views of company data, regardless of whether these are available in structured or unstructured form or are stored in different data sources.

Experience shows that such customer projects are subject to longer lead times in the decision making and procurement phases and require in their processing a sophisticated skills portfolio both in the Mindbreeze organisation and the partner base.

Mindbreeze has been named a Leader in the "2021 Gartner Magic Quadrant for Insight Engines" published in March 2021 and achieved the highest positioning on the Ability to Execute axis.

Interest in Mindbreeze InSpire on the market remains brisk – due also to the above rating – and there is a promising pipeline for evaluations and proofs of concept ongoing at potential customers. Future growth rates of Mindbreeze will depend to a great extent on both the timeline and success rate in converting this potential in the form of multi-annual contracts as well as further expansion of the partner structure, e.g. through the expansion of the partner programme to include independent software vendors (ISVs) and the development of new marketing channels, especially in North America. For this reason top priority continues to be placed on these challenging topics.

Public sector business
In the area of public sector clients, Fabasoft works with dedicated service organisations for a number of federal, state/canton and municipality key accounts in Austria, Germany and Switzerland and in other countries where it cooperates with selected sales and implementation partners. Business with these established customers generates a stable core revenue, although in times of strict austerity measures in the public sector and heightened competitive pressure this existing business must be continuously maintained by means of innovation, customer-orientation and a leading price-performance ratio. It is planned to strengthen and, where possible, to expand the Fabasoft customer base in this market through new products and performance features, additional services and by extending the user community.

Acquisition of new customers in the public sector is almost exclusively done by way of highly competitive public tenders with the effort and lead times this entails. Especially in Germany, Fabasoft is now in the implementation phases of several major projects. This also necessitates a potential increase in the personnel requirements of the Fabasoft service organisation. In addition Fabasoft will intensify its purchase of subcontractor services for some projects, especially during the large-scale roll-out phase – depending on the customer's own roll-out plans in this context.

With regard to sales revenue from projects with external subcontractors, it must be taken into account that normally a significantly lower proportional contribution to margin can be generated where those services purchased from external subcontractors in the course of the project implementation (expenses for purchased services) are concerned than is the case with internal performance from the Fabasoft Group. Depending on the project, project phase and volume of services called off in a specific phase by customers, these subcontractor services can constitute a substantial part of the total volume of services in a project.

The public sector business beyond the German-speaking regions was developed primarily in collaboration with partners. Existing customers are also kindly willing to show their systems to interested parties from other administrations and to report on their experiences in introducing electronic records management and e-government in general and with Fabasoft in particular. These partners normally carry out project acquisition, project implementation as well as adapting products and services to the local situation with regard to language and content within the scope of customer care and support.

Development of certain expense items
In order to leverage future opportunities and promote the development of the Fabasoft Group, priorities for the use of funds in the coming quarters will be focused on the fields of product innovation, boosting of sales, service and marketing, and – inextricably linked with these topics – in recruiting new talents for Fabasoft and developing the strengths of the existing team.

Further development of the Mindbreeze and Fabasoft Business Process Cloud business is a key factor with regard to the necessary investments: if we succeed as planned in building up and expanding a successful international partner infrastructure, this would entail considerable up-front investments, in particular in international marketing, a trans-regional presence, partner support and the expansion of personnel in this segment. In phases of such expansion efforts a resultant drop in profitability is expected.

Due to the pandemic travel expenses declined drastically in the period under review. Depending on how the easing of national and international restrictions progresses, the travel activities and therefore also the respective expenses this involves in the Fabasoft Group are expected to rise significantly in the forthcoming quarters. A rise is expected in the areas of contact with existing customers and project work and especially in sales and marketing activities and training (e.g. participation in international conferences).

Impact of the coronavirus outbreak
It was clearly seen in the course of the 2020/2021 fiscal year that the negative impacts of the COVID-19 pandemic on the global economy are and will continue to be enormous. The direct economic impact on the Fabasoft Group was still relatively limited in this period thanks to its hitherto strong business with existing customers. However, business with new customers was marked by a pronounced reticence to make investments, especially in the first quarter of the fiscal year. Although this situation improved a little with the upturn of the economic climate in the second quarter of the fiscal year, the renewed lockdown in the autumn of 2020 and its frustrating extension once again led to a more strongly noticeable reticence in customers and potential customers during the remainder of the fiscal year. The delays and postponements in the acquisition of new customers and in ongoing implementation projects experienced to some extent were a direct consequence of this and still remain possible.

It is currently impossible to forecast or quantify the medium-term impacts it will have on the Fabasoft business in the individual countries, due in particular to the fact that we neither know what course this pandemic will take or the imminent restrictions to be imposed to stop the spread of the pandemic, nor how and to what extent it will affect the economy as a whole or the Fabasoft customer sectors. For more information please refer to section 9.6 of the notes to the consolidated financial statements.

Conclusion
As a software and cloud company that successfully implements the core issues of the digital transformation with its extensive and field-proven range of products and services and based on our solid capital resources the Fabasoft Group should remain promisingly positioned even in a difficult market environment marked by the impacts of COVID-19.

Key existing customers also confirm that the joint, consistent, time and location-independent digital access to business documents and corporate processes was a decisive factor for them in successfully mastering the current restrictions and challenges (e.g. cross-company home office). Furthermore, Fabasoft has also registered enquiries from potential new customers who, due to the COVID-19-related working reality, have had to admit the limits of their past digitisation achievements. In particular speedy and efficient finding of information across system boundaries were expressed as requirements and goals.

This is contrasted by the danger that the impacts and repercussions on the overall economy and the relevant Fabasoft customer sectors will, at least temporarily, have a pronounced negative effect on the ability and willingness on the part of the companies concerned to invest even in strategic fields such as digitisation. A marked reticence and wariness was registered in particular in new business with potential customers, especially where high-volume contracts are concerned.

The all-important business with public sector clients was stabile in the period under review. However, at this juncture it is not possible to estimate how the combination of special pandemic-related expenses linked with lower tax revenues will affect the investment willingness and ability of public budgets. Even if – especially at the moment – digitisation is underscored politically as a strategic topic, at present no forecast can be made as to the actual form of pubic budgets in this area nor the timeframe within which such investments will be made.

The company achieved significant market-strategic milestones in the period under review: the outstanding position of Mindbreeze in the Gartner Magic Quadrant, the outstanding position of Fabasoft Approve in the ECM Leaders Quadrants of SoftwareReviews, the retrieval of the federal licence for Fabasoft eGov-Suite in Germany. These successes have resulted in a sharp rise in interest on the market and in customer enquiries. Further development will depend greatly on the extent and the speed with which this positive market response can also be realised in the form of correspondingly large (new) customer orders and in achieving further scaling of the business model.

Even in such a difficult environment, the company intends to take advantage of any opportunities that arise, for example in the recruiting of top-class talents or the pursuit of inorganic expansion and growth options.

Furthermore – and not least considering the solid cash position of the company – the pursuit of what we consider forward-looking and sustainable issues will be given priority over short-term profitability considerations.

3) Report on research and development within the Fabasoft Group (Fabasoft AG does not undertake any research or development)

In the period under review Fabasoft invested approx. 25.3 % of its sales revenue in research and development. There are dedicated product teams within the Fabasoft Group responsible for product-related research and for software development. The development activities of these teams are based on the agile method framework “Scrum”, with the aim of creating innovation and added value in compliance with the principles “quality, usability & style”. Regular feedback from existing customers, analyst meetings and continuous monitoring of the market are used for the early recognition of market trends and their integration into product development. Moreover, research topics were handled in international partnerships within the framework of digitisation.

Mindbreeze InSpire

The main focus at Mindbreeze in the 2020/2021 fiscal year was on intensive research and consistent further development in the field of artificial intelligence (AI) and its application for selected business areas. Core topics here included the optimisation of existing processes with a particular focus on the extensive use of the latest technological architectures (e.g. high-performance processor configurations working in parallel) and minimising the training of the neural models.

A significant part of the development concerned and continues to concern the ongoing improvement and simplification of 360-degree views for digital twins of a company or an organisation as well as their visualisation.

Where AI is concerned Mindbreeze worked on expanding the platform for natural language processing (NLP) and extending natural language understanding (NLU) applications. So not only customised solutions rely on the Mindbreeze platform with regard to AI, but also standard products from the Fabasoft Group such as Fabasoft Contracts.

Extensions were provided for administrators in the Management Centre, in particular to achieve more convenience for daily tasks.

Another key focus in the area of research and development was the expansion and scaling of data source connections (connectors). In addition to improving existing processes, the team also worked intensively here on new integration patterns for data sources such as ServiceNow or SharePoint Connector, Dropbox or Microsoft Dynamics CRM Online.

The development team also worked continuously and intensively on the issue of further simplifying handling of the overall system during commissioning, configuration and maintenance.

Fabasoft Mindbreeze Enterprise

Thanks to the expansion of search application components for charts and visualisations, user-friendly dashboards for information visualisation in the Fabasoft eGov-Suite and in Fabasoft Folio can be realised in the application context of these products.

Fabasoft Business Process Cloud

In the 2020/2021 fiscal year research and development focussed on the design and development of new functionalities for the digitisation of document-centric business processes. The possibility of signing documents digitally directly in the Fabasoft Business Process Cloud constituted a key focus in this respect. The use of digital signatures means contracts can be signed seamlessly without media discontinuity and corporate processes, such as the conclusion of contracts, designed even more efficiently. Media discontinuities due to the printing, signing and scanning of documents are now a thing of the past. Moreover, Cloud organisations can also store their own signature certificates, which are kept in Fabasoft Secomo, as well as insert visual signatures and text information in the signature process.

The Fabasoft Business Process Cloud was further developed as a digitisation platform in the period under review. To this end a new component architecture was evaluated and implemented. This constitutes a stable basis for higher quality and sustainable further development of the user interface. Microservices were implemented in the field of conversion. They are the basis for fast and efficient scaling of the Fabasoft Cloud services.

With the aim of enabling customers to adapt Fabasoft products to their own requirements without any special product know-how or programming knowledge, the team developed new concepts for the model-based definition of use cases and improved the existing graphic modelling tools (form editor, BPMN process editor).

Where Fabasoft Contracts was concerned, intensive research was carried out on a new AI technology for the automatic classification of contracts and automated recognition of structured data (contract partners, start, duration, period of notice, etc.) from contract documents. The centrepiece of this AI solution is a model trained with Mindbreeze InSpire that undergoes continuous further development.

Another focus of research and development was to support users with the development of data-centric processes by means of an optimised table handling mode, improved filtering of data or the redesign of view settings for the definition of table views. Application integration and the implementation of standard interfaces were reworked to achieve this. Users of Fabasoft teamrooms can now display these directly in the Microsoft Teams interface.

New self-service options are now available for the administration of Fabasoft Business Process Cloud tenants, in particular the configuration of single-sign-on variants with Active Directory and SAML 2.0. This allows customers to setup and activate these login methods themselves. The Fabasoft Business Process Cloud also offers the possibility of defining different authentication servers for different user groups.

The functionalities of the Fabasoft Business Process Cloud are also available in the releases of the Fabasoft Private Cloud (Appliance).

Fabasoft Secomo

The focus of development in the period under review was the adaptation on new platform features and improving testability. Improvements in the auto-update were also undertaken as well as in the support for the automatic monitoring of an update and preliminary work implemented for a containerisation of the service.

Fabasoft Folio

Research and development activities here in the 2020/2021 fiscal year once again concentrated on the optimisation of user-friendliness through the use of the new interface design and the entire re-design of use cases in the product. The newly designed Fabasoft Folio interface enables even more convenient access via different types of end devices and form factors (smartphone, tablet, PC etc.) and is fully compatible with accessibility requirements.

Xpublisher

The Xpublisher development team focussed on the further development of the product to a “Full-Managed service solution”, in order to offer customers faster installation and simpler maintenance of the Xpublisher editorial system. A change to “infrastructure as code” was undertaken where architecture is concerned as well as further improvement of the documentation. This enables faster demonstration for potential customers and proof of concepts can be implemented more quickly in the mid-term and based on standards.

A revised interface makes working with the system even more intuitive. The support of editors for technical documentation was also improved in the course of the revision.

With regard to product features for day-to-day operation, a target issue planning solution was developed to enable faster and clearer creation and implementation of new print products for customers. Where development is concerned a move into the Fabasoft IT infrastructure was undertaken, so this can be used as a highly secure development environment.

Xeditor

In the 2020/2021 fiscal year the Xeditor development team concentrated on even simpler and faster configuration to ensure more efficient implementation of proofs of concept and standardised integration at the customer. Additional features were also implemented, such as drag-and-drop and improved processing of tables, to make operation of Xeditor even more intuitive.

Fabasoft eGov-Suite

In the 2020/2021 fiscal year the Fabasoft eGov-Suite development team concentrated on modernising and expanding the register integration of public registers. It is now more convenient for users to conduct searches in the Central Register of Residents in Austria, for example. The resulting developer patterns will be used in future for the development of further register connections (address register, company register, ...).

A special focus of the research and development activities was on the field of intelligent document processing for the efficient assignment of business objects (record). A Mindbreeze InSpire integration uses machine learning to both classify documents (e.g. funding letters) and to extract metadata. This information serves to support users in the Fabasoft eGov-Suite and to boost the quality as well as the speed of processes.

Among other things the team also researched the issues “digital signature”, “departmental records” and “optimisations in workflow”. Partial results are already available for users in the latest version of the Fabasoft eGov-Suite.

The implementation of a dashboard for the visualisation of key performance indicators and other relevant information as an aid to day-to-day work were also undertaken in the period under review. A new aspect of this implementation is that previously calculated data are evaluated in a user context. This is of particular importance for organisational structures.

In addition to these activities the development team accompanied current innovation and roll-out projects at customers’ premises in order to collect product feedback from as close as possible to the customers.

Fabasoft app.telemetry

The Fabasoft app.telemetry development team concentrated their efforts in the 2020/2021 fiscal year on the extension of the integration in cloud platforms such as Prometheus or Kubernetes as well as on the expansion or updating of the supported platforms.

4) Report on the stock, purchase and sale of the company's own shares

Share buyback programme Fabasoft AG
No new share buyback programme has been started since the conclusion of the share buyback programme (in accordance with the authorisation of the Annual General Meeting on 6 July 2015).

As at 31 March 2020 the company held 277,257 treasury shares. This corresponds to approximately 2.52 % of the share capital or a proportionate amount of EUR 277,257.00.

In compliance with the authorisation of the Annual General Meeting on 1 July 2019, Fabasoft AG sold all of its 277,257 treasury shares on 20 April 2020 by way of a private placement to institutional investors under exclusion of the subscription rights to a placement price of EUR 23.50 per share. The transaction was more than doubly oversubscribed. The proceeds from the sale strengthen the company's equity base and serve the announced corporate interests.

No treasury shares were purchased in the 2020/2021 fiscal year.

As at 31 March 2021 Fabasoft AG held no treasury shares.

5) Reporting of significant features of the internal control and the risk management system with regard to the financial reporting process at Fabasoft AG and the Fabasoft Group

Information pursuant to Section 243a (2) of the Austrian Commercial Code

The Fabasoft Group has an extensive reporting system based on key figures for the early identification of risks. Finance is the organisational unit responsible for reporting. The data comprises strategic and operative figures that are put together for reporting on a monthly basis. The regular reviews between the Managing Board and the organisational units are used to coordinate the detailed plans for the overall plan, the target/actual comparison and an outlook for the following quarters. In addition to this an internal control system (ICS) has been established as follows: Fabasoft has installed an internal control system in the areas of Human Resources, Purchasing, Revenue Cycle and Tax that uses control points based on the two person principle and appropriate process definitions and guidelines to ensure that laws and standards are complied with and prevent dishonest and unlawful activities.

The ICS guidelines for Human Resources, Purchasing, Revenue Cycle and Tax have been thoroughly documented in writing and each one linked to a coordinated control matrix. These matrices contain all the automated and manual internal controls that must be carried out. The documents (ICS guideline and control matrix) are revised and updated once a year or as required in the event of fundamental changes. Observance of the control points is examined at regular intervals with random checks. Risk management and the internal control system (ICS) contain responsibilities and competencies, apply to all subsidiaries and are administered centrally from the Linz headquarters.

ICS Purchasing
The ICS Purchasing guideline regulates the procurement of goods and services for the entire Fabasoft Group. The aim of ICS Purchasing is to procure the required economic goods and services with the desired quality, in the right amount, with optimum prices and to schedule.

ICS Human Resources
The ICS Human Resources covers all processes in connection with personnel matters within the Fabasoft Group, from recruiting to the employee's last day at work. The aim is to ensure a legally compliant approach in all areas and aspects of human resources, promote employee qualifications and further development and ensure that the accounting procedures for salaries and non-wage labour costs are proper so that human resources are used effectively and economically.

ICS Revenue Cycle
The ICS Revenue Cycle describes all activities and controls within the Fabasoft Group concerning the generation of sales from market reviews and analyses to the receipt of payment from the customer. The aim is to use technology-supported and clearly defined and documented processes and responsibilities to standardise and verify the business activities in the Group's companies (performance status, execution, invoicing, payment, additional financial information).

ICS Tax
The tax control system (ICS Tax) covers all activities, processes and risks in connection with taxes within the Fabasoft Group. The targets it pursues are legal and planning security, reduction of tax risk through the earliest possible binding clarity in tax management for professional matters, reduction of compliance costs and ensuring the prompt and legally compliant levying of taxes.

Annual financial statements and consolidation
The annual financial statements of Fabasoft AG are drawn up in accordance with the Austrian Commercial Code stipulations in force by the Managing Board and approved by the Supervisory Board.

The consolidated financial statements of the Fabasoft Group are drawn up in accordance with the International Finan-cial Reporting Standards (IFRS), as applicable in the European Union (EU), and the commercial stipulations pursuant to Section 245a of the Austrian Commercial Code. The consolidated financial statements are drawn up by the Managing Board and presented to the Supervisory Board for approval and release prior to disclosure.

Interim consolidated financial statements are drawn up in accordance with the International Accounting Standard 34 (IAS 34) and disclosure follows approval by the Managing Board.

The Accounting Manual documents standards and guidelines to ensure smooth processes in accounting and balance sheet preparation. The guidelines specified therein are valid for accounting and balance sheet preparation at Fabasoft AG and its subsidiaries. Furthermore, the Accounting Manual also documents the consolidation process in writing.

The use of IT systems ensures the transparent and clear handling and audit-proof archiving of company data. The systems have interfaces that enable data exchange.

Budget and sales planning is carried out once a year by the managers of the organisational units and is approved by both the Managing and Supervisory Boards.

6) Information on capital, share, voting and control rights and associated obligations

Information pursuant to Section 243a (1) of the Austrian Commercial Code

1. The capital stock of Fabasoft AG is divided into 11,000,000 individual shares.

2. The Managing Board is not aware of any restrictions beyond the scope of legislation that concern voting rights or the transfer of shares.

3. The company has at its disposal the following records of capital interests amounting to at least 10 of one hundred: Fallmann & Bauernfeind Privatstiftung: 42.90 %, 4.46 % thereof indirect via FB Beteiligungen GmbH.

4. There are no shares with special control rights.

5. There is no control over voting rights of employees who are also shareholders.

6. None of the terms relating to the appointment and discharge of the members of the Managing Board deviate from legislation. Resolutions on article amendments in accordance with Section 146 (1) of the Austrian Stock Corporation Act – insofar the nature and purpose of the business is not affected - require a simple majority of the share capital represented at the resolution. The Supervisory Board is required to adhere to a rotation plan in which one member of the Supervisory Board is elected yearly.

7. Authority of the members of the Managing Board that does not arise from legislation and concerns in particular the possibility of issuing or buying back shares:

   Authorised capital:
   Further to the annual general meeting resolution of 29 June 2020 the Managing Board is authorised, pursuant to Section 169 (1) of the Austrian Stock Corporation Act, to increase capital stock by up to EUR 5,500,000.00 to reach a total of up to EUR 16,500,000.00 by 2 October 2025 (entry 56, commercial register FN 98699x at Linz provincial court).

   Acquisition of own shares in accordance with Section 65 (1) (4) of the Austrian Stock Corporation Act:
   Annual general meeting resolution of 29 June 2020 on the authorisation for the acquisition of own shares pursuant to Section 65 (1) (4) of the Austrian Stock Corporation Act for the purpose of issuing them to employees, company executives and members of the Managing Board of the company or an affiliated company for the period of 30 months and up to a maximum holding of 10 per cent of the total share capital of the company. The equivalent value permissible at repurchase must not exceed 10 % and must not be under 20 % of the average price at the close of Xetra trading on the Deutsche Börse AG of the last 5 stock exchange trading days prior to the fixing of the purchase price. Own shares purchased under the terms of this authorisation may not, when added to other own shares already purchased by the company and still in the company's possession, exceed 10 % of the capital stock of the company. The respective repurchase programme and its duration are to be made public.

   Acquisition of own shares in accordance with Section 65 (1) (8) of the Austrian Stock Corporation Act:
   Annual general meeting resolution of 29 June 2020 on authorisation for the acquisition of own shares pursuant to Section 65 (1) (8) of the Austrian Stock Corporation Act for the period of 30 months and up to a maximum holding of 10 per cent of the total share capital of the company. The equivalent value permissible at repurchase must not exceed 10 % and must not be under 20 % of the average price at the close of Xetra trading on the Deutsche Börse AG of the last 5 stock exchange trading days prior to the fixing of the purchase price. Own shares purchased under the terms of this authorisation may not, when added to other own shares already purchased by the company and still in the company's possession, exceed 10 % of the capital stock of the company. The respective repurchase programme and its duration are to be made public.

   This authorisation also encompasses the purchase of shares by subsidiaries of Fabasoft AG (Section 66 Austrian Stock Corporation Act). The purchase can be effected via the stock exchange, by way of a public offering or any other legally permissible means and for every legally permissible purpose.

   The Managing Board is further authorised to withdraw own shares after an effected buyback as well as those own shares part of the stock of Fabasoft AG without requiring a separate resolution from the annual general meeting. The Supervisory Board is authorised to resolve any amendments to the articles arising from the withdrawal of shares.

   This authorisation may be exercised in full or in part as well as in several parts.

   Utilisation and sale of own shares:
   Resolution of the annual general meeting from 29 June 2020 concerning the authorisation, subject to the approval of the Supervisory Board and without the need of a separate resolution from the annual general meeting, to sell or utilise within 5 years, up to and including 29 June 2025, own shares after an effected buyback as well as those own shares of Fabasoft AG part of the stock of Fabasoft AG in a form other than via the stock exchange or by means of a public offering, in particular to utilise own shares

(i) for issue to employees, company executives and/or members of the Managing Board/Management of the company or an affiliated company, including servicing of stock transfer programmes, in particular stock options, Long Term Incentive Plans or other participation programmes;

(ii) to service if necessary any convertible bonds issued;

(iii) as consideration for the acquisition of companies, stakes in companies or other assets and

(iv) for any other legally permissible purpose; and to hereby exclude shareholders' subscription rights (exclusion of subscription rights), whereby the authorisation may be exercised in full or in part as well as in several parts and for the pursuit of several purposes. Within this framework, the Managing Board shall also have the possibility of offering the shares by means of indirect subscription rights, i.e. via an intermediary credit institution. In this case the intermediary credit institution assumes the new shares with the obligation of offering these to shareholders for subscription.

8. With the exception of the information specified under section 9, significant agreements of the company which, as a result of a change of control in the company due to a takeover bid, become effective, change or terminate, and the effects of such agreements, are not disclosed, as this would be extremely damaging to the company, and other legal stipulations state that the company is not expressly obliged to disclose such information.

9. No compensation agreements exist between the company and the members of its Managing Board, Supervisory Board or workforce in the event of a public takeover bid.

Linz, 7 June 2021

Prof. Dipl.-Ing. Helmut Fallmann (original signature) Leopold Bauernfeind (original signature)

Managing Board Fabasoft AG

ANNUAL FINANCIAL STATEMENTS

Auditor´s Report

Report on the Financial Statements

Basis for our Opinion
We have audited the financial statements of Fabasoft AG, Linz, which comprise the balance sheet as at 31 March 2021, the income statement for the year then ended, and the notes.

In our opinion, the financial statements comply with the legal requirements and present fairly, in all material respects, the financial position of the Company as at 31 March 2021 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles.

Basis for our Opinion
We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Emphasis of matter
The annual financial statements of Fabasoft AG for the fiscal year ending 31 March 2020 have been audited by another auditor who gave an unqualified opinion on 26 May 2020 to these financial statements.

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

Impairment of shares in affiliated companies and receivables from affiliated companies

Please refer to the notes in the accounting and evaluation methods to financial assets and to receivables and other assets as well as in the notes to the balance sheet and statement of fixed assets as at 31 March 2021.

- **Risk for the annual financial statements**
  Shares in affiliated companies (18.4 Mio. EUR) und receivables from affiliated companies (16.5 Mio. EUR) are reported in the annual financial statements of Fabasoft AG as at 31 March 2021.

  For all significant shares in affiliated companies Fabasoft AG assesses whether there are grounds to believe there is a materially lower fair value.

  If such grounds exist, a company valuation is carried out for the affiliated company concerned and the carrying value of the shares depreciated based on the findings of the company valuation.

  The assessment of whether there are grounds to believe there is a materially lower fair value as well as the impairment of shares in affiliated companies and receivables from affiliated companies requires estimates and assessments on the part of the legal representatives.

  Due to these estimates and assessments the annual financial statements are subject to the risk that shares in and receivables from affiliated companies are not properly assessed and as a consequence the annual financial statements not accurately determined. The significant risk involved here lies in particular in the assessment of future cashflows, upon which the determination of impairment is based. These cashflow estimates include assumptions that are influenced by the future market and economic development.

- **Our audit approach**
  During the audit of the impairment of shares in affiliated companies and receivables from affiliated companies we carried out the following audit procedures:

- We verified the company's analysis of the grounds for a possible materially lower fair value (including coverage of the investment amount by the proportion of equity capital) of the shares in an affiliated company. We also discussed in talks with the legal representatives whether there are any additional grounds for a materially lower fair value of shares in an affiliated company.

- In order to assess the appropriateness of the underlying internal planning, we gained an understanding of the planning process and the design and implementation of the respective internal controls and reconciled the planning data upon which the assessment is based with the current budget figures approved by the Supervisory Board and the medium-term planning.

- We discussed the key assumptions for value determination with the competent employees.

- We assessed the planning accuracy by comparing the planning undertaken in the previous years with the actually occurred values.

- With the assistance of our valuation specialists we verified and assessed the methods for executing the impairment test and determining the cost of capital rates with regard to whether these are consistent with the relevant standards. We assessed the assumptions used to determine the cost of capital rates by reconciling them with market and branch-specific benchmarks with regard to their appropriateness and checked the numerical correctness of the calculation scheme.

- Furthermore, with regard to receivables from affiliated companies, which were not already covered by the valuation of the shares in affiliated companies, we checked by means of analyses of overdue payments whether there is a need for a value adjustment for these items. In this context we took the financial situation of the affiliated companies into account.

- Finally we examined whether the disclosures of Fabasoft AG to financial assets and receivables from affiliates are complete and appropriate in the notes.

Other Information
Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also 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
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 audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in 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 AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements 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.

- We 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 entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We 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 audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit 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.

- We evaluate the overall presentation, structure and content of the financial statements, including the notes, 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, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report
In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports.

- **Opinion**
  In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

- **Statement**
  Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 AP Regulation
We were elected as auditors at the Annual General Meeting on 29 June 2020 and were appointed by the supervisory board on 25 September 2020 to audit the financial statements of Company for the financial year ending on 31 March 2021.

We have been auditors of the Company since the financial statements at 31 March 2021.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr Mag. Christoph Karer.

Linz, 7 June 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

qualified electronically signed :

Mag. Christoph Karer
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We, Prof. Dipl.-Ing. Helmut Fallmann and Leopold Bauernfeind, as Members of the Management Board and legal representatives of Fabasoft AG, both hereby confirm that to the best of our knowledge, the annual financial statements of the parent company drawn up in accordance with the applicable accounting principles present the truest and fairest view possible of the asset, financial and profit position of the company and that the course of business, operating profit and the situation of the company are presented in the Management Report in such a way that they present the truest and fairest view possible of the asset, financial and profit situation and that the Management Report also defines all significant opportunities, risks and uncertainties with which the company is confronted.

Linz, 7 June 2021
Managing Board Fabasoft AG

Prof. Dipl.-Ing. Helmut Fallmann (original signature)
Member of the Managing Board

Leopold Bauernfeind (original signature)
Member of the Managing Board

REPORT OF THE SUPERVISORY BOARD OF FABASOFT AG

The Supervisory Board has fulfilled its responsibilities according to the provisions of law and the articles of incorporation in four sessions and two audit committee sessions in the 2020/2021 fiscal year. The report of the Managing Board was easily comprehensible thanks to the clarity and transparency of the reporting and was supported by very informative handouts at every meeting. Information and reporting were based on facts and figures and included both the course of business as well as business development and other material corporate issues. Informal talks and exchanges of information between the Supervisory Board and the Managing Board also took place in addition to this formal meeting convoked with agenda.

Major issues reported, discussed and scrutinised by the Supervisory Board were the business performance in the respective quarters, the deviation analysis (in particular with regard to the budget), sales activities, investments, locations, personnel development and the corporate and business development in general and in this context a focus was also placed on sales activities. As is the case every year, the budget for the forthcoming 2021/2022 fiscal year was submitted to the audit committee and the Supervisory Board for discussion, opinion forming and approval. The COVID-19 pandemic presented a particular challenge in the previous fiscal year, especially at the beginning of the fiscal year when it was important to make the right corporate decisions for averting or avoiding the impacts as best as possible.

The auditors appointed for Fabasoft AG, KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and the audit committee of the company's Supervisory Board have audited the annual financial statements in accordance with the Austrian Commercial Code as at 31 March 2021 (balance sheet, income statement including notes and management report).

The consolidated financial statement as at 31 March 2021 in accordance with IFRS (balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity including notes and management report) was likewise audited by KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and by the company's audit committee.

The audit of the annual financial statements and the consolidated financial statements did not give rise to any objections and both have been awarded an audit certificate. The audit committee of the company's Supervisory Board likewise raised no objections. Additionally, the Supervisory Board has taken note of the Corporate Governance Report. The auditor reports compiled in compliance with Art. 11 of Regulation (EU) No. 537/2014 on the auditing of the annual financial statement pursuant to the Austrian Commercial Code or rather the consolidated annual statements pursuant to IFRS of Fabasoft AG to 31 March 2021 respectively were discussed, handled and recognised by the audit committee and the auditor jointly. The separate remuneration report was also prepared and the subject of the monitoring activity of the committee.

The Supervisory Board has approved the annual financial statements and the appropriation of the result proposed by the Managing Board in its meeting on 8 June 2021. The annual financial statements are hereby approved.

Linz, June 2021

Dr. Friedrich Roithmayr (original signature)
Chairman of the Supervisory Board